

Altitude Resources Inc.

(Formerly Triumph Ventures III Corporation)

Condensed Interim Consolidated Financial Statements

For the three and nine months ended April 30, 2013

(Expressed in Canadian Dollars)

(unaudited)

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NOTICE TO SHAREHOLDERS

MANAGEMENT'S RESPONSIBILITY FOR CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The accompanying unaudited condensed interim consolidated financial statements of Altitude Resources Inc. ("Altitude") (formerly Triumph Ventures III Corporation) are the responsibility of the Board of Directors. The unaudited condensed interim consolidated financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. These unaudited condensed interim consolidated financial statements do not include all of the disclosures required for annual financial statements and therefore should be read in conjunction with Altitude's audited annual financial statements and notes thereto for the year ended July 31, 2012 and Triumph Venture III Corporation's audited annual financial statements for the year ended July 31, 2012. These unaudited condensed interim consolidated financial statements follow the same significant accounting policies and methods of application as those included in Altitude's most recent audited annual financial statements. Management acknowledges responsibility for the preparation and presentation of the financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to Altitude's circumstances. In the opinion of management, the unaudited condensed interim consolidated financial statements have been prepared within acceptable limits of materiality and are in accordance with International Accounting Standard 34, Interim Financial reporting using accounting policies consistent with IFRS appropriate in the circumstances.

Management has established processes, which are in place to provide it sufficient knowledge to support management representations that it has exercised reasonable diligence that (i) the unaudited condensed interim consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of, and for the periods presented by, the unaudited condensed interim consolidated financial statements and (ii) the unaudited condensed interim consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flows of Altitude, as of the date of, and for the period presented by, the unaudited condensed interim consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the unaudited condensed interim consolidated financial statements and for ensuring that management fulfills its financial reporting responsibilities.

Management recognizes its responsibility for conducting Altitude's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

"Signed"

Andrew Wusaty
President & Chief Executive Officer

"Signed"

Doug Porter
Chief Financial Officer

AUDITOR INVOLVEMENT

The accompanying unaudited condensed interim consolidated financial statements of Altitude have been prepared by and are the responsibility of management. The unaudited condensed interim consolidated financial statements as at and for the three and nine months ended April 30, 2013 have not been reviewed by Altitude's auditors.

Altitude Resources Inc.
(Formerly Triumph Ventures III Corporation)
Condensed Interim Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)
As at April 30, 2013
(unaudited)

	April 30 2013	July 31 2012
Assets		
Current		
Cash and cash equivalents	\$ 2,844,601	\$ 276,546
Amounts receivable	63,170	19,094
Prepaid expenses	10,662	-
Due from related parties (Note 6)	40,000	30,000
	2,958,433	325,640
Exploration and evaluation assets (Note 5)	423,186	240,239
Capital assets, net	15,962	-
	\$ 3,397,581	\$ 565,879

Liabilities

Current		
Accounts payable and accrued liabilities	\$ 171,402	\$ 119,680
Flow-through premium liability (Note 6)	288,369	-
	459,771	119,680

Shareholders' Equity

Share capital (Note 8)	3,851,693	842,401
Warrants (Note 9)	590,382	-
Deficit	(1,504,265)	(396,202)
	2,937,810	446,199
	\$ 3,397,581	\$ 565,879

Nature of operations (Note 1)
Commitments and contingencies (Notes 5 and 11)

Approved by the Board

"Eugene Wusaty"
Director

"George W. Roberts"
Director

Altitude Resources Inc.
(Formerly Triumph Ventures III Corporation)
Condensed Interim Consolidated Statements of Changes in Equity
(Expressed in Canadian Dollars)
(unaudited)

