Q4 2021 Conference Call

March 2022

Introduction: The text below is taken from the conference call and webcast announcing Q4 and full year 2021 results which took place March 10, 2022 and is available on the website at www.altiusminerals.com. We are including the formal remarks delivered by our CEO, Brian Dalton, as well as a transcript of the question and answer session that followed the call and where we received excellent questions from analysts and shareholders.

Disclaimer: The transcript is not an official legal document, and as such, is likely to contain errors or missing words where the recording was inaudible. This is particularly true in the question and answer portion. The transcript contains forward-looking statements, which are based on reasonable assumptions and expectations of management and Altius provides no assurance that actual events will meet management's expectations. In certain cases, forward-looking information may be identified by such terms as "anticipates", "believes", "could", "estimates", "expects", "may", "shall", "will", or "would". Although Altius believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those projected. Readers should not place undue reliance on forward-looking information. Altius does not undertake to update any forward-looking information contained herein except in accordance with securities regulation.

Brian Dalton: I normally really look forward to collecting my thoughts for this quarterly call and update, but this one comes with some mixed emotions. While we've been saying for several years that conditions were ripening fundamentally for our asset portfolio to really deliver following now more than 10 years of widespread sector under investment, and the resulting fundamental undersupply conditions, what has now emerged to dramatically accelerate this supply demand situation we would gladly wish away if we could.

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There are plenty of good reasons for the very strong prices that characterize our various commodity exposures today. But the current geo-politically driven exacerbation situation cannot have the word 'good' in any sense of the word said about it. It is in fact, horrible. As your business managers, it is not our role to feel embarrassed or apologetic by the higher expected revenues and investor interest that this backdrop is resulted in. Our positioning was obviously not in anticipation of, predicated upon, and certainly not in hopes of this type of benefit. It is our role to grow a strong, long-term business on behalf of shareholders and other stakeholders that can continue to play a supporting part in bringing the world to natural resources, that now more than ever realizes that it's so critically relied upon.

We also humbly encourage you to join us as fellow shareholders and individuals, in sharing with those who are now being hurt so directly, and the many more who will be hurt as the further negative humanitarian impacts all of this play out. With that said, let's turn to discussing the business.

The fourth quarter and full year both saw new royalty revenue, ebitda and cash flow records set at Altius. It waRs also an excellent year for our project generation business with several new equity positions and early-stage royalties added through mineral project sales, exciting progress made with respect to certain royalties within the long-term pipeline and strong net sales of equities recorded. On a combined basis, royalty revenue and net PG sales totalled exactly $100 million.

2021 was also a transformational year for our renewable energy focused royalty platform. This is a business line that was ultimately born of the challenges we faced when much of the expected remaining lives of our Alberta coal power royalties were essentially expropriated by government regulations. We're therefore very proud, or perhaps more honestly stated as relieved, to announce the Altius renewable royalties emerged so strongly as the replacement business.

Following a successful early year IPO and steady progress in growing sector adoption and capital deployment, the market value of Altius is holding an ARR at the time of writing, now totals more than $240 million. This compares to $62.5 million that we directly invested in establishing the business over its first few development years. No small measure of credit for this progress is acknowledged here to the Frank Getman led New Hampshire based operating team for their innovative thinking and remarkable work ethic. And they are only getting going.

We've come to see our business over the past few years in terms of five key pillars. These include potash fertilizer royalties, base and battery metal royalties, high purity iron ore royalties, renewable energy royalties, and last, but certainly not least, our original project generation business.

Potash is critical to the world meeting its food sustainability needs, as it results in directly higher agricultural yield per unit of farmland. Its increasingly important role is therefore to help feed a growing world population while limiting deforestation and other land use conflicts. Our potash royalties benefited greatly from steadily increasing prices throughout the year that were largely a function of strong underlying global agricultural demand. We continue to experience normal lag effects in realized prices relative to spot market indicators - that are typically about a quarter in duration - so some of this benefit is still ahead and meanwhile prices have continued to increase during the current year.

