

NEWS

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ALTIUS HAS A WIDE AND VARIED PORTFOLIO OF ROYALTY AND EXPLORATION ASSETS, AND IS ACTIVELY ON THE LOOKOUT FOR MORE

By Rob Robertson

Bouncing off a 52-week high share price of C\$11.34 last week, Altius Minerals is sitting with over C\$200 million in cash and liquid investments. And, even as it seeks new royalty investment opportunities, it continues to do what it does best, generating new grassroots exploration projects to attract joint venture partners.

Based in Saint John's Newfoundland, **Altius** is a group that specializes in early "boots-on-the-ground" exploration work in eastern Canada. **Altius** has struck 50 joint-venture alliances since forming 13 years ago. The company currently has eight active earn-in agreements or exploration alliances with various partners, covering iron ore, gold, nickel, copper and uranium targets in the province of Newfoundland and Labrador.

"The reason we have had so much success here in Newfoundland and Labrador is because we understand the socio-political scene and, quite frankly, it gives us a competitive advantage on how to approach these projects and create value", explained Chad Wells, Vice-President of Corporate Development and Corporate Secretary for **Altius**.

Altius recently widened its search beyond eastern Canada and picked-up a couple of gold-copper prospects in Alaska under a strategic alliance with Millrock Resources. "Not only did we do an alliance so we are getting direct mineral exploration exposure, we also did a financing in the company", said Wells. **Altius** currently owns a nine per cent position in Millrock. "We have been in the deal for a year and I can tell you without hesitation that we are extremely pleased with our investment in Millrock", Wells said. Like **Altius**, Millrock is a "project generator" company, attracting such partners as Teck, Vale, Kinross and Inmet. "The investment in Millrock is about exposing ourselves to the fruits of discovery in what we believe is truly one of the world class districts", said Wells.

Closer to home, **Altius** began the year by staking 206 square kilometres of land in eastern Newfoundland called the Avalon gold project. The company also staked 106 square kilometres of new ground surrounding the Taylor Brook nickel option to Northern Abitibi Mining, and added over 200 square kilometres to its Topsails alliance with JNR Resources to cover prospective copper-gold targets.

Altius' two main areas of strategic focus today are mineral exploration and the development or purchase of royalties. "We are an exploration company that creates royalties", explained Wells. The company's latest annual report puts it plainly enough: "Our business model for mineral exploration is not capital intensive and the amount of cash currently held by **Altius** is far in excess of what is required to optimally operate this business. As such, we have been actively evaluating royalty-level opportunities associated with development and operating-stage mining projects". And Wells expands on that theme: "We are looking at 50 deals a week but value is hard to find because we have had quite a recovery rally".

On the royalty side of the business, **Altius** owns a 0.3 per cent net smelter return royalty in Vale Inco's producing Voisey's Bay nickel-copper-cobalt mine in Labrador. This stake was purchased in 2003 for C\$13 million and is viewed as a strategic asset that will deliver a steady source of income over the 25-30 years of mine life. It also provides exposure to the exploration

upside and expansion potential of Voisey's Bay at zero cost and zero risk to **Altius**. Payback was achieved in 2008.

"Voisey's Bay has been our financing mechanism since it came into production in 2006, so it has been a very core piece of our business", said Wells. "We look at the Voisey's Bay revenue stream as kind of being a budgetary threshold of what we will put back into exploration each year."

The Voisey's Bay royalty is expected to generate about C\$1.8 million in revenue in fiscal 2010, compared to C\$4.1 million in 2009. This year's drop is due to the ongoing strike at the Voisey's Bay mine, as it's entering its ninth month of strike action, resulting in fewer concentrate shipments.

Earlier this year, **Altius** sold its 9.4 per cent stake in International Royalty Corporation, a diversified metals royalty company, following a friendly takeover bid by Royal Gold, for a net gain of C\$28 million. "It was an effective double on a six-month investment", said Wells.

As a project generator, **Altius** identifies and packages mineral properties for exploration and enlists partners to underwrite those costs, while maintaining a minority ownership and a royalty interest. **Altius** has directly invested about C\$15 million in project generation since its inception, while third party spending exceeds C\$80 million. The company's objective in these deals is to retain a residual property ownership interest, as well as a royalty interest.

