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IKN catches up with Juan Vegarra, CEO of Vena Resources (VEM.to)



Juan Vegarra (for it is he)

In November last year, this humble corner of cyberspace ran an interview with Juan Vegarra, CEO of Vena Resources (VEM.to). At the time the stock price was down at 19¢ but Vegarra was keen to point out tht VEM.to wasn't about to turn its back on plans and go into hibernation.

So last week I had the chance to catch up with Vegarra and get the lowdown on developments at VEM.to. This interview was first seen by subscribers to *The IKN Weekly* last Sunday and it's now available on the internetwebpipes for all to see. Enjoy.

IKN: Hello Juan thanks for taking the time to talk again.

Juan Vegarra: Interesting times for sure. Looks like we survived the global financial meltdown, but I am still a little worried about the US dollar and the credit markets – should be promising for the metals, especially gold. I know you may not agree, but we can have the finance debate on a different occasion or platform.

IKN: So what has been happening since we last spoke, apart from the quiet doubling of your share price (*which is good*)?

JV: There is no way you are going to get me to gloat on the current stock price. Remember we were at \$1.91 not too long ago (*although it feels like forever ago*). I know our value is closely tied to zinc and uranium as those are the metals the market recognizes us for, but for the last 12 months we have been enhancing our precious metals portfolio as part of our mandate to maintain a diversified portfolio. We have two exciting projects – Pucara and Esquilache which are both gold/silver plays as well as the investment in the coal business that has kept a much smaller and focused team very busy lately.

IKN: Let's take things piece by piece, as Vena has a lot of irons in the fire. Of course you have to find a balance between what you can say in public and what you can't, but we'd like to know as much as possible about the current state of play in the following:

1: The uranium projects and the JV with Cameco

JV: Cameco, like everyone else in this industry, also has to manage the bottom line, so we went back to investing \$2.5 million this year as originally agreed when we created Minergia, our joint exploration company in Peru. They have abandoned some JVs around the world but have kept the Vena deal going. That alone is a clear signal without me having to continue to emphasize we have a strong relationship which is getting stronger every year. After drilling over 12,000 meters last year at Macusani we have been doing a lot of "*what if and what's next*" in Macusani. We knew we needed a strong manager and well experienced uranium geologist that can "live" in Puno and not in Lima. We hired an outstanding professional in David Bent. He ran a JV with Cameco in Canada before and we think David can do very well for us in Macusani. While we prepare the next drilling phase for Macusani we wanted to drill test Lagunillas. We knew the surface info was not as exciting as Macusani, but regardless it was worth doing 2,000 to 2,500 meters to test those targets. So what should you expect? A targeted drill campaign for Macusani for the next 18 to 24 months so we can get a better picture of possible resources with the goal of meeting Cameco's uranium pound threshold.

2: Azulcocha, and plans now that zinc has rebounded a bit (*along with the latest gold discovery there*)

JV: If you base Azulcocha solely on zinc, as long as Zinc stays below 75c/lb I am not too keen to invest the dollars that are needed to build the mill and begin operations. The risk/reward is just not there when there are better opportunities in other parts of the business. BUT, if you fully understand the latest press release regarding finding gold on the sandstones then the picture changes dramatically for us. We are going to do some metallurgical tests to see if the gold in the sandstones is recoverable. If we get positive metallurgical results then we have a great future ahead for Azulcocha. I will tell you what we will do but remember it is all speculation right now. The first step will be to drill from surface to expand the lateral extends of the mineralization. So far we know

dissemination exists near surface for more than 250 meters along strike. The second step will be to drill from the working level -40. This operating level already extends one kilometer underground, so we can fan up and down to test mineralization at depth. The third step will be to test other nearby targets where we have seen sandstones. "El Mono" is a hill right across the Azulcocha mine that we now know reported several gold anomalies in sandstones in previous exploration programs years ago. And finally, we will review core from the Azulcocha West program and see if we see similar occurrences. In summary, if the metallurgical tests are positive then spending money to delineate a 43-101 gold resource as part of the operating mine would be a no brainer. So expect us to discuss metallurgical tests before discussing the sandstone potential again.

3. The coal business you're putting together. How will it work, on the supply side and the demand side?

JV: There are two sides to this business; bituminous coal from Oyón in the Andes of Lima and anthracite coal in northern Peru. The anthracite business is the most interesting to me. We have completed a review of several coal projects in the Alto Chicama area in northern Peru and now have a solid understanding of the market inefficiencies so we can maximize our earnings. We have a clear idea of market dynamics (*supply/demand, key Peruvian and international buyers, key properties, competition, market inefficiencies especially on the logistics end*). The next step is for us to set up a coal classification facility in northern Peru which should generate significant cash flow for Vena in the short term. Coal classification can lead to washing coal which will increase our margin even more. We will not be releasing more numbers especially of a financial nature until we begin operations. You know this is standard venture capital work managing a start-up business. It would be nice to have some barriers to entry so we avoid people cloning our strategy as they did when we announced the uranium finds several years ago. So you need to be patient for a few more months with me on this subject.

4. What's the latest on the Pucara gold project? Does the JV have a timeline to production there as yet?

JV: We received a very detailed report from Consorcio Minero Horizonte. It suggested we should drill further down to increase tonnage. We have reviewed the entire report and there is a good working relationship with CMH but no final deal has been signed as we are still working on several other fronts that may lead to a stronger (*or no*) relationship.

5. And finally, what about my personal favourite asset of Vena's, Esquilache? It seems to have been put on the back burner so any reason for that?

JV: Esquilache is also my favorite exploration project in our portfolio. It is very strategic to the future of Vena so there is more being done on this project than there is space in this interview. This project requires 5,000 to 10,000 meters of drilling NOW which is estimated to cost between US\$1.5m and US\$2m to start with, so I am “monetizing” other assets to raise enough funds to drill Esquilache without dilution at these low share price levels.

IKN: Final question: In last week's IKN Weekly I mentioned VEM as an example of a company that might benefit from the loosening in credit markets and the subsequent hunt by larger miners for cheap assets. Has VEM seen any evidence to suggest that is true recently? Is being asset rich (*and relatively cash poor*) becoming a positive as I imagine?

JV: I can only state what we are seeing as I'm not sure what is happening to other explorers in Peru. The answer is Yes, you are correct. We are seeing strong interest in reviewing our assets. Vena is asset rich and cash poor in comparison to previous years. We have signed several confidentiality agreements with third parties that may lead to something or nothing. The advantage we have is that we have accumulated plenty of assets over the last seven years in Peru that could be classified as non-core for now, like recoverable VAT or equipment that we can sell today without affecting short term deliverables, plus funds from our partners, so I am not going to a negotiating table with weak hands.

IKN: Thanks for your time, Juan. Any last words?

JV: I find the time to read IKN every day. I know you are very supportive of the company and I thank you for it. Peru is booming in comparison to the rest of the world. I know your comments regarding the Peruvian economy, but in comparison to the US where I live Peru's economy looks strong. I think it is the first time the country is facing a global economic crisis with sufficient financial resources that should provide a cushion for Peru that it never had before. I see the performance of the Lima Stock Exchange as very beneficial to Vena. We (*and other BVL juniors*) are trading at five to six times more volume than we do in Toronto. The political climate is changing as elections are nearing, so the next 12 months should be even more interesting for all of us doing business in Peru.