

Philippine gold

Interview with Brett Taylor (CEO and President Cadan Resources Corp.)

Asian nations have long been a destination for base and precious metal exploration and development. The Philippines, long known for its exceptional mineral endowment of porphyry copper, gold and nickel, has seen its fortune expand with global companies successfully producing copper, nickel, silver and gold.

The latest company soon to join the "producer" group is the TSX-V listed Canadian company Cadan Resources Corporation, (CNF TSX.V).

Cadan has two project areas in East Mindanao, Philippines. First is the TBoli gold-silver mine and the second is the Comval porphyry copper-gold and Batoto Tarale gold project.

We spoke to Cadan's President/CEO Brett Taylor, who has lived in Davao City, Mindanao for some 12 years, about the progress of Mindanao, Cadan's projects and the future of the mining sector in Mindanao and the Philippines.

Q You are the President, CEO and a Director of Cadan Resources Corporation., a Canadian mining company, which is focused on exploring, developing and mining gold-silver and copper-gold in the Philippines. Could you please give a short introduction into your company?

A CADAN RESOURCES CORPORATION has focused over the past two years specifically on re-

source drilling its Comval "world class" porphyry copper-gold assets, validating the Batoto gold deposit with some 2M ounces of gold (Philippine historic resource 39Mt @ 1.8g/t gold); completing essential infrastructure and reviewing / updating existing the gold-silver resource at its Tboli



Source: Cadan Resources Corp.

gold silver mine.

Q Why did you decide to work in the Philippines: what makes it so interesting for you?

A I first visited Mindanao in 1996 and while traveling around reviewed 10 porphyry copper-gold and gold-silver projects. The mineral potential was evident then and over the years Mindanao has witnessed the discovery of the Tampakan porphyry copper-gold project, with some 2.2Bt @ 0.6% copper and 0.2 g/t gold containing some 12.8Mt of copper metal and 15.2 Moz ounces of gold, which re-

presents one of the largest undeveloped copper-gold deposit in South East Asia and, with significant potential for additional mineralization, who knows how large this can be. Xstrata Copper has a 62.5% interest.

Then there is Medusa Mining Limited: another successful international gold company operating a narrow vein, high grade gold system which has a resource of some 4Mt @ 10.8 g/t for some 1.38M oz of gold. It, too, is seeking a porphyry copper arm.

Davao City is my base: and that of my wife and children. And, like all business people, we simply focus on investment, development and promoting investment opportunities in Mindanao. And investment has come with three major land development corporation construction new shopping malls; residential estates being developed, commercial / industrial estates being constructed and more and more business outsourcing and international call/service centers being established. And all this demand has seen a jump in land values – one visible sign of economic prosperity.

A combination of the mineral industry on a global scale combined with expanding investment in services, agriculture, education and training give Mindanao a strong platform for continued growth and for our businesses to be part of it.

Could you please give a short overview of Cadan's projects.

Cadan's T'boli epithermal high-grade gold-silver mine, set for initial production in Q4 2009 is a tremendously exciting operation. It has a current NI 43-101 Inferred Resource of 2.4Mt @ 5.5 g/t gold and 21 g/t silver, for 420,000 contained ounces of gold and 1,600,000 contained ounces of silver. The data for this has been extensively reviewed internally and on the basis of a 1meter mining width, the conclusion is a new resource of 1.3Mt @11.60 g/t gold and 40 g/t silver, for 485,000 contained ounces of gold and 1.7M contained ounces of silver. This makes a significant difference to the project's overall economics. Moreover, based on recent test production of 13.5t, the head grade was actually higher at 14.06 g/t gold and 38 g/t Ag.

T'boli is an epithermal vein and stockwork system carrying gold and silver and is thought to be of the carbonate base metal hot spring style as defined by Leach

and Corbett. In carbonate base metal hot spring style systems gold is associated with base metal introduction and is rich in silver. These systems are regarded as developing at intermediate levels between porphyry and shallow epithermal systems. Carbonate base metal hot spring style systems are known throughout the SW Pacific and this class of mineralization includes Acupan, Porgera, Wau, Kelian, Mt Kare and Gold Ridge, which are all multimillion ounce deposits.

This in part is why Cadan holds the view that T'boli gold-silver system has the potential for some 2 to 5 million ounces of gold and 8 to 25 ounces of silver.

Cadan's second significant gold target is the Batoto gold project, which has a Philippine historic resource of some 39Mt @ 1.8 g/t gold for some 2.1 million ounces of gold. Exploration to date has been focused on validating this resource, using the bottle-roll assaying method and geological mapping and sampling, and this

work is presently ongoing. Exploration work completed to date indicates that gold mineralization is widespread and the potential to expand this resource is significant. Indeed, the potential is between five to 10 million ounces of gold.