Operationally, it was a more mixed year and our overall attributable royalty volumes were actually down slightly, mainly as a result of the earlier than expected closing off of the K1 and K2 production areas of the Esterhazy mine due to increased water inflows. Potash is ultimately a salt that is highly soluble in water. This resulted in acceleration of the transition of mining at Esterhazy to the new K3 production area, a process that the operator of the mine, The Mosaic Company, has recently stated is due to be completed by the end of Q1. That will result in the resumption of historic annualized production levels.

Our other operator, Nutrien, was able to increase production from its portfolio of mines as it continued to ramp up to the increased nameplate capacities it had reinvested in several years earlier. It has noted that it expects further production increases during the current year at a time when obviously the world nearly needs it.

I'm sure most of you are aware that the other major global potash production areas are located in Russia and Belarus, and the majority of that supply has obviously become unavailable for export. As a result, it is feared that some of the world's potash fertilizer requirements will go unmet this year. A key takeaway from this should be to underscore just how important and valuable the potash mines in Saskatchewan, Canada, really are. Not only are these the most technically sound deposits that the world has, with tremendous remaining resources, they are also the most geopolitically stable.

Considering as well, the high per unit capital intensity involved with bringing on new potash production and the long-required lead times from investment to realized production, we continue to believe that their risk adjusted relative value proposition is perhaps unrivaled in the entire mining industry. We have no doubt that many more cycles of investment and growth are ahead for which Altius shareholders will be full beneficiaries with no share of the capital cost severed.

Our base and battery metals royalties also performed strongly during the year, largely due to higher realized prices, a trend which has continued thus far in 2022. All key operations performed well during the year, marking recoveries from various COVID related and mechanical issues that were experienced in the prior year.

Of particular note, we're at the beginning of underground production within the Voisey's Bay nickel-copper-cobalt district, from the new Reid Brook mine, and progress towards the start of mining at the Eastern Deeps mine, which is expected later this year.

Also, we note the achievement of a new annual throughput record at Chapada. 777 delivered well, however, it should be noted that it is expected to deplete its resources later this year.

We've had lots of great news early in '22 relating to future organic growth of our base and battery metals portfolios. Adventus Mining was successful in negotiating a comprehensive mine finance package with strong industry players for the development of its copper and gold rich El Domo deposit in Ecuador. It is currently working hard to complete engineering and permitting processes in advance of a final production decision. Here, Altius holds a 2% NSR royalty interest, and it commends the team at Adventus for this latest achievement.

Lundin Mining, operator of the Chapada mine, also gave an initial indication of the results of its ongoing expansion study for the mine, suggesting that it is closing in on a target of expanding mine throughput levels to 32 million tons per year from 24 million tons per year currently. Perhaps even more importantly, particularly at a stream holder level, was the recent announcement of a distinct new high-grade discovery on the property, but in lands captured by our agreement. Initial drill results from the Sauva target have returned wide intercepts of copper-gold mineralization from a zone that begins at surface and remains open in all directions. Grade indications thus far suggest mineralization that is considerably higher grade than that being mined at Chapada.

Lundin has suggested preliminarily that as further work is completed and evaluated, it could consider options for trucking material from the new deposit to the existing processing facility, as well as for a new incremental mining processing center within the district.

Lithium Royalty Corporation made strong progress through the year that included several new royalty financing completions, as well as seeing excellent progress within its existing royalty portfolio. LRC remains private with Altius as a 12.6% shareholder, as well as a direct minority co-owner of certain of its royalties.

At present, the LRC portfolio consists of 18 royalties with two of these currently producing and three more in construction, including Sigma Lithium's Grota do Cirilo Project in Brazil, Zijin

Mining's Tres Quebradas in Argentina and Core Mining's Finnis project in Australia. LRC also holds a portfolio of equity and offtake positions that relate to the company for which it is royalty financed. And finally, it has also noted that during the current year, they will consider various corporate level options that include a potential sale or public offering.

Turning to high purity iron ore, we had strong revenue growth related to our indirect royalty exposure to the Rio Tinto controlled IOC mining complex in Labrador, which produces high grade concentrate as well as both blast furnace and direct reduction pellets.

