Altius Minerals Corporation (ALS–T, C$24.15)

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MEMBER CIPF

Investment Brief – Altius has evolved from a minerals exploration company into a venture sponsor and holding company with an exceptional track record of creating value for shareholders. The Firm holds numerous equity interests in both public and private minerals companies, as well as a 0.3% net smelter royalty on the CVRD Inco Voisey's Bay nickel-copper-cobalt project. The Company's 37% owned subsidiary Newfoundland and Labrador Refining Corporation should continue to see significant events during 2007 and 2008 as it proceeds towards development.

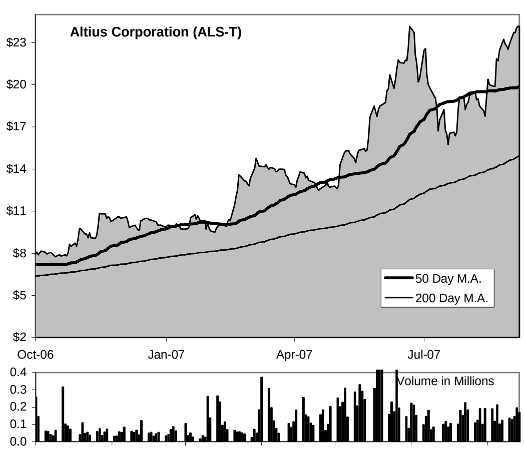
Rating	**SECTOR OUTPERFORM**
Revised Target Price	**C$37.00**
Risk Profile	**SPECULATIVE**

Forecast Risk	**Moderate**
Financial Risk	**Moderate**
Valuation Risk	**High**
Political Risk	**Moderate**

Current Price	$24.15
Return	53.2%
52-Week High / Low	$25.00 / $6.43
Shares O/S	28.9 million
Market Capitalization	$698 million
Daily Volume	185,037
Insider Ownership	14.9%

April Year-end (000)	2005	2006	2007	2008E
Cash	$39,125	$35,332	$114,284	$126,035
Working Capital	$38,509	$33,903	$98,324	$110,075
Debt	$0	$0	$36,557	$36,557
Shareholders' Equity	$22,737	$60,177	$113,842	$115,572

Price Performance



Source: Bloomberg

Positive Provincial EIS Decision Clears Highest Hurdle en Route to Refinery Project Development

- **Near best-case scenario achieved in key permitting milestone**
  The positive decision by the Provincial Minister of Environment and Conservation provides what we consider to be a near best-case outcome for the process, as conditions on the decision do not appear problematic. Furthermore, the federal government's responsibilities will be limited to the marine terminal portion of the project, which is not considered an environmentally sensitive aspect of the process.

- **Expect key developments to follow**
  With the most significant hurdle cleared, we expect the Company's various ongoing negotiations to accelerate. We could see news flow on a margin stabilization contract, which would provide debt financing capacity as well as feedstock and product offtake agreements, and strategic partnerships over the coming months. These events, especially the degree of financial leverage attainable, should strengthen the assumptions behind our valuation

- **As realization of the project materializes, refinery royalty becomes more likely, providing $10+ per share in incremental value**
  We had refrained from adding Altius' 62% stake in the 1% to 10% sliding-scale royalty on NLRC's gross refining margins owing to the uncertainty of financing and permitting. With this positive decision, we believe the project will continue to proceed towards development and achieve the necessary debt financing to allow the royalty to remain intact. Thus, we are adding a base-case valuation of $10.84 (see Valuation below) to our target price. Note that our refining margin assumptions remain well below averages over the past 3 years (see Table 1 below).

Expectations – We expect permitting to proceed on track, with the federal decision on the marine terminal component anticipated by the end of the year.

Valuation – Our sum-of-parts valuation sees a hard asset value of $9.20 per share. We calculate an NPV valuation for Altius' 37% equity stake in NLRC of $21 per share, as well as $10 per share for the refining margin royalty. The result provides us with a tax-adjusted forecasted NAV for Altius shares of $37.

