Adrian Day's GLOBAL ANALYST

(410) 224-8885 P.O. Box 6644, Annapolis, MD 21401

Bulletin #332, January 15, 2007, 7 P.M. **3 pages**

In this bulletin, we continue our review of our holdings, taking a more in-depth look at one of our favorite juniors, Altius Minerals. Altius is the perfect example of the need to avoid the knee-jerk reaction of selling a stock just because it's up. It is difficult to consider buying a stock that was available for so long as much lower prices. But sometimes—and this is true of Altius—a company can be better value at a higher price. So Altius is a keeper, and even a buy on any weakness. Below, we'll tell you why.

Before that, however, let's cancel the sell on **International Royalty Co.** *The stock has declined since our recommendation, and we don't want to sell here. It did trade above our limit for a while, but I suspect only a few of you would have caught it. In fairness, then, we'll keep it on our list as a "hold" and continue to follow it. (Recall, our sell recommendation was predicated on an anticipated short-term decline only, not because we no longer liked the company.) If you did sell it at our recommended price , then you can buy back; at Friday's close of $4.66, you've made almost 10% just on that trade.*

ALTIUS KEEPS ON GROWING, WHILE MINIMIZING RISK

Altius has its roots as a prospect generator, focusing on mineral-rich but underexplored Newfoundland and Labrador. It has grown beyond that, but still looks at opportunities to grow, using other people's money to advance projects and minimize its risk. And it still generates properties; recently it staked three new uranium properties in central Newfoundland and a nickel property in the east with a plan to advance to a joint venture or strategic equity stake.

Multiple joint ventures in different minerals

Altius has seven main assets now, four of which are joint-ventures or minority interests developed through staking. Let's look at these first.

* It holds 10% of Aurora Energy, a company exploring the Central Mineral Belt for uranium; engineering studies are underway on one property (Michelin). Recent exploration has confirmed potential for similar size on another property (Jacques Lake). Originally, Altius had vended out some uranium properties to Fronteer in a standard joint-venture. Later, the companies spun out these assets in a separate public company (Aurora); Altius has sold down its interest (raising a total of C$104 million in 2006). It now holds 10% of the shares, valued in the market at C$97 million, plus owns a 2% gross sales royalty on the uranium (and a separate royalty on other metals).

Generating profits while keeping an interest

This is a stunning example of Altius' business model, in using OPM (other people's money) to advance projects, while more-than recouping its investment and retaining an interest in the project. Altius's original cost in this venture is C$661,000 only five years ago, so the return has been phenomenal.

* It owns 30% of London-listed Rambler Metals, which is planning on reopening the old Rambler gold-copper mine; recent strong results have expanded the resource. Altius's share is valued at a little over

C$12 million. Again, Rambler developed originally out of a standard joint venture, but Altius is in a position to convert its equity into a royalty or sell down as the project develops.

* In addition, it is in other joint ventures, including a uranium property in western Newfoundland, joint-ventured with JNR Resources; and a new joint-venture with Rubicon which spun off its diversified portfolio of early-stage Newfoundland properties which Altius partially funded, giving it 17% of Paragon Minerals.

In addition, Altius has two dozen or more other properties, which it plans on joint venturing. Though not high priority, joint venturing these projects will generate work at little cost to Altius.

High-potential, long-life ventures

Beyond the joint-venture programs, Altius has three other very attractive ventures.

* It owns a royalty on Inco's Voisey's Bay nickel project which started operations just a year ago. This will generate about $1 million a quarter to Altius, with no cost, at today's nickel prices. This multi-decade project has plenty of exploration upside and great leverage to nickel prices.

* It is a partner and manager of the Newfoundland and Labrador Refining Corporation. A stroke of genius on the part of Altius, the NLRC, with investors from Ireland and the U.K. and in which Altius owns 37.5% as well as a royalty, is developing a proposal to build a new oil refinery in Placenta Bay in southeast Newfoundland.

This would be huge

A positive feasibility study, released last month, shows robust returns after a capital cost of $4.6 billion. The proposed refinery would be strategically located close to the offshore East Canada oil fields as well as the oil-hungry North East United States, in one of the deepest ice-free ports in North America, in an area with high unemployment and a competitive workforce.

