Mining Journal

http://www.mining-journal.com/commodities/gold/altus-recognises-value-in-legend-gold

11 Oct 2017, 20:40, Daniel Gleeson, Mining Journal

Altus recognises value in Legend Gold

Altus Strategies (LN:ALS) has moved on pretty swiftly from becoming a public entity on AIM and is now looking to take over a Toronto-listed firm with a bunch of promising assets in Mali.

Altus will be looking out for these type of exploration indicators when it gets on the ground in Mali

The London-listed project generator, which only had its initial public offering in August, has agreed to pay around £3.4 million (US$4.5 million) in shares for Legend Gold (CN:LGN).

The deal, at a 130% premium to Legend's closing share price on October 10, will provide Altus with exposure to a sixth African country, having already acquired a number of assets in Cameroon, Ethiopia, Morocco, Liberia and, most recently, Ivory Coast.

Altus CEO Steve Poulton said the company had its eye on Legend and its assets for a while, and felt it needed to act now before the market turned.

"We wanted to strike before the market reflation may occur," he told *Mining Journal*.

Reflecting on the generous acquisition premium, Poulton said Legend was grossly undervalued by the market and the company had done well to strike now before its market capitalisation caught up with the rest of the rising market.

He added that the price Altus was paying was “well below the replacement value” of the assets.

Altus is getting stakes in six assets for the $4.5 million price tag.

Diba, the most advanced, is located on the prolific western side of Mali, some 15km south of the Sadiola mine (owned by Iamgold (CN:IMG), AngloGold Ashanti (SJ:ANG) and the Mali government).

It comes with a modest 307,700 ounce resource grading just over 1.35g/t Au all of which is within 50m of surface.

Poulton said he viewed Diba as holding “long-dated option value” and saw potential down the line for the asset supplying Sadiola with oxide ore, something the mine is currently lacking.

Legend also has the Lakanfla licence, which comes with a carbonate-hosted, karst-enriched exploration model similar to that of the nearby Yatela mine, a 4.5 million ounce gold deposit mined between 2001 and 2015.

The Sebessounkoto Sud licence, 20km southeast of Diba, contains several areas of active artisanal gold mining, and the Djelimangara asset, 15km southeast of Diba, was previously worked on by Randgold Resources (LN:RRS).

The company also has two assets in the south of the country.

Pitiangoma Est is around 40km south of the 8 million ounce Syama mine, owned by Resolute Mining (AU:RSG). And, as it happens, the Australia-listed company has a 70% ear-in option on Pitiangoma Est – just the sort of arrangement Altus likes.

The Tabakorole asset, meanwhile, hosts a 69,000oz oxide resource (grading plus-1g/t Au) and a 525,000ox sulphide resource (at around 1g/t).

While many of these will fit the company’s project generator model – whereby it proves up enough positive early exploration work to entice in a bigger company able to fund advanced exploration in return for a portion of the project, there is more to this deal that simply acquiring assets.

It will also see Altus inherit a shareholder base in Toronto, with Legend shareholders taking 27.6% of the enlarged company.

This is a market that understands the project generator model and is likely to appreciate the variety and country and commodity exposure Altus has.

That doesn’t mean to say Altus is thinking of following the trend of companies de-listing from one exchange to move onto another.

“We’re going against the trend. London has certain attributes and … so does Toronto”, Poulton said.

Having exposure on two exchanges “creates more option value for our shareholders”, he said.

The next step in the transaction should see Altus and Legend execute definitive documentation by the end of the month but, in the meantime, the London-listed company is busy negotiating with potential joint venture partners on its existing gold, bauxite, copper, iron ore, zinc and silver base.

Altus has only been a public entity for the past two months, but its dealmaking looks to only just be starting.