



# Flash Note

Equity Research

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Metals & Minerals

## Altius Minerals Corp.

(ALS-T) C\$11.67

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### Altius Write-down of Genesee Coal Royalty

#### Event

Altius announced last evening that it expects to take a \$70-75 million non-cash impairment charge related to its Genesee coal royalty in its upcoming Q3/17 results expected to be released in March.

#### Impact: NEUTRAL

- Write-down is non-cash and should be already fully priced into Altius's shares.** The write-down relates to the November 2015 announcement by the Alberta NDP government that it plans to close all the coal-fired power plants in the province by 2030 and as such, we believe that it should be fully priced in Altius's shares. The write-down is being triggered now as a result of the recent compensation agreement between the Alberta and the affected coal plant operators that was announced in November 2016. The company notes that it remains in compliance with its debt covenants.
- Our net asset value estimate already reflects 2030 closure.** Our NPV5% value for the Genesee royalty is \$62.2 million and already reflects the 2030 closure. Prior to the early NDP coal shut down, Genesee's 3 operating units were expected to run until 2039, 2044 and 2055 respectively. Genesee represents ~56% of our net asset value estimate for Altius's thermal coal royalties and ~13% of company's total royalty net asset value. Altius's other coal royalties are on mines that supply plants that were already expected to be decommissioned prior to 2030 and are therefore unaffected by the early closure plan.
- The Government of Alberta agreed to provide compensation to the power station operators for resulting stranded investments.** Altius is awaiting a response from the Alberta Minister of Energy to its request for a meeting to outline the impacts that the new policy has had on its significant investments in Alberta but can offer no assurances that it will receive similar compensatory treatment.

<b>Recommendation:</b>	<b>BUY</b>
<b>Risk:</b>	<b>HIGH</b>
<b>12-Month Target Price:</b>	<b>C\$16.50</b>
<b>12-Month Dividend (Est.):</b>	<b>C\$0.12</b>
<b>12-Month Total Return:</b>	<b>42.4%</b>



#### Company Profile

Altius Minerals is a diversified mining royalty and project generation company. The company has royalty interests in 14 producing mines that mainly produce copper, zinc, nickel, potash, and thermal & metallurgical coal. Altius also has an early-stage exploration portfolio comprising 1.8-million hectares that form the basis of its project generation business.

All figures in C\$, unless otherwise specified

## Exhibit 1. Altius net asset value

Asset	Operator	Location	NAV5% (C\$mm)	NAV/Sh (C\$)	NAV8% (C\$mm)	NAV/Sh (C\$)	% of Royalty Assets
<b>Royalty assets</b>							
Potash	Various	Canada	\$123.7	\$2.85	\$93.8	\$2.16	26.2%
Thermal coal	Various	Canada	\$110.4	\$2.54	\$92.8	\$2.13	23.3%
Met Coal	Teck	Canada	\$18.5	\$0.43	\$16.3	\$0.38	3.9%
777 mine	Hudbay	Canada	\$54.0	\$1.24	\$49.2	\$1.13	11.4%
Chapada	Yamana	Brazil	\$125.7	\$2.89	\$98.5	\$2.27	26.6%
Voisey's Bay	Vale	Canada	\$13.7	\$0.31	\$9.8	\$0.23	2.9%
Other	Various	Canada	\$27.1	\$0.62	\$10.3	\$0.24	5.7%
			\$473.0	\$10.88	\$370.7	\$8.52	100.0%
Exploration assets	Various	Various	\$27.5	\$0.63	\$27.5	\$0.63	
<b>Royalty &amp; exploration assets</b>			<b>\$500.5</b>	<b>\$11.51</b>	<b>\$398.2</b>	<b>\$9.16</b>	
Working Cap.			\$8.0	\$0.18	\$8.0	\$0.18	
Transactions not yet funded			\$0.0	\$0.00	\$0.0	\$0.00	
Investments & other			\$45.0	\$1.03	\$45.0	\$1.03	
G&A			(\$30.9)	(\$0.71)	(\$26.8)	(\$0.62)	
Tax			(\$65.5)	(\$1.51)	(\$54.6)	(\$1.25)	
<b>Total Assets</b>			<b>\$457.1</b>	<b>\$10.51</b>	<b>\$369.8</b>	<b>\$8.50</b>	
<b>LT Debt</b>			<b>\$75.1</b>	<b>\$1.73</b>	<b>\$75.1</b>	<b>\$1.73</b>	
<b>Total NAV</b>			<b>\$382.0</b>	<b>\$8.78</b>	<b>\$294.6</b>	<b>\$6.78</b>	

Source: TD Securities estimates

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