



# ALTIUS MINERALS CORPORATION

*Consolidated Financial Statements*

*(Unaudited)*

*For the six months ended*

*October 31, 2010 and 2009*



# ALTIUS MINERALS CORPORATION

## Table of Contents

	PAGE
Consolidated Balance Sheets .....	1
Consolidated Statements of Earnings (Loss) .....	2
Consolidated Statements of Cash Flows .....	3
Consolidated Statements of Shareholders' Equity .....	4 – 5
Notes to the Consolidated Financial Statements .....	6 - 18



# ALTIUS MINERALS CORPORATION

## Consolidated Balance Sheets

(Unaudited)

(In thousands of dollars)

	As at <u>October 31, 2010</u> \$	As at <u>April 30, 2010</u> \$
<b>Assets</b>		
Current assets		
Cash and cash equivalents	49,705	55,492
Marketable securities	120,639	112,018
Accounts receivable and prepaid expenses	864	302
Income taxes receivable	635	3,014
	<b>171,843</b>	170,826
Mineral properties and deferred exploration costs (Note 4)	8,031	7,588
Royalty interest in mineral property	10,907	11,199
Property and equipment	188	165
Equity investments and loans (Note 5)	3,168	3,065
Mining and mineral related investments (Note 6)	32,806	30,715
	<b>226,943</b>	223,558
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities	489	1,290
Future income taxes	-	234
	<b>489</b>	1,524
Other liabilities (Note 8)	97	-
Future income taxes	6,711	5,952
	<b>7,297</b>	7,476
<b>Shareholders' Equity</b>	<b>219,646</b>	216,082
	<b>226,943</b>	223,558

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 Earnings (Loss)

(Unaudited)

(In thousands of dollars, except per share amounts)

	Three months ended		Six months ended	
	October 31,		October 31,	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	\$	\$	\$	\$
<b>Revenue</b>				
Royalty	648	383	1,078	1,102
Interest and investment income	718	445	1,519	710
Other	87	269	143	391
	<b>1,453</b>	<b>1,097</b>	<b>2,740</b>	<b>2,203</b>
<b>Expenses</b>				
General and administrative	756	739	1,514	1,539
Generative exploration and mineral properties abandoned or impaired (Note 4)	492	337	940	541
Stock-based compensation (Note 8)	363	345	530	606
Amortization	201	83	328	357
Royalty tax	129	76	215	220
	<b>1,941</b>	<b>1,580</b>	<b>3,527</b>	<b>3,263</b>
Loss before the following	(488)	(483)	(787)	(1,060)
Gain (loss) on disposal of mining and mineral related investments	1,309	7	1,394	(15)
Dilution gain on issuance of shares by equity investee	-	137	-	137
Unrealized gain on fair value adjustment of warrants	1,618	-	1,618	-
Share of (loss) in equity investments	(44)	(98)	(135)	(192)
Earnings (loss) before income taxes	<b>2,395</b>	<b>(437)</b>	<b>2,090</b>	<b>(1,130)</b>
<b>Income tax expense (recovery)</b>				
current	(116)	(120)	(69)	230
future	448	169	357	(277)
	<b>332</b>	<b>49</b>	<b>288</b>	<b>(47)</b>
<b>Net earnings (loss)</b>	<b>2,063</b>	<b>(486)</b>	<b>1,802</b>	<b>(1,083)</b>
<b>Net earnings (loss) per share</b>				
- basic	<b>0.07</b>	<b>(0.02)</b>	<b>0.06</b>	<b>(0.04)</b>
- diluted	<b>0.07</b>	<b>(0.02)</b>	<b>0.06</b>	<b>(0.04)</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		For the six months	
	ended October 31,		ended October 31,	
	2010	2009	2010	2009
	\$	\$	\$	\$
<b>Operating activities</b>				
Net income (loss)	2,063	(486)	1,802	(1,083)
Items not affecting cash (Note 10)	(1,234)	888	(577)	1,297
	829	402	1,225	214
Changes in non-cash operating working capital (Note 10)	(908)	337	870	580
	(79)	739	2,095	794
<b>Financing activities</b>				
Proceeds from issuance of share capital	346	8	372	24
Repurchase of common shares	-	(301)	-	(331)
	346	(293)	372	(307)
<b>Investing activities</b>				
Proceeds from sale of investments (Note 6)	2,385	21	3,080	151
Mineral properties and deferred exploration costs, net of recoveries	(688)	(815)	(1,386)	(1,673)
Reclassification of cash from (to) marketable securities	(2,145)	13,231	(8,621)	(17,720)
Investment in mining and mineral related investments (Note 6)	-	(679)	(1,268)	(25,078)
Acquisition of property and equipment	(2)	2	(59)	(16)
Other	-	-	-	9
	(450)	11,760	(8,254)	(44,327)
Net (decrease) increase in cash and cash equivalents	(183)	12,206	(5,787)	(43,840)
Cash and cash equivalents, beginning of period	49,888	23,285	55,492	79,331
<b>Cash and cash equivalents, end of period</b>	<b>49,705</b>	<b>35,491</b>	<b>49,705</b>	<b>35,491</b>

