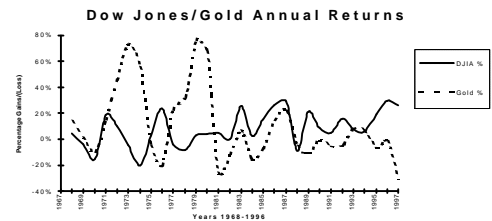




# Gold & Technology Stocks



Weekly Hotline Transcript

(Now in our 21<sup>st</sup> Year)

Sept. 20, 2003

Jay Taylor selected Canarc Resource Corp as his “Stock Pick of the Week” for the week ending September 20, 2003. Jay has been tracking Canarc Resource Corp since 1989 in *J Taylor's Gold & Technology Stocks* newsletter. Jay has an outstanding track record. Last year, when the S&P 500 lost 23.37%, Jay's Model Portfolio which includes technology, natural resources, gold mining stocks as well as currencies gained 46.10%. From January 1, 2003 through September 30, 2003, Jay's Model Portfolio gained 24.55% vs. a 13.20% gain for the S&P 500. To learn more about Jay's Model Portfolio and investment philosophy visit [www.miningstocks.com](http://www.miningstocks.com). First time subscribers can take advantage of a Special Three Month Trial, which includes both monthly and weekly service for just US\$39.

With Jay's Permission, we are passing along the following report on Canarc Resources written for his paid subscribers and distributed via his September 20, 2003 weekly commentary.

## Canarc Resource Corp.

### Our Stock Pick of the week (9/27/03)



Traded: TSX – CCM:

OTC – CRCUF

Shares Outstanding: 49,047,274

Initial Recommendation 2/27/89: \$1.19

Price 9/19/03: 0.53

Quality Rating: “B”

This stock is by far the longest standing recommendation on our list. We recommended it on February 27, 1989 at \$1.19 and it subsequently went to \$5.50 in 1990 and again in 1994. However, since 1997 it has been “dead money” due to the bear gold market.

We held this stock over the years in part because of some small operating cash flows from two mine projects that helped this exploration company defray overhead costs. In addition, I have stuck with Canarc because I have believed for some time that this company has a shot at outlining a world-class gold deposit at its Benzdorp project in Suriname, South America.

Finally, after some legal hassles over property ownership that stymied the company's ownership of this property were finally resolved, management has begun serious exploration

work. Canarc's initial drill results have been very encouraging. I believe it is time to begin talking more actively about this stock that is clearly now emerging from a long hibernation.

### **The Benzdorp Could be a Monster Gold Deposit**

The company's Benzdorp property, where the English and Dutch first mined gold in the late 1980s, is a huge claim area. There are four exploration concessions measuring 42 km x 31 km, totaling 138,000 hectares. Canarc holds an option to acquire a 100% interest (subject to a 20% NPI or 1% to 6% NSR) in the subsurface mineral rights from Grassalco, the state-owned mining company.

Of course, more important than the size of the company's property are the prospects for discovering gold reserves. I believe the prospects for outlining one or more major gold deposits on the Benzdorp are excellent. When I met with president Brad Cooke in New York last week, he noted that Canarc has already identified twelve gold targets, two of which are large tonnage gold/copper porphyry targets and the remaining ten are high-grade vein targets.

The known gold prospects occur on the easternmost 5% of the property within a northeast-trending greenstone belt of meta-volcanic and meta-sedimentary rocks intruded by dioritic plutons and crosscut by northeast, north and northwest-trending structures. Every creek for 20 km has produced or is currently producing placer gold. Canarc has focused initially on three gold prospects, all of which are drill-ready. The first drill results have now started to come in from one of those prospects, namely the JQA prospect, and the results have not been disappointing in the least. The JQA prospect, which is one of two gold/copper porphyry targets, measures 750 meters long x 250 meters wide, averaging 1 gram of gold per tonne and is open in all directions. The exploration target here is a porphyry gold deposit of several hundred million tonnes containing 2 to 20 million ounces of gold to a depth of 300 meters. Bear in mind,

this is just one of two gold/porphyry targets and ten vein targets on this property.

### **Potential Project Economics**

One gram per tonne, which equates to approximately 0.032 oz. gold/tonne may at first appear to be a rather low gold ore grade. But investors who are new to gold mining must be aware that ore grades are only one of many variables that determine mine economics. A grade of 0.032 oz./tonne would most likely not be economic in a high cost underground mine, but can be highly economic in a low cost open pit mine especially if combined with low capital costs, high recovery rates and favorable infrastructure. Some factors that may favor the Benzdorp are the following:

- Mining costs should be very low if the mineral-bearing deposit extends over the 750 meter by 250 meter surface area and continues to depth. The geometry and continuity of this deposit means that the stripping ratio (waste to mineral-bearing rock) should be very low. Also, the top 50 or 60 meters or so of mineralization is contained in a soft, easy-to-work saprolitic material. This means that minimal drilling and blasting of ore should be required prior to mining.
- Based on early indications, the gold and copper can be extracted with simple gravity recovery methods, which should reduce capital costs from what would be required if flotation and cyanidation were required. Also the ability to recover gold using gravity rather than cyanide should reduce environmental concerns and thus initial costs.
- Assuming this is a very large deposit, economies of scale should also boost the profitability of the project.

