

December 20, 2010

THE WALL STREET TRANSCRIPT

Connecting Market Leaders with Investors

The following report is produced by
THE WALL STREET TRANSCRIPT

12-20-2010 GOLD AND PRECIOUS METALS REPORT

NOTICE

The Wall Street Transcript does not in any way endorse or guarantee the accuracy or reliability of any of the information, statements or opinions expressed in the reports or comments of other firms or individuals. We take due care to report or transcribe accurately what has been written or said by others but because of the possibility of human or mechanical error, we cannot assume any liability for the correctness of the transcription. We point out further that, of course, all opinions expressed are subject to change without notice. Neither the information or any opinion which may be expressed constitutes a solicitation for the purchase or sale of any securities referred to herein. For further information, contact the individual or investment organization concerned.

CHIEF EXECUTIVE OFFICER FORUMS/INTERVIEWS

Important Note: Wall Street Transcript forums and interviews with Chief Executive Officers are published verbatim as editorial content and include "forward-looking statements" (as such term is defined in the United States Private Securities Litigation Reform Act of 1995). These "forward-looking statements" may be subject to and be made pursuant to the "safe-harbor" provisions of Section 27A of the United States Securities Act of 1933, as amended, and Section 21E of the United States Securities Exchange Act of 1934, as amended. Since these statements are based on factors that involve risks and

uncertainties, actual results may differ materially from those expressed or implied by such "forward-looking statements". Such factors are often included in the company's filings of reports with the United States Securities and Exchange Commission, including Forms 10-K, 10-Q, 8-K and Proxy Statements; the company's annual and interim reports to shareholders and similar documents. In carrying out our responsibilities to our readers and to the Chief Executive Officers selected for forums or interviews, we are required to offer, and we offer, each Chief Executive Officer an opportunity to back-up the interview and provide our readers and potential investors with specific financial data, including earnings statements, balance sheet statements and other material business and financial data, through the sponsored publication of such reports or highlights therefrom, with meaningful information.

Founded 1963

Published by Wall Street Transcript Corporation
48 West 37th Street, 8th Floor, New York, NY 10018
Copyright 2009 Wall Street Transcript Corporation
All Rights Reserved

Supply/Demand Dynamics in the Gold Market

J O R G E B E R I S T A I N — D E U T S C H E B A N K S E C U R I T I E S , I N C .



JORGE BERISTAIN is an Analyst at Deutsche Bank Securities, Inc., where he focuses on metals and mining equity research in Latin America. Mr. Beristain has been ranked in *Institutional Investor's* survey as the number two Analyst in the metals and mining industry and is also ranked in the pulp and paper industry. Before joining Deutsche Bank, Mr. Beristain worked at ABN AMRO Bank N.V. He was also a Management Consultant specializing in the pulp and paper, and environmental engineering sectors in Mexico and Canada. Mr. Beristain is a CFA and holds Securities Principal and Supervisory Analyst licenses.

SECTOR — PRECIOUS METALS

(ABZ800) TWST: Certainly gold has caught a lot of headlines recently, but the price is still half of what it was back at the old peak. Why all the attention?

Mr. Beristain: I think that if you look at gold in relation to other commodities, people may misunderstand the magnitude of its rally or may only look at gold's rally in isolation. But if you look at a lot of dollarized commodities, whether they are oil or lead or other basic materials like iron ore, they've done quite well on a five-year basis, similar to gold. However, gold is one of the more retail-oriented metals that people see and touch on a day-to-day basis, so they can understand if they go to a jewelry store that the price of jewelry is going up in the same way that oil at the pump gets headline news. So it's important to understand that other commodities that are less well known have also done quite well in terms of price performance, but are not felt as readily as gold or oil, due to their less-direct retail impact.

TWST: What is your outlook at this point for gold prices? Are we going up, down or sideways?

Mr. Beristain: I will cite our view from our commodity strategist at Deutsche Bank, Dan Brebner. He has published forecasts from early 2010 that gold would hit \$1,450 by 2011, and he has been spot on. As you just mentioned, vis-a-vis where gold is right now, these targets do not appear to be too much of a stretch.

These forecasts were actually put up by DB in February, when they were seen more as outlier forecast, but I think recently we've seen quite a lot of competitors hone in on a \$1,450 to \$1,500 range for their forecast for 2011. By 2012 he's calling for gold prices to hit \$1,600 an ounce.

TWST: What drives prices up? Is it demand or the inability to boost supply?

Mr. Beristain: I think it's demand driven, but it's difficult to classify the type of demand as truly physical in the sense that for a typical commodity, demand means consumption. In the case of gold, demand could mean storage. The key difference being that people who demand copper, at the end of the day typically may store that metal for six months if they're a manufacturer of some sort, but ultimately the goal of keeping that metal is to turn it into a finished good, say, wire cables. In the case of gold, the consumption of that metal is the end in itself, so it's really the storage and accumulation of that metal that is the demand driver, so to speak. However, in the same way that gold is stored for demand, it can equally come back into the market if the price is right, if those sellers who are simply sitting on the

metal in a bank vault or in the form of jewelry decide that they believe that future gold prices may be lower or, for whatever reason, they want to sell the gold to make liquidity.

So when you say consumption, I'd say the type of con-

Highlights

Jorge Beristain provides an overview of his coverage of the metals and mining sector. He discusses the supply/demand dynamics of the gold market and expected changes going forward. He says two trends in the space are emerging-market central banks becoming buyers of gold and an increased demand for gold ETFs. Mr. Beristain says Deutsche Bank predicts ETFs will be one of the main continuous sources of demand for gold. Mr. Beristain also highlights his favorite stock picks and M&A activity in the space. Companies include: Newmont Mining Corp. (NEM); Barrick Gold Corp. (ABX); Kinross Gold Corp. (KGC) and Goldcorp Inc. (GG).

sumption, which tends to be driving gold demand nowadays is more investment demand, particularly driven in electronic form via the formation of ETFs, exchange traded fund, units of this material. But it is a fickle type demand, which ebbs and flows a lot with global confidence and with people's view on next best available investment alternatives. So with the case of gold, because it doesn't produce interest or pay a coupon or a dividend as most other financial investments would, people tend to want to own gold as a store of value. Typical catalysts would be a flight to quality during a financial crisis or, more recently, as a way to express a bearish view on an investor's home currency, which has been the case in the past few years, both with the U.S. dollar and recently again in the euro zone. Low interest rates have also helped drive investors into lower-yielding asset classes, as gold's opportunity cost is fairly low at present; however, were interest rates in developed markets to rise significantly in real terms, this would be a headwind for gold.

TWST: So increased investment demand has been driving this rather than industrial or central banks or anything else.

Mr. Beristain: That's correct, although central banks themselves could also be termed investors. They've historically just been investors that have wanted to sell their gold, as has been the case with most developed-market central banks who amply supplied world markets via official sector sales over the past 20 years. Until 2008 there has been collective central bank gold selling in the range of 400 tons per year. Ironically, what we're seeing now is emerging-market central banks stepping in as new buyers of gold for the first time, while developed-market central banks have stopped selling. So we're seeing central banks going from a net supply position to a net demand position, and that could be termed as additional investment demand as well, and one of a more long-term nature.

"What we're seeing now is emerging-market central banks stepping in as new buyers of gold for the first time, while developed-market central banks have stopped selling. So we're seeing central banks going from a net supply position to a net demand position, and that could be termed as additional investment demand as well, and one of a more long-term nature."

fairly physically small market. You're talking about annually mine production is around 2,500 tons per year. Central banks have historically been supplying this market with an additional 400 tons per year of metal, contributing to downward price pressure, as you've had an industry in terms of relative size, the central bank industry, which has supplied an additional 16% to gold supply in the past average 20 years. On top of mine supply, you have secondary scrap supply, which tends to be a volatile category. Secondary scrap is formed through the recycling of gold either reclaimed from industrial uses, such as electronics, where the precious metals are recaptured,

or simply the remelting of gold jewelry tends to provide around 1,000 to 1,200 tons per year of supply. But in summary, the big change that appears to be occurring now is central banks becoming net buyers of gold. Just as Western-world central banks have basically ceased longstanding selling programs, emerging-market central banks have become more affluent, especially commodity-driven economies such as Brazil and Russia. Further, global market instability has encouraged institutional, retail investors and central banks to re-evaluate gold in a

portfolio diversification context.

TWST: Have the central banks become somewhat of a neutral force here?

Mr. Beristain: If anything, they've actually become net buyers, although the order of magnitude right now is measured in the tens of tons for 2010. Under the Central Bank Gold Agreement, known as the CBGA, that agreement capped gold sales by central banks at typically 400 to 500 tons per year. So the scenario is yes, today you could describe central banks as neutral to the gold equation, but we believe in coming years they could become significant net buyers. And that could be either simply a function of either banks trying to maintain a certain amount of gold as a percentage of their assets, or perhaps a more conscious decision of some of the central banks to put a larger allocation toward gold. As an example, the U.S. — this data I have here is as of June 2010 — had about 73% of the central banks' assets held in gold; Germany, 68%; Italy, 65%; France, 66% — so rough numbers. Central banks from developed markets have around two-thirds of their treasury assets held in gold.

The Central Bank of China has less than 2% of its assets held in gold. It tends to own mainly paper currencies of its main trading partners, such as U.S. dollars and, more recently, euros. Russia has around 5%, and Brazil is as well in the single-digits. So as emerging market countries become wealthier both from a balance of trade and simply continuing to maintain a relative similar percentage of gold, that could be a driver for increased gold demand. But additionally, we think that these central banks are re-evaluating how much gold they want to hold as a percentage of their overall assets, which could be a further driver.

TWST: You mentioned ETFs becoming part of the equation and being a fairly new way of holding gold. How important are they and will they continue growing rapidly?

1-Year Daily Chart of Newmont Mining Corp.



Chart provided by www.BigCharts.com

TWST: So that's a key change in the picture then.

Mr. Beristain: Sure, because the gold market itself is a

Mr. Beristain: I think that when ETFs were first launched, they were viewed as a fairly small or almost a nonimpact to the market, but have really become one of the primary annual drivers for gold demand. In fact, we now estimate that roughly half of annual investment demand is coming to the market in the form of ETF demand, and half of it is in your more traditional methods of accumulating gold, such as bar hoarding, coins, medals and medallions. So traditionally, if you think about gold demand as being split in three prongs, you have the industrial use of gold is around 15% of gold demand, mainly for electronics, and of the remaining 85%, you can basically split that down the middle in two large chunks. Jewelry demand is one half, and investment demand is the other. But within investment demand, you can further split that in two pieces, where half of the remaining approximately 42% would be bar hoarding and coins, and the other half would be ETFs. So that shows you how important ETFs have become in terms of their accumulation of gold holdings relative to all other forms of gold held globally. If you were to go back five or six years ago, bar hoarding and coins would have represented all of the remaining nonjewelry and nonindustrial demand for gold.

"Post the financial crisis of 2008, a lot of mining plans were suspended because nobody knew what the future held and financing became a real issue. So a lot of the projects that were being developed in the 2005 time frame are just coming on today. That's why you haven't really seen a large increase in gold output for a few years."

Mr. Beristain: ETF demand could reach 1,700 tons by 2012, so ETFs would go from being effectively 40% or 45% of total investment demand today to around 65%. So we would expect to continue seeing a rising penetration of ETFs as a way that investors ultimately want to hold their metal because of the ease with

which that can be done. It's basically one mouse click versus having to store it somewhere and the related security costs, so the liquidity makes ETF-held gold an easier relative investment decision for people.

TWST: What's on the other side of the coin? What's going on from the supply side? Is there anything that's going to change the equation?

Mr. Beristain: From the mine side, generally speaking the industry has been in a steady state in

terms of gold output for the past three or four years, so we have not really seen a material increase in mine supply on the planet. And this is despite the fact that the incentive pricing has now been there for a few years, where if you could mine more gold, you would have wanted to mine it. There tends to be one factor that goes against the favor of the gold companies, and that's they're generally short mine lives. That tends to imply that these companies run a fairly high attrition rate, where their existing mines are depleted fairly rapidly. So the life of mine for a gold mine typically is around 15 years, whereas in a typical copper company, you might be looking at closer to 30 years of mine life and for an iron ore company, probably 40 years or more. So what that means is with a short mine life, the gold companies have depletion or exhaustion of their older mines occurring at the same time that they are ramping up new mines. So there is a bit of an offset happening there, where on a net basis, they are not growing as fast as if they were mines that had 30- or 40-year mine lives ahead of them — everything they'd be adding today would be incremental growth. But you do have this negative industry headwind, which is the attrition of the older mines, which does reduce net growth rates for the industry.

TWST: I think with gold prices being where they are, these guys would be coining a lot of money and looking to invest it. Is that not the case?

Mr. Beristain: You have to understand the psychology of the gold companies as to what happened to them during the 2005 to 2008 period. There was such a rush on for the expansion of mines globally — not just in gold, but in all major earth-moving industries, whether it was iron ore or copper — that there tended to be scarcity of labor and equipment and tires to expand the mines, so that led to bidding wars for a lot of the equipment. And generally speaking, I believe that the gold companies could not compete well with their more liquid and larger-cap bulk or base metal peers. That's one issue.

Secondly, post the financial crisis of 2008, a lot of mining plans were suspended because nobody knew what the future held and financing became a real issue. So a lot of the projects that were being developed in the 2005 time frame are just coming on today.

1-Year Daily Chart of Kinross Gold Corp.



Chart provided by www.BigCharts.com

TWST: So we've got a new factor in the equation. Is that share going to go up from here?

Mr. Beristain: According to DB forecast, that's going to be one of the main continuous sources of demand for gold. To give you an example, in 2010 we forecast that the gold market is going to be about a 4,000 tons. Roughly 2,500 of those tons are being supplied by mine production, 1,500 tons are being supplied by scrap or recycled gold, with official sector sales basically flat swinging from a historical supply line item to perhaps 10 tons of net demand. In terms of the demand side of the fence, we believe that jewelry demand will be around 2,200 tons, investment demand will be around 1,800, and of that 1,800, 800 tons will come from ETFs.

TWST: So continued growth in that segment impacts the space.

That's why you haven't really seen a large increase in gold output for a few years, just because the gold companies were slower to react in terms of getting their growth plans off the ground in the earlier part of the cycle in 2005. By the time they did, they were being outmuscled by global competitors in other industries, and that would also include oil, and then they were clipped by the financial crisis like all other miners, which lead to project postponements.

Also, due to cost inflation and diminishing gold grades, gold companies have to check their math quite carefully before embarking on a \$3 billion or \$4 billion mine expansion plan. Typically, a one-million-ounce gold mine for a low-grade gold deposit nowadays will run \$3 billion to \$4 billion to develop, not including land costs, which could also run another \$1 billion. These are very expensive projects to push the go switch on unless you are crystal clear about the returns ahead. As cost inflation has traditionally eroded the denominator, despite the fact that gold prices were going up, if your unit costs were going up by the same rate or more, you were basically running to stand still. I believe that that's the kind of reactionary period that we're in for some of the larger gold companies right now — that they really want to make sure that the gold price that they believe they're going to get in the future is high enough that there is a good margin for error if the gold price does come off 10% or 20% — that they are not left with a project that ultimately has negative returns. I would argue most companies now would want to be comfortable with long-term gold prices north of \$1,000 an ounce before signing off on large-scale projects.

