ALTIUS MINERALS CORPORATION

Consolidated Financial Statements
For the years ended
April 30, 2010 and 2009

ALTIUS MINERALS CORPORATION

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Auditors' Report

To the Shareholders of
Altius Minerals Corporation

We have audited the consolidated balance sheets of Altius Minerals Corporation as at April 30, 2010 and 2009 and the consolidated statements of earnings, shareholder’s equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at April 30, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
St. John’s, Newfoundland and Labrador
June 25, 2010

ALTIUS MINERALS CORPORATION

Consolidated Balance Sheets

(In thousands of dollars)

As at April 30,

	2010	2009
	$	$
Assets		
Current assets		
Cash and cash equivalents	**55,492**	79,331
Marketable securities	**112,018**	78,420
Accounts receivable and prepaid expenses	**302**	1,259
Income taxes receivable	**3,014**	146
	170,826	159,156
Mineral properties and deferred exploration costs (Note 4)	**7,588**	7,014
Royalty interest in mineral property (Note 5)	**11,199**	11,578
Property and equipment (Note 6)	**165**	444
Equity investments and loans (Note 7)	**3,065**	3,600
Mining and mineral related investments (Note 8)	**30,715**	7,086
	223,558	188,878
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	**1,290**	697
Future income taxes (Note 9)	**234**	733
	1,524	1,430
Future income taxes (Note 9)	**5,952**	436
	7,476	1,866
Shareholders' Equity	**216,082**	187,012
	223,558	188,878

Commitments (Note 20)

Contingent liability (Note 21)

Subsequent event (Note 22)

Approved by the Board,

"John A. Baker", Director "Brian F. Dalton", Director

see accompanying notes to the consolidated financial statements

ALTIUS MINERALS CORPORATION

Consolidated Statements of Earnings

(In thousands of dollars, except per share amounts)

For the years ended April 30,

	2010	2009
	$	$
Revenue		
Royalty	**1,654**	4,088
Interest and investment income	**1,171**	4,954
Other	**346**	346
	3,171	9,388
Expenses		
General and administrative	**4,398**	2,573
Stock-based compensation (Note 12)	**1,304**	887
Mineral properties abandoned or impaired (Note 4)	**995**	611
Amortization	**513**	968
Royalty tax	**331**	818
	7,541	5,857
(Loss) earnings before the following	**(4,370)**	3,531
Gain on disposal of mining and mineral related investments	**28,741**	-
Gain on disposal of mineral property	**499**	-
Dilution gain on issuance of shares by equity investment	**291**	-
Share of (loss) in equity investments	**(350)**	(438)
Interest and financing charges	**-**	(1,334)
Gain on settlement of equity forward	**-**	38,180
Impairment provision on equity investments	**-**	(2,170)
Write-down of mining and mineral related investments	**-**	(2,907)
Change in fair value of share purchase warrants	**-**	(14)
Earnings before income taxes	**24,811**	34,848
Income taxes (Note 9)		
current	**(181)**	2,375
future	**4,029**	3,972
	3,848	6,347
Net earnings	**20,963**	28,501
Net earnings per share (Note 11)		
- basic	**0.74**	0.97
- diluted	**0.73**	0.97

see accompanying notes to the consolidated financial statements

ALTIUS MINERALS CORPORATION

Consolidated Statements of Cash Flows

(In thousand of dollars)

For the years ended April 30,

	2010	2009
	$	$
Operating activities		
Net earnings	**20,963**	28,501
Items not affecting cash (Note 15)	**(22,340)**	(25,133)
	(1,377)	3,368
Change in non-cash operating working capital (Note 15)	**(645)**	6,562
	(2,022)	9,930
Financing activities		
Proceeds from issuance of share capital	**1,148**	357
Repurchase of common shares	**(331)**	(15,214)
	817	(14,857)
Investing activities		
Proceeds from disposal of investments	**38,125**	**-**
Mineral properties and deferred exploration costs, net of recoveries	**(2,236)**	(4,886)
Investment in marketable securities	**(33,598)**	(78,420)
Acquisition of mining and mineral related investments	**(25,078)**	(279)
Acquisition of property and equipment	**144**	(355)
Other	**9**	26
	(22,634)	(83,914)
Net decrease in cash and cash equivalents	**(23,839)**	(88,841)
Cash and cash equivalents, beginning of year	**79,331**	168,172
Cash and cash equivalents, end of year	**55,492**	79,331

Cash and cash equivalents consist of:		
Deposits with banks	**694**	727
Short-term investments	**54,798**	78,604
	55,492	79,331

Supplemental cash flow information (Note 15)

see accompanying notes to the consolidated financial statements

ALTIUS MINERALS CORPORATION

Consolidated Statements of Shareholders' Equity

(In thousands of dollars, except share amounts)
For the year ended April 30, 2010

	Common Shares (Note 10) #	Common Shares (Note 10) $	Contributed Surplus $	Accumulated Other Comprehensive Earnings (Note 14) $	Retained Earnings $	Total Shareholders' Equity $
Balance, beginning of year	**28,371,195**	**71,813**	**3,204**	**(4,348)**	**116,343**	**187,012**
Comprehensive earnings (loss):						
Net earnings	-	-	-	-	20,963	20,963
Currency translation adjustment (net of income taxes of $71)	-	-	-	(404)	-	(404)
Net unrealized gains on available-for-sale investments (net of income taxes of $5,478)	-	-	-	31,169	-	31,169
Reclassification adjustment for gains on available-for-sale investments recognized in net earnings (net of income taxes of $4,401)	-	-	-	(25,038)	-	(25,038)
Total comprehensive earnings						26,690
Shares repurchased under normal course issuer bid	(55,300)	(140)	-	-	(191)	(331)
Stock-based compensation	-	-	1,304	-	-	1,304
Stock-based compensation applied to mineral properties	-	-	259	-	-	259
Shares issued under stock option plan	235,000	1,751	(603)	-	-	1,148
Balance, end of year	**28,550,895**	**73,424**	**4,164**	**1,379**	**137,115**	**216,082**

see accompanying notes to the consolidated financial statements

ALTIUS MINERALS CORPORATION

Consolidated Statements of Shareholders' Equity (continued)

(In thousands of dollars, except share amounts)

