

**Altius Minerals Corporation**  
**Consolidated Financial Statements**  
**April 30, 2006 and 2005**

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## **Auditors' Report**

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To the Shareholders  
Altius Minerals Corporation

We have audited the consolidated balance sheets of Altius Minerals Corporation as at April 30, 2006 and 2005 and the consolidated statements of income and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at April 30, 2006 and 2005 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

(signed) "Collins Barrow Calgary LLP"

CHARTERED ACCOUNTANTS

Calgary, Alberta  
August 8, 2006

# Altius Minerals Corporation

## Consolidated Balance Sheets

April 30, 2006 and 2005

	2006	2005 (Restated) Note 13
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 35,331,949	\$ 1,952,673
Accounts receivable and prepaid expenses	807,641	729,708
Accounts receivable – related companies (note 12)	619,757	257,702
	<u>36,759,347</u>	<u>2,940,083</u>
Mineral properties and deferred exploration costs (Schedule)	1,096,322	1,468,874
Royalty interest in mineral property (note 3)	13,597,930	13,615,580
Property and equipment (note 4)	94,846	119,957
Investments (note 5)	17,235,058	5,687,685
	<u>\$ 68,783,503</u>	<u>\$ 23,832,179</u>
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 901,862	\$ 639,447
Income taxes payable	5,308,000	-
	<u>6,209,862</u>	<u>639,447</u>
Future income taxes (note 6)	1,501,000	456,000
	<u>7,710,862</u>	<u>1,095,447</u>
<b>Shareholders' Equity</b>		
Share capital (note 7)	25,123,818	21,448,796
Contributed surplus (note 7[d])	2,636,228	447,070
Retained earnings	33,312,595	840,866
	<u>61,072,641</u>	<u>22,736,732</u>
	<u>\$ 68,783,503</u>	<u>\$ 23,832,179</u>

Commitments (notes 9 and 15)

Approved by the Board,

(signed) "Brian F. Dalton" \_\_\_\_\_, Director

(signed) "John A. Baker" \_\_\_\_\_, Director

# Altius Minerals Corporation

## Consolidated Statements of Income and Retained Earnings

Years Ended April 30, 2006 and 2005

	2006	2005
Revenue		
Option payments and management fees	\$ 199,792	\$ 183,740
Interest income	211,763	25,707
Royalty revenue	78,290	-
Consulting fees	26,928	-
Equipment rental	22,025	-
	<u>538,798</u>	<u>209,447</u>
Expenses		
General and administrative	1,127,821	745,215
Mineral properties abandoned or impaired	201,630	505,744
Stock-based compensation costs (note 8 [c])	299,938	152,798
Amortization – property and equipment	51,650	28,429
Amortization – royalty interest	22,711	-
	<u>1,703,750</u>	<u>1,432,186</u>
Loss before the following	<u>(1,164,952)</u>	<u>(1,222,739)</u>
Gain (loss) on disposal of:		
Investment in equity investee (note 5[b])	31,504,284	-
Investments	(3,099)	236,324
Marketable securities	-	93,170
Dilution gains on issuance of shares		
by equity investees (notes 5[a] and [b])	10,215,924	4,650,823
Share of income (loss) in equity investees (note 5 [d])	(2,209,508)	244,662
Investment income	66,080	-
	<u>39,573,681</u>	<u>5,224,979</u>
Income before income taxes	<u>38,408,729</u>	<u>4,002,240</u>
Income tax expense (note 6 [b])		
- current	5,308,000	-
- future	629,000	456,000
	<u>5,937,000</u>	<u>456,000</u>
Net income	<u>32,471,729</u>	<u>3,546,240</u>
Retained earnings (deficit), beginning of year	<u>840,866</u>	<u>(2,705,374)</u>
Retained earnings, end of year	<u>\$ 33,312,595</u>	<u>\$ 840,866</u>
Net income per share (note 7 [f])		
Basic	\$ 1.15	\$ 0.14
Diluted	1.08	0.13

**Altius Minerals Corporation**  
**Consolidated Statements of Cash Flows**  
**Years Ended April 30, 2006 and 2005**

	2006	2005
Operating activities		
Net income	\$ 32,471,729	\$ 3,546,240
Items not involving cash		
Mineral properties abandoned or impaired	201,630	505,744
Stock-based compensation costs	299,938	152,798
Amortization	74,361	28,429
Gain on disposal of investment in equity investee	(31,504,284)	-
Loss (gain) on disposal of investments	3,099	(236,324)
Gain on disposal of marketable securities	-	(93,170)
Dilution gains on issuance of shares by equity investees	(10,215,924)	(4,650,823)
Share of loss (income) in equity investees	2,209,508	(244,662)
Future income tax expense	629,000	456,000
Option payment - shares	-	(72,622)
	(5,830,943)	(608,390)
Change in non-cash working capital balances related to operating activities	5,325,862	58,031
Cash used in operating activities	(505,081)	(550,359)
Financing activities		
Proceeds from issuance of shares, net of issuance costs	3,382,669	4,762,272
Change in non-cash working capital balances related to financing activities	-	12,144
Cash provided by financing activities	3,382,669	4,774,416
Investing activities		
Proceeds from disposition of investment in equity investee	36,801,387	-
Acquisition of investments	(5,477,163)	-
Acquisition of royalty interest in mineral property	(5,061)	(3,058,380)
Acquisition of investments in equity investees	(250,127)	(8,500)
Proceeds from disposition of marketable securities	-	559,908
Proceeds from disposition of investments	29,901	286,491
Acquisition of mineral properties and deferred exploration costs, net of recoveries	(375,275)	(869,636)
Acquisition of property and equipment	(26,539)	(73,138)
Change in non-cash working capital balances related to investing activities	(195,435)	(448,486)
Cash provided by (used in) investing activities	30,501,688	(3,611,741)
Increase in cash and cash equivalents	33,379,276	612,316
Cash and cash equivalents, beginning of year	1,952,673	1,340,357
Cash and cash equivalents, end of year	\$ 35,331,949	\$ 1,952,673
Cash and cash equivalents consists of:		
Deposits with banks	\$ 2,986,088	\$ 718,126
Short term investments	32,345,861	1,234,547
	\$ 35,331,949	\$ 1,952,673

