

# Altius Minerals Corp. (ALS-T, \$15.28)

Thursday, May 1, 2008

David Beasley (416-507-2710, dbeasley@haywood.com)

Rating: SECTOR OUTPERFORM  
 Revised Target Price: \$36.00  
 Return: 135.6%  
 YTD Performance: -46.9%  
 Risk Profile: SPECULATIVE

Though concerns about NLRC funding have continued to weigh on Altius shares, we believe the strong market fundamentals of the project will drive successful development and return significant value to ALS.

## Refinery Project Gets Federal Approval: NLRC Now Essentially Fully Permitted

**Event:** The Federal Minister of the Environment announced a positive decision on the environmental assessment of Altius' subsidiary NLRC.

**Impact - Positive:** The Minister's decision clears the federal environmental regulatory hurdle for NLRC, and with provincial approval already in hand, NLRC now has what is essentially a fully permitted site for development of the proposed crude oil refinery near Placentia Bay, Newfoundland.

### Highlights:

- **Federal approval will make NLRC the first permitted green field oil refinery in North America in over 25 years. Expect further valuation upside as market digests the significance of the event.**

With a positive feasibility study, negotiated labour agreements and long-lead steel components ordered, we believe the fully permitted project could hold significant market value especially given its strategic geographic proximity to European and North American markets and its configuration to take discounted heavy sour feedstock while producing high value distillate product.

- **Funding delay is macro in nature. Strong market fundamentals of the project should drive development.**

We emphasize our view that promise of exceptional returns due to strong market fundamentals of the proposed refinery should drive the project's development. At present, our NPV for the refinery utilizes a combined product spread and heavy sour differential for NLRC complexity of \$18 versus current market spreads of over \$27. This is driven by the increasingly tight market for ultra low-sulphur diesel, as well as the growing proportion of heavy sour crude in global production which few refineries can process with adequate yields. Thus, we stress our view that project funding is a case of 'when' rather than 'if'.

**Valuation:** Our sum-of-parts valuation estimates a marketable asset value of almost \$9 per share. We calculate an NPV valuation for Altius' post-dilution equity stake in NLRC of \$22 and estimate its royalty on gross refining margins at over \$9. Adjusting for the company's expected future investment in the subsidiary we derive a target price for ALS shares of \$36.

**Catalysts:** 1) *Financing arrangements for NLRC development* 2) *Potential partnerships with strategic equity investment in NLRC.*

**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	30.9 (basic pro forma) 31.8 (F/D)
Market Capitalization	\$473.1M
Daily Volume	123,170

### Company Profile -

[www.altiusminerals.com](http://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

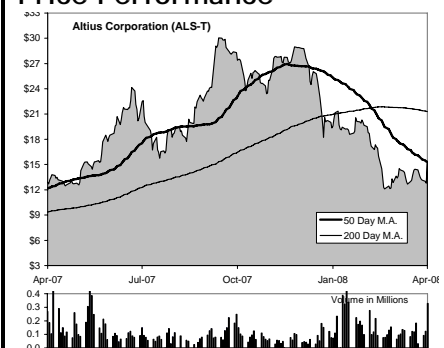
### Revisions, Date of Record

Rating - Sector Outperform since initiating coverage March 12, 2007.

Target - unchanged.

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



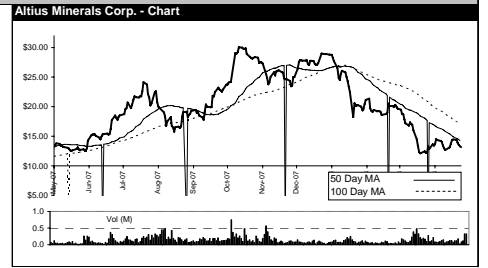
Source: Bloomberg



**Altius Minerals Corp.** Ticker **ALS-T** Price **\$15.28** Rating: **Sector Outperform**  
**Shares O/S (M)** **31.8** Market Cap. (\$M): **\$472** Target: **\$36.00**

**Alpha:** Though concerns about NLRC funding have continued to weigh on Altius shares, we believe the strong market fundamentals of the project will drive successful development and return significant value to ALS.