**Cash and cash equivalents consist of:**

Deposits with banks	27,267	471
Short-term investments	22,438	35,020
	49,705	35,491

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)

Six months ended October 31, 2010:

	Common Shares		Contributed	Accumulated Other	Retained	Total
	#	\$	Surplus	Comprehensive	Earnings	Shareholders'
			\$	Earnings (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:</b>						
Net earnings	-	-	-	-	1,802	1,802
Currency translation adjustment (net of income taxes of \$36)	-	-	-	202	-	202
Net unrealized gain on available-for-sale investments (net of income taxes of \$220)	-	-	-	1,251	-	1,251
Reclassification adjustment for gains on available-for-sale investments recognized in net earnings (net of income taxes of \$87)	-	-	-	(496)	-	(496)
<b>Total comprehensive earnings</b>						<b>2,759</b>
Stock-based compensation	-	-	433	-	-	433
Shares issued under stock option plan	85,000	565	(193)	-	-	372
<b>Balance, end of period</b>	<b>28,635,895</b>	<b>73,989</b>	<b>4,404</b>	<b>2,336</b>	<b>138,917</b>	<b>219,646</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 six months ended October 31, 2009:

	Common Shares		Contributed	Accumulated Other	Retained	Total
	#	\$	Surplus	Comprehensive	Earnings	Shareholders'
			\$	Earnings (Loss)	\$	Equity
				\$	\$	\$
<b>Balance, beginning of period</b>	28,371,195	71,814	3,203	(4,348)	116,343	187,012
<b>Comprehensive earnings:</b>						
Net loss	-	-	-	-	(1,083)	(1,083)
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)	-	-	-	5,203	-	5,203
<b>Total comprehensive earnings</b>						4,109
Shares repurchased under normal course issuer bid	(55,300)	(140)	-	-	(191)	(331)
Stock-based compensation	-	-	606	-	-	606
Stock-based compensation applied to mineral properties	-	-	170	-	-	170
Shares issued under stock option plan	6,000	36	(13)	-	-	23
<b>Balance, end of period</b>	28,321,895	71,710	3,966	844	115,069	191,589

see accompanying notes to the audited consolidated financial statements



# ALTIUS MINERALS CORPORATION

Notes to the Consolidated Financial Statements

For the three and six months ended October 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 mineral properties, royalties, and investments. The Corporation prefers to generate alliances or corporate structures related to the mineral exploration and natural resource 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. The Corporation also adopted new stock-based compensation plans for share appreciation rights and directors deferred share units in the current fiscal period. The accounting treatment of these new items is described in Note 8 of the unaudited interim consolidated financial statements.

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

### *Business Combinations*

On May 1, 2010 the Corporation adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1582, Business Combinations, Section 1601, Consolidated Financial Statements, and Section 1602, Non-controlling Interests. These new standards supersede 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 May 1, 2010.

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).

The early adoption of these three sections had no material impact on the financial statements of the Corporation.





# ALTIUS MINERALS CORPORATION

Notes to the Consolidated Financial Statements

For the three and six months ended October 31, 2010 and 2009

(Unaudited)

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

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### 3. NEW AND FUTURE ACCOUNTING PRONOUNCEMENTS (CONTINUED)

#### *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. The Corporation’s IFRS transition date of May 1, 2011, will require the restatement, for comparative purposes, of amounts reported on the Corporation’s consolidated opening statement of financial position as at May 1, 2010 and amounts reported for the year ended April 30, 2010.



# ALTIUS MINERALS CORPORATION

Notes to the Consolidated Financial Statements

For the three and six months ended October 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.

