



# ALTIUS MINERALS CORPORATION

*Consolidated Financial Statements  
(Unaudited)  
For the three and six months ended  
October 31, 2009 and 2008*



# ALTIUS MINERALS CORPORATION

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# ALTIUS MINERALS CORPORATION

## Consolidated Balance Sheets

(Unaudited)

(In thousands of dollars)

	<u>As at</u> <u>October 31, 2009</u> \$	<u>As at</u> <u>April 30, 2009</u> \$
<b>Assets</b>		
Current assets		
Cash and cash equivalents	35,491	79,331
Marketable securities	96,140	78,420
Accounts receivable and prepaid expenses	826	1,259
Income taxes receivable	-	146
	<u>132,457</u>	159,156
Mineral properties and deferred exploration costs (Note 4)	8,284	7,014
Royalty interest in mineral property	11,323	11,578
Property and equipment	357	444
Equity investments and loans (Note 5)	3,533	3,600
Mining and mineral related investments (Note 6)	38,149	7,086
	<u>194,103</u>	188,878
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities	289	697
Income taxes payable	230	-
Future income taxes	97	733
	<u>616</u>	1,430
Future income taxes	1,898	436
	<u>2,514</u>	1,866
Shareholders' Equity	191,589	187,012
	<u>194,103</u>	188,878

Contingent liability (Note 12)

Approved by the Board,

"John A. Baker" \_\_\_\_\_, Director

"Brian F. Dalton" \_\_\_\_\_, Director

see accompanying notes to the unaudited 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>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
	\$	\$	\$	\$
<b>Revenue</b>				
Royalty	383	1,844	1,102	2,641
Interest	445	1,230	710	2,532
Other	269	132	391	168
	<b>1,097</b>	<b>3,206</b>	<b>2,203</b>	<b>5,341</b>
<b>Expenses</b>				
General and administrative	739	565	1,539	1,082
Royalty tax	76	369	220	528
Amortization	83	321	357	480
Stock-based compensation (Note 8)	345	281	606	440
Mineral properties abandoned or impaired (Note 4)	337	224	541	279
	<b>1,580</b>	<b>1,760</b>	<b>3,263</b>	<b>2,809</b>
Loss before the following	(483)	1,446	(1,060)	2,532
Interest and financing charges	-	(619)	-	(1,021)
Gain (loss) on disposal of mining & mineral related investments	7	-	(15)	-
Dilution gain on issuance of shares by equity investment	137	-	137	-
Write-down of investments	-	(2,755)	-	(2,755)
Share of (loss) in equity investments	(98)	(104)	(192)	(177)
Change in fair value of share purchase warrants	-	-	-	(14)
Loss before income taxes	(437)	(2,032)	(1,130)	(1,435)
Income taxes				
current	(120)	(691)	230	(102)
future	169	682	(277)	310
	<b>49</b>	<b>(9)</b>	<b>(47)</b>	<b>208</b>
<b>Loss</b>	<b>(486)</b>	<b>(2,023)</b>	<b>(1,083)</b>	<b>(1,643)</b>
<b>Net loss per share (Note 7)</b>				
- basic	(0.02)	(0.07)	(0.04)	(0.05)
- diluted	(0.02)	(0.07)	(0.04)	(0.05)

see accompanying notes to the unaudited consolidated financial statements



# ALTIUS MINERALS CORPORATION

## Consolidated Statements of Cash Flows

(unaudited)

(In thousand of dollars)

	For the three months ended October 31,		For the six months ended October 31,	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
	\$	\$	\$	\$
<b>Operating activities</b>				
Net loss	(486)	(2,023)	(1,083)	(1,643)
Items not affecting cash (Note 10)	888	4,986	1,297	5,476
	402	2,963	214	3,833
Change in non-cash operating working capital (Note 10)	337	3,454	580	4,157
	739	6,417	794	7,990
<b>Financing activities</b>				
Proceeds from issuance of common shares	8	142	24	142
Repurchase of common shares	(301)	(11,646)	(331)	(12,112)
	(293)	(11,504)	(307)	(11,970)
<b>Investing activities</b>				
Proceeds from disposal of investments	21	-	151	-
Mineral properties and deferred exploration costs, net of recoveries	(815)	(1,835)	(1,673)	(3,504)
Net change in marketable securities	13,231	(37,232)	(17,720)	(37,232)
Acquisition of investments	(679)	-	(25,078)	-
Acquisition of property and equipment	-	(8)	(16)	(268)
Decrease in accounts receivable - related companies	-	3	9	36
Other	2	-	-	-
	11,760	(39,072)	(44,327)	(40,968)
Net increase (decrease) in cash and cash equivalents	12,206	(44,159)	(43,840)	(44,948)
Cash and cash equivalents, beginning of period	23,285	167,383	79,331	168,172
<b>Cash and cash equivalents, end of period</b>	<b>35,491</b>	<b>123,224</b>	<b>35,491</b>	<b>123,224</b>

