



The Making of an Industrial Powerhouse

The smallest things can spark the biggest ideas. Ask Brian Dalton. He was reading his local newspaper one day last June when he came across the “wonkiest thing.” It was a story, Dalton recalls, about a letter Danny Williams had sent to Richard Branson.

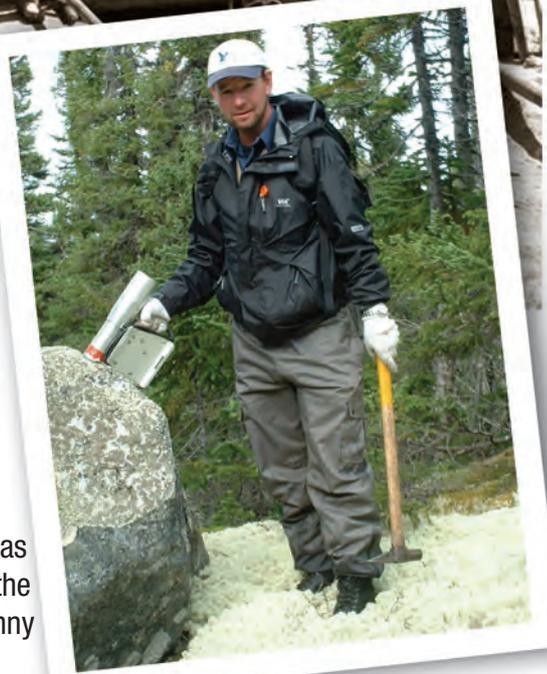
Branson, the gregarious and eccentric founder of the U.K.-based Virgin corporate empire, had recently been talking about the need for a new oil refinery to, in part, provide fuel for his airline. Williams, the Newfoundland and Labrador premier, had just given a major speech on the importance of generating improved local benefits from the oil industry - benefits like a new refinery. Williams wrote Branson to see if the two could reach some kind of a mutually-beneficial arrangement.

Dalton, the president and CEO of Altius, read the story around 7p.m. “I sat down and read that and said, ‘even

if he’s done this, why is it in the media?’ It seemed too publicity-driven.” But he was intrigued. By 11p.m., Dalton had fired off messages to a business contact in the U.K. It wasn’t, however, just any business contact. Harry Dobson is a mining entrepreneur described by the Scottish newspaper *Scotland on Sunday* as that country’s fourth-wealthiest person.

The next morning, Dobson told Dalton he had already been talking to another potential investor, Irishman Dermot Desmond. Desmond, among his many interests, owns Glasgow’s

famed Celtic Football Club. “It all started to click,” Dalton recalls. “The concept was born and we were running with it, and it was from that article.” Altius and its European entrepreneur partners formed Newfoundland and Labrador Refining Corp. (NLRC). Less than eight months later, in February 2006, the new company announced a \$7-million U.S. feasibility study for the possible construction of a new refinery in Placentia Bay. NLRC is now moving into the latter stages of that process. The possible end result? A \$4-billion-plus project, funded entirely by private



When it was formed in 1996, Altius was a junior mining exploration company. Today it's a diversified resources business with \$45 million in working capital. Shown here is an Altius field crew in 2004.



investors, that would employ up to 3,000 during the construction phase and as many as 800 in production.

It's a long way from Altius's humble beginnings. Ten years ago, warmed by the afterglow that bathed the local mining industry after the Voisey's Bay discovery, three prospectors from Newfoundland decided to pool their resources and strike out on their own. The year was 1996. The venue was the Prospectors and Developers Association of Canada conference in Toronto. Brian Dalton and Roland Butler were then both 20-somethings who had been busy staking claims and optioning them out to junior mining firms in the post-Voisey's frenzy. At a Toronto restaurant, they came to the conclusion they could do this themselves, despite their age. After all, they had run the gamut of industry players, "everything from crooks and scam artists to some really great guys," Dalton recalls. They figured that if those people could make a go of it, why not them?

Butler suggested they attempt to

recruit another local prospector, Geoffrey Thurlow. Thurlow quickly said yes. The trio then enlisted John Baker, who had legal and corporate board experience, and Altius was born. For the next year, the new team assembled the best of their independent projects into one portfolio.

Meanwhile, the glow surrounding the sector had faded. It was into this inky void that Altius went public, via a junior listing route in Alberta, on Halloween 1997. "I think my dad was the only guy to buy shares that day," Dalton says. Altius stock opened at 20 cents. The company raised about \$450,000 in new money. With a limited pool of cash, the company's founders decided to focus on their roots. They would generate ideas and find projects but then seek out the warm security blanket of partnerships with major mining companies, allowing them to assume the financial risks. By the end of 1998, Altius had embarked on five joint ventures, all base-metal and gold plays in central Newfoundland.

As the years went on, the company's portfolio grew. By 2002, Altius had entered agreements on some 28 properties in Newfoundland. That year, Altius sparked a mini-staking rush in central Newfoundland when it partnered with heavy-hitter Barrick Gold Corp. to explore the area. The deal coincided with a revival in gold markets, and drove up the company's share price.

Around the same time, Voisey's Bay co-discoverer Chris Verbiski called. He was wondering if Altius knew of anyone who might be interested in buying a royalty stake in the project. "It took about a millisecond to say, 'You're already talking to the right person,'" Dalton recalls. It was, Dalton acknowledges, a strange deal. Altius, buoyed by the spike in its share price, then had a market cap of \$15 million. It bought into Voisey's for \$10 million, and later exercised an option to expand that interest. "Gold exploration led to a royalty in a nickel mine," Dalton says. "Go figure."