Supplementary cash flow information (note 11)

# Altius Minerals Corporation

## Consolidated Schedule of Mineral Properties and

### Deferred Exploration Costs

Year Ended April 30, 2006

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	Balance, Beginning of Year	Net Additions	Abandoned or Impaired	Balance, End of Year
South Tally Pond (notes 9 [a] & 15)	\$ 356,595	\$ 26,429	\$ -	\$ 383,024
Rocky Brook	14,148	78,415	-	92,563
Taylor Brook	37,615	38,951	-	76,566
Lockport	70,384	-	-	70,384
Mustang Trend	66,349	4,498	(5,928)	64,919
Labrador Trough	23,624	23,352	(900)	46,076
Shamrock	42,771	-	-	42,771
Point Leamington	27,987	1,500	-	29,487
Kamistaitussett	25,450	642	-	26,092
Baie d'Espoir	29,887	(5,856)	-	24,031
Notakwanon	-	22,866	-	22,866
Alexis River	500	12,385	-	12,885
Wizard (note 9 [b])	-	10,262	-	10,262
New Brunswick Oil Shale (note 9 [c])	-	3,998	-	3,998
Howell's River	500	2,920	-	3,420
Victoria River	4,289	(1,339)	-	2,950
Miguel's Trend	2,575	-	-	2,575
Meshikamau	-	2,637	-	2,637
Merasheen	14,162	1,841	(14,295)	1,708
Moosehead (note 9 [d])	12,004	8,406	(18,717)	1,693
Lac Joseph	-	1,087	-	1,087
Duley Lake	-	380	-	380
Robert's Arm	1	-	-	1
Labrador	30,224	2,834	(33,058)	-
Central Mineral Belt- - Labrador (note 5 [b])	615,327	(615,327)	-	-
Bay du Nord	8,063	-	(8,063)	-
Wade Lake	11,702	7,250	(18,952)	-
Wild Cove	1	-	(1)	-
Nain	-	40,612	(40,612)	-
General exploration	-	20,544	(20,544)	-
Security deposits	74,716	139,791	(40,560)	173,947
	\$ 1,468,874	\$ (170,922)	\$ (201,630)	\$ 1,096,322

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# Altius Minerals Corporation

## Consolidated Schedule of Mineral Properties and Deferred Exploration Costs

Year Ended April 30, 2005

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	Balance, Beginning of Year	Net Additions	Abandoned or Impaired	Balance, End of Year
Central Mineral Belt				
- Labrador	\$ 122,197	\$ 502,359	\$ (9,229)	\$ 615,327
South Tally Pond	125,946	230,649	-	356,595
Lockport	65,707	4,727	(50)	70,384
Mustang Trend	28,049	50,383	(12,083)	66,349
Shamrock	42,771	-	-	42,771
Taylor Brook	30,958	7,857	(1,200)	37,615
Labrador	-	57,366	(27,142)	30,224
Baie d'Espoir	53,236	(20,999)	(2,350)	29,887
Point Leamington	27,987	-	-	27,987
Kamistaitussett	-	25,450	-	25,450
Labrador Trough	-	23,624	-	23,624
Merasheen	14,242	-	(80)	14,162
Rocky Brook	53,224	(38,596)	(480)	14,148
Moosehead	5,558	6,446	-	12,004
Wade Lake	-	11,702	-	11,702
Bay du Nord	8,523	-	(460)	8,063
Victoria River	3,733	556	-	4,289
Miguel's Trend	9,659	1,219	(8,303)	2,575
Alexis River	-	500	-	500
Howell's River	-	500	-	500
Robert's Arm	1	-	-	1
Wild Cove	1	-	-	1
Rambler (note 5 [a])	484,535	(232,621)	(251,914)	-
Twilight	136,296	1,004	(137,300)	-
Labrador West	49,467	(24,212)	(25,255)	-
Meshikamau	22,469	(22,469)	-	-
Flint Cove	4,639	-	(4,639)	-
Montgomery Lake	4,426	(4,426)	-	-
Martin Lake	4,189	(4,189)	-	-
Julienne Lake	2,235	(2,235)	-	-
Exploit's River	-	1,899	(1,899)	-
West Coast	-	2,716	(2,716)	-
General exploration	-	12,644	(12,644)	-
Security deposits	214,250	(131,534)	(8,000)	74,716
	\$1,514,298	\$ 460,320	\$ (505,744)	\$ 1,468,874

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# Altius Minerals Corporation

## Notes to Consolidated Financial Statements

April 30, 2006 and 2005

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### 1. Nature of operations

The Corporation's principal business activities include mineral exploration and the acquisition of equity and royalty interests in natural resource projects in Newfoundland and Labrador.

