



# ALTIUS MINERALS CORPORATION

*Consolidated Financial Statements*

*(Unaudited)*

*For the three months ended*

*July 31, 2010 and 2009*



# ALTIUS MINERALS CORPORATION

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# ALTIUS MINERALS CORPORATION

## Consolidated Balance Sheets

(Unaudited)

(In thousands of dollars)

	As at <u>July 31, 2010</u> \$	As at <u>April 30, 2010</u> \$
<b>Assets</b>		
Current assets		
Cash and cash equivalents	49,888	55,492
Marketable securities	118,494	112,018
Accounts receivable and prepaid expenses	500	302
Income taxes receivable	366	3,014
	<u>169,248</u>	<u>170,826</u>
Mineral properties and deferred exploration costs (Note 4)	7,835	7,588
Royalty interest in mineral property	11,095	11,199
Property and equipment	199	165
Equity investments and loans (Note 5)	3,130	3,065
Mining and mineral related investments (Note 6)	27,816	30,715
	<u>219,323</u>	<u>223,558</u>
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities	618	1,290
Future income taxes	-	234
	<u>618</u>	<u>1,524</u>
Future income taxes	5,586	5,952
	<u>6,204</u>	<u>7,476</u>
<b>Shareholders' Equity</b>	<u>213,119</u>	<u>216,082</u>
	<u>219,323</u>	<u>223,558</u>

Contingent liability (Note 12)

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 Loss

(Unaudited)

(In thousands of dollars, except per share amounts)

	Three months ended July 31,	
	<u>2010</u>	<u>2009</u>
	\$	\$
<b>Revenue</b>		
Royalty	430	719
Interest and investment income	852	265
Other	5	122
	<b>1,287</b>	<b>1,106</b>
<b>Expenses</b>		
General and administrative	758	800
Generative exploration & mineral properties abandoned or impaired (Note 4)	448	204
Stock-based compensation (Note 8)	167	261
Amortization	127	274
Royalty tax	86	144
	<b>1,586</b>	<b>1,683</b>
Loss before the following	(299)	(577)
Gain (loss) on disposal of mining and mineral related investments	85	(22)
Share of (loss) in equity investments	(91)	(94)
Loss before income taxes	(305)	(693)
<b>Income taxes</b>		
current	47	350
future	(91)	(446)
	<b>(44)</b>	<b>(96)</b>
<b>Net loss</b>	<b>(261)</b>	<b>(597)</b>
<b>Net loss per share</b>		
- basic and diluted	<b>(0.01)</b>	<b>(0.02)</b>

see accompanying notes to the consolidated financial statements



# ALTIUS MINERALS CORPORATION

## Consolidated Statements of Cash Flows

(Unaudited)

(In thousand of dollars)

	For the three months ended July 31,	
	<u>2010</u>	<u>2009</u>
	\$	\$
<b>Operating activities</b>		
Net loss	(261)	(597)
Items not affecting cash (Note 10)	657	409
	<u>396</u>	<u>(188)</u>
Change in non-cash operating working capital (Note 10)	1,778	243
	<u>2,174</u>	<u>55</u>
<b>Financing activities</b>		
Proceeds from issuance of share capital	26	16
Repurchase of common shares	-	(30)
	<u>26</u>	<u>(14)</u>
<b>Investing activities</b>		
Proceeds from disposal of investments	695	130
Mineral properties and deferred exploration costs, net of recoveries	(698)	(858)
Investment in marketable securities	(6,476)	(30,951)
Investment in mining and mineral related investments (Note 6)	(1,268)	(24,399)
Acquisition of property and equipment	(57)	(18)
Other	-	9
	<u>(7,804)</u>	<u>(56,087)</u>
Net decrease in cash and cash equivalents	(5,604)	(56,046)
Cash and cash equivalents, beginning of period	55,492	79,331
<b>Cash and cash equivalents, end of period</b>	<b>49,888</b>	<b>23,285</b>
<b>Cash and cash equivalents consist of:</b>		
Deposits with banks	3,390	418
Short-term investments	46,498	22,867
	<u>49,888</u>	<u>23,285</u>

Supplemental cash flow information (Note 10)

see accompanying notes to the consolidated financial statements



## Consolidated Statements of Shareholders' Equity

(Unaudited)

(In thousands of dollars, except share amounts)