For the year ended April 30, 2009

	Common Shares (Note 10) #	Common Shares (Note 10) $	Contributed Surplus $	Accumulated Other Comprehensive Earnings (Note 14) $	Retained Earnings $	Total Shareholders' Equity $
Balance, beginning of year	30,925,725	77,933	2,197	29,829	96,342	206,301
Comprehensive earnings (loss):						
Net earnings	-	-	-	-	28,501	28,501
Currency translation adjustment (net of income taxes of $5)	-	-	-	(574)	-	(574)
Net unrealized losses on available-for-sale investments (net of income taxes of $1,680)	-	-	-	(5,461)	-	(5,461)
Reclassification adjustment for gains on available-for-sale investments recognized in net earnings (net of income taxes of $556)	-	-	-	(2,812)	-	(2,812)
Unrealized gain on derivative financial instrument designated as a cash flow hedge (net of income taxes of $1,299)	-	-	-	6,593	-	6,593
Reclassification adjustment for gain on derivative financial instrument designated as a cash flow hedge recognized in net earnings (net of income taxes of $6,308)	-	-	-	(31,923)	-	(31,923)
Total comprehensive earnings (loss)						(5,676)
Shares repurchased under normal course issuer bid	(2,659,530)	(6,714)	-	-	(8,500)	(15,214)
Stock-based compensation	-	-	887	-	-	887
Stock-based compensation applied to mineral properties	-	-	357	-	-	357
Shares issued under stock option plan	105,000	594	(237)	-	-	357
Balance, end of year	28,371,195	71,813	3,204	(4,348)	116,343	187,012

see accompanying notes to the audited consolidated financial statements

1. NATURE OF OPERATIONS

Altius Minerals Corporation's (the "Corporation") principal business activities include the generation and acquisition of projects involving natural resources. The Corporation prefers to generate alliances or corporate structures related to the opportunities it generates, which results in the Corporation carrying minority and non-operating project or equity interests and/or royalty interests.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation and principles of consolidation

The consolidated financial statements are prepared in accordance with Canadian generally accepted account principles ("GAAP") and include the accounts of the Corporation and its wholly owned subsidiary, Altius Resources Inc. and 10% of the assets, liabilities, revenue and expenses of Labrador Nickel Royalty Limited Partnership, of which the Corporation owns 10% of the outstanding units. All inter-company transactions have been eliminated upon consolidation.

Cash and cash equivalents

Cash and cash equivalents consists of amounts on deposit with banks and short-term investments in money market instruments that are readily convertible to cash with original maturities of three months or less at the time of purchase. Cash and cash equivalents are classified as held for trading and are adjusted to fair market value at each balance sheet reporting date, with the corresponding adjustment going to current period earnings.

Marketable securities

Marketable securities consist of Canadian government guaranteed and corporate backed commercial paper, bonds and marketable securities with original maturities of greater than three months at the time of purchase. All marketable securities are classified as held for trading and are adjusted to fair market value at each balance sheet reporting date, with the corresponding adjustment going to current period earnings.

Investments

Investments in companies over which the Corporation exercises significant influence are accounted for using the equity method. Mining and mineral related investments under which the Corporation cannot exert significant influence are recorded initially at cost and adjusted to reflect changes in the fair value. All mining and mineral related investments are classified as available for sale and any subsequent changes in the fair value are recorded in other comprehensive earnings. If in the opinion of management there has been a decline in value of the investment below the carrying value that is considered to be other than temporary, the valuation adjustment is recorded in net earnings in the period of determination. The fair value of the investments is based on the quoted market price on the closing date of the period.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Loans and receivables

Financial assets which are classified as loans and receivable are measured at amortized cost using the effective interest method, which corresponds to par value due to their short-term maturity.

Mineral properties and deferred exploration costs

The Corporation defers costs for mineral properties and deferred explorations costs when the Corporation has the legal right to explore for mineral deposits. General prospecting and exploration costs incurred prior to the staking of specific mineral claims are expensed immediately ("Genex"). Mineral properties and deferred exploration costs include the direct costs of acquiring, maintaining, exploring and developing properties, an allocation of salaries based on time spent, an allocation of stock-based compensation costs based on time spent, and other costs directly related to specific properties. Mineral properties acquired for share consideration are recorded at the fair value of the shares at the date of acquisition.

Incidental revenue and cost recoveries relating to mineral properties are recorded first as a reduction of the specific mineral property and deferred exploration costs to which the fees and payments relate, and any excess as other revenue on the consolidated statement of earnings.

Management reviews the carrying values of mineral properties and deferred exploration costs on a quarterly basis. A decision to abandon, reduce or expand activity on a specific project is based upon many factors including general and specific assessments of mineral reserves, anticipated future mineral prices, anticipated costs of developing and operating a producing mine, the expiration date of mineral property leases, and the general likelihood that the Corporation will continue exploration on the project. The Corporation does not set a pre-determined holding period for properties with unproven reserves. However, properties which have not demonstrated suitable prospects at the conclusion of each phase of an exploration program are re-evaluated to determine if further exploration is warranted and the carrying values are appropriate.

If a mineral property is abandoned or it is determined that its carrying value cannot be supported by future production or sale, the related costs are charged against operations in the year of abandonment or impairment of value. The amounts recorded as mineral properties and deferred exploration costs represent unamortized costs to date and do not necessarily reflect present or future values.

The accumulated costs of mineral properties and deferred exploration costs that are developed to the stage of commercial production will be amortized to operations on a units-of-production basis over the life of the economically recoverable reserves.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Royalty interest in mineral property

Royalty interest in mineral property includes the acquired royalty interest in a production stage mineral property. The production stage royalty interest is recorded initially at its cost and is being amortized using the units of production method over the life of the mineral property, which is determined using available estimates of proven and probable reserves.

Asset retirement obligations

The Corporation recognizes a liability for retirement obligations associated with long-lived assets, which includes the abandonment of mineral properties and costs required to return the property to its original condition.

The Corporation recognizes the fair value of the liability for an asset retirement obligation in the period in which it is incurred and records a corresponding increase in the carrying value of the related long-lived asset. Fair value is estimated using the present value of the estimated future cash outflows to abandon the asset at the Corporation's credit adjusted risk-free interest rate. The liability is subsequently adjusted for the passage of time, and is recognized as an accretion expense in the consolidated statement of earnings. The liability is also adjusted due to revisions in either the timing or the amount of the original estimated cash flows associated with the liability. The increase in the carrying value of the asset is amortized on the same basis as mineral properties and deferred exploration costs.

The Corporation has not incurred any asset retirement obligations relating to its activities to April 30, 2010.

Property and equipment

Property and equipment is initially recorded at cost and amortized over its estimated useful life. Amortization is provided using the declining balance method at the following annual rates:

Computer equipment and software	30% - 100%
Geological equipment	30%
Office equipment	20%
Building	4%

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

Revenue is recognized when the services are provided, when persuasive evidence of an arrangement exists, the fixed price is determinable, and there is reasonable assurance of collection. Interest income is recognized on an accrual basis. Royalty revenue is recognized when management can estimate the amount receivable from mine operations pursuant to the terms of the royalty agreement and when collection is reasonably assured.