The Corporation is in the process of exploring its mineral properties and has not yet determined whether these properties contain mineral reserves that are economically extractable. The recoverability of the amounts shown for mineral properties and deferred exploration costs is dependent upon the discovery of economically recoverable mineral reserves, the ability of the Corporation to obtain necessary financing to complete the development of the properties, and the generation of sufficient income through future production from or the disposition of such assets.

### 2. Significant accounting policies

#### (a) Principles of consolidation

The consolidated financial statements include the accounts of the Corporation and its wholly owned subsidiary, Altius Resources Inc. (2005 – Altius Resources Inc. and 11073 Newfoundland Limited which were amalgamated during 2006 and continued as Altius Resources Inc.) and a proportionate share of the assets, liabilities, revenue and expenses of Labrador Nickel Royalty Limited Partnership (Note 13).

#### (b) Cash and cash equivalents

Cash and cash equivalents consists of amounts on deposit with banks and short term investments consisting of term deposits, bankers' acceptances and discount notes with a maturity of 90 days or less when purchased.

#### (c) Investments

Investments in companies over which the Corporation exercises significant influence are accounted for using the equity method whereby the Corporation's investments are recorded at its original cost and the Corporation's share of earnings is recognized in the consolidated statement of income with a corresponding adjustment to the investment account. Other long-term investments are accounted for using the cost method whereby the Corporation's investment is recorded at its original cost and earnings from the investment are recognized only to the extent received or receivable. Where there has been a permanent decline in value, the investment is stated at net realizable value.



# Altius Minerals Corporation

## Notes to Consolidated Financial Statements

April 30, 2006 and 2005

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(d) Mineral properties and deferred exploration costs

The amount shown for mineral properties and deferred exploration costs includes the direct costs of acquiring, maintaining, exploring and developing properties, an allocation of management fees, salaries based on time spent, stock-based compensation costs based on time spent, and other costs directly related to specific properties. All other costs, including administrative overhead, are expensed as incurred. Mineral properties acquired for share consideration are recorded at the fair value of the shares at the date of acquisition.

Incidental revenue derived from management fees and option payments received from third parties for the right to explore mineral properties are recorded first as a reduction of the specific mineral property and deferred exploration costs to which the fees and payments relate, then as a reduction to general exploration costs, and any excess as revenue on the consolidated statement of income.

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

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

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

(e) Royalty interest in mineral property

Royalty interest in mineral property includes the acquired royalty interest in a production stage mineral property. The royalty interest is recorded at cost and is capitalized as a tangible asset, unless the interest is considered to be a financial asset or derivative instrument. At April 30, 2006, the royalty interest in mineral property is classified as a tangible asset.

# Altius Minerals Corporation

## Notes to Consolidated Financial Statements

April 30, 2006 and 2005

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The acquisition cost of the production stage royalty interest is amortized using the unit of production method over the life of the mineral property, which is determined using available estimates of proven and probable reserves.

(f) Asset retirement obligations

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

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

The Corporation has not incurred any asset retirement obligations relating to its activities to April 30, 2006 and 2005.

(g) Property and equipment

Property and equipment is recorded at cost. Amortization is provided using the following methods and annual rates:

Computer equipment	30% declining balance
Computer software	100% straight line and 4 years straight line
Geological equipment	30% declining balance
Office equipment	20% declining balance
Leasehold improvements	5 years straight line

(h) Revenue recognition

Revenue from option payments, management fees, consulting fees and equipment rental is recognized when the services are provided and there is reasonable assurance of collection.

Investment revenue is recognized on an accrual basis and is related to period invested and interest rates. Royalty revenue is recognized when management can estimate the payable production from mine operations, when the underlying price is determinable, when collection is reasonably assured and pursuant to the terms of the royalty agreement.

# Altius Minerals Corporation

## Notes to Consolidated Financial Statements

April 30, 2006 and 2005

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(i) Measurement uncertainty

The valuation of the mineral properties and deferred exploration costs, the royalty interest in mineral property and certain investments in equity accounted investees is based on management's best estimate of the future recoverability of these assets.

Management's estimate of mineral prices, the operator's estimates of proven and probable reserves related to the mineral property and the operator's estimates of operating, capital and reclamation costs upon which the Corporation relies, are subject to significant risks and uncertainties and affect royalty revenue recognition, amortization – royalty interest and the assessment of the recoverability of the royalty interest in mineral property.

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

(j) Income taxes

Income taxes are accounted for using the liability method of income tax allocation. Under the liability method, income tax assets and liabilities are recorded to recognize future income tax inflows and outflows arising from the settlement or recovery of assets and liabilities at the carrying values. Income tax assets are also recognized for the benefits from tax losses and deductions that cannot be identified with particular assets or liabilities, provided those benefits are more likely than not to be realized. Future income tax assets and liabilities are determined based on the tax laws and rates that are anticipated to apply in the period of realization.

(k) Foreign currency translation

The financial statements of an integrated foreign equity investee are translated using the temporal method, whereby monetary assets and liabilities are translated at the rate of exchange in effect at the balance sheet date and non-monetary assets and liabilities are translated at historic exchange rates in effect when the assets were acquired or the liabilities were incurred. Revenue and expense items are translated at average exchange rates for the period. Gains and losses on translation are recorded in the consolidated statement of income.

