ALTIUS MINERALS CORPORATION

Condensed Consolidated Interim Financial Statements
For the three and six months ended
October 31, 2011 and 2010

(Unaudited)

ALTIUS MINERALS CORPORATION

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ALTIUS MINERALS CORPORATION

Condensed Consolidated Balance Sheets

(Unaudited - expressed in thousands of Canadian dollars)

As at

	Note #	**October 31, 2011**	April 30, 2011 (Note 21)	May 1, 2010 (Note 21)
		$	$	$
ASSETS				
Current assets				
Cash and cash equivalents		**53,046**	64,551	55,492
Marketable securities		**122,268**	124,766	112,018
Accounts receivable and prepaid expenses		**2,107**	1,397	302
Income taxes receivable		**4,698**	-	3,014
		182,119	190,714	170,826
Non-current assets				
Mineral properties and deferred exploration costs	5	**3,318**	3,398	7,588
Royalty interest in mineral property	6	**9,862**	10,366	11,199
Property and equipment	7	**242**	177	165
Investments in associates	8	**82,732**	83,400	3,065
Mining and other investments	9	**20,040**	25,764	30,715
		116,194	123,105	52,732
TOTAL ASSETS		**298,313**	313,819	223,558
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities		**2,051**	2,461	1,290
Income taxes payable		**-**	3,195	-
		2,051	5,656	1,290
Other liabilities	14	**1,115**	948	-
Deferred income taxes	10	**9,674**	12,175	6,186
		12,840	18,779	7,476
EQUITY				
Shareholders' equity		**282,934**	291,094	216,082
Non-controlling interest		**2,539**	3,946	-
		285,473	295,040	216,082
TOTAL LIABILITIES AND EQUITY		**298,313**	313,819	223,558

Contingent liability (Note 20)

see accompanying notes to the unaudited condensed consolidated financial statements

ALTIUS MINERALS CORPORATION

Condensed Consolidated Statements of Earnings

(Unaudited - In thousands of Canadian dollars, except per share amounts)

	Note #	Three months ended October 31, 2011	Three months ended October 31, 2010 (Note 21)	Six months ended October 31, 2011	Six months ended October 31, 2010 (Note 21)
		$	$	$	$
Revenue					
Royalty		**723**	648	**1,812**	1,078
Interest and investment		**785**	817	**1,835**	1,618
Other		**127**	(12)	**144**	44
		1,635	1,453	**3,791**	2,740
Expenses					
General and administrative	11	**953**	756	**1,814**	1514
Generative exploration		**177**	387	**392**	455
Mineral properties abandoned or impaired	5	**1,055**	105	**1,109**	485
Share-based compensation	14	**268**	288	**339**	277
Amortization		**194**	201	**551**	328
Royalty tax		**144**	129	**362**	215
		2,791	1,866	**4,567**	3,274
(Loss) before the following		**(1,156)**	(413)	**(776)**	(534)
(Loss) gain on disposal of investments	9	**(285)**	1,309	**(355)**	1,394
Unrealized loss on fair value adjustment of derivatives	9	**(474)**	1,618	**(1,277)**	1,618
Share of loss in associates	8	**(1,835)**	(44)	**(3,197)**	(135)
(Loss) earnings before income taxes		**(3,750)**	2,470	**(5,605)**	2,343
Income tax expense (recovery)					
Current	10	**342**	(116)	**773**	(69)
Deferred	10	**(1,182)**	448	**(1,736)**	357
		(840)	332	**(963)**	288
Net (loss) earnings		**(2,910)**	2,138	**(4,642)**	2,055
Net (loss) earnings attributable to:					
Common shareholders		**(2,868)**	2,138	**(4,456)**	2,055
Non-controlling interest		**(42)**	-	**(186)**	-
		(2,910)	2,138	**(4,642)**	2,055
Net (loss) earnings per share					
- basic		**(0.10)**	0.07	**(0.16)**	0.07
- diluted		**(0.10)**	0.07	**(0.16)**	0.07

see accompanying notes to the unaudited condensed consolidated financial statements

ALTIUS MINERALS CORPORATION

Condensed Consolidated Statements of Comprehensive Earnings

(Unaudited - In thousands of Canadian dollars)

	Three months ended October 31,		Six months ended October 31,	
	2011	2010 (Note 21)	**2011**	2010 (Note 21)
	$	$	**$**	$
Net (loss) earnings	**(2,910)**	2,138	**(4,642)**	2,055
Other comprehensive (loss) earnings, net of tax				
Currency translation adjustment				
(six months 2011 net of income taxes of $nil (2010 - $36))	**-**	69	**-**	202
Net unrealized loss on available-for sale investments				
(six months 2011 net of income taxes of $718 (2010 - $220))	**(3,229)**	4,136	**(4,819)**	1,251
Realized gains on available-for-sale invesments recognized in net earnings (six months 2011 net of income taxes of $45 (2010 - $87)	**(35)**	(353)	**(261)**	(496)
Total comprehensive (loss) earnings	**(6,174)**	5,990	**(9,722)**	3,012
Total comprehensive (loss) earnings attributable to:				
Common shareholders	**(5,416)**	5,990	**(8,470)**	3,012
Non-controlling interest	**(758)**	-	**(1,252)**	-
	(6,174)	5,990	**(9,722)**	3,012

see accompanying notes to the unaudited condensed consolidated financial statements

ALTIUS MINERALS CORPORATION

Condensed Consolidated Statements of Cash Flows

(Unaudited - In thousand of Canadian dollars)

	Note #	For the six months ended October 31, 2011 $	2010 (Note 21) $
Operating activities			
Net (loss) earnings		**(4,642)**	2,055
Adjustments for:			
Generative exploration		**392**	455
Mineral properties abandoned or impaired		**1,109**	485
Share-based compensation		**339**	277
Amortization		**551**	328
Loss (gain) on disposal of investments		**355**	(1,394)
Unrealized loss (gain) on fair value adjustment of derivatives		**1,277**	(1,618)
Share of loss in associates		**3,197**	135
Current income taxes		**773**	(69)
Deferred income taxes		**(1,736)**	357
Income taxes (paid) received		**(8,666)**	2,447
		(7,051)	3,458
Changes in non-cash operating working capital	15	**(1,121)**	(1,363)
		(8,172)	2,095
Financing activities			
Payment to non-controlling interest		**(155)**	-
Repurchase of common shares		**(695)**	-
Proceeds from exercise of stock options		**835**	372
		(15)	372
Investing activities			
Proceeds from sale of investments	9	**2,466**	3,080
Generative exploration		**(392)**	(455)
Mineral properties and deferred exploration costs, net of recoveries	5 & 15	**(1,033)**	(931)
Decrease (increase) in marketable securities		**2,498**	(8,621)
Acquisition of investments	9	**(6,745)**	(1,268)
Acquisition of property and equipment		**(112)**	(59)
		(3,318)	(8,254)
Net decrease in cash and cash equivalents		**(11,505)**	(5,787)
Cash and cash equivalents, beginning of period		**64,551**	55,492
Cash and cash equivalents, end of period		**53,046**	49,705