Cadan, too, is fortunate to have identified four major copper-gold resources over which some 20,000m have been drilled using both diamond and RC. The resources have a potential of some 10Mt to 16Mt of copper metal and some 11Moz to 21M oz of gold.

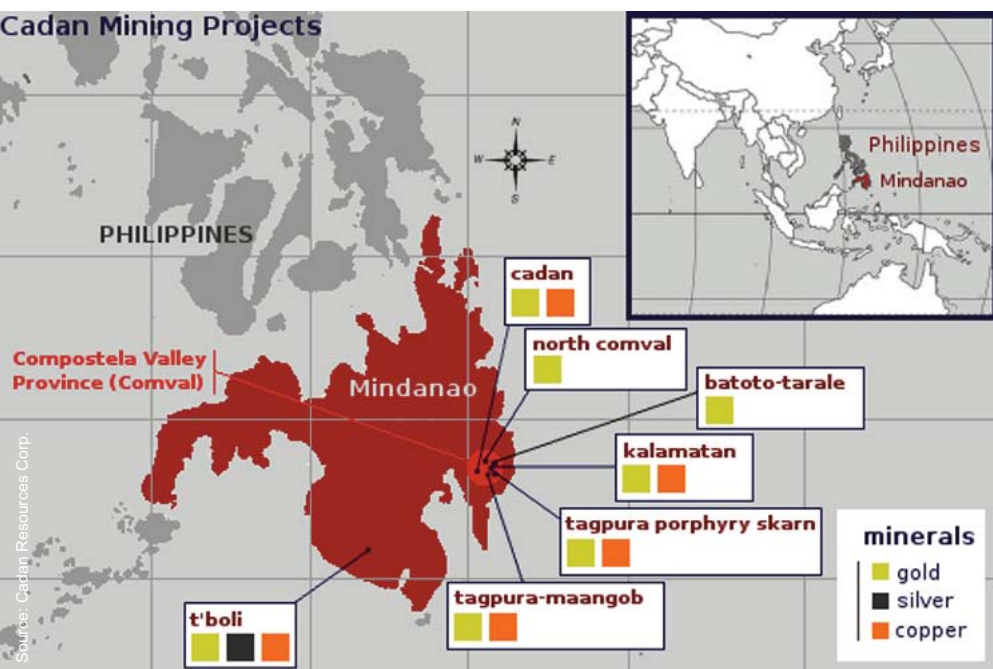
Tagpura-Maangob porphyry copper-gold corridor has a "conceptual or order of magnitude" potential tonnage range between 1 billion and 1.7 billion tonnes and a grade range between 0.30% copper and 0.17 g/t gold to 0.7% copper and 0.31 g/t gold.

Tagpura porphyry skarn zone now has an indicated internal resource analysis of some 12 million tonnes @ 0.70% copper and 0.31 g/t gold. A Technical Report is in preparation.

Kalamatan porphyry copper-gold has an indicated "conceptual or order of magnitude" potential tonnage range of some 100 million tonnes to 525 million tonnes with a potential grade range from 0.27% copper and 0.11 g/t gold to 0.55% copper and 0.46 g/t gold.

The newly discovered Cadan porphyry copper-gold target, based on geophysical analysis, has a potential tonnage between 450Mt and 900Mt. This is an exciting target.

More recently Cadan announced



that its Maangob porphyry skarn had high grade sections of: 38m at 1.72% copper ("true width") and, at 65m along strike, 30m at 0.98% copper ("true width"). The mineralized zone contains a historic resource of 39.6 M tonnes @ 0.36% copper, 0.5 g/t gold and 4 g/t silver. Assays for gold and silver are pending.

Near term copper-gold production and early positive cash flow is possible from the Tagpura porphyry skarn, using the Bio-Heap™ leaching technology. Test results returned a head grade of 0.66 g/t gold and 1.96% copper and, after 63 days, recovery was 85.5 % for copper and 93.7 % for gold.

An initial five to seven year plus mine life is envisaged, with low cost metal production. It has a projected cashflow of US\$ 26m with a production cost per pound between US\$0.70 and US\$0.90 cents.

? What strategies do you have for these projects?

A TBoli is the first gold-silver project to be brought into production. Plant and equipment for a 150tpd operation is finalized and will be installed and operational in Q4 2009. For 2010, we are targeting mining 71,000t to produce 30,000 ounces of gold and 71,000 ounces of silver at a cash cost range of US\$250 - 350 per ounce. At US\$800 gold and US\$12 silver, projected gross revenue is US\$21m in 2010.

