

ALTIUS MINERALS CORP.

Response to Government of Newfoundland and Labrador's Minerals Strategy Discussion Paper

4/27/2011



Altius Minerals Corporation appreciates the opportunity to participate in the Government of Newfoundland and Labrador's Minerals Strategy and to respond to the Discussion Paper. We believe the Minerals Strategy approach is timely and warranted as the Government charts a course that ensures the exploration and mining industry in our province continues to enjoy strong growth and provide substantial benefits to the people of Newfoundland and Labrador.



Altius, a home-grown Newfoundland & Labrador natural resources prospect-generation and royalty business, is the largest mineral license holder in the Province and one of the most active exploration companies, having invested more than \$100 million in exploration and mineral deposit advancement including partner funding over more than a decade of activity. Our 2011 exploration budget, including various partner contributions, is approximately \$30 million. Moreover, our commitment to the Newfoundland and Labrador's mining sector is exemplified in the fully supported Altius-NSERC research chair at Memorial University, one of few such dedicated mineral deposit research chairs in Canada and the only such position funded by a company of our size.

At present we are very concerned about evolving access to land policies and new permitting regulations. The ability to attract new industry partners to Newfoundland and Labrador is key to the Altius' business model, but is also fundamental to the mining industry in the Province as a whole. Jurisdictional risk has always been relatively low in Newfoundland and Labrador due to fair land use regulations, prompt exploration work permitting processes, and overall excellent support from the provincial government to the mining industry. Altius has successfully and rightly promoted Newfoundland and Labrador as a place where government and the communities are very supportive of exploration and mining. We maintain our belief that the people overall are very supportive of our industry, but we feel support from the provincial government at present is waning.

The ultimate issue is that available exploration areas in Newfoundland and Labrador are shrinking rapidly and permitting has become a slow and unnecessarily arduous process. As a result the inherent economic opportunities for mineral development are being permanently extinguished and the Province is becoming less competitive in the global exploration market. These major issues detract significantly from the positives which have made Newfoundland and Labrador an attractive exploration and mining province.

The following summarizes our opinion of what we consider to be areas of critical importance for the continued success of our industry in the province of Newfoundland and Labrador.

Access to Land. Most critical to the discovery of new resources and the development of future mines in the Province is access to the land. As stated in the Discussion Paper, we are 'blessed' with mineral resources. We heartily agree that the Province of Newfoundland and Labrador does indeed host rich mineral resources. However, this is not due to divine intervention or some element of luck, rather the resources of the Province are related to diverse geology and expansive geography, as noted in the Discussion Paper.

Future activity will in large part be related to how much of this land is available for development. Figure 1 (see below) illustrates how the available land mass is rapidly shrinking. Map A depicts the Labrador landmass *ca.* 1990 and shows that only a few areas were off limits to mining. Map B depicts the present-day situation, including the following areas that are currently unavailable: Smallwood reservoir and Churchill River, Military Reserves (3), Provincial Parks (2), National Parks (1), and EMLs (19). At

present we concur with government that approximately 80% of the landmass remains available to staking, however, as illustrated by Map C, there are areas which we believe may be unavailable in the near future [e.g., Lac Joseph proposed protected area, Nunatsiavut Land Use Plans - Traditional Use Lands, 'New Dawn Agreement' Labrador Innu lands CI and CII, Ecological Reserves (3)]. Inclusion of these areas, reduces the land available for staking to only 49% of the landmass of Labrador. Note that Map C does not outline the total of all areas that may be included in the Natural Areas Selection Plan, woodland caribou habitat, or areas that may be subject to Quebec aboriginal or NunatuKavut (Labrador Metis Nation) claims, plus other various land use designations that may arise. Clearly, the present situation is of concern and the future availability of mineral lands does not look promising.

