

Growth Stocks Weekly

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Publisher: Agilis Capital Corporation, Inc. ~ **Since:** May, 1995 ~ **Editor:** Richard Reinhard ~ **E-Mail:** reinhard@shaw.ca

Performance: 1996 116.9%; 1997 28.1%; 1998 36.4%; 1999 39.4%; 2000 180.9%; 2001 -50.5%; 2002 18.7%; 2003 28.8%; 2004 166.7%; 2005 28.2%; 2006 153.3%; 2007 8.8%; 2008 -25.2%

Junior Gold and Natural Resource Sector Report December 15, 2008

Consolidating Venezuela's Gold Belt RUSORO MINING (RML-TSX Venture)



Daily chart, Semi-log Scale, High C\$4.50, Low \$0.235, Last Trade \$0.255

Venezuela's "Partner of Choice" Puts Growth into High Gear

Takeover Bid Announced Today

After being rebuffed earlier this year with an attempted friendly takeover offer for Gold Reserve (GRZ-TSXv), Rusoro today made a hostile bid, offering Gold Reserve shareholders an exchange of 3 Rusoro common shares for each Gold Reserve Class A common share.

Gold Reserve owns the massive Brisas gold/copper project and Choco 5 gold exploration property in Bolivar State, Venezuela. The prize there is a potential open pit mine containing a measured and indicated mineral resource of 11.8 million ounces of gold and 1.6 billion pounds of copper, with an expected mine life of over 18 years.

Gold Reserve has been in Venezuela for over 16 years but after spending an estimated US\$230 million on Brisas alone management has failed to deliver value to its shareholders. They have been unable to acquire the necessary permits to start development and production, and recently started selling off key pieces of equipment. Press reports suggest that entrenched management is looking for opportunities outside of Venezuela, having clearly given up on Venezuela.

The offer values Gold Reserve at C\$1.08 per each Class A common share based on Friday's closing price of \$0.36 per Rusoro share. This represents a premium of 140% to Gold Reserve's share price, and a 209% premium based on the volume-weighted average trading prices for Rusoro and Gold Reserve for the previous 30 trading days.

Both the Brisas project and Crystallex's Las Cristinas project next door have been awaiting environmental permitting for years, with little apparent willingness on the part of the government to see development proceed in a piece-meal manner. There has also been little apparent ability or desire on the part of the players to join together for a cohesive and comprehensive master development plan.

This offer sets the stage for a logical combination, which will likely include Crystallex – or at least their mining permit – once Brisas is acquired. A business combination would benefit from the existing production profile and proven ability of Rusoro management to get assets permitted and operating in Venezuela. Andre Agapov, Chief Executive Officer of Rusoro flatly stated that they could “unlock the permitting deadlock that has plagued the timely development of the Brisas Project.”

The potential synergies are enormous. Gold Reserve shareholders benefit from the existing production at Choco 10 and Isidora mines already operating in Venezuela and continue to participate in the development of the Brisas Project through significant ownership in the combined company. Gold Reserve's Choco 5 project is contiguous to Rusoro's Choco 10 operations and Gold Reserve's Brisas Project is only 10 kilometres from their Yuruan property.

Proven Operator

Rusoro Mining's management are experienced operators in Venezuela with strong governmental relationships. Since 2002, Rusoro has spent in excess of US\$100 million and grown from an advanced explorer to a junior gold producer with a significant gold Reserve/Resource base. Rusoro is currently a pure gold producer of about 100,000 oz/year, and wishes to ramp up production to the 500,000 oz/year level by late 2010.

The company is already a significant consolidator in the region. Last year Rusoro acquired 100% of Gold Fields' Venezuelan assets for US\$150 million in cash, 140 million shares and US\$30 million in a convertible vendor take-back loan, for a total transaction cost of about US\$516 million. Through this transaction Gold Fields became the single largest shareholder of Rusoro, holding approximately 38% of the company's shares.

Rusoro's Measured and Indicated Resources total 7.0 million attributable ounces with additional Inferred Resources of more than 7.0 million attributable ounces. With a goal of becoming an intermediate gold producer, and a proven ability to operate effectively in Venezuela, Rusoro is well-positioned to unlock significant value from Gold Reserve's Venezuelan assets.

As part of the Company's aggressive growth strategy, Rusoro drilled more than 220,000m in 2007 and another 200,000m in 2008. The drilling is designed to expand and upgrade current resources and generate incremental 43-101 compliant resource updates. Rusoro is well financed with approximately \$20 million in cash and well positioned to continue its regional consolidation strategy.

