TGS -> Garibaldi

in the short term. As well, Greenstone's financial position was strengthened by the completion of a US$13 million share and debt issue.

Greenstone still has several production hurdles to overcome, most of which are due to the often extreme climate conditions in the areas in which this company mines. Assuming San Andres production comes on-line in early 1999, and that damage from Hurricane Mitch results in nothing more than temporary production slowdowns, Greenstone should be able to double its production in 1999 over 1998 levels.

Watch for the release of revised reserve and resource estimates late in 1998 or early 1999, to see whether Greenstone can meet its goal of outlining reserves of 7.5 million ounces of gold.

Early in December, the company announced that it had secured **Nesbitt Burns Inc.** as "advisors to assist the company in identifying and evaluating alternatives to enhance shareholder value." Comments made by Greenstone president Rudi Fronk indicate that the sale of the company, or a merger, as well as a strategic financing option, are all possible outcomes.

Recommendation: Strong Buy (possible takeover/merger action).
52-Week Target: $4.00; ROR: 150%

Pender Capital Corp.

Poised to Become Canada's Largest Stone Company

From humble beginnings as an Alberta-listed junior capital pool corporation in 1994, Pender Capital Corp. (ASE/PNL, $0.85) has grown to manage four quarries and a processing facility in southern British Columbia.

Growth by acquisition began with the purchase of **San Pedro Stone Inc.** in 1996, and continued with the formation of a 50/50 joint venture corporation, which took over the assets of **Garibaldi Granite Inc.** (GGI). The joint venture company, **Garibaldi Granite Group Inc.** (GGGI), then went on to complete the construction of a large, new production facility, near Squamish, BC.

Earlier this year, Pender renewed its acquisition program by first announcing its intent to purchase the other 50% of GGGI from joint venture partner GGI. The company then announced another joint venture, this time with **Granicor Inc.**, to open a new green granite quarry, Greenleaf, located approximately 160 kilometres north of Quebec City, Quebec.

Finally, in what seems to be Pender's pattern of 'joint venture leading to acquisition,' it announced its intention to purchase 100% of Granicor's parent company, **Granigroupe Inc.**, a company that is currently privately held by the Robitaille family.

Now, as with any acquisition-driven growth strategy, there comes a point when one must wonder where and how far all the hype will take us.

By way of background, Pender first acquired San Pedro Stone because of its "black gold" quarry, near Grand Forks, in southwestern BC. The black granite resource property is listed as a non-producing asset in the company's 1998 second-quarter report.

The three Garibaldi quarries produce granite in varieties known as "glacier white," "Garibaldi grey" and "Garibaldi golden." Sales of these varieties, however, appear to have amounted to just $273,771 in the first six months of 1998.

Financially, Pender's losses now total $532,320 during the first six months in 1998. This figure is at least partially due to slowdowns in sales to Asian markets, and a reflection of generally poor global economic conditions.

Instigating a 1998 comeback bid has already benefitted some of Pender's directors, officers and employees, who hold options to purchase stock at $0.37 per share. The exercise

The Santa Rosa mine is located near the town of Canazas, approximately 190 kilometres west of Panama City, the capital of Panama. Reserves of 18.5 million tonnes, with an average grade of 1.43 g/t gold, had been outlined as of December 1997.

Unique challenges, presented by extremely wet operating conditions, have been overcome in the past two years, according to Greenstone releases. During September and October, heavy rains caused problems with the water balance at this site. Production, which had reached its capacity of 5,000 ounces per month in July and August, declined.

Production levels are expected to return to normal by year-end, with the onset of the dry season. At the end of the third quarter, 1.67 million tonnes of ore had been processed, producing 42,226 ounces of gold at a cash cost of US$237 per ounce. These figures compare favourably enough with expected production for the year: 2.4 million tonnes of ore, 61,000 ounces of gold, and a cash cost of US$232 per ounce.

The Bonanza mine, located approximately 270 kilometres northeast of Managua, Nicaragua, continues the struggle to mine its higher-grade ore. While reserves of 1.1 million tonnes of ore grading 7.53 g/t of gold have been identified, production shortfalls have resulted from the lack of developed ore, and from drought.

Underground operations at Bonanza were producing only 50% of mill requirements in 1997. In 1998, milling was suspended in early May due to drought. Milling recommenced in July, averaging better than 400 tonnes per day for the third quarter. Processing 68,000 tonnes of ore at grades of only 4.6 g/t gold, however, have resulted in production of just 9,167 ounces of gold at US$280 per ounce (the highest cash cost among the company's three operating mines).

Expectations for 1998 have set processing at 500 tonnes of ore per day, resulting in production of 36,000 ounces of gold for the year.

The San Andres project is located 205 kilometres northwest of Tegucigalpa, the capital of Honduras. Damage from Hurricane Mitch was limited to slope failures (mudslides) and road washouts, some of which cut the site off from its port for an extended period of time. Greenstone believes the net effect will be a delay in final commissioning of up to two weeks.

It should be kept in mind that Greenstone had originally forecast that 1.4 million tonnes of ore would be processed at San Andres in 1998. According to its own 1997 annual report, 31,000 ounces of gold would've been produced, if the original schedules had been met.

Mining to stockpile at the Water Tank Hill deposit is now under way at San Andres. Gold production is expected to be reported in early 1999. Mineable reserves of 12.6 million tonnes grading 1.68 g/t gold (681,000 ounces of gold) had been identified at Water Tank Hill as of December 31, 1997.

The nearby Twin Hills deposit has identified resources of 16.2 million tonnes grading 0.92 g/t gold. Further drilling at San Andres in 1998 confirmed that these two areas represent a single ore deposit. A revised reserve estimate, including data from the 1998 drilling program, is due to be released prior to year-end.

Finally, exploration drilling at the Hemco concessions in Nicaragua has identified copper-rich deposits in the area around the Rosita deposit. The Hemco claims include the Bonanza mine, as well as the Rosita and the Siuna deposits.

Fortunately for Greenstone, it will realize a US$46 premium over the spot price of gold on 105,000 ounces of its gold production this year. The premium results from a forward hedging position, which was sold off in October 1997, and which locked in a fixed price for the company's gold production.

A foreign exchange gain of US$3.1 million was attributable to a weakening Canadian dollar; it also benefits Greenstone's balance sheet