"Due to cost inflation and diminishing gold grades, gold companies have to check their math quite carefully before embarking on a \$3 billion or \$4 billion mine expansion plan. Typically, a one-million-ounce gold mine for a low-grade gold deposit nowadays will run \$3 billion to \$4 billion to develop, not including land costs, which could also run another \$1 billion."

pass on those projects and simply instead return more cash to shareholders? That's a decision that I'm starting to see some of these

managements make now. I don't want to say that they're increasing dividends at the expense of projects, but what I'm saying is that, I think, because gold equities have underperformed gold for the past 20 years that shareholders want to see something else from these companies besides that they're just going to reinvest the money in projects, which ultimately may take three or four years to build and ultimately it's a bit of a coin toss if they're going to make money. With multibillion-dollar commitments,

multiyear timelines which don't allow a lot of margin of error if the grades are lower than expected, you definitely want to have a cushion before pushing the go switch on a big projects.

TWST: So management has learned to be cautious?

Mr. Beristain: I would say that they do have a history of underperforming, and when I say "they," I also have to be very careful in using a broad brush. The equities that have tended to outperform the gold price have been your small-cap gold stocks, but I think we're talking about the more established going concerns in the industry. Within the majors, you have had a different type of performance that I think can be clearly split into between what I call the "growth equities" and the "value equities." Value equities I term as **Newmont** (NEM) and **Barrick** (ABX). Growth equities I would term as **Kinross** (KGC) and **Goldcorp** (GG), and these are companies that are projecting a growth rate in the low-double-digits. So both **Kinross** and **Goldcorp** believe over the next six, seven years they should be able to maintain a compounded growth rate output or gold volume of around 10%. The value guys, **Newmont** and **Barrick** at the opposite end of the spectrum, probably low-single-digit growth rates, 2% to 4%. The market values these companies very differently. So part of what's helped to drive the performance of growth equities has been the market's willingness to bid up shares to reward managements for their higher projected growth rates.

TWST: Have they delivered higher growth rates?

Mr. Beristain: Thus far I'd say that **Goldcorp** has been one of the companies that has been singled out for really delivering. I give management credit that they have made good on their expected delivery dates for their large-scale projects; they have had lower-than-average execution issues with the delivery of new projects. Where they have not had the growth organically, I would say that M&A has been used as a way to bridge that gap. For example, in the case of **Kinross**, they recently did a fairly sizable deal to acquire a company valued at about 70% of their own market cap, called **Red Back**. The merger of those two companies effectively engineered a higher unified growth rate, boosting **Kinross'** project growth rate from around 7% to around 11% over the next six years, and the company has been able to sustain a fairly high p/e multiple post deal. So growth hasn't been all organic, but they have been able to manage through M&A through either bolting on growth or through the delivery of in-house projects to grow. The **Newmonts**

1-Year Daily Chart of Goldcorp Inc.



Chart provided by www.BigCharts.com

TWST: So they've been there for a while and they're still not pushing ahead with projects.

Mr. Beristain: I would also attribute part of that decision process to competing demands on their cash flow right now, because investors would also like to see a return of dividends to shareholders. So I think some of these companies are wrestling with do they tackle perhaps a marginal project, which may require a further or higher long-term incentive gold price to be a sure thing? Or do they

and **Barricks** of the world are delivering growth projects, too, but they face a higher attrition tax because of their legacy mines. The difference is that both **Kinross** and **Goldcorp** are fairly young companies with young asset bases, and they haven't really hit that period of attrition that is more of an issue with the older companies.

TWST: Are we going to see more M&A activity as these companies look around for proven assets?

Mr. Beristain: I think that's been part of the issue that has been reflected in the larger-cap gold mining equities. Generally speaking, they have kind of kept pace with the gold price this year in 2010, but you haven't seen a massive outperformance. This is a sector that generally lagged the gold price prior to 2010, so the fact that it's actually starting to outperform the gold price a little bit is a huge positive in my view, but it's not the same order of magnitude you are seeing in the base metal sector. The general rule of thumb is that a company has around a 2:1 earnings sensitivity to changes in the price of its commodity. So in simple terms, if the price of copper goes up 10%, one would expect a pure copper producer's earnings to go up by 20%. And if its price/earnings multiple is held constant, one would expect a roughly doubling of the share price relative to the percentage change of the underlying commodity. In gold, we've tended to see a slightly lower beta; it's been over one, so it's been positive that they are reflecting a multiple of gold's performance, but it has not been as high as we've seen in the industrial metals side of the fence.

1-Year Daily Chart of Barrick Gold Corp.



Chart provided by www.BigCharts.com

TWST: Is that just because of its outlook being somewhat less certain?

Mr. Beristain: Going back to your earlier question, I do think that there is a little bit of an M&A discount that seems to be built into the shares, because there is concern from investors that as these companies become cash flow rich, what will they ultimately do with that newfound cash flow becomes a key investor concern. The balance sheet of these companies are generally already investment grade in many cases, but they're becoming bullet proof, so

they clearly do not have the need to accumulate further cash at this point because the net debt ratios have come down sharply. So the question is what are they going to do with that next round of new-found cash flow? Are they going to do deals, or are they going to return cash to shareholders? Or are they going to fund a new generation of growth of mines that, as we said, at these current gold prices would seem to indicate a higher likelihood of approval. And

"The issue is if you do look at the five-year trailing gold price, as you said, which has almost quintupled, a lot of these equities are kind of running to standstill on a five-year basis. But I do believe that industries and managements do change, and they change in reaction to the pressure exerted upon them by shareholders as public companies."

I think that the companies are in a bit of a reassessment mode. So I think that the gold equities haven't performed as well this year, because some companies are articulating that M&A is the way they'd like to grow, as we saw on the case of **Kinross**. I'd say **Newmont** and **Barrick** are changing their attitude towards returning cash to shareholders, but I'm not sure if they're changing it fast enough to really excite investors.

TWST: What should investors be doing in the space given the underperformance they've experienced?

Mr. Beristain: I think that **Newmont** and **Barrick** have actually done quite well this year in 2010, but they have had a history of underperformance. I'm, at this point, willing to give the companies the benefit of the doubt because as I believe managements are truly re-evaluating how to keep their stock a meaningful investment option in an ETF world. As we mentioned earlier that the ETF had had explosive growth in terms of investor interest, and investors have partly disintermediated the gold equities because they just went direct to gold via an ETF. When you own a gold ETF, you're not expecting leverage to the gold price, you're just expecting a one-to-one performance with the gold price. The reason why you own an equity in the commodity sector generally is because you want leverage to the underlying commodity, as I spoke to earlier. You would expect if the commodity price goes up 50%, the equity should go up around 100%. If your commodity goes up 50% and the commodity producer's equity goes up only 25%, then "Houston, we have a problem."

TWST: It kind of takes the fun out of the game.

Mr. Beristain: Right, the issue is if you do look at the five-year trailing gold price, as you said, which has almost quintupled, a lot of these equities are kind of running to standstill on a five-year basis. But I do believe that industries and managements do change, and they change in reaction to the pressure exerted upon them by shareholders as public companies. I think that there is a positive change going on in the gold sector, because these companies are being more judicious in their approach to capital management, willing to entertain alternate uses for that cash flow, as I said, not just necessarily plowing it into buying more ounces in the ground or just building the marginal project on their to-do list. And perhaps they are even re-evaluating how much base metal exposure they want to have as companies.

Whereas historically some of the gold majors viewed finding nongold as a failure, whereas if you look at where the price of copper is right now relative to its production cost, where you could basically make 60% or 70% EBITDA margins if you happen

to own copper asset, so why not chase that project? A lot of these gold companies are reassessing — does it make sense to stick only to mining gold because that's traditionally what they've done, or does it make more sense to mine any metal or product where the returns are high? I know that sounds like a basic question that most mining companies would not have difficulty answering, but traditionally these gold companies have done just that. They have only mined gold, they've only looked for gold and they have believed that investors will reward them if they just keep adding more gold to their portfolios, which has proven not to be the case. Clearly across the street, we are seeing that investors are still rewarding growth, so it's clear I think that if you're a high-growth company, you will be rewarded with a higher-than-average multiple. That's common sense and happens in every tech industry, so these companies are faced with decision. Do they try to up the growth rate even if that may mean investing in nongold? Do they change their structure a little bit to become higher-dividend payers? Are they going to rerate if they become a steady-eddy dividend payer even if they don't have high growth?

TWST: Given the current general uncertainty and that neither the market nor investors like it, is anybody going to be attracted to these big gold companies?

Mr. Beristain: I think that the silver lining is that we are starting to notice that there is renewed institutional investor interest in this market. I would say that, generally speaking, these are not crowded retail-held stocks. I believe institutions are doing some serious tire kicking on the space, because the stocks look attractive on traditional metrics, free cash flow yields, earnings growth relative to price earnings, dividend policies. They're starting to come onto investors' radar screens like normal companies because the valuations, particularly for **Barrick** and **Newmont**, are those of high-single-digit, low-double-digit-type price/earnings. If you're **Newmont** trading at 11 times earnings and 6% free cash flow yield, 1% dividend yield, it looks like a traditional equity, almost regardless of the industry; you could just do the math and say that p/e is relatively attractive relative to its free cash flow yield. So I think that the equities are starting to come onto institutional investor radar screens, but there is a cultural leap of faith that some investors have to make with gold, because there has been a generation of investors that have not really invested in gold until very recently.

So to a typical analyst or portfolio manager who may be a young guy that wasn't around in the 1970s as an adult, they have to get familiar with the industry — what is gold, how do you mine it, who owns it, what's it used for? So there is a lot of education process that needs to happen in the industry before institutions become comfortable with wanting to invest in that equity. And ultimately,

it is a bet on the underlying commodity, because I think it's hard to argue that you will have any rerating of these equities or any kind of outperformance if the underlying commodity goes south from here. So people are wrestling with the concept of, "Is gold overextended? If I buy this gold equity, will it have the expected leverage to the gold price that I am seeking?" And, as I said, the past 10 to 20 years is not a great example or proof of that.

Thirdly, what's management going to do if I invest in this company, what's their clear strategy — high dividends, high growth, investing in non-gold or investing in more gold? So there is a few questions in the air that need to be resolved, some of them are sort of hinging on a lot of the changes in global country balance sheets and country currency rates, which I mean really depends on the outlook for the U.S. dollar in some way. If you're a dollar bearer and you fundamentally believe that dollar will weaken from this point forward relative to all other currencies, again gold is ultimately a dollarized asset, so it should outperform the dollar. But if you believe things are getting better, gold may not do as well, and that's an additional complexity that a lot of investors don't need to take when you invest in a traditional U.S. equity.

TWST: Those four names you mentioned, what would you be doing at this point? Are any of them "buys?"

Mr. Beristain: We do rate both **Barrick** and **Newmont** as "buys," because we believe that both of these equities will fundamentally start to trade off of their forward earnings potential in coming years. In other words, we believe that the period of de-rating of these equities where their multiple is compressed, despite the fact that earnings are rising is probably in the rearview mirror. Also, we believe we're in a transition zone where these equities are being reviewed by institutional investors and nontraditional investors who are dipping their toe in the water to see if they want to jump into the pool. And that's probably where you want to be buying the equities. In general terms, when they become a very crowded trade and everybody owns them, that's typically when the equities become fully valued. But I think we are far away from that point right now.

TWST: Thank you. (TJM)

Note: Opinions and recommendations are as of 11/29/2010.

JORGE BERISTAIN

Analyst

Deutsche Bank Securities, Inc.

60 Wall Street

New York, NY 10005

(212) 250-2500

www.db.com

Investing Across the Gold Mining Space

DOUG GROH, TOCQUEVILLE ASSET MANAGEMENT L.P.



DOUG GROH is a Senior Research Analyst at Tocqueville Asset Management L.P., and he has more than 25 years of investment experience. Before joining Tocqueville in 2003, he was Director of Investment Research at Grove Capital Partners, LCC, from 2001 to 2003. Between 1992 and 2001, Mr. Groh covered basic materials stocks in the non-ferrous metals, chemicals, and paper and packaging industries as a Senior Sell-Side Analyst for JPMorgan and Merrill Lynch. Mr. Groh began his career as a Mining Analyst and worked

as a precious metals Portfolio Manager at U.S. Global Investors and American Express Financial Advisors Inc. in the 1980s and early 1990s. He holds an M.A. in energy and mineral resources from The University of Texas at Austin and a B.S. in geology/geophysics from the University of Wisconsin.

SECTOR — PRECIOUS METALS

(ABZ503) TWST: Please start with a brief history of Tocqueville Asset Management as well as your own professional background.

Mr. Groh: Tocqueville Asset Management right now is managing about \$10 billion for our clients, to a large extent private clients but also institutional money and mutual funds. We consider ourselves contrarian value investors. Our gold involvement has been over the last 12 years, since 1998, and gold right now makes up the largest portion of our overall \$10 billion. We manage about \$3 billion in mining equities and gold of the funds currently under management, so it's a significant piece of our efforts here at Tocqueville. I've been with Tocqueville for about seven-and-a-half years working with John Hathaway, who is a Senior Managing Director at Tocqueville and the Portfolio Manager of our gold strategy. I'm a Senior Research Analyst. I began my career 25 years ago as a mining and metals Analyst focused on gold. I've managed several gold funds through the years, and I've done a number of different things in investment banking and sell-

side research and buy side. Throughout my career I've been focused on basic materials, and as I said, for the last seven years I have been focused on the gold and gold mining sector.

Highlights

Doug Groh describes the investing objectives for the Tocqueville Gold Fund, which invests across the gold mining sector, and the specific holdings in the fund. He says valuations are in a sweet spot in the gold space, and he explains why monetary and fiscal policies are favorable for gold. Mr. Groh provides several forecasts for the next 12 months that, he says, should keep investors interested in the sector, while recommending each investor have a portfolio exposure to gold of about 5% to 10%. Companies include: Tocqueville Gold (TGLDX); Barrick Gold Corporation (ABX); Newmont Mining Corp. (NEM); Goldcorp (GG); Gold Resource Corp. (GORO); Osisko Mining Corporation (OSK.TO); International Tower Hill Mines Ltd. (THM); Ivanhoe Mines Ltd. (IVN); Silver Wheaton Corp. (SLW); Randgold Resources Ltd. (GOLD); Eldorado Gold Corp. (EGO); Semafo Inc. (SMFTO); Agnico-Eagle Mines Ltd. (AEM); IAMGOLD Corp. (IAG); Kinross Gold Corporation (KGC) and SPDR Gold Shares (GLD).

TWST: An interesting sector these days.

Mr. Groh: It's pretty exciting. In fact, the day I started at Tocqueville, gold was about \$333 an ounce, and two or three days later, it ticked down, but it's been up ever since. It's been a nice run here for us at Tocqueville.

TWST: Give us a snapshot of the Tocqueville Gold Fund in terms of investment objective and strategy, size, holdings.

Mr. Groh: As far as the Tocqueville Gold Fund (TGLDX), we are investing across the gold mining sector. Inclusive of that is our holdings in physical gold. We have about 100,000 ounces of gold that is held in a vault here in New York, and it's the fund's gold — it's not through an ETF, though we do have some ETF exposure — this is gold that we hold title to. That's actually one of our largest gold positions in the fund. In addition, we hold gold mining equities

across the industry structure, from the largest, **Barrick (ABX)**, to

some very small, junior, exploration and evolving companies. Our approach is to capture the pricing optionality that is inherent in owning gold mining stocks. Approximately 35% to 45% of our portfolio is held in the larger-cap gold mining companies, and the intention there is to capture the price optionality that is inherent in a gold mining producer. One can appreciate that a gold mining company producing gold benefits, when the gold price rises, directly from that price movement as that margin improvement falls to the bottom line, assuming that all things stay equal in terms of cost. Also, there is some optionality in terms of expanding operations over a period of time and relatively lower capital costs since the majority of initial capital costs have largely been sunk to establish a mine. And relatively speaking, it's not that much more expensive to add additional capacity for these larger companies, so there is some production leverage that also comes with larger producers.

“Our biggest position right now is cash, physical gold is second, Osisko Mining Corporation is third, and Ivanhoe Mines (IVN) is fourth. Others include Silver Wheaton (SLW), which is really a royalty stream and Gold Resource Corporation, as I mentioned, which has appreciated in value in the portfolio, and Newmont Mining, which make up some of our top holdings.”