Project	As at April 30, 2010	Additions, net of recoveries	Abandoned or impaired	As at October 31, 2010
	\$	\$	\$	\$
<b>Labrador</b>				
Kamistaitusset - Iron Ore	1,850	8	-	1,858
Labrador Trough - Base Metals	633	-	(2)	631
Natashquan River - Nickel	299	74	-	373
Notakwanon River - Uranium	139	21	-	160
Labrador West - Iron Ore	15	-	-	15
Red Cross Lake South - Nickel	19	1	-	20
Snelgrove Lake - Iron Ore	116	184	(7)	293
Other	-	2	-	2
<b>Newfoundland</b>				
Topsails - Uranium/Copper	1,055	194	(2)	1,247
Rocky Brook - Uranium	85	6	-	91
Mustang Trend - Gold	128	(99)	-	29
White Bay - Gold	62	38	-	100
Moosehead - Gold	58	(46)	-	12
Taylor Brook - Nickel	14	192	-	206
Wing Pond - Gold	-	74	-	74
Other	68	32	(74)	26
<b>New Brunswick</b>				
New Brunswick Oil Shale	2,881	(107)	-	2,774
<b>General Exploration</b>				
GENEX - General Exploration	-	842	(842)	-
<b>Security Deposits</b>				
	166	(33)	(13)	120
<b>Grand Total</b>	<b>7,588</b>	<b>1,383</b>	<b>(940)</b>	<b>8,031</b>



# ALTIUS MINERALS CORPORATION

Notes to the Consolidated Financial Statements

For the three and six months ended October 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
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
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 and six months ended October 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 October 31, <u>2010</u> \$	As at April 30, <u>2010</u> \$
Investment in Rambler Metals and Mining plc, (percentage ownership: 12.6%) (market value: October 2010 - \$4.8 million; April 2010 - \$6.5 million)	3,168	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>3,168</u>	<u>3,065</u>

## 6. MINING AND MINERAL RELATED INVESTMENTS

	As at October 31, <u>2010</u> \$	As at April 30, <u>2010</u> \$
Equity investments (Cost: October 2010 - \$27.1 million; April 2010 - \$27.5 million)	31,188	30,715
Share purchase warrants (Cost: October 2010 - \$nil; April 2010 - \$nil)	1,618	-
	<u>32,806</u>	<u>30,715</u>



# ALTIUS MINERALS CORPORATION

Notes to the Consolidated Financial Statements

For the three and six months ended October 31, 2010 and 2009

(Unaudited)

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

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

The Corporation from time to time, holds investments in other publicly traded entities participating in the resource sector, either through direct investment or in exchange for an interest in the Corporation's mineral properties. The investments in equities are classified as available for sale with any change in fair value being recorded in other comprehensive income until the investment is de-recognized. The fair market value is determined by reference to the unadjusted quoted prices in active markets, normally either the TSX or TSX Venture exchange.

The share purchase warrants are considered derivative financial instruments for accounting purposes, and any change in fair value is included in net earnings (loss) for the period. The fair value of the share purchase warrants is determined using the Black-Scholes option pricing model, which uses inputs other than quoted market prices to determine the estimated fair market value.

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.

Millrock also issued to the Corporation, through a private placement, a total of 3,450,000 new common share purchase warrants. Each new warrant entitles the Corporation to purchase one common share at an exercise price of \$0.45. The new warrants expire in June 2015.

The Corporation sold other mining and mineral related investments for gross proceeds of \$3,080,000 and recognized a gain on disposal of \$1,394,000 during the six months ended October 31, 2010.

## 7. NET EARNINGS (LOSS) 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.

	Three months ended October 31		Six months ended October 31	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Weighted average number of shares:				
Basic	<b>28,598,232</b>	28,326,276	<b>28,576,684</b>	28,349,110
Diluted	<b>28,932,950</b>	28,326,276	<b>28,904,475</b>	28,349,110



# ALTIUS MINERALS CORPORATION

Notes to the Consolidated Financial Statements

For the three and six months ended October 31, 2010 and 2009

(Unaudited)

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

## 8. STOCK-BASED COMPENSATION PLANS

### Stock Options

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 October 31, 2010 and changes during the period then ended is as follows:

