

NEWS

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ALTIUS MINERALS HAS GENERATED THREE SUCCESSFUL SPIN-OUTS ON THE TROT, AND IS NOW BUILDING A GOOD-LOOKING ROYALTY PORTFOLIO

By Charles Wyatt

It is a reflection of the success Altius Minerals has had over the years in generating new grassroots exploration projects and then cutting deals on them that Cranberry Capital is keen to get in on the act. Cranberry and Altius have just announced that together they will establish a new company to invest in early stage mineral exploration businesses. Cranberry is a private Canadian company involved in equity financing, lending, mergers and acquisitions, and consulting to junior exploration companies. It is headed by Paul van Eeden, who used to run a very successful investment newsletter business specialising in junior miners, and he is going to be chief executive of the new company which has yet to be named. Judging by its website Cranberry plays its cards fairly close to the chest, but it will open up as a result of this move as Brian Dalton, chief executive of Altius, will have to report on the progress of the new company at regular intervals.

The pressure for regular reporting is increased because **Altius** is contributing C\$25 million compared with C\$3 million from Cranberry, and the equity is split on a pari passu basis, with **Altius** holding nearly 90 per cent of the equity, according to **Altius**'s VP Corporate Development, Chad Wells. It is too early for any deals to have been announced, but it is interesting to note that Jamie Strauss has joined the **Altius** board at virtually the same time. Jamie has worked as a stockbroker in London for 25 years, specialising in the corporate resource arena. Last year he left BMO Capital Markets where he was managing director UK, and he has since set up Strauss Partners, which is a mining finance boutique firm. Strauss and van Eeden probably have quite a lot in common, which may lead to a bit of creative tension when decisions are being made on the initial investments. Paul van Eeden, however, as Chad points out, has an amazing network of contacts from his newsletter days, and these should ensure that investments can be arranged into good projects earlier than might otherwise be expected.

Altius was formed 13 years ago and since then has put together 50 joint ventures, on projects ranging from iron ore and gold to copper and uranium. Most of these have been in Newfoundland and Labrador, as the company is headquartered in St Johns and that is the part of Canada Brian Dalton and his team know best. In 2003 there was a very useful bit of diversification when **Altius** acquired a 0.3 per cent royalty in the Voisey's Bay nickel-copper-cobalt mine, now operated by Vale Inco. The cost was C\$13 million and this was paid off by 2008, which is not surprising considering that the royalty in 2009 alone amounted to C\$4.1 million. Sadly workers at the Voisey's Bay mine have now been on strike for around 15 months, so the royalty will be a lot less this year, but the impact on **Altius** will be minimal. The company has around C\$200 million in the kitty so the interest payment on that cashpile should make up the difference until production re-starts. The deposit cannot move away, and there is a mine life of between 25 and 30 years.

The success of his deal on the Voisey's Bay royalty encouraged Brian Dalton to seek more royalties. In 2005 **Altius** took an underlying two per cent gross uranium sales royalty and a two per cent net smelter return royalty on base and precious metals that may be produced from Aurora's Central Mineral Belt projects in Labrador, and this was retained after **Altius** sold its entire equity holding in Aurora Energy Resources for more than C\$200 million in 2007. Two years on and **Altius** retained a sliding scale net smelter royalty linked to the price of gold on the Viking gold property, after Viking was acquired by Northern Abitibi Mining.

An initial resource estimate is expected on this project shortly and in this instance it's also worth noting that **Altius** also has a significant shareholding in Northern Abitibi. Then, earlier this year, **Altius** sold its Nuiklavik rare earths property in northern Labrador to Rare Earth Resources for 200,000 shares and a two per cent gross overriding royalty. **Altius** staked this 197.5 square kilometre project back in 2006, targeting, at the time, volcanic-hosted uranium-type deposits. The project is located approximately 25 kilometres from the coast, and encompasses twenty-four yttrium-zirconium-niobium-REE, fluorine, and base metal occurrences, as documented in the provincial government survey database.

The **Altius** business plan is to bring in partners to explore projects that it has identified, while retaining a minority equity interest as well as a royalty. The success of this approach was clearly demonstrated with the Aurora Energy deal, which hit the top of the market as far as uranium was concerned. At around the same time, **Altius** spun-out the past producing Ming copper mine in Newfoundland into **Rambler** Metals and Mining, a company listed on Aim and in Toronto. Chad Wells reckons that **Altius** spent around C\$500,000 before passing it on to a group introduced by Jamie Strauss, which has now taken it to the stage where production is expected to restart at any moment. **Altius** retained 12.2 million shares in **Rambler** and these are now worth around C\$6 million.

The latest in the succession of **Altius**'s deals is the spin-out of the Kamistiatasset iron ore project, which is strategically placed in Canada's premier iron ore region, into a restructured company called Alderon Resources. Under the terms of this deal Alderon has undertaken to spend C\$5 million on exploration by November 2012, as well to pay **Altius** 31.8 million shares for a 100 per cent interest in Kamistiatasset. **Altius** retains a three per cent royalty and, as Chad points out, is not doing badly with the shares. The current price is C\$2.11 per share, and an updated resource estimate is expected shortly which could push the shares well over the C\$3.00 mark. So there sits **Altius** with a C\$60 million plus investment in Alderon and three other iron ore projects in the Labrador West region, one of which is optioned to Rio Tinto with **Altius** retaining a three per cent gross overriding royalty.

As Chad points out, the Kamistiatasset deal is **Altius**'s third successful spin-out on the trot. The first two might be dismissed by cynics as lucky strikes, but three in a row has to be taken seriously. And the stars now seem to be aligning for the next success. In June last year, **Altius** formed a strategic alliance with Millrock Resources to fund project generation, chiefly for gold, in five areas in Alaska. **Altius** invested just under C\$1 million to obtain a holding of around 11 per cent in Millrock at C22 cents per unit. As the shares are now trading at C76 cents, the magic is still working.

The primary objective of the alliance is to generate new prospects and seek earn-in and/or joint venture agreements with third parties, in an area well away from **Altius**'s usual stomping ground. Under the terms of alliance, the company may acquire royalty and joint venture interests in designated projects in addition to its shareholding in Millrock, so this venture will be well worth watching. So far all we know is that **Altius** has increased its holding in Millrock by exercising warrants, taking its holding to 13.6 per cent in the process. It has now been issued with new warrants which, if exercised, would take it over 18 per cent. Looks like the two are getting on well together.

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