

IN MY VIEW: Augusta's problems run deep

By John Dougherty | Posted: Saturday, September 15, 2012 12:29 pm

Augusta Resource Corp. CEO Gil Clausen's Aug. 23 statement in response to InvestigativeMEDIA's documentary "Cyanide Beach" is a clumsy attempt to deflect public attention from the truth ("Cyanide Beach": Rosemont responds," Sept. 9. Page A7).

The facts are simple as they are ugly.

Five of Augusta's current board members and one former director also served on the board of Sargold Resource Corporation.

"Cyanide Beach" focuses on Sargold's actions at a Sardinia, Italy, open-pit gold mine between 2003 and 2007.

The documentary reveals a pattern of unethical business behavior that is being repeated in Arizona. Vancouver-based Augusta and its Rosemont Copper subsidiary in Arizona have unleashed a propaganda campaign aimed at drumming up support for the proposed Rosemont copper mine.

Exploiting widespread job fears, Rosemont is making wildly disparate job projections for the mine: Clausen says 4,500 jobs will be created while an Augusta spokeswoman says its 9,000.

Which is it?

What must really worry Clausen is that he knows "Cyanide Beach" only scratches the surface of the business failures and unethical conduct of Augusta's top officers spanning more than two decades.

That ugly story is displayed in gritty detail at <http://www.investigativemedia.com>.

For example, Augusta Chairman Richard Warke has a long history of deception dating back to 1989 when the British Columbia Securities Commission cited Warke for an insider trading violation.

Warke settled the case agreeing to provide truthful information in future financial disclosures to investors and regulators.

But Warke repeatedly failed to disclose his 1998 personal bankruptcy filing in corporate disclosure reports for multiple public companies that he operated for more than eight years.

His bankruptcy proceedings lasted four years. Warke owed more than \$1 million in Canadian taxes. He defaulted on the settlement terms in October 2002 before settling the case a month later.

Canadian regulations require companies to report personal bankruptcies of directors for at least 10 years. But Warke's companies ignored the bankruptcy until early 2006, immediately prior to Augusta being admitted to the Toronto and American stock exchanges.

There's more.

Warke, and longtime business partner and fellow Augusta board member Donald Clark were on the board of a Canadian plywood company when it went belly-up.

Clark was also a director of Conversion Industries when it received notice it was going to be kicked off the American Stock Exchange for misconduct.

As "Cyanide Beach" reveals, Warke, Clark and Clausen and other Sargold directors stiffed Sardinian contractors, misspent a government loan, misled investors on gold reserves, and used environmental restoration as leverage in an attempt to gain gold mining rights.

Sargold also failed to disclose to investors for three years that its largest single shareholder was a Cayman Islands hedge fund.

This behavior did not go unnoticed by Sargold's Sardinian associates.

Franco Cherchi, the former president of Sargold's Gold Mines of Sardinia subsidiary, reported directly to Warke.

When asked in the film if Warke was a man of his word, Cherchi replied with smile: "When it's no longer convenient for him, he withdraws the promise."

That's the penultimate truth that Clausen wants to hide.

John Dougherty investigated Sargold Resource Corporation's role in a Sardinia mine and produced the 24-minute documentary "Cyanide Beach." He can be reached at: jd.investigativemedia@gmail.com.

"Cyanide Beach" is showing in two places in Southern Arizona on Monday, Sept. 17: 10 a.m. at the Tubac Community Center, 50 Bridge Road, Tubac. Also, at 6:30 p.m. Monday at the Crystal Ballroom at Quail Creek Clubhouse. Admission is free, but RSVP is required at www.investigativemedia.com (right side of page). Dougherty will answer questions following both screenings.