ALTIUS MINERALS CORPORATION

Condensed Consolidated Statements of Changes in Equity
(unaudited - In thousands of Canadian dollars, except share amounts)

	Common Shares (Note 12)		Treasury Shares		Share-based Payment Reserve	Accumulated Other Comprehensive Earnings	Retained Earnings	Total Shareholders' Equity	Non-controlling interest	Total Equity
	#	$	#	$	$	$	$	$		
Balance, May 1, 2010	28,550,895	73,424	-	-	4,680	1,379	136,599	216,082	-	216,082
Net earnings and comprehensive earnings, May 1, 2010 to October 31, 2010	-	-	-	-	-	957	2,055	3,012	-	3,012
Share-based compensation	-	-	-	-	277	-	-	277	-	277
Shares issued under stock option plan	85,000	565	-	-	(193)	-	-	372	-	372
Balance, October 31, 2010	28,635,895	73,989	-	-	4,764	2,336	138,654	219,743	-	219,743
Net earnings and comprehensive earnings, November 1, 2010 to April 30, 2011	-	-	-	-	-	2,021	68,258	70,279	1,019	71,298
Acquisition of 2260761 Ontario Inc.	-	-			-	-	-	-	3,003	3,003
Payments to non-controlling interest	-	-			-	-	-	-	(76)	(76)
Share-based compensation	-	-	-	-	44	-	-	44	-	44
Shares issued under stock option plan	180,000	1,516	-	-	(488)	-	-	1,028	-	1,028
Balance, April 30, 2011	28,815,895	75,505	-	-	4,320	4,357	206,912	291,094	3,946	295,040
Net loss and comprehensive loss, May 1, 2011 to October 31, 2011	-	-	-	-	-	(4,014)	(4,456)	(8,470)	(1,252)	(9,722)
Payments to non-controlling interest	-	-			-	-	-	-	(155)	(155)
Shares repurchased under normal course issuer bid	(55,233)	(145)	(9,000)	(100)	-	-	(450)	(695)	-	(695)
Share-based compensation	-	-	-	-	170	-	-	170	-	170
Shares issued under stock option plan	105,000	1,120	-	-	(285)	-	-	835	-	835
Balance, October 31, 2011	28,865,662	76,480	(9,000)	(100)	4,205	343	202,006	282,934	2,539	285,473

see accompanying notes to the consolidated financial statements

1. NATURE OF OPERATIONS AND CORPORATE INFORMATION

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

Altius Minerals Corporation is a publicly traded company, incorporated and domiciled in Canada. The address of its registered office is Suite 202, 66 Kenmount Road, St. John's, Newfoundland and Labrador, Canada A1B 3V7.

These interim condensed Consolidated Financial Statements were approved and authorized for issuance by the Board of Directors on December 14, 2011.

2. BASIS OF PRESENTATION

In conjunction with the Corporation's annual audited consolidated financial statements to be issued under International Financial Reporting Standards ("IFRS") for the year ended April 30, 2012, these interim condensed consolidated financial statements present the Corporation's initial financial results of operations and financial position under IFRS as at and for the three and six months ended October 31, 2011, including 2010 comparative periods. As a result, they have been prepared in accordance with IFRS 1, "First-time Adoption of International Financial Reporting Standards" and with International Accounting Standard ("IAS") 34, "Interim Financial Reporting", as issued by the International Accounting Standards Board ("IASB"). Previously, the Corporation prepared its interim and annual Consolidated Financial Statements in accordance with Canadian generally accepted accounting principles ("previous GAAP"). These condensed interim Consolidated Financial Statements do not include all the necessary annual disclosures in accordance with IFRS.

The preparation of these interim condensed consolidated financial statements resulted in selected changes to the Corporation's accounting policies as compared to those disclosed in the Corporation's annual audited consolidated financial statements for the period ended April 30, 2011 issued under previous GAAP. A summary of the significant changes to the accounting policies is disclosed in Note 21 along with reconciliations presenting the impact of the transition to IFRS for the comparative periods as at May 1, 2010, as at and for the three and six months ended October 31, 2010, and as at and for the twelve months ended April 30, 2011.

These condensed consolidated interim financial statements have been prepared on a historical cost basis except for mining and mineral related investments, share purchase warrants, and share-based compensation transactions, which are all measured at fair value.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The condensed consolidated financial statements include the financial statements of the Corporation and the entities controlled by the Corporation (its subsidiaries). Control exists when the Corporation has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the condensed consolidated financial statements from the date that control commences until the date that control ceases. All significant intercompany transactions and balances have been eliminated.

The condensed consolidated financial statements included in the accounts of the Corporation for the periods presented are as follows:

Altius Minerals Corporation	100%	Parent company
Altius Resources Inc.	100%	Exploration company
Altius Investments Limited	100%	Holding Company
2260761 Ontario Inc.	72.8%	Holding Company

Non-controlling interests in the net assets of the consolidated subsidiaries are identified separately from the Corporation’s equity. The non-controlling interest consists of the non-controlling interest’s portion of net assets, earnings, and other comprehensive earnings.

Investments in associates are accounted for using the equity method. Under this method, the Corporation’s share of the investment’s earnings or losses is included in the statement of earnings and the carrying amount of the investment is adjusted by a like amount.

Investments in joint operations or jointly controlled assets are accounted for using the proportionate consolidation method whereby the Corporation records its share of any revenues, expenses, assets, and liabilities of the joint operations.

Financial instruments

Financial assets
The Corporation classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Corporation's accounting policy for each category are as follows:

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Corporation's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the statement of earnings in the period of determination.

Fair value through profit or loss - This category includes derivatives, and investments acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the balance sheet at fair value with changes in fair value recognized in the statement of earnings.

Available-for-sale - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in other comprehensive earnings. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from other comprehensive earnings and recognized in the statement of earnings.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets are impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

Financial liabilities
The Corporation classifies its financial liabilities into one of two categories, depending on the purpose for which the asset was acquired. The Corporation's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the balance sheet at fair value with changes in fair value recognized in the statement of earnings.

Other financial liabilities - This category includes accounts payables and accrued liabilities, all of which are recognized at amortized cost.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents

Cash and cash equivalents consists of amounts on deposit with banks and short-term investments in money market instruments that are readily convertible to cash with original maturities of three months or less at the time of purchase. Cash and cash equivalents are classified as loans and receivables and carried at their fair market value.

Marketable securities

Marketable securities consist of Canadian government guaranteed and corporate backed commercial paper, bonds and marketable securities with original maturities of greater than three months at the time of purchase. All marketable securities are classified as fair value through profit or loss and are adjusted to fair market value at each balance sheet reporting date, with the corresponding adjustment going to current period earnings. Transactions are recorded on a trade date basis.

