

Gold Newsletter

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ALTIUS MINERALS CORPORATION

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As one of the best-run exploration companies around, I've had Altius on my watch list for some time. But I've been waiting for some new development — a dip in the share price, an upcoming drill program or something — to push me over the edge into recommending it.

Lo and behold, the company provided just the excuse I needed with the acquisition of a royalty interest in one of the richest metal deposits in the world. Simply put, this acquisition will remove the greatest risk facing any exploration company: *that it will run out of money.*

Thanks to this brilliant move, Altius should not have to face such an unpleasant event. In fact, thanks to this long-term flow of royalty revenue, a company that was already one of the most active juniors in the business has been transformed into a perpetual exploration machine.

From its inception, Altius has followed the proven exploration strategy of acquiring properties cheaply, and then using other people's money to fund the exploration work. Several of the world's top mining companies are now spending money on Altius projects to earn interests, giving shareholders numerous shots at a major exploration success.

Altius has wisely chosen to keep its focus close to home — which happens to be Newfoundland and Labrador, a region richly endowed with a variety of metals. The company has no less than 40 active exploration projects at the moment, with an impressive 15 projects currently under joint venture agreements.

Let me repeat that: Other companies are currently spending money on no fewer than 15 projects for the benefit

of Altius shareholders. And, long before the company could use up its treasury generating new projects, cash will start to flow from its recently acquired royalty interest. This cash flow will ensure that there will be a virtually endless supply of projects, any one of which could generate a massive payoff for shareholders.

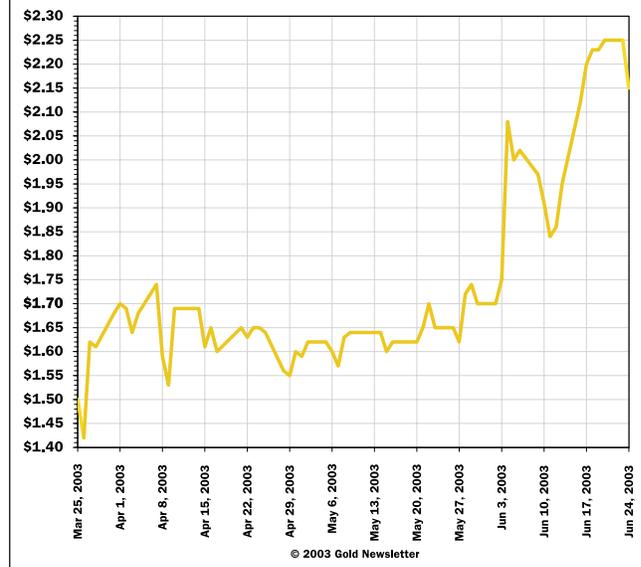
OK, here are the details: Altius recently

announced an agreement to acquire a portion of a 3% net smelter return (NSR) royalty on the huge Voisey's Bay nickel-copper-cobalt project in Labrador. The deal will see Altius buy an initial 7.5% interest in the royalty, with an option to increase the interest to 10%. Inco paid \$4 billion in 1996 to buy the 75% of that massive, high-grade deposit that it did not already own.

The discoverers of the Voisey's Bay deposit retained a 3% royalty when the project was sold to the junior company that ultimately sold it to Inco. While those individuals have become extremely wealthy on paper, that wealth hasn't yet generated any cash flow. The deal with Altius will quickly put some cash into the hands of the prospectors.

In return for the initial 7.5% interest in the 3% royalty, Altius will pay C\$9.75 million and 750,000 common share purchase warrants, exercisable at escalating prices ranging from C\$2.00 to C\$4.00 over the next three-and-a-half years. If all goes according to plan, proceeds from the exercise of the warrants will provide the funding for Altius to increase its interest in the royalty. The

Altius Minerals



deal is subject to several conditions, including Altius being successful in raising the necessary funding, a process which appears to be going well.

A recent feasibility study suggests that Voisey's Bay has the potential to be one of the largest and lowest-cost nickel producers in the world. After years of discussions between Inco and the provincial government, the project appears finally to be headed toward a start of construction. Inco currently anticipates commencement of production in late 2005 or early 2006.

According to Altius, its portion of the royalty would project to "well in excess of C\$1 million per year." My calculations suggest that figure is very conservative.

As I noted above, the purchase of the royalty interest is intended to supplement the primary business of the company, which is generating exploration projects.

The most exciting of its current efforts is the Botwood Basin project. The junior kicked off a massive staking

(Continued...)

rash early last year that saw a big portion of central Newfoundland staked solidly. The rush started after Barrick signed a joint venture agreement in which the major agreed to provide all the funding through to production on what was an early-stage exploration project. Altius, which had not even staked much of the ground when they cut the deal with Barrick, has a 20% interest carried to production.

The prize that attracted Barrick to this deal is almost beyond comprehension: Altius postulates that the Botwood Basin region could hold a *gold district* on the scale of the Carlin Trend of Nevada, one of the world's largest repositories of gold.

After months of due diligence, including several site visits, Barrick concluded that the project had serious merit. The second field season funded by Barrick is now well underway and, so far, the work has confirmed the geological model and encountered widespread gold values.

While those early results are encouraging, it is important to understand that this project will require some patience. Remember, Nevada's Carlin Trend was walked over by gold seekers for more than 100 years before it revealed its riches.

Central Newfoundland is completely covered by forests, swamps and lakes, resulting in a greater challenge to exploration than Nevada ever posed. The good news is that modern exploration techniques provide geologists with powerful tools to probe into the rocks hidden beneath the surface.

Outside of Botwood Basin, Altius and a phalanx of joint venture partners are working on an extraordinary portfolio of projects — far too many to fully cover in this issue. So here are quick

glimpses into just a few:

- Cameco, the world's leading uranium producer, is following up on some boulders found by Altius that carry spectacular uranium values.
- Altius has joint ventures with both BHP Billiton and Noranda on base metal prospects located near a big, high-grade deposit now headed for production.
- Altius and Fronteer Development Group (FRG.TSXV) are searching for iron-oxide-copper-gold (IOCG) deposits in central Labrador. That deposit type can be truly massive, and some leading experts have identified that area as being highly prospective for IOCG deposits.
- Some very high-grade nickel-PGM values uncovered by Altius suggest the presence of a previously unrecognized geological belt with potential for nickel-PGM discoveries.

That extraordinary, high-potential exploration portfolio was assembled by Altius on a shoestring budget. The promise of a substantial and steady flow of cash will enable the company to accelerate the highly professional programs that initiated those projects.

In the last bull market for mining stocks, companies with far less going for them than Altius traded at C\$20 or even C\$30 per share. We are still a long way away from those types of heady valuations but, until we get there, success on any of Altius' many projects could send the share price soaring several times over. At the very least, steady progress on its projects should keep the company's value

moving steadily upward, as it has for the past couple of years.

Now, the Voisey's Bay royalty provides a strong underpinning for Altius' share price. In short, the potential for a big payoff has been multiplied while the risk has been slashed.

A low-risk, high-potential investment would seem to be a logical impossibility. Altius, however, may have just made it a reality.

Altius Minerals Corporation

Recent Share Price:C\$2.25
 Stop Loss:C\$1.70
 Shares Outstanding:17.1 million
 Market Cap:C\$38.5 million
 Shares Outstanding
 Fully Diluted:18.3 million
 Market Cap
 Fully Diluted:C\$41.2 million

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