The island of Newfoundland fares no better than Labrador in our assessment as we estimate that only 64 percent of the current land mass is available to exploration, either officially or practically, due to onerous permitting issues (Figure 2). Areas presently 'off limits' or compromised include: provincial parks, national parks, national historic parks, wilderness reserves, public water supplies, provincial land, various EMLs, various caribou ranges, municipal planning areas, municipal boundaries, ecological reserves, Humber Valley regional, planning conservation areas, and areas along all salmon river tributaries.

How do these land restrictions potentially affect the rate of mineral deposit discovery? In the current proposal of the Land Use Planner for the Labrador Inuit Settlement Area (LISA), much of the Voisey's Bay area will be exempt from mineral exploration and development. If this had been the case in 1993, such an encumbrance would have prevented (or at least discouraged) the exploration that led to the discovery of the Voisey's Bay nickel-copper-cobalt deposits. Hence, land use plans should not be established so hastily to simply rule out or ignore the mineral potential of an area where the resources are unknown. The current draft version of the land use plan for LISA will almost certainly extinguish many such opportunities for future discoveries in the region. It would appear that these decisions are being made without full consideration of the issues and to the detriment of the industry and the people of the Province, especially the local communities.

In certain cases, the geology, depending on the level of knowledge for a given area, may be able to help predict the presence or absence of certain mineral deposit types. There is no certainty, however, that such predictions are correct. Moreover, geological concepts and our understanding of most ore deposit models evolve over time, hence there is no certain way to rule out the mineral potential of a given area. The best example of this is perhaps, again, the Voisey's Bay deposit. Initially, many exploration geologists wrote off the Nain Plutonic Suite as a possible host to any significant metallic mineralization. However, since its discovery, Voisey's Bay has become a type example of this style of deposit, one that many companies are exploring for around the globe based on the knowledge gained from this part of Labrador. This knowledge continues to evolve, which means new targets will continuously be generated and new areas of Labrador may in the future be considered prospective for this deposit type. Hence, access to these areas must remain open.

The Discussion Paper on page 39 says "further discoveries cannot be ruled out". This phrase would appear to represent a 'glass half-empty' perception of the discovery potential of the region, since industry would never 'rule out' further discoveries in this region. On the contrary, a fairer hypothesis is that future discoveries should be anticipated as exploration methodologies and technologies advance and ongoing exploration efforts are applied to this region. However, this will not happen without unencumbered access to the lands.

We appreciate that there is some desire on behalf of the various public interest groups and government departments to have many areas 'protected' from development, notably mining activity. But there are several issues with respect to protected area plans: 1) as mentioned above, the plans are often made with no regard for the lost resource development opportunities, and 2) the protection that they are being assigned is often an overreaction, since exploration is, with very few exceptions, conducted with negligible environmental impact; furthermore any potential development would use but a fraction of the land mass and can be engineered and designed to pose no threat.

In the rush to 'protect' the land government should ask the following questions: 1) what is the value of the lost opportunities from these permanent mineral lands removals and 2) what are the real threats from which such lands are being protected and why is exploration and mining automatically categorized as a threat? These risks have never been quantified. One should consider modern sustainable mining and processing activities when answering this question.

All other supporting policies and efforts from government to encourage growth of a sustainable mining sector will be of zero importance if exploration companies are not permitted to access the land. Moreover, a reasonable assessment of the cost to the Province may be as simple as this: if 20% of the land is off limits to exploration and mining (e.g., present situation in Labrador is 18.2% closed to staking according to page 22 of the Discussion Paper), then 20% of future developments may not occur. This equates to the following potential losses per annum: mining revenue of greater than \$200 million, more than 1000 person-years of employment, and 2% of the provincial GDP. Our assessment indicates that in Labrador at present the real proportion of land that is encumbered is more than 20% and may ultimately be as much as 50%. On the island of Newfoundland we estimate 36% off the land is practically inaccessible. By comparison, it would be unthinkable if more than one-third of the offshore were excluded from potential oil exploration and production.