**Cash and cash equivalents consist of:**

Deposits with banks	471	263
Short-term investments	35,020	122,961
	35,491	123,224

Supplemental cash flow information (Note 10)

see accompanying notes to the unaudited consolidated financial statements



# ALTIUS MINERALS CORPORATION

## Consolidated Statements of Shareholders' Equity

(Unaudited)

(In thousands of dollars, except share amounts)

Six months ended October 31, 2009:

	<u>Common Shares</u>		<u>Contributed Surplus</u>	<u>Accumulated Other Comprehensive Earnings (Note 9)</u>	<u>Retained Earnings</u>	<u>Total Shareholders' Equity</u>
	#	\$	\$	\$	\$	\$
<b>Balance, beginning of period</b>	<b>28,371,195</b>	<b>71,814</b>	<b>3,203</b>	<b>(4,348)</b>	<b>116,343</b>	<b>187,012</b>
<b>Comprehensive earnings (loss):</b>						
Net loss	-	-	-	-	(1,083)	(1,083)
Currency translation adjustment (net of income taxes of \$2)	-	-	-	(11)	-	(11)
Net unrealized losses on available-for-sale investments (net of income taxes of \$915)	-	-	-	5,203	-	5,203
<b>Total comprehensive earnings</b>						<b>4,109</b>
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>	<b>28,321,895</b>	<b>71,710</b>	<b>3,966</b>	<b>844</b>	<b>115,069</b>	<b>191,589</b>

see accompanying notes to the unaudited consolidated financial statements



# ALTIUS MINERALS CORPORATION

## Consolidated Statements of Shareholders' Equity (continued)

(Unaudited)

(In thousands of dollars, except share amounts)

Six months ended October 31, 2008:

	Common Shares		Treasury Shares		Contributed Surplus	Accumulated Other Comprehensive Earnings	Retained Earnings	Total Shareholders' Equity
	#	\$	#	\$	\$	\$	\$	\$
<b>Balance, beginning of period</b>	30,925,725	77,933	-	-	2,197	29,829	96,342	206,301
<b>Comprehensive earnings (loss):</b>								
Net loss	-	-	-	-	-	-	(1,643)	(1,643)
Currency translation adjustment (net of income taxes of \$5)	-	-	-	-	-	23	-	23
Net unrealized losses on available-for-sale investments (net of income taxes of \$1,680)	-	-	-	-	-	(8,498)	-	(8,498)
Unrealized gain on derivative financial instrument designated as a cash flow hedge (net of income taxes of \$1,299)	-	-	-	-	-	6,572	-	6,572
<b>Total comprehensive earnings (loss)</b>								<b>(3,546)</b>
Shares repurchased under normal course issuer bid	-	-	(2,015,330)	(12,112)	-	-	-	(12,112)
Stock based compensation	-	-	-	-	440	-	-	440
Stock based compensation applied to mineral properties	-	-	-	-	256	-	-	256
Shares issued under stock option plan	35,000	225	-	-	(83)	-	-	142
<b>Balance, end of period</b>	<b>30,960,725</b>	<b>78,158</b>	<b>(2,015,330)</b>	<b>(12,112)</b>	<b>2,810</b>	<b>27,926</b>	<b>94,699</b>	<b>191,481</b>

see accompanying notes to the unaudited consolidated financial statements



# ALTIUS MINERALS CORPORATION

Notes to the Consolidated Financial Statements

For the three and six months ended October 31, 2009 and 2008

(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. In general, the Corporation prefers to create partnerships 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, 2009 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, 2009 annual consolidated financial statements. The disclosures in the unaudited 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

### *Goodwill and Intangible Assets*

Commencing May 1, 2009 the Corporation adopted 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.

### *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 and six months ended October 31, 2009 and 2008

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

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

#### *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 is evaluating the impact of the adoption of these sections to determine if early adoption is appropriate.



