

CANARC RESOURCE

INTERVIEW

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CANARC RESOURCES

BRAD COOKE DOES THE BIG DEAL

Canadian Miner

Portrait Photography by Tom Burley

Canarc Resource Corp's announcement in late September that it was resuming work on its Benzdorp gold project, in the South American country of Suriname, was a demonstration of the importance of patience and persistence in the gold exploration business, especially in foreign countries.

Located on the Atlantic coast and sandwiched between Guyana to the northwest and French Guiana to the southeast, Suriname is the smallest country in South America. Its Benzdorp region is the most prolific gold producing area in the country, having produced some 1,000,000 oz. gold historically, including 500,000 oz. from bucket-line dredging and 500,000 oz. by small scale hydraulic mining of the extensive alluvial placer deposits. According to Canarc founder and President Bradford Cooke, there are indications that as much as 20 million ounces of gold are still hidden beneath the tropical landscape.

Based in Vancouver, Canarc first started working in Suriname in 1993. By 1996, it had signed an option agreement covering the 1380 sq.km Benzdorp property with the state mining company, Grassalco. A year later, after spending some \$2 million on exploration, the company inked a deal with Placer Dome to further develop the project.

It was "one of the biggest deals of my career," according to Cooke. Placer Dome could have earned up to a 60% interest in the project by paying Canarc US \$20.3 million over five years and spending all of the funds necessary to complete a bankable feasibility study. However, the deal hit a snag when the then government "stopped talking to us" and refused to hand over title, prompting Placer Dome to pull out of the agreement in 1998.

Benzdorp was put on the back burner until elections in 2000 saw a change of government in Suriname. Canarc subsequently asked Grassalco to re-negotiate certain contract issues before signing the latest agreement.

According to Canarc, the amended agreement reflects the new realities of the gold markets. It significantly reduces Canarc's schedule of cash payments, adds several years to the exploration and development schedule, and secures Canarc's ownership rights to Benzdorp.

Under the new deal, Canarc can earn up to a 100% operating interest in Benzdorp by spending \$3 million US on exploration, making \$300,000 US in cash payments and delivering a positive feasibility study.

Grassalco retains the rights to small scale placer mining and a net revenue interest, either a floating net smelter return of 1.5% to 6% based on the price of gold or a 20% net profits share after Canarc recovers all of its capital investment, plus interest.

In 1996 and 1997, Canarc explored the easternmost 5% of the property and discovered several large and/or high-grade gold prospects within a semi-continuous, gold mineralized belt 20km long. Virtually every creek draining this gold mineralized belt has been mined for gold. Canarc has now confirmed 12 gold soil anomalies, indicating the presence of multiple large lode gold source areas within volcanic, sedimentary and intrusive rocks of the favorable Guyana Shield greenstone belt.

Cooke said that, with the changing gold market, Canarc does not intend to pursue another Placer Dome-like joint venture for the property, at least in the short term. Instead, it plans to continue further exploration on its own. The ink was hardly dry on the new amended agreement before the company announced a private placement to raise C\$500,000 to finance exploration.

"Right now it is possible to finance exploration projects as a junior company, so that is why we announced a small financing in mid-September. That financing will go toward our next phase of exploration work at Benzdorp. An aggressive program of two to three-dozen surface trenches will not only better define the first drilling prospect, it could also significantly expand it to link with some of the other nearby drilling prospects we've already identified."

"The target at Benzdorp is a bulk tonnage porphyry



Photo courtesy of Canarc Resources Corp.

gold deposit, which means it's potentially rather large but typically of lower grade, although still very profitable if we find enough ore. In terms of target size, 2 million to 20 million ounces is what we're looking for, that's what we think the geology and the sampling is indicating."

"But, of course, the proof is in the pudding, and we still have to do a significant amount of trenching and drilling work to prove that."

The company metallurgical testing on the property, which showed excellent gold recoveries from a 4.7 kg trench sample of saprolite JQA prospect area at Benzdorp.

The purpose of these initial tests was to establish whether the gold content could be readily recovered from saprolite ore using simple gravity and flotation

methods and without any crushing or grinding of the sample. Almost 80% of the gold was recovered in this simple manner, indicating that the processing of saprolite ore should have very low costs on a per oz or per tonne basis.