	Share Capital		Warrants and	Contributed	Deficit	Total Equity
	Common Shares		Broker Warrants	Surplus		
	Number	\$	\$	\$		
Balance, August 19, 2010	-	\$ -	\$ -	\$ -	\$ -	\$ -
Common shares issued for cash	100	1	-	-	-	1
Net loss	-	-	-	-	(97,980)	(97,980)
Balance, July 31, 2011	100	1	-	-	(97,980)	(97,979)
Common shares issued to founders	4,000,000	40,000	-	-	-	40,000
Common shares issued on conversion of loans from related parties	10,000,000	500,000	-	-	-	500,000
Net loss	-	-	-	-	(157,512)	(157,512)
Balance, April 30, 2012	100	1	-	-	(255,492)	284,509
Common shares issued for cash	672,000	302,400	-	-	-	302,400
Net loss	-	-	-	-	(140,710)	(140,710)
Balance, July 31, 2012	14,672,100	842,401	-	-	(396,202)	446,199
Common shares issued for cash, net of share issue costs (Note 8(a) and (b))	5,664,852	2,239,337	-	-	-	2,239,337
Common shares issued on completion of RTO of Triumph Ventures III Corporation (Note 4)	1,457,845	714,344	22,071	-	-	736,415
On completion of reverse-takeover of Triumph Ventures III Corporation (Note 8(c))	-	55,611	-	-	-	55,611
Issue of warrants (Note 8(a) and (b))	-	-	568,311	-	-	568,311
Net loss	-	-	-	-	(1,108,063)	(1,108,063)
Balance, April 30, 2013	21,794,797	\$ 3,851,693	\$ 590,382	\$ -	(1,504,265)	\$ 2,937,810

Altitude Resources Inc.
(Formerly Triumph Ventures III Corporation)
Condensed Interim Consolidated Statements of Comprehensive Loss
(Expressed in Canadian Dollars)
For the three and nine months ended April 30, 2013
(unaudited)

	Three months ended 30-Apr-13	Three months ended 30-Apr-12	Nine months ended 30-Apr-13	Nine months ended 30-Apr-12
Expenses				
Salaries	\$ 42,772	\$ 66,060	\$ 105,408	\$ 66,060
General expenses	132,327	64,366	356,515	91,452
	175,099	130,426	461,923	157,512
Loss from operations	(175,099)	(130,426)	(461,923)	(157,512)
Other income (expenses)				
Interest income	7,336	-	12,286	-
Listing fee	-	-	(658,426)	-
Net loss and comprehensive loss	\$ (167,763)	\$ (130,426)	\$ (1,108,063)	\$ (157,512)
Loss per share				
Basic and diluted	\$ (0.01)	\$ (1,304.26)	\$ (0.06)	\$ (1,575.12)
Weighted average number of common shares outstanding				
Basic and diluted	21,794,797	100	17,829,046	100

Altitude Resources Inc.
(Formerly Triumph Ventures III Corporation)
Condensed Interim Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)
For the three and nine months ended April 30, 2013
(unaudited)

	Three months	Three months	Nine months	Nine months
	ended	ended	ended	ended
	30-Apr-13	30-Apr-12	30-Apr-13	30-Apr-12
Cash provided by (used in)				
Operations				
Loss and comprehensive loss	\$ (167,763)	\$ (130,426)	\$ (1,108,063)	\$ (157,512)
Items not affecting cash				
Listing fee	-	-	658,426	-
	(167,763)	(130,426)	(449,637)	(157,512)
Net changes in non-cash working capital				
Amounts receivable	(13,158)	(3,034)	(44,076)	(5,296)
Accounts payable and accrued liabilities	39,776	45,107	(57,127)	45,107
Prepaid expenses	(374)	-	(10,662)	-
	(141,519)	(88,353)	(561,502)	(117,701)
Investing				
Exploration and evaluation assets	(30,769)	(31,256)	(182,947)	(87,197)
Capital assets	(15,962)	-	(15,962)	-
	(46,731)	(31,256)	(198,909)	(87,197)
Financing				
Cash acquired on reverse take-over	-	-	186,838	-
Proceeds from issue of share capital	-	540,001	3,151,628	540,001
Due from related party	-	(403,941)	(10,000)	(333,941)
	-	136,060	3,328,466	206,060
Net change in cash and cash equivalents	(188,250)	16,451	2,568,055	1,162
Cash and cash equivalents, beginning of period	3,032,851	10,625	276,546	25,914
Cash and cash equivalents, end of period	\$ 2,844,601	\$ 27,076	\$ 2,844,601	\$ 27,076

