HAYWOOD SECURITIES INC. — CAPITAL MARKETS

RESEARCH REPORT

Altius Minerals Corp. (ALS-T, $16.00)

Monday, March 17, 2008

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Rating:	**SECTOR OUTPERFORM**
Revised Target Price:	**(-$5.00) $36.00**
Return:	**125%**
YTD Performance:	**-44.4%**
Risk Profile:	**SPECULATIVE**

Though concerns about NLRC funding have continued to weigh on Altius shares, we believe the quality of the project will drive successful development and return significant value to ALS shares when credit markets recover.

Update: NLRC Development Slows As Credit Markets Worsen, Though Fundamentals Remain Strong

Event: Update on development of the Newfoundland and Labrador Refining Corporation (NLRC) Southern Head refinery project.

Impact – Negative: The timeline for development is expected to be delayed as debt markets continue to deteriorate. While we are confident that development of the NLRC project will proceed once funding is secured, we are modeling for production to begin a year later than originally estimated which reduces our estimate of the present value of the project and our target price.

Highlights:

- **As credit markets continue to deteriorate, NLRC debt funding likely delayed**
  In an update Friday Altius warned that the current tight credit environment will likely result in a delay to project funding for NLRC and push back production timelines. We are modeling for production to be delayed to 2012 (from 2011) and an increase in the cost of debt by 100 bps combining for a loss of value of approximately $5 per share for the Company's NLRC equity and royalty.
- **Attractive fundamentals remain**
  The strong underlying fundamentals of the project, including a configuration skewed to high value middle distillate products, and an undersupplied North American market suggest the project will proceed successfully once credit markets recover.
- **Market price implies little value for NLRC and existing project portfolio**
  At the current share price, the market is implying just over $6 per share for NLRC equity and royalty while we estimate this value at over $30 per share.

Valuation: Our sum-of-parts valuation estimates a marketable asset value of over $9 per share. We calculate an NPV valuation for Altius' post-dilution equity stake in NLRC of $22 and a conservative estimate of its refinery margin royalty of over $9. This results in a tax-adjusted forecasted NAV for Altius shares of $36.

Catalysts: 1) *Recovery in credit markets and terms on debt financing* 2) *A positive decision from the Minister of the Environment on the permitting of the marine terminal.*

Investment Brief: *We believe Altius shares provide an excellent opportunity to participate in Newfoundland and Labrador resource opportunities with a management team who has a proven record of creating shareholder value.*

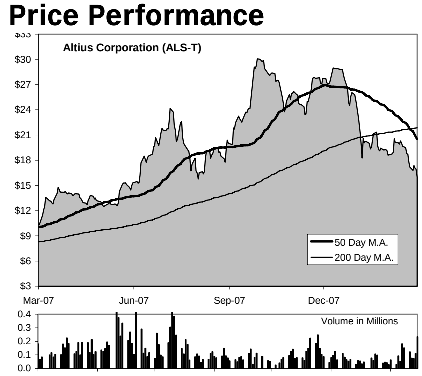
Forecast Risk	**Moderate**
Financial Risk	**Low**
Valuation Risk	**High**
Political Risk	**Moderate**
52-Week High / Low	30.40/7.64
Shares O/S	31.2 (basic pro forma) 32.4 (F/D)
Market Capitalization	$499.2M
Daily Volume	88,955

Company Profile – www.altiusminerals.com
Altius is an early stage resource-project equity sponsor focused primarily on resource opportunities in Newfoundland and Labrador.
Company CEO – Brian F. Dalton

Revisions, Date of Record
Rating – Sector Outperform since initiating coverage March 12, 2007.
Target – lowered from $41 to $36, March 17, 2008.

April Year-end ('000)	2005	2006	2007	2008E
Cash	$39,125	$35,332	$114,284	$170,359
Working Capital	$38,509	$33,903	$98,324	$154,399
Debt	$0	$0	$36,557	$36,557
Shareholders Equity	$22,737	$60,177	$113,842	$115,184

Price Performance



Source: Bloomberg

Please see rating structure, important disclosure, risk profile parameters, disclaimers, and notes on pages 5 - 8 of this report.

Investment Thesis

We view Altius as a venture capital sponsor with an exceptional management team that consistently creates value for shareholders. Led by Brian Dalton, this team has delivered a 5-year compound annual growth rate (CAGR) of nearly 60% in the share price since 2003. We see Newfoundland and Labrador continuing to grow as an important resource-rich economy, and suggest Altius Minerals as an ideal vehicle through which to participate in this theme.

Continued Uncertainty in Debt Markets Likely to Delay NLRC

Altius warned Friday that development of the NLRC refinery project will likely be delayed due to the current uncertainty in capital markets, in particular debt capital. Up until recently it appeared that debt funding would be available for high quality projects such as the NLRC Southern Head refinery, albeit at widening risk spreads. However, as debt markets have continued to deteriorate and liquidity dry up, it appears that major debt market sponsors are waiting for signs of stability before participating actively in new issues. As a result, it is likely that full-scale development of the refinery will be delayed until credit markets recover or alternative public or private financing is secured.