The mid-size producers represent 25% to 35% of the portfolio. Here, the investment opportunity is one where a company is developing and growing its asset base and over time is also expanding its production in a much broader way than maybe the seniors are, or at least in a more meaningful way for them. Companies that may be producing 100,000 to 200,000 ounces can add, with a new deposit or a new mining facility, another 100,000 to 200,000 ounces, which becomes quite meaningful to their valuation and market capitalization. They are perhaps doubling their output over several years. The market gives a higher valuation to those companies that are growing dramatically, and we try to capture that value as they grow to the stage of de-risking the project or de-risking the mine build-out. As they prove to the marketplace that their project is viable and that they can actually operate, the market tends to give them a higher valuation. So we try to get in early before the market gives a company credit for its growing production. Basically, we like to get involved before a company's project is de-risked and fully valued by the overall market.

Then a third exposure would be the junior companies, and this is about 20% to 25% of the portfolio. And by junior, I mean the exploration-type companies. They do not really have production because it's very early stages for them in terms of building a project. They are actually exploring and identifying a deposit, maybe initial developments of that deposit are under way. This is where a lot of value can be created, where a company actually makes a discovery and that discovery can add hundreds of thousands of ounces, maybe millions of ounces, to their asset base, and their market cap can appreciate several-fold if not more because they are coming from a very low level of expectation. In these cases, where a company

makes a discovery, it can add a lot of value to the portfolio.

TWST: What are among the fund's top holdings?

Mr. Groh: You will find companies in all three categories that we just spoke about. The major producers, **Barrick** or **Newmont** (NEM) or **Goldcorp** (GG), are senior names; those that are developing, such as **Gold Resource** (GORO), or **Osisko** (OSK.TO) would be good examples of a developing company; and then another example of a company that's still in the early stages would be **International Tower Hill** (THM).

Our biggest position right now is cash, physical gold is second, **Osisko Mining Corporation** is third, and **Ivanhoe Mines** (IVN) is fourth. Others include **Silver Wheaton** (SLW), which is really a royalty stream and **Gold Resource Corporation**, as I mentioned, which has appreciated in value in the portfolio, and **Newmont Mining**, which make up some of our top holdings.

Others include, **Randgold Resources** (GOLD); they are a producer, maybe not quite of the senior status, but they are building out their production profile and growing both their asset base from exploration and from mine development. **International Tower Hill**, I mentioned. To round out the top holdings, we hold **Eldorado Gold** (EGO), they are a growing company, and **Semafo** (SMF.TO), which is a West African operator that is expanding its operations from organic growth, i.e., from resource discovery and development. Because other positions have appreciated more, some of our top holdings of the past are not in the top list, though we think they are still good companies. These include **Agnico-Eagle** (AEM), which has really grown rapidly over the last several years — they've been building mines, adding to their production portfolio and making strategic acquisitions — and **IAMGOLD** (IAG), which have been in the top holdings and, which we think, are still good companies.

1-Year Daily Chart of Barrick Gold Corporation

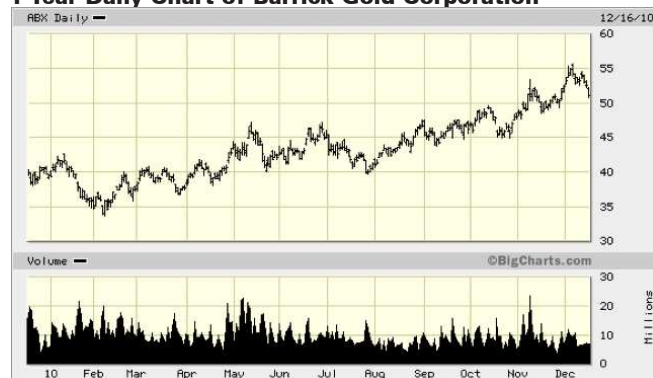


Chart provided by www.BigCharts.com

TWST: You mentioned one pending company combination. Do you expect more M&A activity in the sector? Are there any likely targets or likely buyers?

Mr. Groh: Yes, I do. That's a very important aspect of the gold mining industry. If one appreciates that this is an extractive industry, that a company is constantly generating cash flow from its assets and depleting its resource base, it's imperative that a com-

pany has to add to its resources. There are several ways of doing that. One is through discovery, and all the companies that we are investing in do have very active exploration programs. But exploring for gold and discovering gold, while that's the best organic way to grow, can take a long time to realize value from those efforts. Another strategy mining companies employ to grow their asset base and manage their risk exposure is getting involved in joint ventures. In this regard they are hoping to gain an exposure to a developing resource through a joint venture partnership, and to potentially take on a greater interest as the resource develops. Then a third way is through acquisitions. The majors are perhaps more active than some of the smaller companies as far as acquiring, and it makes sense given that the larger companies have such a great appetite for expanding their resource base, because they are producing so much gold. They need to constantly replace their production. So you'll see, from time to time, major acquisitions.

We certainly saw that this past summer with **Kinross (KGC)** acquiring **Red Back** and **Goldcorp** acquiring **Andean Resources**. We do expect more of that, and I think any company is really a target, even the majors could merge at some point, and yet it's hard to predict who is going to be next. Many of the junior and small exploration companies are good at exploring and maybe developing their initial resource base, but they are perhaps not the best at actually building a mine and they recognize they may not have the skill set to actually build a mine. They really just want to go out and explore and establish a resource base and their intention and hope is to be acquired by a larger company. So, yes, acquisition activity is very an important aspect of the sector. Additionally, that activity is important because mergers or acquisitions establish transaction values, which establish relative markers of value.

1-Year Daily Chart of Kinross Gold Corporation

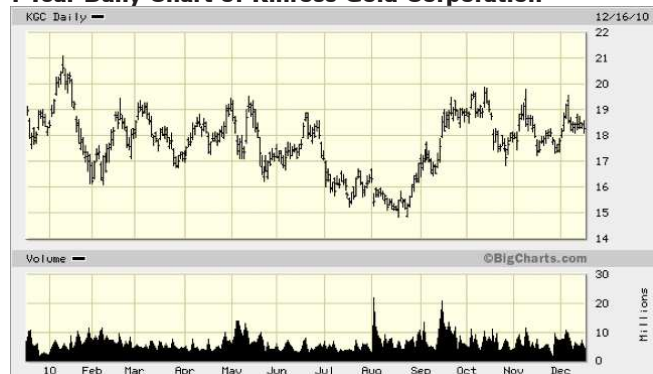


Chart provided by www.BigCharts.com

TWST: Has the amount of M&A activity been normal for this sector or has there been more than usual given the pricing trends?

Mr. Groh: I'd say it's somewhat normal, but in a way it's a little more than we've seen in the past year and a half or so. And I guess it's because of the profitability of the sector. The margins are very good right now with gold at over \$1,400 an ounce. A lot of cash flow is being generated. I think that managements are feeling more

confident in the future, and they are willing to, and they somewhat need to, go out and make an acquisition. So we are seeing that, and I think we are going to continue to see that. However, now that we are coming to the end of the year, I don't really expect too much activity as we close the year out — you never know of course — but I think as we get into the first quarter and people get back to their offices and figure out how they are going to address the coming year, we'll probably see some more activity in the first month or two of 2011.

“I think inasmuch as we are seeing cash inflows into the fund, we are a little bit more selective in terms of making new investments, given that there has been a very good performance over the last three or four months. Our sense is that things are a little bit pricey.”

TWST: For gold, as well as for other precious metals, not only do prices keep rising but we are in a record-setting pricing environment. Has that in any way dictated any shifts or changes in the fund's buy and sell decisions or overall investment strategy?

Mr. Groh: I think inasmuch as we are seeing cash inflows into the fund, we are a little bit more selective in terms of making new investments, given that there has been a very good performance over the last three or four months. Our sense is that things are a little bit pricey. We don't see the same value we did, say, 12 months ago. And having seen such a strong move in gold, one would somewhat have to assume that there will be a correction. I think maybe we are seeing that today, as we speak, and there will be some better value opportunities going forward over the next several months. I think the long-term story on gold is very sound. When you consider what the central banks are doing around the world, the issues in Europe, concerns about the currency, the U.S. currency, or all currencies for that matter, the level of anxiety and fear as a result of the ongoing financial crisis that we are dealing with, what we are seeing in the marketplace, and perhaps the basic fundamental fact that the global financial system is overleveraged — there is too much debt — and too many promises have been made for the future. There is a lot of fear in the world, and I think that investors are really coming to gold as basically a final alternative. I think that gold is very much underowned, even at these prices. So there is still good fundamental reason to be exposed to this sector, and I think you'll see long-term interest here, especially when you consider how low interest rates are and central banks' desire and need to inflate the economy as a means to grow out of the debt problem.

TWST: I was going to ask if there is any risk of a bubble, if you will, and you mentioned having to assume that there will be a correction. Would “bubble” be an overstatement?

Mr. Groh: I don't know what a bubble means, and I don't think central banks do either. Or, I guess, a bubble is something you know you've been through afterwards. Perhaps what we are seeing as a bubble is the printing of currency and expansion of credit. Will

things get excessive? All markets get excessive. Valuations, as I mentioned, are quite sweet right now in the gold space, and as a result of these valuations we are seeing a lot of capital being raised for the gold mining sector. We are seeing financings being done very quickly, issuers of equity — mining companies — are eager to take advantage of these valuations. So things are a little bit ahead of themselves, perhaps.

“It seems reasonable to recommend that up to 5% or 10% of a portfolio is exposed to gold. And it can be demonstrated that had investors been doing that over the last, say, 10 years, they would have had much better performance in their overall portfolio than perhaps they have experienced.”

Gold has had a very nice move in the last three months. Markets stretch and correct. And so with that, I think one has to assume that with a 20%-type positive move in any period of time, there’s probably reason to expect a correction of some sort. When that will be? I don’t know exactly. And how will it come about? I don’t know how that comes about. I don’t think anybody knows what will be the trigger for that. I think, though, that the monetary and fiscal policies are all very positive for gold. The central bank, Federal Reserve, is making capital more available for consumers to use in the marketplace, and the federal government is providing more funds as well through extending the tax cuts, so they are certainly encouraging inflation by all means possible, and gold usually performs very well in inflation.

TWST: I was going to ask if there are any larger macro issues or trends that impact investment in this space, for better or worse. You just mentioned a couple; are there any more you’d like to mention?

Mr. Groh: I think there is probably a theme that is not emphasized as much as it should be with regard to gold. You know, the financial crisis was brought about because basically there was excess debt in the system. And there are several ways you can deal with excess debt. The preferred way is to grow your economy rapidly enough to pay off that debt. An alternative, and it’s being discussed in Europe right now, is to restructure that debt. That can be a very painful exercise, but it is also another means to deal with that debt. A third way — and it’s somewhat similar to restructuring — is to just default on it and not pay it off, but ultimately you are going to be restructuring that debt. Finally, another way would be to inflate your way out of it, or in other words, devalue the currency that is used to pay off that debt. And that seems to be basically the approach that is being taken by central banks and the federal government. The posture that they are using is one where they are trying to encourage growth, but in essence they are basically devaluing the currency. As a result of that, I think the market is observing that posture and saying, “Well, what’s our alternative? Do we buy other currencies, or where can we put our investments?” And thus, you’re seeing the demand for gold as a real store of value. The underlying

motive that is attracting investors to gold is a sense of fear, because of a lack of trust in the financial system and structure. In a regard, the rational financial system that has worked over the last 30 years has broken down — for a variety of reasons — and investors don’t trust or rather, more to the point, fear the outcome of that breakdown. Thus, the attraction to gold.

The mining equities are partaking in that. If you think about it and take a look at gold over the last 10 years, it’s performed very well. I think that as much as it was dismissed years ago, it’s gained a lot of credibility, and investors have become comfortable owning gold because of the **GLD** (GLD), the gold ETF, which has made it more accessible to participate in the gold price. That has given gold credibility. Its performance has certainly been validated over the last 10 years and given it credibility. Investors are saying, “Gold is a viable investment vehicle.” Because of that confidence in gold, and the fact that it has performed well, I think investors are willing to seek a little bit more risk and they are saying, “Look, I’m comfortable owning gold, but how can

I gain greater return from gold even though I may be taking on a little bit more risk?” As a result they are looking at gold mining equities, because of the optionality inherent in them. And to a large extent it’s the gold mining equities that we talked about earlier — those that are making a discovery or advancing a new project, developing their production profile. They are basically showing a growth trend over the next several years. Those are the ones that are most attractive to the gold investor looking for a little more return and willing to take on a little more risk for their gold exposure. Those that have, have certainly been rewarded for doing so.

1-Year Daily Chart of SPDR Gold Shares

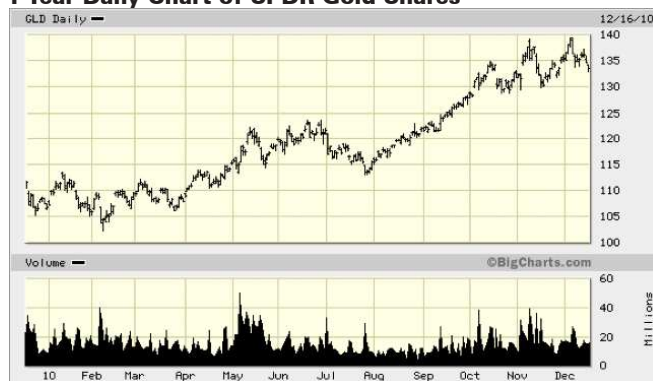


Chart provided by www.BigCharts.com

TWST: How should investors think about gold in terms of fitting into their overall investment portfolio?

Mr. Groh: We generally recommend having a gold exposure of 5% to 10%, with the understanding that each situation is somewhat unique, that every investor should consider their overall portfolio. But it seems reasonable to recommend that up to 5% or 10% of a portfolio is exposed to gold. And it can be demonstrated that had investors been doing that over the last, say, 10 years, they would have had much better performance in their overall portfolio than perhaps they have experienced. And I think it’s fair to say, going forward, they probably will have a better investment experi-

ence if they do have an exposure to gold because of what's been going on, because of what we talked about regarding the financial crisis and the authorities' response to the financial crisis.

“But it’s really in the explorers and in the developing companies where value is created, and we are willing to get in early, perhaps before the rest of the market is, as the company de-risks its project and as the value of that de-risking is then reflected through the stock prices.”

TWST: In terms of certain financial climates?

Mr. Groh: Correct. In particular, inflation is perhaps not as visible right now, at least it doesn't appear to be. But I think over the next several years we are going to see a much higher level of inflation in the economy because of the amount of credit that has been created.

TWST: What would you say your fund offers investors that sets it apart from other investment options they might have?

Mr. Groh: The element that makes us a bit unique is that we are inclined and willing to go into the more junior and exploration-type companies and have a greater weighting there, to go upstream, as it were. We have found gold mining companies or exploration companies that add the most value are those that can grow organically, through a discovery or through a development of their project portfolio. And we are willing to take on a little bit more risk initially because we have three or four analysts that are dedicated to doing research on the sector to understand the risks and in order to gain a more complete understanding of a company's potential. We have very active dialogs with management, and we take time to understand their capital structure and what their capital needs are, so that we have a good understanding of what the opportunity is.

That may compare to other gold funds that may be looking at the larger-cap names, which haven't performed as well, relatively speaking, and who are really only going to participate, to a large extent, with the gold price move. For that you can get that type of participation through an ETF, certainly. But it's really in the explorers and in the developing companies where value is created, and we are willing to get in early, perhaps before the rest of the market is, as the company de-risks its project and as the value of that de-risking is then reflected through the stock prices. Overtime the market appreciates that the value is there and the project is de-risked, and we end up participating in that, because with our skill set we are willing to get in early.

