

Gold mining company restructures debt, aims to continue development of Amador County mine

Mark Glover, Sacramento Bee, 12-31-13

Sutter Gold Mining Inc., which two years ago envisioned an underground gold mining bonanza at its Lincoln Mine Project near Sutter Creek in Amador County, has restructured its debt and expressed renewed hopes of ultimately making its foothills venture pay off.

The company released a statement last week saying it had reduced its interest expenses by securing a conventional loan totaling \$40 million from RMB Australia Holdings Limited – money that would be used to replace existing debt and “for continued development of the Lincoln project and general corporate purposes.”

Sutter said underground work on the mine is running ahead of schedule, but work at an on-site mill “was hampered by poor design elements, inappropriate equipment selection and improper installations.” The company said adjustments were made and mill operation “has recommenced, and the process of commissioning the milling facilities for production is underway.”

The company, based in Vancouver, British Columbia, also said it is finalizing a budget for the next phase of work at the Lincoln Mine Project.

“We have been very pleased with the underground development we have completed and have an improved understanding of our principal veins and our approach to continued development and mining,” Rick Winters, president and CEO, said in the prepared statement.

“The issues we experienced as we began running the mill were more troublesome than we expected, though we are confident we have identified the problems and bottlenecks and addressed them to allow for sustained processing of our existing stockpiles and commissioning of the processing facilities over the next three months,” he said.

Winters projected “initial revenue in the first quarter of 2014.”

In 2012, officials touted the Lincoln Mine Project as the first commercial underground gold mine operation in California’s historic Mother Lode region in more than 50 years.

After a prolonged regulatory and approval process, underground development started in the fall of 2012, buoyed by expert projections of 223,000 ounces to perhaps 680,000 ounces of gold at the site.

However, spirits sagged in July, when Sutter Gold announced that President and CEO Leanne Baker was being replaced on an interim basis by Winters, president of RMB Resources Inc., a merchant banking division of the FirstRand Group of South Africa, a major funding source of the project.

In addition, Sutter Gold eliminated a third of its workforce, leaving about 15 people staffing the Lincoln Mine site.

At the time, Sutter Gold said those moves were “in response to recent gold market volatility and uncertainty in financing markets.”

After peaking at nearly \$1,900 an ounce in September 2011, gold has been slipping, holding steady of late at around \$1,200 an ounce on the New York Mercantile Exchange in New York.

Historically, gold prices drop when the economy improves and the dollar gains strength.