Project fundamentals continue to be strong. Given the market demand for high complexity refining capacity in the North American market and completed environmental permitting on the provincial level with Federal permitting of the marine terminal expected in the next few weeks, we continue to see significant upside value in the NLRC project well above what the market is pricing in. However, the critical consideration at this point in time is the timing of the recovery in credit markets which would then determine the timing of cash flows of the NLRC refinery and consequently the net present value of those cash flows. In our valuation, we have estimated development to be delayed by approximately a year beyond what was originally anticipated such that production would begin from the beginning of 2012. We have also increased the cost of debt by 100 bps even though LIBOR has come down significantly in the last few months. As a result of this loss in time value and increased cost of debt in our net present value estimates for Altius' stake in the equity and royalty components, we are reducing our target price by $5 per share to $36 from $41.

Other factors outlined in the update may also impact the value (positively or negatively) of the refinery project but it is premature to estimate further changes to our base case. In summary, these and the likely direction of impact are:

Commercial Agreements (Positive):

NLRC has received proposals from major commodity trading houses for agreements on crude supply, product off-take, and other services. Most significant in terms of valuation are proposals to separate ownership of large parts of the project (i.e. energy infrastructure such as storage tanks and terminal) likely in the form of a sale-and-lease back agreement. Such an arrangement would reduce front-end capital expenditures significantly and thus reduce the risk on project cost over-runs and likely increase the overall internal rate of return and NPV of the project.

Capital costs (Negative):

Capital costs continue to be generally well-controlled since long-lead steel components have been ordered and labour contract negotiated. However, there is likely to be some increase in labour costs due the strength in the Canadian dollar and other material costs. The company has also decided to make certain discretionary expenditures which should improve project returns overall, mitigating the cost increases. In our model, we are using a cost over-run assumption of 15% (from $4.6 billion to US$5.3 billion) until clarity in the offsetting yield improvements versus the cost of upgrades becomes clearer.

Configuration (Positive):

A recent review by KBC Advanced Technologies has identified opportunities to improve yield of high value middle distillates such as ultra low sulphur diesel and jet fuel. The present configuration estimates two barrels of diesel/jet fuel and one barrel of gasoline per three barrels of feedstock, but the design change would further skew it towards the higher value products. This is significant for achieving optimal gross refining margins as current product crack spreads for ultra low sulphur diesel indicate nearly 50% higher margins than those for gasoline[1]. The fundamental outlook for diesel is expected to strengthen on increased demand from Europe (diesel automobiles) and emerging markets (industrial use).

The release also summarized progress of the permitting on the federal side but offered no new insight. We continue to assume the federal decision will be positive given the positive provincial decision on the Environmental Impact Statement and the limited environmental sensitivity attached to the federal decision with respect to the marine terminal portion of the project.

Overall, we continue to view NLRC as the most significant near-term value creating asset in Altius' project portfolio. We believe our valuation is conservative as we assume production delays of a year and apply a 15% discount rate to these future cash flows. Our combined valuation for the equity and associated gross refining margin royalty of over $30 per ALS share is significantly above the market's current implied valuation of $6.50. This excludes any value for Altius' numerous early stage resource projects, the most promising of which includes an iron ore project covering over 2,100 hectares in western Labrador (near the Wabush Mine) which is expected to undergo a 5,000 metre drill program this year.

We believe the strong fundamentals of the project and environmental permitting success will lead to successful development of NLRC and return considerable value to ALS shares. We maintain our Sector Outperform rating on Altius Minerals with a revised target price of $36 representing a 125% lift in the stock price from its closing price on March 14.

[1] Bloomberg, March 14: assuming 3:2:1 crack spreads for NYH/WTI/ULSD and NYH/WTI/RBOB

Valuation

We estimate the value of Altius' cash, marketable securities, and producing assets at over $9 per share. After adjusting for the $100 million dollar ($3.20 per share) expected investment in NLRC, we add the value of the Company's equity stake in the NLRC refinery project of $22 per share and the gross refining royalty of $9.50 per share. This brings us to an adjusted target price of $36 per share.