TWST: I realize you don't have a crystal ball any more than the rest of us, but looking ahead, what do you expect in the market over the next six to 12 months?

Mr. Groh: I'm anticipating a number of things. One would be increased issuance of dividends by the gold mining companies. Over the last year they have really generated a lot of cash flow, and to a large extent they've been able to hold down their costs, so their margins have expanded tremendously and they should

be generating a lot of free cash flow, which they will be returning to shareholders through increased dividends. We've already seen that. So I think that's one theme that we can expect to continue in the next year or so — more dividends. In addition to that, I think you are going to see more acquisitions. I think you will see more joint ventures among these companies, which should be value enhancing for the entire industry.

Another theme or development is redeployment of investment capital. As a company is acquired, investors are rewarded, and some of that capital is then returned to the marketplace. It's likely that capital or those investment funds goes back into the mining sector, because it has been a positive experience and the fundamentals remain sound. So I think you will see a pretty vibrant sector over the next year. I also think that you're probably going to see some more discoveries over the next year and a half. It's hard to figure out who is going to actually have those discoveries because we never know, of course, but there's been a lot of capital that's been deployed in exploration. There is a more sophisticated and better understanding of the geology that these companies are working. I think we will see more positive results from the capital that that industry has deployed on exploration over the next year. And that is noteworthy, because discoveries which create a lot of value tend to attract investors who are seeking similar value creation opportunities. That can help keep the market buoyant.

1-Year Daily Chart of Goldcorp Inc.

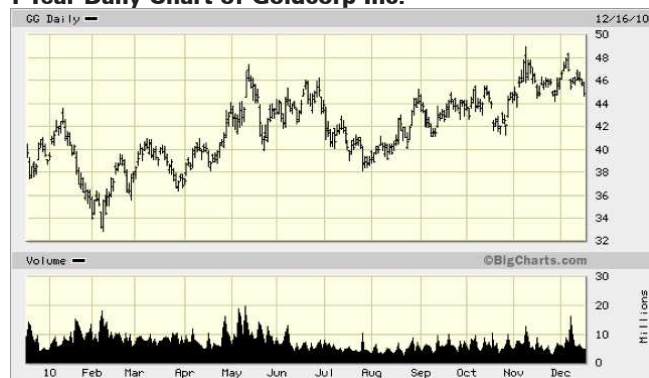


Chart provided by www.BigCharts.com

All these developments and the related news flow should help keep investors interested in the sector — whether its discoveries or acquisitions or expanding profit margins and dividend increases. I'd also note that the profit comparisons, year-over-year, are going to be very good as we go into 2011, and I think investors are going to note that and say, “The gold mining sector does make a lot of money.” Momentum investors and growth investors will see that and say they want to participate in that, so I think a broader investor interest has yet to develop for the gold mining space.

I'm sure you are going to ask me what do we see the gold price doing. I won't necessarily speak for Tocqueville, but for myself, I can see us going to \$1,500 in the next year. I think \$1620 per ounce is a reasonable target over the next two years — that would be close to the golden mean. We could make a number of arguments for

higher gold prices. If we think of the previous high some 30 years ago, \$850 or so, and if we adjusted that for inflation, we could get to a target of about \$2,300 an ounce. So that's certainly a reasonable target and arguable. We could argue to higher levels, \$3,000, \$5,000 an ounce, based on monetary and fiscal policy, depending upon how you want to do your analysis and structure the argument, but that's a little bit too much blue sky for me at this point. There is a fair degree of fear and uncertainty that remains in global financial markets and will probably remain for some time. I think a couple hundred dollars higher to about the \$1600 level first is more reasonable. I'd like to see us get there before I argue for a couple thousand dollars higher — it seems more reasonable.

TWST: Is there anything we haven't talked about that you want to add?

Mr. Groh: I think we covered the main points. We talked a little bit about the industry and how it's evolving from just meeting the cost of production to actually seeing expanding margins, and how those margins are now providing free funds for the companies to issue dividends and grow their production profile from new projects, at the same time. And that should continue with this gold price environment. There is relatively robust M&A activity in the sector, and I think we should see more of that in the coming year. The industry is feeling very confident about its position, so that should support some of those developments. Given the amount of capital

deployed in exploration programs over the past couple of years we should also see relatively steady news flow regarding discovery and organic value creation. As far as the gold price goes, we are rather confident on the outlook, given the global economic horizon and attempts by financial and political authorities to manage the crisis. So things are actually quite ideal for investing in the gold sector — and if anything, that's maybe something to worry about. Things are almost too good. But having said that, I think it's fair to say, too, that gold is really underowned, and it's only in the last several years that it's gained credibility as an investment vehicle, and has demonstrated that, as a portfolio diversifier, a gold allocation can have a very positive impact. So in that regard, I think there is still quite a broad investor base that has yet to really discover the merits of owning gold, or gold mining equities or gold funds, for that matter.

TWST: Thank you. (MN)

DOUG GROH

Senior Research Analyst

Tocqueville Asset Management L.P.

40 W. 57th St.

19th Floor

New York, NY 10019

(212) 698-0800

www.tocqueville.com

Investing In Gold

RACHEL BENEPE, FIRST EAGLE FUNDS



RACHEL BENEPE is a graduate of the University of Pennsylvania and received her MBA from Columbia Business School in 2003. Before attending business school, she worked for Prudential Securities as an Investment Banking Analyst and at Lehman Brothers as an Equity Research Associate, focusing in basic industry, metals and mining. After completing her MBA, Ms. Benepe researched beverages for three years at both Gabelli and Company and Citigroup and was also an Investment Analyst at Artemis Advisers, focusing on

consumer, retail, media and industrials. Ms. Benepe is responsible for covering retail, gold, metals and mining industries, steel and coal, and automobiles.

SECTOR — PRECIOUS METALS

(ABZ505) TWST: Would you begin with an overview of First Eagle Funds, including some highlights from your history and a bit about your role there?

Ms. Benepe: I am the Co-Portfolio Manager on **First Eagle Gold Fund (SGGDY)**. We started the fund in 1993, and we often joke we were 15 years too early, but we've always viewed gold as a hedge against those systemic macro risks that you can't forecast against. So we've always felt that gold holds a role in a portfolio. In our diversified funds, we have Global, Overseas and U.S. Value products. In all of those products we typically hold around 10% of those portfolios in gold, always down. We haven't just started looking at gold because we've recently become worried. In our view, we are bottom-up stock pickers. We're more value investors by nature, and in our view, gold is able to help us hedge potential risks, these macro risks that we can't forecast. So we're always worried about the downside, and that's kind of hopefully our ultimate downside protection.

TWST: In the Gold Fund, you've got about an 81% position in stocks and 14% in gold bullion. Would you give us some insight into why you've chosen that asset allocation and also how the two work together in your mind?

Ms. Benepe: We've always looked at gold in combination. We'll go and find the cheapest ounces possible, so

we tend to be agnostic if the ounces are above ground or below ground, above ground being the bullion and below ground being the mining companies. But our goal is to buy the cheapest ounces possible. Now gold bullion is obviously free and clear of mining risk because it's already out of the ground, but that isn't always the

cheapest way to access that gold. We use a proprietary gold mining model that's based off of the spot price of gold, and it looks at the gold mining companies' proven and probable reserves and the cost to extract those reserves. If that is cheaper, if the company's stock appears to be cheaper based on that kind of metric versus where it's trading at a significant margin of safety, we invest in the company. Over the last couple of years, there's been much more opportunity in companies, so we've been increasing our investment in the below ground just because they are cheaper. I think it's because the ETF has made it very simple for people to go out and buy gold bullion, and they just don't think about it. We don't forecast the price of gold. We understand why people might just go and do that because they want to have the protection, but

they are cheaper. You can buy leveraged plays, which would be the gold mining stocks.

TWST: Within that 81% allocated to equities, would you tell us a bit about the kinds of stocks you've chosen?

Ms. Benepe: We tend to run a very conservative gold fund, and there are products that differentiate us from other gold

Highlights

Rachel Benepe provides an overview of the First Eagle Gold Fund and its strategy for investing in gold as a hedge against potential macro risk. She discusses the fund's allocation of 14% gold bullion and 81% stocks, favoring more senior companies with long-lived assets that operate worldwide. She says larger-cap names are attractive at the moment, having good cash flows and the ability to make acquisitions. Ms. Benepe also discusses what specific geographies the fund is active in and the dynamics of central banks' gold reserves.

Companies include: Fresnillo plc (FRES.L); Barrick Gold Corporation (ABX); Newmont Mining Corp. (NEM) and Goldcorp Inc. (GG).

funds. We tend to only buy when companies are in preproduction; that's the early stage. So we would buy all the way up through the senior producers, and we tend to like those senior producers with long-lived assets that operate in geographies all over the world.

“There may be forced sellers of gold, but I don’t think you’re going to see anyone that’s a willing seller of their gold, and by anyone, I mean central banks. But if central banks decide that their fiat currency systems are in order, and that they’re holding a ‘useless’ asset that doesn’t yield anything, then they could begin selling.”

Those tend to be the kind of companies we favor, so we have larger allocations in those companies. Then we make smaller allocations to those companies in the earlier stage, which, as I said, are companies that have a mining plan in place, proven and probable reserves that are defined and that are operating in countries that we understand but have not started producing yet. And we tend to not go much earlier stage than that.

Many of our competitors will go much earlier stage than that, starting with exploration plays. We don’t do that because we view gold as a hedge, and in our view when you’re going that early stage, you’re viewing gold as a speculation. The other thing that’s different, I think, about our portfolio is that we view gold as the hedge, and so the gold fund is a gold fund. We do have a little bit of silver exposure through a company called **Fresnillo (FRES.L)**, but other than that we really tend to focus on gold and gold ounces. When our companies produce other metals in association with gold, we assign very low value to these other base metals. So we’re trying to buy gold companies not copper companies that are masking as gold companies, because we don’t want to have that kind of exposure. Part of why we think gold is an effective hedge is because it’s not tied to the business cycle, and it’s not tied to the credit cycle, where base metals are tied to the business cycle, and other kind of hedges might be tied in other ways to the credit cycle.

TWST: Your stocks are from all over the globe. Would you tell us some of the geographies and specific names you’ve chosen for the fund?

Ms. Benepe: One geography where we’ve historically been active is South Africa, and that’s something that I think, again, kind of differentiates us. We like many of the companies that operate there because they have long-lived assets and there is — even though it seems like it’s in question — an established mining culture and history within the country and the risks are well known. In addition, because the larger companies are trying to reduce their exposure to South Africa, they have been very active in increasing their portfolios outside of South Africa. And the companies have not been getting credit for those assets outside of their South African portfolio. We think they look attractive in part because they’re naturally hedged. But if there actually were any kind of supply disruption in South Africa they would probably do well,

because they have exposure to other parts of the world and the gold price could possibly move to the upside on that kind of event.

The majors — that would be **Barrick (ABX)**, **Newmont (NEM)** and **Goldcorp (GG)** — have tended to be overlooked recently because many investors have wanted to get exposure to smaller names that they view as potential takeover candidates. In our view, the large-cap names are attractive right now in terms of versus the spot price. I think people expect that the market’s going to rapidly consolidate and that the big guys are going to be buying the small guys, so all the small guys have been bid up in price and many of them look pretty expensive, whereas the large caps are being punished for actions they haven’t taken yet. So they actually look pretty attractive, and they have demonstrated discipline to not go out to buy something for something just to have it for growth’s sake.

They have cash flow, and this is a good environment obviously for them given the prices of gold.

1-Year Daily Chart of Newmont Mining Corp.



Chart provided by www.BigCharts.com

TWST: This has been a big year for gold with many people turning to gold as a safer investment during the recession. But what are the key risks people should be aware of when investing in gold?

Ms. Benepe: All the gold that’s ever been mined is still in existence, and so on one level, that makes it extremely valuable. Central banks want to own it because you can’t destroy it. You can throw it in a vault and it will look the same 500 years from now as it looks the day you put it in that vault. Gold becomes attractive when you have large buyers or if there are governments or institutions buying it and putting it in that vault. This is because the above-ground float is basically shrinking, and so there is a scarcity but that can reverse. So if central banks become sellers as they were in the 1990s, that would be very bad for gold. I would say we’re currently in a political environment where it would be difficult for central banks to sell gold by choice. And I say “by choice” because if there was a real crisis, part of why they hold gold is the same reason we hold gold. It’s so they can use that gold to repair their balance sheet quickly.

So there may be forced sellers of gold, but I don’t think

you're going to see anyone that's a willing seller of their gold, and by anyone, I mean central banks. But if central banks decide that their fiat currency systems are in order, and that they're holding a "useless" asset that doesn't yield anything, then they could begin selling. That would be bad for gold. If all of a sudden alternatives, like the dollar or euro, start yielding something, that might be bad for gold. I mean right now, the opportunity cost of holding gold is not the same as it's been in the past because bonds aren't yielding anything. But in a typical environment, they are competing against instruments with yields, and in the case of gold, you have to pay for storage. So it kind of has two things against it — it yields nothing and it costs you to actually store it somewhere. But I think the really big driver in terms of big price movements to the upside or to the downside are driven really by central banks. So in the 1990s, when central banks were such heavy sellers of gold the price couldn't move up, it didn't matter what jewelry demand was, it didn't really matter what individual investment demand was. Central banks' needs can really overwhelm the market in either direction — whether they are buying or selling.

TWST: How has your gold fund performed this year?

Ms. Benepe: Like I said, we tend to be very conservative so we don't use leverage or options, and we're really just kind of a straight fund trying to give the cheapest — and I don't want to say safest — but kind of a conservative measured view into gold. We're not looking to be crazy speculative of the upside, and we're trying

to limit our volatility on the downside. We're hoping we don't go down as much as other people do when it goes the other way. We are trying to give investors exposure to what we view is a potential hedge against systemic risk. We're trying to just offer a measured kind of performance, but we're steady. We're not trying to be volatile and all over the place. It's hard to do that in a gold fund, because it's going to be volatile by nature, but we're trying to offer a conservative approach.

If you're looking to use gold as a hedge, we are the fund for you. If you're looking for gold because you want to speculate on the gold price, we're not the right gold fund. We have a philosophy that we view gold as a hedge. We don't forecast the gold price. We're not gold bugs. We really are just trying to provide that little bit of a hedge so if our clients are using it within their diversified portfolio, and it is to hedge that — that kind of systemic macro risk that it's difficult to do otherwise.

TWST: Thank you. (MES)

RACHEL BENEPE

First Eagle Funds

1345 Avenue of the Americas

New York, NY 10105

(800) 747-2008 — TOLL FREE

www.firsteaglefunds.com

e-mail: info@firsteaglefunds.com

Investing in Hard Assets to Complement Core Strategies

PETER SORRENTINO, HUNTINGTON ASSET ADVISORS, INC.



PETER SORRENTINO is Vice President and Senior Portfolio Manager in the Private Financial Group at Huntington Asset Advisors, Inc. He has worked in the investment arena since 1981, starting as an Investment Analyst and subsequently moving to investment management in 1987. His past experience includes Managing Director and Chief Investment Officer for Bartlett & Company and Director of Research and Portfolio Management at Star Bank in the capital management division. Mr. Sorrentino has been

featured as a guest lecturer for Northern Kentucky University's College of Business. He is also an Instructor for the investment analysis and portfolio management section of the CEBS program offered through the University of Dayton. Mr. Sorrentino has a bachelor's degree in finance and accounting from University of Cincinnati. He earned the CFA designation in 1993.

SECTOR — PRECIOUS METALS

(ABZ502) TWST: Please start with an introduction to Huntington Private Financial Group.