Altius used this business model to co-found Aurora Energy Resources in 2005 as a pure uranium play covering properties in the Central Mineral Belt (CMB) of Labrador. It subsequently grossed C\$208 million on the sale of its full equity interest in Aurora, while retaining an underlying two per cent royalty. "We were in the uranium business very early", stated Wells. "In 2003 we staked some ground in Labrador and we discovered a fantastic asset. We took our 50 per cent property stake and turned it into a huge equity position in a new issuer. The uranium market was on a tear and everybody was saying this thing is going to the moon. Without even hindering the market or the reputation of the asset, we were able to monetize some \$208 million in equity sales."

Wells continued: "It gave us a very strong balance sheet to go forward. We were able to capitalize and make money through a market cycle that has since been unfriendly to the uranium commodity, but we're still covered in the long term because we've got a two per cent royalty across the district."

At the same time **Altius** did the uranium deal, the company spun out the past-producing Ming copper mine asset in Baie Verte, Newfoundland, into **Rambler** Metals and Mining. "Here was a more mature project than we were used to working with, but something that looked to have development-stage possibilities", said Wells. "We married it with the right group (Harry Dobson), created a new management team and let the thing fly." Wells says **Altius** spent half a million bucks on the asset and, today, sits with on 12 million shares of **Rambler**, representing a 12 per cent stake that is worth about C\$6 or C\$7 million.

"We don't always decide to sell," stated Wells. "In the case of Aurora, it was such a ripe uranium market, it just made good sense to us. In the case of **Rambler**, it has been different." Listed on London's Alternative Investment Market and on Toronto's Venture Exchange, **Rambler** is striving to put the historic Ming copper-gold sulphide mine back into production in 2011. **Rambler** believes it has outlined a big enough underground resource base to sustain a 4,000-tonne-per-day production rate for at least 10 years of life. And, after acquiring the nearby Nugget Pond gold processing plant in October 2009 for C\$3.5 million, **Rambler** is now advancing the Ming project towards the completion of a 43-101 compliant feasibility study which is due this summer. The company plans to upgrade the mill with a new base metal flotation circuit, with new key equipment expected to arrive on site by August. Under terms of a recently signed gold off-take agreement for a portion of its life-of-mine gold production, **Rambler** will receive staged payments totalling US\$20 million upon reaching certain development milestones. Combined with a treasury of C\$13 million, the company will use those funds to re-start the Ming mine.

More recently **Altius** agreed to spin-out its Kamistiatuset iron ore project into a restructured public company called Alderon Resources in return for a C\$5 million exploration commitment, a

47 per cent equity stake and a three per cent gross sales royalty. "We have taken what we believe is the best asset we have ever seen in our company in 13 years and instead of us going and doing C\$10 million to C\$20 million worth of drilling on this thing, we are going to stay true to our model and we have spun it out", explained Wells. The Kamistiatusset project was staked by **Altius** in 2004 on the strength of known iron ore prospects discovered in the late 1940s and 1950s in the heart of the iron ore mining camp of western Labrador. A 2008 drilling program by **Altius** outlined a wide area of magnetite-rich iron mineralization that displays comparable grade, thickness and geometry to other producing deposits in the Labrador City district. Results from the Rose Lake discovery include 146 metres averaging 30.6% iron. Initial metallurgical results were positive.

Alderon is set to begin a 20,000-metre drilling campaign at Kamistiatusset in June, with the objective to expand upon the previous work and to allow the calculation of a 43-101 compliant resource estimate. "Our own belief is that Alderon is going to have very significant success," stated Wells. "Iron ore is a good place to be right now."

Altius has been prospecting for iron ore in western Labrador since 2003 and is one of the largest license holders in the district. The Labrador West project, comprised of eight exploration licenses covering 24 iron ore occurrences, is under option to Rio Tinto, which can earn up to a 70 per cent interest by spending C\$7 million in exploration by the end of 2013. Preparations are underway to begin drill testing specific targets this summer or early fall.

In addition to its exploration plays and projects, **Altius** has 39.6 per cent stake in the privately held Newfoundland and Labrador Refining Corporation (NRLC). NRLC was an idea founded in 2005. The strategy was to permit the construction of a new crude oil refinery in southeastern Newfoundland, the first greenfields oil refinery site in North America in 30 years. In this case the timing didn't work, said Wells. "We were basically at the front line looking for financial structure for this new entity to go public when world markets collapsed in 2008." The project fell to the floor. NRLC recently emerged from creditor protection and has two years to either sell its assets or secure financing of the project to satisfy all creditors' claims.

Altius is tightly held with 28.4 million shares outstanding, or 30 million on a fully diluted basis. It's trading on the Toronto Stock Exchange around C\$11 in a 52-week range of C\$11.34-5.56.

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