	<u>October 31, 2010</u>	
	<b>Number of Options</b>	<b>Weighted Average 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>(85,000)</b>	<b>4.37</b>
Forfeited	<b>(178,000)</b>	<b>11.29</b>
Outstanding, October 31, 2010	<b>1,180,500</b>	<b>9.81</b>
Exercisable, October 31, 2010	<b>736,250</b>	<b>9.71</b>



# ALTIUS MINERALS CORPORATION

Notes to the Consolidated Financial Statements

For the three and six months ended October 31, 2010 and 2009

(Unaudited)

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

## 8. STOCK-BASED COMPENSATION PLANS (CONTINUED)

The following table summarizes information about stock options outstanding and exercisable at October 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	382,000	2.4	5.30	256,000	2.1	5.15
\$6.01 to \$8.00	375,000	3.5	7.03	183,000	3.0	7.06
\$8.01 to \$12.00	236,000	1.2	8.38	180,000	1.1	8.32
\$12.01 to \$15.00	20,000	1.5	13.04	16,000	1.5	13.04
\$28.00	167,500	2.0	28.00	101,250	2.0	28.00
Total	1,180,500	2.4	9.81	736,250	2.1	9.71

### Share Appreciation Rights Plan

The Corporation has a share appreciation rights plan. Under the terms of the plan, share appreciation rights will vest over a specified period and have a reference price based on the common share price at the date of grant. Any payouts will be cash-settled on the scheduled vesting date.

During the current period, the Corporation awarded 700,000 share appreciation rights to management at an exercise price of \$10.82. The share appreciation rights vest in three tranches over a five year period, with one third vesting on the third, fourth, and fifth anniversary of the award date.

The total compensation cost to be recognized over the vesting period for the share appreciation rights is measured as the amount by which the quoted market price of the Corporation's shares exceeds the exercise price of \$10.82. The total liability will be re-measured at each period-end with any increase or decrease in value affecting the compensation cost.

Because the units are cash-settled, the estimated net obligation of the amount expensed to date based on the vesting schedule will be disclosed as a liability on the Corporation's consolidated balance sheet. At October 31, 2010, no expense related to the share appreciation rights was recognized because the market price of the Corporation's common shares at October 31, 2010 was less than the exercise price of \$10.82.



# ALTIUS MINERALS CORPORATION

Notes to the Consolidated Financial Statements

For the three and six months ended October 31, 2010 and 2009

(Unaudited)

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

## 8. STOCK-BASED COMPENSATION PLANS (CONTINUED)

### Directors' Deferred Share Unit Plan ("DSU")

During the current period, the Corporation introduced a Directors' DSU plan. Under the plan, each non-executive director receives credit for a portion of their annual retainer to a notional account of DSUs in lieu of cash. Each DSU represents a unit with an underlying value equal to the value of one common share of the Corporation. During the current year, 18,484 DSUs were awarded to current non-executive directors. As at October 31, 2010, there were 9,242 vested DSUs.

### Other Liability

Other liability consists of the following:

	<b>October 31,</b> <b><u>2010</u></b> <b>\$</b>	<b>April 30,</b> <b><u>2010</u></b> <b>\$</b>
Director DSUs	97	-

## 9. ACCUMULATED OTHER COMPREHENSIVE EARNINGS

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

	<b>October 31,</b> <b><u>2010</u></b> <b>\$</b>	<b>April 30,</b> <b><u>2010</u></b> <b>\$</b>
Unrealized loss on the translation of financial statements of self-sustaining equity investment (net of income taxes: October 2010 - \$199 and April 2010 - \$234)	<b>(1,132)</b>	(1,333)
Unrealized gains on available-for-sale investments (net of income taxes: October 2010 - \$(610) and April 2010 - \$(477))	<b>3,468</b>	2,712
	<b><u>2,336</u></b>	<u>1,379</u>