Income taxes

The Corporation follows the liability method of accounting for income taxes. Under this method, future income taxes are recognized based on the expected future tax consequences of differences between the carrying amount of balance sheet items and their corresponding tax basis, using the substantively enacted income tax rates for the years in which the differences are expected to reverse. Future income tax assets are recognized to the extent it is more likely than not they will be realized.

Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at exchange rates in effect at the balance sheet date for monetary items and at exchange rates prevailing at the transaction date for non-monetary items. Revenue and expenses are translated at the average exchange rates prevailing during the period. Gains and losses on translation of monetary assets and liabilities are included in the determination of net income for the year.

Self–sustaining subsidiaries and equity investments with non-Canadian dollar functional currencies are accounted for using the current rate method, whereby the assets and liabilities are translated at the rate in effect at the balance sheet date and the revenue and expenses are translated using the average exchange rate for the period. The resulting translation adjustment is recorded as a separate component of accumulated other comprehensive earnings until there is a reduction in the net investment.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Stock-based compensation

Stock options granted to employees, directors and non-employees are accounted for using the fair value method. The compensation cost for options granted is determined based on the estimated fair value of the stock options at the time of the grant using the Black-Scholes option pricing model and is amortized over the vesting period with an offset to contributed surplus. When options are exercised, the corresponding contributed surplus and the proceeds received by the Corporation are credited to share capital.

Diluted earnings per share

Diluted earnings per share is calculated using the treasury stock method, whereby it is assumed that proceeds received on the exercise of in-the-money stock options and warrants are used to repurchase the Corporation's shares at the average market price during the period.

Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities and the reported amounts of revenues and expenses during the reporting period. Areas requiring the use of management estimates include the rates for amortization of the royalty interest, future income taxes, assessments of the recoverability of deferred exploration expenditures, the carrying value of the equity investments, the recoverability of accounts receivable and loans, the determination of the provision for future removal and site restoration costs, and the assumptions used in the determination of the fair value of stock-based compensation.

By their nature, these estimates are subject to measurement uncertainty and the effect on the consolidated financial statements from changes in such estimates in future periods could be significant.

Goodwill and Intangible Assets

Commencing May 1, 2009 the Corporation adopted Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3064, "Goodwill and Intangible Assets", which replaced Section 3062, "Goodwill and Intangible Assets", and Section 3450, "Research and Development Costs". Section 3064 establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. This standard did not have a material impact on the Corporation's consolidated financial statements.

3. NEW AND FUTURE ACCOUNTING PRONOUNCEMENTS

International Financial Reporting Standards ("IFRS")

On February 13, 2008, the Canadian Accounting Standards Board confirmed that publicly accountable entities will be required to prepare financial statements in accordance with IFRS for interim and annual financial statements for fiscal years beginning on or after January 1, 2011 with appropriate comparative data from the prior year. Under IFRS, there is significantly more disclosure required, specifically for quarterly reporting. Further, while IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences in accounting policies that will need to be addressed by management. The Corporation is currently evaluating the impacts of the conversion on its consolidated financial statements and is determining accounting policy choices available under IFRS.

Business Combinations

In January 2009, the CICA issued CICA Handbook Section 1582, Business Combinations, Section 1601, Consolidated Financial Statements, and Section 1602, Non-controlling Interests, which superseded Section 1581, Business Combinations, and Section 1600, Consolidated Financial Statements. CICA Handbook Section 1582, Business Combinations, replaces the former Section 1581, and establishes standards for the accounting for a business combination. It provides the Canadian equivalent to IFRS 3, Business Combinations (January 2008). This Section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011.

CICA Handbook Section 1601, Consolidated Financial Statements, together with the new Section 1602, Non-Controlling Interests, replaces the former Section 1600, Consolidated Financial Statements. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS 27, Consolidated and Separate Financial Statements, (January 2008). Both sections apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011.

Earlier adoption is permitted as of the beginning of a fiscal year. All three sections must be adopted concurrently. The Corporation evaluated the impact of the adoption of these sections to determine if early adoption is appropriate and determined that no material impact is expected.

(Unless otherwise indicated, tabular amounts in thousands of dollars, except per share amounts)

4. MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS

Project	Note	As at April 30, 2009	Additions, net of recoveries	Abandoned or impaired	As at April 30, 2010
		$	$	$	$
Labrador					
Kamistaitusset - Iron Ore	a	2,241	(391)	-	**1,850**
Labrador Trough - Base Metals	b	604	43	(14)	**633**
Natashquan River - Nickel		241	58	-	**299**
Notakwanon River - Uranium	c	126	13	-	**139**
Nuiklavik - Uranium	d	69	(67)	(2)	**-**
Labrador West - Iron Ore	e	14	2	(1)	**15**
Alexis River - Uranium	f	-	-	-	**-**
Red Cross Lake South		-	19	-	**19**
Wabush - Silica	g	-	2	(2)	**-**
Other		-	135	(19)	**116**
Newfoundland					
Topsails - Uranium/Copper	h	835	241	(21)	**1,055**
Viking - Gold	i	39	(39)	-	**-**
Rocky Brook - Uranium	j	40	45	-	**85**
Mustang Trend - Gold		37	91	-	**128**
White Bay - Gold		24	41	(3)	**62**
Boxey - Uranium	k	20	41	(61)	**-**
Moosehead - Gold	l	15	43	-	**58**
St. George's Bay - Potash	m	-	-	-	**-**
Taylor Brook - Nickel	n	-	14	-	**14**
South Tally Pond - Base metals	o	-	-	-	**-**
Other		4	90	(26)	**68**
New Brunswick and Nova Scotia					
New Brunswick Oil Shale	p	2,287	594	-	**2,881**
New Brunswick Potash		-	3	(3)	**-**
Nova Scotia Potash		86	76	(162)	**-**
General Exploration					
GENEX - General Exploration		-	628	(628)	**-**
Security Deposits	q	332	(113)	(53)	**166**
Grand Total		**7,014**	**1,569**	**(995)**	**7,588**

(Unless otherwise indicated, tabular amounts in thousands of dollars, except per share amounts)

4. MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS (CONTINUED)

Project	Note	As at April 30, 2008	Additions, net of recoveries	Abandoned or impaired	As at April 30, 2009
		$	$	$	$
Labrador					
Kamistaitusset - Iron Ore	a	380	1,861	-	2,241
Labrador Trough - Base metals	b	130	475	(1)	604
Natashquan River - Nickel		131	110	-	241
Notakwanon River - Uranium	c	128	11	(13)	126
Nuiklavik - Uranium	d	74	(5)	-	69
Labrador West - Iron Ore	e	7	7	-	14
Alexis River - Uranium	f	-	-	-	-
Wabush - Silica	g	1	3	(4)	-
Other		131	167	(298)	-
Newfoundland					
Topsails - Uranium/Base Metals	h	175	681	(21)	835
Viking - Gold	i	58	(19)	-	39
Rocky Brook - Uranium	j	40	-	-	40
Mustang Trend - Gold		32	5	-	37
White Bay - Gold		-	24	-	24
Boxey - Uranium	k	-	20	-	20
Moosehead - Gold	l	13	2	-	15
St. George's Bay - Potash	m	26	(26)	-	-
Berry Hills - Uranium		-	2	(2)	-
Taylor Brook - Nickel	n	17	(17)	-	-
South Tally Pond - Base metals	o	-	-	-	-
Other		16	(1)	(11)	4
New Brunswick and Nova Scotia					
New Brunswick Oil Shale	p	481	1,806	-	2,287
Nova Scotia Potash - Potash		-	86	-	86
General Exploration					
GENEX - General Exploration		-	115	(115)	-
Security Deposits	q	677	(199)	(146)	332
Grand Total		**2,517**	**5,108**	**(611)**	**7,014**

4. MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS (CONTINUED)

The Corporation acquires mineral properties through staking and from third party vendors. In addition, the Corporation sells some or a portion of its mineral properties to third parties in exchange for exploration expenditures, royalty interests, and cash and share based payments. The underlying agreements on each of the respective properties is as follows:

a - Kamistaitusset

The Corporation entered into an agreement with a private company in November 2009 that was subsequently transferred to Alderon Resources Inc. (“Alderon”), a publicly traded company listed on the TSX Venture exchange. Under the terms of the agreement, Alderon must incur exploration expenditures totaling $5 million over a two-year period and must meet financing to earn 100% of the Kamistaitusset Property. Upon completion of the required exploration expenditures, the Corporation will transfer its 100% interest in the property to Alderon in exchange for a 3% gross sales royalty and approximately 32 million common shares of Alderon, representing approximately a 46% interest in Alderon. The agreement remains in good standing and all of the financing requirements have been met.

b - Labrador Trough

The Corporation signed an alliance agreement with Cornerstone Capital Resources Inc. (“Cornerstone”) in June 2008 to explore for copper and other base metal deposits in the Labrador Trough area of western Labrador and southeastern Quebec. Both companies contributed their respective mineral land holdings and have conjointly staked additional claims and will contribute equally to fund exploration programs. Cornerstone is the project operator. The companies are soliciting expressions of interest from major mining companies to enter into an earn-in/joint venture agreement on this property.

c - Notakwanon River

In May 2010 Golden Cross withdrew from an agreement to earn a 50% interest in the Notakwanon property by spending $3,500,000 on exploration expenditures by August 2013 and by granting the Corporation 2,500,000 shares. The Corporation is currently seeking a new partner to perform further exploration on this property.

d - Nuiklavik

In June 2009 Golden Cross withdrew from an agreement to earn a 50% interest in the Nuiklavik uranium/rare earth elements project in central Labrador. In January 2010, the Corporation sold 100% of this property to Rare Element Resources Limited (“Rare Element”) in exchange for 200,000 common shares and a 2% gross overriding royalty interest. The gross overriding royalty is subject to a 1% buyback for $2.5 million at any time.

4. MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS (CONTINUED)

e - Labrador West

Rio Tinto Exploration Canada Inc. (formerly named Kennecott Exploration Company) signed an agreement in December 2008 whereby they may earn up to a 51% interest in the Labrador West mineral properties by incurring $3,000,000 in exploration expenditures by December 2011 or may earn a 70% interest in the properties by incurring $7,000,000 in exploration expenditures by December 2013. This project is subject to 3% gross overriding royalty in favor of the Corporation, subject to a buy-back of 1% for $10,000,000 on or before the tenth anniversary of the agreement. The agreement remains in good standing.

f - Alexis River

Kirrin Resources Limited (“Kirrin”) (formerly named Monroe Minerals Inc.) signed an agreement in July 2007 whereby they may earn up to a 60% interest in the Corporation’s Alexis River uranium project in southeast Labrador by paying up to 250,000 shares and spending up to $1,250,000 on exploration by July 2011. This project is also subject to royalties in favor of the Corporation. The Corporation has received 150,000 shares to date and the agreement remains in good standing.

g - Wabush

The Corporation dropped its rights to the Wabush silica property in western Labrador during the current year.

h - Topsails

The Corporation and JNR Resources Inc. (“JNR”) signed a 50/50 cost shared agreement in September 2007 to explore for volcanic-hosted uranium and copper deposits in a defined area in central Newfoundland. In return for generating the project, the Corporation has retained a 2% gross sales royalty on uranium products and a 2% net smelter return on all other commodities.

i – Viking

The Corporation acquired the rights to the Viking gold property in Western Newfoundland in February 2006 by paying $30,000 to a prospector. As part of the acquisition there is an underlying 1% net smelter return that can be reduced to 0.5% by paying an additional $500,000 to the prospector.

Northern Abitibi Mining Corp. (“Northern Abitibi“) earned a 100% interest in the Corporation’s Viking gold project by issuing 1,115,000 shares of Northern Abitibi and spending $1,200,000 on exploration expenditures by November 2009. The Corporation retained a 2 to 4 % sliding scale net smelter return royalty tied to the price of gold. Upon earn-in, the original net smelter return obligation of the initial property acquisition agreement was assumed by Northern Abitibi.

4. MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS (CONTINUED)

j - Rocky Brook

The Corporation acquired the rights to the Rocky Brook uranium property in western Newfoundland in April 2001 by making payments of $2,400 and 75,000 common shares over a three year period. The acquisition agreement is also subject to an underlying 2% net smelter return royalty that can be reduced to 1% with an additional $1,000,000 payment.

JNR earned a 70% interest in the Rocky Brook property by spending $2,525,000 on exploration expenditures by December 2008, and making a payment of 125,000 shares and other cash or share payments over the four year period totaling $172,000. Upon earn-in, the net smelter return obligation of the initial property acquisition agreement became an obligation of the joint venture. The Corporation did not participate in the most recent current exploration program and therefore expects its ownership interest to be reduced accordingly.

k - Boxey

The Corporation dropped its rights to the Boxey property during the current year and subsequently terminated an agreement to acquire a 100% interest in the Boxey property located in the southeastern island portion of Newfoundland and Labrador through an agreement signed in January 2008 for cash payments of $50,000 over a three year period.

In April 2010 Kirrin withdrew from an agreement to earn a 60% interest in the Corporation's Boxey property by spending $1,000,000 in exploration expenditures by January 2012 and by granting the Corporation 200,000 shares.

l - Moosehead

The Corporation acquired the mineral rights to the Moosehead gold property in western Newfoundland in August 1997 by making payments of $30,000 and 60,000 common shares over a three year period. The acquisition agreement is also subject to an underlying 1.16% net smelter return royalty.