Catalysts – Several are expected over the coming few months, including the federal decision, successful negotiation of a margin stabilization agreement, terms on debt financing, and strategic partnership agreements, either through an equity investment, or feedstock and product offtake agreements.

Industry & Company Profile	**Revisions, Date of Record**	**Company Information**
Industrial – Altius is an early stage resource-project equity sponsor and holding company focused primarily on relatively underdeveloped Newfoundland and Labrador.	Rating – SECTOR OUTPERFORM since assuming coverage on March 12, 2007 Target – Target Price $37, October 9, 2007	CEO: Brian F. Dalton Web Site: www.altiusminerals.com

Please see rating structure, important disclosures, risk profile parameters, disclaimers, and notes on pages 8 to 12 of this report.

Investment Thesis

We view Altius as a venture sponsor and financial holding company with an exceptional management team that consistently creates value for shareholders. Led by Brian Dalton, the team has delivered a 5-year compounded annual growth rate (CAGR) of more than 80% in the share price since 2002, a 19-fold increase in the share price over this time period. We see Newfoundland and Labrador continuing to grow as an important source of resources in the future, and suggest Altius Minerals as an ideal vehicle through which to participate in this theme.

At present, the Company has more than $9 in cash and marketable assets, and we estimate that greater than $30 in incremental value to Altius shares could be delivered from the Company's 37% equity stake in Newfoundland and Labrador Refining Corporation. After passing the critical hurdle in permitting of the project by attaining a positive decision on the provincial Environmental Impact Statement (EIS), we believe the project is well on its way to becoming a reality. Despite the heavy weighting of the project's valuation on our target price, we believe further upside is attainable, as long-run gross refining margins for NLRC's level of complexity remain far ahead of our modelled assumptions.

Furthermore, the Company has several early stage projects in the pipeline that we do not add to our valuation at this time. They include: a 2% gross sales royalty on the Aurora Energy (AXU–T) central mineral belt uranium project, a licence on 97 square kilometres of oil shale in New Brunswick, a potential royalty investment in the Lower Churchill Falls hydroelectricity project, and several uranium and base metals joint ventures and royalties under development.

We rate Altius Minerals Corporation (ALS–T) as SECTOR OUTPERFORM (SPECULATIVE) with a $37 target price.

Refinery Project Development on Track

Altius announced after market close on Friday that Newfoundland and Labrador Refining Corporation (NLRC), its 37% owned subsidiary, received a positive decision from the provincial Minister of Environment and Conservation on its Environmental Impact Statement. We consider this a near best-case outcome, as the conditions attached to the decision do not appear problematic. Also, the federal government's involvement in the process will be limited to a decision regarding the marine terminal, which is not considered an environmentally sensitive portion of the project. Overcoming this critical hurdle has set the stage for several key events over the coming months that should support our valuation assumptions.

We expect to see the various ongoing negotiations with key parties accelerate and be determined in the near future. Near the top of the list would likely be terms on a refining margin stabilization agreement which would put a floor on EBITDA and provide significant capacity for financial leverage. The extent that financial leverage would be undertaken, rather than a public equity offering, should raise confidence that the partnership's (Altius and three venture capital investors) 1% to 10% sliding scale royalty on gross refining margins of $4 to $20 would remain intact. Other potential events are a strategic partnership as well as term crude and product offtake agreements, which could add $1 to margins. Any of these events could have significant impact on the valuation of this project on Altius shares.

The very high probability that the project will succeed, combined with persistently strong refining margins for a refinery of the complexity proposed by NLRC, compels us to move our long-run margin assumption up slightly, yet still well below the average of the past several years. In Table 1 below, note that the heavy sour differential (WTI crude less Maya heavy sour crude) combined with the product crack spread (approximated industry benchmark 3:2:1) has averaged $26 to $28 per barrel over the past 3 years. On October 5, at a time when spreads are near their seasonal bottom, the combined spread is about $21. Our assumption for gross margin for the NLRC refinery is now $18 less royalty.

