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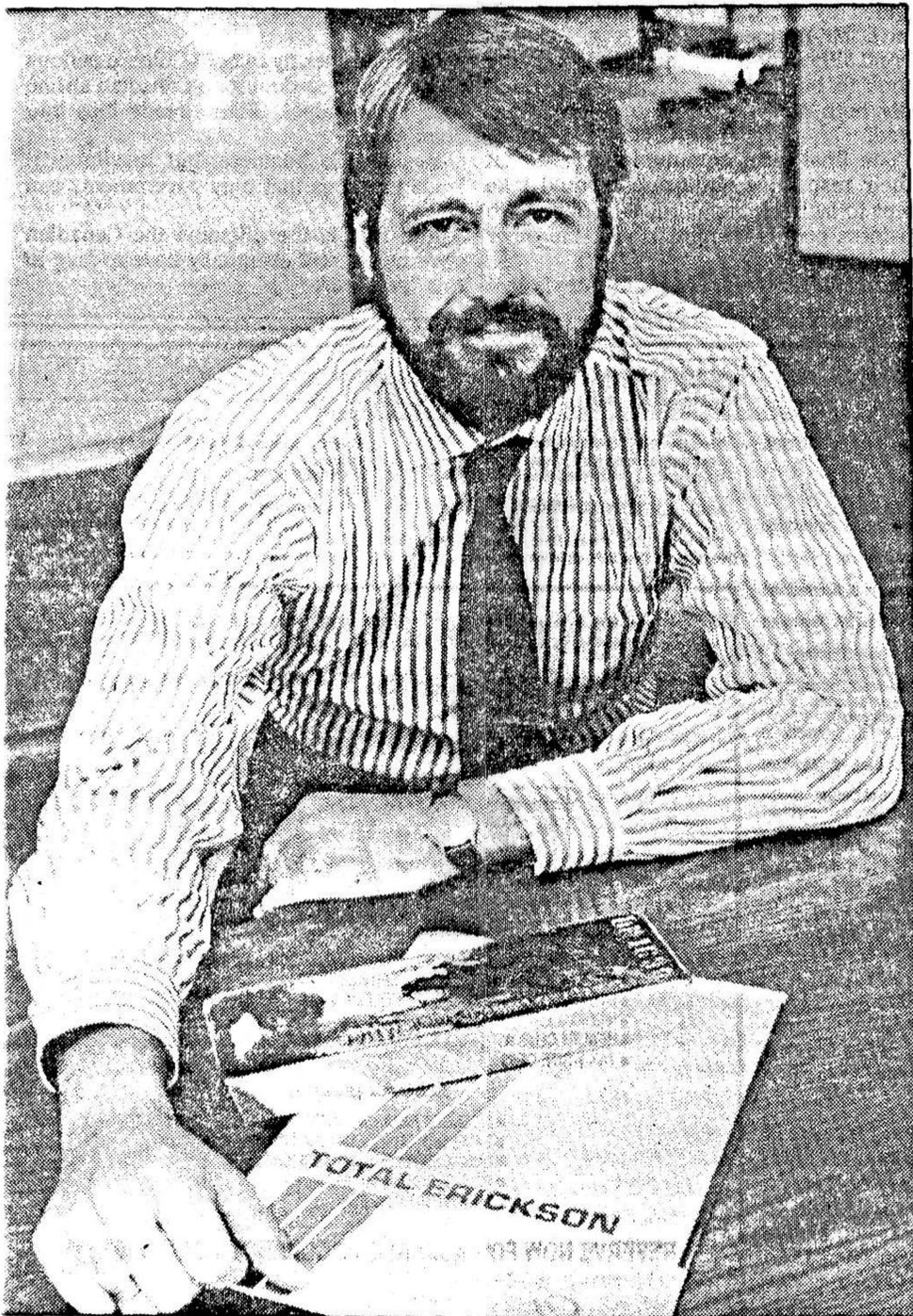
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Total Erickson stems the slide



Staff photo by David Clark

Kristian Ross of Total Erickson Resources Ltd. sees brighter times ahead.

By DAVID BAINES
Business Reporter

It's been a long and painful slide for Vancouver-based Total Erickson Resources Ltd. since its stock price peaked at \$16 in May, 1983.