Agnico Eagle Mines Inc. ("Agnico") has earned an interest in the Moosehead property as part of its agreement dated September 2001. The Corporation's current ownership on the property is 46% and the Corporation can either maintain this ownership by cost-sharing future exploration and development expenditures or accepting a dilution in ownership to a minimum of 10%, at which point the ownership would convert to a 1% net smelter return royalty on the property. The original 1.16% net smelter return royalty obligation is now an obligation of the joint venture.

4. MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS (CONTINUED)

m - St. Georges Bay

In December 2009, Sprott Resources Corporation ("Sprott") withdrew from an agreement to earn a 50.1% interest in the Corporation's St. Georges Bay Potash project located in western Newfoundland. Subsequent to April 30, 2010, the Corporation decided to discontinue exploration on this property.

n - Taylor Brook

The Corporation acquired the rights to the Taylor Brook nickel property in western Newfoundland in July 1999 by making payments of $35,000 over a three year period. The acquisition agreement is also subject to an underlying 2% net smelter return royalty that can be reduced to 1% with an additional $1,000,000 payment.

In March 2010, Northern Abitibi withdrew from an agreement in to earn an initial 51% interest in the Taylor Brook property by issuing 500,000 shares, paying $200,000 in cash or equivalent value in shares to the Corporation and by spending $1,200,000 on exploration expenditures by March 2011. The Corporation is currently seeking a new partner to further evaluate this property.

o – South Tally Pond

The Corporation signed an agreement in December 2000 and has earned a 100% interest in the property, subject to the retention by the vendor of a 2% royalty, and the right by the vendor to purchase up to 100% of concentrate produced from the property on a commercially competitive basis. In addition, upon commencement of production on any part of the property, the Corporation agrees to either issue to the vendor 1,000,000 common shares or, in the event that the Corporation assigns its interest to a third party, 1,000,000 common shares pro-rated to the participating interests of the Corporation and the third party, or pay the vendor $2,000,000.

As part of an equity financing agreement with Paragon Minerals Corporation ("Paragon") signed in December 2006, Paragon has the right to acquire a 100% undivided ownership interest in the South Tally Pond property by issuing 250,000 common shares to the Corporation upon the effective date of Paragon becoming a publicly listed Company on the TSX Venture Exchange, 250,000 common shares on or before the first anniversary date thereafter, and 500,000 common shares on or before November 2014 or upon completion of a feasibility study. The obligations of the original acquisition agreement have also been transferred to Paragon. The first 500,000 shares have been received from Paragon and the agreement is in good standing.

(Unless otherwise indicated, tabular amounts in thousands of dollars, except per share amounts)

4. MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS (CONTINUED)

p - New Brunswick Oil Shale

The Corporation entered into an agreement in February 2009 with an arm's length third party whereby the third party may select a 400 hectare area within the oil shale project and may undertake field research and test oil shale technologies. In October 2009 the third party indicated that it does not intend to conduct field research on the property. The Corporation is currently seeking a new partner to further evaluate this property.

q – Security Deposits

Security deposits are refundable to the Corporation if a minimum level of exploration expenditures is incurred on the subject properties. Over the next twelve months the Corporation must incur exploration expenditures of $319,000 for a refund of security deposits in the amount of $88,000.

5. ROYALTY INTEREST IN MINERAL PROPERTY

Voisey's Bay Royalty

	2010	2009
	$	$
Cost	**13,645**	13,645
Accumulated amortization	**2,446**	2,067
Net book value	**11,199**	11,578

(Unless otherwise indicated, tabular amounts in thousands of dollars, except per share amounts)

6. PROPERTY AND EQUIPMENT

		2010	
	Cost	**Accumulated Amortization**	**Net Book Value**
	$	**$**	**$**
Computer equipment and software	**320**	**266**	**54**
Office equipment	**82**	**50**	**32**
Geological equipment	**208**	**129**	**79**
	610	**445**	**165**

		2009	
	Cost	Accumulated Amortization	Net Book Value
	$	$	$
Computer equipment and software	297	181	116
Office equipment	88	46	42
Geological equipment	216	97	119
Building and land	170	3	167
	771	327	444

(Unless otherwise indicated, tabular amounts in thousands of dollars, except per share amounts)

7. EQUITY INVESTMENTS AND LOANS

	2010	2009
	$	$
Investment in Rambler Metals and Mining plc, (percentage ownership: 12.6%) (market value: April 2010 - $6.5 million; April 2009 - $3.6 million)	**3,065**	3,600
Investment in Newfoundland and Labrador Refining Corporation ("NLRC"), (percentage ownership: 39.6%)	**-**	-
Non-interest bearing demand loan to NLRC, secured by a first charge on the assets, convertible into 1,440,000 common shares at the option of the Corporation (4.6% increase in ownership if exercised)	**30,093**	30,093
Less provision for demand loan impairment	**(30,093)**	(30,093)
	3,065	3,600

Rambler Metals and Mining plc (“Rambler”)

On October 22, 2009, Rambler completed a private placement to fund the acquisition of the Nugget Pond processing facility and to complete engineering work on the facility. Rambler issued 27.5 million ordinary shares at 20 pence each ($0.345 per share Canadian). Following the transaction, the Corporation’s ownership interest in Rambler was reduced from 20.2% to 13.8% and the Corporation recorded a dilution gain of $137,000 as a result of the transaction.

On March 31, 2010, Rambler completed a private placement to fund the acquisition of the Nugget Pond processing facility and to complete engineering work on the facility. Rambler issued 8.6 million ordinary shares at 32 pence each ($0.49 per share Canadian). Following the transaction, the Corporation’s ownership interest in Rambler was reduced from 13.8% to 12.6% and the Corporation recorded a dilution gain of $154,000 as a result of the transaction. The Corporation continued to equity-account for Rambler after the private placement based on the fact that it is a significant shareholder and continues to have representation on the Rambler Board.

The Corporation recorded an impairment charge of $2,170,000 on its investment in Rambler during the year ended April 30, 2009 (April 30, 2010 - $nil) as a result of adverse economic conditions.

7. EQUITY INVESTMENTS AND LOANS (CONTINUED)

Newfoundland and Labrador Refining Corporation

In December 2007, the Corporation advanced $30,093,000 in the form of a convertible demand loan to NLRC. The non-interest bearing demand loan is secured by the assets of NLRC and is convertible at the Corporation's option into 1,440,000 shares of NLRC. The Corporation is the only secured creditor of NLRC. NLRC used the funds to make a milestone payment to IJK consortium regarding the purchase of steel and manufacture of heavy wall vessels, which are considered long-lead time items required for the proposed oil refinery project.