Mr. Sorrentino: The bank itself is a little over 100 years old. The parent bank is based in Columbus, Ohio. We were segregated out as Huntington Asset Advisors, which is the investment part of the financial group, about 10 years ago, and we have about \$13.8 billion in assets under management. That consists of the traditional trust accounts with those foundations, endowments, pension funds, qualified money and also mutual funds on the retail side. Using multiple distribution arms, we sell through the bank itself. We also sell independent of the bank and manage independent of the bank. We are basically a registered investment advisory firm that's essentially owned by a bank.

TWST: You manage the Real Strategies Fund. What is the focus and objective of that fund?

Mr. Sorrentino: We had international investing and a multitude of various bonds, and we've sliced and diced the domestic market in a lot of different ways for some time and

noticed that one of the phenomenon of the last 25, 30 years is that as more and more asset classes were monetized and became

financial or securitized. We were starting to lose those benefits of diversification, and international markets were starting to correlate together. Even the currencies are sort of merging together. So we wanted to add something else that would hopefully continue to bring some diversification. In 2007 we came up with a fund that focuses on hard assets, not exclusively precious metals or agricultural commodities. It can also invest in real estate, it can be involved in other types of activities, such as timber, and going down the list of traditionally somewhat illiquid asset classes that we thought made sense to broaden out to. The fund's goal since launching has been to try to get into any commodity area or a hard asset area where we sense that there was pricing power and

to try to provide an added level of diversification for accounts. It's

Highlights

Peter Sorrentino offers an in-depth look at the Real Strategies Fund, which focuses on hard assets to provide diversification for existing core investment strategies. Mr. Sorrentino says a strong sell discipline is one of the keys to the fund's strategy, and he looks at such metrics as moving price averages as exit determinants. Mr. Sorrentino explains the regulatory risks/reward profile of holding companies that operate in various countries. He provides reasons as to why there is some upside left to gold, and he outlines who is and should be holding it. Mr. Sorrentino also discusses one of the top holdings in the portfolio and why it fits into Huntington's investment philosophy. Companies include: Rio Tinto plc (RIO); BHP Billiton Ltd. (BHP); Potash Corp. of Saskatchewan, Inc. (POT) and Vale S.A. (VALE).

not a core fund. You use this fund to try to help balance out a core strategy that you may be pursuing.

“We now find that making the leap in the gold or silver is not viewed adversely any longer. Those are seen as viable store houses as opposed to just cash. Again, you get into that risk of it if you are sitting in cash and it’s a depreciating currency, you’re losing purchasing power rapidly. That’s why gold, again, becomes an attractive alternative.”

TWST: How do you define your investment philosophy and how do you select the stocks that go into the fund?

Mr. Sorrentino: We look at where there may be emerging shortages or emerging demand for a particular item, whether it’s apartment space in cities with regulations that are no longer conducive to further development or to the consumption of copper, which we think is in a declining supply environment. We then try to find out who the best players are in those areas, what’s the most opportune time and the price that would make sense to begin to initiate investment there.

The key to us is at what point do we pack up and leave and get out? You try to get the benefit of the large part of the price move in whatever asset class that we’re participating in and then exit before we run the risk of giving most of it back, and the belief that again, a lot of these classes are not that liquid and they’re pretty volatile. We want to perhaps move a little earlier rather than pushing it to the edge and giving part of it back.

TWST: What are the exit signals you watch?

Mr. Sorrentino: There are a couple of things. One that we’ve used for quite some time has been just looking at moving price averages, because a lot of this is crowd psychology, and it is the behavior of people. Any time the price of a commodity, or stocks for that matter, is 50% above its 200-day moving average, we’re going to sell. I don’t care what the fundamentals are, I don’t care what the current forecast or strategies may be, we’ve just seen in history time and time again where when a price of something moves that rapidly, there’s that much momentum, there’s that much money pouring into it — it’s unsustainable. Nothing in the course of human existence gets that good that fast. So we will sell out.

We may go back into it if it sells off again. It’s difficult to sell your winners, and so we put that in place to say, if something is breaking away from the market that rapidly, we need to take our profits and just sit on the sidelines. And we name this the “absolute crescendo.” But by using that as, if you will, a good strong sell discipline, it has saved us time and again. It did with oil when it approached \$150 a barrel, it had violated that rule. We actually were short of oil that fall, and I wish we had shorted it more. We didn’t realize it would sell all the way down to \$37 a barrel within a few months, but that’s an example of where we used the discipline and it paid off.

TWST: What role does gold play in your investment

strategy?

Mr. Sorrentino: Gold is really indicative of a couple of phenomenon going on right now. One is, there is, in our view, a general distrust of currencies, whether it’s the euro, the dollar or the yen. Effectively, those currencies are being debased with the intent of trying to solve fiscal problems and that gold simply is a reserve currency in and of itself. This began a couple of years ago. We saw this trend break out where at least at first, I think it was in 2005, gold went up in dollar terms, but didn’t move in euro or yen terms. That was a dead giveaway that something was going wrong with the U.S. dollar.

Then we began to see some trends in both the euro and the yen, where gold began moving up in price, and that was an indication that there is deterioration in the quality of these currencies. And so in the reserve, we wanted to use gold for that purpose. Also when you get very low rates of return in the marketplace — whether it is the fractional interest that you’re being paid on cash deposits, the very low yield on treasury securities, whether U.S. treasuries, yen, British gilts, any of those bonds — what happens is, you get in a situation where anything that exhibits price momentum becomes a viable alternative for what would essentially be reserve investment. There’s cash that would normally sit on the sidelines.

1-Year Daily Chart of Rio Tinto

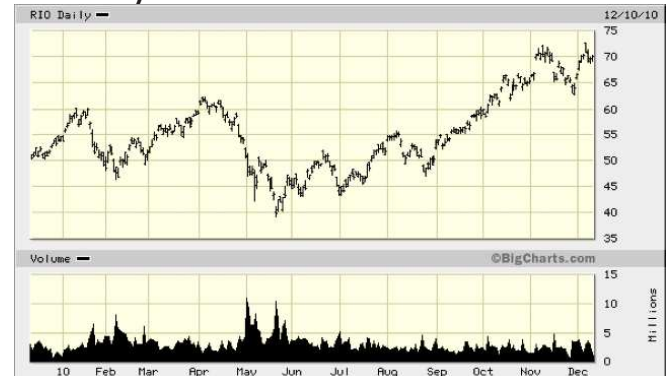


Chart provided by www.BigCharts.com

We now find that making the leap in the gold or silver is not viewed adversely any longer. Those are seen as viable store houses as opposed to just cash. Again, you get into that risk of it if you are sitting in cash and it’s a depreciating currency, you’re losing purchasing power rapidly. That’s why gold, again, becomes an attractive alternative.

Also, we believe that in the emergence of a well-developed middle class in both India and the Pacific Basin, those nations do not have long-established histories of banking, nor do they have a great deal of stable currency tradition there, and so gold tends to be the favorite vehicle. We’ve seen buying in those marketplaces, in India in particular; when the IMF was monetizing 400 tons, the Indian central banks stepped up and took up half of it, which actually sparked this current rally, the big run-up in gold. We’ve seen the same thing in other Asian nations, such as Indonesia

and Vietnam. Gold has become increasingly a good place to put savings because their banking tradition is not that strong. Plus, looking at the crises in the last couple of years, they're probably not getting any more positive feeling for banks. As a friend of mine said, "Second to counting the shotgun shells, when things go bad, gold is good." I think that's kind of universal around the globe right now.

TWST: As of September 30, one of your top holdings is Rio Tinto, which is not a U.S. company. Do you weigh U.S. and non-U.S. companies differently?

Mr. Sorrentino: Yes, one, they operate in different regulatory environments; they have different valuation schemes. I think if **Rio Tinto** (RIO) would trade in the U.S. as opposed to on the London Exchange, you could probably add a couple of multiple points to the price, and it's done pretty well. But relative to the fact that it is not in any of the major U.S. indices, which tends to be big drivers of price movement, it's a stock that a lot of investors don't have to own. I think it's been cheap, and I've got to know their management over the last 10 years; they're very smart operators. They've made lot of good moves. They backed away from some deals that would have jeopardized the company's future growth. So I applaud them for being very disciplined, very savvy in their business. It's almost like buying a mutual fund of metals. They literally mine everything. Whatever is a byproduct of one mining activity, such as copper, the copper activities produce a lot of other sort of trace element metals as well. In buying them, you get a very broad exposure on a global scale. You get mines in Australia, Canada, really around the globe.

1-Year Daily Chart of Vale S.A.

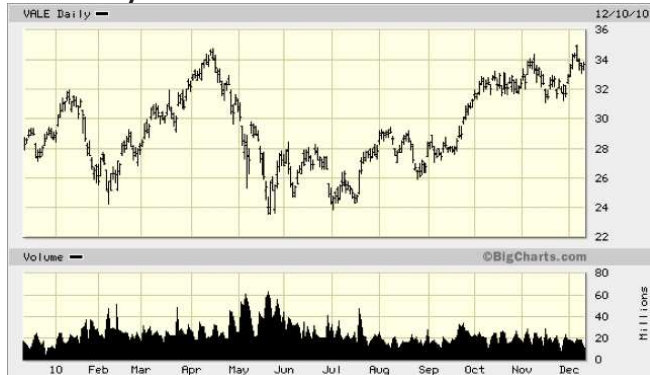


Chart provided by www.BigCharts.com

Now it's gotten pricey. We utilized listed options a lot in our portfolio to try to control risk and also that when we set price targets, it's a mechanical way of forcing us to adhere to our target. We probably had larger and smaller positions in **Rio**, **Vale** (VALE) and **BHP** (BHP) over time, and we managed those relative to each other with options because sometimes one will get country-specific issues, such as **Vale**, where we are tempted by the government to sort of slow down hard money well way on our stock. Or it could be deal speculation such as we saw with **Rio** last year, maybe weighing on with one stock and thereby keeping it from participating fully in a price run. So we play these off against each other, but sort

of in a static state, **Rio** is probably my favorite mining and natural materials stock.

"They literally mine everything. Whatever is a byproduct of one mining activity, such as copper, the copper activities produce a lot of other sort of trace element metals as well. In buying [Rio Tinto], you get a very broad exposure on a global scale. You get mines in Australia, Canada, really around the globe."

TWST: How significant is the regulatory environment when weighing mining stocks?

Mr. Sorrentino: Frankly, it is huge. A lot of considerations have to go into when you look at the nature of their mines, what type of potential environmental impact those mines may have, what's the litigation and regulatory climate in those countries. Most of the coal manufacturers in Australia are open pit, and so you have a problem in Australia: when it rains, it rains. It may not rain for years, but when it rains, it rains. So you get mines that are flooded, and it basically takes months to pump them out. It can take six months to pump out an open-pit mine. So you have to be careful of that and then also, what's the regulatory climate in that country? Has there been a change of regime, such as in Australia? What's the new government's attitude toward development? Some of that we saw in Australia last year with the talk of an imposition of taxes on extractive industries, and it first was viewed very negatively in companies with the exposure in Australia — it really suffered price lags from that.

It's that kind of a thing that can radically and very quickly change the prospects for any particular development. We saw that in Indonesia and Malaysia, where political winds would change direction and projects that had been all but approved by a previous regime would suddenly find themselves under permitting issues, environmental issues. Russia was a great example of this when they began to reassert their control over the extractive industries. They often used environmental and accounting and tax irregularities as reasons for expropriating properties. Together, the whole regulatory and legal protection backdrop is incredibly important, because these industries — even in Canada going back into the 1960s or in 1950s — has flirted with very nationalist tendencies and has become very protective of the ownership of their resources. We recently witnessed this in the failed attempt to acquire **Potash** (POT). That felt the brunt of that nationalist protection. And so these are things that you've got to be really careful on in terms of how much future growth you're building into the developments, in places where the political landscape and regulatory landscape can change rapidly.

TWST: How do IMF gold reserves impact gold prices?

Mr. Sorrentino: Quite a bit. When the bank was set up, they were capitalized with a large deposit of between 800 and 1,200 tons. Two years ago, they announced that they wanted to monetize part of that to be able to make loans. The initial sale was 400 tons.

As soon as that began to clear the hurdles and as soon the word got out that there were members who were in favor of this, the price of gold stalled out. Quite literally, you can see it in 2008, right after it broke \$1,000 an ounce, that announcement hit and you saw gold basically trade sideways to down for quite sometime until they actually made the sale. And now we are sitting in the market, and it was on the day literally the Indian Central Bank announced that they were taking 200 of the 400 tons, gold took off. So it can have a major impact, and some of the volatility that we saw in the earlier part of the first decade was the central bank selling.

“I think there’s still some upside left to gold, and then again, it would depend on what happens out in the future. Our price target for a little over year out from now is around \$1,590. So in our view, you’ve got a couple of hundred dollars left in the upward move of the price here in the near term.”

You had a lot of banks that were getting into compliance with the euro regime in order to be part of the currency union. So as a result, you have central bank selling on any strength, and that was holding gold down. In the 1990s, we saw gold under relentless pressure from the Russians, basically selling off a lot of their gold when the price of oil collapsed; they were desperate for foreign currency reserves. So they were selling gold pretty regularly, and that held the price of gold down. These central banks can have a major influence. Part of what’s been driving it up in 2010 has been that in an attempt to diversify away from holding U.S. Treasury bonds and other financial instruments, central banks around the globe that did not have gold reserves prior to this have actually been quietly adding to their reserves. China, first and foremost on that list, has been diversifying using gold as an another reserve, but also other central banks throughout Asia at the margin have been converting reserves from paper into purchase power. So that can have a pretty significant impact both in terms of suppressing demand by flooding supply or by soaking up supply by adding to the current demand.

TWST: Should the average investor buy gold now?

Mr. Sorrentino: We are at a point now where I think there’s still some upside left to gold, and then again, it would depend on what happens out in the future. Our price target for a little over year out from now is around \$1,590. So in our view, you’ve got a couple of hundred dollars left in the upward move of the price here in the near term. And again, the risk in gold if it were to sell off here, really backed out to about \$1,000 an ounce, is about all we think the risk is. And that again would be something as if the IMF came to market and said “Okay, we’re going to sell another 400 tons.” We think that you might get back to about \$1,000 an ounce, and it would firm back up again. It is one that I think investors need to be mindful of. I don’t think you buy and hold it forever. Gold doesn’t create anything, it doesn’t create rents, royalties. It doesn’t generate anything in and of itself; it’s simply a storehouse. If there are other

more profitable ventures to be engaged in, then gold needs to be liquidated, and you need to own other asset classes.

But at this juncture, we think that there’s still some more upside left to gold. And for investors who really are sitting on cash or sitting on low-yielding assets, gold is an attractive alternative right now. The big play this year had been silver, but silver has now corrected what had been an imbalance that’s been revolving over the last five years, where gold had been pulling away and silver, which normally trades in a broad relationship to gold, lagged behind. Well the big rally this year has been silver. Silver has pretty much closed that gap with gold. So gold will always be the first mover, and I’ve told customers that the run in silver is probably over, we will probably sell their silver assets and flip them back into gold, because gold will move first. Anytime there’s an upward movement, gold moves first and then silver will rally later. So we want to flip and go back into gold. And so after that advance has taken place, we might look at going back into silver again to play the catch-up rally.

TWST: What other issues are impacting gold right now?

Mr. Sorrentino: One of the problems is the production level of gold in terms of new gold coming into the system from the miners; the cheaper, richer veins of gold have really played out. Most gold that will be coming into the system going forward is going to be more expensive to produce. Most of the miners have dropped what’s known as their hedge book, which is where the gold miners protect themselves from the volatility, would normally figure about how much they were going to produce in the coming year and they would sell it forward into the future’s market. So their price was effectively locked in, and they may now not reap that incremental benefit. They didn’t have to worry about the price crash; they were basically going to get started with gold that cost them a lot more to produce than they could sell it for. Well, because gold has been advancing now for so many years, most of the major producers realize they’ve left money on the table. So one by one, they very quietly have been closing down their hedge book and are now selling as it’s produced into the marketplace. That’s going to make them a lot more volatile. That could, as the supply really becomes more and more constrained, add an extra element of upward appreciation to the price of gold in the years ahead.

