



The Midas Letter

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Colossus Minerals Inc. (TSX:CSI)



Vital Statistics:

Issued and Outstanding:	42,254,388
Warrants, Options	21,033,742
Fully Diluted:	66,354,795

Institutional Ownership:	19.46%
Management, Insiders:	23.5%
52 Week High-Low:	\$1.25-2.57
Avg Volume (3 month):	135,962
Cash on Hand:	\$22.5 Million
Sector: Precious & Platinum Group Metals	
Operating in:	Brazil

Summary

Colossus is a real sleeper that has the potential to become a household word overnight. The reason is simple: Serra Pelada. The picture below tells the story.

Core from drilling completed last month is now at the lab, and if the results continue to demonstrate rich mineralization over long intercepts with good continuity between holes, the stock could easily take off in a northerly direction. With the vast amount of data available to the company, feasibility is scheduled to get under way in 2010.

The Projects

1. Serra Pelada

Colossus 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.

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 \$2 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" (artisanal miners) to the site 90 km southeast of the town of Marabá in Pará 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.

To understand the historical significance and sheer human effort that went into this pit during this period, a viewing of this video (produced by 60 Minutes Australia) is a must:
<http://sixtyminutes.ninemsn.com.au/article.aspx?id=299887> (click on the link in the article).



The Midas Letter

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70,000 Garimpeiros (artisanal miners) working the Serra Pelada pit in 1983

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 \$162,000 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 \$300,000 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.

On April 1st, Colossus announced the 1st results from the preliminary re-assay program of Vale's core. Among the highlights from the press release:

- Systematic sampling and assaying of historical drill core, provided to the Company by Vale (formerly CVRD) confirms the widespread occurrence of gold-platinum-palladium mineralisation outside the old Serra Pelada open pit.
- Broad intervals of high grade mineralisation in three drillholes (for example FD-0052: 51.02m @ 18.46g/t gold, 1.79g/t platinum and 3.10g/t palladium) include significant intervals of very high grade gold and PGEs (for example FD-0062: 4.62m @ 79.77g/t Au, 32.17g/t Pt and 41.04g/t Pd);



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- A fourth drillhole, FD-0129A, exhibits a broad lower grade interval (43.54m @ 2.65g/t Au, 0.49g/t Pt, 0.68g/t Pd; including 4.48m @ 11.71g/t Au, 2.09g/t Pt, 2.92g/t Pd) that had previously been only partially assayed for gold, but exhibits significant PGE grades;
- Colossus assays compare favourably with those of comparable intervals in the CVRD assay database.

The Serra Pelada re-assay program is aimed at:

1. evaluating the historical assay database provided by Vale (2006) by resampling a portion of the 40,000 metres of diamond drill core obtained by Vale from their drilling between 1980 and 1998;
2. Clarifying assay protocols prior to the assay of core from the Colossus-COOMIGASP joint venture's current drilling program.

The 120 samples assayed represent continuous core intervals aggregating 149.17 metres from four drillholes with mean sample lengths of 1.1m corresponding with core tray slot lengths. Colossus assay results were composited over substantial intervals to facilitate comparison with Vale data, as respective core sampling intervals were commonly dissimilar.

Colossus' gold, platinum and palladium assay results are presented in the following table.

Drillhole	From (metres, downhole)	Interval (metres)	Gold g/t	Platinum g/t	Palladium g/t
FD-0052 including	306.47	51.02	18.46	1.79	3.10
	313.81	6.79	43.98	1.72	3.22
	330.36	2.47	76.15	6.15	18.56
	338.06	3.94	25.83	4.26	6.72
FD-0058A including	213.77	18.81	31.69	1.73	2.15
	215.50	16.45	36.14	1.96	2.45
	230.04	1.91	166.94	13.09	15.89
FD-0062 including	248.83	35.80	13.16	4.34	5.58
	272.18	4.62	79.77	32.17	41.04
FD-0129A including	184.75	43.54	2.65	0.49	0.68
	197.87	4.48	11.71	2.09	2.92

Assays for comparable intervals from Vale (2006) are given below.