Altitude Resources Inc.
(Formerly Triumph Ventures III Corporation)
Notes to the Condensed Interim Consolidated Financial Statements
(Expressed in Canadian Dollars)
For the three and six months ended April 30, 2013
(unaudited)

1. NATURE OF OPERATIONS

Altitude Resources Inc. (formerly Triumph Ventures III Corporation (“Triumph”)) was incorporated under the Business Corporations Act (Ontario) on January 19, 2011. Triumph commenced trading on the TSX Venture Exchange as a Capital Pool Company on March 15, 2012. On December 31, 2012, Triumph was acquired by Altitude Resources Ltd., a privately-owned Alberta incorporated company, in a reverse takeover (“RTO”) transaction. The RTO was effected by means of a triangular amalgamation in which Altitude Resources Ltd. amalgamated with a wholly-owned subsidiary of Triumph. Triumph was renamed Altitude Resources Inc. (“Altitude” or “the Company”) on December 31, 2012. Shares of Altitude began trading on the TSX Venture Exchange under the symbol ALI on February 15, 2013.

Altitude is a junior coal exploration company with a current exploration focus in northwest Alberta. The primary office of the Company is located at #815, 808 – 4th Avenue SW, Calgary, Alberta, Canada, T2P 3E8.

These financial statements were authorized for issue by the board of directors on June 27, 2013.

The Company is in the process of exploring, and has not yet fully determined the quality and quantity of coal resources on its properties. Accordingly, as is common with exploration companies, the Company is dependent upon obtaining necessary equity financing from time to time to finance its on-going and planned exploration activities and to cover administrative costs.

2. BASIS OF PRESENTATION

These unaudited condensed interim consolidated financial statements have been prepared in accordance with IAS 34 – Interim Financial Reporting on the basis of International Financial Reporting Standards (“IFRS”). IFRS represents standards and interpretations approved by the International Accounting Standards Board (“IASB”), and are comprised of IFRSs, International Accounting Standards (“IASs”), and interpretations issued by the IFRS Interpretations Committee (“IFRICs”) or the former Standing Interpretations Committee (“SICs”).

These unaudited condensed interim consolidated financial statements do not include all of the disclosures required for annual financial statements and therefore should be read in conjunction with the Altitude’s audited annual financial statements and notes thereto for the year ended July 31, 2012. These unaudited condensed interim consolidated financial statements follow the same significant accounting policies and methods of application as those included in Altitude’s most recent audited annual financial statements.

These unaudited condensed interim consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which have been measured at fair value. In the opinion of management, all adjustments considered necessary for a fair presentation have been included.

The presentation and functional currency of the Company is the Canadian dollar.

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Notes to the Condensed Interim Consolidated Financial Statements
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3. SIGNIFICANT ACCOUNTING POLICIES

The financial framework and accounting policies applied in the preparation of these unaudited condensed interim financial statements are consistent with those as disclosed in Altitude's most recently completed audited annual financial statements for the year ended July 31, 2012.

New Accounting Policies

The Company did not adopt any new accounting policies during the three months ended April 30, 2013.

Recent Accounting Pronouncements

The accounting pronouncements detailed below have been issued but are not yet effective. The Company has not early adopted any of these standards and is currently evaluating the impact, if any, that these standards might have on its financial statements.

a) IFRS 9 – Financial Instruments

IFRS 9 replaces the current standard, IAS 39 Financial Instruments: Recognition and Measurement. The new standard replaces the current classification and measurement criteria for financial assets and liabilities with only two classification categories: amortized cost and fair value. This standard is effective for annual periods beginning on or after January 1, 2015.

b) 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. This standard (i) requires a parent entity (an entity that controls one or more other entities) to present consolidated financial statements; (ii) defines the principle of control, and establishes control as the basis for consolidation; (iii) sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee; and (iv) sets out the accounting requirements for the preparation of consolidated financial statements. IFRS 10 supersedes IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation—Special Purpose Entities and is effective for annual periods beginning on or after January 1, 2013, with early application permitted.

c) IFRS 11 - Joint Arrangements

IFRS 11 establishes the core principle that a party to a joint arrangement determines the type of joint arrangement in which it is involved by assessing its rights and obligations and accounts for those rights and obligations in accordance with that type of joint arrangement. This standard is effective for annual periods beginning on or after January 1, 2013, with early application permitted.