**Investment Highlights**  
 Company Description - Altius is an early stage resource-project equity sponsor focused primarily on resource opportunities in Newfoundland and Labrador.  
 Investment Brief - We see Newfoundland and Labrador continuing to grow as an important resource-rich economy in the future, and suggest Altius Minerals as an ideal vehicle through which to participate in this theme. Our \$36 target price is heavily weighted to the Company's stake in Newfoundland and Labrador Refining Corporation (NLRC) which should materialize throughout 2008.  
 Issues-  
 - High complexity refining capacity is a global scarcity, and Newfoundland and Labrador Refining Corporation is designed to be one of the most efficient in the market. The expected spreads between the discounted cost of heavy sour crude feedstock to be used and the selling price of high value distillates to be produced should be well above current average spreads and our own modeled estimates.  
 - In addition to NLRC, Altius holds several assets with the potential to grow in value including a 0.3% NSR on CVRD Inco's Voisey's Bay Nickel Copper Cobalt project.



#VALUE!	Annual					Quarterly				
	2006A	2007A	2008E	2009E	2010E	Q2/2008A	Q3/2008A	Q4/2008E	Q1/2009E	Q2/2009E
Revenues (\$mlns)	0.3	4.6	4.6	5.7	5.6	1.7	1.4	1.5	N/A	N/A
Rev. Growth %	1294%	0%	24%	-1%	-1%	N/A	234%	46%	n/mf	n/mf
Consensus Revenue Est. (\$mlns)	0.3	3.3	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
3 months ago.	0	3	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
EBITDA (\$mlns)	-1.1	0.8	2.0	3.6	3.4	0.3	0.8	0.8	N/A	N/A
EBITDA Growth %	55%	-169%	166%	76%	-5%	N/A	598%	8%	n/mf	n/mf
Consensus EBITDA Est. (\$mlns)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
3 months ago.	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
EPS (FD) (\$)	1.12	1.80	1.80	1.78	0.08	0.03	0.53	1.28	N/A	N/A
EPS Growth %	762%	61%	0%	-1%	-95%	N/A	9839%	54%	n/mf	n/mf
Consensus EPS Est. (\$)	1.08	1.77	1.85	0.10	N/A	0.04	0.03	0.02	N/A	N/A
3 months ago.	1.08	1.77	1.86	0.08	N/A	0.04	0.03	0.02	N/A	N/A
CFPS (\$)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
CFPS Growth %	N/A	N/A	N/A	N/A	N/A	N/A	-582%	59%	n/mf	n/mf
Consensus CFPS Est. (\$)	N/A	N/A	(0.17)	0.10	N/A	N/A	N/A	N/A	N/A	N/A
3 months ago.	N/A	N/A	0.09	(0.05)	N/A	N/A	N/A	N/A	N/A	N/A

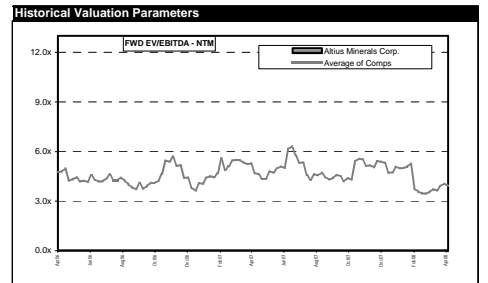
\*All consensus numbers are from Capital IQ (\$USD)

Key Statistics	Current Price / Target / Return	\$15.28 / \$36.00	135.6%
52wk HI / Lo	\$30.40	\$36.00	\$11.40
Shares O/S (mlns)			
Basic / F.D.	30.9		31.8
Float			26.7
Dividend Yield			N/A
Short Interest / as % of Float	N/A		N/A
Daily Volume (3-Mth. Avg. mlns)			0.12
Market Cap. / Enterprise Value	472.2		342.2
Cash / Debt / (mlns)	167.7		37.7
Net Cash / Share			\$4.21
Tang. Book Value / Share			\$8.09
Company CEO / Website	Brian F. Dalton		www.altiusminerals.com
Top Holders:			
1) Gilder Gagnon Howed			7.2%
2) Brian F. Dalton			4.2%
3) Bacchus Holdings			3.9%
Ownership:			
Management Control (Proxy)	3796 M		12.3%

