

**NEWS**

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**Steady Royalty Streams Support Altius Minerals In Its More Speculative Exploration Activities**

By Rob Davies

**Extracting a never-ending stream of cash from a large long-life mineral deposit is about as near to perfection as it is possible to get in mining. The model was developed by Franco-Nevada decades ago in the gold sector. Now Newfoundland-based Altius Minerals is doing the same with base metals. Its prime asset is an effective 0.3 per cent royalty stream from the massive Voisey's Bay nickel mine in Labrador. Altius's Chad Wells says that in a normal year, whatever that is, the income stream should be worth about a few million dollars.**

At the moment, though, the mine is on strike and that will impact payments later in the year. Another negative factor is that the actual owner of the royalty, International Royalty Corporation (IRC), a company in which **Altius** has a 9.4 per cent stake, reckons that it is being short-changed to the tune of nearly \$30 million. It has lodged a claim against Vale, the owner of Voisey's Bay. Chad is quite sanguine about this and says it is part and parcel of the normal commercial transactions with this type of arrangement and that the company is simply ensuring its shareholders realise the maximum benefit from this long-term asset.

Despite this problem, Chad is very upbeat about the company, and so he should be. **Altius** is sitting on a cash pile of C\$133 million and its total investment portfolio is worth C\$170 million, while its market capitalisation is only C\$214 million. It would be reasonable to assume that an NPV calculation of that Voisey's Bay royalty at these metal prices would probably account for the bulk of the difference. In other words, the market is valuing **Altius** simply on what it can see and is ascribing no value to its team of 15 geoscientists and its track record of deals that have got the company to where it is.

Chad commented that six months ago **Altius** was looking at a target-rich environment for the creation of new royalties via innovative financings as it had piles of cash and there were lots of companies in various states of distress. The massive liquidity-induced rally since then has made it more difficult for **Altius** to deploy its cash than had been hoped, but the company is still pursuing the same strategy.

It was an organic exploration business that created this C\$200 million company and its cash and technical expertise makes it well placed to kick start any given exploration

programme. It can then bring in a partner to continue proving it up and leaving it with a royalty interest.

A good example of this approach is offered by the Kamistiatuset iron ore project in Labrador. Although it was partially drilled in the 1950s and 1960s, it languished for years until 2004, when rising prices renewed interest in it. **Altius** has now completed 6,000 metres of drilling and recorded multiple hundred metre interceptions of over 30% iron, with favourable metallurgy. Its location only seven kilometres from the Wabush mill gives it a good infrastructure advantage. Cleveland Cliffs has been active in the area and Chad is optimistic that a partner will come in and take the property to a 43-101 resource and leave **Altius** with a royalty interest. A similar situation exists on the Viking gold property in Newfoundland. Here Northern Abitibi is earning a 51 per cent interest by spending C\$1.1m over four years on what is regarded as a brand new gold belt.

These are just two of the 12 projects in which **Altius** is currently involved. Such a spread of interests means it has a stream of news flow to keep the market occupied. Even so Chad's parting comment that a recent appraisal of International Royalty Corporation showed that it was trading at a discount makes the basis of the Company's 9.5 per cent investment stake interesting. When combined with the 13d SEC filing statement that the stake **Altius** has is potentially strategic, it is tempting to speculate that the company may switch its cash from low interest deposit accounts to something with a bit more cash flow. In essence then **Altius** has two business streams. The exploration business with 12 joint ventures funded by the royalty stream, and the second aimed at increasing that royalty stream through innovative business deals. Sounds like a sensible plan.

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