Consolidation Strategy Continues

The benchmark value of reserves in Venezuela was set in November 2005 by Gold Fields of South Africa when they paid approximately US\$130 per ounce by buying Bolivar Gold Corp. Rusoro later acquiring the Choco 10 for about US\$70 per attributable resource ounce. That was an especially remarkable acquisition given that gold now trades at over US\$725 per ounce versus 2005's price level under US\$500.

Since the day Rusoro's controlling shareholder Agapov family arrived in Venezuela, they committed to working closely with local miners and officials, building a relationship of trust and respect. Rusoro's largest shareholder, until Gold Fields invested in 38% of the company, was Chairman Vladimir Agapov, a Russian entrepreneur. Vladimir is very well connected to both President Putin in Moscow and President Chavez in Venezuela and has a proven ability to operate and advance projects in Chavez's Venezuela. Vladimir and his son Andrei have strongly aligning their interests with public shareholders, privately funding over US\$40 million to get Rusoro's assets to the point of their listing on the TSX Venture board on November 9, 2006.

Part of Rusoro's strategy has been to use its Venezuelan operating experience and political connections to resolve the various hurdles encountered by other parties attempting to operate in Venezuela. A good example is Gold Fields at Choco 10, aggravated by local labour relations and poorly managed governmental ties. Rusoro's subsequent focus and results at Choco 10 has seen them optimize operating efficiency, lower costs and improve production ramp-up alternatives.

By dramatically expanding its production growth profile with fast-track production from nearby Incredible 6 and through expanding production capacity and efficiencies at Choco 10, Rusoro is positioned to enter the intermediate ranks over the next three years.

That deal has quickly come on the heels of the Venezuelan government's approval for Rusoro to complete their US\$25 million acquisition of Hecla Mining Co.'s Venezuelan assets, for which Rusoro paid \$20 million in cash and 4.3 million shares, then worth about US\$5 million.

Hecla Mining was also having some operational issues in Venezuela and after a three month shutdown they decided a partnership scenario would be the best scenario going forward. Rusoro moved quickly to optimize operating efficiencies and resolve the local issues.

These acquisitions from Gold Fields and Hecla Mining, and last July's confirmation as "Partner of Choice" by the Venezuelan Government, has put Rusoro well ahead of other potential operators as THE regional consolidator.

Conclusion

Rusoro has a proven ability to solve logistical problems and quickly get permitting where other more senior mining companies could not. It is now up to the shareholders of Gold Reserve to decide if they want to exit Venezuela with entrenched management, a large cash position offset by an equally large debt position, and a blank slate, or be a significant part of Venezuela's largest producer and fastest growing gold company.

There are few undeveloped large-scale gold deposits in the world today. Venezuela's prolific gold belt offers an opportunity to bet on deeply-discounted assets – especially where held by an established, respected and politically connected group with a proven and growing resource, and a fully permitted mining facility in place. Rusoro has established itself as THE government-approved "Partner of Choice" consolidator of the region. For private investors looking to profit from the vast gold wealth in Venezuela at an enormous discount, Rusoro offers the only real choice.

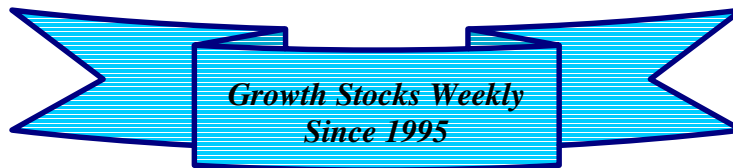
Postscript

Gold Reserve has US\$103.5 million principal amount of 5.50% Senior subordinated convertible notes due on June 15, 2022. The notes are convertible into Class A common shares of the Company at the initial conversion rate, subject to adjustment, of 132.626 shares per \$1,000 principal amount (equivalent to a conversion price of US\$7.54, or US\$2.51 per Rusoro share post takeover). In the event of a change of control of Gold Reserve, the company is required to offer to repurchase the notes at a purchase price equal to 100% of the principal amount of the notes plus accrued interest. The Company may elect to satisfy its obligation to repurchase the notes in whole or in part by delivering common shares.

It is likely that Rusoro will be seen as a better credit risk than Gold Reserve, as it is a producer, has cash flow, and an internal growth profile. Gold Reserve appears to be throwing in the towel in Venezuela, which can only be making the lenders nervous. It is likely that the noteholders can become allies and supporters of the Rusoro offer.

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