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3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

d) IFRS 12 – Disclosure of Involvement with Other Entities

IFRS 12 requires the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows. This standard is effective for annual periods beginning on or after January 1, 2013, with early application permitted.

e) IFRS 13 – Fair Value Measurement

IFRS 13 defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 applies when another IFRS requires or permits 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 for: share-based payment transactions within the scope of IFRS 2 (Share-based Payments); leasing transactions within the scope of IAS (17 Leases); measurements that have some similarities to fair value but that are not fair value, such as net realizable value in IAS 2 (Inventories); or value in use in IAS 36 (Impairment of Assets). This standard is effective for annual periods beginning on or after January 1, 2013, with early application permitted.

f) IAS 27 – Separate Financial Statements

IAS 27 has the objective of setting standards to be applied in accounting for investments in subsidiaries, joint ventures, and associates when an entity elects, or is required by local regulations, to present separate (non-consolidated) financial statements. This standard is effective for annual periods beginning on or after January 1, 2013, with early application permitted. This standard will not have an impact on the consolidated financial statements.

g) IAS 28 – Investments in Associates and Joint Ventures

IAS 28 prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. IAS 28 applies to all entities that are investors with joint control of, or significant influence over, an investee (associate or joint venture). This standard is effective for annual periods beginning on or after January 1, 2013, with early application permitted.

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4. REVERSE TAKE-OVER

Triumph Ventures III Corporation, now Altitude Resources Inc. completed a reverse take-over (RTO) with Altitude Resources Ltd. on December 31, 2012, and the name change from Triumph Ventures III Corporation to Altitude Resources Inc.

Upon completion of the RTO, the former shareholders of Altitude Resources Ltd. became the controlling shareholders of the Company. For accounting purposes, Altitude Resources Ltd. is the deemed acquirer and Triumph the deemed acquired company, and accordingly, Altitude Resources Ltd.'s balances are accounted for at cost and the balances of Triumph are accounted for at fair value. Since the operations of Triumph do not constitute a business, this transaction has been accounted for as a reverse takeover that is not a business combination. Therefore, the share capital and deficit of Triumph as at December 31, 2012, were eliminated, the fair value of the shares of Triumph on December 31, 2012, was allocated to share capital and the transaction costs were expensed.

The RTO involved the amalgamation of Altitude Resources Ltd. with a wholly-owned subsidiary of the Company. Pursuant to the RTO, the Company acquired all of the issued and outstanding common shares of Altitude Resources Ltd. in exchange for the issuance of an aggregate of 20,336,952 common shares of the Company. The RTO was approved by the shareholders of Triumph on November 29, 2012 and the shareholders of Altitude Resources Ltd. on December 24, 2012. The former shareholders of Triumph hold 1,457,845 common shares, which represents the common shares outstanding in Triumph immediately prior to the RTO, taking into effect a 2 for 1 share consolidation.

Details of the RTO were as follows:

The total purchase price of \$714,344 has been allocated as follows:

Cash and cash equivalents	\$ 186,838
Accounts payable and accrued liabilities	<u>(108,849)</u>
Net assets acquired	\$ 77,989
Broker warrants	\$ (22,071)
Listing expense	<u>658,426</u>
Purchase price:	<u>\$ 714,344</u>

Consideration comprised of:

Fair value of common shares	<u>\$ 714,344</u>
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The fair value of the Triumph warrants outstanding at RTO was estimated at the RTO date using the Black-Scholes model with the following weighted average assumptions: (I) dividend yield of 0%; (II) expected volatility of 110%; (III) a risk free interest rate of 1.14%; (IV) an expected life of 1.2 years and (V) a share price of \$0.49. Expected volatility was based on comparable companies.