Investments

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

Mineral properties and deferred exploration costs

The Corporation defers costs for mineral properties and deferred exploration costs when the Corporation has in its possession the legal right to explore for mineral deposits on a given property. General prospecting and exploration costs incurred prior to the staking of specific mineral claims are expensed immediately (“Genex”). Mineral properties and deferred exploration costs include the direct costs of acquiring, maintaining, exploring and developing properties, an allocation of salaries based on time spent, and other costs directly related to specific properties. Mineral properties acquired for share consideration are recorded at the fair value of the mineral properties received.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

If a mineral property is abandoned or it is determined that its carrying value cannot be supported by future production or sale, the related costs are charged against operations in the year of abandonment or determination of impairment. 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 technical feasibility and commercial viability will be amortized to operations on a units-of-production basis over the life of the economically recoverable reserves.

Royalty interest in mineral property

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

Decommissioning and restoration provision

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

The Corporation recognizes the fair value of the provision 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 risk-free interest rate. The provision is subsequently adjusted for the passage of time, and is recognized as an accretion expense in the consolidated statement of earnings. The provision is also adjusted due to revisions

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

in either the timing or the amount of the original estimated cash flows. 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 decommissioning and restoration provisions relating to its activities to October 31, 2011.

Property and equipment

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

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

Impairment of equipment and intangible assets (excluding goodwill)

At each reporting date the carrying amounts of the Corporation's long-lived assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use, which is the present value of future cash flows expected to be derived from the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period.

An asset's recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount. Impairment is recognized immediately as additional depreciation. Where an impairment subsequently reverses, the carrying amount is increased to the revised estimate of recoverable amount but only to the extent that this does not exceed the carrying value that would have been determined if no impairment had previously been recognized. A reversal is recognized as a reduction in the depreciation charge for the period.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

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

Income taxes

The Corporation follows the liability method of accounting for income taxes. Under this method, deferred income taxes are recognized based on the expected future tax consequences of unused tax losses, unused tax credits, and differences between the carrying amount of balance sheet items and their corresponding tax basis, using the substantively enacted income tax rates for the years in which the differences are expected to reverse. Deferred income tax assets are recognized to the extent it is probable they will be realized.

Foreign currency translation

The presentation currency of the Corporation and the functional currency of the Corporation and each of its subsidiaries is the Canadian dollar. Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the date of the transaction. At each financial statement reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated. Gains and losses on translation of monetary assets and liabilities are included in the determination of net income for the period.

Share-based payments

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

The Corporation also has a share appreciation rights plan (“SARs”) under which awarded SARs will vest over a specified period and have a reference price based on the common share price at the date of grant. Any payouts will be cash-settled on the scheduled vesting date. SARs granted to employees, directors and non-employees are accounted for using the fair value method. The compensation cost for SARs granted is determined based on the estimated fair value of the SARs at each reporting period using the Black-Scholes option pricing model and is amortized over the vesting period with an offsetting credit to other liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The total liability will be re-measured at each period-end with any increase or decrease in value of the obligation affecting the compensation cost. The amount recognized as expense is adjusted to reflect the number of SARs expected to vest.

Because the SARs are cash-settled, the estimated net obligation of the amount expensed to date based on the vesting schedule will be disclosed as a liability on the Corporation's consolidated balance sheet.

The Corporation also has a Directors' deferred share unit ("DSU") plan. Under the terms of the DSU plan, each non- executive director receives credit for a portion of their annual retainer to a notional account of DSUs in lieu of cash. Each DSU represents a unit with an underlying value equal to the value of one common share of the Corporation. As at October 31, 2011, there were 18,484 vested DSUs.

Because the DSUs are cash-settled, the estimated net obligation of the amount expensed to date based on the vesting schedule will be disclosed as a liability on the Corporation's consolidated balance sheet. The total liability will be re-measured at each period-end with any increase or decrease in value of the obligation affecting the compensation cost.

Earnings per share

Basic net earnings per share is calculated using the weighted average number of common shares outstanding for the respective periods.

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

Use of estimates

The preparation of interim financial statements in conformity with IAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ materially from these estimates.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Corporation has identified the following critical accounting policies under which significant judgments, estimates and assumptions are made and where actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Mineral properties
The Corporation makes certain estimates and assumptions regarding the recoverability of the carrying values of exploration assets. These assumptions are changed when conditions exist that indicate that the carrying value may be impaired, at which time an impairment loss is recorded.

Accounts receivable
The Corporation reviews its accounts receivable on a regular basis and makes estimates of any amounts which are not expected to be collected. If such doubt exists, an allowance for doubtful accounts will be recorded.

Mining and other investments
The Corporation's mining and other investments include shares and warrants held in public and private companies. The Corporation makes certain estimates and assumptions when calculating the fair values of these investments at each reporting periods. The significant assumptions used to determine the value of acquired warrants include estimates of expected volatility, expected life and expected risk-free rate of return. Changes in these assumptions may result in a material change to the fair value adjustment recorded for the period.

Royalty interest in mineral property
The Corporation reviews the estimated useful lives of its royalty interest in mineral property at the end of each reporting period to ensure assumptions are still valid.

Property and equipment
The Corporation reviews the estimated useful lives of property and equipment at the end of each reporting period to ensure assumptions are still valid.

Share-based payments
The Corporation makes certain estimates and assumptions when calculating the fair values of stock options and SARs granted. The significant assumptions used include estimate of expected volatility, expected life and expected risk-free rate of return. Changes in these assumptions may result in a material change to the expense recorded for the issuance of stock options and SARs.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

4. NEW AND FUTURE ACCOUNTING PRONOUNCEMENTS

The following standards are effective for annual periods beginning on or after January 1, 2013, with earlier adoption permitted. The Corporation has not early adopted these standards and is currently assessing the impact they will have on the condensed consolidated financial statements.

IFRS 10, Consolidated Financial Statements: IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 supersedes IAS 27, *Consolidated and Separate Financial Statements*, and *SIC-12, Consolidation – Special Purpose Entities*.

IFRS 11, Joint Arrangements: IFRS 11 establishes principles for financial reporting by parties to a joint arrangement. IFRS 11 supersedes current IAS 31, *Interests in Joint Ventures* and SIC-13, *Jointly Controlled Entities-Non – Monetary Contributions by Venturers.*

IFRS 12, Disclosure of Interests in Other Entities: IFRS 12 applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity.

IFRS 13, Fair Value Measurements: IFRS 13 defines fair value, sets out in a single IFRS framework for measuring value and requires disclosures about fair value measurements. The IFRS 13 applies to IFRSs that require or permit fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except in specified circumstances.

In July 2011, the IASB agreed to defer the effective date of *IFRS 9, Financial Instruments* from 2013 to 2015. The standard is the first part of a multi-phase project to replace IAS 39, *Financial Instruments: Recognition and Measurement*.

IAS 27, Separate Financial Statements: IAS 12 has been updated to require an entity presenting separate financial statements to account for those investments at cost or in accordance with *IFRS 9 Financial Instruments*. The new IAS 27 excludes the guidance on the preparation and presentation of consolidated financial statements for a group of entities under the control of a parent, which is within the scope of the current IAS 27 Consolidated and Separate Financial Statements, and is replaced by IFRS 10.