We had not added the Company's royalty on NLRC refining margins to our valuation in the past partly owing to uncertainty of financing and also to remain conservative in light of permitting risk. However, with this critical permitting decision positive, we are taking the view that the Company will now be able to achieve a high degree of debt financing. We also feel that this stage in the permitting process makes realization of the project, and the royalty, a likelihood. Therefore, we are adding a base-case estimate for the royalty of $10.84 per share. The royalty structure is a sliding scale of 1% to 10% on margins of $4 to $20 (with the highest royalty percentage applied to the high margin). We are applying a 5% royalty to our $18 gross margin estimate to arrive at this net present value (at an estimated weighted average cost of capital (WACC) of 8.3%) on a royalty stream beginning in 2011.

Table 1. Current Gross Refining Margins Likely Achievable by Refinery with NLRC Complexity

		Approx. Average Monthly Spot Prices ($/bbl)										
Reference Month	Reference Year	WTI Crude	Mexico Maya Crude	NYH RBOB Gasoline	NYH No 2 Diesel Low Sulfur	NYH Kerosene-Type Jet Fuel	NYH No. 2 Heating Oil	Est. Heavy/ Sour Differental	Est. 3:1:1:1 Product Spread	Combined Potential Margin per bbl	Est. 3:2:1 Product Spread	Combined Potential Margin per bbl
January	2005	46.84	29.90	52.11	55.67	58.75	55.28	16.94	8.67	25.61	6.33	23.27
February	2005	48.15	30.85	50.98	57.20	57.95	56.40	17.30	7.23	24.53	4.64	21.94
March	2005	54.19	36.51	59.35	65.83	66.78	65.35	17.68	9.80	27.48	7.16	24.84
April	2005	52.98	38.05	65.36	65.83	66.51	63.95	14.93	12.92	27.85	11.91	26.84
May	2005	49.78	38.60	61.43	62.40	62.34	59.33	11.18	12.28	23.46	10.95	22.13
June	2005	56.35	42.10	66.93	70.49	70.78	67.72	14.25	13.05	27.30	10.84	25.09
July	2005	59.00	44.21	72.61	70.01	70.81	68.88	14.79	12.15	26.93	12.37	27.16
August	2005	64.99	47.58	81.09	78.21	79.90	75.78	17.41	14.75	32.15	14.33	31.74
September	2005	65.59	50.29	85.34	86.31	91.50	82.44	15.30	22.13	37.43	18.79	34.09
October	2005	62.26	46.80	67.79	85.62	90.04	79.42	15.46	18.89	34.35	9.40	24.86
November	2005	58.32	41.72	63.58	72.88	73.12	70.95	16.61	11.54	28.15	7.72	24.32
December	2005	59.41	41.90	69.17	72.71	73.86	71.70	17.51	12.50	30.01	10.61	28.12
Average		*56.49*	*40.71*	*66.31*	*70.26*	*71.86*	*68.10*	*15.78*	*12.99*	*28.77*	*10.42*	*26.20*
January	2006	65.49	47.39	73.93	74.65	77.50	73.53	18.10	9.87	27.97	8.31	26.41
February	2006	61.63	46.56	63.92	73.59	73.66	68.82	15.07	8.76	23.83	3.92	18.99
March	2006	62.69	48.55	77.03	78.87	80.31	74.65	14.14	16.05	30.19	13.55	27.69
April	2006	69.44	55.19	92.00	88.54	88.21	83.08	14.25	20.14	34.39	19.58	33.84
May	2006	70.84	55.36	96.16	89.76	89.07	82.81	15.48	20.82	36.30	20.87	36.35
June	2006	70.95	53.59	95.46	89.07	87.09	80.84	17.36	19.59	36.95	19.64	36.99
July	2006	74.41	57.94	99.26	92.21	92.64	81.29	16.48	20.29	36.77	18.86	35.34
August	2006	73.04	59.46	86.32	93.73	91.43	83.31	13.58	17.45	31.03	12.27	25.85
September	2006	63.80	51.18	66.23	74.66	77.76	71.37	12.62	9.09	21.70	4.15	16.76
October	2006	58.89	46.48	63.38	73.66	74.54	69.20	12.42	11.64	24.05	6.43	18.84
November	2006	59.08	45.94	66.18	73.72	73.91	69.22	13.14	12.19	25.33	8.11	21.25
December	2006	61.96	47.98	69.69	76.09	77.27	70.71	13.98	12.39	26.37	8.07	22.05
Average		*66.02*	*51.30*	*79.13*	*81.55*	*81.95*	*75.74*	*14.72*	*14.86*	*29.57*	*11.98*	*26.70*
January	2007	54.51	41.52	59.97	68.17	71.05	64.16	12.98	11.89	24.87	6.86	19.84
February	2007	59.28	45.46	68.63	73.58	74.45	71.11	13.82	12.94	26.76	10.18	24.00
March	2007	60.44	47.99	81.61	78.75	79.12	73.14	12.45	19.39	31.84	18.35	30.80
April	2007	63.98	52.58	91.14	84.89	85.80	78.27	11.40	23.30	34.70	22.87	34.28
May	2007	63.45	54.07	99.92	84.33	87.54	79.11	9.38	27.14	36.52	29.53	38.91
June	2007	67.49	58.17	95.18	88.59	88.99	83.62	9.32	23.43	32.75	23.84	33.16
July	2007	74.12	62.97	93.30	89.33	91.27	87.03	11.15	17.18	28.34	17.10	28.25
August	2007	72.36	61.15	85.14	86.23	88.94	83.34	11.21	14.42	25.62	12.18	23.39
September	2007	79.91	66.32	87.25	94.87	97.53	91.53	13.60	13.30	26.90	8.76	22.36
Average		*66.17*	*54.47*	*84.68*	*83.19*	*84.97*	*79.04*	*11.70*	*18.11*	*29.81*	*16.63*	*28.33*