The transaction costs relating to the RTO were expensed.

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5. EXPLORATION AND EVALUATION ASSETS

	April 30, 2013	July 31, 2012
Balance beginning of period	\$ 240,239	\$ 156,300
Acquisitions and leases	36,288	62,830
Exploration	146,659	21,109
Balance end of period	\$ 423,186	\$ 240,239

Palisades Property

The Company's 100% owned Palisades Property is comprised of six contiguous Alberta Crown Coal leases acquired directly from the Alberta Department of Energy between September 2010 and February 2011. Five of the leases are included within Alberta Department of Energy's Category 4 classification; the sixth lease is a combination of Category 4 and Category 2 lands. There are no work commitments associated the Palisades Property. The only ongoing obligation is the payment of the annual lease (currently \$3.50 per hectare) for a 15 year period from the commencement of the leases.

The Palisades Property totals 4,648 hectares. It is located approximately 28 kilometres northwest of the town of Hinton, Alberta.

Palisades Extension Application

The Palisades Extension Application was acquired by the Company in October 2011. It is comprised of one Alberta Crown Coal lease application totaling 7,034 hectares. This property falls entirely in Coal Category 2 of *A Coal Development Policy for Alberta*. For Category 2 properties, a formal Alberta Crown Coal lease will not be issued until such time as the Alberta Department of Energy reaches a decision on its Coal Policy. Application holders are, however, free to perform exploration work on the properties.

The Palisades Extension Application is contiguous to the northwest of the Company's Palisades Property.

Moberly Creek Application

The Moberly Creek Application was acquired by the Company in January 2012. It is comprised of four Alberta Crown Coal lease applications totaling 5,376 hectares. This property falls entirely in Coal Category 2 of *A Coal Development Policy for Alberta*.

The Moberly Creek Application is located approximately 12.5 kilometres from the northern tip of the Company's Palisades Extension Application.

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5. EXPLORATION AND EVALUATION ASSETS (Cont'd)

Altitude North Application

The Altitude North Application was acquired by the Company in October 2012. It is comprised of three Alberta Crown Coal lease applications totaling 5,244 hectares. This property falls entirely in Coal Category 2 of *A Coal Development Policy for Alberta*.

The Altitude North Application is located approximately 30 kilometres northwest from the northern tip of the Company's Moberly Creek Application.

6. FLOW-THROUGH SHARES

The Company finances certain of its exploration activities through the issuance of flow-through shares, which transfers the tax deductibility of exploration expenditures to the investors. Proceeds received on the issuance of such shares have been credited to share capital less the premium paid for the sale of tax deductions. To the extent that the Company issues common shares to subscribers on a flow-through basis at a premium to the market value of non-flow-through common shares, any such premium is recorded as a liability on the Company's statement of financial position at the time of subscription. This liability is reduced, on a pro-rata basis, as the Company fulfills its expenditure renunciation obligation associated with such flow-through share issuances, with an offsetting amount recognized as income. A deferred income tax liability equal to the tax value of flow-through expenditures renounced is recognized once the Company has fulfilled its obligations associated with the renunciation of related flow-through expenditures. In respect of a retrospective renunciation, such obligation is considered to have been fulfilled once related renunciation filings have been made with the appropriate taxation authorities. In respect of prospective renunciation (i.e., a look-back renunciation), the obligation is considered to be fulfilled once related flow-through expenditures have been incurred.

As at April 30, 2013, the Company had a flow-through share premium of \$288,369. It was expected that the qualifying flow-through expenditures relating to this liability will be incurred prior to December 31, 2013.

7. DUE FROM RELATED PARTIES

The loans are non-interest bearing, unsecured and repayable on demand. There are no fixed terms of repayment.

On April 30, 2012, 4,000,000 Class "A" Voting Common Shares were issued for consideration receivable of \$40,000, which remained outstanding at period end.

