

Exploration Insights

Turning Rocks into Money



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NLRC seeks creditor protection

Altius Minerals (ALS.TSX: ~ C\$6.40) - -BUY up to C\$7.00

NLRC Seeks Creditor Protection

- 31 million shares outstanding

Altius was informed yesterday that Newfoundland and Labrador Refining Corp. (NLRC) is seeking creditor protection under the Bankruptcy and Insolvency Act. This action was necessitated when SNC Lavalin served NLRC notice seeking to have NLRC judged bankrupt. SNC is a contractor providing environmental and engineering services. This is a lawsuit that could and probably will take a long time to work through the courts and ultimately result in the sale of some or all of NLRC's assets. There is no way of knowing how this will play out. Because this is a legal proceeding Altius is unable to provide any more detail than was included in the news release.

Altius Minerals is not at risk or liable in the suit. The lawsuit is only directed at NLRC. NLRC will have roughly six months to get its financial house in order under the supervision of an auditor.

Altius has invested C\$22 million in equity and C\$30 million in a convertible debenture secured by NLRC assets. At worst, Altius stands to lose all of the C\$52 investment in NLRC. The question now becomes what is the rest of ALS worth without NLRC?

Altius has:

- Approximately C\$170 million in cash as of Jan 31, 2008. The liabilities in the annual report relate to forward sales of Aurora Energy and are tax related and have no net effect on the cash position.
- A 0.3% net interest in the Voisey's Bay Royalty held by Labrador Nickel Royalty Limited. In 2007 ALS realized about C\$4.5 million in revenue less 20% royalty tax- that comes to C\$3.60 million. Assuming \$4 million over 20 years at a 5% discount comes to ~C\$50 million.
- A 2% gross uranium sales royalty and 2% net smelter royalty on base and precious metals through Aurora Energy's Central Mineral Belt properties. Construction of the uranium deposit has been delayed so I will give it not value here.

- Approximately 24% of Rambler Minerals which at C\$1.00 per share is worth ~C\$10 million.
- An Exploration business that includes a number of joint ventures and evolving hydroelectric, iron ore, oil shale, potash and base and precious metal projects. On a comparable basis and given the management's past success I would value this at C\$60 million.

Putting it all together gives us ~C\$290 million in value. With 31 million shares outstanding, that equates to C\$9.67 per share in value without NLRC. The most subjective value in this price is the \$60 million for the company's business. Even if we halve the value for the exploration business to \$30 million ALS appears to be worth ~\$8.60 per share.

I have no idea how this lawsuit will play out. I do however trust Altius management to continue intelligently building their business.

Brent Cook

Brent owns shares of Altius.

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