IAS 28, Investments in Associates and Joint Ventures: IAS 28 has been updated and it is to be applied by all entities that are investors with joint control of, or significant influence over, an investee. The scope of the current IAS 28 Investments in Associates does not include joint ventures. Early application is permitted.

IAS 1 – Presentation of Financial Statements: In June 2011, the IAS issued amendments to IAS 1 that requires an entity to group items presented in the statement of comprehensive income on the basis of whether they may be reclassified to earnings subsequent to initial recognition. For those items presented before taxes, the amendments to IAS 1 also require that the taxes related to the two separate groups be presented separately. The amendments are effective for annual periods beginning on or after July 1, 2012, with earlier adoptions permitted.

(Tabular amounts in thousands of Canadian dollars, except per share amounts)

5. MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS

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

Project	As at April 30, 2011	Additions, net of recoveries	Abandoned or impaired	As at October 31, 2011
	$	$	$	$
Labrador				
Labrador Trough - Base Metals	-	1	(1)	**-**
Natashquan River - Nickel	371	-	(4)	**367**
Notakwanon River - Uranium	166	-	-	**166**
Labrador West - Iron Ore	81	14	-	**95**
Trough Iron - Iron Ore	58	149	-	**207**
Red Cross Lake South - Nickel	22	-	(22)	**-**
Snelgrove Lake - Iron Ore	302	328	-	**630**
Other	3	17	(2)	**18**
Newfoundland				
Topsails - Uranium/Copper	1,299	40	(633)	**706**
Rocky Brook - Uranium	92	-	-	**92**
Mustang Trend - Gold	28	-	(28)	**-**
Moosehead - Gold	12	-	-	**12**
Taylor Brook - Nickel	193	29	(6)	**216**
Wing Pond - Gold	99	5	-	**104**
Other	73	76	(22)	**127**
Nunavut				
Wager Bay - Gold	18	373	(391)	**-**
Security Deposits	581	(3)	-	**578**
Grand Total	**3,398**	**1,029**	**(1,109)**	**3,318**

(Tabular amounts in thousands of Canadian dollars, except per share amounts)

5. MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS (CONTINUED)

Project	As at May 1, 2010	Additions, net of recoveries	Abandoned or impaired	Sold	As at April 30, 2011
	$	$	$		$
Labrador					
Kamistaitusset - Iron Ore	1,850	322	-	(2,172)	-
Labrador Trough - Base Metals	633	-	(633)	-	-
Natashquan River - Nickel	299	72	-	-	371
Notakwanon River - Uranium	139	27	-	-	166
Labrador West - Iron Ore	15	66	-	-	81
Trough Iron - Iron Ore	-	58	-	-	58
Red Cross Lake South - Nickel	19	3	-	-	22
Snelgrove Lake - Iron Ore	116	193	(7)	-	302
Other	-	3	-	-	3
Newfoundland					
Topsails - Uranium/Copper	1,055	246	(2)	-	1,299
Rocky Brook - Uranium	85	7	-	-	92
Mustang Trend - Gold	128	(99)	(1)	-	28
White Bay - Gold	62	40	(102)	-	-
Moosehead - Gold	58	(46)	-	-	12
Taylor Brook - Nickel	14	179	-	-	193
Wing Pond - Gold	-	99	-	-	99
Other	68	81	(76)	-	73
New Brunswick					
New Brunswick Oil Shale	2,881	(107)	(2,774)	-	-
Nunavut					
Wager Bay - Gold	-	18	-	-	18
Security Deposits	166	441	(26)	-	581
Grand Total	7,588	1,603	(3,621)	(2,172)	3,398

(Tabular amounts in thousands of Canadian dollars, except per share amounts)

6. ROYALTY INTEREST IN MINERAL PROPERTY

Voisey's Bay Royalty:	Cost	Accumulated Amortization	Carrying Value
	$	$	$
Balance, May 1, 2010	13,645	(2,446)	11,199
Amortization	-	(833)	(833)
Balance, April 30, 2011	13,645	(3,279)	10,366
Amortization	-	(504)	(504)
Balance, October 31, 2011	**13,645**	**(3,783)**	**9,862**

7. PROPERTY AND EQUIPMENT

	Computer Equipment and Software	Office Equipment	Geological Equipment	Total
	$	$	$	$
Cost:				
Balance May 1, 2010	320	82	208	610
Additions	26	-	55	81
Disposals	-	-	-	-
Balance April 30, 2011	346	82	263	691
Additions	42	-	68	110
Disposals	-	-	-	-
Balance October 31, 2011	**388**	**82**	**331**	**801**
Accumulated Amortization:				
Balance May 1, 2010	266	50	129	445
Additions	31	6	32	69
Disposals	-	-	-	-
Balance April 30, 2011	297	56	161	514
Additions	23	2	20	45
Disposals	-	-	-	-
Balance October 31, 2011	**320**	**58**	**181**	**559**
Carrying Value:				
Balance May 1, 2010	54	32	79	165
Balance April 30, 2011	49	26	102	177
Balance October 31, 2011	**68**	**24**	**150**	**242**

(Tabular amounts in thousands of Canadian dollars, except per share amounts)

8. INVESTMENTS IN ASSOCIATES

	Alderon	Other	Total
	$	$	$
Balance May 1, 2010	-	3,065	3,065
Foreign currency translation	-	238	238
Additions, net of disposals	87,919	(3,143)	84,776
Share of loss in associates	(1,999)	(160)	(2,159)
Dilution loss on issuance of shares by associate	(2,520)	-	(2,520)
Balance April 30, 2011	83,400	-	83,400
Reclassification from mining and other investments		2,529	2,529
Share of loss in associates	(3,152)	(45)	(3,197)
Balance October 31, 2011	**80,248**	**2,484**	**82,732**
Fair market value October 31, 2011	92,362	n/a	92,362

On December 8, 2010, Alderon Iron Ore Corporation (formerly Alderon Resource Corporation ("Alderon")) earned a 100% interest in the Kamistaitusset ("Kami") iron ore project located in western Labrador by meeting all requirements of an option agreement between the companies. In conjunction with its transfer of title to the project, the Corporation received 32,285,006 shares of Alderon (representing 44.6% of the issued Alderon common shares at the time of award) with a market value of $86,847,000 at the time of closing. The Corporation also holds a 3% gross sales royalty relating to any potential future mining operations on the Kami property. The Corporation recognized a gain on the disposal of a mineral property of $84,675,000 as a result of the exchange.

On December 15, 2010, Alderon completed a bought deal financing whereby Alderon raised gross proceeds of $20,075,000 by issuing 9,125,000 units comprised of one common share and one half common share purchase warrant exercisable for two years at $2.80 per share. As a result of the transaction, the Corporation's ownership interest in Alderon was reduced to 40%. The Corporation also acquired additional shares in Alderon for a total cost of $660,000 during the year ended April 30, 2011.