(l) Stock-based compensation

Stock options granted to employee, directors and non-employees are accounted for using the fair value method. The compensation cost for options granted is determined based on the estimated fair value of the stock options at the time of the grant. The compensation cost is recognized over the vesting periods of the respective options as an expense, capitalized to mineral properties and deferred exploration costs, or capitalized to investment.

# Altius Minerals Corporation

## Notes to Consolidated Financial Statements

April 30, 2006 and 2005

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The amounts recorded and disclosed relating to fair values of stock options issued, and the resulting income effects (note 8[c]) are calculated under the Black-Scholes option pricing model using estimates of future volatility of the Corporation's share price, expected lives of the options, expected dividends to be paid by the Corporation and other relevant assumptions. By their nature, these estimates are subject to measurement uncertainty and the effect of changes in such estimates on the consolidated financial statements of future periods could be significant.

(m) Government assistance

Government assistance received or receivable in respect of mineral property exploration costs is reflected as a reduction of the cost of the property and the related deferred exploration costs.

(n) Diluted income per share

Diluted income per share is calculated using the Treasury Stock Method, whereby it is assumed that proceeds received on the exercise of in-the-money stock options and warrants are used to repurchase Corporation shares at the weighted-average market price during the period.

(o) Financial instruments

Financial instruments include accounts receivable, investments and accounts payable and accrued liabilities. All carrying values of financial instruments approximate fair value unless otherwise noted.

3. Royalty interest in mineral property

	Cost	2006 Accumulated Amortization	Net Book Value	Cost	2005 Restated (Note 13) Accumulated Amortization	Net Book Value
Voisey's Bay royalty	\$13,620,641	\$ 22,711	\$ 13,597,930	\$13,615,580	\$ -	\$13,615,580

On December 8, 2004, the Corporation acquired an additional 2.5% interest in the Voisey's Bay 3% net smelter returns royalty (NSR) thereby increasing its interest to 10%. The Corporation paid cash consideration of \$3,016,236 CDN (\$2,513,000 USD in accordance with the terms of the original agreement). Other costs associated with the acquisition amounted to \$42,144.

# Altius Minerals Corporation

## Notes to Consolidated Financial Statements

April 30, 2006 and 2005

### 4. Property and equipment

	2006			2005		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Computer equipment and software	\$ 129,168	\$ 98,092	\$ 31,076	\$ 116,657	\$ 70,240	\$ 46,417
Office equipment	49,145	31,942	17,203	48,856	27,642	21,214
Geological equipment	67,924	23,250	44,674	54,186	4,383	49,803
Leasehold improvements	3,153	1,260	1,893	3,153	630	2,523
	<u>\$ 249,390</u>	<u>\$ 154,544</u>	<u>\$ 94,846</u>	<u>\$ 222,852</u>	<u>\$ 102,895</u>	<u>\$ 119,957</u>

### 5. Investments

	2006	2005 (Restated) Note 13
Investment in companies subject to significant influence:		
Rambler Metals and Mining plc, 12,000,000 ordinary shares representing a 30% interest, at equity (note 5 [a]) (market value - \$9,392,976; 2005 -\$17,303,040)	\$ 4,715,798	\$ 5,475,185
Aurora Energy Resources Inc. – 12,096,438 common shares representing a 19.9% interest, at equity (note 5 [b]) (market value - \$54,554,935)	6,579,828	-
Newfoundland and Labrador Refining Corporation, 37,500 common shares representing a 37.5% interest, at equity; (note 5 [c])	212,769	-
Investments, at cost (market value \$6,169,190; 2005 - \$177,450)	5,726,663	212,500
	<u>\$ 17,235,058</u>	<u>\$ 5,687,685</u>

- (a) On March 4, 2005, the Corporation transferred its interest in the Rambler property to a newly formed wholly-owned subsidiary, 51190 Newfoundland and Labrador Inc. (51190). The Rambler property and the related deferred exploration costs were written down to \$571,200 prior to the transfer. The transfer occurred pursuant to Section 85 (1) of the Income Tax Act (Canada). The Corporation received 100 common shares in 51190 as consideration for the transfer.

# Altius Minerals Corporation

## Notes to Consolidated Financial Statements

April 30, 2006 and 2005

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On March 7, 2005, the Corporation sold its 100 common shares in 51190 to Rambler Miners Limited (RML), an arm's length United Kingdom based company. The Corporation received 12 million ordinary shares in RML representing a 50% equity interest as consideration for the sale, at a stated amount of 2 pence sterling per share (\$571,200 CDN).

As part of the sale agreement, RML was granted a non-transferable option to purchase 100,000 common shares in the Corporation, at an exercise price of \$3.90 per share, expiring November 1, 2005. A condition of the stock option agreement is that if the option is exercised, the optioned shares will be issued to the third party with whom the Corporation, pursuant to its Rambler property option agreement, could elect to issue 100,000 common shares on November 1, 2005 as its final payment to earn its interest in the Rambler property.

An amending stock option agreement dated November 1, 2005 amended the RML option to a non-transferable option to purchase 75,000 common shares in the Corporation at an exercise price of \$3.90 per share expiring November 1, 2006 with all other conditions of the original stock option agreement unchanged. The stock option was exercised in July 2006.