TWST: Is there anything you would like to add?

Mr. Sorrentino: One area that we’ve been very careful of and even though we do own it, we’re pretty mindful that exchange traded funds and exchange traded notes for a lot of investors have been a way of getting into — and this would fuel a lot of the advance in precious metal for all commodities really — they’ve been using these as a means of entry, because they are cheap and it’s so very easy to do it; you don’t have to have a depository. The problem that I caution a lot of investors on is that while the GOB and SOV do hold the metal itself, the problem is that at the margin as they create those shares, they’re doing that in the future’s market, and as we saw with the oil ETFs back in the boom of 2008. A lot of times you don’t get one-for-one participation and because it’s being created in the futures market, the mechanical

thing that will take place in that market that will limit you in a very sharp upward price spike from participating fully; and then on the downside of that is when investors begin to liquidate those shares and the funds are forced to redeem, close down positions and sell, we've never had exchange traded funds that have gone as large as some of these are now. So the assumption that you've got the same liquidity coming out as you had going in may be a dangerous one.

I've cautioned investors that if they're investing in gold, they may want to look at taking a multipronged approach, maybe if they want to own some of the metal outright, there's no problem with that. For example, the Central Fund of Canada has been in existence since 1968, I believe. They hold both gold and silver. You can pool it in that asset value up every day, and I think they tell customers to do that, because some days it trades at a premium and you really don't want to be paying more for than you have to. So be mindful of when you're buying, but to be a little more thoughtful about how they buy; they want to buy gold miners. Be very sure that you're aware of what that valuation is relative to the gold that's

going to be produced by that company in the next 12 months, and be very suspicious of a lot of forecasts, because most mines are playing out. If someone's showing large upward revisions to their forecast, something may be of a little suspect there. So that's kind of the macro picture. There are some new elements here that have — in the past, moves in gold in the late 1970s or early 1980s, you didn't have exchange traded funds. You didn't have to worry about a lot of the factors that now have sort of come into the marketplace that can impact that kind of an investment decision.

TWST: Thank you. (LMR)

PETER SORRENTINO

Vice President & Senior Portfolio Manager

Huntington Asset Advisors, Inc.

3805 Edwards Road

Cincinnati, Ohio 45209

(513) 366-3420

www.huntingtonfunds.com

Endeavour Silver Corp. (EXK)



BRADFORD COOKE is a professional Geologist with 34 years experience in the mining industry, specializing in the financing, acquisition, exploration and development of mineral deposits. He earned a B.Sc. geology degree (honours) at Queen's University, Kingston, Ontario, in 1976, and an M.Sc. geology degree at the University of British Columbia in Vancouver, in 1984. From 1976 to 1982, he worked as a Project Geologist managing mineral exploration programs for uranium, base metals and precious metals across Canada with Noranda Mines, Shell Minerals and Chevron Minerals. Between 1983 and 1987, Mr. Cooke owned and operated Cooke Geological Consultants Ltd., discovering several high-grade gold vein deposits for clients in British Columbia. In 1988,

Mr. Cooke launched Canarc Resource Corp., a junior gold exploration and mining company focused on exploring and developing prospective gold properties throughout North, Central and South America. Canarc successfully delineated a one-million-oz. gold resource at its core asset, the New Polaris project in BC, and is currently focused on developing New Polaris into western Canada's next high-grade gold mine. In 2003, Mr. Cooke formed Endeavour Silver Corp. for the purpose of acquiring advanced high-grade silver-gold projects in Mexico. Within six months of acquiring the Guanacevi Mines project in Durango, Endeavour discovered and developed into production the new high-grade Porvenir silver mine. Today, Endeavour is one of the fastest-growing primary producers of silver worldwide. Mr. Cooke has successfully raised more than CA\$250 million in equity and joint-venture financings for resource projects since 1988. He is also involved in several grassroots gold discoveries over the past 25 years and has published several geological/geochemical papers in leading technical journals. A good-standing member of the Association of Professional Engineers and Geoscientists of British Columbia, The Canadian Institute of Mining and Metallurgy, the Prospectors and Developers Association of Canada and the Association of Mineral Exploration in BC, Mr. Cooke is also a Fellow of the Geological Association of Canada.

SECTOR — PRECIOUS METALS

(ALM602) TWST: Please begin with a thumbnail sketch of Endeavour Silver.

Mr. Cooke: Very simply, Endeavour is a company I founded about seven years ago with a view to going to Mexico to acquire strategic silver mining assets. In fact, if you look at a snapshot from that time, Endeavour Silver was a small startup company with two employees, my associate, Godfrey Walton, and myself, with barely \$300,000 in working capital, most of which was our own money and no assets, and a \$0.10 stock. Fast-forward to today, and Endeavour is very truly a going concern with two operating high-grade underground silver-gold mines in Mexico. We have 800 employees, a market capitalization of about \$450 million, a working capital position approaching \$100 million, which is mostly cash, and the sky is the limit. We have been very much focused on growth these last six-and-a-half years. We fully expect to continue to aggressively grow the company over the next couple of years.

TWST: Walk us through the Guanacevi mines and the Guanajuato projects located in Mexico. Do you have 100% ownership in the property?

Mr. Cooke: Yes, in both of our operating mines at Guanacevi and Guanajuato, Endeavour owns 100% of both the

surface rights around the plants and the mining rights, and of course around the mines. We also have significant exploration properties in both districts that are still being evaluated for potential new discoveries.

TWST: Do you have very good relations with the Mexican government?

Mr. Cooke: Yes, I think it is fair to say that all foreign investors in the mining sector in Mexico are very happy with the Mexican government, for the very simple reason that it's one of the very few governments in the Western world who proactively support foreign investment in the mining sector. We appreciate the support of the Mexican government.

TWST: What's the agenda for the next 12 months? What will make the next 12 to 24 months an overall success?

Mr. Cooke: Over the next 24 months, we have a number of factors that will drive our growth and presumably our shareholder value. Not the least of these factors is that we have enjoyed six years of pure organic growth. We have taken not only our resources, but also our reserves, production and cash flow, and earnings from zero to where they are today. I think this year we'll come in around 3.2 million ounces of silver production plus 16,000 ounces of gold, which is higher than forecasted. Every year for six years now, we've

driven our production higher, every year. This will be our seventh consecutive year of reserve and resource growth. We are expecting our fifth consecutive year now of financial outperformance, and this will be our first full year of earnings for the company. So overall, we've had a great track record, and the fuel for the fire going forward over the next two years is pure organic growth. We fully expect to grow the two existing mines a further 40% to 50% over the next two years simply by continuing to expand both the mines and the plants. We also expect to grow through acquisitions. Remember what we bought were two mining assets that had basically run out of ore. We think there are opportunities out there for us to find or buy mine number three and/or mine number four. So both organic growth and acquisition growth should fuel shareholder value over the next two years.

"My personal view is that going forward, we will see that silver/gold ratio return to 16:1, and that's why silver relative to gold should be a significant outperformer over the rest of this precious-metals bull market."

TWST: We saw on your third-quarter highlights, mine operating cash flow escalated 181% and sales revenues increased 105%. What is your personal feeling about the outlook for silver?

Mr. Cooke: Clearly, we are silver bulls. We wouldn't be in the business if we weren't. I don't consider myself to be a raging bull; I am a modest silver bull. Let's define modest. I think that the move from \$4.50 silver in 2003 when we got into the business to the current \$26, \$27 silver — it's just a taste of what's to come. Silver has been called the poor man's gold for a reason. It typically lags behind the price of gold and then plays catch-up to gold. What I mean by that is gold entered into a secular bull market in March of 2001. The main driving force behind gold since that time has been the falling value of Western currencies, principally the U.S. dollar and the euro. Silver, however, even though it's a precious metal, just like gold, it also has a foot in the industrial metal camp. And unlike gold, where virtually all of the mine production ends up above ground either in vaults or around fingers and necks, silver tends to disappear every year. In other words, silver is consumed by industrial demand. So you don't have the big above-ground inventories in silver like you do relative to gold. I think silver has a much better chance to outperform gold as we go forward for that simple reason.

TWST: Does the demand in China and India play a big part in this?

Mr. Cooke: Yes, if we go back and look at the last few years, gold took off in March of 2001. Silver did not hit bottom until November of 2003. There was a lag there and yet, it didn't take silver more than six months to play catch-up with gold. And with respect to the gold/silver ratio, that ratio is currently around

50:1. At the peak of the 2007 run in the metal prices, that ratio got as low as 45:1, and at the bottom of the 2008 financial crisis, that silver/gold ratio got as high as 85:1. But let's take a look at the ratio historically. For the better part of 100 years, there was a link between gold and silver. The price of silver was fixed relative to gold at 16:1. My personal view is that going forward, we will see that silver/gold ratio return to 16:1, and that's why silver relative to gold should be a significant outperformer over the rest of this precious-metals bull market.

TWST: A moment ago, you mentioned the company had other exploration of properties. Which of these properties do you think offers the single best opportunity?

Mr. Cooke: Endeavour has a portfolio of district-scale exploration projects. Of the three projects we own, we think most highly of our Parral district in Chihuahua, where we already have a defined silver-lead-zinc resource; secondly, our San Sebastian project in the State of Jalisco, where we have not even started drilling yet, although drilling is scheduled to commence immediately. We love San Sebastian, because it is an entire district of silver-gold veins that were being mined up until the revolution in 1910. Literally nothing has happened since that time, so you've got an entire historic silver district that skipped the 20th century, and none of these veins have been drilled. All of them have small, historic Spanish mines on them. We think the resource potential at San Sebastian is very attractive. I'd like to call it my next Guanacevi. It's exactly the same type of district as Guanacevi.

Last but not least, we currently are bidding for another junior exploration company called Cream Minerals. Assuming a successful conclusion to that bid for the company, we would acquire a significant silver-gold resource on Cream's Nuevo Milenio Property in the state of Nayarit, Mexico. It is very similar to San Sebastian, and it's not actually that far away; it's just to the north of San Sebastian. Nayarit is the state to the north of Jalisco. Like San Sebastian, the Nuevo Milenio Property is exactly the same style of mineralization, same size of mineralization, grade of mineralization that we have to come to expect at Guanacevi. So both San Sebastian and Nuevo Milenio are in Endeavour's sweet spot. These are projects we think we can fast-track through the discovery stage into development and then fast-track the development into production. This is, of course, after achieving success on both projects. These are the highlights of our exploration package in Mexico.

TWST: Would you comment on the use of technology to reduce costs and further the discovery process?

Mr. Cooke: We use modern technology as much as possible in all aspects of our business. In the exploration for discovery of new deposits, we have highly trained geological professionals who use all modern technology available from satellite inventory to geological models to geophysics, and of course drilling, to determine where buried ore bodies might lie, and then test those theories. We have enjoyed success every year for seven years. Our exploration team has made at least one significant new silver-gold discovery. That is a heck of a track record, and I think technology plays a part in that.

If you look at the rest of our business, in the mining and the processing of these ores, we obviously use high-tech software for all of the engineering of the mine plants to develop these ore bodies,

and we are using modern underground mining and related equipment in order to exploit these ore bodies. The two plants are a bit different. At both Guanacevi and Guanajuato, we crush, grind and ultimately reduce the ores to a fine powder, so we can recover the silver and gold out of the ores. In the case of Guanacevi, we use a leaching technology, because it's more cost-effective on that particular ore. In the case of Guanajuato, we use what's called a flotation technology, because that's what's more effective on the Guanajuato ores. So in all facets of our business, we use modern technology.

TWST: Would you introduce us to your top-level management team, two or three of your key individuals?

Mr. Cooke: We obviously couldn't have developed such a strong track record for growth and track record for success without a great management group. I think it's one of my proudest accomplishments. I'd like to introduce your readers to our team. Godfrey Walton is my longtime associate. He is the President and Chief Operating Officer of the company. Godfrey, like myself, is also a trained geological professional with more than 35 years in the business. Our Vice President of Operations, Dave Howe, came to us from a larger company, St. Ann Jamaica Bauxite. Prior to that, Dave had worked with Hecla Mining. Dave has really been responsible for the turnaround of our operations from money-consuming mines to cash-flowing mines. Barry Devlin, Vice President of Exploration, is also ex-Hecla and has done a great job in assembling a top team and delivering discoveries every year. In finance, Dan Dickson came to us from our auditor KPMG, and he also has done a fine job at integrating all of the financial aspects of the operations into today's going concern Endeavour Silver. Hugh Clarke is our Vice President of Corporate Communications. Hugh has actually worked in almost every aspect of the mining business for more than 30 years, mostly on the financial and investor relations side. So he knows everything there is to know about Endeavour.

TWST: The company announced it has entered into a bought deal financing being led by CIBC. Would you talk about that deal?

Mr. Cooke: Endeavour has been very stingy with its share capital. For that reason, Endeavour, amongst all of our junior silver mining peers, has the fewest number of shares issued in the entire group. Notwithstanding, we do from time to time go to the equity markets to raise money in order to accelerate our growth. This was one of those times.

TWST: What historically has been the shareholder base with Endeavour and how has that base changed?

Mr. Cooke: We started off as a strictly retail company that had no institutional presence in the stock. I think in the early years after our first couple of financings, institutions owned more than half of the stock. But over the last three, four years we have returned to a solid one-third institutional, two-thirds retail shareholder base. Endeavour does enjoy support from a broad range of institutions in Canada, the U.S. and Europe, but we have an even stronger retail base in those places. We have more than 13,000 retail investors in our shareholder base at this time.

TWST: In your discussions with the investment community, do you encounter any recurring questions or misperceptions? Is the Endeavour story as well understood as you would like it to be?

Mr. Cooke: I think the Endeavour story really resonates with shareholders and investors because of our track record. We are one of the fastest-growing silver mining companies in North America. From a standing start, we've delivered growth every year since startup in 2003, and we fully expect to continue aggressive growth of the company into the foreseeable future, as we move from the junior tier of silver producers into the mid-tier of silver producers and hopefully capture a re-rating in the market thanks to that growth. In terms of concerns that we might have faced, obviously we are very focused on creating shareholder value, so we are stingy with our share capital. From time to time, we get questions from shareholders wondering why we issue more shares. Very simply, we look for opportunities to grow, and cash is the lifeblood of any company's growth. When we see an opportunity to raise cash in order to grow — and, for instance, we can use that cash to grow 30%, and the actual dilution was only 10% — that is actually a very accretive financing. So we are sensitive to shareholder dilution. I think we can say, very comfortably, that every equity offering we have done has accelerated our growth to the benefit of our stockholders.

TWST: How do you feel about your current stock price?

Mr. Cooke: We feel that there is still a significant upside in the share price of Endeavour. We actually become a laggard in our peer group briefly this year. We have caught up now, but given our outlook with almost 40% to 50% organic growth over the next two years and our ability to grow through acquisitions, I believe there is significant blue sky for shareholders going forward.

"Endeavour has been very stingy with its share capital. For that reason, Endeavour, amongst all of our junior silver mining peers, has the fewest number of shares issued in the entire group. Notwithstanding, we do from time to time go to the equity markets to raise money in order to accelerate our growth. This was one of those times."

TWST: What are the key metrics or events investors should focus on as they track and assess Endeavour's performance?

Mr. Cooke: The standard metrics — which are going to be next year's production forecast, our reserve and resource forecast, our cash flow and earnings forecast — all of which we expect to grow next year and the year after. In addition, there is going to be, we hope, some key transactions, merger and acquisition activity that will spur the company from the junior tier of silver producers into the mid-tier of silver producers. That's what I would be looking for if I were an investor — a combination of pure organic growth and jumping ahead of the pack through key acquisitions.