Source: DOE EIA and Haywood Securities

Table 2. Holdings Summary

Holding	Description	Notes	Valuation Method	Value per Share
Current Asset Values				
Cash				
Estimate for tax-adjusted cash and short-term investments less LTD	Primarily generated from sales of AXU-T shares in the market.	Adjusted for estimated capital gains taxes		$4.04
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 $19 and $2.75 in 2007 and $7 and $1.50 long term.	15.0x CY2008E CF. Compare to Haywood valuation multiple of 15x 2007E for IRC and Royal Gold's trading multiple of 24x	$1.83
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 divestment to be ongoing.	*Market value of current holdings (~2.75M shares) plus 2.5 million shares sold forward*	$2.83
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	$0.48
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	$0.03
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	*$9.21*
Incremental Value of Refinery Asset				
Private Equity Interests				
37% 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 post dilution stake at return to equity finance participants of 15% IRR and 66% financial leverage.	$20.79
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 beginning in 2001 discounted at estimated WACC of 8.3%	$10.84
			TOTAL per ALS share	*$40.85*

Source: Haywood Securities

Valuation

We estimate a value for Altius cash, marketable securities, and producing assets at approximately $9.20 per share. We add to this value our estimate of the Company's stake in the NLRC refinery project, including the royalty on refining margins, to arrive at our $37 target.

