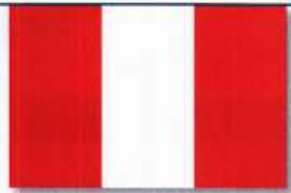




LATIN AMERICA



Austral spices up Chilean prospect again

Peru

Capital: Lima
Population: 29.55 million
Government type: Constitutional republic
Head of State/Government: President Alan Garcia Perez
Economy: The Peruvian economy grew by more than 4% pa in 2007 and 2008, driven by higher world prices for minerals and metals and the government's aggressive trade liberalisation strategies.

The country is still dependent on revenue from mineral resources with copper proving its largest export commodity. The government's economic stabilisation and liberalisation programmes have lowered trade barriers, eliminated restrictions on capital flows, and opened the economy to foreign investment, creating one of the most open investment regimes in the world.

Resources industry: Extractive industries account for 13.4% of GDP. Peru is South America's largest producer of gold and is also a major producer of copper, silver, tin, lead and zinc.

Comment: All of the gold sector's majors have operations and/or projects in Peru. Barrick has two mines (Pierina and Lagunas Norte), Newmont has Minas Congal and the largest gold mine in Latin America, Minera Yanococha while Gold Fields is developing the Cerro Corona project.

Fraser Institute quotes: "The community participation in Peru via the return of a portion of all mining revenue to the regional and local governments (called canon minero) creates a mining-friendly environment as producing mines generate multi-million US dollar budgets for social, infrastructure, and educational programmes in these zones."

President of an exploration company

Austral Gold Ltd pitched project plans to potential investors in New York recently as the company moves closer to a 1 moz gold resource in Region II, Chile.

After more than a decade in idle, Austral is looking to re-open the Guanaco gold mine in the Atacam Desert, near Yamana Gold Inc's El Peñón gold mine and BHP Billiton Ltd's Escondida gold-copper mine, in under two years time.

The asset produced 1.5 moz gold from the late 1980s to mid-1990s and was formerly operated by Amax Gold Inc and Kinross Gold Corp.

Austral chairman Mark Bethwaite said existing infrastructure including plant equipment, primary, secondary and tertiary crushing plants, a Merrill Crowe gold recovery plant, laboratories, warehouses plus maintenance and camp facilities were legacies of those before them.

The company has also established water rights – "a very scarce and valuable commodity in the Atacam Desert", said Bethwaite.

"Of course there will need to be some refurbishment and upgrade of those facilities but there is 11mt of heap leach material on two separate pads at Guanaco and with facilities in place it is my view and that of others that we can come back into production quite quickly," he said.

"Secondary leaching of the heap leach material will be supplemented quite early in the mine's restart by freshly mined low-grade ore open cuts from the Dumbo and Perservancia pits, which are two open cuts worked until 1999 by Kinross."

Bethwaite said the company would need to develop a decline to access the higher-grade underground ore in the Cachinalito vein system.



The Dumbo Pit at Guanaco was worked up until 1999 by Kinross Gold Corp

Sustained production of 150,000 ozpa gold over the six-year life of mine is scheduled to start in 2012, with preliminary gold pours expected sometime in 2011.

Bethwaite said the company was confident Guanaco is open along strike and at depth, which the company would continue to investigate with more drilling planned during the feasibility study to prove up the resource base beyond the current 900,000oz mark.

The deposit is also host to 60,000oz gold equivalent of contained silver.

In recent years exploration and other activities at Guanaco have been financed by the company's main shareholder – Inversiones Financieras Del Sur (IFISA – 69%) in Buenos Aires and by the sale of the Pilbara-based Rocklea iron ore tenement for \$5.5 million in April 2008.

Shortly after presenting to investors at the Rodman and Renshaw Annual Global Investment conference in New York in September, Austral released its annual report and wanted to move swiftly on securing funding for the BFS, said Bethwaite.

"We haven't yet pressed the button on that study but it is getting close. The recent presenta-

tion in New York referred to the need for a capital raising which we are now working our way through with our major shareholder and other potential investors.

"I would like to move while the accounts are fresh and there is no need for a cleansing statement so we would like to finalise financing sooner rather than later – hopefully in the next two months."

Upon engaging a consultancy firm to undertake the feasibility study, work will start immediately and be completed in the December half of 2010, said Bethwaite.

"If the feasibility study gives the project the green light – and I have every confidence that it will as you don't start these things without an expectation of a favourable result – the mine can be quickly brought back into production at a modest rate as Guanaco is a brownfields site."

Bethwaite said a number of Australian mining companies have flocked to Chile because of its pro-business/pro-mining culture, favourable mining legislations and the relatively low capital costs needed to conduct a mining operation in the country.

– Mark Andrews