On June 18, 2008, SNC Lavalin, a contractor providing environmental and engineering services to NLRC, served NLRC with a notice of proceedings in the Supreme Court of Newfoundland and Labrador to have NLRC adjudged bankrupt. In response to this filing, NLRC sought and was granted creditor protection under the Bankruptcy and Insolvency Act ("BIA") on June 24, 2008.

In light of the actions taken by SNC Lavalin, the pending BIA proceedings, the financial condition of NLRC as of April 30, 2008 and the financial turmoil in North American markets, the Corporation reassessed the value of its investment and advance to NLRC as at April 30, 2008. Consequently, the Corporation made an impairment provision of $22,101,000 against its investment in the equity of NLRC and a $30,093,000 provision against the value of its loan to NLRC.

On October 17, 2008, NLRC submitted a proposal to its creditors for a maintenance and care plan for up to 36 months. Under the maintenance and care plan, it was proposed that ongoing costs be kept to a minimum and that all refinery permits would be kept in good standing until such time as the project can be sold or financed when economic conditions improve. In addition, it was proposed that all creditors' claims would be deferred until the end of the maintenance and care period or until the project obtains financing. Following the vote by creditors on the proposal on November 6, 2008, the trustee indicated that the outcome of the vote would depend on the legitimacy of claim amounts submitted as part of the voting procedure and, therefore, recessed to evaluate the various claim amounts. The creditors meeting was reconvened on July 15, 2009 and the outcome of the vote indicated that a majority of the votes were in favour of the proposal. The Trustee's application to accept the proposal was heard by the Newfoundland Supreme Court on October 22, 2009. At that time the Court also considered an application by a creditor to reduce one of the other creditor's claims, which could affect the outcome of the vote. On November 20, 2009 the Court accepted the proposal and dismissed all further requests for creditor's claim adjustments for voting purposes. NLRC now has approximately two years to sell its project interest to a third party or to obtain project financing. The Corporation intends to continue to hold its investment in and receivable from NLRC at $nil because of the high level of uncertainty of recovery.

(Unless otherwise indicated, tabular amounts in thousands of dollars, except per share amounts)

8. MINING AND MINERAL RELATED INVESTMENTS

	2010	2009
	$	$
International Royalty Corporation		
(April 2010 -nil shares; April 2009 - 2,173,822 shares)		
(Cost: April 2010 - nil; April 2009 - $10.6 million)	**-**	6,456
RG Exchange Co Inc.		
(April 2010 - 529,297 shares; April 2009 -nil shares)	**27,804**	-
(Cost: April 2010 - $25.6 million; April 2009 - nil)		
Other mining related portfolio investments		
(Cost: April 2010 - $1.9 million; April 2009 $0.5 million)	**2,911**	630
	30,715	7,086

International Royalty Corporation & RG Exchange Co Inc.

The Corporation acquired an additional 6,751,150 shares in International Royalty Corporation (“IRC”) at a total cost of $24,148,000 during the year ended April 30, 2010. The investment in IRC was classified as available-for-sale.

In December 2009, Royal Gold Limited (“Royal Gold”) entered into a Plan of Arrangement Agreement with IRC whereby Royal Gold would acquire all of the shares of IRC in exchange for cash and an equity interest in Royal Gold. The Corporation also signed a lock-up agreement whereby it agreed to vote its 9.4% IRC ownership interest in favour of the proposal, subject to certain conditions.

On February 16, 2010 IRC shareholders voted in favour of the proposal and the Plan of Arrangement received final court approval on February 22, 2010. The Corporation subsequently received proceeds with a market value of $63,132,000 including cash of $37,520,000 and 529,297 shares in RG Exchange Co Inc . The RG Exchange Co Inc. shares have all the rights of Royal Gold common shares and are convertible into Royal Gold common shares at the option of the holder. The Corporation realized a gain on disposal of the IRC shares of $28,413,000 as a result of the sale transaction.

Other Mining and Mineral Related Investments

In June 2009, the Corporation acquired 4,227,273 units in Millrock Resources Limited at a total cost of $930,000. Each unit consists of one common share and one common share purchase warrant with an exercise price of $0.30 for a period of one year from the purchase date and $0.40 in the second year. The Corporation classified the investment as available-for-sale. No value was ascribed to the warrants upon initial purchase based on the residual value after assigning value to the common shares.

(Unless otherwise indicated, tabular amounts in thousands of dollars, except per share amounts)

8. MINING AND MINERAL RELATED INVESTMENTS (CONTINUED)

The Corporation sold other mining and mineral related investments for gross proceeds of $605,000 and recognized a gain on disposal of $328,000 during the year ended April 30, 2010.

9. INCOME TAXES

Significant components of the future tax liability at April 30, 2010 and 2009 are as follows:

	2010	2009
	$	$
Temporary differences related to mineral properties and deferred exploration costs	**(1,982)**	(1,734)
Tax values of property and equipment in excess of net book values	**358**	264
Capital loss carryforward	**28**	-
Carrying value of investments less than (in excess of) tax values	**(4,784)**	413
Deferred partnership income	**(234)**	(733)
Share issuance costs	**382**	573
Other	**46**	48
	(6,186)	(1,169)
Distributed as follows:		
Future income taxes - current	**(234)**	(733)
Future income taxes - long-term	**(5,952)**	(436)
	(6,186)	(1,169)

(Unless otherwise indicated, tabular amounts in thousands of dollars, except per share amounts)

9. INCOME TAXES (CONTINUED)

Income taxes differ from that which would be expected from applying the combined effective Canadian federal and provincial income tax rates of 32.67% (2009 – 33.33%) to earnings before income taxes as follows:

	2010	2009
	$	$
Expected tax expense	**8,106**	11,615
Non-taxable portion of capital gains and impairments	**(4,695)**	(6,517)
Stock-based compensation	**426**	296
Permanent tax rate differences arising from dilution gains, equity earnings and warrant revaluation	**27**	1,106
Effect of changes in the future income tax rate in the period of reversal	**(16)**	(153)
	3,848	6,347

10. SHARE CAPITAL

Authorized

Unlimited number of Common voting shares
Unlimited number of First Preferred shares
Unlimited number of Second Preferred shares

The First and Second Preferred shares may be issued in one or more series and the directors are authorized to fix the number of shares in each series and to determine the designation, rights, privileges, restrictions, and conditions attached to the shares of each series. The Corporation has not issued any First or Second Preferred shares.

During the year, the Corporation repurchased and cancelled 55,300 common shares (2009 – 2,659,530) for a total cost of $331,000 (2009 - $15,214,000) under its normal course issuer bid.

(Unless otherwise indicated, tabular amounts in thousands of dollars, except per share amounts)

11. NET EARNINGS PER SHARE

Basic net earnings per share was calculated using the weighted average number of common shares for the respective periods. The diluted net earnings per share was calculated using the weighted average number of common shares outstanding for the respective periods after giving effect to dilutive stock options.