Table 3. Assets

Asset	Value per ALS Share Hard Assets	Value per ALS Share Including NLRC
NLRC (Oil Refinery Project) Current 37% Equity Interest	N/A	$20.79
NLRC Royalty	N/A	$10.84
Net Cash (estimated after tax obligations)	$4.04	$4.04
Voisey's Bay 0.3% Net Smelter Royalty		
Valued at 15.0x 2007E CF	$1.83	$1.83
2.5 Million Share Equity Forward on AXU-T	$1.54	$1.54
Equity Holdings		
Aurora Interest Net of Equity Forward	$1.30	$1.30
Rambler Metals and Mining Interest (RAB-V)	$0.48	$0.48
Paragon Interest (PRG-V)	$0.03	$0.03
Alba Mineral Resources PLC Interest (ALBA-LN)	$0.00	$0.00
Total Value of Holdings	$9.21	$40.85
Adjust for Potential Capital Gains	$8.71	$37.23

Source: Thompson One and Haywood Securities

Table 4. NLRC NPV Assumptions

Discount Rate	15%
Production Profile	25 years from 2011 to 2035
Capex	$5 billion
Capital Structure	2:1 Debt/Equity
Debt Payback	Over 20 years beginning in 2016
Annual EBITDA	$1.2 billion

Source: Haywood Securities

Table 5. Model Output Summary

IRR to Equity Sponsors	15.0%	
NPV to Founding Partners		
After Financing Participants NPV 15%	1,618.6	USD (M)
Altius 37% Stake at CAD/USD = 1.00	598.9	CAD (M)
Per ALS Share	20.79	
Post-Dilution Stake of Sub If Market Cap = 5x 2011E EBITDA	10.0%	

Source: Haywood Securities

Table 6. Refinery Assumptions

Royalty			
Margin	$18.00		
Royalty	5%		
Discount Rate (WACC)		8.3%	
PV of Royalty Stream		501	USD (M)
Altius 62.5% Stake at CAD/USD =1.00		313	CAD (M)
Per ALS Share		10.84	

Source: Haywood Securities

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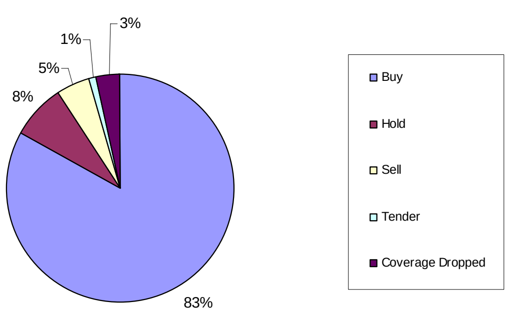
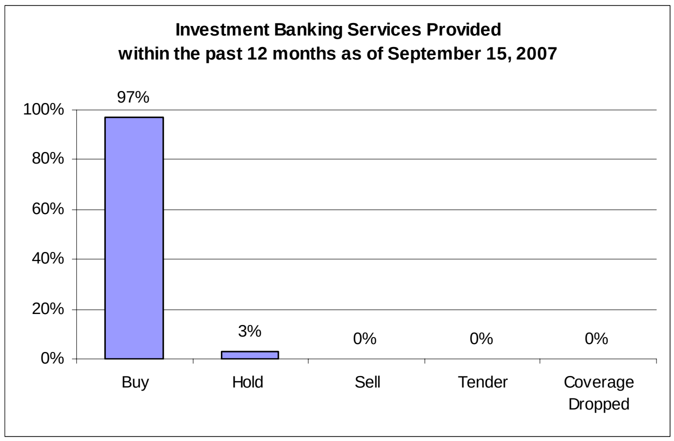
Rating Distribution June 15, 2007 - September 15, 2007





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SPECULATIVE: – Investment for risk accounts only. Companies within this category carry greater financial and/or execution risk. All junior/venture companies that carry great financial and/or liquidity risk will be tagged "SPECULATIVE". A stock indicating a SPECULATIVE risk is determined from sector specific criteria outlined below listed below.

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

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 leverage. Forecasts reflect higher commodity prices or production relative to 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 is 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 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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(c) protection of money held on your behalf under the FSA's Client Money Rules.