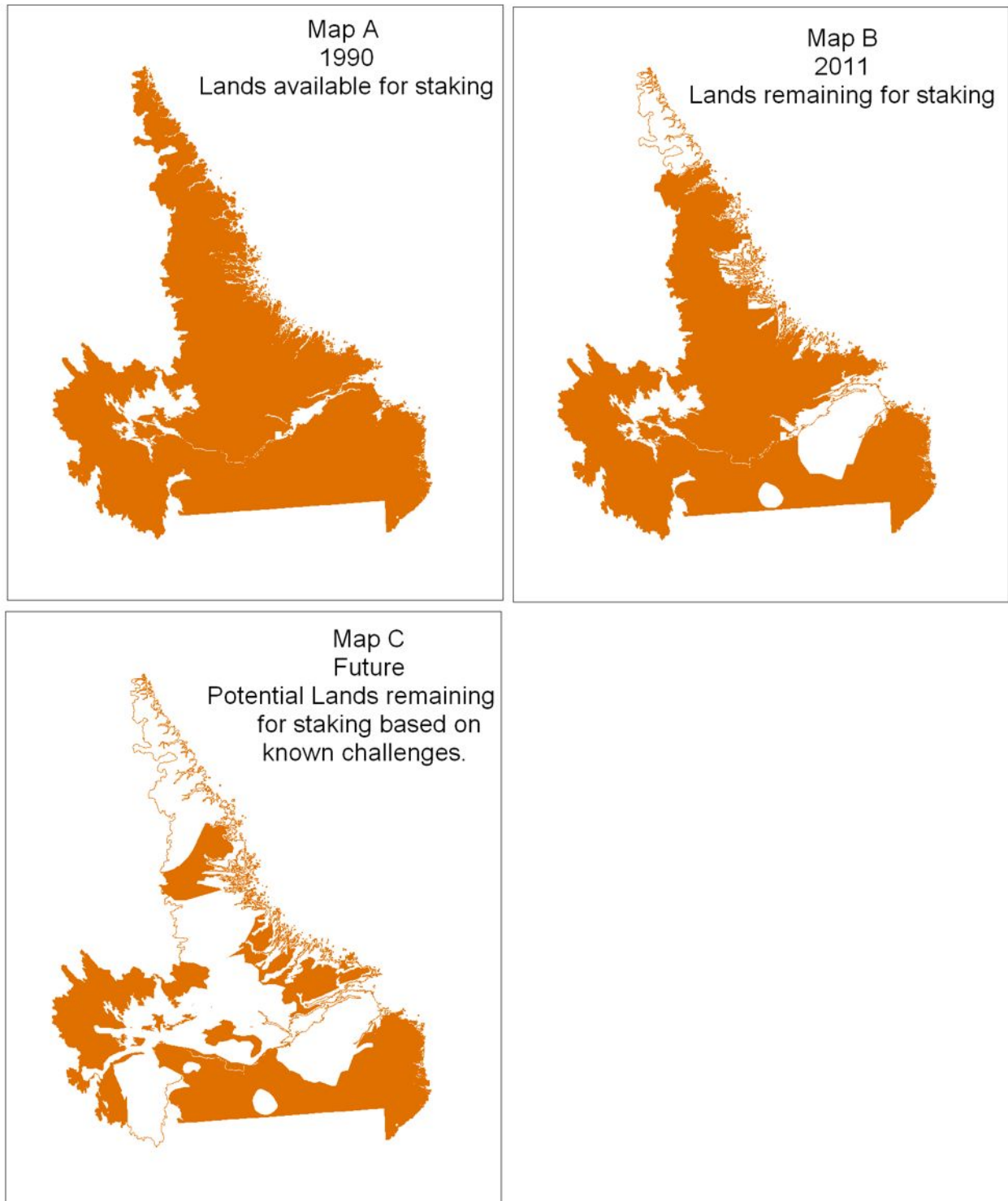


Figure 1 - Past, current and potential projected future land area of Labrador available to exploration and mining (white areas are off limits).