# ALTIUS MINERALS CORPORATION

Notes to the Consolidated Financial Statements

For the three and six months ended October 31, 2009 and 2008

(Unaudited)

(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,	Additions, net of	Abandoned or	As at October 31,
		2009	recoveries	impaired	2009
		\$	\$	\$	\$
<b>Labrador</b>					
Kamistaitusset - Iron Ore	a	2,241	(32)	-	2,209
Labrador Trough - Base metals	b	604	35	-	639
Natashquan River - Nickel		241	52	-	293
Notakwanon River - Uranium	c	126	5	-	131
Nuiklavik - Uranium	d	69	19	-	88
Labrador West - Iron Ore	e	14	-	(1)	13
Alexis River - Uranium	f	-	-	-	-
Wabush - Silica	g	-	2	(2)	-
Other		-	241	(3)	238
<b>Newfoundland</b>					
Topsails - Uranium	h	835	296	(21)	1,110
Viking - Gold	i	39	(27)	-	12
Rocky Brook - Uranium	j	40	25	-	65
Mustang Trend - Gold		37	56	-	93
White Bay - Gold		24	37	-	61
Boxey - Uranium	k	20	15	-	35
Moosehead - Gold	l	15	34	-	49
St. George's Bay - Potash	m	-	-	-	-
Taylor Brook - Nickel	n	-	-	-	-
South Tally Pond - Base metals	o	-	-	-	-
Other		4	41	-	45
<b>New Brunswick and Nova Scotia</b>					
New Brunswick Oil Shale	p	2,287	492	-	2,779
New Brunswick Potash		-	2	-	2
Nova Scotia Potash - Potash		86	99	(28)	157
<b>General Exploration</b>					
GENEX - General Exploration		-	461	(461)	-
<b>Security Deposit</b>					
Security Deposit	q	332	(42)	(25)	265
<b>Grand Total</b>		<b>7,014</b>	<b>1,811</b>	<b>(541)</b>	<b>8,284</b>



# ALTIUS MINERALS CORPORATION

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(Unaudited)

(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,	Additions, net of	Abandoned or	As at April 30,
		2008	recoveries	impaired	2009
		\$	\$	\$	\$
<b>Labrador</b>					
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)	-
<b>Newfoundland</b>					
Topsails - Uranium	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
<b>New Brunswick and Nova Scotia</b>					
New Brunswick Oil Shale	p	481	1,806	-	2,287
Nova Scotia Potash - Potash		-	86	-	86
<b>General Exploration</b>					
GENEX - General Exploration		-	115	(115)	-
<b>Security Deposit</b>					
Security Deposit	q	677	(199)	(146)	332
<b>Grand Total</b>		<b>2,517</b>	<b>5,108</b>	<b>(611)</b>	<b>7,014</b>



# ALTIUS MINERALS CORPORATION

Notes to the Consolidated Financial Statements

For the three and six months ended October 31, 2009 and 2008

(Unaudited)

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

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

The Corporation acquires mineral properties through staking and from third party vendors. In addition, the Corporation vends 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 agreement on each of the respective properties is as follows:

### *a - Kamistaitusset*

The Corporation entered into an agreement with a private company in November 2009 whereby the third party is obligated to form a new public company (“Newco”) that will focus on the western Labrador mining district. Under the terms of the agreement, the private company will commence a drilling program with a budget of approximately \$5 million, in early 2010 to provide sufficient data to generate an National Instrument 43-101 resource estimate of the iron ore zones identified during the Corporation’s 2008-2009 drilling program. Upon completion of the required exploration expenditures the Corporation will transfer its 100% interest in the property to Newco in exchange for a 3% gross sales royalty and for an initial 50% equity interest in Newco.

### *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*

Golden Cross Resources (“Golden Cross”) signed an agreement with the Corporation in August 2007 whereby Golden Cross may earn a 50% interest in the Notakwanon uranium/base metal project in central Labrador. Golden Cross may issue 25,000,000 shares and spend \$3,500,000 on exploration expenditures by August 2013 to earn its 50% interest. The project is subject to royalties held by the Corporation, which includes a 2% gross sales royalty on uranium and a 2% net smelter return on other metals. The Corporation has received 3,000,000 shares to date and the agreement remains in good standing.

### *d - Nuiklavik*

In June 2009 Golden Cross withdrew from an agreement to earn a 50% interest in the Nuiklavik uranium project in central Labrador. The Corporation is reviewing alternatives for this project.



# ALTIUS MINERALS CORPORATION

Notes to the Consolidated Financial Statements

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(Unaudited)

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

### *e - Labrador West*

Kennecott Exploration Company (“Kennecott”) 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 also 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 acquired the rights to the Wabush silica property in western Labrador in May 2008 from a prospector for a cash payment of \$3,000 and an underlying 2% gross sales royalty on any future production on the property. The Corporation may reduce the underlying gross sales royalty to 1% through an additional payment of \$1,000,000.