\*Source: CapitalIQ, Bloomberg

Valuation Metrics	2006	2007	2008	2009
EV/EBITDA - Current	NM	NM	133.2x	140.4x
Est. EV/EBITDA - Target			313.7x	330.9x
P/E - Current	NM	84.7x	8.6x	188.1x
Est. P/E - Target			N/A	N/A
Current, 1-Year, 2-Year				
DCF Target		N/A	N/A	N/A

Analyst Ratings: Capital IQ	Potential Upside
Average Target	\$26.00 70%
Median Target	\$26.00 70%
Sector Outperform	1
Sector Perform	1
Sector Underperform	0
# of Analysts	2

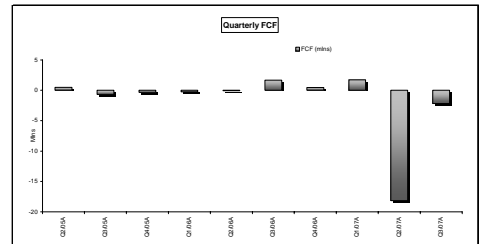
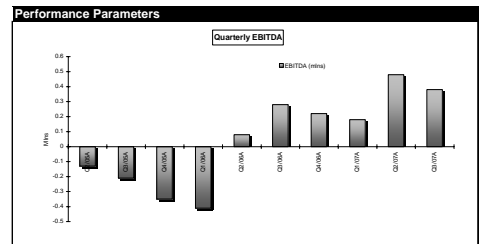


Comparables	Stock Price		Pot.	EV/EBITDA			EBITDA Margin		P/CF		EV/Sales	
	Apr 30	Target		2007	2008	2009	2007	2008	2007	2008	2007	2008
Altius Minerals Corp.	15.28	36.00	136%	169.9x	96.6x	101.9x	44%	62%	0.0x	0.0x	3408.3x	242.4x
Clarke Inc.	6.71	14.00	109%	1.0x	NM	NM	39%	30%	NM	NM	1.5x	1.0x
Pinetree Capital Ltd.	2.42	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM
Valero Energy Corp.	48.85	63.47	30%	5.0x	4.4x	N/A	3.0x	9%	6%	4.6x	7.4x	0.4x
Tesoro Corporation	25.14	39.87	59%	5.0x	4.0x	2.5x	7%	6%	3.4x	6.5x	0.4x	0.4x
Western Refining Inc.	10.01	14.40	44%	5.6x	5.0x	4.0x	7%	5%	2.1x	3.7x	0.5x	0.3x
Average				37.3x	27.5x	27.9x	21%	22%	2.5x	4.4x	682.2x	48.9x

\*All consensus numbers are from Capital IQ (\$USD)

Historical Valuation Parameters	EV/EBITDA		P/CF		Cap. Intensity	EBITDA Growth		Sales Growth		Returns %		
	2-Yr Avg.	NTM	TTM	2007		2008	LQ.	2008	2007	2008	Last 3mth	YTD
Altius Minerals Corp.	NM	276.7x	0.0x	0.0x	0%	N/A	-352%	76%	1306%	24%	-25%	-44%
Clarke Inc.	0.9x	5.0x	N/A	N/A	N/A	N/A	483%	-34%	54%	-13%	-1%	-26%
Pinetree Capital Ltd.	NM	5.1x	N/A	N/A	2%	N/A	N/A	N/A	N/A	N/A	-24%	-58%
Valero Energy Corp.	4.8x	4.6x	4.6x	7.4x	N/A	-4%	-5%	-25%	5%	8%	-17%	-23%
Tesoro Corporation	4.3x	4.4x	3.4x	6.5x	-4%	-5%	-11%	-23%	13%	7%	-35%	-56%
Western Refining Inc.	5.7x	5.9x	2.1x	3.7x	-5%	-3%	54%	-27%	57%	13%	-53%	-71%
Average	3.9x	50.3x	2.5x	4.4x	-2%	-4%	34%	-7%	287%	5%	-26%	-48%

