

## Altius buys into Voisey's royalties 6/4/03

By MOIRA BAIRD, The Telegram

Altius Minerals Corp. is buying a piece of the royalties from the discoverers of the Voisey's Bay nickel deposit for \$9.75 million.

Archean Resources Ltd. holds a three per cent net smelter royalty, and starts collecting when Voisey's Bay begins production in late 2005 or early 2006.

The deal announced Tuesday gives Archean an immediate source of cash and Altius a stable, long-term source of capital for future exploration.

Both Newfoundland-based mineral exploration companies say the deal is a good one.

"Once cashflow kicks in, it makes us a fully financed mineral exploration company which is a rare beast indeed," said Brian Dalton, president of Altius.

Until the royalties start to flow, Dalton says Altius is in good financial shape.

"We've got a pretty strong treasury here. We've got about \$2.5 million in working capital and we have a lot of joint-venture partner funding, so we're more than adequately positioned to take care of that intervening period."

Dalton says the deal with Archean has been in the works for most of the winter.

"Effectively, what we're doing is rolling the NSR (net smelter royalty) into a partnership," Chris Verbiski, co-owner of the privately held Archean.

"It's good news for both sides. Obviously, we get money up front ... and we can continue on doing what we started out doing."

That work is mineral exploration in the province.

Verbiski and partner Al Chislett discovered the Voisey's Bay deposit in 1994.

Under the deal announced Tuesday, Altius and Archean will create a new joint venture company to collect the Voisey's Bay three per cent smelter royalties.

Archean will keep the lion's share of the royalty, while Altius will get 7.5 per cent with an option to increase to 10 per cent over the next three-and-a-half years.

The publicly traded Altius expects to finance the deal with a \$10-million private placement of its own shares.

Closing the deal also depends on the outcome of negotiations with Voisey's Bay Nickel Co. (VBNC), a wholly owned subsidiary of Inco. The company has the first right of refusal when it comes to buying Archean's smelter royalty.

"We just need their waiver on the first right of refusal," said Verbiski.

Dalton says discussions have already taken place with VBNC.

“We will be granting Voisey’s Bay Nickel Co. or Inco a right of first offer on the units in the partnership we’re acquiring,” he said. “There’s a lot of work to be done there, still negotiations to be done, the terms have to be structured properly, and it has to work for everybody.”

Dalton hopes the deal can be closed by the end of this month.

Altius expects its share of the smelter royalty to generate more than \$1 million annually over the estimated 25-year life of the Voisey’s Bay mine.

That estimate may be a conservative one, according to one mining analyst.

“Their comment about in excess of \$1 million of annual royalties is based on a \$3.20 nickel price. Today, the nickel price is actually \$4.20,” said Lawrence Roulston, an independent mining analyst based in British Columbia.

Roulston, who also edits and publishes a newsletter on natural resource stocks, has been following Altius for the past three years.

He says the Voisey’s Bay mine could last a lot longer than 25 years, pending the results of further exploration in the area. By way of example, Roulston pointed to Inco’s Sudbury, Ont., mining operations.

“One hundred years later, they’re still coming up with new deposits in the district,” he said. “Plus, they could expand beyond the original deposit and mining operations as they did at Sudbury where there are multiple mining operations.”

Roulston likened the Altius-Archean agreement to royalty deals negotiated by Franco-Nevada Mining Corp., a gold royalty company that once owned a stake in VBNC.

“Franco-Nevada was built on the basis of doing exactly what Altius is doing — and that is accumulating a number of royalty interests,” he said.

“They took a long-term perspective on the industry and they accumulated royalty interests, and over time the royalty interests started to produce cash flow and over time it built Franco-Nevada into a very, very successful company.”

But Roulston doesn’t expect Altius to continue buying royalties from other companies.

He figures the company will remain a mineral exploration company looking for new properties in Newfoundland, and signing partnerships with major mining companies to fund that exploration.

So does Dalton.

“We’re explorers — that’s what we do,” he said.

mbaird@thetelegram.com