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## **Explore. Discover. Repeat**

Considering the amount of success project generators have had on the Canadian junior markets, it is bizarre the model has not taken off in the UK.

While much smaller than Venture, the AIM market has, in the past, provided vast sums of capital for exploration and continues to play a vital role in getting African projects, in particular, off the ground.

These companies and projects may have been able to attract even more cash had they adopted a model favoured by one of mining's most influential people.

The key attraction of project generators is their ability to mitigate the risk inherent with exploration.

Junior explorers are, often, one bad drill assay away from share price capitulation. If their flagship project doesn't live up to expectations, they are unlikely to, over the long term, survive.

Project generators have a different approach.

Using geological nous and deal making expertise, they stake prospective land, carry out early-stage exploration and, then, seal option agreements for cash, shares and commitments from bigger companies able to shoulder the burden of larger exploration programmes in return for majority stakes in the projects.

They repeat this process over and over again, holding stakes in several projects at any one time. The minority stakes are often converted into royalties when assets approach the development stage.

There is no 'flagship' project for these companies. Those effective project generators are willing to drop an asset as soon as it is deemed unattractive for potential partner-funding, but continue to gain exposure, through minority stakes, in assets that continue to move forward.

In essence, the risk inherent with exploration is spread across a number of projects over time, as opposed to one asset the chief geologist thinks might be a 'game changer'.

Steve Poulton, CEO of project generator Altus Strategies, diluted it down to: "Explore. Discover. Repeat."

Poulton and Altus is planning to educate the London-listed market on the project generator concept in the coming months, carrying out an IPO on AIM.

"I am surprised it doesn't already really exist in London," Poulton told *Mining Journal*.

Stratex International has dabbled with the model in the past and was successful in attracting investment at both the corporate and project level. The latter included joint ventures with Antofagasta, Centerra Gold and Teck Resources.

Its focus has changed somewhat, and Stratex now has a brief of becoming a significant exploration, development and production company.

In Canada, Reservoir Minerals was one of the more recent successes. The company was acquired by Nevsun Resources for US\$365 million in 2016 after some hugely impressive work at the Timok copper-gold project in Serbia.

Altus, having been established as a private entity since 2007, thinks it is the company to bring the model back to London, and appears to have timed its move well.

After a few years of cost cutting and debt reduction, the majors and mid tiers are looking to their exploration pipelines, realising they need to address their bare cupboards. Concurrently, investors are looking beyond the majors' dividends for riskier ventures that can provide significant yields.

This puts a company like Altus in a strong position, with the project generator model separating it from the majority of single-asset explorers in London looking for cash.

“It is like having several companies under one roof with the benefit of just one management overhead and partners financing the projects ... it's a disruptive and highly-effective model,” Poulton said.

The company's portfolio includes a gold discovery in northern Cameroon, a manto-style copper-silver-gold joint venture in northern Ethiopia, an iron ore project in southern Cameroon, a bauxite joint venture in central Cameroon, and a copper and silver project in central Morocco. Most recently, Altus set up camp in Ivory Coast.

Its portfolio has seen third party spend of £2.6 million (US\$3.4 million) since the start of 2014. Over that time frame, Altus has issued just £314,450 worth of shares.

Altus has managed to entice JOGMEC into its Tigray project in northern Ethiopia, with the Japanese company holding a US\$9.5 million option agreement for 70% of the asset. Canyon Resources, meanwhile, has an agreement in place to earn up to 75% of the Birsok bauxite project in central Cameroon for A\$6 million (US\$4.4 million).

With Altus having spent US\$1.1 million developing these two projects, and its joint venture partners spending US\$2.6 million, intercepts such as 15.53m grading 1.14% Cu (Tigray) and 6m at 48.8% Al (Birsok) have followed.

This value creation is down to the 16 geologists and mining engineers Altus has across its Africa and UK team identifying early-stage opportunities with longer-term prospects.

Altus has deliberately focused on Africa, realising the average depth of discovery – outside of South Africa – is just 12m from surface, compared with 82m in Australia and 98m in Canada.

This strategy allows the company to carry out quick and cheap early-stage exploration, searching for outcrops at surface, instead of carrying out costly work for deposits under cover.

The team, which has operated in more than 50 countries, transacted on all major mining stock markets and co-founded or established a number of African resource companies including African Aura, Afferro, Avesoro and Afcan, is then able to find JV partners with the balance sheets to take them further.

Altus' work has gained the attention of Sprott, one of mining's most established fund managers, which owns 15.5% of the company. Sprott's Rick Rule is credited with introducing the project generator model to the sector, so knows a good one when he sees it.

A number of established industry entrepreneurs have also signed up to the £550,000 pre-IPO in London, while the Altus board currently owns 42% of the company.

Poulton is well aware he will have to go to great lengths to explain the model to the traditional institutions in London, but believes Altus could one day become a household name on AIM and, possibly, elsewhere.

"Eventually, we want people to say: 'I need some Altus exploration upside in my portfolio'," he said.

If all goes well, the London public market will soon get a chance to buy that.

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