

The Northern Miner

Your Authoritative Source for Mining Information

December 25-31, 2000 Issue, Pages 1 & 14

MAJORS FINANCE BASE METAL REVIVAL IN NEWFOUNDLAND

Vancouver – As Inco (N-T) patiently awaits a resolution to the frustrating development dispute that has stalled its Voisey's Bay nickel-copper-cobalt project in Labrador, other companies are stepping up the search for base metals in Canada's easternmost province.

Voisey's Bay, the biggest and richest underdeveloped nickel deposit known to man, has been gathering dust for the past four years as the Newfoundland government battles with the major nickel producer over where to treat the ore. The government continues to insist that a nickel smelter be built in the province, while Inco continues to argue the economic benefits of treating the ore at its existing smelter in Ontario. Talks are expected to resume next year.

Late in November, holders of Inco's Class VBN shares (N.V-T) voted overwhelmingly to accept a "mopping-up" takeover bid from the nickel giant. More than 85% of the shareholders accepted the major's \$200-million buyback offer, even though a majority of only 66% was required. The deal clears the way for Inco to assume total control of Voisey's Bay.

Getting the Newfoundland government on side may not be so easy, though Inco is said to be pleased that Brian Tobin, a steadfast supporter of a local smelter, recently resigned as provincial premier in October to re-enter federal politics. The front-running candidate for the premier's office is Roger Grimes. A former school teacher, he was minister of mines and energy when talks on developing the find bogged down. And although Grimes describes himself as a "tenacious defender of Newfoundland," he appears willing to reopen discussions with Inco.

Earlier in the year, Inco staked 1,001 claims about 30 km southeast of Voisey Bay. The claims encircle Freeport Resources' (FRI-V) Notakwanon nickel-copper property. Previous work in the area included airborne and ground geophysical surveys and prospecting. Preliminary sampling of sulphide-bearing breccias of graphitic Tasiuyak gneiss returned up to 0.17% nickel and 0.56% copper.

Meanwhile, some 90 km south of Voisey's Bay, Major General Resources (MGJ-V) has expanded its land position and launched its first drill program since 1998. The junior drilled two holes on the Sarah Lake claims, which form part of the South Voisey's Bay project. Hole 1 was drilled to a depth of 560 metres, whereas hole 2 was stopped at 750 metres down-hole within a highly altered,

hybridized, graphitic gabbro containing disseminated sulphides. Major General holds a 40% stake in the project and is the operator. Donner Minerals (DML-V), which holds the remaining 60%, elected not to participate and is thereby subject to dilution. Assay results from the two holes are pending.

Central Newfoundland

Activity at the Duck Pond copper-zinc property, combined with speculation that Phelps Dodge (PD-N) cut significant massive sulphide mineralization near the northeastern corner of Red Indian Lake, has led to renewed interest in the Buchans mining camp.

At Duck Pond, partners Thundermin Resources (THR-T) and Queenston Mining (QMI-T) have tabled preliminary results from an ongoing feasibility study. The study is focused on the Upper Duck and Sleeper lenses, as well as on the mineability at the Boundary deposit, a prospective open pit. Resources for these zones come are pegged at 5.4 million tonnes grading 3.5% copper, 6.4% zinc and 1% lead, plus 65 grams silver and 0.9 gram gold per tonne.

The study calls for annual production of 540,000 tonnes from a combined open-pit/underground mine, the lifespan of which is projected to be 10 years. The Boundary open-pit deposit hosts 480,000 tonnes grading 3.8% copper, 3.3% zinc, 0.4% lead, 26 grams silver and 0.3 gram gold, whereas the underground resource at the Upper Duck lens is estimated at 4.6 million tonnes grading 3.6% copper, 1.1% lead, 69 grams silver and 1 gram gold. Operating and capital cost projections are expected shortly.

Celtic Minerals (CME-V) holds a stake in a large land package immediately south of Millertown, in the Victoria River volcanic belt. Gold and copper miner Inmet Mining (IMN-T) has inked a deal to earn a 55% interest in four of the properties: Victoria Mine, Sutherland's Pond, Hungry Hill and Hungry Hill East.

At its wholly owned, 2,053-ha Victoria Mine property, Celtic delineated several drill-ready targets, including the copper-and-zinc-bearing Jig zone. Re-logging of core from shows that a carbonate unit immediately above massive sulphides is present in the final few metres of the most easterly hole. This hole will be deepened to test for mineralization. To the west, limited drilling cut a copper-bearing zone that remains open in all directions.

Sutherland's Pond

At Sutherland's Pond, a copper-zinc-lead prospect, crews have traced a 300-metre-wide alteration zone over a strike length of 1.3km. Six geophysical anomalies have yet to be tested.

The 7,050-ha Hungry Hill property, 15 km southeast of the past-producing, Buchans mine, is held equally by Celtic and Jilbey Enterprises (JLB-M). Hole 16, the high-light of previous drilling, intersected 10.8 metres grading 3.06% zinc, 0.16% copper, 20.9 grams silver and 0.81 gram gold. The partners also cut a 5.6-metre section of bedded, exhalative pyrite and high-grade base

metals clasts.

Inmet further expanded its interest in the province by agreeing to earn a 55% stake in Altius Minerals' (ALS-V) Lockport and Point Leamington properties. The deal calls for Inmet to spend \$ 2.5 million on exploration and pay \$100,000 over four years.