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8. SHARE CAPITAL

Authorized, unlimited Voting Common Shares

- a) The Company completed a private placement of 4,267,666 Altitude Units (the "Financing") at a price \$0.60 per unit for gross proceeds of \$2,560,600. Each Unit consisted of one share and one half of one Warrant. Each full Warrant entitles the holder to purchase one share at an exercise price of \$0.80 per share within two years of the Completion of the Qualifying Transaction (Note 4).

The fair value of the warrants issued were estimated at the date of grant using the Black-Scholes model with the following weighted average assumptions: (I) dividend yield of 0%; (II) expected volatility of 110%; (III) a risk free interest rate of 1%; (IV) an expected life of 2 years and (V) a share price of \$0.49. Expected volatility was based on comparable companies.

The Company paid to the Agent, commissions in the amount of 7% of gross proceeds, and issued 298,737 Broker Warrants (7% of the brokered units sold in the financing). The fair value of the warrants issued were estimated at the date of grant using the Black-Scholes model with the following weighted average assumptions: (I) dividend yield of 0%; (II) expected volatility of 110%; (III) a risk free interest rate of 1%; (IV) an expected life of 2 years and (V) a share price of \$0.49. Expected volatility was based on comparable companies.

- b) The Company completed a private placement of 1,373,186 flow through subscription receipts at a price of \$0.70 per subscription receipt for gross proceeds of \$961,230. Each flow through subscription receipt will automatically convert, upon Closing, into one common share of Triumph.

The flow through share premium associated with the issuance of the Triumph subscription receipts was equal to \$0.21 per subscription receipt, based on a share price of \$0.49. This resulted in a flow through share premium liability of \$288,369.

The Company paid to the Agent, commissions in the amount of 7% of gross proceeds, and issued 96,123 Broker Warrants (7% of the brokered flow through subscription receipts sold in the financing). The fair value of the warrants issued were estimated at the date of grant using the Black-Scholes model with the following weighted average assumptions: (I) dividend yield of 0%; (II) expected volatility of 110%; (III) a risk free interest rate of 1%; (IV) an expected life of 2 years and (V) a share price of \$0.49. Expected volatility was based on comparable companies.

- c) In connection with the closing of the transaction, the TSXV required an additional equity investment of \$55,611 by certain members of Altitude's founding shareholder group. This amount has been added to Altitude's share capital.

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9. STOCK OPTIONS AND WARRANTS

a) Stock options

The Company has a stock option plan to provide officers, directors, employees and consultants of the Company with options to acquire up to 10% of the issued and outstanding common shares of the Company. Under the plan, the minimum exercise price of the options is the market price of the Company's stock on the date of grant. The maximum term of the options is five years and the options generally vest over a three year period, or as determined by the Company's board of directors.

On March 2, 2012, the Company granted an aggregate of 137,262 stock options (274,526 prior to share consolidation) to purchase common shares to its directors and officers, exercisable at a price of \$0.40 per common share (\$0.20 prior to share consolidation) for a period of five years from the date of grant and vesting over a three year period.

b) Warrants

On initial public offering of Triumph, the agent received 88,285 agent warrants (176,569 prior to share consolidation) at an exercise price of \$0.40 per common share (\$0.20 prior to share consolidation), expiring 24 months from the date of listing of the common shares on the TSX Venture Exchange.

As described in Note 7 a), 2,133,833 warrants and 298,737 broker warrants were issued as part of the financing in conjunction with the Qualifying Transaction.

As described in Note 7 b), 96123 broker warrants were issued as part of the financing in conjunction with the Qualifying Transaction.

10. RELATED PARTY TRANSACTIONS

During the three and nine month periods ended April 30, 2013, the President and Chief Executive Officer was paid \$23,450 (2012 - nil) and \$23,450 (2012 - nil), respectively. During the three and nine month periods ended April 30, 2013, the Chief Financial Officer was paid \$18,000 (2012 - nil) and \$76,500 (2012 - nil), respectively.

During the three and nine months ended April 30, 2013 the Company incurred \$56,261 and \$106,960 (April 30, 2012 - nil and nil) for legal services with a law firm of which a board member is a consultant and of which the Company's corporate secretary is a partner. As at April 30, 2013, there was an outstanding balance of \$112,291 (April 30, 2012 - nil) owed for legal services to this firm.