Table 5: Summary of ALS Holdings

Holding	Description	Notes	Valuation Method	Value per Share
Current Asset Values				
Cash				
Estimate for tax-adjusted cash and short-term investments less LTD	Including cash raised on equity financing, October 2007	Adjusted for estimated capital gains taxes		$5.87
Royalties				
10% stake in Labrador Nickel Royalty Limited Partnership (LNRLP)	0.3% Net Smelter Return Royalty on the Voiseys Bay Nickel Company (CVRD Inco) project. Applicable to the entire region.	Assumptions for cash flow estimate based on Haywood price assumptions for nickel and copper of $12.00 and $3.00 in 2008 and $7.50 and $2.00 long term.	17.0x CY2008E CF in line with Haywood's valuation multiple of 17x 2007E for IRC.	$1.60
2% Gross Sales Royalty on Aurora CMB Uranium project and 2% base metals	Attached to Aurora Energy - below		Pre-feasibility/pre-permitting project with little visibility: value not assigned	N/A
Public Market Securities				
Aurora Energy (AXU-T)	Central Mineral Belt uranium project in Labrador.	Original stake sold into the market on several occasions throughout 2006. We expect divesting to be ongoing.	*2.5 million shares sold forward*	$1.42
Rambler Metals and Mining (RAB-V) 12M shares	Consisting of a historic copper-gold project in Newfoundland.	Listed on TSX Venture Exchange February 7th, 2007.	Market Value	$0.42
Paragon Minerals Corporation (PGR-V) 17.4% equity interest	Paragon is a junior gold and base metals exploration company with several projects in Newfoundland.		Market Value	$0.06
Alba Mineral Resources PLC (ALBA-AIM) 1.9% equity interst	Alba is a base-metals exploration company in Europe		Market Value	$0.00
			TOTAL per ALS share	*$9.37*
Incremental Value of Refinery Asset				
Private Equity Interests				
Pro forma 47.2% Equity interest in Newfoundland and Labrador Refining Corporation (NLRC)	Currently in advanced engineering and permitting stage.	Financial Partners with European venture capitalists. Operating group has global experience with world class projects.	Net Present Value at 15%	$22.00
62% stake in a 1 - 10% Sliding scale royalty on gross refining margins of $4 - $20 per barrel	Attached to NLRC	With the potential for a high degree of debt financing we believe the royalty could remain in tact	Present value of royalty stream of 5% beginning in 2001 discounted at estimated WACC of 8.8%	$9.55
Intended increased investment in NLRC		Partially sourced from funds raised on financing, ALS treasury for balance	4,812,762 shares @ $20.78	$(3.20)
			TOTAL per ALS share	*$37.70*
			Adjusted for Potential Tax Consequences	*$36.02*

Source: Company Filings and Haywood Securities

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TENDER – The analyst is recommending that investors tender to a specific offering for the company's stock.

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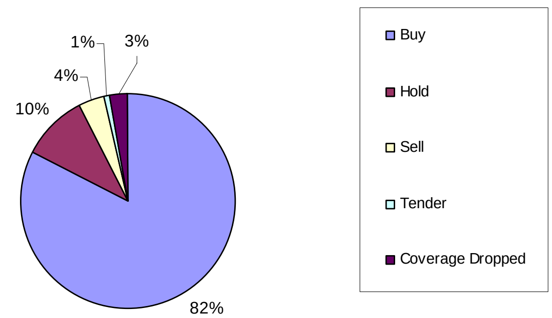
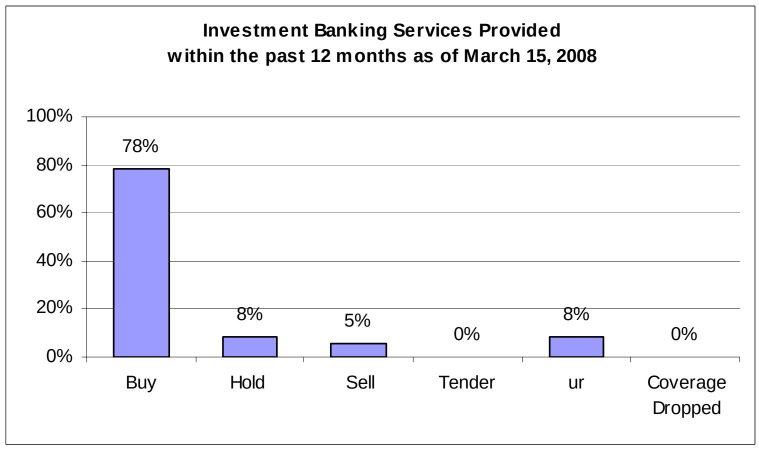
Rating Distribution December 15, 2007 - March 15, 2008





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Risk Profile Parameters – Oil and Gas Sector

Forecast Risk: *High* – Haywood forecasts are below guidance. The Company has a history of missing targets and/or Haywood expects guidance to be lowered. Limited hedging increases commodity risk beyond peers. To raise expectations requires higher commodity prices or production that is ahead of guidance. *Moderate* – Haywood forecasts are generally in line with guidance. The Company has a history of meeting or exceeding guidance. Forecasts are consistent with current commodity pricing and production guidance. Hedging practices are in line with peers. *Low* – Haywood forecasts exceed guidance. The Company has a history of meeting or exceeding guidance. Forecasts allow for modestly lower commodity pricing or production levels. Commodity hedging lowers volatility relative to peers.