Benchmark iron ore prices averaged higher year over year, but were also quite volatile reaching record levels in the first half of the year before falling heavily through much of the second half. They began to recover late in the year and have continued to rebound strongly thus far in 2022. Quality based premiums and discounts relative to benchmark also continued a now multi-year pattern of increased widening, largely as a function of increased recognition of relative carbon output within steel making cost structures – higher purity ore types are therefore becoming increasingly valuable because they result in lower carbon penalties per unit of steel production - since they require less met coal additions – with this factor now in addition to the more traditional benefits related to higher iron content, reduced coal procurement costs and plant efficiency benefits.To put some of this in context, we've noted that over the past three years, the average spread between low end, about 58% iron ore and high quality or 66% iron ore, has increased from 28% to 50%.

Production at IOC was lower in 2021 however, with the operator citing labor and mechanical availability as the main challenges. Its guidance for the current year suggests an improved production outlook as various recent bottlenecking and or development investments are realized upon. It also noted that a new CEO has been hired to lead the operational improvements and overall strengthening of the operations, which we sense are becoming increasingly important to the offsetting of quality declines within Rio Tinto's broader iron ore portfolio.

We are also looking forward to results from Champion Iron Ore related to its ongoing reengineering and scoping of the Kami project, which was originated by Altius and over which it holds a 3% GSR royalty. This project is located near to both the IOC mining complex, as well as Champion's existing Bloom Lake operations. One key element of this work relates to further increasing the purity levels of the iron ore concentrate it can produce to levels that could allow it to serve the growing electric arc furnace based steel making sector. EA furnaces require no coal input during steel making. Champion has stated that it expects to provide updated feasibility results for Kami towards the end of the year.

We've already touched on ARR and its strong 2021, so not much more needs to be added there. Thus far in 2022, ARR continues to be very busy with advancing new investment initiatives as the adoption of the royalty model takes broader hold within that sector. It also expects to see a meaningful buildup of royalty revenues from its existing portfolio of operating assets and solid progress across many of its development state project interest. I would encourage interested shareholders and investors to review the details of ARR's annual and quarterly reporting and commentary that was issued late last week and is available at arr.energy.

Our project generation business is essentially our direct exploration arm to which we seek to organically grow our long-term royalty pipeline, as well as benefit from exposure to the public junior mining sector. What we do there basically is generate mineral projects and sell them on to typically junior mining companies in exchange for equity positions and royalties. The value of the junior equity portfolio increased to $55.2 million at year end from $52 million at the end of 2020. This however does not include the further realization of $16 million in net proceeds in the portfolio, which is the total of investment monetization relative to new investments completed during the year.

I wish to commend the PG team for this performance, particularly since 2021 could not be considered a particularly strong year for the junior mining sector. Despite the general strength of metal commodities, the TSX venture exchange was actually down on the year in fact, just underscoring how strongly the team performed.

Another key performance indicator that the PG group tracks is the amount of exploration focused drilling that occurs across its equity and royalty portfolio. It's a bit of an intangible, but we think it may be the most important long-term indicator of optionality and free growth that really exists across our business. In 2021, we estimate that 225 kilometers of drilling were completed. And our preliminary estimate for 2022 currently stands at more than 300 kilometers.

And definitely last, but certainly not least, we highlight a very recent announcement by AngloGold Ashanti related to the Silicon project in Nevada. Altius has a 1.5% NSR royalty on this project that relates to a grub stake type agreement that resulted in the origination of the project several years ago. AngloGold has announced a significant major maiden resource from the oxide portion of the central Silicon deposit, while noting that further mineralization exists in an underlying sulfide zone. And also that a further discovery, at the Merlin target to the immediate south of Central Silicon, has been made.

It further outlined in its published materials and an investment presentation that it sees the district as representing a Tier One opportunity with its preliminary development strategy, envisioning conservatively more than 300,000 ounces per year of gold production for more than 15 years.

So that concludes my remarks. Sorry it was a little lengthier than usual. But obviously, there's been a lot happening. And with that, I will turn it over to your questions. Thank you.