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11. COMMITMENTS AND CONTINGENCIES

Exploration and evaluation assets

Company's activities are subject to environmental regulation (including regular environmental impact assessments and permitting) in each of the jurisdictions in which its mineral properties are located. Such regulations cover a wide variety of matters including, without limitation, prevention of waste, pollution and protection of the environment, labour relations and worker safety. The Company may also be subject under such regulations to clean-up costs and liability for toxic or hazardous substances which may exist on or under any of its properties or which may be produced as a result of its operations. It is likely that environmental legislation and permitting will evolve in a manner which will require stricter standards and enforcement. This may include increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a higher degree of responsibility for companies, their directors and employees.

The Company has not determined and is not aware that any provision for such costs is required and is unable to determine the impact on its financial position, if any, of environmental laws and regulations that may be enacted in the future due to the uncertainty surrounding the form that these laws and regulations may take.

Lease commitments

Effective April 30, 2013 the Company entered into a sub-lease for office space. Pursuant to this sub-lease agreement, the Company is committed to pay base lease costs plus additional rent, which includes its proportionate share of costs incurred in the operation, maintenance, management and supervision of the property as defined by the sub landlord's current lease for the premises. Total annual rent (base rent and additional rent) is estimated to be \$56,524. The sub-lease expires on August 31, 2015. Annual commitments under the sub-lease are:

<u>Period ending</u>	<u>Base Rent</u>	<u>Additional Rent</u>	<u>Total</u>
July 31, 2013	\$ 6,178	\$ 7,954	\$ 14,132
July 31, 2014	\$ 24,710	\$ 31,814	\$ 56,524
July 31, 2015	\$ 24,710	\$ 31,814	\$ 56,524
July 31, 2016	\$ 2,059	\$ 2,651	\$ 4,710
Total	<u>\$ 57,657</u>	<u>\$ 74,233</u>	<u>\$ 131,890</u>

Flow-through shares

The Company is committed to spending approximately \$961,000 associated with its flow-through offerings. The Company intends to fulfill all flow-through obligations by December 31, 2013.

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12. CAPITAL RISK MANAGEMENT

The Company considers its capital structure to consist of share capital and deficit.

The Company's objective when managing capital is to maintain adequate levels of funding to support its exploration activities and to maintain corporate and administrative functions necessary to support operational activities.

The Company manages its capital structure in a manner that provides sufficient funding for operational activities. Funds are primarily secured through equity capital raised by way of private placements. There can be no assurances that the Company will be able to continue raising equity capital in this manner.

The Company invests all capital that is surplus to its immediate operational needs in short-term, liquid and highly-rated financial instruments, such as cash and other short-term guaranteed deposits, and all are held in a major Canadian financial Institution.

There has been no change in management's capital policy during the period.

The Company is not subject to any externally imposed capital requirements.

13. FINANCIAL INSTRUMENTS AND RISK FACTORS

The Company is exposed to credit risk, market risk (consisting of interest rate risk, and other price risk), and liquidity risk.

(a) Credit Risk

The financial instruments that potentially subject the Company to a significant concentration of credit risk consist primarily of cash and cash equivalents. The Company mitigates its exposure to credit loss by placing its cash with major financial institutions.

(b) Liquidity Risk

As at April 30, 2013, the Company had accounts payable and accrued liabilities of \$171,402 (July 31, 2012 - \$119,680) and cash and cash equivalents of \$2,844,601 (July 31, 2012 - \$276,546) to meet its current obligations.

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13. FINANCIAL INSTRUMENTS AND RISK FACTORS (Cont'd)

(c) Fair Value

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect estimates.

The carrying values of cash and cash equivalents, accounts payable and accrued liabilities, and due from related parties approximate fair values due to the relatively short term maturities of these instruments.

(d) Commodity Price Risk

The ability of the Company to develop its mineral properties and the future profitability of the Company is directly related to the market price of coal and base metals.