The fair value of the stock options issued is estimated to be \$53,250 (2005 - \$67,000) using the Black-Scholes option-pricing model with the following assumptions:

	2006	2005
Expected life (years)	1.0	.75
Risk-free interest rate (%)	2.77	2.88
Expected volatility (%)	30	43
Expected dividend yield (%)	-	-

The amount of \$53,250 was capitalized to the investment in Rambler Metals and Mining plc (2005- \$67,000 was included as a cost of the Rambler mineral property and deferred exploration costs), with corresponding amounts reflected as contributed surplus.

If RML does not spend or cause 51190 to spend a minimum of \$6,000,000 on the Rambler property by June 30, 2008, the Corporation will have the right and option to repurchase all of the issued and outstanding shares of 51190 for £240,000 (\$489,600 CDN at April 30, 2006), or at the option of the Corporation, in exchange for all of the Corporation's shares in RML (Rambler Metals and Mining plc at April 30, 2006).

On March 21, 2005, the Corporation and the other shareholders of RML exchanged their shares in RML for shares in Rambler Metals and Mining plc (RMML). The Corporation received 12 million ordinary shares in RMML representing a 50% equity interest. Other costs associated with this acquisition were \$8,500. On March 31, 2005 RMML issued an additional 16 million ordinary shares. As a result of the issuance of these shares, the Corporation's interest in RMML was diluted to 30%, resulting in a gain on dilution of \$4,650,823, representing the difference between the Corporation's original investment and 30% of the net equity of RMML after the additional issuance.

# Altius Minerals Corporation

## Notes to Consolidated Financial Statements

April 30, 2006 and 2005

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- (b) In accordance with a binding letter agreement dated May 31, 2005, the Corporation transferred its 50% beneficial interest in the Central Mineral Belt Property (“the property”) with a cost of \$661,739 to a newly formed company, Aurora Energy Inc., in exchange for shares. As part of the agreement, the Corporation retained an interest in the property in the form of a 2% final sales royalty on uranium products produced and a 2% net smelter royalty on base and precious metals produced. The transfer occurred pursuant to Section 85(1) of the Income Tax Act (Canada). As consideration, the Corporation received 4,800,000 Class A common shares in Aurora, representing a 48% interest, with each Class A common share entitled to one vote per share. The Corporation’s interest was subsequently diluted to 43.2% in August 2005 with the issuance of additional shares by Aurora, resulting in a gain on dilution of \$1,339,352, representing the difference between the Corporation’s initial investment and 43.2% of the net equity of Aurora after the additional issuance.

On February 15, 2006, Aurora Energy Inc. changed the name of the company to “Aurora Energy Resources Inc.” (“Aurora”), split its Class A common shares on the basis of 3:1, and renamed the Class A common shares as common shares. On February 17, 2006, Aurora split its common shares on the basis of 1.58400158:1. This resulted in the Corporation holding 22,809,602 shares in Aurora, representing a 43.2% interest.

On March 22, 2006, Aurora completed an initial public offering of 6,944,444 shares. The Corporation’s interest was diluted to 38.18%, resulting in a gain on dilution of \$8,277,807. The Corporation completed a secondary offering of 10,713,164 shares in Aurora at a gross price of \$3.60 per share, resulting in total gross proceeds to the Corporation of \$38,567,390. Underwriters’ fees associated with the secondary offering were 4.5% of gross proceeds, amounting to \$1,735,532. The sale of shares in Aurora resulted in a gain on sale in the amount of \$31,504,284. The Corporation held a 20.25% interest in Aurora after the sale of shares in the secondary offering.

In April 2006, the underwriters of the initial public offering of the Aurora shares exercised their over-allotment option to purchase an additional 1,041,667 shares of Aurora. The Corporation’s interest was diluted to 19.9%, resulting in a gain on dilution of \$598,765.

- (c) On November 28, 2005 the Corporation subscribed for 37,500 common shares, representing a 37.5% interest, in Newfoundland and Labrador Refining Corporation (NLRC), a newly incorporated private company, incorporated under the Laws of the Province of Newfoundland and Labrador.

The fair value of the Corporation’s interest in NLRC is not practicable to determine because the shares are not actively traded in a public market.

- (d) The share of (loss) income in equity investees includes a net foreign exchange loss in the amount of \$587,523 (2005 – gain of \$243,846), recognized on the translation of current monetary assets and liabilities.

# Altius Minerals Corporation

## Notes to Consolidated Financial Statements

April 30, 2006 and 2005

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6. Income taxes

(a) Significant components of the future tax liability at April 30, 2006 and 2005 are as follows:

	<b>2006</b>	<b>2005</b>
Temporary differences related to mineral properties and deferred exploration costs	\$ (231,103)	\$ 446,141
Tax values of property and equipment in excess of net book values	29,168	41,066
Carrying value of investments in equity investees in excess of tax values	(1,777,464)	(884,125)
Share issuance costs	120,602	193,567
Non-capital loss carry forwards	357,709	683,040
Other	88	335
Valuation allowance	-	(936,024)
	<u>\$ (1,501,000)</u>	<u>\$ (456,000)</u>

(b) Income taxes differ from that which would be expected from applying the combined effective Canadian federal and provincial income tax rates of 36.12% (2005 - 36.12%) to income before income taxes as follows:

