Colossus Minerals: A Colossal Opportunity

Colossus Minerals (TSX.CSI) stunned the mining world last year with its successful acquisition of Serra Pelada, one the most dramatic and fought-for mines ever to emerge in Brazil. And with drills turning right now, there's no better time to take a hard look at this newly listed company.

A report published in Economic Geology in 2002 cites an internal report by Companhia Vale do Rio Doce that says, "The remaining reserve of Serra Pelada is currently estimated at 3.7 Mt @ 15.20 grams per tonne gold, 4.09 grams per tonne of palladium, and 1.89 grams per tonne of Platinum. Two of the authors of the report were employees of CVRD at the time of its publication.

At today's prices, that implies a contained metal value of over Billion. But this information is not compliant with National Instrument 43-101.

Latin America's biggest gold rush started in 1979 with the discovery of Serra Pelada, which brought over 70,000 "garimpeiros" (artisinal miners) to the site 90 km southeast of the town of Maraba in Para State, Brazil. An estimated 2 million ounces of gold were recovered by this virtual army of hand miners, who carried sacks of muck and rock up steep trails and ladders for processing at the lip of the pit, which eventually measured 400 meters by 300 meters. Unknown quantities of platinum and palladium were also recovered from the operation.

Garimpeiro activity slowed in the late 80's after flooding and continuous collapses of the pit wall rendered recovery of ore impractical.

Brazilian-based mining giant Vale (formerly CVRD), (NYSE:RIO) who held the rights to the mineral concessions underlying Serra Pelada until 2007, conducted a drill program across 200 holes, with the best intercept an astonishing 4,709 grams per tonne gold, 204 grams per tonne platinum, and 1,117 grams per tonne palladium over 43 meters.

That's ore with a total value in excess of 2,000 per tonne, and constitutes one of the highest grade gold intercepts in history.

Within this drill hole is a 15 meter intersection of 7,800 grams per tonne gold, 460 grams per tonne platinum, and 2,700 grams per tonne palladium, comprising ore with a value of just under 0,000 per tonne. This puts Serra Pelada firmly in the running as potentially one of the richest mineral deposits in the world, if not the richest.

VALE's exploration confirms gold, platinum and palladium mineralization continuing under the pit for more than 450 meters, and to depths of 150 to 300 meters.

In February of 2007, the organization representing the garimpeiros who originally mined the deposit, COOMIGASP, was awarded the Exploration License, effectively gaining control of the Serra Pelada pit and all of the underlying mineralization on a 100 hectare package. COOMIGASP and Colossus have formed a joint venture to explore the concession, with Colossus able to earn an initial 51% interest in the project, with the ability to increase the ownership further once certain milestones are met.

The 2008 exploration program will cost .6 million, and will see 8,000 meters of core drilling, re-assaying of past drill core, 3 dimensional geological modeling, and the initiation of environmental baseline studies.

Subsequent to that, in 2009 the company will conduct an additional 12,000 meters of core drilling to aid in the completion of a N.I. 43-101 compliant resource calculation and scoping study, leading to a feasibility study by 2010.

Colossus is not a one-project company, however. It holds two additional exploration licenses that will see focused exploration simultaneously with the Serra Pelada efforts.

The 6,420 hectare Sumidoro gold project is a mid-stage exploration target located within the prolific Quadrilatero Ferrifero, Minas Gerais state, currently and historically Brazil's major gold producing region.

Gold mineralization is widespread in the project area, occupying geological settings similar to those of the nearby Mina Passagem (reportedly 2 million ounces of gold production and resources) in the Mariana anticline.

Gold was mined from more than 50 open pits and some underground workings during Portuguese Colonial and later times in the Sumidouro area. Colonial gold production was not recorded, but was enough to sustain the Padre Viegas settlement, including two churches and Brazil's first seminary.

Colossus will spend US0,000 to explore the property during 2008, ultimately planning to drill priority targets by the fourth quarter.

Rounding the Colossus exploration portfolio is the 10,000 hectare Natividade project in Tocantins State. Extensive colonial era artisinal open pit workings cover an area of over 2.5 kilometres by 700 metres.

Modern exploration of Natividade has been limited to trenching and surface sampling by Compantia Nacional de MineraÃ§ao, Colossus and Terrara Mineradora, who also having defined a small non-43-101 compliant 30,000 ounce gold resource from colonial waste dumps. Colossus recently completed a scout drilling program, the results of which are expected shortly.

Colossus became public early in 2008 through an initial public offering led by GMP Securities in Toronto, raising almost CA million in the process - more than enough to fulfill its exploration and acquisition commitments going forward.

It is important to comment on the infrastructure issue surrounding the flagship Serra Pelada project. At first glance, it might seem that the project's isolation could require substantial investments in infrastructure, but surprisingly, this is not the case.

The burgeoning mining industry in the Carajas Mineral Province has required a massive investment in infrastructure and to create transport routes for industrial and agricultural exports.

One of the biggest mining projects in Brazil is based on the iron ore deposits in the Serra dos Carajas near Maraba. With an estimated 18 billion tonnes of ore this is one of the biggest iron deposits in the world. The Projeto Grande Carajas Mining and Industrial Zone ("PGC") covers an area 80% of the size of France and involves a total investment of US billion. The town of Carajas has been completely rebuilt and is closed to all but VALE workers.

VALE constructed a heavy-duty rail line 892 km long from the iron mines to the Atlantic port of Sao LuÃ-s.

Other minerals such as gold, copper, nickel, manganese and bauxite have also been found insignificant quantities in the Carajas Mineral Province and more reserves of minerals are discovered each year. Much is exported in its raw form but there has been some attempt at refining it in the region. Industrial plants utilizing these reserves include the aluminum smelter in BelÃ©m (the largest industrial plant in Latin America) and a steel mill in Sao LuÃ-s. Mining developments have led to increased energy demands, spurring the construction of dams for the generation of hydroelectric power.

Just downstream from Maraba, the TucuruÃ- hydro-electric dam in 2005 had its capacity boosted to lift output to 8,370 MW and is the largest hydro-electric project in the world. Three other hydro-electric plants on the Tocantins River have a combined capacity of 2,630 MW and an additional plant is near completion. Seven more hydro-electric plants on the Tocantins River are planned. A branch of the main 500kv hydro-electric power transmission line from TucuruÃ- to Carajas supplies power to the Serra Pelada Gold-Platinum-Palladium Project area. The nearest railhead is at Carajas, 50 km by road from Serra Pelada.

About the Author

James West is the Publisher of Resourcex Investor, a premium source of news and investment ideas for individuals seeking information about emerging companies in the resource sector. Find our more by visiting http://www.ResourcexInvestor.com.

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