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DANGER + OPPORTUNITY = CRISIS

Excerpt

The following article appeared in the July 2003 issue of the International Speculator. For a copy of the complete newsletter, or for subscription information, please call: 800-528-0559; 602-943-2363.

Altius Minerals (ALS.V:C$2.11)

Altius completed the acquisition of a 7.5% interest in the 3% net smelter return royalty on the Voisey's Bay nickel-copper-cobalt project in Labrador, Canada. As a result, the company now has 23.5 million shares outstanding and roughly C$2.6 million in the treasury.

But if Altius is correct in predicting that Voisey's Bay could be in production by 2006, then the C$1.5 million in free cash flow that the royalty interest they just acquired will net them essentially means that Altius won't have to raise any more capital in order to continue its exploration activities in Newfoundland and Labrador. As mentioned in the June issue (Volume XXIV No 6), with this acquisition, and cash flow that will come from it, Altius is now, without any doubt in my mind the lowest risk exploration company you can find.

That doesn't mean we have surrendered the upside. I described two of their projects in June that alone are more than enough reason to own the stock. In addition to those two projects however, Altius will see drilling by Sudbury Contact Mines (a subsidiary of Agnico Eagle) and Inmet Mining on two additional joint ventures this year. These are also high-impact projects, each of which could add a zero behind Altius' share price if successful. But it is their Rambler Project that I want to discuss this month .

I have long believed that Rambler is an ace in the hole for Altius. The Rambler Project is comprised of an old mine and the consolidated land position around it. The previous operators mined a copper-gold rich massive sulphide deposit right up to their property boundary. There is no reason to believe that the mineralization stopped at the boundary but, for one reason or another, the various land owners could never reach agreement on how to develop the rest of the deposit, and the mine was shut down. Altius is the first group that has managed to consolidate this land position and it now owns the old workings plus all adjacent land, containing the projection of the mined-out orebody. Altius also has a right of first refusal on the nearby processing facilities.

There are a number of mineralized zones at Rambler, not an uncommon scenario for VMS (volcanogenic massive sulphide) style deposits and Altius, upon acquiring the property, immediately set out to try and understand the inter-relationship between these various zones. Most of the historical production came from the Ming zone that totaled 2.12 million tons of 3.5% copper, 2.4 grams per ton gold and 20.6 grams per ton silver: a nice little deposit. This is the main orebody that was mined up to the historic property boundary, and that remains open at depth as a result.

West of the Ming zone, only 150 meters from the Ming Mine decline portal, the previous owners discovered a new zone of mineralization. This new zone, called the Ming West zone, was trenched at surface and never further explored. In an underground drift, looking for lateral extensions of the Ming deposit, yet another new zone of mineralization was discovered, called the 1807 zone. The 1807 zone also occurs right at the property boundary and was therefore not developed; but looking at the data, there is a possibility that the 1807 zone may in fact be the down-dip extension of the Ming West zone, and if that is the case then this could be a nice little deposit in itself.

One obvious exploration target is to drill test the mineralization on the unmined sections across the property boundary as well as to try an infill the area between Ming West and the 1807 zones. Many exploration, or small mining companies would be ecstatic to do just that, but Altius has bigger plans.

Below the Ming zone if the Footwall zone, comprised of lower grade, sub-economic copper mineralization within highly altered host-rock. This type of mineralization is is often referred to as the “stringer” zone and is usually associated with the feeder structure to the high-grade mineralization. When this type of deposit forms the stringer zone is below the high-grade zone and the various forms of host rock alteration, as a result of hot fluids moving through the rock, is associated with a temperature gradient between the stringer zone and the high-grade zone. Yet at Rambler there is unaltered host rock between the Ming zone and Footwall zone, indicating that if they were deposited at the same time, a valid assumption, the two zones were separated.

The elongated shape of the mineralized zones indicate that they have been stretched and deformed. The sulphide minerals in the Ming zone also appear to be re-crystallized, suggesting that the mineralization found to date was heated, squeezed, remobilized, and redeposited.

The clay alteration in the Footwall zone indicates that the temperature increases with depth, towards the old property boundary. Also, the copper grade almost triples as one moves from the beginning of the Footwall zone, the highest point, to the old property boundary, the lowest point.

What’s more, the Footwall zone and the Ming zone appear to be converging at depth. What if the main deposit is lying beyond the property boundary, where the high-grade zone and the feeder zone converge, and that the Ming and Ming West zones (including the 1807) were squeezed out of it? That would explain the recrystallized minerals, the shape of the zones, and the fact that there is no contiguous alteration between the Ming zone and stringer Footwall zone.

We know form previous work that the Footwall zone could be a s big as 20 million tons. A rule of thumb in VMS deposits is that the high-grade zones are about as big as the feeder zones. We also know that the previously mined high-grade zones were remobilized and were only about 3 million tons. That leaves plenty of room for a world-class deposit just on the other side of the historical property boundary.

Altius has been in negotiations with several potential partners to explore and develop the Rambler project. Because of the advanced stage of the project, the amount of data available and the size of the prize, the price is not cheap.

No deal has been signed to date but Altius has a property payment to make at Rambler and they can either make a cash payment or spend the money on exploration. For this reason, and not because they have abandoned the joint venture model, Altius is going to drill a hole at Rambler to test some of the ideas just described.

This is a gutsy hole, more than 500 m down-dip from the last known workings. If they swing and miss, they should be able to get a joint venture partner without any difficulty. If they swing and connect, I suspect the ball will be out of the ballpark.

If you want more information about this company, please call Chad Wells at the Altius office. His # is (877) 576-2209 or (709) 576-2209. Altius is not trading for a quarter any more, that’s true; but the stock still has lots of upside potential, several very high-impact projects and substantially less downside risk than most other junior exploration stocks.