

Abitibi Royalties harnesses internet for royalty searches



Mining equipment at the Canadian Malartic mine in Malartic, Quebec. Source: Canadian Malartic mine

Two months ago, Ian Ball, the president of **Abitibi Royalties** (TSXV: RZZ), called up the chief executive of a junior exploration company, who had staked ground with interesting mineralization about 1.6 km away from Barrick Gold's Cortez gold mine in Nevada.

Ball was hoping to strike a royalty deal, but it turned out that his call was one week too late. With just \$3,000 on the junior's balance sheet, the CEO had been unable to pay the claim fees and was forced to relinquish the property.

That phone call sparked an idea.

“I realized that if he had to drop projects like that, there must be others out there like him,” Ball says, “and I wondered how I could get access to them.”

The young mining executive decided that the Internet offered the best and fastest route to dig up new royalty deals, and hatched a plan, backed by his board of directors, to create an online platform where junior mining companies and prospectors could pitch their properties to Abitibi Royalties.

In return for paying claim fees on existing mineral properties, or paying staking fees on new mineral properties, Abitibi Royalties would receive a net smelter return royalty.

“Rather than having to sell out to a major, or drop the property, or do a joint-venture on very unfavorable terms, there is now an alternative,” Ball says. “A lot of juniors have valuable property but don’t have the money to keep them in good standing and this gives them the luxury of time.”

Ball notes that the large royalty companies typically don’t service this end of the market. “They look at development projects at a feasibility stage or that are already in production,” he says. “But no one is willing to go down to the junior miners and prospectors. No one was focusing on this niche.”

Ball says he has a particular soft spot for prospectors. “They have some of the best ideas out there, but no one is willing to grubstake them.”

Moreover, for a small royalty company like Abitibi, Ball says, it’s virtually impossible to compete against the bigger and more powerful royalty companies. “You can’t go into an auction process and expect to beat Franco-Nevada,” he says. “And if you did win, it’s probably because you overpaid.”

Ball credits part of the idea to the success 15 years ago of Rob McEwen’s innovative Goldcorp Challenge, which used the internet and the lure of \$575,000 in prize money to find more gold at the company’s Red Lake gold mine in Ontario.

“The Goldcorp Challenge was the first time anyone in mining had done that, and nobody has picked up the mantle since then,” Ball says. “As an industry, we need to embrace the Internet for collaborative efforts, and we haven’t done as good a job of that as other industries.”

Abitibi guarantees a response to a pitch within 48 hours. Ball emphasizes, however, that the company is looking for early stage properties that have good geology with known mineralization, and that are near an existing mine and have good access to infrastructure.

Ball estimates that if Abitibi could acquire 20 or 30 such royalty deals via the internet in this way, “maybe a handful of them could become successful,” and he says he’s comfortable with those odds.

“Five years ago everybody had money, today nobody does,” he adds. “When you’ve got \$20,000 on your balance sheet, you’re trying to make every penny work.”

And while there are many people in the industry who would prefer to see a lot of the marginal mining companies “disappear”, Ball says he isn’t one of them.

“A lot of them are run by entrepreneurs who put their own money in them to try to keep them afloat ... You have a lot of people working hard and working for no pay right now, and I think we should be helping people with good projects.”

Ball says Abitibi will focus 80% of its deals in North America (the remaining in Central and South America) and about 80% in gold.

The online platform went live this morning and can be accessed via Abitibi Royalties’ website.

Currently Abitibi Royalties holds a 3% net smelter return royalty on the Odyssey North discovery, Jeffrey Zone and eastern portion of the Barnat Extension and a 2% NSR on portions of the Gouldie and Charlie zone at the Canadian Malartic mine in Malartic, Quebec.