### *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 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”) signed an agreement in July 2007 whereby they may earn up to a 51% interest in the Corporation’s Viking gold project by issuing up to 1,115,000 shares of Northern Abitibi and spending up to \$1,200,000 on exploration by July 2011. Upon earn-in, the net smelter return obligation of the initial property purchase will transfer to the joint venture. To date, 450,000 shares have been received and the agreement remains in good standing.



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## 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 part of the obligations of the joint venture.

### *k - Boxey*

The Corporation may 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. The Corporation must make one additional payment of \$25,000 to the original holder to earn full title to the property. In addition, upon commencement of production on any part of the property, the Corporation agrees to pay an additional \$500,000 in cash or equivalent value common shares.

Kirrin signed an agreement in January 2008 whereby they may 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. To date, the Corporation has received 80,000 Kirrin shares under the agreement and the agreement remains in good standing.

### *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.



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(Unaudited)

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

### *m - St. Georges Bay*

Sprott Resources Corporation (“Sprott”) signed an agreement in May 2008 whereby they may earn a 50.1% interest in the Corporation’s St. Georges Bay Potash project located in western Newfoundland. To earn this interest Sprott must spend \$1,500,000 in exploration expenditures by May 2011 and may earn an additional 10% by spending an additional \$1,000,000 in exploration expenditures. The project is subject to a 2% gross overriding royalty in favour of the Corporation. The agreement remains in good standing and both parties are searching for a partner to perform further 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.

Northern Abitibi signed an agreement in March 2007 whereby they may 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. Thereafter, the Corporation may elect to form a joint venture with a 49% interest or a sliding scale net smelter return royalty of 1.5% to 3.5% in lieu of a property interest or a 30% property interest with Northern Abitibi spending an additional \$4,000,000. Northern Abitibi has made all required share payments and the agreement remains in good standing. Upon earn-in, the net smelter return obligation of the initial property acquisition agreement will become part of the obligations of the joint venture.

### *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





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

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.

### *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 with technological expertise and financial resources 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 \$504,000 for a refund of security deposits in the amount of \$265,000.





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## 5. EQUITY INVESTMENTS AND LOANS

	As at October 31, <u>2009</u> \$	As at April 30, <u>2009</u> \$
Investment in Rambler Metals and Mining plc, (percentage ownership: 13.8%) (market value: October 2009 - \$6.4 million; April 2009 - \$3.6 million)	3,533	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)
	<u>3,533</u>	<u>3,600</u>

### *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. 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.

### *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.



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## 5. EQUITY INVESTMENTS AND LOANS (CONTINUED)

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 2 years to sell its project interest to a third party or to obtain financing. The Corporation intends to continue to hold its investment in and receivable from NLRC at \$nil because of the high level of uncertainty.

The Corporation will reassess the value of its investment and loan in future periods as additional information becomes available.



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## 6. MINING AND MINERAL RELATED INVESTMENTS

	As at October 31, <u>2009</u> \$	As at April 30, <u>2009</u> \$
International Royalty Corporation (8,924,972 shares; April 2009 -2,050,722 shares) (Cost - \$34.7 million; April 2009 - \$10.6 million)	<b>36,592</b>	6,456
Other mining related portfolio investments (Cost: \$1.3 million; April 2009 \$0.5 million)	<b>1,557</b>	630
	<b>38,149</b>	7,086

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The Corporation acquired 6,751,150 shares in International Royalty Corporation (“IRC”) at a total cost of \$24,148,000 for the six months ended October 31, 2009. The investment in IRC is classified as available-for-sale.

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.

The Corporation sold other mining and mineral related investments for gross proceeds of \$151,000 and recognized a loss on disposal of \$15,000 during the six months ended October 31, 2009.