	<b>2006</b>	<b>2005</b>
Expected tax expense	\$ 13,873,233	\$ 1,445,609
Non-taxable portion of capital gains	(6,584,296)	(1,040,783)
Resource loss	41,076	29,251
Stock-based compensation costs	108,338	55,191
Tax rate reductions	(592,190)	-
Other	25,960	32,448
Future tax benefit not previously recognized	(935,121)	(65,716)
	<u>\$ 5,937,000</u>	<u>\$ 456,000</u>



# Altius Minerals Corporation

## Notes to Consolidated Financial Statements

April 30, 2006 and 2005

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### 7. Share capital

#### (a) Authorized

- Unlimited number of common voting shares
- Unlimited number of First Preferred shares
- Unlimited number of Second Preferred shares

The First and Second Preferred shares may be issued in one or more series and the directors are authorized to fix the number of shares in each series and to determine the designation, rights, privileges, restrictions, and conditions attached to the shares of each series.

#### (b) Issued - Common shares

	2006		2005	
	Number	Stated Value	Number	Stated Value
Balance, beginning of year	26,896,097	\$ 21,448,796	24,410,930	\$15,805,255
Exercise of warrants (note 7[c])	1,534,878	3,077,649	2,174,917	5,315,602
Exercise of stock options (note 8[a])	266,750	447,373	270,250	171,239
Pursuant to acquisition of mineral properties	25,000	150,000	40,000	156,700
Balance, end of year	<u>28,722,725</u>	<u>\$ 25,123,818</u>	<u>26,896,097</u>	<u>\$21,448,796</u>

#### (c) A summary of the status of the Corporation's common share purchase warrants and agents' warrants as of April 30, 2006 and 2005 and changes during the years then ended is as follows:

	2006		2005	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of year	1,535,687	\$ 2.00	3,710,604	\$ 2.07
Exercised	(1,534,878)	2.00	(2,174,917)	2.11
Expired	<u>(809)</u>	<u>2.00</u>	<u>-</u>	<u>-</u>
Outstanding, end of year	<u>-</u>	<u>\$ -</u>	<u>1,535,687</u>	<u>\$ 2.00</u>

# Altius Minerals Corporation

## Notes to Consolidated Financial Statements

April 30, 2006 and 2005

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(d) Contributed surplus

A summary of contributed surplus as at April 30, 2006 and 2005 and changes during the years then ended is as follows:

	<b>2006</b>	<b>2005</b>
Balance, beginning of year	\$ 447,070	\$ 885,778
Fair value of stock options (net of future income tax of \$9,000; 2005 - nil) (note 8 [c])	379,730	285,860
Transferred to share capital upon the exercise of:		
Stock options	(134,460)	(8,800)
Warrants	(7,893)	(715,768)
Share of contributed surplus of equity investee related to fair value of stock options and warrants granted by equity investee (net of future income tax of \$407,000)	<u>1,951,781</u>	<u>-</u>
Balance, end of year	<u>\$ 2,636,228</u>	<u>\$ 447,070</u>

(e) Commencing October 28, 2005, a Normal Course Issuer Bid was approved which allows the Corporation to purchase up to 1,000,000 of its common shares at market prices over a twelve month period expiring October 27, 2006. At April 30, 2006, no shares were purchased. Subsequent to April 30, 2006, 15,100 shares were purchased for \$87,663.

(f) Net income per share

Basic net income per share has been calculated using the weighted average number of common shares of 28,194,282 (2005 – 25,551,327) outstanding during the year. Diluted net income per share has been calculated using the weighted average number of common shares of 30,064,739 (2005 – 27,351,939) after giving effect to dilutive stock options and warrants. There was no change in the numerator in calculating net income per share.

8. Stock-based compensation

(a) The Corporation has a stock option plan under which directors, officers, employees and consultants 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 vest 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 policy or policies of the stock exchange(s) on which the Corporation's common shares are then listed.

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## Notes to Consolidated Financial Statements

April 30, 2006 and 2005

A summary of the status of the Corporation's stock option plan as of April 30, 2006 and 2005 and changes during the years then ended is as follows:

	2006		2005	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	1,209,750	\$ 2.31	1,125,000	\$ 1.40
Granted	345,000	4.10	355,000	3.88
Exercised	(266,750)	1.17	(270,250)	0.60
Expired	(150,000)	3.74	-	-
Outstanding, end of year	1,138,000	\$ 2.93	1,209,750	\$ 2.31
Exercisable, end of year	707,000	\$ 2.36	859,750	\$ 1.82

Subsequent to April 30, 2006, 130,000 common shares were issued upon the exercise of stock options, for aggregate proceeds of \$329,950 and 8,000 options with an exercise price of \$4.15 per option were cancelled.

