

# Taking it to the bank

## Bigger Voisey's Bay royalty gives Altius benefit of a mine's revenues without the headache of running a mine

BY CRAIG WESTCOTT

Newfoundland's busiest mineral exploration company is buying a bigger share of revenues from the Voisey's Bay nickel, copper, cobalt mine.

Altius Minerals president Brian Dalton says the high Canadian dollar and the prospect of early production at Voisey's Bay were two of the factors that influenced his company's decision to exercise an option it had to increase its holding in the Labrador Nickel Royalty Limited Partnership to 10 per cent.

The Partnership, owned by Voisey's Bay co-discoverers Al Chislett and Chris Verbiski, will get a three per cent royalty on revenues coming out of Voisey's Bay.

Back in June 2003, Altius paid Chislett and Verbiski \$10 million for a 7.5 per cent interest in that future revenue stream.

At the time, Altius said the deal would mean "well in excess of \$1 million (U.S.) a year" in cash flow, which would be used to fund the company's exploration activities. That figure was predicated on long term prices of \$3.23 a pound for nickel, 90 cents a pound for copper and \$7 a pound for cobalt (all prices in U.S. dollars). Prices for

all those commodities are roughly double that now, meaning the amount Altius will receive is likely to be much higher.

"But only time will tell what the future long term reality will be," Dalton cautioned. "We did not alter our metal price estimate in deciding on the option exercise, but we're optimistic that we are low."

At the company's annual general meeting in St. John's at the end of October, Dalton told shareholders the royalty will change the nature of Altius, which until now has been Newfoundland's most active junior exploration company and a darling of investment analysts.

"We see Altius right now as a mineral exploration and a royalties business," Dalton said. "It's fairly unique. I don't know if there's another company we can compare ourselves to.... We think our exploration strategy complements our royalty strategy."

And that's probably because revenues from the Voisey's Bay royalty will allow Altius to continue funding its spectrum of exploration plays without having to continually go to the equity markets to raise cash, as other juniors must. That's important to Altius, which has the most

projects underway in the province — many of them joint ventures with bigger companies. The company is exploring for everything from nickel and copper, to uranium and gold.

"We think hard about the commodities we go out and look for," said Dalton.

He added that revenues from Voisey's Bay are expected to last at least 25 years, and could last much longer —Inco has been mining nickel in Sudbury for over a century.

"It allows us to think in terms of a longer time frame than most other companies," Dalton acknowledged.

Altius was able to boost its stake in the Labrador Nickel Royalty Limited Partnership thanks to a clause it negotiated at the time of the original purchase. But the price was an escalating one. The longer the company waited, the higher it would go.

Dalton said with a host of factors looking favourable, and the next scheduled increase in option price on the horizon, Altius decided to act now.

"There's been nothing but good news (about Voisey's Bay) in the year since we made the acquisition," Dalton noted.

Even the grade of the first ore to be mined at Voisey's Bay will be higher and

therefore more valuable than previously anticipated, according to Inco.

Altius Minerals' additional 2.5 per cent stake in the royalty will cost some \$2.5 million. Dalton said the company will pay for it using cash from the sale of outstanding share purchase warrants.

He allowed the recent rise in the Canadian dollar versus the American greenback was a key factor in his company's decision to boost its stake in the royalty partnership now.

"The fact that the option exercise was set in U.S. dollars has dropped the effective exercise price and increased our comfort with the decision further," he said.

Dalton pointed out the royalty not only covers all of the known reserves at Voisey's Bay, but all future discoveries made on the property. And the royalty is based only on revenues from the ore mined there. The costs of mining are not part of the equation.

"The point we got in at was comparable to being in Sudbury 100 years ago," Dalton said. "This is about as great a mineral exploration property as you're going to find."

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