Three months ended July 31, 2010:

	Common Shares		Contributed	Accumulated Other	Retained	Total
	#	\$	Surplus	Comprehensive	Earnings	Shareholders'
			\$	Loss (Note 9)	\$	Equity
				\$		\$
<b>Balance, beginning of period</b>	<b>28,550,895</b>	<b>73,424</b>	<b>4,164</b>	<b>1,379</b>	<b>137,115</b>	<b>216,082</b>
<b>Comprehensive earnings (loss):</b>						
Net loss	-	-	-	-	(261)	(261)
Currency translation adjustment (net of income taxes of \$23)	-	-	-	133	-	133
Net unrealized loss on available-for-sale investments (net of income taxes of \$507)	-	-	-	(2,885)	-	(2,885)
Reclassification adjustment for gains on available-for-sale investments recognized in net earnings (net of income taxes of \$25)	-	-	-	(143)	-	(143)
<b>Total comprehensive loss</b>						<b>(3,156)</b>
Stock-based compensation	-	-	167	-	-	167
Shares issued under stock option plan	6,000	40	(14)	-	-	26
<b>Balance, end of period</b>	<b>28,556,895</b>	<b>73,464</b>	<b>4,317</b>	<b>(1,516)</b>	<b>136,854</b>	<b>213,119</b>

see accompanying notes to the consolidated financial statements



# ALTIUS MINERALS CORPORATION

## Consolidated Statements of Shareholders' Equity (continued)

(In thousands of dollars, except share amounts)

(Unaudited)

For the three months ended July 31, 2009:

	Common Shares		Contributed	Accumulated Other	Retained	Total
	#	\$	Surplus	Comprehensive	Earnings	Shareholders'
			\$	Loss	\$	Equity
				\$		\$
<b>Balance, beginning of period</b>	28,371,195	71,814	3,203	(4,348)	116,343	187,012
<b>Comprehensive earnings (loss):</b>						
Net loss	-	-	-	-	(597)	(597)
Currency translation adjustment (net of income taxes of \$2)	-	-	-	11	-	11
Net unrealized gain on available-for-sale investments (net of income taxes of \$391)	-	-	-	2,224	-	2,224
<b>Total comprehensive earnings</b>						1,638
Shares repurchased under normal course issuer bid	(5,000)	(30)	-	-	-	(30)
Stock-based compensation	-	-	261	-	-	261
Stock-based compensation applied to mineral properties	-	-	4	-	-	4
Shares issued under stock option plan	4,000	25	(9)	-	-	16
<b>Balance, end of period</b>	28,370,195	71,809	3,459	(2,113)	115,746	188,901

see accompanying notes to the audited consolidated financial statements



# ALTIUS MINERALS CORPORATION

Notes to the Consolidated Financial Statements

For the three months ended July 31, 2010 and 2009

(Unaudited)

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

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## 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. BASIS OF PRESENTATION

These unaudited interim consolidated financial statements have been prepared following the accounting policies set out in the April 30, 2010 annual consolidated financial statements except as indicated in Note 3.

These unaudited interim consolidated financial statements should be read in conjunction with the April 30, 2010 annual consolidated financial statements. The disclosures in the unaudited interim consolidated financial statements do not conform in all material respects to the requirements of Canadian generally accepted accounting principles for annual 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.





# ALTIUS MINERALS CORPORATION

Notes to the Consolidated Financial Statements

For the three months ended July 31, 2010 and 2009

(Unaudited)

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

## 4. MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS

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.

