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alorne-Pioneer Gold Mines Ltd, an. son David plan to reopen the Bralorne-Pioneer golo ..e in B.C.

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ty, while keeping a roster of 40 or so retired senior executives to be parachuted in to advise target companies, bankers say.

The one-shop approach contrasts with leading rivals like Apollo Management or Oaktree, which focus mainly on buying and trading distressed debt. They tread lightly in areas where Cerberus is strong, such as lending.

Cerberus has sponsored more than US$2.5-billion in "debtor in possession" loans, exit financings and other senior loans through its Abelco Finance lending unit, a lucrative business previously confined mainly to banks. Abelco has helped drive Cerberus' decade-long expansion from a small hedge fund to a distressed-fund banking juggernaut, experts say.

"One of the best investments right now is in DIP lending," said one distressed company adviser who deals with Cerberus regularly. "You get first look at what's going on in a business. That's why Cerberus does it."

This banker asked for anonymity on concern Cerberus might limit business if it perceives any hint of criticism. That reflects the publicity-shunning, tough business approach of its founder, Stephen Feinberg, 43, a former banker for Drexel Burnham Lambert and Gruntal & Co.

Cerberus officials declined to talk on the record.

While Cerberus may be on a spending spree these days, it apparently shuns spending on its Park Avenue offices. One recent visitor compared the suites to a

'THEY ARE SMART, TOUGH AND DETERMINED'

"municipal agency," with worn carpets and no expensive artwork or fancy furniture.

But many bankers praised Cerberus' aggressive and creative approach to initiating and structuring deals.

"They'll play and take a position in anything they can make money at," said Joel Simon, principal in Crossroads LLC, an investment bank that advises troubled companies.

Like most private funds, Cerberus doesn't publicly disclose returns or much else about the firm. For instance, it recently sold debt in Cordiant Communications to British advertising firm WPP for US$150-million, whose return a Cerberus official would only describe as "above par."

"They have had long-term, consistent good returns," said Bill Walsh, partner in Connecticut-based Portfolio Advisors, which manages some US$2.5-billion in private equity and is a "significant" Cerberus investor.

Cerberus returns for distressed debt vehicles alone are in the healthy "17% to 22% range" Mr. Walsh said. A company official said overall returns are higher.

Reuters

Wolfin to resurrect Bralorne-Pioneer mine

'HARDLY BEEN SCRATCHED'

BY JOHN GREENWOOD

VANCOUVER • British Columbia's historic Bralorne-Pioneer mine, once one of the most prolific gold properties in the entire British Empire, is set to start operating again.

Whether the mine, which has been dormant since 1971, will reclaim its former glory — or even turn a profit — is an open question, but according to Lou Wolfin, the veteran Howe Street player behind the venture, there's nearly as much yellow metal left in the ground as was dug out during the 70-odd years Bralorne-Pioneer operated.

"The potential's hardly been scratched," said Mr. Wolfin in an interview at his company's headquarters, a small warren of offices on Vancouver's Granville Street.

His desk is strewn with geological charts and surveys, all pointing, he says, to more gold in the ground. From his window, he has a clear view of the elegant turn-of-the-century tower that was the headquarters of the mine's former owner.

But not everyone shares Mr. Wolfin's enthusiasm. The play is "premised on the price of gold going to the moon," said John Kaiser, editor of the *Kaiser Bottom Fishing Report*, adding Mr. Wolfin's company, Bralorne-Pioneer Gold Mines Ltd., may only be marginally profitable at current gold prices.

Another concern, according to Mr. Kaiser, is the company's lack of revenue, and its debt — including a $3-million debenture payment due in October. One reason Mr. Wolfin is in a hurry to get his mine producing may be so he can pay his creditors, Mr. Kaiser said. "And with gold prices weakening recently, that doesn't help."

Indeed, Bralorne-Pioneer's most recent financial statements warn "there is substantial doubt about the company's ability to continue as a going concern."

The Bralorne-Pioneer — located in a remote alpine valley about four hours northeast of Vancouver — is just one of several old mines on the verge of being reactivated.

"All across Canada, there are all these properties that became defunct years ago and they are attracting interest again because of the rising price of gold," said Dorothy Atkinson, an analyst at Bolder Investment Partners Inc., a retail brokerage specializing in junior miners.

"All these resources that were uneconomic, all of a sudden people are hoping they can make a profit off them."

After trading at less than US$300 an ounce in the late 1990s, gold started climbing in 2001, rising as high as US$390 earlier this year, though recently it has fallen back to around US$345.

The idea is that with the help of new technology, combined with stronger prices, people like Mr. Wolfin can squeeze new value out of old assets, maybe even find ore veins the previous operators missed.

Gold was first discovered in the Bridge River Valley in the late 1800s, and by the 1930s, the area had two operating mines, the Bralorne and the Pioneer. At its peak during the 1930s and '40s, the Bridge Valley had its own schools, banks, a bowling alley and a population of several thousand.

Before they were closed in 1971, the two mines — which eventually ran together — had churned out about 4 million ounces of gold, more than any other mine in the province, according to Mr. Wolfin.

Not much is left of the thriving community that grew around Bralorne-Pioneer. Many of the buildings have fallen into disrepair and much of the mine itself is flooded.

But in recent years, as Mr. Wolfin acquired the rights to more land in the area, he arranged for further exploration and testing of the land around the mine.

According to one study, "Conceptual exploration areas with a potential for 3.4 million ounces [of gold] have been identified."

Estimates as to the quality of the ore vary, but Mr. Wolfin, who has been in the mining business for more than 40 years, figures it will cost about US$235 to produce an ounce of bullion, "which would drop to about US$175 once the mill is fine-tuned and providing we don't encounter problems."

Mr. Kaiser is skeptical. "There are too many variables to predict what grade the ore will be," he said. "Anybody who uses this talk, they are messing with your head."

Despite Mr. Wolfin's test results, financing the venture has been far from easy. He received permission from the province to re-open the mine again in the mid-1990s, but in those days, what with the dot-com frenzy just beginning to take hold, the investment community paid little heed.

"It wasn't an easy period," Mr. Wolfin said. "Nobody was interested in minerals, other than diamonds. We had to cut everything to the bone."

So far he has raised enough to build an ore-processing facility and bring in new mining equipment. With $1-million in hand from the most recent financing, he plans to finish the work needed to get the equipment ready and hire a small crew — a dozen miners and plant workers — to go into production before the end of the year.

"We will be mining on a limited basis," said his son David Wolfin, the firm's director of investor relations, who has been working with his father for about 14 years.

The company is also working on a deal that could raise as much as $10-million, though that has been delayed and there is no guarantee it will come through.

But the situation will improve dramatically once the mine is up and running, Mr. Wolfin believes.

"We've had a lot of inquiries from different companies [interested in taking a piece of the action]," he said. "This is one of the areas famous for gold. [Every time we run tests on the property] we keep finding more gold.... Some of the new discoveries we have made are within feet of where the old miners dug."

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