# ALTIUS MINERALS CORPORATION

Notes to the Consolidated Financial Statements

For the three and six months ended October 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		Six months ended	
	October 31		October 31	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	\$	\$	\$	\$
<b>Items not affecting cash:</b>				
Generative exploration and mineral properties abandoned or impaired	<b>492</b>	337	<b>940</b>	541
Stock-based compensation	<b>508</b>	345	<b>675</b>	606
Amortization	<b>201</b>	83	<b>328</b>	357
Share of loss in equity investments	<b>44</b>	98	<b>135</b>	192
Dilution gain on issuance of shares by equity investment	-	(137)	-	(137)
Future income taxes	<b>448</b>	169	<b>357</b>	(277)
Unrealized gain on fair value adjustment of share purchase warrants	<b>(1,618)</b>	-	<b>(1,618)</b>	-
Gain (loss) on disposal of mining and mineral related investments	<b>(1,309)</b>	(7)	<b>(1,394)</b>	15
	<b>(1,234)</b>	888	<b>(577)</b>	1,297
<b>Changes in non-cash operating working capital:</b>				
Accounts receivable and prepaid expenses	<b>(364)</b>	303	<b>(562)</b>	424
Accounts payable and accrued liabilities	<b>(274)</b>	(180)	<b>(946)</b>	(408)
Income taxes payable and receivable	<b>(270)</b>	214	<b>2,378</b>	564
	<b>(908)</b>	337	<b>870</b>	580
<b>Income taxes (paid) received</b>	<b>(44)</b>	281	<b>2,557</b>	281
Non-cash items:				
Stock-based compensation capitalized	-	165	-	169
Receipt of available-for-sale financial assets in exchange for interests in mineral properties	-	-	<b>3</b>	33



# ALTIUS MINERALS CORPORATION

Notes to the Consolidated Financial Statements

For the three and six months ended October 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		Six months ended	
	October 31,		October 31,	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	\$	\$	\$	\$
Revenue from companies subject to significant influence	-	6	-	12

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	7	2	9	10
	<u>7</u>	<u>2</u>	<u>9</u>	<u>11</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 \$400 (April 30, 2010 - \$100) after adjusting for an allowance for doubtful accounts of \$6,400 (April 30, 2010 - \$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.



# ALTIUS MINERALS CORPORATION

Notes to the Consolidated Financial Statements

For the three and six months ended October 31, 2010 and 2009

(Unaudited)

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

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## 13. SUBSEQUENT EVENTS

### Acquisition of 2260761 Ontario Inc. (“2260761”)

On November 1, 2010, the Corporation co-founded 2260761 Ontario Inc. by acquiring 89% of the class B preferred shares and 72.8% of the common shares of the new entity. 2260761 Ontario Inc. is a newly formed company that will invest principally in early stage mineral exploration businesses.

The purchase price of the Corporation’s interest in 2260761 consisted of \$25,007,000 in cash.

The Corporation intends to follow the acquisition method of accounting for this transaction and will consolidate the financial results into its consolidated financial statements, with a corresponding deduction for the non- controlling interest portion of net assets, earnings, and other comprehensive earnings, if applicable. The following table summarizes the preliminary estimated fair values of the Corporation’s acquired interest in the assets and liabilities on November 1, 2010. These amounts are based on preliminary valuation data and, as such, are subject to revision and update pending additional available information.

	\$
Purchase Price	<b>25,007</b>
Cash	<b>25,010</b>
Mining and mineral related investments	<b>5,487</b>
Current liabilities	<b>(2,487)</b>
Non- controlling interest	<b>(3,003)</b>
Total allocated purchase price	<b>25,007</b>

The non- controlling interest arising from the 2260761 transaction represents the minority shareholders’ net portion of assets and liabilities at the acquisition date. Cranberry Capital Inc. (“Cranberry”), a company controlled by the president of 2260761, owns 27.2% of the outstanding common shares of 2260761.



# ALTIUS MINERALS CORPORATION

Notes to the Consolidated Financial Statements

For the three and six months ended October 31, 2010 and 2009

(Unaudited)

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

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## 13. SUBSEQUENT EVENTS (CONTINUED)

### **Kamistiatusset**

On December 8, 2010, Alderon Resources Corp. ("Alderon") successfully earned a 100% interest in the Kamistiatusset iron ore project located in western Labrador by meeting all requirements of an option agreement between the companies. In conjunction with its transfer of title to the project, the Corporation received 32,285,006 shares of Alderon (representing approximately 45% of the issued Alderon common shares) with an approximate market value of \$79 million. The Corporation will also retain a 3% gross sales royalty relating to any potential future mining operations on the Kamistiatusset property. The Corporation has also exercised its right under the agreement to nominate two candidates to Alderon's Board of Directors who will stand for election during its upcoming Annual General Meeting.

By virtue of its large shareholding position and its anticipated Board participation, the Corporation intends to account for its interest in Alderon using the equity method. Under this method, the Corporation will pick up its proportionate share of the net earnings (loss) on a regular basis, with a corresponding adjustment to the carrying value of the investment.