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## 7. NET EARNINGS (LOSS) PER SHARE

Basic net earnings (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		Six months ended	
	October 31		October 31	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Weighted average number of shares:				
Basic and diluted	<b>28,326,276</b>	29,685,732	<b>28,349,110</b>	30,305,514

## 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.

A summary of the status of the Corporation's stock option plan as of October 31, 2009 and changes during the period then ended is as follows:

	Number of Options	Weighted Average Exercise Price
		\$
Outstanding, April 30, 2009	<b>1,298,500</b>	<b>9.57</b>
Granted	<b>370,000</b>	<b>7.00</b>
Exercised	<b>(6,000)</b>	<b>3.88</b>
Outstanding, October 31, 2009	<b>1,662,500</b>	<b>9.02</b>
Exercisable, October 31, 2009	<b>865,000</b>	<b>8.17</b>



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## 8. STOCK-BASED COMPENSATION (CONTINUED)

The following table summarizes information about stock options outstanding and exercisable at October 31, 2009:

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
			\$			\$
\$3.00 to \$4.00	141,000	0.2	3.94	141,000	0.2	3.94
\$4.01 to \$8.00	968,000	3.7	5.97	435,500	3.1	5.58
\$8.01 to \$10.00	266,000	2.1	8.30	154,000	2.1	8.30
\$10.01 to \$15.00	95,000	2.2	11.11	57,000	2.2	11.11
\$28.00	192,500	3.0	28.00	77,500	3.0	28.00
Total	1,662,500	3.0	9.02	865,000	2.4	8.17

## 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:

	October 31, <u>2009</u> \$	April 30, <u>2009</u> \$
Unrealized loss on the translation of financial statements of self-sustaining equity investment (net of income taxes: October 2009 - \$165 and April 2009 - \$163)	(941)	(929)
Unrealized gains losses on available-for-sale investments (net of income taxes: October 2009 - \$(314) and April 2009 - \$601)	1,785	(3,419)
	<u>844</u>	<u>(4,348)</u>



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## 10. SUPPLEMENTAL CASH FLOW INFORMATION

	Three months ended		Six months ended	
	October 31		October 31	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
	\$	\$	\$	\$
<b>Items not affecting cash:</b>				
Mineral properties abandoned or impaired	337	224	541	279
Stock-based compensation	345	281	606	440
Amortization	83	321	357	480
Loss on disposal of mining and mineral related investments	(7)	-	15	-
Non - cash interest and financing charges	-	619	-	1,021
Write-down of investments	-	2,755	-	2,755
Dilution gain on issuance of shares by equity investment	(137)	-	(137)	-
Share of loss in equity investments	98	104	192	177
Change in fair value of share purchase warrants	-	-	-	14
Future income taxes	169	682	(277)	310
	<b>888</b>	<b>4,986</b>	<b>1,297</b>	<b>5,476</b>
<b>Change in non-cash operating working capital:</b>				
Accounts receivable and prepaid expenses	303	(2,255)	424	(2,634)
Accounts payable and accrued liabilities	(180)	(246)	(408)	247
Corporate income taxes payable and receivable	214	5,955	564	6,544
	<b>337</b>	<b>3,454</b>	<b>580</b>	<b>4,157</b>
<b>Income taxes received (paid)</b>	<b>281</b>	<b>6,646</b>	<b>281</b>	<b>6,646</b>
Non-cash items:				
Stock-based compensation capitalized	165	178	169	256
Receipt of available-for-sale financial assets in exchange for interests in mineral properties	-	49	33	69



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## 11. RELATED PARTY TRANSACTIONS

	Three months ended		Six months ended	
	October 31		October 31	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
	\$	\$	\$	\$
Revenue from companies subject to significant influence	6	6	12	12
Consulting fees and related services and costs paid to a company controlled by a director, and reflected as mineral properties and deferred exploration costs	7	7	10	13
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	-	4	1	18
General and administrative expenses	2	-	10	2
	2	4	11	20

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 \$4,600 after adjusting for an allowance for doubtful accounts of \$6,400 (April 30, 2009 - \$2,600 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.



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## 13. SUBSEQUENT EVENTS

The Corporation finalized an agreement for its Kamistaitusset property with a private company in November 2009 whereby the third party is obligated to form a new public company (“Newco”) that will focus on the western Labrador mining district. Under the terms of the agreement, the private company will commence a drilling program with a budget of approximately \$5 million, in early 2010 to provide sufficient data to generate an National Instrument 43-101 resource estimate of the iron ore zones identified during the Corporation’s 2008-2009 drilling program. Upon completion of the required exploration expenditures the Corporation will transfer its 100% interest in the property to Newco in exchange for a 3% gross sales royalty and for an initial 50% equity interest in Newco.

On November 20, 2009, the Court accepted the proposal submitted by NLRC for maintenance and care plan and dismissed all further requests for creditor’s claim adjustments for voting purposes. NLRC now has approximately 2 years to sell its project interest to a third party or to obtain financing. The Corporation intends to continue to holds its investment in and receivable from NLRC at \$nil because of the high level of uncertainty.