Cooke says because of its potential to be a company maker Benzdorp will be the focus of Canarc's attention at least for the next eighteen months.

"Our upside scenario would be in linking together the various prospect areas into one continuous ore body. If we're successful in doing that, we could be talking 10 million to 20 million ounces, which would be more than sufficient to attract a company like Placer, or

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Barrick or Newmont to joint venture the project, or even to bid for the company." Says Cooke.

Canarc has one other major gold project and it is right in its' own backyard.

Its wholly owned New Polaris gold property is in northwestern British Columbia, about 60 km east of Juneau, Alaska, and 100 km south of Atlin, BC, on the west bank of the Tulsequah River. The old Polaris Taku mine was a high grade, underground gold mine that Canarc acquired in the early 1990s. Since then, the company has spent some \$20 million on an exploration program that has defined what is, at about 1.3 million ounces, the largest undeveloped gold resource in western Canada, according to Cooke.

It also has an interest in a small placer mine in Suriname that currently produces about 10,000 ounces a year. Canarc has no obligation to put more money into it but, according to Cooke, it is only profitable above \$300 US gold. The company also has a minority interest in the Bellavista gold project in Costa Rica, a fully permitted mining operation currently on hold because the majority owner, Wheaton River Minerals, isn't interested in developing a small mine.

Canarc was in the middle of a feasibility program on the new Polaris project when the market for gold companies collapsed.

"We lost our opportunity to complete the financing for the feasibility program, so we basically shut the project down."

"However, having already invested almost \$19 million there, we would have to say that it is not only the largest asset in the company, it is also a bona fide gold mine project albeit at slightly higher prices. We've always seen US \$350 per oz as the trigger price for Polaris." Says Cooke.

With the changing gold market, Canarc is going back to try and reduce that trigger price to the point where it becomes profitable to mine to about \$325 US, the current market price for gold. To do that, Canarc aims to reduce construction costs by about \$10 million to \$15 million and operating costs by about \$25 an ounce.



"So New Polaris is slowly coming back on to the front burner," says Cooke.

Cooke believes Canarc has weathered the latest mining downturn and is in excellent shape and has a uniquely balanced property portfolio.

"I think Canarc is somewhat unique in the realm of junior gold companies," says Cooke, "in that we can offer investors either small scale production cash flow, or a large development opportunity, or a huge exploration play, depending on what project you look at. We stand out from the crowd because we have all three. We have the small placer mine, in Suriname, a development opportunity at New Polaris, and this exciting exploration play at Benzdorp.

"This package of assets is not very common in junior companies. They normally choose to be just a producer, like Wheaton River, or just a developer, like Gabriel, or just an exploration play, like most juniors."

"Our approach has always been a portfolio approach to try and reduce risk to our stockholders."

Cooke points out that both Barrick and Echo Bay

maintain minority shareholdings in Canarc and almost half the stock is owned by a small group of American investors.

Describing himself as "moderately bullish," Cooke believes Canarc is "ready for a new phase in the gold market. At the current share price, Canarc is only valued at \$10 US per resource oz at New Polaris, so the upside potential of Benzdorp is effectively free for investors."

"I think if you look at the next three years, the combination of attractive fundamentals and technicals on the gold bullion price coupled with the fact that Canarc is now finally going back to work on Benzdorp, after a five-year holiday, adds up to a pretty attractive investment opportunity."

Some might say that patience and persistence are their own reward, but with a new gold cycle reviving the interest of investors in gold companies everyone hopes that **Canarc and investors alike will both be suitably rewarded for demonstrating patience and persistence.**



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Canarc Resource Corp. is a growth-oriented gold exploration and mining company listed on the Toronto Stock Exchange. Our principal asset is the 1.3 million oz New Polaris high grade gold mine property located in northwestern British Columbia.

In 2002, Canarc's main focus will be exploring the potential for a major new gold discovery at the strategic Benzdorp project in Suriname. Extensive mineralisation has been found in a large gold porphyry system flanked by high grade veins and the target size here is up to 20 million oz.

Canarc is strong financially and our major shareholders include Barrick Gold and Echo Bay Mines. At the current share price, Canarc is trading at only US \$10 per oz and therefore offers substantial upside potential for prudent investors.

For more information, please contact us at 604 685-9700