Figure 2 - Current and potential projected future land area of Newfoundland available to exploration and mining (white areas are off limits)

Aboriginal Land Claims

We applaud the Province in its efforts to settle Aboriginal land claims, and note the progress of both the Labrador Inuit (Nunatsiavut) and Labrador Innu Nation land claims. This will provide much needed clarity and certainty for exploration and mining in Labrador and also fairness to the local communities.

However, we have major concerns over the current draft of the Land Use Plan for LISA and its inherent negative impact on mining and mineral exploration in northern Labrador. Although we appreciate that this process is ongoing, there are numerous issues which will cripple exploration activity in northern Labrador. Specifically, large areas proposed as protected caribou habitat located north of Voisey's Bay, as well extensive coastal buffer zones, are simply unwarranted, biased specifically against the mining industry, and will have tremendous negative impacts on exploration and development in this region. Again, the potential for destroying much needed and sustainable economic opportunities is immense and these actions seem to be happening without an understanding of the consequences.

In addition, it remains unclear to industry how the Province intends to consult with Quebec-based aboriginal groups. In the past number of months, government has signaled that it recognizes certain Quebec groups may have a valid land claim on portions of Labrador, though this has not been formally communicated to the exploration and mining companies working in Labrador. The industry needs to know what is required of companies working in Labrador, which regions are being considered as having Quebec-based aboriginal land claims, and what the policies will be going forward.

Uranium mining

Uranium mining ranks as one of the 'greenest' of energy sources, is one of the most highly regulated industries in Canada, and is done successfully and safely across Canada and elsewhere in the developed world. However, we realize the challenges this sector faces in terms of dispelling the negative myths on the mining and processing of uranium ore. Government should make sure its key decision makers are knowledgeable in this industry as well so that important decisions can be made with the best understanding.

The Michelin deposit in the Central Mineral Belt of Labrador ranks as a top 10 global uranium resource and the development potential of this region is truly substantial. The ability of this commodity to provide economic opportunities for rural Labrador is unsurpassed. We would like to see government take a stand on the issue of uranium mining and let the industry know if indeed it does support this industry.

Geoscience, Research and Support

Page 20 of the Discussion Paper asks "what is the appropriate level of geoscience activity", however, a better question is 'how should geosciences funding be allocated and where should activity be carried out?'. For example, the Geological Survey should set long term goals of providing systematic bedrock mapping along with geophysical and geochemical surveying coverage of the entire Province. There should be no geographic gaps and mapping needs to be done at a consistent scale. Providing such large scale base maps and baseline surveys is critical to grassroots exploration, which is the first step to making new discoveries. However, these activities are out of reach for most major and all junior companies, due to lack of human resources and capital, respectively. Hence the Regional Geology and Geochemistry, Geophysics and Terrain Sciences sections of the Survey need to be well funded in order to meet these objectives. In short, the NL Geological Survey should focus on its original mandate: surveying.

In addition, mapping and surveying should be prioritized such that major mining districts are covered first. For example, there is little or no current Survey activity in the Voisey's Bay and Labrador West regions and many other areas have not been recently mapped or mapped at an adequate scale, despite previous excellent work in specific areas by the Survey. Mapping over the last several years in the Central Mineral Belt has been a very useful contribution to the geoscience knowledge base in an area where such support was required. Indeed, the quality of work by the Survey over many decades has been exceptional and the resulting geoscience data will prove to be invaluable to the Newfoundland Labrador's minerals sector for the future.

We note that the Province has been a pioneer in the delivery of online services in this sector, such as the Geoscience Atlas and the Online Mineral Claims Staking System. We encourage government to stay in the forefront of such service provision as it creates user friendly and transparent systems that encourage investment.

We also applaud government in recently increasing the annual budget to the Survey.