(Tabular amounts in thousands of Canadian dollars, except per share amounts)

8. INVESTMENTS IN ASSOCIATES (CONTINUED)

The Corporation's share of loss in associates was derived from the most recent set of available financial statements of the investments. Financial highlights of the Corporation's investments in associates as at September 30, 2011 include the following:

	Alderon	Sparkfly Inc.
As at September 30, 2011:		
	$	$
Total assets	104,641	3,334
Total liabilities	(4,054)	(1,073)
Nine months ended September 30, 2011:		
Total revenue	-	490
Comprehensive loss	(22,004)	(2,599)

A subsidiary of the Corporation, 2260761 Ontario Incorporated, holds a 22.8% interest in Sparkfly Inc., a private Georgia corporation that operates an innovative promotions & rewards platform integrated with retail point of sale systems.

On January 5, 2011, the Corporation sold its 12 million shares in Rambler for cash proceeds of $5,925,000 and realized a net gain on disposal of investments on the transaction of $1,451,000.

In addition to the investments in associates noted in the table above, the Corporation holds a 39.6% investment in Newfoundland and Labrador Refining Corporation ("NLRC"), a private company proposing to construct a 300,000 barrel per day oil refinery in Newfoundland, and a loan to NLRC of $30,093,000. The Corporation reduced the carrying value of this investment and loan to zero in April 2008.

(Tabular amounts in thousands of Canadian dollars, except per share amounts)

9. MINING AND OTHER INVESTMENTS

	Investments	Share Purchase Warrants	Total
	$	$	$
Balance, May 1, 2010	30,715	-	30,715
Additions	18,934	747	19,681
Receipt in exchange for interest in mineral properties	3	-	3
Disposals	(28,727)	-	(28,727)
Revaluation	2,670	1,422	4,092
Balance, April 30, 2011	23,595	2,169	25,764
Additions	6,361	384	6,745
Receipt in exchange for interest in mineral properties	3	-	3
Reclassification to investment in associates	(2,529)	-	(2,529)
Disposals	(2,504)	(317)	(2,821)
Revaluation	(5,845)	(1,277)	(7,122)
Balance, October 31, 2011	**19,081**	**959**	**20,040**

The Corporation holds investments in other publicly traded and privately owned entities participating primarily in the resource sector, either through direct investment or in exchange for an interest in the Corporation's mineral properties. These investments are classified as available-for-sale. The fair value is determined by reference to the unadjusted quoted prices in active markets, normally either the TSX or TSX Venture exchange. The Corporation holds investments in private companies. Because there is no readily available market value and the range of possible values is high, the Corporation carries these investments at their original cost until more information becomes available. As of October 31, 2011, the Corporation had investments in privately held companies with a carrying value of $1,577,000 (April 30, 2011 – $3,644,000; May 1, 2010 - $nil).

The share purchase warrants are considered derivative financial instruments for accounting purposes, and any change in fair value is included in net earnings for the year. The fair value of the share purchase warrants is estimated using the Black-Scholes option pricing model, which uses inputs other than quoted market prices to determine the estimated fair market value. The Corporation recorded an unrealized loss on the fair value adjustment of derivatives of $1,277,000 (2010 - $1,618,000) for the six months ended October 31, 2011.

The Corporation sold other mining and mineral related investments at a carrying value of $2,821,000 (2010 - $1,686,000) for gross proceeds of $2,466,000 (2010 - $3,080,000) and recognized a loss on disposal of $355,000 (2010 – gain of $1,394,000) during the six months ended October 31, 2011.

The Corporation sold other mining and mineral related investments at a carrying value of $1,272,000 for gross proceeds of $987,000 and recognized a loss on disposal of $285,000 during the three months ended October 31, 2011. The Corporation sold other investments at a carrying value of $1,076,000 for gross proceeds of $2,385,000 and recognized a gain on disposal of $1,309,000 during the three months ended October 31, 2010.

(Tabular amounts in thousands of Canadian dollars, except per share amounts)

10. INCOME TAXES

Significant components of the deferred income tax liability are as follows:

	October 31, 2011 $	April 30, 2011 $	May 1, 2010 $
Temporary differences related to mineral properties and deferred exploration costs	**(696)**	(682)	(1,982)
Tax values of property and equipment and royalty interests in mineral properties in excess of carrying values	**382**	317	358
Non capital loss carryforward	**766**	28	28
Carrying value of investments in excess of tax values	**(10,911)**	(12,284)	(4,784)
Deferred partnership income	**(160)**	(501)	(234)
Share issuance costs	**95**	192	382
Deferred and deductible share-based compensation	**791**	738	0
Other	**59**	17	46
	(9,674)	(12,175)	(6,186)

Income taxes differ from that which would be expected from applying the combined effective Canadian federal and provincial income tax rates of 30.0% (2011 – 31.5%) to (loss) earnings before income taxes as follows:

	Six months ended October 31, 2011 $	2010 $
Expected tax (recovery) expense	**(1,682)**	738
Non-taxable portion of capital gains and losses	**60**	(489)
Share-based compensation	**52**	87
Permanent tax rate differences arising from dilution gains, associate earnings and warrant revaluation	**607**	(48)
	(963)	288

(Tabular amounts in thousands of Canadian dollars, except per share amounts)

11. GENERAL AND ADMINISTRATIVE

	Three months ended October 31,		Six months ended October 31,	
	2011	2010	**2011**	2010
	$	$	**$**	$
Salaries and benefits	**403**	366	**797**	730
Office and administrative	**209**	181	**439**	355
Professional and consulting fees	**239**	172	**406**	368
Travel & accommodations	**102**	37	**172**	61
	953	756	**1,814**	1,514

12. SHARE CAPITAL

Authorized

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

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

(Tabular amounts in thousands of Canadian dollars, except per share amounts)

13. NET EARNINGS PER SHARE

Basic net earnings per share was calculated using the weighted average number of common shares for the respective periods. The diluted net 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 October 31,		Six months ended October 31,	
	2011	2010	**2011**	2010
Weighted average number of shares:				
Basic	**28,837,035**	28,598,232	**28,821,736**	28,576,684
Diluted	**28,837,035**	28,932,950	**28,821,736**	28,904,475

14. SHARE-BASED COMPENSATION

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

A summary of the status of the Corporation's stock option plan as of October 31, 2011 and changes during the period then ended is as follows:

	October 31, 2011		April 30, 2011	
	Number of Options	**Weighted Average Exercise Price**	Number of Options	Weighted Average Exercise Price
		$		$
Outstanding, beginning of period	**963,000**	**10.43**	1,433,500	9.67
Granted	-	-	10,000	10.13
Exercised	**(105,000)**	**7.95**	(265,000)	5.28
Forfeited	-	-	(215,500)	11.70
Outstanding, end of period	**858,000**	**10.74**	963,000	10.43
Exercisable, end of period	**646,000**	**11.09**	628,000	11.44

(Tabular amounts in thousands of Canadian dollars, except per share amounts)

14. SHARE-BASED COMPENSATION (CONTINUED)

There were no stock options granted during the six months ended October 31, 2011. The weighted-average fair value of stock options granted during the year ended April 30, 2011 was estimated on the dates of grant to be $4.23 using the Black-Scholes option pricing model with the following assumptions:

	April 30, 2011
Expected life (years)	4.00
Risk-free interest rate (%)	2.80
Expected volatility (%)	50.00
Expected dividend yield (%)	-

The weighted average market price of shares on the date of exercise for the six months ended October 31, 2011 was $ 10.96 (for the six months ended October 31, 2010 - $10.54). The weighted average market price of shares on the date of exercise for the year ended April 30, 2011 was $11.27.

