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## **Rusoro Aims To Be Producing 540,000 Ounces Of Gold Per Year By 2012**

By Charles Wyatt

What is there left to say about politicians that hasn't been said already? "They're not the sort of people one would ever invite home to supper" would come at the lighter end, but miners have to be ever-mindful of good manners when seeking to extract assets in the shape of ore from land in someone else's country. They are dogged by officials checking on permits, mining plans, and the environment and that is before they even encounter the local greenies and NGOs who are sometimes apt to have a mindless hatred of mining. Not for them to wonder how the world would survive without a steady supply of basic commodities. No, reasoning counts for little, as grandstanding is their game. And over and above all these layers of potential antis are the politicians of the country in question and these get the final say. Miners have to build constructive relationships with them and hope that these relationships will not change too drastically if there is a change of power.

Peter Hambro has played a skilful game in Russia, his most recent move having been to change his company's name to Petropavlovsk. Mark Bristow of Randgold has been very popular with President Toure of Mali since he was elected in 2002, and there is not another election there until 2012. And Andre Agapov of Rusoro has achieved a mutual understanding with Hugo Chavez in Venezuela, an understanding which will be crucial to the success of his company in that country. Towards the end of last year Rusoro made a bid for a US company called Gold Reserve. From Rusoro's perspective the bid made a lot of sense, as Gold Reserve's main asset is the Brisas gold project in the KM88 mining region of Bolivar State. The combination of Rusoro and Gold Reserve would have been the premier gold producer in Venezuela, but the American company took against it. Maybe it was influenced by the fact that George W did not get on with Hugo C, but the result is that it has lost Brisas and is now engaged in futile litigation against the Venezuelan government.

And where is Rusoro as Gold Reserve fades from the scene? Well, it has just been granted an exploitation licence to start mining at the Incredible 6 gold project, only eight kilometres from the Choco mine and mill where the ore will be treated. As George Salamis, president of Rusoro points out, this is the only exploitation licence to have been issued this year in the Venezuelan mining sector. But then Rusoro is the first company to partner the Venezuelan Government in a 'Mixed Enterprise Joint Venture Company'. The rest of the permitting process is on track to allow production

to start before the end of this year. When that happens it will mean that Rusoro will have taken this project all the way through from discovery.

The emphasis now for chief executive Andre Agapov and his team is to make sure Rusoro over-delivers on any promise, so that it retains the trust of Mr. Chavez and his Government. It certainly did so in the second quarter of this year, when it produced 48,523 ounces of gold at a cash cost of only US\$322 per ounce. This makes 88,026 ounces produced during the first half of 2009, at an average cash cost of US\$351 per ounce, taking Rusoro well down the road to annual production in 2009 of close to 190,000 ounces. It is interesting to note that the improvement over the same quarter in 2008, when the company produced 25,062 ounces at US\$652 per ounce, resulted from improved haulage and mill availabilities, and a new kiln and carbon recovery system. And the relationship with the Venezuelan Government does not deter Rusoro from setting ambitious targets – the company hopes to be producing 540,000 ounces per year from the Choco 10 mill by 2012. A scoping study has already shown that this is entirely possible, so a feasibility study is now underway which will be completed in the first half of 2010.

There are resources and reserves aplenty to support such a move. Choco 10 itself has 343,000 ounces to 43-101 standards in the measured category, with a further 4.44 million ounces in the indicated category, and another 3.02 million inferred, all of which will be steadily upgraded. Incredible 6, which is just about to come on stream, has 1.59 million ounces indicated and 1.1 million inferred. Then there is the 50 per cent owned Isadora project, which is already in production and is expected to produce 35,000 ounces net to Rusoro at a cash cost of US\$350 per ounce this year. It has 185,085 ounces in the proven and probable categories, 334,000 measured and indicated and 45,000 ounces inferred. And drilling at Isidora continues to expand high grade gold zones for future development. Last, at the moment, are the contiguous San Rafael and El Placer Concessions (SREP) which boast 399,000 ounces indicated and 524,000 ounces inferred.

So it's onwards and upwards for Rusoro in its role as a semi-parastatal gold producer in Venezuela. Maybe in due course it will be offered the undeveloped Brisas gold and copper project that was owned by Gold Reserve until it made the fatal mistake of backing Bush against Chavez. It is always wise to back a man fighting on his own turf - Doug Belanger, chief executive of Gold Reserve, learned this lesson too late. Brisas is very close to the Las Cristinas mine in the KM88 mining region, and the latest news from the region is that Crystallex, which has exclusive rights to develop and mine the gold deposits under a Mine Operating Contract, has been refused a permit to mine by the Minister of Environment and Natural Resources.

Read into this what you will, but Rusoro is certainly in pole position to get involved in these projects if the Venezuelan Government decides that this is the route to take. Obviously George Salamis can make no comment, but it is interesting that chief executive Andre Agapov had to cancel a series of meetings in London the week before last because of priorities elsewhere. Obviously when Hugo Chavez tells his partner to jump, he jumps. Maybe the discussion was about bringing additional assets into play.