At Lockport, Altius intersected 6 metres of massive sulphides grading 1.05% copper, but drilling has yet to encounter the rock package known to host the mineralization.

A 759-metre drill program at Point Leamington also failed to intersect economic mineralization (graphitic horizons were found to be the apparent cause of the geophysical anomaly that was targeted). Even so, the property covers 15 km of strike length of favourable geology surrounding the Point Leamington deposit, which is held by Rubicon Minerals (RMX-V).

Inmet's latest deal with Altius covers the Robert's Arm volcanic belt. The major can earn a 55% interest by spending \$2 million on exploration and making cash payments of \$120,000 over five years. Diamond-drill-testing of massive sulphide targets is expected to begin by late winter.

Point Leamington

On Rubicon's Point Leamington property, two drill programs were completed during the year. The first round of drilling targeted the downdip extension of higher-grade zinc-gold mineralization in the deposit. Hole 69 cut 40.2 metres grading 2.32% zinc, 0.19% lead, 0.38% copper, 0.63 gram gold and 18.5 grams silver in the main massive sulphide horizon before hitting a newly discovered zone, known as the Footwall horizon.

The second-phase program tested the extent of the new zone with 2,500 metres of drilling. The only significant mineral intercept came in hole 72. Targeting a strong off-hole geophysical conductor, the hole cut 0.66% copper, 0.44% zinc and 1.08 gram gold over 8.08 metres. According to Rubicon, this represents a new massive sulphide zone hosted in the same horizon as the Point Leamington deposit, some 275 metres from the nearest massive sulphide intersection.

Discovered by Noranda (NOR-T) in 1971, the Point Leamington deposit host a resource of 13 million tonnes grading 2.25% zinc and 0.46% copper, plus 0.89 gram gold and 20.57 grams silver. Mineralization has been tested by 58 holes over a 500-metre strike length and remains open to the north.

Some 10km to the east, at its Lewis Lake property, Rubicon outlined eight targets that are now ready for drill-testing.

The international division of London-based Billiton can earn a half-interest in either the point Leamington or Lewis Lake properties by spending \$ 800,000 on exploration. The major can then tack on an

additional 20% by advancing the project to production.

Encouraged by the area's potential, Billiton expanded its massive sulphide hunt by optioning several additional properties from Celtic, Altius and Buchans River (BUV-V).

The deals with Celtic cover properties in the immediate vicinity of Buchans Junction, as well as a larger property on the volcanic belt to the northeast, toward Badger. At Buchans Junction, owned equally by Celtic and Jilbey, Billiton can earn up to 70% by spending \$2 million over four years and making a cash payment of \$50,000. At the larger Skull Hill property, held 49% by Celtic and 51% by Billiton, several targets are being evaluated.

Billiton's work on the Altius properties, southwest of the Celtic land package, included drilling, trenching and geophysics. Four holes on the Victoria River North Property did not find any mineralization, and interpretations of the geology suggest that a separate faulted block, about 1 km away, may hold the favourable volcanic horizon.

On the Buchans River-Billiton joint-venture properties, a 1,500-metre drill program is focused on several targets: the Sandy Lake and Tower alteration zones 15km and 7.5km, respectively, east of Buchans; the Clementine prospect, west of Buchans; and the Middle Branch alteration zone, some 2 km northeast of the former Oriental mine.

Buchans River also holds 6 sq. km of properties in the Tulks Hill area. The claims host a resource of 720,000 tonnes grading 5.6% zinc, 2% lead, 1.3% copper, 41 grams silver and 0.4 gram gold. The junior says the property has potential for additional resources at depth.

On the southern shore of Red Indian Lake, immediately southwest of the Celtic land package, privately owned Kelmet Resources optioned a 161-sq-km property from Noranda that includes the Daniel's Pond zinc deposit. Based on drilling by Noranda, Daniel's Pond has a resource of about 4 million tonnes grading 3.15% zinc, 0.17% copper, 1.36% lead, 98 grams silver and 0.35 gram gold. A higher-grade core zone is estimated to contain 1 million tonnes grading 7.71% zinc and 4.13% lead.

Kelmet's own work has centred on another showing, dubbed Parking Lot, which lies southwest of Daniel's, about 2 km along strike. Preliminary drilling has revealed stringer-style pyrite-sphalerite mineralization near the Daniel's Pond horizon, as well as chlorite-altered zone with stringers of chalcopyrite stratigraphically below.

Western Newfoundland

New Island Resources (NIS-V) has been busy outlining targets for the upcoming drill season. On its Glover Island property, the company has its sights set on the Clyde showing, where grab samples returned up to 2% copper, 0.26% nickel, 0.3 grams

platinum and 0.3 gram palladium, as well as the Wedge Pond target, 1.5km to the north, which returned 1.6% copper, 0.32% nickel, 0.3 gram platinum and 0.2 gram palladium in gabbroic boulders. At the southern end of the claims lies the Rusty Trickle zone, where surface sampling returned up to 14.5% combined zinc-copper-lead.

In the unexplored region of northwestern Newfoundland, Billiton can acquire a 60% interest in Altius' Plateau nickel project, which covers newly discovered nickel-copper-cobalt mineralization. The mineralization identified at one showing is associated with mafic-to-ultramafic rocks. Grab samples returned grades of 5.38% nickel, 1% copper and 0.1% cobalt, plus anomalous gold, platinum and palladium. A program consisting of trenching, geophysics and more sampling is ongoing.