<b>Project</b>	<b>As at April 30, 2010</b>	<b>Additions, net of recoveries</b>	<b>Abandoned or impaired</b>	<b>As at July 31, 2010</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Labrador</b>				
Kamistaitusset - Iron Ore	1,850	3	-	<b>1,853</b>
Labrador Trough - Base Metals	633	-	-	<b>633</b>
Natashquan River - Nickel	299	71	-	<b>370</b>
Notakwanon River - Uranium	139	17	-	<b>156</b>
Labrador West - Iron Ore	15	-	-	<b>15</b>
Alexis River - Uranium	-	-	-	<b>-</b>
Red Cross Lake South - Nickel	19	1	-	<b>20</b>
Snelgrove Lake Ironore - Iron Ore	217	80	(7)	<b>290</b>
<b>Newfoundland</b>				
Topsails - Uranium/Copper	1,055	49	-	<b>1,104</b>
Viking - Gold	1	-	-	<b>1</b>
Rocky Brook - Uranium	85	-	-	<b>85</b>
Mustang Trend - Gold	25	2	-	<b>27</b>
White Bay - Gold	62	6	-	<b>68</b>
Moosehead - Gold	11	-	-	<b>11</b>
St. George's Bay - Potash	49	-	(49)	<b>-</b>
Taylor Brook - Nickel	14	112	-	<b>126</b>
South Tally Pond - Base metals	-	-	-	<b>-</b>
Wing Pond - Gold	49	1	-	<b>50</b>
Other	18	4	-	<b>22</b>
<b>New Brunswick</b>				
New Brunswick Oil Shale	2,881	1	-	<b>2,882</b>
<b>General Exploration</b>				
GENEX - General Exploration	-	387	(387)	<b>-</b>
<b>Security Deposits</b>	<b>166</b>	<b>(39)</b>	<b>(5)</b>	<b>122</b>
<b>Grand Total</b>	<b>7,588</b>	<b>695</b>	<b>(448)</b>	<b>7,835</b>



# ALTIUS MINERALS CORPORATION

Notes to the Consolidated Financial Statements

For the three months ended July 31, 2010 and 2009

(Unaudited)

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

## 4. MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS (CONTINUED)

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



# ALTIUS MINERALS CORPORATION

Notes to the Consolidated Financial Statements

For the three months ended July 31, 2010 and 2009

(Unaudited)

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

## 5. EQUITY INVESTMENTS AND LOANS

	As at July 31, <u>2010</u> \$	As at April 30, <u>2010</u> \$
Investment in Rambler Metals and Mining plc, (percentage ownership: 12.6%) (market value: July 2010 - \$5.7 million; April 2010 - \$6.5 million)	3,130	3,065
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)
	<u>3,130</u>	<u>3,065</u>

## 6. MINING AND MINERAL RELATED INVESTMENTS

	As at July 31, <u>2010</u> \$	As at April 30, <u>2010</u> \$
Mining related portfolio investments (Cost: July 2010 - \$28.2 million; April 2010 - \$27.5 million)	27,816	30,715
	<u>27,816</u>	<u>30,715</u>

### *Mining and Mineral Related Investments*

In June 2010, the Corporation acquired beneficial ownership and control of an aggregate of 4,227,273 common shares of Millrock Resources Inc. ("Millrock"), representing approximately 7.3% of the issued and outstanding common shares, pursuant to the exercise of 4,227,273 common share purchase warrants (the "Warrants") at an exercise price of \$0.30 per warrant. The acquisition resulted in the Corporation beneficially owning and controlling an aggregate of 7,932,046 common shares, representing approximately 13.6% of the issued and outstanding common shares.



# ALTIUS MINERALS CORPORATION

Notes to the Consolidated Financial Statements

For the three months ended July 31, 2010 and 2009

(Unaudited)

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

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## 6. MINING AND MINERAL RELATED INVESTMENTS (CONTINUED)

Millrock also issued to the Corporation, through a private placement, a total of 3,450,000 new common share purchase warrants, representing approximately 22.5% of the currently outstanding warrants issued by Millrock. Each new warrant entitles the Corporation to purchase one common share at an exercise price of \$0.45. The new warrants will expire five years after the issue date thereof. Assuming the exercise of all of the new warrants, the Corporation would have beneficial ownership and control of an aggregate of 11,382,046 common shares, representing approximately 18.4% of the issued and outstanding common shares.

The Corporation sold other mining and mineral related investments for gross proceeds of \$695,000 and recognized a gain on disposal of \$85,000 during the three months ended July 31, 2010.

## 7. NET EARNINGS (LOSS) PER SHARE

Basic net loss per share was calculated using the weighted average number of common shares for the respective periods. The diluted net loss per share was calculated using the weighted average number of common shares outstanding for the respective periods without giving effect to dilutive stock options since their inclusion would be anti-dilutive.