As lateral development continues, we plan for a doubling of production by 2012. At US\$800 gold and US\$12 silver, projected

gross revenue is expected to be US\$42m in 2012. And from there it is a continuation of resource definition to increase resources and increasing gold-silver production.

Cadan recently appointed Mr Ron Huston as Technical Consultant, Mining Operations. He has more than 40 years management and operational experience in underground mining throughout Australia and in Southern Ukraine covering gold, copper-gold and nickel operations with emphasis on administration, management and cost control systems. Ron owned and operated a mining contract business with an annual turnover of AUD\$40m which was sold in 1995. Some of the significant contracts were: Youanmi – gold and base metals project with a contract value of AUD\$25m and work involving decline access to fill stopping methods; Lady Eloise copper-gold project with contract value AUD\$15m and work including new mine decline access to sub

level stopping methods; Mt Isa Mines –Hilton Shaft project with contract value AUD\$ 12m and work including declining from shaft bottom and installing Our TBoli gold-silver operation gives Cadan enormous flexibility in its future funding and development strategies for its Tagpura porphyry skarn copper-gold and its Batoto Tarale gold project.

? When will you be ready to start full production and at what costs will you be able to produce at Tagpura porphyry skarn copper-gold?

A Tagpura porphyry skarn copper-gold resource (pictured left) has been defined by drilling and now is ready for production. It has a projected mine life of six years at 2Mt a year @ 0.7% copper and .31 g/t gold and is projected to produce some 12,000t of copper metal and 17,000oz of gold. Using US\$15 a tonne to mine and leach, cost per pound of copper is US0.89 cents. Capex



is projected at US\$26m with a NPV of US\$82m and IRR of 132%. Moreover, with costs decreasing going forward the potential free cash flow could be greater than US\$34m a year. An exciting and rewarding project indeed for our stakeholders and shareholders.

? Will Tagpura porphyry skarn copper-gold be your key project for the future?

A It is part of Cadan's substantial porphyry / skarn copper-gold resource inventory. It is higher grade skarn, compared to the porphyry, and that is why it will be brought into production earlier. Cadan also has the Maangob skarn which has the potential of some 30-40Mt and the yet to be drilled Tagpura East and Bayag-bayag skarns both of which have the potential to add significant tonnes to the skarn inventory. Cadan believes that its cost per pound (including gold credits) could be around US\$0.60 cents and, with increasing tonnes, can be a long life, low cost producer of copper metal for decades. We are very confident of the copper market going forward: demand for copper will continue to increase as global growth returns to the world economy especially the USA, Europe Japan and Korea. This will have the capacity to underpin the copper price at around US\$2.50 to 3.00 a pound.

? Is your drilling program already finished?

A In the past two years Cadan

drilled some 20,000m, in 110 holes, of diamond and RC drilling. This covered all the projects above and is an impressive achievement for the company. The results, will lead to an initial NI 43-101 Technical Report for the copper-gold assets. Hence, for the moment, the focus is on production and later we will return to targeted drilling to further define resources / reserves.

? What are the next big milestones for Cadan Resources Corporation?

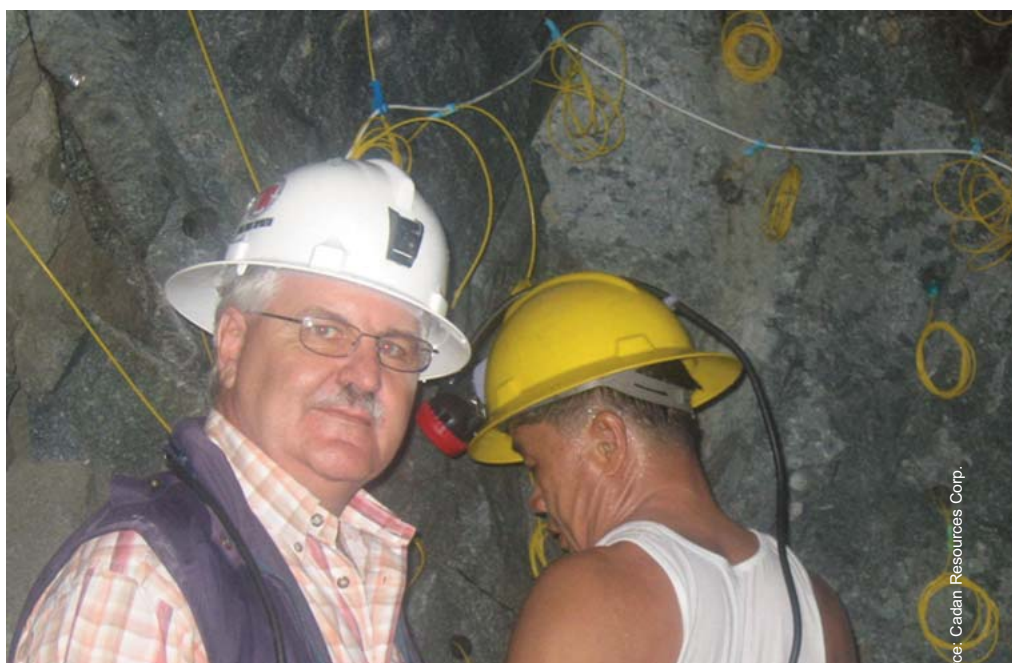
A For Cadan attention currently is on production – that is, to be, and remain a lower cost producer. This is being applied to our Tboli gold-silver mine, which will be producing by Q4 2009, and then followed by Tagpura porphyry skarn and Batoto-Tarale gold project. These are big, challenging and rewarding steps – and with the current management and technical team, especially our local people in the Philippines, all achievable. Throughout this, our objective is

