

RESOURCE OPPORTUNITIES

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...Discovering value in natural resource stocks

Initiating Coverage

CGA Mining (CGA-TSXV)

CGA is set to begin development of a gold mine that would produce more than 200,000 ounces annually beginning next year. That project is the first step in the company's plan to quickly evolve into a mid-tier mining company. So far, this company has had only minimal investor interest.

CGA's project involves bringing a past producing mine back to production. The company's management team has already developed six similar mines. Permits are in hand and the company is in the final stages of securing the balance of the funding needed for mine development.

With a 5 million ounce gold endowment already outlined, CGA has the basis for a long life mining project that will support plans for further near-term growth.

The CGA management team has considerable mining industry experience and have previously worked together in other companies to develop mines. The group has a presence in North America and Australia with experience and contacts that span the globe. The company also has an exceptional group of advisers.

Earlier this year, CGA bought the Masbate gold project in the Philippines from Thistle Mining. Thistle had updated a bankable feasibility study on the Masbate project, but was forced to sell the project when it encountered serious financial difficulties stemming from an ill-fated gold mining operation in South Africa. Masbate produced a million ounces of gold for a previous operator before it was closed in 1994. The closure was the result of the bankruptcy of the operating company arising from problems at another mine.

The Masbate deposit is located on Masbate Island, within a short flight or boat ride from the Philippine capital of Manila. The earlier mining operation endows the project with a solid base of infrastructure, including docks, airstrip, roads, housing, workshops and other facilities.

CGA has spent the past nine months evaluating the earlier data, including last year's feasibility study. They are now within weeks of completing an updated feasibility study. All of the required permits have been formally granted and long lead time items have already been ordered.

CGA has \$25 million of cash on hand. Earlier this month, they announced preliminary approval of a \$65 million project finance facility from one of the world's largest financial groups. The company is now working to close a \$60 million bond issue that will provide more than adequate cash to fund the estimated \$130 million of capital expenditures required by CGA to bring the mine to full-scale production.

CGA has established a couple of important alliances that enable the company to develop a mining operation for significantly less capital than an equivalent operation at the 200,000 ounce per year level. The largest construction company in the Philippines intends to build a coal-fired power plant near the site. Subject to a final agreement, that plan would provide power under a long-term contract with the stable price. CGA also has an agreement that would see the largest mining contractor in the world operate the open pit mine on a contract basis. The contractor would provide the mining equipment.

Once the Masbate mine is in production at a level greater than 200,000 ounces per year, the company will merit a market value that represents a multiple of the current share price. In view of the past mining history and the work that has already been completed on the project, development risk at this stage is much less than would be the case for most other mine development projects.

The Philippines has become a hot-spot for the mining industry over the past couple of years, with the majors committing billions of dollars to mine development projects in the country.

In addition to the Masbate project, CGA already has interests in two other very attractive advanced-stage projects. The Mkushi copper project in Zambia is also a past producer with good infrastructure already in place. The mine closed after the nationalization of the copper industry in that country in the 1970s.

Located in the prolific Zambian copper belt, Mkushi has potential to become a high grade, open pit copper mining operation. The company is presently drilling to confirm and extend the resource position and is conducting work leading toward a feasibility study.

CGA is also evaluating the Segilola gold project in Niger. The company is pioneering mineral exploration in that country. Extensive Archean greenstone belts host gold-bearing quartz veins, the typical geological setting for many of the gold districts of West Africa. Work by the company's joint venture partner has already outlined several hundred thousand ounces of gold. An extensive drilling program now underway has the potential to greatly expand the known deposits. The company will be testing numerous additional targets on its extensive property position.

In addition to the exploration projects already in hand, the CGA management team is on the lookout for additional development-stage projects. The Masbate project provides a solid foundation from which the company can build additional productive capacity. Prospects are good for CGA to quickly evolve into a substantial production company and that would add considerable value for shareholders. The share price should get an immediate boost as the company begins to attract investor attention as an emerging gold miner. Price *September 24*, C\$0.87
Shares Outstanding: 161 million
Market Cap: C\$140 million
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