But a recent alliance with a French multinational, a new gold mine in the Yukon and a new production facility at the Cassiar site have restored corporate vigor and shareholder optimism.

And, at the current price of \$2.40, analysts who earlier issued "sell" recommendations are beginning to reassess their position.

Erickson Gold Mines Ltd., as the company was originally called, was in a comfortable position in the spring of 1983. It was already listed on the Vancouver Stock Exchange and was applying to list in Toronto.

Executive vice-president Kristian Ross said its gold mine near Cassiar was producing 34,000 ounces of gold and it was acquiring more property in the area to ensure the mine's longevity.

"The next step was to become a mining company, not just a company with a mine. We realized we were vulnerable with just one operation (the Cassiar mine)," says Ross.

Erickson entered into a joint venture with AGIP Canada Ltd. to earn a 37-per-cent interest in a gold property near Mt. Skukum, just south of Whitehorse.

But Ross said the Cassiar mine began to suffer cashflow problems due to a lower grade of ore and plunging gold prices, and the company became hard-pressed to meet its financial commitments at Mt. Skukum.

With its back against the wall, it agreed last September to issue 17 million shares to acquire the assets of Total Eastcan Exploration Ltd., a subsidiary of Total Campagne Francaise des Petroles — a French multinational resource company.

The immediate benefit was a much stronger balance sheet. Statements for the six months ending June 30 show total assets of \$94 million and a net worth of \$72 million.

But control passed from the Ross family to Eastcan's French parent, which changed the company's name to Total Erickson Resources Ltd. to reflect its new parentage.

More significantly, original shareholders suffered significant dilution due the issuance of additional shares from treasury and the stock price dropped accordingly.

A further setback occurred in January when the Cassiar production facility, which was being renovated, burned down. The plant was fully insured, but the incident disrupted cashflow and dealt a psychological blow to the market.

The stock price slumped to its current level, giving a market capitalization of about \$65 million, slightly below book value.

The Mt. Skukum mine, which commenced production in March, is now expected to produce about 60,000 ounces of gold per year. The Cassiar mine plant, which is scheduled to start production in October, is expected to produce about 45,000 ounces.

The big unknown is how long the mines will be productive. Ross said current reserves are 165,000 tons of ore grading 0.70 ounces per ton at Mt. Skukum and 235,000 tons of 0.40 ore at Cassiar.

He said recent exploration programs indicate a "significant increase" in reserves, but declined to provide any details until the 1986 program is completed.

Market analyst Stephen Semeniuk of Brink Hudson Lefever Ltd., who issued a "sell" recommendation at \$4.85 last May, said the company "is worth re-examining" at the current stock price.

"The production leverage (number of ounces of gold produced per year per \$1,000 invested) appears attractive once the new mill commences production, proving reserves can sustain production," he said.

Industry digests research tax plan

Canadian Press

OTTAWA — Industry spokesmen are still digesting proposed new federal guidelines that will affect corporate tax claims and could make or break fledgling companies.

"We've got something that looks good to start with," said Bernie Ash, vice-president of finance for Canadian Astronautics Ltd. of Ottawa. "Whether it holds water will really be a matter of time."

Detailed guidelines outlining what research and development is eligible for corporate tax claims were released by the Revenue Department last week after months of study and controversy. The proposed federal rules are also sub-

ject to a 60-day review by industry. That came after bitter complaints of inadequate consultation with industry on something they said could easily affect the future of research and development and the growth of new companies in Canada.

Roy Woodbridge, president of the Canadian Advanced Technology Association, said it is simply too early to tell if the guidelines will do what they are ultimately supposed to do — effectively give industry the incentive to conduct scientific research and experimental development for innovative, competitive products and techniques.

"We're gearing up within the 60-day period to really have a go at them," Wood-

bridge, said, adding that companies will have to study the guidelines carefully to see if they fit the bill.

Russ Roberts, the science adviser who helped draft the final proposals, says the key proposal is a new consultative procedure. An outside specialist would be hired to work with a tax collector to help assess the kind of work a company wants to claim as experimental development and to help settle any possible dispute involving eligibility.

"The whole objective of this is discussion (and) consultation about what is research and development in each part of the country," Roberts says.