- (b) The following table summarizes information about stock options outstanding and exercisable at April 30, 2006:

Exercise Prices	Number of Outstanding Options	Weighted Average Remaining Contractual Life of Outstanding Options	Number of Exercisable Options	Weighted Average Remaining Contractual Life of Exercisable Options
\$0.55	53,000	.27	53,000	.27
\$1.35	285,000	1.38	285,000	1.38
\$1.75	50,000	1.75	50,000	1.75
\$3.00	170,000	2.80	98,000	2.80
\$3.50	10,000	2.90	6,000	2.90
\$3.75	100,000	4.00	36,000	4.00
\$3.90	75,000	.50	75,000	.50
\$4.00	125,000	3.63	50,000	3.63
\$4.15	<u>270,000</u>	4.66	<u>54,000</u>	4.66
	<u>1,138,000</u>	2.77	<u>707,000</u>	1.98

# Altius Minerals Corporation

## Notes to Consolidated Financial Statements

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- (c) The weighted-average fair value of stock options granted during 2006 and 2005 was estimated on the dates of grant to be \$1.90 (2005 - \$1.84) using the Black-Scholes option pricing model with the following weighted-average assumptions:

	2006	2005
Expected life (years)	4.13	3.80
Risk-free interest rate (%)	3.62	3.28
Expected volatility (%)	52	62
Expected dividend yield (%)	-	-

Compensation costs of \$299,938 (2005 - \$152,798) have been expensed, \$35,542 (2005 - \$133,062) have been capitalized to mineral properties and deferred exploration costs and \$53,250 (2005 – nil) has been capitalized to investment in Rambler Metals and Mining plc, resulting in the recognition of \$388,730 (2005 - \$285,860) in contributed surplus.

### 9. Commitments

#### (a) South Tally Pond

Pursuant to an option agreement, the Corporation has the option and right to acquire an interest in two mineral licenses representing 190 mining claims. The Corporation must incur expenditures in respect of exploration and development of the property totalling at least \$500,000 on or before October 31, 2006.

Upon completion of the required \$500,000 expenditures, the Corporation will have 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.

#### (b) Wizard

Pursuant to an option agreement to purchase an interest in certain “Wizard” mineral claims, the Corporation can elect to pay \$10,000 on February 24, 2007 and \$15,000 on February 24, 2008.

Upon completion of the above option payments, the Corporation will have earned a 100% interest in the mineral claims, subject to retention by the vendor of a 1% royalty.

# Altius Minerals Corporation

## Notes to Consolidated Financial Statements

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(c) New Brunswick Oil Shale

Pursuant to a bituminous shale license to search agreement, the Corporation must incur expenditures in respect of exploration and development in the amount of \$60,000 on or before April 11, 2007.

(d) Moosehead

Pursuant to a joint operating agreement, the Corporation has elected not to exercise its option to contribute in full to the joint operating funding and accordingly has accepted a dilution in its interest from 49% to 46%.

(e) Leases

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

2007	\$ 48,903
2008	39,000
2009	<u>39,000</u>
	<u>\$ 126,903</u>

(f) Mineral property expenditures

The Corporation has obtained various mineral rights licenses by staking claims and paying refundable security deposits. Certain expenditures are required on an annual basis, from the date of license issuance, in order to maintain the licenses in good standing and for refund of security deposits. The Corporation has the option of reducing claims on a property if the required expenditures are not met. The Corporation is required to spend \$628,000 by April 30, 2007 in order to maintain various licenses in good standing, of which \$382,817 is required to be spent for a refund of security deposits in the amount of \$173,947.

### 10. Government assistance

During the year ended April 30, 2006, the Government of Newfoundland and Labrador contributed a total of \$137,413 (2005 - \$132,072) to the Corporation under the Junior Exploration Assistance Program. The amounts were recorded as a reduction of deferred exploration costs on the respective properties. According to the contribution agreements, the projects to which contributions related were required to be completed to the satisfaction of the Minister of Natural Resources ("the Minister") by a specific date. Repayment of contributions is required if the Corporation fails to comply with terms of the agreements, the Corporation becomes bankrupt or insolvent, distress or execution is levied or issued against properties of the Corporation used in the projects, the Corporation ceases to carry on business, the Corporation defaults in performance of any of the conditions contained in the contribution agreements, or if the Corporation uses any funds provided under the agreements for any purpose other than authorized by the Minister.

# Altius Minerals Corporation

## Notes to Consolidated Financial Statements

April 30, 2006 and 2005

### 11. Supplementary cash flow information

	2006	2005
Non-cash investing and financing activities		
The acquisition of investments as partial consideration for the option payments received on mineral properties	<u>\$ 70,000</u>	<u>\$ 200,500</u>
The acquisition of mineral properties in exchange for common shares (note 7[b])	<u>\$ 150,000</u>	<u>\$ 156,700</u>
The acquisition of investment as consideration for the transfer of interest in Central Mineral Belt property (note 5 [b])	<u>\$ 661,739</u>	<u>\$ -</u>
The acquisition of investment as consideration for the sale of shares in 51190 Newfoundland and Labrador Inc. (note 5[a])	<u>\$ -</u>	<u>\$ 571,200</u>
Increase (decrease) in investment due to:		
Dilution gains on issuance of shares by equity investees	<u>\$ 10,215,924</u>	<u>\$ 4,650,823</u>
Share of income (loss) in equity investees	<u>\$(2,209,508)</u>	<u>\$ 244,662</u>
Increase in investment in equity investee and increase in contributed surplus, recognized upon the issuance of stock options and warrants by equity investee	<u>\$ 2,358,781</u>	<u>\$ -</u>
Contributed surplus recognized upon the issuance of stock options recorded as:		
Compensation costs	<u>\$ 299,938</u>	<u>\$ 152,798</u>
Mineral properties and deferred exploration costs	<u>\$ 35,542</u>	<u>\$ 133,062</u>
Investments	<u>\$ 53,250</u>	<u>\$ -</u>