	2010	2009
Weighted average number of shares:		
Basic	**28,386,538**	29,355,700
Diluted	**28,551,228**	29,505,509

12. STOCK-BASED COMPENSATION

The Corporation has a stock option plan under which directors, officers and employees of the Corporation and of its subsidiaries are eligible to receive stock options. The aggregate number of shares to be issued upon the exercise of all options granted under the plan shall not exceed 10% of the issued shares of the Corporation at the time of granting the options. The maximum number of common shares optioned to any one optionee shall not exceed 5% of outstanding common shares of the Corporation. Options granted under the plan generally have a term of five years but may not exceed five years and typically vest over a five–year period or at terms to be determined by the directors at the time of grant. The exercise price of each option shall be determined by the directors at the time of grant but shall not be less than the price permitted by the policies of the stock exchange(s) on which the Corporation’s common shares are then listed.

A summary of the status of the Corporation’s stock option plan as of April 30, 2010 and changes during the period then ended is as follows:

	2010		2009	
	Number of Options	**Weighted Average Exercise Price**	Number of Options	Weighted Average Exercise Price
		$		$
Outstanding, beginning of year	**1,298,500**	**9.57**	1,038,500	10.34
Granted	**370,000**	**7.00**	365,000	5.60
Exercised	**(235,000)**	**4.89**	(105,000)	3.40
Outstanding, end of year	**1,433,500**	**9.67**	1,298,500	9.57
Exercisable, end of year	**751,250**	**10.14**	689,750	8.58

(Unless otherwise indicated, tabular amounts in thousands of dollars, except per share amounts)

12. STOCK-BASED COMPENSATION (CONTINUED)

The weighted-average fair value of stock options granted during 2010 was estimated on the dates of grant to be $2.82 (2009 - $2.25) using the Black-Scholes option pricing model with the following assumptions:

	2010	2009
Expected life (years)	**4.00**	4.00
Risk-free interest rate (%)	**2.32**	3.12
Expected volatility (%)	**50.00**	57.28
Expected dividend yield (%)	**-**	-
Expected forfeitures (%)	**-**	-

The following table summarizes information about stock options outstanding and exercisable at April 30, 2010:

	Total Options Outstanding			**Total Exercisable Options**		
Range	**Outstanding Options**	**Average Remaining Contractual Life**	**Weighted Average Strike Price**	**Vested Options**	**Average Remaining Contractual Life**	**Weighted Average Strike Price**
	#		**$**	**#**		**$**
$4.01 to $8.00	912,000	3.3	6.01	385,000	2.2	5.44
$8.01 to $10.00	234,000	1.6	8.30	178,000	1.6	8.30
$10.01 to $15.00	95,000	1.7	11.11	72,000	1.7	11.01
$28.00	192,500	2.5	28.00	116,250	2.5	28.00
Total	1,433,500	2.8	9.67	751,250	2.1	10.14

(Unless otherwise indicated, tabular amounts in thousands of dollars, except per share amounts)

13. SETTLEMENT OF EQUITY FORWARD AGREEMENT

During the prior year, the Corporation wound up its equity forward agreement contract by transferring ownership of its 2,500,000 remaining Aurora shares to the counterparty to the agreement. The deemed proceeds from the investment and the equity forward agreement was applied to repay the zero-coupon loan in full with no net cash flow impact. The calculation of the gain and the application of the deemed proceeds are indicated in the table below:

	Equity Forward Contract $	**Investment in Aurora (2,500,000 shares)** $	**Zero-Coupon Loan** $	**TOTAL** $
Deemed proceeds (mark to market value)	38,231	4,375	(42,606)	-
Cost base (amortized value)	-	1,007	(39,187)	**(38,180)**
Gain (Loss)	38,231	3,368	(3,419)	**38,180**

14. ACCUMULATED OTHER COMPREHENSIVE EARNINGS (LOSS)

The balances related to each component of accumulated other comprehensive earnings, net of related income taxes, are as follows:

	2010 $	2009 $
Unrealized loss on the translation of financial statements of self-sustaining equity investment (net of income taxes: April 2010 - $234 and April 2009 - $163)	**(1,333)**	(929)
Unrealized gains (losses) on available-for-sale investments (net of income taxes: April 2010 - $(477) and April 2009 - $601)	**2,712**	(3,419)
	1,379	(4,348)

(Unless otherwise indicated, tabular amounts in thousands of dollars, except per share amounts)

15. SUPPLEMENTAL CASH FLOW INFORMATION

	2010	2009
	$	$
Items not affecting cash:		
Stock-based compensation	**1,304**	887
Mineral properties abandoned or impaired	**995**	611
Amortization	**513**	968
Share of loss in equity investments	**350**	438
Dilution gain on issuance of shares by equity investment	**(291)**	-
Future income taxes	**4,029**	3,972
Gain on disposal of mining and mineral related investments	**(28,741)**	-
Gain on disposal of mineral property	**(499)**	-
Gain on settlement of equity forward agreement	**-**	(38,180)
Non-cash interest and financing charges	**-**	1,080
Write-down of investments	**-**	2,907
Impairment provision on equity investment	**-**	2,170
Change in fair value of share purchase warrants	**-**	14
	(22,340)	(25,133)
Change in non-cash operating working capital:		
Accounts receivable and prepaid expenses	**950**	318
Accounts payable and accrued liabilities	**593**	(280)
Corporate income taxes payable and receivable	**(2,188)**	6,524
	(645)	6,562
Income taxes (paid) received	**(2,343)**	4,147
Non-cash items:		
Stock-based compensation capitalized	**259**	357
Receipt of available-for-sale financial assets in exchange for interests in mineral properties	**726**	133
Receipt of RG Exchange Co Inc. shares as partial consideration for IRC common shares (Note 8)	**25,612**	-

(Unless otherwise indicated, tabular amounts in thousands of dollars, except per share amounts)

16. RELATED PARTY TRANSACTIONS

	2010	2009
	$	$
Revenue from companies subject to significant influence	**18**	24
Consulting fees and related services and costs paid to a company controlled by a director, and reflected as mineral properties and deferred exploration costs	**10**	33
Legal services received from a partnership, one of the partners of which is a director of the Corporation and reflected as:		
Mineral properties and deferred exploration costs	**7**	39
General and administrative expenses	**18**	41
	25	80

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Accounts receivable and prepaid expenses include a net receivable from NLRC of $100 after adjusting for an allowance for doubtful accounts of $6,400 (April 30, 2009 - $3,000 after adjusting for an allowance for doubtful accounts of $6,400).