\*All consensus numbers are from Capital IQ (\$USD)



Asset	Value	Per ALS share	
Cash net of LTD	\$130,520,000	\$4.22	Pre-dilution Stake in Private NLRC 47.2%
Demanded loan to NLRC (deemed recoverable at FQ3/08)	\$30,093,000	\$0.97	NPV to Founding Participants
Total net cash as at Jan 31, 2008	\$160,613,000	\$5.19	after financing participants NPV 15%
Voisey's Bay 0.3% Net Smelter Royalty			1,454.3 USD(M)
Valued at 17.0x 2008E after tax CF	\$49,784,569	\$1.61	Altius stake at CAD/USD = 1.00 686.5 CAD(M)
Equity Forward on AXU-T (sold forward at \$17.72)	\$41,744,879	\$1.35	Per ALS Share 22.17
Equity Holdings			Estimated post-dilution stake in public NLRC 11.4%
Aurora Interest net of equity forward	\$0	\$0.00	
Rambler PLC Interest	\$11,520,000	\$0.37	
Paragon Minerals Interest	\$1,207,000	\$0.04	
Alba Mineral Resources PLC Interest (ALBA-LN)	\$39,189	\$0.00	
	\$264,908,635	\$8.56	
NLRC Equity Interest	\$686,493,782	\$22.17	Royalty 5.0%
NLRC Royalty	\$297,977,346	\$9.62	Discount Rate 8.8%
Anticipated further investment in NLRC	-\$84,488,192	-\$2.73	PV of Royalty Stream 477 USD(M)
Total Value of Holdings	\$1,164,891,572	\$45.21	Altius 62.5% stake at CAD/USD 1.00 298 CAD(M)
Adjusted	\$1,001,470,894	\$37.58	Per ALS Share 9.62

Source: Haywood Securities Inc., Company Reports, Target, Return and Forecasts are Consensus Based Using Capital IQ.

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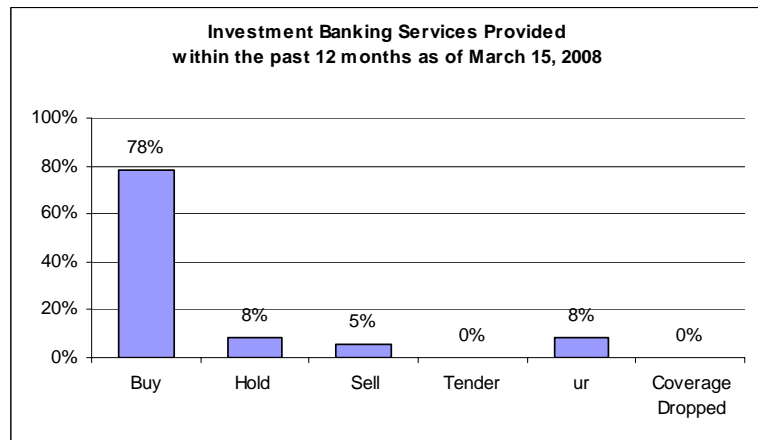
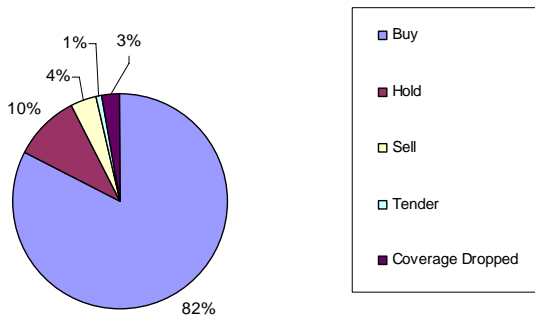
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Rating Distribution December 15, 2007 - March 15, 2008



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**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.

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**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.

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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

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**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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