	Three months ended July 31	
	<u>2010</u>	<u>2009</u>
Weighted average number of shares:		
Basic and diluted	28,555,134	28,371,945



# ALTIUS MINERALS CORPORATION

Notes to the Consolidated Financial Statements

For the three months ended July 31, 2010 and 2009

(Unaudited)

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

## 8. 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 July 31, 2010 and changes during the period then ended is as follows:

	<b>July 31, 2010</b>	
	<b>Number of</b>	<b>Weighted</b>
	<b>Options</b>	<b>Average</b>
		<b>Exercise Price</b>
		\$
Outstanding, April 30, 2010	<b>1,433,500</b>	<b>9.67</b>
Granted	<b>10,000</b>	<b>10.13</b>
Exercised	<b>(6,000)</b>	<b>4.15</b>
Forfeited	<b>(178,000)</b>	<b>11.29</b>
Outstanding, July 31, 2010	<b>1,259,500</b>	<b>9.47</b>
Exercisable, July 31, 2010	<b>676,250</b>	<b>9.77</b>



# ALTIUS MINERALS CORPORATION

Notes to the Consolidated Financial Statements

For the three months ended July 31, 2010 and 2009

(Unaudited)

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

## 8. STOCK-BASED COMPENSATION (CONTINUED)

The following table summarizes information about stock options outstanding and exercisable at July 31, 2010:

Range	Total Options Outstanding			Total Exercisable Options		
	Outstanding Options #	Average Remaining Contractual Life	Weighted Average Strike Price \$	Vested Options #	Average Remaining Contractual Life	Weighted Average Strike Price \$
\$4.15 to \$6.00	456,000	2.3	5.12	267,000	1.6	4.78
\$6.01 to \$8.00	380,000	3.8	7.03	112,000	2.9	7.08
\$8.01 to \$12.00	236,000	1.5	8.38	180,000	1.4	8.32
\$12.01 to \$15.00	20,000	1.8	13.04	16,000	1.8	13.04
\$28.00	167,500	2.3	28.00	101,250	2.3	28.00
Total	1,259,500	2.6	9.47	676,250	1.9	9.77

## 9. ACCUMULATED OTHER COMPREHENSIVE EARNINGS (LOSS)

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

	July 31, 2010 \$	April 30, 2010 \$
Unrealized loss on the translation of financial statements of self-sustaining equity investment (net of income taxes: July 2010 - \$211 and April 2010 - \$234)	(1,200)	(1,333)
Unrealized gains (losses) on available-for-sale investments (net of income taxes: July 2010 - \$56 and April 2010 - \$(477))	(316)	2,712
	<b>(1,516)</b>	1,379



# ALTIUS MINERALS CORPORATION

Notes to the Consolidated Financial Statements

For the three months ended July 31, 2010 and 2009

(Unaudited)

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

## 10. SUPPLEMENTAL CASH FLOW INFORMATION

	Three months ended	
	July 31	
	<u>2010</u>	<u>2009</u>
	\$	\$
<b>Items not affecting cash:</b>		
Generative exploration and mineral properties abandoned or impaired	448	204
Stock-based compensation	167	261
Amortization	127	274
Share of loss in equity investments	91	94
Future income taxes	(91)	(446)
Gain on disposal of mining and mineral related investments	(85)	22
	<u>657</u>	<u>409</u>
<b>Change in non-cash operating working capital:</b>		
Accounts receivable and prepaid expenses	(198)	121
Accounts payable and accrued liabilities	(672)	(228)
Income taxes payable and receivable	2,648	350
	<u>1,778</u>	<u>243</u>
<b>Income taxes (paid) received</b>	<u>2,600</u>	-
<b>Non-cash items:</b>		
Stock-based compensation capitalized	-	4
Receipt of available-for-sale financial assets in exchange for interests in mineral properties	3	33



# ALTIUS MINERALS CORPORATION

Notes to the Consolidated Financial Statements

For the three months ended July 31, 2010 and 2009

(Unaudited)

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

## 11. RELATED PARTY TRANSACTIONS

	Three months ended July 31,	
	<u>2010</u>	<u>2009</u>
	\$	\$
Revenue from companies subject to significant influence	-	6
Consulting fees and related services and costs paid to a company controlled by a director, and reflected as mineral properties and deferred exploration costs	1	3
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	-	1
General and administrative expenses	2	8
	<u>2</u>	<u>9</u>

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 \$147 after adjusting for an allowance for doubtful accounts of \$6,400 (April 30, 2010 - \$100 after adjusting for an allowance for doubtful accounts of \$6,400).

## 12. 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.