An economic impact study is currently underway. If approved and the project proceeds, it would be a money spinner for Altius for decades into the future. In keeping with its business model, Altius would doubtless sell down its interest rather than raise the capital itself, perhaps keeping a smaller free-carried interest and royalty. Indeed, the next step could be for Altius to bring in a partner to fund its portion of the costs.

Equally importantly, perhaps, the successful development of the huge refinery project will showcase Altius as the partner of choice in the resource field in Newfoundland, and open the door to many other projects.

Another innovative idea

* Altius has also made a proposal to the provincial government for financing the Lower Churchill hydroelectric project. Its proposal was put on the three-bid short list; its proposal (involving a royalty foundation for provincial residents) has the benefit of benefiting the local populace, a sensitive issue in a poor province where many projects have been sold to outside interests. Altius' proposal could also be combined with other financing proposals.

Currently, the provincial government is working on the development plan. Once this plan is complete, after three or four months perhaps, then it will turn again to the financing proposals. If successful, Altius would likely end up with a free-carried interest generating cashflow, for very little initial cost.

People matter

The company's main asset, however, without question is the president Brian Dalton, an unassuming but incredibly bright young many who developed the company by hard work, cost control, high ethics and intelligence. He has surrounded himself with bright people, often older people with great experience and stature.

Even though the price of Altius' stock has more than tripled since mid-2005, the whole company is valued at just under C$300 million. If one adds up the value of just the hard assets, one can see that Altius remains undervalued. Below are market values or conservative estimates of the main hard assets:

Aurora (equity share)	C$90 million
Rambler (equity share)	C$12 million
Voisey's Bay (royalty)	C$30 million
working capital	C$85 million

This gives a value of C$217 million without giving any value at all to the various joint-venture and exploration programs (worth easily $25 million) nor the high-potential refinery and hydro proposals. Even if neither of these were to pan out, therefore, Altius is not expensive, while the market appears to be giving no value at all to projects that could transform the company.

It's still a buy for value investors

The company appears to agree since it is instituted a share buyback program, saying that the company is undervalued, both on anticipated cash flow and assets. The shares recently moved to the major Toronto board (TSX) with good liquidity. Though it's difficult to buy a stock that has tripled in 18 months, Altius (ALS, Toronto, 10.48) represents an undervalued, low-risk and high-potential company that should be bought on any weakness (the recent high was C$10.85), and held for the long term.

* * *

FRANK JOHNSON Few of you will know of the English journalist Frank Johnson who just died. But those who did, appreciated him: a stint as editor of *The Spectator* and numerous other journalistic efforts brought him an admiring audience. Of working-class origins, he was bright, a keen observer and insightful writer. He was also generous with his time, as I can attest from my university days when he was the Parliamentary sketch-writer for *The Times*. He had a libertarian streak, saying he had "an attitude problem with authority". And unusually, his journalism stands the test of time, evoking the atmosphere of the times. Thank you Frank, and rest in peace.

ERRATUM Our last bulletin, from Friday, was misnumbered; it should have been #331. Apologies.

Adrian Day's Global Analyst is distributed for $990 per year by Investment Consultants International, Ltd., P.O. Box 6644, Annapolis, MD 21401. (410) 224-8885. **Publisher:** Adrian Day. **Owner:** Investment Consultants International, Ltd. Staff may have positions in securities discussed herein. Adrian Day is also President of Global Strategic Management (GSM), a registered investment advisor, and a separate company from this service. In his capacity as GSM president, Adrian Day may be buying or selling for clients securities recommended herein concurrently, before or after recommendations herein, and may be acting for clients in a manner contrary to recommendations herein. This is not a solicitation for GSM. Views herein are the editor's opinion and not fact. All information is believed to be correct, but its accuracy cannot be guaranteed. The owner and editor are not responsible for errors and omissions. © 2007. *Adrian Day's Global Analyst*. Information and advice herein is intended purely for the subscriber's own account. Under no circumstances may any part of a *Global Analyst* fax or e-mail be copied or distributed without prior written permission of the editor. Given the nature of this service, we will pursue any violations aggressively.