TWST: Is there anything we've left out of this discussion that you'd like to bring in or is there any closing statement you'd like to make?

Mr. Cooke: I think it's logical to assume that as management continues to deliver growth for the benefit of the shareholders,

at some point we will have created critical mass. We will have created a company that somebody else, some senior silver mining company, may want to own. While it's too early to predict, I think an appropriate exit strategy for Endeavour shareholders would be when we have a company that is suitable for entering into a friendly transaction with a larger company. We are in the business of creating value for our stockholders, and the very best side we can create, in my view, is soliciting a friendly takeover bid for the company a few years down the road.

TWST: Thank you. (KL)

BRADFORD COOKE
CEO & Chairman
Endeavour Silver Corp.
300-700 West Pender St.
Suite 301
Vancouver, BC V6C 1G8
(604) 685-9775
(877) 685-9775 — TOLL FREE
(604) 685-9744 — FAX
www.edrsilver.com

Midway Gold Corp. (MDW)



DANIEL WOLFUS has more than 28 years of investment banking experience. He became a Partner and Senior Vice President at E.F. Hutton & Co. and was in charge of the West Coast corporate finance department. After leaving the firm, he rose to become Chairman, CEO and Chief Organizer of Hancock Savings Bank in Los Angeles. During his tenure at Hancock Savings, the bank grew to five branches and \$225 million in assets before it was sold in 1997. Mr. Wolfus is currently a Director of MD Cowan and Co., a manufacturer of oil drilling equipment, and of Platoro West Holdings Inc., a mineral exploration company traded on the Canadian Trading and Quotation System. Mr. Wolfus also serves in various charitable and nonprofit organizations in the United States.

SECTOR — PRECIOUS METALS

(ALM600) TWST: Please begin with an overview of Midway Gold, including your properties, production.

Mr. Wolfus: Midway Gold is a company that has four projects in Nevada, and one project in eastern Washington near the town of Republic. Until recently, the company had an exploration focus, but we have moved into project development with a goal of reaching production and cash flow in 2013. The Pan Project, near Eureka, Nev., is in the permitting process. We recently finished the PEA, preliminary economic assessment, which shows that it has approximately 683,000 ounces under a 43-101 study. We have completed additional drilling recently which shows better grades, indicating that we may expect a larger resource in the final economic assessment. It's also manageable project size with a known resource.

The project will be an oxide heap-leach project above the water table with a low waste-to-ore ratio. We also think we have some economic benefit in developing the nearby Gold Rock Project, eight miles southeast of Pan. Our Midway project near Tonopah, Nev., was the catalyst for the company and holds promise for a high-grade mine. Our flagship project, Spring Valley, near Lovelock, Nev., is a world-class deposit.

We have a joint venture with Barrick, where Barrick can ultimately earn in up to 70% of the project by investing \$38 million. They have spent \$9 million to date, resulting in positive drill results and excellent metallurgy. We're quite happy about that project. We're in the process of putting together a new 43-101 on the Spring Valley project in order to determine what the current mineralization looks like, and we should have that available sometime in January. We have a grassroots project in Nevada, Burnt Canyon, and the Golden Eagle project in eastern Washington, showing approximately 1.8 million ounces. Nevada is a good mining-friendly state, and therefore we wanted to go ahead and start there.

TWST: What are the dynamics, the fundamentals, the assumptions and the variables that affect your industry and your own strategies and goals?

Mr. Wolfus: Probably the most important thing, like any commodity, is price. We feel that gold is not only a metal, but it's also

a currency to many. We think the biggest constraint that the industry faces today is permitting. Jurisdictions require a lot of consultation prior to receiving permits. While true with silver and copper, they tend to be larger deposits that are sustainable. Taking an exploration project to production requires a lot of front-end capital, an experienced management team and committed shareholders. Many exploration companies will not be able to reach production, because their management teams are exploration-centric and do not have production experience, and will face difficulty raising the large sums required to fund construction. Since I became the Chairman and CEO in December of 2009, we've restructured our management team and company focus, in particular adding Ken Brunk as President and COO. Ken brings a wealth of experience, having been responsible for designing, constructing, staffing and operating multiple mining operations and improving process efficiencies around the world.

TWST: Partner history and entitlement are crucial in this sector. How are you doing in that field?

Mr. Wolfus: I think we have committed to working with world-class engineering and permitting partners to develop our projects, including some of the top names in the business. Also, having Barrick as a significant shareholder and earn-in partner brings an availability of capital as well as project expertise, which is highly beneficial for a company our size.

TWST: How much of your growth formula is based on your current situation and how much is based on M&A activity?

Mr. Wolfus: In the short term, we are committed to developing the projects we have in hand; however, we have a goal of becoming a mid-tier gold producer, and that will require significant growth outside of our portfolio. That growth could come from projects not only in Nevada, but possibly Argentina, Peru and Chile for a variety of reasons — namely that it's easier to permit, we have strong business and personal connections, and there are a lot of good possibilities in those three countries. In terms of the reverse, companies looking at us, we have strong expectations for the value that would be realized by our shareholders. We would consider opportunities that are consistent with our long-term goals.

TWST: What's the agenda for the next 12 months?

What would make that time frame a success?

Mr. Wolfus: We plan to continue to show progress on Pan and Spring Valley, hopefully drawing a greater valuation for the company. Our efforts at moving closer to production are highly desirable for Midway. Gold in the ground is valued far less than gold being produced. We're trying to increase valuation along that curve and deliver a gradual but steady increase in value for our shareholders. For the next 12 to 24 months, that's really our goal, and we've just raised some additional capital in order to achieve that.

TWST: How strong financially are you? Are there any particular items on your balance sheet or P&L that you've focused on for improvement?

Mr. Wolfus: Yesterday, we just completed a \$4 million financing. We could have raised more, but we wanted to limit the amount of dilution at this time. Dilution is one of the most important things for a company our size and with our strategy. We feel that we can come back to market probably in 2011. We have had a lot of investment bankers and institutions coming to us to try to increase our cash base. We also have had some banking institutions who have spoken to us about financing a portion of the facilities at Pan, so that we can achieve a balance of equity and debt financing.

TWST: Tell us about your top-level management team.

Mr. Wolfus: My background is in finance. I was a partner at E.F. Hutton & Co., and then I was Chairman and President of a banking institution. I became a Director of Midway in late 2008 and was appointed Chairman and CEO when the company made the decision to take the projects into production. I realized we needed a key person like Ken Brunk. Ken served as the Chief Technical Officer and Senior Vice President at Newmont for 15 years, and he also developed and oversaw the mining and exploration for a number of projects, many in production today. In addition to that, Ken was the COO of a company called Romarco. Ken added a number of other people that are highly experienced and talented, including Rick Moritz, our Vice President of Project Development. Rick's specialty is the engineering and optimization of mines and processing plants, including startup efforts in North and South America, Central Asia and Australia. Tom Williams is our Director of Environmental Affairs, having permitted a number of projects for other major companies, including 10 studies and 65 reclamation plans. These appointments have formed a nucleus to move the Pan Project forward.

TWST: Let's turn to your early-stage projects, the Gold Rock and Burnt Canyon. Which of these properties do you think offers the single best opportunity?

Mr. Wolfus: We will proceed with Gold Rock first because it's eight miles away from Pan and we can base both operations from our field office in Ely, Nev. We will have built a team that is producing at Pan, and I think that they can also develop Gold Rock. Burnt Canyon is a grassroots-type project. We need to go ahead and drill it to make a discovery and make some predictions about the size of the deposit.

TWST: Has Midway Gold's shareholder base evolved over time?

Mr. Wolfus: As with most companies, we have institutional and retail investors along with insiders. Institutionally, Barrick bought their stock in private placements with the company at much higher prices than we trade today. A handful of other institutions

have invested in the company. Right now, I think we're getting quite a bit of interest from other institutions. At this point, the directors own 13%, significant shareholders or friends of directors own approximately 30%, about 7% by institutions and Barrick with 6%.

"Our efforts at moving closer to production are highly desirable for Midway. Gold in the ground is valued far less than gold being produced. We're trying to increase valuation along that curve and deliver a gradual but steady increase in value for our shareholders. For the next 12 to 24 months, that's really our goal, and we've just raised some additional capital in order to achieve that."

TWST: Are there misperceptions about your company in the investment community?

Mr. Wolfus: We are taking the time to introduce the new management team to the investment community and reintroduce the projects. That involves explaining the strategic shift from exploration to development. Investors obviously have concerns because that transition is not always smooth, but we believe that our team can achieve it successfully. The feedback is that investors are encouraged by the presentations and are confident in our ability to meet our goals at the development timetable we have set.

TWST: How should investors track your performance?

Mr. Wolfus: I think that investors should track Midway several ways, including by the number of ounces we have in the ground. That measure should be complemented by the feasibility of those ounces to be brought to production. Not all projects will be developed because of a variety of reasons, including the depth of where the gold is located, difficulty in extracting the gold or the amount of waste that must be removed before gold can be mined. We are working to demonstrate and communicate that our ounces are feasible and profitable in this gold-price environment.

TWST: What are your top concerns in executing your vision for Midway?

Mr. Wolfus: My biggest concern is to ensure that our achievements are being communicated to the investment community. We are demonstrating that we are not just an exploration company but we have both aspirations and a defensible plan to become a production company. There are hundreds of exploration companies telling the market that they will be the next gold producer, putting out press releases, and I want to make sure that investors know the quality of our company compared to the average exploration company. Another item that is not a concern but is something that I always monitor is obtaining capital in the equity markets and debt markets in order to get to production. Until we reach production, we will be spending equity dollars. We've been very successful at raising those dollars, which is credit to our investment banker, which has arranged two financings for us in the last six months.

Significant investor interest in both of those financings gives me confidence that we will have success in the future.

TWST: To wrap up, give us your best summary statement and your vision for the company.

Mr. Wolfus: Our vision for the company is to take these projects to production and to become a producer in the range of 200,000 to 300,000 ounces a year. We think we can achieve production by 2013 and reach our goal of becoming a mid-tier gold producer by 2017. Once we begin production, it will become much easier to acquire projects or companies to fuel our growth.

TWST: Thank you. (KL)

DANIEL WOLFUS

Chairman, CEO & Director

Midway Gold Corp.

8310 South Valley Highway

Suite 280

Englewood, CO 80112

(720) 979-0900

(877) 475-3642 — TOLL FREE

(720) 979-0898 — FAX

www.midwaygold.com

e-mail: infodata@midwaygold.com

Scorpio Mining Corporation (SPM.TO)



PARVIZ FARSANGI is CEO of Scorpio Mining Corporation. He has an extensive operations background and knowledge of the mining industry. Most recently, he was Executive Vice President and Chief Operating Officer of Vale (formerly, Vale Inco Limited) with the responsibility for leading the operations of Vale's wholly owned subsidiaries. Prior to joining Vale, Mr. Farsangi had a long career with Falconbridge Limited, starting at Falconbridge's Kidd Creek Mine in 1987 and rising to General Manager of the Falconbridge Sudbury Mines/Mill Business Unit in 2002. Subsequently, he was President, Gramercy Alumina in Louisiana and St. Ann Bauxite in Jamaica for Falconbridge.

SECTOR — PRECIOUS METALS

(ALM610) **TWST:** Please provide a brief overview of Scorpio Mining Corporation.

Mr. Farsangi: Scorpio Mining Corporation is in the business of acquisition, developing and exploration of mineral resources; primarily based in Mexico, with the goals to be a mid-tier silver producer and to create significant growth for our shareholders. Our main asset, the 100%-owned Nuestra Senora, is a silver, zinc, lead, copper mine located in Sinaloa state in Mexico. It was commissioned and brought into production in January 2009. The operation is 10 km from the town of Cosala and 160 km from the city of Mazatlan. We are 34 km from a hydro dam, 55 km from a railroad to ship different concentrates to our smelter in Mexico. This district is a prime exploration land, and we made it even better as of this past April. On April 1, 2010, we purchased a privately owned company, Platte River Gold. This included three known deposits, San Rafael, El Cajon and 120 Zone deposit, within 10 km of our existing plant. This purchase also added over 10,000 hectares of exploration land adjoining the northern portion of Scorpio's existing property. Also, this acquisition came with it another 4,000 hectares located in other parts of Mexico with high exploration potential. That's a very quick overview of our company.

TWST: Would you describe for us the property in more detail?

Mr. Farsangi: First of all, we just don't produce silver. We actually realize around 40% to 45% of revenue from silver. But substantial amount of zinc is also produced, around 30% of the revenue. We also mine substantial amount of lead and copper. At this point, the Nuestra Senora is the company's 100%-owned mine and mill; that averaged around 35,000 tons per month in the third quarter of this year. Our goal is not only to get steady cash flow from the existing operation, but work towards optimizing the operation and be very aggressive in exploration, both in surface and underground. Our present exploration strategy is clearly focused on drilling around the existing infrastructure, as well as within the 10 km of the company's infrastructure. We just have to make sure we understand the priorities and we tackle the priorities first.

TWST: The price of silver has certainly surpassed ex-

pectations over the last year or two. Would you give us an outline of the cash cost of getting silver out of your Nuestra Senora mine?

Mr. Farsangi: I am relatively new and learning the details. However, consumables and the material used underground and in our plant is a large portion of the costs, and our labor cost is next. I can't give you a breakdown at this time, but when I look at a big picture, we utilize North American technologies in things like automation and mechanized equipment and have very competitive labor cost. So these combinations will allow us to stay cost competitive.

TWST: You were named CEO on November 11. What is your vision for the next 12 months and what would make that time frame a success?

Mr. Farsangi: I think it could be a great year coming up. I think at this stage of the company right now, we have a producing mine and processing plant that are getting better month after month. The team has varied experience in bringing some of the industry best practices to make sure we maximize the asset utilization — hence, increase revenue and reduce cost. My goal is very clear. Everywhere I've been, my team always had to aim for excellence, be outward looking to identify best practices and introduce these practices into our operations. This means world-class operation in every aspect of the business, areas such as health, safety, environment, community and asset utilization; having the right metrics; and keeping people at every level of organization informed and accountable. I'm pretty excited to bring focus around these areas and assist the team to increase in the rate of improvements.

I can guarantee you that Scorpio Mining Corp. will strive to have both operational and organizational excellence in this company. We are a very young operating organization and we have done well up to now, but we all know we have more to improve upon going forward. When I say operational excellence, it's not just production, it's not just cost control. It's everything we do that impacts the business. Many of the things in business we can internally control, let's do that. And then, externally, people recognize that excellence and will support us even more going forward.

TWST: What are the dynamics, the fundamentals, the assumptions and the variables the industry is facing that could have an impact on your strategies and goals for Scorpio?

Mr. Farsangi: I went on a tour before accepting the position. The first thing that really hit me was that the team has done a very good job in a short period of time to get the organization where it is right now. At the same time, I couldn't believe the upside of this operation, noting that if we could bring some more expertise and focus, and if we do what's right to have a long-term sustainable business, this has excellent long-term growth opportunities. The exploration upside, the diversified metal production and flexibility on different mining methods gives us very exciting opportunities now and in the near future. Our underground mine is almost a dream mine. The ground condition is very good and we have very little restriction, if any, for us to be able to maximize assets utilization and profitably going forward. Opposite of many other mines, we don't have ventilation, hoisting and ground control limitations.

Our goal is to make sure from existing operations, we start maximizing the assets, resulting in stronger cash flows. And then the next level for us is to expand the operation. We have not only a very competitive cost structure, but also existing infrastructures that could be expanded. All the future mill feed would be coming within the 10 km of infrastructure. Put them all together, we have an opportunity to be an extremely successful organization at any metal cycle.

TWST: How much of a concern is the political situation in Mexico? The country has experienced drug-related violence. Are you concerned about that?

