

# The Northern Miner

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## **BILLITON STIRS UP BUCHANS CAMP Phelps Dodge, Rio Algom also drawn to historic region**

Billiton, the world's fourth-largest nickel producer, has gained access to about 1,000 sq. km in the Buchans area of central Newfoundland following an aggressive round of deal-making with several juniors.

The London-based company has already launched a major airborne survey over the historic mining camp to pinpoint potential copper-zinc targets and, if results warrant, conduct ground geophysics and drilling.

"Although we had been well aware of what the Buchans area produced in the past, it wasn't until March that we realized there was an opportunity to put together a large block of contiguous claims" says Eric Tweedie, exploration manager for Billiton International Development. "One of the advantages is that much of the routine mapping and sampling has already been done by our partners. All of that will be integrated into our interpretation."

Billiton was attracted to the Buchans camp for several reasons, including the exceptionally high grade of the former mine (exceeding 20% combined metals) and the potential to find more ore using modern exploration and data management techniques.

"We believe the area has a high level of residual prospectivity," says Tweedie.

Other senior base metal producers, including Phelps Dodge (PD-N) and Rio Algom (ROM-T), have also been drawn to the camp.

"It's an area of long historical production, great potential and limited exploration outside the immediate Buchans mine area," says Baxter Kean, a senior geologist with the Newfoundland and Labrador Geological Survey. "And it's only recently that the ground has become available to the industry for staking."

Tweedie put to rest rumors that cash-rich Billiton is trying to gain a foothold in the East Coast in order to better its chances of playing a part in the development of the Voisey's Bay nickel deposit in Labrador.

"Our interest in Buchans stands on its own," he tells The Northern Miner. "It is in no way related to Voisey's Bay."

There are more than 40 known volcanic massive sulphide (VMS)

deposits in the marine volcanic sequences of central Newfoundland. The richest of these, the Buchans deposits, are concentrated within a 12-sq.-km area. Between 1928 and 1984, these deposits produced about 16 million tonnes of ore grading 14.5% zinc, 7.6% lead and 1.3% copper, plus 1.4 grams gold and 126 grams silver per tonne, making Buchans one of the most productive VMS camps in the world.

The orebodies are underlain by the Buchans Group, a complex assemblage of mafic, felsic volcanic and volcanoclastic rocks and proximal clastic sediments of the Lower Ordovician age. They are associated with felsic pyroclastic and breccia rock and are bounded on at least one side by thrust faults. Sphalerite (a zinc sulphide) is the most prominent ore mineral.

Asarco mined the last tonne of ore in 1984. In the following year, Abitibi-Price, which held rights to the ground surrounding Buchans, optioned its large concession to BP Exploration Canada. BP passed the option on to Noranda, which subsequently surrendered the properties to the Crown. In the mid-1990s, for the first time ever, the Buchans concession was declared open for staking and competitive exploration.

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#### **The Buchans Deal**

***Altius Minerals***- Billiton can earn up to a 70% interest in 127 claims by spending \$1.3 million and making a cash payment of \$200,000

***Buchans River*** - Billiton can earn up to a 70% interest in 819 claims by spending \$7.5 million and making a cash payment of \$1 million

***Celtic Minerals***- Billiton can earn up to a 70% stake in 664 claims by spending \$1.6 million.

***Celtic Minerals/Jilbey Exploration*** - Billiton can earn up to a 70% interest in 118 claims by spending \$2 million and making a cash payment of \$50,000.

***GT Exploration*** - Billiton can earn up to a 70% ownership in 230 claims. Specific terms undisclosed.

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Juniors familiar with the camp quickly capitalized on the opportunity to acquire ground while Billiton, watching closely from the sidelines, saw a chance to fulfil its goal of gaining access to a large land package in "elephant country".

Tweedie and a colleague approached the juniors at the 1998 convention of the Prospectors & Developers' Association of Canada and began negotiations towards an exploration strategy

that has evolved into five separate joint venture agreements covering almost 2,000 claims.

Billiton's partners in the camp include Altius Minerals (ALS-A), Buchans River (BUV -A), Celtic Minerals (CME-A), Jilbey Exploration (JLB-M) and privately owned GT Exploration (which is under the same management as Buchans River).

It is clear from the rich terms of the deal (\$3.5 million to be spent on exploration over four years in return for a 51% stake, and another \$4 million for 70%) that Billiton considers Buchans River's block of ground to be the centrepiece of the land package.

The base metal producer intends to outline 10 million tonnes of ore at 75% of the historical Buchans grade, Tweedie says.

Billiton has a complex history that stretches over 100 years. Once a small Dutch enterprise that mined tin in Indonesia, Billiton grew into a diversified mining company under the Shell group umbrella throughout the 1970s and 1980s. In 1994, Shell sold Billiton's assets to Gencor, a South African mining house. Last year, Gencor spun off its base metals assets and created Billiton PLC, which listed on the London Stock Exchange and subsequently raised nearly £1 billion.

Although the company's share price has been battered by low metal prices and steady divestment by South African institutional investors over the past year, Billiton remains committed to exploring for its target commodities, namely copper, nickel, zinc and iron ore. The major spends about US\$31 million on exploration every year, mostly in Latin America, Africa and Australasia.