

Resource Opportunities

Discovering value in natural resource stocks

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Altius Minerals Corporation
Excerpt Courtesy of
Resource Opportunities

Altius Minerals Corp. (ALS-CDNX)

Altius is putting together some truly impressive exploration projects that have the potential to generate huge payoffs for investors. This company has more projects on the go than almost any other company, and almost all of the funding is being supplied by other companies that want to get a piece of Altius' projects.

Altius is exploring for a range of metals, and each of its projects has company-making potential. However, the company's big gold project is likely to attract the most interest in the near term.

My recent tour of Newfoundland exploration projects exposed me to as many potential deposit types as I saw in the last several trips combined. The interesting point is that all of these projects belong to just one company — Altius.

Every bit as important as the potential of the rocks is the absolute commitment of the Altius team to a clearly defined business plan. Guided by some of the most knowledgeable experts in the exploration business, this company is implementing a plan that gives investors one of the best shots at a very substantial payoff that I have ever seen.

The company is completely focused on the province of Newfoundland. The geological diversity and potential for major discoveries in that province is truly staggering. Everybody is aware of the Voisey's Bay deposit, for which Inco paid C\$4.3 billion in 1996. Not as well known is the huge potential for a variety of other deposit types throughout the province. For example, earlier this century, while Newfoundland was a small independent nation (it only joined Canada in 1949) it ranked as the world's sixth largest copper producer. It also produces impressive quantities of zinc, gold and several other metals.

The geological diversity of the province stems from the fact that Newfoundland is one of the few places in the world that records an entire tectonic sequence. A continental rift opened, creating an oceanic environment, which was subsequently pushed shut. That two billion year process generated a range of geological environments conducive to virtually every deposit type.

The three geologists that drive Altius have spent the majority of their careers working in Newfoundland. This bright and committed team has played a significant role in unraveling the complex geological story of the province, and in particular, they played an important role in recognizing three significant new geological settings. Those breakthroughs create huge potential for Altius shareholders.

The company's business plan consists of generating geological ideas, acquiring promising properties and working them up to a level where they can attract joint venture funding from other companies. In this way, the company gains exposure to a large number of potential discoveries without issuing a lot of stock to pay for the expensive stages of an exploration program. In fact, the company generates enough cash flow from option payments and management fees to cover its operating costs, including funds for generating new projects.

Several companies follow this approach, but few, if any, other companies implement it as effectively as the Altius team. The key to success with this approach is having the ability to generate projects that the major companies want to invest in. Altius has become very effective at this approach. First, they actually sit down with the exploration managers of the major mining companies and find out what those companies are looking for. They then use those criteria as a guide in their exploration program. They use their leading edge geological knowledge to locate settings with the potential to host the kind deposit that they are looking for.

The Altius geologists also rely on the eyes of a large number of trained prospectors to help locate the rocks that they are looking for. As one of the few exploration companies based in the province, and with a reputation for effective follow-up and fair dealing, this company gets first pick of the numerous prospects that are continually being turned up by the prospectors.

The company's projects range from small near-term production situations to three district-scale projects that are attracting interest from the largest of the majors.

To understand how one small company could generate such impressive projects, we need to understand a bit of Newfoundland's exploration history. Much of the prospective ground was held by major corporations, often with close ties to the government, in large grants, many of which extended back for decades. It wasn't until the 1980's that the government changed the land tenure rules and some of ground began to open up. Furthermore, the geology of the province is extremely complex and had never been examined in enough detail to generate a thorough understanding. The Altius team were part of the first wave of geologists to take a really close, and fresh, look at the rocks.

The Botwood Basin gold project provides a vivid demonstration of the Altius team at work. Thanks to the pioneering work of the company's geologists, a belt of rocks in central Newfoundland is now recognized to carry epithermal gold in a belt of marine epiclastic rocks that was thrust over calcareous sediments during the Proterozoic era. For those without geological training, let me point out that is exactly the same setting that hosts the hugely prolific Carlin Trend in Nevada, the world's second largest depository of gold.

It is only in the past few months that the major mining companies have overcome their skepticism of such a find in Newfoundland. After sending geologists to examine the property, several of the major mining companies are now talking seriously with Altius.

The company has made a similar break-through in locating a new platinum group metal plus nickel prospective area. Surface samples have generated up to 5% nickel, together with several grams of PGMs.

They have also located an area with potential for iron oxide-copper-gold deposits, a deposit type that has very large size potential and is currently in vogue among the majors.

The latter two projects are at an early stage and the company is still in the process of acquiring a property position and developing the geological story. Having seen the rocks and the results of the work to date, it is clear that the company is on to something very substantial in both of those projects. The company also has a score of other projects, each one of which could be a company-maker.

The only negative with this company is that the stock is so tightly held that it is difficult to accumulate a meaningful position. The company has a strong and very loyal following that are patiently accumulating all the stock they get their hands on at the current low price.

Interest in the company will grow as the potential of its latest projects becomes more widely recognized. Its worth getting a position now, before the price starts to move higher. The company is worth a lot more even at this stage of development. Further news from any of its numerous projects could have a huge impact on this tightly held company.

Price July 20: C\$0.55

Shares outstanding: 11.9 million

Market Cap: C\$6.5 million

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