Financial Risk: *High* – The capital expenditure program in the current year or the next year of the forecast is not fully funded but requires additional debt and/or equity financing. This categorization does not necessarily predict whether the additional funds will be raised. *Moderate* – The capital expenditure program in the current year or the next year is fully funded with cash flow and limited debt. *Low* – The capital expenditure program in the current year or the next year is fully funded with cash flow and no new debt.

Political Risk: *High* – Properties are located in an area with limited petroleum industry activity or infrastructure. An environment unfriendly to the industry makes obtaining permits to drill or produce hydrocarbons challenging. Significant government or local opposition exists. *Moderate* – Properties are located in an area with minimal petroleum industry activity or infrastructure. An environment friendly to the industry makes obtaining permits relatively straightforward. All levels of government are considered indifferent to hydrocarbon activity. *Low* – Properties are located in an area with established petroleum exploration and development activity. Oil and gas Production Sharing Agreements or Exploration Permits are in hand. Government at all levels supports the sector.

Valuation Risk: *High* – The current valuation is at the high end of historic levels and/or at a premium to peers. The valuation reflects continued production growth and/or continuing strong commodity prices or further appreciation. Where applicable, the market capitalization exceeds the NAV by more than 30%. *Moderate* – The current valuation is within historic ranges and generally consistent with peers. The valuation reflects reasonable production growth and/or commodity price appreciation. Where applicable, the market capitalization exceeds the NAV by 15% to 30%. *Low* – The current valuation is at the low end of historic ranges and/or at a discount to peer valuations. The valuation reflects limited production growth and/or no commodity price appreciation. Where applicable, the market capitalization exceeds the NAV by less than 15% or falls below the capitalization.

Risk Profile Parameters – Mining and Minerals Sector

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Financial Risk: *High* – The business plan is not fully funded, but requires debt and/or equity financing. The exploration program is funded for two years or less. This categorization does not predict whether the additional funds will be raised. *Moderate* – The development plan is fully funded, with the exploration program funded for three years or more. The Company's debt is rated below investment grade. *Low* – The Company is fully funded. Its debt is rated investment grade and/or the Company has a history of profitability or dividend payments in each of the last three years.

Valuation Risk: *High* – The current valuation is at the high end of historic levels and/or at a premium to peers. The valuation reflects considerable exploration success and/or commodity appreciation. Where applicable, the current capitalization exceeds the DCF evaluation by more than 50%. *Moderate* – The current valuation is within historic ranges and generally consistent with peers. The valuation reflects reasonable exploration success and/or commodity appreciation. Where applicable, the current capitalization exceeds the DCF valuation by 15% to 50%. *Low* – The current valuation is at the low end of historic ranges and at a discount to peer valuations. The valuation reflects limited new exploration success and no commodity appreciation. Where applicable, the current capitalization exceeds the DCF valuation by less than 15% or falls below the current market value.

Political Risk: *High* – Currently no industry activity or infrastructure exists. Government opposition is significant. Obtaining permits is challenging. *Moderate* – Industry activity or infrastructure is minimal. Government at national, regional, and local levels is indifferent. Obtaining permits is relatively straightforward. *Low* – Industry activity and infrastructure exist. Government is supportive. Obtaining permits is facilitated.

Risk Profile Parameters – Technology/Special Situations

Forecast Risk: *High* – Haywood forecasts are below guidance. The Company has a history of missing targets and/or Haywood expects guidance to be lowered. Sales are minimally visible. *Moderate* – Haywood forecasts are generally in line with guidance and sales are moderately visible. The Company has a history of meeting or exceeding guidance. *Low* – Haywood forecasts exceed guidance. The Company has a history of meeting or exceeding guidance and its sales are highly visible.

Financial Risk: *High* – The business plan is not fully funded but requires debt and/or equity financing. This categorization does not necessarily predict whether the additional funds will be raised. Inventory turnover is low, cash flow is weak, and assets are below par. *Moderate* – The business plan is fully funded. Inventory turnover and cash flow are moderate, and assets are reasonably liquid. The Company's debt is rated below investment grade. *Low* – The Company is fully funded with investment grade debt, high inventory turnover, high cash flow, and superior assets.

Valuation Risk: *High* – The current valuation is at the high end of historic levels and/or at a premium to peers. Where applicable, the DCF valuation is not more than 10% above the current equity valuation. *Moderate* – The current valuation is within historic ranges and generally consistent with peers. Where applicable, the DCF valuation exceeds the current capitalization by more than 10%. *Low* – The current valuation is at the low end of historic ranges and at a discount to peer valuations. Where applicable, the DCF valuation exceeds the current capitalization by more than 20%.

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