The following table summarizes information about stock options outstanding and exercisable at October 31, 2011:

	Total Options Outstanding			Total Exercisable Options		
Range	**Outstanding Options**	**Average Remaining Contractual Life**	**Weighted Average Strike Price**	**Vested Options**	**Average Remaining Contractual Life**	**Weighted Average Strike Price**
	#	**Years**	**$**	**#**	**Years**	**$**
$4.15 to $6.00	260,000	2.0	5.60	202,000	2.0	5.60
$6.01 to $8.00	287,000	3.0	7.00	169,000	3.0	7.00
$8.01 to $12.00	136,000	0.3	8.43	130,000	0.2	8.36
$12.01 to $15.00	20,000	0.5	13.04	20,000	0.5	13.04
$28.00	155,000	1.0	28.00	125,000	1.0	28.00
Total	858,000	1.9	10.74	646,000	1.7	11.09

(Tabular amounts in thousands of Canadian dollars, except per share amounts)

14. SHARE-BASED COMPENSATION (CONTINUED)

Share Appreciation Rights ("SAR") Plan

During the year ended April 30, 2011, the Corporation adopted a SAR plan. Under the terms of the plan, SARs will vest over a specified period and have a reference price based on the common share price at the date of grant. Any payouts will be cash-settled on the scheduled vesting date.

During the fiscal year ended April 30, 2011, the Corporation awarded 700,000 SARs to management at a reference price of $10.82. The SARs vest in three tranches over a five year period, with one third vesting on each of the third, fourth, and fifth anniversaries of the award date. No SARs were awarded in the current period.

During the current period, $26,000 was recognized as share based compensation related to the SARs (2010 - $nil)

Directors' Deferred Share Unit ("DSU") Plan

Under the terms of the Directors' DSU plan each non- executive director receives credit for a portion of their annual retainer to a notional account of DSUs in lieu of cash. Each DSU represents a unit with an underlying value equal to the value of one common share of the Corporation. During the current period, 24,568 DSUs were awarded to current non-executive directors. During the fiscal year ended April 30, 2011, the Corporation awarded 18,484 DSUs to non-executive directors, all of which are fully vested.

Other Liability

Other liability consists of the following:

	October 31, 2011	April 30, 2011	May 1, 2010
	$	$	
Director DSUs	**380**	240	-
Share appreciation rights	**735**	708	-
	1,115	948	-

(Tabular amounts in thousands of Canadian dollars, except per share amounts)

15. SUPPLEMENTAL CASH FLOW INFORMATION

	Six months ended October 31,	
	2011	2010
	$	$
Changes in non-cash operating working capital:		
Accounts receivable and prepaid expenses	**(710)**	(562)
Accounts payable and accrued liabilities	**(411)**	(801)
	(1,121)	(1,363)

Non-cash items:		
Receipt of available-for-sale financial assets in exchange for interests in mineral property	**3**	3

	As at October 31,	
	2011	2010
	$	$
Cash and cash equivalents consist of:		
Deposits with banks	**9,545**	27,267
Short-term investments	**43,501**	22,438
	53,046	49,705

(Tabular amounts in thousands of Canadian dollars, except per share amounts)

16. RELATED PARTY TRANSACTIONS

	Three months ended October 31,		Six months ended October 31,	
	2011	2010	**2011**	2010
	$	$	**$**	$
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	**-**	8
Legal services received from a partnership, one of the partners of which is a director of the Corporation and reflected as:				
General and administrative expenses	**15**	2	**21**	4
	15	2	**21**	4

Compensation for key management personnel and directors is as follows:

	Three months ended October 31		Six months ended October 31	
	2011	2010	**2011**	2010
	$	$	**$**	$
Salaries and benefits	**554**	305	**1,021**	574
Share-based compensation	**45**	199	**93**	308
	599	504	**1,114**	**882**

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 $1,000 after adjusting for an allowance for doubtful accounts of $6,400 (October 31, 2010 - $400 after adjusting for an allowance for doubtful accounts of $6,400).

17. SEGMENTED INFORMATION

On November 1, 2010, the Corporation restructured its business into two reportable segments of exploration and investments/royalty acquisition. Corporate operating costs are not allocated to the segments and are presented separately. Intersegment transactions are not significant and are eliminated upon consolidation. These segments reflect the revised legal and internal reporting structure of the Corporation. The Corporation's key decision makers assess performance and make resource allocation decisions based on net earnings before taxes and non-controlling interest. The Corporation operates in one geographic segment of Canada.

The Corporation has retroactively restated the segment performance for comparative figures, as if this structure existed in prior periods. The restatements are based on management's best estimate of the cost breakdowns and transactions had this structure existed in the comparative periods.

(Tabular amounts in thousands of Canadian dollars, except per share amounts)

17. SEGMENTED INFORMATION (CONTINUED)

Six months ended October 31, 2011

	Royalty and Investment	Exploration	Corporate	Total
	$	$	$	$
Revenue				
Royalty	1,812	-	-	1,812
Interest and investment income	1,793	16	26	1,835
Other	-	134	10	144
	3,605	150	36	3,791
Loss before income taxes	(2,218)	(1,981)	(1,406)	(5,605)
Income tax expense (recovery)				
Current				773
Deferred				(1,736)
				(963)
Net loss				(4,642)

Three months ended October 31, 2011

	Royalty and Investment	Exploration	Corporate	Total
	$	$	$	$
Revenue				
Royalty	723	-	-	723
Interest and investment income	765	8	12	785
Other	-	117	10	127
	1,488	125	22	1,635
Loss before income taxes	(1,488)	(1,510)	(752)	(3,750)
Income tax expense (recovery)				
Current				342
Deferred				(1,182)
				(840)
Net loss				(2,910)

(Tabular amounts in thousands of Canadian dollars, except per share amounts)

17. SEGMENTED INFORMATION (CONTINUED)

Six months ended October 31, 2010

	Royalty and Investment	Exploration	Corporate	Total
	$	$	$	$
Revenue				
Royalty	1,078	-	-	1,078
Interest and investment income	1,618	-	-	1,618
Other	-	44	-	44
	2,696	44	-	2,740
Earnings (loss) before income taxes	4,969	(1,551)	(1,075)	2,343
Income tax expense (recovery)				
Current				(69)
Deferred				357
				288
Net earnings				2,055

