

The Northern Miner, Monday, January 15, 2007
Mining in BC, Yukon & Northwest Territories



Persistence Pays for Cusac Gold

Table Mountain Gold Mine Reopens After 9-Year Dormancy

By Peter Kennedy

When Rory Almasi died suddenly after suffering a brain aneurysm in February 2004, it was a development that no one could have predicted.

The untimely death of the 42-year-old Canaccord Capital stockbroker was a shock not only to his colleagues, but also to officials at **Cusac Gold Mines (CQC-T, CUSIF-O)**, a company that was depending on his financing skills to get its Table Mountain gold mine in British Columbia into production.

Without the \$3 million that Almasi had been working to raise, Cusac had to scramble to find alternatives and it took the family-run company two more years to raise enough funds to restart production at its mine.

"We were in financial dire straits," recalled Cusac CEO David Brett.

This is why Cusac officials were in a mood to celebrate when the first 5-oz. doré bar was poured in December, making Table Mountain the first and only metal mine in B.C. to reach the production stage in 2006.

Almasi wasn't just a financier. He believed in a strategy that would see cash flow being generated from a small starter mine that would fund gold exploration in the Cassiar mining district, where the company cobbled together a property position spanning 143 sq. km.

Under its deal with Canaccord, the company had hoped to raise the \$3 million from the sale of \$1,000 8% debentures, which were to be convertible into Cusac common shares at 50¢ each for a period of 18 months from the date of closing.

Each \$1,000 debenture was also comprised of 1,000 warrants, each entitling the holder to buy one share purchase warrant at 60¢ for up to two years.

When Almasi died and the financing collapsed, Cusac turned to Toronto-based M Partners, which raised \$5.75 million for the Table Mountain reopening in June 2006 from the sale of share units, flow-through shares, and convertible debentures.



One of the first gold bars to be poured at Cusac Gold Mines' Table Mountain mine in northern British Columbia. From left: Mine manager Kevin Fitzpatrick; vice-president, exploration Lesley Hunt; and Cusac CEO David Brett.

Of the total amount, almost \$900,000 came from the sale of 3.7 million units priced at 24¢, and consisting of one share and an attached warrant, enabling the holder to buy an additional share for up to one year at 35¢.

M Partners also raised \$1.8 million by selling 6.6 million flow-through units at 27¢ each. Each flow-through unit consisted of a share and a half warrant, entitling the holder to buy an additional share for one year at 35¢.

An additional \$3 million came from the sale of 813 convertible debentures at \$3,750 a unit. The 11% debentures mature in 18 months and are convertible into common shares of Cusac at 30¢ a share.

The debenture purchasers also received 6,147 warrants with each debenture, convertible into shares until May 31, 2007.

In return for their work, M Partners and Oberon Securities received a cash commission of 7%. They also picked up broker warrants to purchase an amount of shares that is equal to 7% of all units sold, at a price of 24¢ for a period of 18 months from closing.

Proceeds from the financing equipped Cusac – which traded recently at 24¢ on the Toronto Stock Exchange – to carry out its immediate production and exploration plans.

Having crossed the startup hurdle, the company's immediate goal this year is to produce up to 25,000 oz. gold from two high-grade vein systems, one of which has been named after the late stockbroker, Almasi.

Together the Rory and East Bain veins contain 44,000 tonnes of probable reserves, averaging 0.49 oz. gold per ton.

Exploration

However, the company's long-term goal is to become a mid-sized gold company by proving up additional reserves in other nearby zones and getting its production up to around 100,000 oz. per year.

In keeping with that strategy, the company will spend about \$1.5 million this year to explore targets in the Taurus II zone, which is located about 3 km from the mine portals and is accessible from a road that leads into the site.

It is also eyeing about 1 million oz. of inferred gold resources located in the Taurus zone, northwest of Taurus II and within easy access of the road leading into the Table Mountain mine.

Cusac has a 30% stake in the Taurus zone. The other 70% is held by American Bonanza Gold (BZA-T, ABGFF-O) of Vancouver.

"The property has excellent potential," said Mike Glover, Cusac's senior project geologist.

But he warned that all of the gold mineralization that would be relatively easy to find in the area may have already been discovered. It means the company will have to dig deeper in future, he said.

Still, company officials are pleased with what they have been able to accomplish so far.

"This is a little bit of a beacon of economic light in the far north of the province," Brett said.



Snowbound outside the Cusac gold mine in northern British Columbia. From left: Writer Leonard Melman; Cusac Gold Mines director George Sanders; Jim Elbert, president of Victoria-based Destiny Focus Consulting; and Tom Schroeter, senior regional geologist with British Columbia's geological survey branch.

Tom Schroeter, a senior geologist with B.C.'s geological survey branch, agreed.

"A lot of other companies are expected to be exploring in that region," he said.

In spite of the obvious challenges, he said Cusac met its targets through sheer persistence.

The gold that Cusac wants to extract is located in the Cassiar Mountain range not far from the

former asbestos mine that shut down in 1991.

Cusac is using the old Cassiar mine bunk houses as temporary accommodation for about 30 miners who are working at the site, including mine manager Kevin Fitzpatrick. He has previously been a mine manager at Table Mountain.

The existing mine workings are located on what used to be known as the Erikson mine property, ground that was controlled by Total Energold, before the French company elected