

Altius Minerals Stays Ahead Of The Junior Mining Pack With Its Moves Into Energy

By Charles Wyatt

Brian Dalton, chief executive of Toronto listed Altius Minerals, is one of the lateral thinkers of the mining world with a bit of forward thinking mixed in - a rare combination. His company describes itself modestly enough as a natural resource project generation and royalty business based in the province of Newfoundland & Labrador, but it's much more than that. Just to demonstrate the forward thinking, back in 2003 Brian acquired a 10 per cent interest in the Labrador Nickel Royalty Limited Partnership, which owns a three per cent net smelter return royalty in the Voisey's Bay nickel district. Altius' royalty entitled it to a share of revenues less certain costs incurred after concentrates leave the mine site for final processing. At that time, however, there was no production at Voisey's Bay and it had been delayed for various reasons, so this was a risky move for what was then quite a small company.

2006 was the first full year of mining operations at Voisey's Bay and Altius realized in excess of US\$4 million in revenues. At that time conservative long-term metal price forecasts of US\$3.25 per pound for nickel, US\$0.90 per pound for copper and US\$7.00 per pound for cobalt were in general circulation. On those numbers Altius stood to make over US\$1 million per year over an initial 25-year mine life. These prices are now US\$10.95 per pound, US\$3.70 per pound and US\$45 per pound respectively, which just goes to show how accurate the metal forecasts of bankers' analysts have been. No surprise then that the current revenue for Altius has been running at a rate of US\$1.4 million for the last two quarters so annual revenue of over US\$5 million is in sight. When you think that the royalty only cost C\$13 million and it covers a large area around Voisey's Bay which has plenty of potential for further discoveries, that was one good deal. Not big, but shrewd.

It might have been a one-off departure from Altius' usual diet of exploration joint ventures in its chosen region, but here's where the lateral thinking comes in. The company is involved in the development of an oil refinery. Towards the end of 2005 Altius Minerals joined the consortium forming the Newfoundland and Labrador Refining Corporation which announced in February of this year that it had begun to develop a new oil refinery in Placentia Bay, Newfoundland and Labrador, where there is a deep water port. In addition to Altius the other founders included Harry Dobson, an old friend of Minews, Dermot Desmond, and Stephen Posford, all of whom have had

enormous success in finance and natural resources. Earlier this year some doubts were raised about whether the mooted required capital of US\$4.6 billion would be forthcoming, but if anyone could manage it Brian Dalton and these three would be a safe bet, and now the oil price makes it look even more likely.

A recent feasibility study shows that at 300,000 barrels of oil per day this refinery would be among the largest and most advanced crude oil processing plants in the world. The provincial government has always been a supporter, and gave its approval to the Environmental Impact Statement last October. And the Federal Minister of the Environment has since announced a positive decision on the environmental assessment so the site is now essentially fully permitted for development of the refinery. With the feasibility study completed, labour agreements negotiated, and long-lead steel components ordered this project is on its way to becoming the first permitted greenfield oil refinery built in North America in the last 25 years. The timing is superb.

Having got involved in energy and royalties Brian is having another stab at both with the royalty investment Altius is pursuing in the Lower Churchill hydroelectricity project currently in development by Newfoundland and Labrador Hydro and the regional government. The Lower Churchill project consists of two of the best undeveloped hydroelectric sites in North America - Gull Island which is located 225 kilometres downstream from the existing Churchill Falls Generating Station, and Muskrat Falls, 60 kilometres further downstream. Combined, the projects will produce an estimated 2,800 megawatts of clean energy, and clean energy is top of the pops at the moment. The deal proposed by Altius is not agreed as yet, but the response has been positive, and Altius gains great strength from its relationship with the provincial government.

So now back to the forward thinking. If anyone interested in mining was asked what two products were in favour at the moment, the answer would probably be iron ore and potash, rather than base and precious metals. Iron ore because China cannot get enough of it, and potash to feed the fertiliser industry. Well, Altius is involved in both. It started exploring for iron ore back in 2004 on the Kamistaitusset property in a well-established iron ore mining district. Five iron ore prospects on this property were discovered by Labrador Mining and Exploration Company in the late 1940s and 1950s. Altius carried out exploration work last year which confirmed these discoveries and identified a few more as well. It's following up with some drilling this year. In the meantime Brian is looking for a joint venture partner to share the risk, as is his wont.

The potash venture is more recent, but Altius anticipated the rise in demand and built a portfolio of projects in the St. George's Basin in southwestern Newfoundland which is geologically analogous to the Moncton sub-basin in nearby New Brunswick that hosts significant potash production. Altius is now capitalising on this via a joint venture with Sprott Resources Corporation which is going to earn a 60 per cent interest in the St. George's project by spending C\$4 million over 3 years, subject to an underlying two per cent gross sales royalty retained by Altius.

In its portfolio Altius also has stakes in two listed companies which it co-founded. Aurora Energy was a huge success when uranium was the name of the game, and Altius sold all its shares to raise around C\$205 million. Finance director Ben Lewis explains that it still holds the votes over 2.5 million shares as these were sold via an equity forward agreement and do not have to be delivered until 2011. The price achieved was C\$17.72, compared with the present price of C\$3.83. Altius also holds a 20 per cent stake in Rambler Metals where the chairman is our friend Harry Dobson. That stake is worth C\$12 million. Last, but not least, the company has a strong treasury position of around C\$168 million and none of it is vulnerable to the sub-prime mortgage scam. Altius' exploration portfolio involving traditional metal deposits is largely funded by joint venture partners, but it is energy that could be the biggest winner. Or perhaps Brian Dalton will pull another surprise out of the bag.