To provide a sense of the potential profitability that may be possible at the Benzdorp, it may be worth looking at the economics of the Brasilia Mine operated by RTZ, a major multinational

mining concern. At the Brasilia, the average grade is only 0.47 grams gold/tonne. The project produced 250,000 ounces of gold per year at a cash cost of \$167/oz. Clearly it is too early to draw any concrete comparisons between the Brasilia and the Benzdorp. But given many similarities, it is perhaps the best example of what Benzdorp could turn into, although we note that so far it looks as if the Benzdorp might be of a higher grade.

How large could the Benzdorp be? Again, let me remind you that what we are talking about so far is only the JQA claim section of this property, which is only one of twelve gold targets on the Benzdorp. Given the apparent dimensions of mineralization on the JQA claims (750 meters by 250 meters), and given the fact that not only the saprolitic material is mineralized but that the bedrock itself appears to also contain gold and copper, this claim section alone could conceivably contain many millions of ounces of gold. Given the dimensions and grades anticipated on the JQA claims, every 50 meters of depth to which this deposit extends, another million ounces of gold would be contained in this deposit. Drill holes reported to date have extended to as far down as 79.25 meters. With many of these holes remaining open at depth and in bedrock, the prospects for a monster gold/copper deposit akin to some of the bigger ones among the companies on our list, appear to be a distinct possibility at this early stage of exploration.

### **Other Properties**

Canarc also holds an interest in various other projects. Although I view the Benzdorp as the main reason to buy this stock now, at least up to this point, the company's New Polaris property (100% Canarc), located in northwestern British Columbia, could be considered Canarc's principal asset. This is a high-grade, past-producing underground mine. It is one of the largest known gold deposits in Western Canada. Management believes that the development of the neighboring Tulsequah Chief base metal mine and road should significantly enhance the economics for advancing the New Polaris

project. While this project will most likely never match the potential for a major world class deposit that the Benzdorp holds, it could become a small to mid-sized high-grade gold producer that could add very significant value for CCM shareholders assuming as I do that this is the early stage of a multi-year gold bull market. Still other properties in CCM's portfolio are the following:

- The most advanced development project is the 2 million oz. Bellavista gold deposit in which Canarc holds an 18% carried interest after payback in Costa Rica. Glencairn Gold, the operator, has identified a 550,000 oz. higher-grade, proven mineable reserve that is amenable to heap leach operations with low operating costs of US\$156 per ounce.
- The Sara Kreek gold mine is a small open pit placer operation (80% Canarc) in the Republic of Suriname. Production was approximately 10,000 oz. and the mine operated at about break-even in 2002. A second, small, high-grade, open pit lode mine at Sara Kreek with an estimated US\$62 operating cost per ounce also is planned in the future. The company also owns the prospective Clara high-sulfidation, gold-silver property in the prolific Sierra Madre Belt in Mexico through its subsidiary company, Aztec Silver.

I believe Canarc's management is fully capable of carrying out the tasks required of a junior gold exploration company. Any major gold deposit, if it is to be developed in Suriname, would no doubt require the assistance of a major gold producer to bring it into production. Major gold deposits measuring more than 5 million ounces are rare and sure to be coveted by major mining companies, especially if as I believe, we are in the early stages of a major gold bull market. So, If Canarc does uncover a world-class deposit, I would expect a bidding war for the Benzdorp and/or Canarc would take place among major gold producers and that shareholders would be richly rewarded. With additional managerial personnel, Canarc may be able to manage

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production from a smaller project like the New Polaris mine. But speculation on these issues is a bit premature at this time. Now, what is required is for investors to pay close attention to the company's exploration activities on the Benzdorp. We will of course report significant news events along to you in our weekly hotline messages.

As always, we implore our subscribers never to put more than 5% of your portfolio into any one stock. That is simply a good, common-sense investing rule. Remember—the tortoise, not the hare, won the race. Likewise, most successful investors are content to build wealth slowly and

prudently rather than greedily seeking to gamble for the big hit. Canarc is one of at least a handful of juniors on our list that we think have the potential to make major gold discoveries. We would suggest you allocate up to 5% in each of those companies so that if any one of them is successful in discovering a world-class gold deposit, your portfolio will have been significantly enriched without taking a significant risk. For additional information on Canarc, contact Canarc's Gregg Wilson at (604) 685-9700, e-mail: [gwilson@canarc.net](mailto:gwilson@canarc.net), and/or visit the company's Web site at [www.canarc.net](http://www.canarc.net).

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