Voisey's recently went into



The Altius Board during the 2004 Prospectors and Developers Association of Canada conference. By attending conferences like this, Altius management forged networking partnerships with some of the biggest names in the international mining industry.

production, and the cash spigots opened. Altius estimates its royalty stake could generate more than \$1 million per year over a 25-year mine life, with a large upside if more ore is discovered at the site or prices remain high. The Voisey's royalty has essentially removed the need for Altius to look for money to fund operations. It can self-finance its exploration business for the next quarter-century.

The acquisition also allowed Altius to cast its gaze beyond the island. In 2003, the company entered into an agreement with Fronteer Development Group on a uranium play in Labrador. The uranium project is a perfect example of the Altius philosophy of making "counter-cyclical bets": acquiring out-of-favour projects in sectors they believe will rebound. The company began studying uranium markets in 2001, in relation with a property on the island.

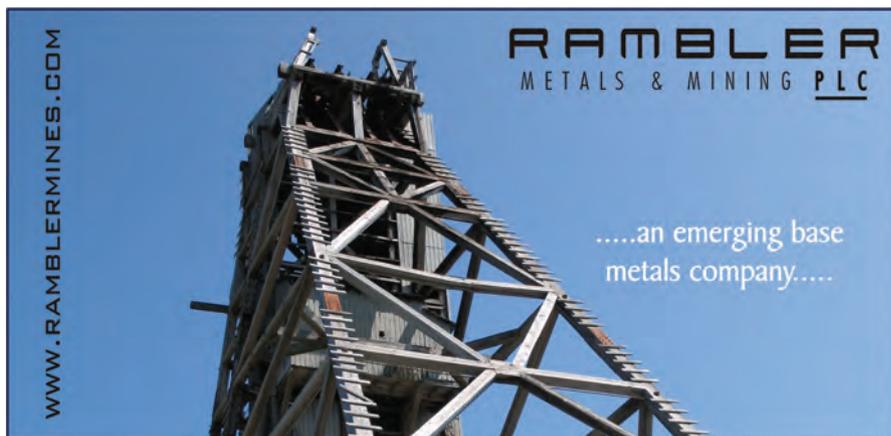
The Labrador uranium project had nearly gone into production more than two decades earlier, Dalton says. The previous owners had invested \$20 million in it at the time but uranium prices collapsed. The nuclear industry suffered bad press following Chernobyl and Three Mile Island and the end of the Cold War sunk demand even lower. Then, a few years ago, industry players began to realize that no uranium mines had been built in 20 years, and the stockpile of uranium created by de-weaponization was

being rapidly depleted. As of late July, uranium was around \$47 U.S. a pound - up nearly six-fold over five years ago, Dalton notes.

Altius had picked up the Labrador deposit for a grand total of \$3,400 in staking costs, as the mineral rights had lapsed, and sunk a total of \$700,000 into the project. Earlier this year, Altius and partner Fronteer went public with Aurora Energy Inc. as a vehicle to own

and fund the Labrador uranium project. Aurora's IPO came in at \$200 million and raised \$25 million in new money. Altius has ownership and royalty interests in the project, not bad for an initial \$3,400 investment. "Timing is everything," Dalton says.

Altius employed a similar philosophy in acquiring the Rambler gold-copper property. The company consolidated ownership of the abandoned Rambler





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PROUD PARTNER IN THE VOISEY'S BAY PROJECT



Altius founders Roland Butler, Brian Dalton and Geoffrey Thurlow. Through conscientious management and joint ventures with larger mining companies, the trio have grown their company into an emerging industrial powerhouse.

mine, which had shut down largely because of land disputes. Altius partnered with European investors, including Dobson, and spun the property off into a separate publicly-traded company in 2005. Rambler Metals and Mining PLC is now listed on the AIM Market of the London Stock

Exchange.

But it's not just minerals and metals for Altius anymore. Just as the Williams administration has touted Newfoundland and Labrador as an "energy warehouse", Altius has expanded its own horizons to include hydro and oil. Uranium, which straddles

the line between metals and energy, kick-started that crossover. The company broadened its focus to include all natural resources, zeroing in on the acquisition of non-operating stakes and royalty ownerships.

Take hydroelectricity. The Newfoundland and Labrador government liked an Altius plan to potentially help finance the development of the Lower Churchill in exchange for a royalty stake in the project. Williams recently announced that the Province will go it alone on the Labrador power project. Altius still hopes to play a role in financing the initiative, but is now part of a waiting game while the province assesses its options.

The potential refinery project, however, is the company's biggest and most ambitious initiative to date. The Placentia Bay facility would process sour oil, which now accounts for 80 per cent of world reserves. Certain grades can be bought at \$20-dollar-U.S.-a-barrel discounts. "The sweet cream is gone," Dalton notes, but existing refining infrastructure and capacity is still geared towards lighter crude. "To make this work ... we've got to be able to buy those grades of oil that are cheapest in the market and have the plant that can handle them."

Aiding Altius and its refinery partners is the company's local knowledge and adherence to the local mantra of increased secondary processing benefits. NLRC has already put the wheels in motion, in case it gets the green-light for the project later this fall. The company is soliciting bids on engineering work and major components, and preparing submissions for environmental assessments. "We feel very confident of a positive decision," Dalton says.

Meanwhile, the company is jumping to the big leagues on the TSX, likely by the end of the year. But Altius won't be classed in the mining category. The little company that started a decade ago with a handful of properties in Newfoundland now has such a broad focus that it is best defined as 'industrial'.

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