Three months ended October 31, 2010

	Royalty and Investment	Exploration	Corporate	Total
	$	$	$	$
Revenue				
Royalty	648	-	-	648
Interest and investment income	817	-	-	817
Other	-	(12)	-	(12)
	1,465	(12)	-	1,453
Earnings (loss) before income taxes	3,944	(847)	(627)	2,470
Income tax expense (recovery)				
Current				(116)
Deferred				448
				332
Net earnings				2,138

(Tabular amounts in thousands of Canadian dollars, except per share amounts)

17. SEGMENTED INFORMATION (CONTINUED)

Total assets:

	Royalty and Investment	Exploration	Corporate	Total
	$	$	$	$
May 1, 2010	209,892	12,618	1,048	223,558
April 30, 2011	308,539	3,798	1,482	313,819
October 31, 2011	**282,168**	**12,509**	**3,636**	**298,313**

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Determination of Fair Value

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

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

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

Level 3 – valuation techniques with significant unobservable market inputs

(Tabular amounts in thousands of Canadian dollars, except per share amounts)

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Fair value of the Corporation's financial assets and financial liabilities was determined as follows:

As at October 31, 2011:

	Level 1	Level 2	Level 3	TOTAL
	$	$	$	$
FINANCIAL ASSETS				
Marketable securities	**122,268**	**-**	**-**	**122,268**
Mining and other investments	**17,504**	**959**	**-**	**18,463**
TOTAL FINANCIAL ASSETS	**139,772**	**959**	**-**	**140,731**
FINANCIAL LIABILITIES	**381**	**734**	**-**	**1,115**

As at April 30, 2011:

	Level 1	Level 2	Level 3	TOTAL
	$	$	$	$
FINANCIAL ASSETS				
Marketable securities	124,766	-	-	124,766
Mining and other investments	19,951	2,169	-	22,120
TOTAL FINANCIAL ASSETS	144,717	2,169	-	146,886
FINANCIAL LIABILITIES	240	708	-	948

As at May 1, 2010:

	Level 1	Level 2	Level 3	TOTAL
	$	$	$	$
FINANCIAL ASSETS				
Marketable securities	112,018	-	-	112,018
Mining and other investments	30,715	-	-	30,715
TOTAL FINANCIAL ASSETS	142,733	-	-	142,733
FINANCIAL LIABILITIES	-	-	-	-

(Tabular amounts in thousands of Canadian dollars, except per share amounts)

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Risk Management

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

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

Credit risk

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

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

Foreign currency risk

The Corporation is exposed to foreign currency fluctuations on a portion of its accounts receivable related to royalty revenue, which is denominated and paid in US dollars. The Corporation does not enter into any derivative contracts to reduce this exposure since the receivable is short-term in nature and the expected receivable amount cannot be predicted reliably. The following table shows the Corporation's receivable in US dollars.

	October 31, 2011	April 30, 2011	May 1, 2010
	$US	$US	$US
Receivables	**578**	829	181

As at October 31, 2011, a 10% change in the US dollar to Canadian dollar exchange rate could affect net earnings by approximately $58,000.

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Liquidity risk

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

Other price risk

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

The Corporation may be unable to sell its entire interest in an investment without having an adverse effect on the fair value of the security due to low trading volumes on some investments. The Corporation does not enter into any derivative contracts to reduce this exposure.

Interest rate risk

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

A +/- 1% change in the effective interest rates on cash and marketable securities would affect comprehensive earnings by $1,227,000 net of applicable taxes.

Sensitivity Analysis

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

The Corporation's mining and other investments sensitivity to a +/- 20% movement in quoted market prices would affect comprehensive earnings by $4,008,000 net of applicable taxes.

19. CAPITAL MANAGEMENT

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

The Corporation is not subject to any external capital requirements.

20. 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.

21. FIRST TIME ADOPTION OF IFRS

As disclosed in Note 2, these interim consolidated financial statements represent the Corporation's initial presentation of the financial results of operations and financial position under IFRS for the period ended October 31, 2011 in conjunction with the Altius' annual audited consolidated financial statements to be issued under IFRS as at and for the year ended April 30, 2012. As a result, these interim consolidated financial statements have been prepared in accordance with IFRS 1, "First-time Adoption of International Financial Reporting Standards" and with IAS 34, "Interim Financial Reporting", as issued by the IASB. Previously, the Corporation prepared its interim and annual consolidated financial statements in accordance with previous GAAP.

IFRS 1 requires the presentation of comparative information as at the May 1, 2010 transition date and subsequent comparative periods as well as the consistent and retrospective application of IFRS accounting policies. To assist with the transition, the provisions of IFRS 1 allow for certain mandatory and optional exemptions for first-time adopters to alleviate the retrospective application of all IFRSs.

The following reconciliations present the adjustments made to the Corporation's previous GAAP financial results of operations and financial position to comply with IFRS 1. A summary of the significant accounting policy changes and applicable exemptions is discussed following the reconciliations. Reconciliations include the Corporation's consolidated balance sheets as at May 1, 2010 and April 30, 2011; the reconciliations of total equity as at May 1, 2010, October 31, 2010 and April 30, 2011; and the reconciliation of comprehensive income for the three and six months ended October 31, 2010 and for the year ended April 30, 2011.

IFRS 1 First-time Adoption of International Financial Reporting Standards sets forth guidance for the initial adoption of IFRS. Under IFRS 1 the standards are applied retrospectively at the transitional statement of financial position date with all adjustment to assets and liabilities taken to retained earnings unless certain exemptions are applied. The Corporation has applied the following exemptions to its opening statement of financial position dated May 1 2010:

Business Combinations
IFRS 1 indicates that a first-time adopter may elect not to apply IFRS 3 Business Combinations retrospectively to business combinations that occurred before the date of transition to IFRS. The Corporation has taken advantage of this election and has applied IFRS 3 to business combinations that occurred on or after May 1, 2010.

Cumulative translation differences
IFRS 1 allows a first-time adopter to not comply with the requirements of IAS 21 The Effects of Changes in Foreign Exchange Rates for cumulative translation differences that existed at the date of transition to IFRS. The Corporation has chosen not to apply this election.

21. FIRST TIME ADOPTION OF IFRS (CONTINUED)

Share-based payment transactions

IFRS 1 encourages, but does not require, first-time adopters to apply IFRS 2 Share-based payment to equity instruments that were granted on or before November 7, 2002, or equity instruments that were granted subsequent to November 7, 2002 and vested before the later of the date of transition to IFRS and January 1, 2005. The Corporation has elected not to apply IFRS 2 to awards that vested on or before November 7, 2002.