Drillhole	From (metres, downhole)	Interval (metres)	Gold g/t	Platinum g/t	Palladium g/t
FD-0052	307.0	50.5	16.42	2.04	5.15
FD-0058A	214.0	19.0	35.63	2.03	2.83
FD-0062	248.0	36.0	21.37	4.27	5.27

2. Sumidoro

The Sumidouro gold project, a medium-stage exploration play, is located in an area of excellent infrastructure in the prolific Quadrilatero Ferrifero, Minas Gerais state, currently and historically Brazil's major gold producing region (view satellite image).

Comprising 10 contiguous exploration licences aggregating 6420 hectares, Sumidouro is centred on the historic gold mining village of Padre Viegas, near Marianna and Ouro Preto.



The Midas Letter

www.midasletter.com Health, Wealth and Prosperity



Colonial open pits and OPML sample sites, Queimado prospect, Sumidouro.

Colossus Brazilian subsidiary, Colossus Geologia e Participações Ltda (CGPL) has an option agreement with Ouro Preto Mineracao Ltda (OPML) to participate in the Sumidouro gold project. Under this agreement CGPL and OPML (which holds the gold exploration licences rights) have formed a joint venture company in which Colossus can increase its interest to 51% by expending US\$1.25M within three years, subject to minimum expenditure of US\$0.25M in the first year. After exercising this option Colossus may gain 70% of the venture company by completing a feasibility study on Sumidouro. OPML or CGPL may sell their respective interests or convert these to royalties after Colossus has attained a 51% interest.

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. The historical gold workings and limited modern exploration by OPML, AngloGold and Colossus outline more than 30 kilometres of auriferous zones in regolith and colluvium.



The Midas Letter

www.midasletter.com Health, Wealth and Prosperity

3. Natividade

Mainly to the south of, but encompassing the town of Natividade in Tocantins State, Brazil, the project area comprises two contiguous exploration licences aggregating 10,000 hectares. Most of the area comprises sparsely vegetated scrublands with minor low intensity agricultural development. Access is by a series of roads and tracks from Natividade.

Colossus, the project operator, has concluded an option agreement with Terrana Mineradora Ltda (a Brazilian private company) to acquire a 70% interest in the Natividade project. This agreement involves Colossus making staged payments of US\$1.5M and exploration expenditures of US\$2M over three years.

Natividade gold mineralization is mainly hosted by a metasedimentary -metavolcanic package, a Palaeoproterozoic greenstone belt (view project geology), unconformably overlain by Proterozoic siliciclastics, and intruded by granites exposed to the east of the project area. The greenstone belt is well mineralised and resembles those of West Africa hosting pluton-related gold.

Colossus is targeting high-grade gold vein structures, within the hinge zone of this anticlinorial structure which exhibits extensive Colonial and open pit workings over a 2500x700m area.

High grade gold occurs around some mesoscopic fold hinges and lithological contacts, especially the greyschist-mafic schist contacts. Modern exploration of Natividade has been limited to trenching and surface sampling by Companhia Nacional de Mineração, Colossus and Terrana Mineradora, the latter company also having defined a small (reportedly 30,000 ounces) surficial gold resource in lateritic cover and colonial waste dumps (view exploration data). Colossus recently completed a scout drilling program, with results expected in the near term

Conclusion

Colossus has been the recipient of absolutely zero coverage from newsletter writers and junior sector journalists for a few reasons. Firstly, the company IPO'ed earlier this year at \$1.60 a share, and their only financings were done at \$1.25, so the limit to the downside is there.

Secondly, with so much drilling already completed by one of the world's largest mining companies, a 43-101 resource calculation will not be far off. At these prices, Colossus is a non-brainer.

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