(Unless otherwise indicated, tabular amounts in thousands of dollars, except per share amounts)

17. INVESTMENT IN LABRADOR NICKEL ROYALTY LIMITED PARTNERSHIP ("LNRLP")

The Corporation's 10% share of LNRLP's assets, liabilities, income, expenses and cash flows, which has been proportionately consolidated in these consolidated financial statements, is as follows:

	2010	2009
	$	$
Balance Sheets		
Current assets	**155**	768
Royalty interest in mineral property	**11,199**	11,578
Current liabilities	**-**	-
Statement of Earnings		
Royalty revenue	**1,654**	4,088
Royalty tax	**(331)**	(818)
General and administrative	**(109)**	170
Amortization	**(379)**	(891)
Statements of Cash Flow		
Operating activities	**2,206**	4,723

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Determination of Fair Value

Financial instruments recorded at fair value on the balance sheet are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 – valuation based on quoted prices (unadjusted) observed in active markets for identical assets or liabilities;

Level 2 – valuation techniques based on inputs that are quoted prices of similar instruments in active markets; inputs other than quoted prices used in a valuation model that are observable for that instrument; and inputs that are derived principally from or corroborated by observable market data by correlation or other means;

Level 3 – valuation techniques with significant unobservable market inputs

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

All of the Corporation's cash, marketable securities, and the mining and mineral related investments are determined by reference to valuation based on quoted prices (unadjusted) observed in active markets for identical assets or liabilities, or Level 1 as defined above.

Risk Management

The Corporation's financial assets and financial liabilities are exposed to various risk factors that may affect the fair value presentation or the amount ultimately received or paid on settlement of its assets and liabilities. The Corporation manages these risks through prudent investment and business decisions, and, where the exposure is deemed too high, the Corporation may enter into derivative contracts to reduce this exposure. The Corporation does not utilize derivative financial instruments for trading or speculative purposes. Hedge accounting is applied only when appropriate documentation and effectiveness criteria are met.

A summary of the major financial instrument risks and the Corporation's approach to the management of these risks are highlighted as follows:

Market value and commodity price risk

The value of the Corporation's mining and mineral related investments is exposed to fluctuations in the quoted market price depending on a number of factors, including general market conditions, company-specific operating performance and the market value of the commodities that the companies may focus on. The Corporation does not utilize any derivative contracts to reduce this exposure.

Foreign currency risk

The Corporation is exposed to foreign currency fluctuations on a portion of its accounts receivable related to royalty revenue. The Corporation does not enter into any derivative contracts to reduce this exposure since the receivable is short-term in nature and the expected receivable amount cannot be predicted reliably.

Liquidity risk

The Corporation believes that on a long-term basis its revenue generating assets and net working capital position will enable it to meet current and future obligations at the current level of activity. This conclusion could change with a significant change in the operations of the Corporation or from other developments.

Given the relative size of some of the Corporation's investments compared to the normal trading volume of the underlying investments, the Corporation may be unable to sell its entire interest in an investment without having an adverse effect on the fair value of the security. The Corporation does not enter into any derivative contracts to reduce this exposure.

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Credit risk

The Corporation has some credit risk with accounts receivable balances owing from earn-in partners but the amount is not considered significant.

The Corporation's cash, marketable securities, and fixed income securities are distributed among government guaranteed instruments and investment grade commercial paper. All funds are held in fully segregated accounts and include only Canadian dollar instruments. The Corporation does not expect any liquidity issues or credit losses on these instruments.

Interest rate risk

The Corporation does not have any debt and is therefore not exposed to interest rate risk on liabilities. The Corporation's cash and marketable securities may fluctuate in value depending on the market interest rates and the time to maturity of the instruments. The Corporation manages this risk by limiting the maximum term to maturity on invested funds or holding the investments to maturity.

Sensitivity Analysis

The Corporation has mining and mineral investments that are marked to fair market value at each reporting period, with a corresponding adjustment to other comprehensive earnings for increases in value and for other temporary declines in value. Based on management's knowledge and experience of the financial markets, the Corporation believes the following movements are "reasonably possible" over a twelve month period:

The Corporation's mining and mineral related investments sensitivity to a +/- 20% movement in quoted market prices would affect comprehensive earnings by $5,240,000 net of applicable taxes.

19. CAPITAL MANAGEMENT

The Corporation's objectives when managing capital are to minimize shareholder dilution while maximizing shareholder return. The Corporation also believes it should maintain sufficient capital for potential investment opportunities and to pursue generative exploration opportunities. The Corporation manages its capital by repurchasing its common shares under its normal course issuer bid to offset the dilutive effect of its stock option plan. Where it believes the current share price does not reflect the true value, the Corporation may repurchase additional shares to enhance the value to existing shareholders. In addition, the Corporation may from time to time issue new shares to fund specific project initiatives, and may consider dividend distributions to shareholders at a future date.

The Corporation is not subject to any external capital requirements.

(Unless otherwise indicated, tabular amounts in thousands of dollars, except per share amounts)

20. COMMITMENTS

Operating leases

The Corporation is committed under leases on trucks and office space, including operating costs, for annual future minimum lease payments over the next five years as follows:

	$
2010	**132**
2011	**125**
2012	**125**
2013	**125**
2014	**125**
	632

Mineral property expenditures

The Corporation has obtained various mineral rights licenses by staking claims and paying refundable security deposits. Certain expenditures are required on an annual basis, from the date of license issuance, in order to maintain the licenses in good standing and for refund of security deposits. On or before the anniversary date of license issuance, and if the required expenditures are not met, the Corporation has the option of reducing claims on a property, post a refundable security bond for the deficient amount or elect to allow title of the license be cancelled. The Corporation is required to spend $1,434,000 by April 30, 2011 in order to maintain various licenses in good standing, of which $319,000 is required to be spent for a refund of security deposits in the amount of $88,000.

21. CONTINGENT LIABILITY

The Corporation was served with a statement of claim issued by BAE-Newplan Group Ltd (“BAE”), a wholly owned subsidiary of SNC-Lavalin Inc., in the Supreme Court of Newfoundland and Labrador on October 1, 2008. In the statement of claim, BAE claims damages, including punitive and exemplary damages, interest and costs against the Corporation and others. In particular, BAE claims $20,594,000, which is the amount of billing alleged as outstanding from NLRC to BAE for engineering services.

The Corporation believes this claim is without merit and no provision has been recognized for this claim. The Corporation’s defense of the claim is ongoing and a date has not yet been set for the trial of the matter.

22. SUBSEQUENT EVENT

On June 6, 2010, the Corporation and Millrock amended their exploration alliance agreement to streamline the joint-venturing process. The Corporation's interest in existing and future properties staked within the alliance area was converted to a 2% royalty on gold and a 1% royalty on other commodities. The Corporation also exercised its warrants for the purchase of 4,227,223 Millrock common shares at a price of 30 cents per share for a total cost of $1,268,000 and received new warrants for the purchase of 3,450,000 common shares at a price of 45 cents per share for a period of five years.