to value add our projects through targeted exploration with a clear focus on future commercial production.

The wonderful thing about Cadan is that it has an abundance of "proximity" resources that it will explore further and develop. And as it does it will continue to add value to the company.

? What do you think about the political factor in the Philippines in general? How stable is it?

A The Philippines is a robust democracy which enables its people to ventilate issues in a generally peaceful, orderly if somewhat colorful and humorous manner. In that context one could argue that it is one of the more stable nations in Asia. Having lived here for some 12 years, one gets to appreciate the culture. In developing countries politics national, provincial and local is always involved in all issues not just development and investment because political leadership, like business leadership, is part of the way of life.



Under President Macapagal-Arroyo economic growth has averaged 5% since 2001. While the general macroeconomic outlook has improved in recent years, long term challenges remaining such as: reforming its outmoded economic structures to encourage greater investment and development and closing the gap with regional competitors and, in so doing, improve employment opportunities across all sectors both of which will contribute significantly to alleviating poverty. These are both achievable. And that is the opportunity for greater mineral sector investment and development as the positive spillover effects of a vibrant, forward looking industry are substantial and long lasting.

? How would you describe your relationship with the Philippine government and its agencies?

A In a word: professional. That is our approach to all relationships be it government or commercial business and dealing with our people. It does help somewhat that many relationships have been established over the past 12 years and during that period trust, confidence and integrity have been demonstrated on both sides. Moreover, Cadan's local people are well respected among their peers and have contributed to the country for many, many years

? Does Cadan Resources Corporation have a social program for its people and the communities in which it operates?

A In developing nations successful operations co-operate with the community by creating opportunities for people to benefit not only by direct and indirect employment opportunities, but also through educational scholarships, medical services, environmental and social enhancements. These include: a child feeding program which improved the welfare of the local children and support for teachers so that children can go to school and be taught in their native language. Cadan has donated computers for local government; equipment for agriculture, built a child minding centre, refurbished the community medical clinic and constructed an indigenous peoples building.

It is presently contributing to the formation of co-operatives to take the lead in community building and assisting its members in developing livelihood opportunities among other services.

These social contributions all strengthen relationships, some new most long standing, that are based on performance as well as trust and confidence.

? Why should potential investors invest in Cadan Resources Corporation right now?

A There are number of reasons why investors should invest in Cadan Resources Corporation:

- Exposure to tremendous gold-silver and copper-gold assets, anyone of which would be a "company maker" in its own right. Combined they give Cadan

future cash flow flexibility to further develop its business without undue dilution.

- Dividends: return capital excess after operational and exploration requirements to shareholders;

- Pending gold-silver and copper-gold production – long life, lower cost range operations - copper @ US\$0.80 to US\$1.00 a pound and US\$250 -350 an ounce for gold - with solid cash flow; and opportunity to reduce costs with technology, education and training and economies of scale in purchasing inputs;

- Additional resources and targets within existing areas to grow its business from within a major point of difference as there is no need to chase externally copper pounds or gold-silver ounces.

- Hands-on, very strong in-country technical team and experienced corporate management group in the Philippines and Canada.

- Directors and Management own ~ 30 % of the business

Cadan Resources Corp.		
Quote	0.18 CAD	TSX-V
Quote	0.113 EUR	Frankfurt
MaCap	27.49 Mio. CAD	
WKN	A0M Z25	Frankfurt
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Symbol	CNF	TSX-V
Symbol	RFU	Frankfurt
Website	www.cadanresources.com	