### Change in non-cash working capital balances:

	2006			2005		
	Operating	Financing	Investing	Operating	Financing	Investing
Accounts receivable	\$ (146,158)	\$ -	\$ 77,313	\$ 55,080	\$ 17,802	\$(617,990)
Accounts receivable - related companies	(26,928)	-	(335,127)	-	-	(257,702)
Prepaid expenses	(8,593)	-	(495)	(22,570)	-	7,272
Accounts payable	199,541	-	62,874	25,521	(5,658)	419,934
Income taxes payable	<u>5,308,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 5,325,862</u>	<u>\$ -</u>	<u>\$ (195,435)</u>	<u>\$ 58,031</u>	<u>\$ 12,144</u>	<u>\$ (448,486)</u>

# Altius Minerals Corporation

## Notes to Consolidated Financial Statements

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### 12. Related party transactions

The Corporation's related party transactions are as follows:

	2006	2005
Revenue from companies subject to significant influence		
Management fees	\$ 194,767	\$ -
Consulting fees	<u>26,928</u>	<u>-</u>
Consulting fees and related services and costs paid to a company controlled by a director, and reflected as:		
Mineral properties and deferred exploration costs	94,050	68,384
General and administrative expenses	<u>7,125</u>	<u>-</u>
	<u>101,175</u>	<u>68,384</u>
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	1,330	15,066
Royalty interest in mineral property	-	7,195
Investments	26,597	8,500
Cost on disposition of investment included in gain on disposal of investment in equity investee	22,935	-
Cost on disposition of investment included in dilution gains on issuance of shares by equity investee	7,893	39,657
General and administrative expenses	<u>6,987</u>	<u>5,577</u>
	<u>\$ 65,742</u>	<u>\$ 75,995</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 – related companies are due from significantly influenced investees and a wholly-owned subsidiary of a significantly influenced investee. The balances are payable upon receipt of invoice; \$26,928 (2005 – nil) arose from provision of consulting services and \$592,829 (2005 - \$257,702) from recoverable mineral and other expenditures incurred on behalf of the related companies.

# Altius Minerals Corporation

## Notes to Consolidated Financial Statements

April 30, 2006 and 2005

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### 13. Change in accounting policy

To April 30, 2005, the Corporation accounted for its investment in Labrador Nickel Royalty Limited Partnership (LNRLP) on a cost basis. In 2006 the Corporation accounted for the investment on a proportionate consolidation basis and has applied this change retroactively.

The result of this change in accounting policy is the investment in LNRLP as originally reflected in 2005 at a cost amount of \$13,615,580 has been restated to reflect a royalty interest in mineral property at a cost amount of \$13,615,580. No income or expenses were incurred in 2005 or prior years.

The result of this change in accounting policy on the 2006 financial statements is royalty revenue has increased in the amount of \$78,290 and expenses have increased in the amount of \$43,127. There was no change to 2006 or 2005 net income per share amounts. Current assets have increased in the amount of \$78,403, current liabilities have increased in the amount of \$20,529 and the carrying value of the royalty interest in mineral property has been reduced by \$22,711.

### 14. Investment in Labrador Nickel Royalty Limited Partnership (LNRLP)

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

	2006	2005
<b>Balance Sheets</b>		
Current assets	\$ 78,403	\$ -
Royalty interest in mineral property	13,597,930	13,615,580
Current liabilities	20,529	-
<b>Statements of Income</b>		
Royalty revenue	\$ 78,290	\$ -
General and administrative expenses	20,416	-
Amortization - royalty interest	22,711	-
<b>Statements of Cash Flows</b>		
Operating activities	\$ 113	\$ -



# Altius Minerals Corporation

## Notes to Consolidated Financial Statements

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### 15. Subsequent event

In August 2006, the Corporation signed an agreement with Rubicon Minerals Corporation (Rubicon) and Paragon Minerals Corporation (Paragon), whereby the Corporation agreed to purchase, or place with eligible investors, 800,000 non-flow through special warrants in Paragon at \$0.50 per special warrant, for a cost of \$400,000, and 2,500,000 flow-through special warrants at \$0.60 per special warrant, for a cost of \$1,500,000.

On the effective date of Rubicon's Plan of Arrangement (the Arrangement) as it relates to Paragon, which is subject to shareholder, court and regulatory approvals, and subject to Paragon being then listed on the TSX Venture Exchange, each non-flow through special warrant will be automatically converted into one non-flow through common share of Paragon and one non-flow through share purchase warrant of Paragon, whereby one non-flow through share purchase warrant entitles the holder to purchase one non-flow through common share of Paragon at \$1.00 per share for a term of two years; and each flow-through special warrant will be automatically converted into one flow-through common share of Paragon. In the event of non-completion of the Arrangement, all subscription funds, which are required to be held in escrow, will be returned to the Corporation.

Under the terms of the agreement, the Corporation agreed not to increase its ownership of Paragon to 20% or more of all issued and outstanding common shares of Paragon for a period of 18 months from the date of listing of the Paragon common shares on the TSX Venture Exchange or other stock exchange, unless prior approval is given in writing by the Board of Directors of Paragon.

The Corporation has the right to participate in future financings of Paragon up to the percentage of Paragon shares held at the time of financing. This right will lapse if the Corporation does not participate in two subsequent financings.

As part of the agreement, and subject to completion of the Arrangement, 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 the Arrangement, 250,000 common shares on or before the first anniversary of the Arrangement, and 500,000 common shares on or before the eighth anniversary date of the Arrangement or upon completion of a feasibility study.