

# Paul van Eeden

[www.paulvaneeden.com](http://www.paulvaneeden.com)

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## **Altius Minerals Corporation (ALS.V, C\$5.00)**

While it was good to get updates on projects and catch up with people I have not seen in a while, it was Altius Minerals that stole the limelight. In the February 10, 2006 newsletter I mentioned that Altius has spent approximately \$600,000 on their Central Mineral Belt project and that I estimate the current value of that project to be worth around \$80 million. This week Altius converted some of that gain into cash.

During 2002, when uranium was around ten or eleven dollars a pound, Altius started acquiring land in the Central Belt of Labrador prospective for uranium and other minerals. The next year Altius invited Fronteer Development into a partnership to further develop the project. The companies formed a strategic alliance and funded two seasons of exploration on a fifty-fifty basis. In June of last year they restructured the partnership. Altius exchanged a 2% equity interest for a 2% gross sales royalty on future uranium production and a 2% net smelter royalty on any base and precious metals production. The joint venture assets were also transferred to a new company called Aurora Energy Inc., in which Altius now held a 48% equity interest in addition to the abovementioned royalties.

Aurora Energy then raised \$5 million in a private equity transaction for exploration during 2005 with the result that Altius' equity in the company was reduced to 43%. In February this year Aurora Energy announced that it had filed a prospectus to go public and last week Altius announced that it had agreed to sell up to 10,713,164 of its shares in Aurora in an arrangement with Aurora's underwriters and in conjunction with Aurora's Initial Public Offering. The price for both Aurora's IPO and the secondary offering of Altius' shares of Aurora has been set at CAD\$3.60. Should all the shares that Altius has offered be sold, then Altius will receive gross proceeds of CAD\$38,567,390 and it will still own 12,096,436 shares of Aurora (approximately 19.9%) as well as the royalties we mentioned earlier. Even if we put no value on the royalty then just the cash it will receive and the remaining equity in Aurora is worth over CAD\$82 million. The total amount that Altius invested in Aurora (and its predecessor joint venture) is about CAD\$650,000.

Why do I like Altius so much? Anyone that can turn \$674,000 into \$82 million in less than four years deserves attention. And this was not a fluke; as I mentioned in a previous newsletter, Altius, by virtue of following the joint venture model has spent roughly \$2 million in exploration while its joint venture partners have spent in the order of \$20 million. They spent CAD\$485,000 on a copper-gold project called Rambler, as an example, that is now owned by a public company trading in London called Rambler PLC. Altius still owns 30% of the equity of Rambler PLC that is worth approximately CAD\$10 million. Turning \$485,000 into \$10 million may not be as good as turning \$674,000 into \$82 million, but it demonstrates that Altius can create shareholder value on a consistent basis.

Keep that in mind when you consider that Altius is on a short-list of financial partners for the Province of Newfoundland's Lower Churchill hydroelectric project. Altius has proposed to create a royalty to help the Province finance the project. Altius is also a founding member and 37.5% shareholder of Newfoundland and Labrador Refining Corporation, which has commenced a three-

stage feasibility for establishing a new refinery complex in Newfoundland. These are both large-scale projects that may not work out. But, then again, maybe they will.

On a fully diluted basis Altius has approximately 30 million shares outstanding and the stock is trading for CAD\$5.00, giving the company a market capitalization of CAD\$150 million. Aurora is worth at least CAD\$80 million, Rambler is worth CAD\$10 million and the interest that Altius bought in the Voisey's Bay nickel royalty is worth about CAD\$40 million at current metal prices using a 5% discount rate. That still leaves an exploration portfolio with well in excess of twenty projects and CAD\$4 million in net working capital that, if it were all that Altius had, would be worth more than the balance to bring us up to the current market capitalization of the company.

The bottom line is that Altius is easily worth what it is trading for (at current metal prices). This is one of those companies that you buy and never worry about when you're going to sell it. I bought some more recently when the stock dipped down to C\$4.75.

Paul van Eeden

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