Regulation and Legislation

Land access issues are aggravated by the permitting process which can in many instances restrict or impair land access due to the taxing requirements attached to permit. For example, having to retain an environmental engineer to study a simple trenching site because a historic landfill site occurs within 2 kilometres, despite the fact that the trench had already existed for 20+ years and one simply wanted to move foundered overburden (this example from a recent gold exploration project by Altius in the White Bay region). Such a project simply does not get done when these early stage hurdles are created. Clearly, many of these conditions are not necessary and in some cases are simply unreasonable.

There are numerous exploration regions that recently, and without warning, have become encumbered. Some of these challenges have arisen independent of the provincial government's policies, whereas others are under direct control of the government. Not only do we risk our capital in these areas which become encumbered, but we risk our reputation (and the Province's reputation) with partners if the project fails at the exploration stage due to permitting. There are several examples which we can cite.

- In 2010 on Altius' Avalon gold project we were talking to potential partners but quickly had to terminate the project because the City of St. John's outright refused us access to lands within the broad municipal limits.
- The Gaff Topsails copper project, after 4 years and a \$1.2 million investment, is being challenged in 2011 due to new caribou protection provisions just coming online.
- Altius' numerous Labrador Trough iron ore projects (we are the largest mineral claims holder in western Labrador) have recently become challenged due to aboriginal land claims issues, notably with Quebec communities. We fully support initiatives to consult with local communities and to see local communities participate and benefit in the exploration program. However, the lack of communication and direction from the provincial government on its policy with Quebec-based groups has hindered our progress.

These are a few examples of new permitting regulations and policies that were introduced after Altius staked ground and after Altius and its partners incurred exploration expenses. The same has occurred in the Central Mineral Belt of Labrador around the proposed development of uranium resources where Altius has a vested interest in Aurora Energy's mineral deposits, a company we co-founded and on whose projects we maintain royalty agreements.

We appreciate and agree that the review and permitting of any exploration activity is important to ensure that such activities are being performed correctly. However, environmental assessments once reserved for large scale projects are now being demanded for basic exploration practices and will simply be too arduous for most companies to endure.

Other Notes

Taxation.

We agree that the mining tax rates, combined with the corporate income taxes rates currently in effect are in the mid-range of Canadian provinces and fairly charge mine operators for the use of resources.

However, the mineral rights tax on royalty revenues is excessive and burdens the highest risk dollars incurred by prospectors and explorers. No other province has such a tax on royalties. We believe that this royalty tax should be abolished to encourage and reward high-risk, early stage prospecting and exploration, as well as to level the playing field with other provinces.

As a compromise, the legislations should be amended so that exploration dollars invested in the Province should be a permitted reduction in the royalty tax. This is currently the case in some

circumstances, but is disallowed if the Corporate structure does not meet strict criteria. For example, Altius holds a portion of the 3% royalty on the Voisey's Bay nickel-copper-cobalt mine through a limited partnership set up specifically to hold the royalty interest. Because of the partnership structure, Altius is not permitted to reduce the mineral rights tax of 20% for eligible exploration expenditures incurred in the Province. This drives the effective corporate tax rate on royalty income to in excess of 55%, which is unreasonable and punitive. The government is punishing the highly speculative dollars necessary to make new discoveries by disallowing the exploration expenditures as an offset. As noted previously, Altius has directly and indirectly invested over \$100 million in exploration expenditures in this Province throughout its 14 year history.

Promotion. The Province needs to maintain a presence at the key conference that take place at the world stage. Some of the critical venues include PDAC in Toronto, Roundup in Vancouver, and China Mining. Continuity at these events is critical, as is having the right people present, including people from the technical, regulatory and administration sides.

Outreach. With the demographic shifts towards growth of urban centres, it is even more critical to continue to invest in the education of the public with respect to natural resources and development. This is a long term investment and begins with the children. We believe the government is moving in the right direction with this initiative. Future opportunities for the people will undoubtedly be decided upon by a more knowledgeable and informed community.