(Tabular amounts in thousands of Canadian dollars, except per share amounts)

21. FIRST TIME ADOPTION OF IFRS (CONTINUED)

IFRS Opening Consolidated Balance Sheet

As at May 1, 2010

	Previous GAAP	Stock Options (Note A)	SARs (Note B)	Other (Note C)	IFRS
	$	$	$	$	$
ASSETS					
Current assets					
Cash and cash equivalents	55,492	-	-	-	**55,492**
Marketable securities	112,018	-	-	-	**112,018**
Accounts receivable and prepaid expenses	302	-	-	-	**302**
Income taxes receivable	3,014	-	-	-	**3,014**
	170,826	-	-	-	**170,826**
Non-current assets					
Mineral properties and deferred exploration costs	7,588	-	-	-	**7,588**
Royalty interest in mineral property	11,199	-	-	-	**11,199**
Property and equipment	165	-	-	-	**165**
Investment in associates	3,065	-	-	-	**3,065**
Mining and other investments	30,715	-	-	-	**30,715**
	52,732	-	-	-	**52,732**
TOTAL ASSETS	223,558	-	-	-	**223,558**
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities	1,290	-	-	-	**1,290**
Deferred income taxes	234	-	-	(234)	-
	1,524	-	-	(234)	**1,290**
Other liabilities	-	-	-	-	-
Deferred income taxes	5,952	-	-	234	**6,186**
	7,476	-	-	-	**7,476**
SHAREHOLDERS EQUITY					
Share capital	73,424	-	-	-	**73,424**
Share-based payment reserve	4,164	516	-	-	**4,680**
Accumulated other comprehensive earnings	1,379	-	-	-	**1,379**
Retained earnings	137,115	(516)	-	-	**136,599**
	216,082	-	-	-	**216,082**
TOTAL LIABILITIES AND EQUITY	**223,558**	-	-	-	**223,558**

(Tabular amounts in thousands of Canadian dollars, except per share amounts)

21. FIRST TIME ADOPTION OF IFRS (CONTINUED)

Consolidated Balance Sheet

As at April 30, 2011

	Previous GAAP	Stock Options (Note A)	SARs (Note B)	Other (Note C)	**IFRS**
	$	$	$	$	$
ASSETS					
Current assets					
Cash and cash equivalents	64,551	-	-	-	**64,551**
Marketable securities	124,766	-	-	-	**124,766**
Accounts receivable and prepaid expenses	1,397	-	-	-	**1,397**
	190,714	-	-	-	**190,714**
Non-current assets					
Mineral properties and deferred exploration costs	3,398	-	-	-	**3,398**
Royalty interest in mineral property	10,366	-	-	-	**10,366**
Property and equipment	177	-	-	-	**177**
Investment in associates	83,400	-	-	-	**83,400**
Mining and other investments	25,764	-	-	-	**25,764**
	123,105	-	-	-	**123,105**
TOTAL ASSETS	313,819	-	-	-	**313,819**
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities	2,461	-	-	-	**2,461**
Income taxes payable	3,195	-	-	-	**3,195**
Deferred income taxes	501	-	-	(501)	**-**
	6,157	-	-	(501)	**5,656**
Other liabilities	481	-	467	-	**948**
Deferred income taxes	11,817	-	-	358	**12,175**
	18,455	-	467	(143)	**18,779**
EQUITY					
Common shares	75,505	-	-	-	**75,505**
Share-based payment reserve	4,202	118	-	-	**4,320**
Accumulated other comprehensive earnings	4,357	-	-	-	**4,357**
Retained earnings	207,354	(118)	(467)	143	**206,912**
Non-controlling interest	3,946	-	-	-	**3,946**
	295,364	-	(467)	143	**295,040**
TOTAL LIABILITIES AND EQUITY	**313,819**	-	-	-	**313,819**

(Tabular amounts in thousands of Canadian dollars, except per share amounts)

21. FIRST TIME ADOPTION OF IFRS (CONTINUED)

Reconciliation of equity:

The following table reconciles the Corporations' total equity as previously reported under Canadian GAAP to the amounts reported under IFRS as at the Transition Date, October 31, 2010, and April 30, 2011. Explanations for each of the adjustments to equity are included in the section that follows the reconciliation.

	May 1, 2010 $	October 31, 2010 $	April 30, 2011 $
Total equity as reported under Previous GAAP	216,082	219,646	295,364
Adjustments to total equity under IFRS:			
Stock Options (Note A)	-	-	-
SARs expense (Note B)	-	-	(467)
Income Taxes (Note C)	-	-	143
Total equity as reported under IFRS	216,082	219,646	295,040

(Tabular amounts in thousands of Canadian dollars, except per share amounts)

21. FIRST TIME ADOPTION OF IFRS (CONTINUED)

Reconciliation of Comprehensive earnings:

The following table reconciles the Corporations' total comprehensive earnings as previously reported under Previous Canadian GAAP to the amounts reported under IFRS for the periods presented. Explanations for each of the adjustments to comprehensive earnings are included in the section that follows the reconciliation.

	For the three months ended October 31, 2010	For the six months ended October 31, 2010	For the year ended April 30, 2011
	$	$	$
Total comprehensive earnings reported under previous GAAP	5,915	2,759	74,236
Adjustments to comprehensive earnings equity under IFRS:			
Stock options (Note A)	75	253	398
SARs expense (Note B)	-	-	(467)
Income taxes (Note C)	-	-	143
Total comprehensive earnings reported under IFRS	5,990	3,012	74,310

Reconciliation of cash flows

The adoption of IFRS has had no impact on the net cash flows of the Corporation. The changes made to the consolidated balance sheet and consolidated statements of comprehensive earnings have resulted in reclassifications of various amounts on the consolidated statements of cash flows, however as there have been no changes to the net cash flows, no cash flow reconciliations have been presented.

21. FIRST TIME ADOPTION OF IFRS (CONTINUED)

Notes to the reconciliations above

(A) Stock options

Under Previous GAAP, share-based payments were expensed on a straight line basis over the period of vesting. Under IFRS, expenses relating to stock options must be recognized on an accelerated basis over the vesting period for each tranche of shares, resulting in acceleration in the timing of stock-based compensation expense (graded vesting). The Corporation has adjusted stock based compensation expense in the comparative periods and has adjusted opening retained earnings on the IFRS opening balance sheet to reflect this revised timing of stock option expense.

(B) SARs expense

Under Previous GAAP, the value of SARs to expense in a given period was calculated using the intrinsic value method. The intrinsic value is the amount by which the share price exceeds the reference price of a given instrument multiplied by the number of units outstanding. Under IFRS, the SARs expense to recognize is determined using an option pricing model at each period-end. The Corporation has selected the Black-Scholes method for valuing the SARs under IFRS at each respective period. The Corporation has adjusted stock based compensation expense in the comparative periods to reflect this valuation method. There was no impact on the opening IFRS balance sheet because the SARs awards occurred after the opening balance sheet date.

(C) Income taxes

The Corporation has adjusted deferred income tax expense to reflect the changes noted in the items above. In addition, under IFRS, deferred taxes must be classified as non-current. The Corporation has reclassified the short-term portion of deferred taxes to non-current to reflect the IFRS requirement.