Mr. Farsangi: You have to always be vigilant no matter where you are. I just attended a Mexico forum a few days ago in Toronto, Canada. There were some interesting points. Not one Canadian company has left Mexico because of political reasons or crime. Tourism has gone up in Mexico by 15% this year, and they reminded us that places like Central America have three to four times higher crime rate than Mexico. Again, anywhere you are, you have to be careful. We, however, are very lucky to be close to a small town in a very unique part of Mexico that has a long mining history. Cosala is an extremely supportive community and contains great infrastructure. Additionally, the Nuestra Senora operation is within two hours drive away from the large city of Mazatlan. One thing that really impressed when I was there is that I saw almost all our professionals are nationals, and to me, that's a very good sign of an organization thinking long term and having people really around for many, many years to come. The only thing in Mexico at this point that I wasn't comfortable with is that I don't speak Spanish, and I'm starting with some classes to learn the language.

TWST: How strong financially is Scorpio and are there any particular items in terms of the balance sheet or P&L that you are focused on?

Mr. Farsangi: We spent quite a bit of money from raised capital, and we actually started commercial production in January of last year. For the first few months, like any other new operation, it took some time for us to be stable. I am pleased to say that we continue to generate cash flow from our milling and mining operations. Clearly our goal is to continue to improve our financial position through growth and cost controls. We want our team to have a mentality of metals produced, not tons produced. Tons produced don't pay the bills, but metal produced does. The question for us is that we don't want to stay status quo, we want to go into the next level of

production. To do that, initially you may have to invest some capital and ultimately, enjoy the extra revenue for many years to come.

TWST: Introduce us to two or three key individuals on your top-level management team.

Mr. Farsangi: I am getting to know my management team. All I can tell you is that I'm very impressed. I'm very impressed with the quality, the drive and expertise we have within our management team. The team is very strong and will get even better as we face our challenges and opportunities together.

"Not one Canadian company has left Mexico because of political reasons or crime. Tourism has gone up in Mexico by 15% this year, and they reminded us that places like Central America have three to four times higher crime rate than Mexico. Again, anywhere you are, you have to be careful. We, however, are very lucky to be close to a small town in a very unique part of Mexico that has a long mining history."

TWST: How high do you think silver can go?

Mr. Farsangi: I am getting to know the silver market, and all I know is that there are different investors or analysts that have quite a bit of different points of view. But almost everyone would tell you silver will go up. Some of them are very bullish that silver is the metal with the highest upside going forward because of supply and demand balance. Silver is also used in many industrial applications, unlike gold, which is primarily an investment medium. When world economies pick up, there is belief that the silver market will be very tight. For things like even coins, the silver coins, I was reading that the U.S. Treasury alone last year produced 28 million coins, and this year it's up to 32.5 million already. It is reported that the production of silver coins in Canada is expected to jump almost 50% in the coming year. People are assuming different numbers going forward for silver. Some of them clearly use the gold and silver historic price ratios as their forecast models. They think silver has got quite a bit more upside to meet historical ratios.

TWST: What risks and variables didn't receive enough attention that you are you focusing on now? What could go wrong?

Mr. Farsangi: If we control what we can control, very few things are going to go wrong. Clearly our focus will be to deliver on our commitment. I can promise we will get better month after month. We will continue to grow, implement strict cost controls and improve bottom-line results from our operations. We will find more tools and adhere to the best practices to optimize our assets and bring extra revenue. Clearly this is a company with substantial upside. It's a very compact, centralized organization with very competitive cost structures. We are a major land owner of prime exploration land. We have flexibility in metals and mining method selection, and with proper engineered plans, we can react to market changes better than most. I feel that Scorpio Mining and its team can adapt quickly to maximize outputs and diminish cost within any market situation. We have a sophisticated shareholder base — 35% of our shares are owned by institutions such as

Tocqueville, Libra Funds, Ingalls & Snyder and Wellington Management. If we do our homework and set up a world-class operation, then we get great financing options to go to the next level of growth. We are a very young operating organization and, while we should celebrate our successes, we all know that we have lots more to do. These are all opportunities, and it is up to me and the team to make sure we are getting better month after month and be on the path of excellence. It is within our control.

TWST: Are there any misperceptions about Scorpio Mining in the investment community? Do investors understand your company?

Mr. Farsangi: I think we have the pieces here to be a very successful company, and we just have to present it that way and deliver against what we present. I was Vale Inco's Chief Operating Officer. One thing I'm very proud of is that the team, with the proper focus, delivered the best results in every aspect of the business in over 100 years of company history. We need the proper leadership on top, need the proper focus on priorities, need the tools to get the organization involved, informed and kept accountable. We have a unique upside in production and exploration. We can adjust to any market changes in metal prices faster than most, due to the combination of surface and underground mining, and Scorpio's diversity in the metals that are produced. The pieces are there, and we just have to make sure we focus and deliver world-class results. As the company continues to grow itself, I will do every effort to assure that both internal and external stakeholders have full understanding about our operations at Scorpio Mining Corp.

TWST: What milestones should investors be looking out for?

Mr. Farsangi: We expect us to get better on a monthly basis. We also plan to find ways to get the most out of our existing assets, increase revenue, reduce costs and bring the company to the next level of operation. Our current intention is to carry out aggressive exploration of Scorpio's land holdings. And of course, as men-

tioned earlier, our goal is to have effective and efficient communications with shareholders.

TWST: In conclusion, what would compel investors to review Scorpio Mining Corporation and include it as part of their longer-term investment strategies?

Mr. Farsangi: I would say that we have a unique opportunity on the existing 100%-owned Nuestra Senora operation as being a low-cost operation with diversified metal productions, and a diversified mining operation with minimal restrictions. Our plan is to generate significant cash from our operations going forward and to use these funds, as appropriate, to explore the surrounding hectares of land with the intent to find more minable deposits. To the extent that we are successful in this exploration, we believe that newly discovered mineral deposits could potentially be developed in a cost-effective manner by taking advantage of our existing multimillion-dollar infrastructure. Thus, we hope for great economies of scale with relatively little capital expenditure going forward. Short and sweet, we intend to be a world-class operation, and we are on that path.

TWST: Is there anything else you would like to add?

Mr. Farsangi: I think we have covered everything, and thank you for your time.

TWST: Thank you. (KL)

PARVIZ FARSANGI

CEO

Scorpio Mining Corporation

475 Howe St.

Suite 511

Vancouver, BC V6C 2B3

Canada

(604) 678-9639

(604) 602-9640 — FAX

(800) 631-8127 — TOLL FREE

www.scorpiomining.com

Silver Falcon Mining, Inc. (SFMI.OB)



PIERRE QUILLIAM has served as Silver Falcon Mining, Inc.'s Chief Executive Officer and a Member of its board since its formation on October 15, 2007. Prior to that, Mr. Quilliam was a Board Member and Chief Financial Officer of Dicut from 2001 to January 2006, and Chairman and Chief Executive Officer of Dicut from January 2006 to October 2007. Mr. Quilliam has served as a Director and Officer of GoldCorp Holdings since November 2003. From 1975 to 1980, Mr. Quilliam established and operated Outico, Ltd., a reseller of industrial tools and mining equipment. Since 1980, Mr. Quilliam has established and managed numerous companies in various capacities, including finance, consulting, accounting and management.

SECTOR — PRECIOUS METALS

(ALM603) TWST: Please begin with a brief historical sketch of the company and a picture of the things you're doing right now.

Mr. Quilliam: Historically, the company was actually taken off the shelf in 2007 and named Silver Falcon Mining, Inc., because we had the opportunity of operating a mining operation on behalf of GoldLand Holdings Corporation. Our lease with GoldLand Holdings allowed us to work a number of gold mines in the Owyhee range of Idaho, and we've subsequently resected the roads, rearranged what we had to rearrange, reopened some old adits and so on and so forth. We have built a mill at the foot of the mountain to handle basically 125 tons of ore a day in the beginning. The ore right now comes from the old dumps on the mountain, dumps that were placed there in the 1800s by miners who would pick basically the best of the litter in gold and silver. So the rule being then, if you don't see the gold or silver on the rock, you throw it away. These rocks were further assayed as being rich by today's standards, and we began operation at the mill on May 17 of this year and also aired and surveyed the Sinker Tunnel, which sits on BLM land, but on which we hold the mineral rights on a total of five lode claims in and around the Sinker Tunnel.

TWST: Would you talk about the balance of the infrastructure that's left to be completed?

Mr. Quilliam: Regarding the balance of the infrastructure on the Sinker Tunnel, we are presently looking to hire a geologist and a couple of drillers to go in and perform a drilling exploration, including a core drilling operation from the inside of the tunnel, which will give us a proven reserve or a possible reserve picture of the inside of the mountain, helping us to develop our 3-D mapping of the mountain, then proceeding on to opening up serious mining from under the surface of the mountain.

TWST: This project is focused on gold. Would you give us a sense of what your cost of operations will be?

Mr. Quilliam: The cost of operations presently is around \$100,000 a month. The Sinker Tunnel budget is about \$4.7 million dollars to be spent over the next 18 months. That money would cover the geological work to be done along with the drilling in there

and would also help produce a 43-101, which is a report that would allow us to give veracity to our mineral reserve claims and allow us to apply for listing on the Toronto Stock Exchange.

TWST: Are there other metals?

Mr. Quilliam: Gold and silver are the primary source. There are other metals, but whether or not they will prove to be economical to mine is another story. We have not pursued so far any studies on the some of the exotic metals that we've found in there because of their seeming rarity. But the geological examination of the drilling program will give us a much better idea of the content of the mountain and it's mineral quality and quantity, allowing us to draw up our budgets reflecting the feasibility and economics of taking out other precious metals.

TWST: Would you tell us a bit about the history of nearby production?

Mr. Quilliam: The War Eagle Mountain on which we own all of our claims is part of a range of three mountains in the Owyhee range. These three mountains were the property before and were mined extensively by Kinross Gold, and they pulled out hundreds of millions of dollars in both gold and silver. Unfortunately for them, ownership of War Eagle's claims and properties left their portfolio and were acquired by GoldLand Holdings in 2007. And if history is a judge, the veins that they were following on Florida and Delamar mountains, the closest neighbors, are going right through War Eagle Mountain. And according to the Idaho Bureau of Mines and the old studies, there was reportedly billions of dollars available in War Eagle in gold and silver alone.

TWST: What's the balance sheet picture at this point and do you need to raise additional capital to meet your goals?

Mr. Quilliam: There are two ways we can go. The fast way is raising additional capital through equity, which would represent a liability of course on our books. Or we could take the longer approach and use the monies produced by the mill, which would of course, over the course of two to three years, and that would result in self-financing without affecting our equity position, but would delay mining the gold and silver underground. This is a question that our board of directors is presently debating as to whether the short-

term version versus the long-term version is the path to follow, because over the long term, the price of gold being what it is today might result in a revenue loss, which would mean an economical loss, in the short term, by waiting two to three years to start mining the mountain, otherwise we could get out the gold and silver on the short term by borrowing money against equity, of course, to open up the mining in the mountain itself.

TWST: What's the agenda, the priorities for the next 12 months and what are some of the milestones investors should look forward to?

Mr. Quilliam: The priorities are competent personnel, because mining, as you know, is a very specialized profession. We do need a good and well-known geologist, and we do have our eyes trained on a few people. We also need a mining engineer and there again, we've made some approaches getting either a geologist or a mine engineer or both on our payroll, as these will be points of interest for the shareholders who will then be assured of both experience and capabilities in executing our plan of action, which is basically an 18-month exploration of the Sinker Tunnel. And by exploration, I mean drilling and extracting the cores for study and reporting on them, then deciding where and how we're going to proceed with the actual mining of the tunnel.

TWST: Introduce us to your top-level management team, two or three of your key individuals, including yourself.

Mr. Quilliam: As for myself, I am the Chairman and President of the company. I have been in business for a great number of years. I have made my fortune in basically financial dealings. I have never been involved in a mining operation. In all honesty, I am not capable of directing a mining operation per se, but I am very experienced at getting the proper people who with their experience and knowledge will carry this company to a great success. I'm assisted in this by our CFO, who is a Public Accountant, has been in business for a great number of years and is certified at the SEC. Our auditors are people who have seen the world and its failures and successes. We have a team of management people, both here at head office and in Idaho, that is second to none. We have our Chief Operating Officer, who is in his mid-40s, graduated in engineering from McGill University in Montreal. He's assisted by an experienced Plant Manager, who has managed mills for other concerns during the last 15 years. And a General Manager in Idaho was born on the mountain so to speak and lives there, has his family there and is a very successful Idaho businessman.

TWST: You mentioned the need for a geologist and a mining engineer. Are there other personnel or other particular areas that you'll need to fill as well?

Mr. Quilliam: For the short term, not really because we have to walk before we run. And the mining engineer will direct the mining or the core drilling operation in the short term, under the guidance of course of the geologist in charge. And those two have basically about 18 months of work ahead of them to complete the study. And at that point of course, expansion will possibly require crew managers and others, as well as people in the head office basically taking on the increased workload that the oldest activity is going to bring out. But as far as being staffed, we're presently very competently staffed at the highest levels. What we are going to need is personnel to flesh out the different individual

departments and compartments in the company.

TWST: What historically has been the Silver Falcon shareholder base and how has that base changed?

Mr. Quilliam: The Silver Falcon base, as far as we can see, is composed of about 3,000 small investors who have made money because the price of our stock went from \$0.02 a year and a half ago to \$0.15 today. So most of them are very happy with their capital appreciation. Investment houses have not, in my opinion, participated yet with any measure of concentration into the stock. And we are hoping that in the future, our shareholder base will expand to these investment houses or large portfolio holders that control many of the dollars, because that's where the activity and the increase in value will have to come from. It's certainly a lot easier to take a \$0.15 stock and double it to \$0.30 than to take a \$10 stock and double it to \$20.

"We are hoping that in the future, our shareholder base will expand to these investment houses or large portfolio holders that control many of the dollars, because that's where the activity and the increase in value will have to come from. It's certainly a lot easier to take a \$0.15 stock and double it to \$0.30 than to take a \$10 stock and double it to \$20."

TWST: As you discuss Silver Falcon with the investment community and potential investors, are there any recurring questions or any misperceptions? Is the Silver Falcon story as well understood as you'd like it to be?

Mr. Quilliam: It never is. I always like for it to be not more accepted, but more understood. But there again, the level of understanding varies as everybody is very busy and the small investor's level of understanding, which is based on the amount of his money that's invested in our shares. The large investment houses would have better analytical staff to dig into the company's future and potential, so on and so forth. Now on the other hand, we don't really have that much to offer them in the way of information right now, the geological study being just started. Unfortunately, what we can show them is the result of the operation on the dumps that were left on the mountain in the 1890s, but we can't give them any new material based on the inside of the mountain itself.

TWST: What today would compel an investor to include Silver Falcon as part of his or her current portfolio and long-term investment strategy?

Mr. Quilliam: Today, you've got gold and silver at record heights in value. You've got an investment at a very reasonable price, a \$0.15 stock is easily accessible to most small investors, and with the hope that the company will grow into the \$1, \$2, \$3, \$4, \$5 dollar range, thus making any investor a large appreciation in his or her asset base.

TWST: Is there anything else you'd like to discuss?

Mr. Quilliam: I don't think we have missed anything. What I would like to add is that we are a young company, fired up

because so far in the last three years what we assayed originally when we leased the mining rights to the properties, and what we have produced out of our mill, are an exact match in quality and quantity. Therefore, confirmation is always so much better than just guessing, no matter how educated it is. We've just started. Our first pour happened on Monday, November 22, 2010, and we have completed the circle of the processing of the ore into its final product — gold and silver.

TWST: Thank you. (KL)

PIERRE QUILLIAM
CEO, President & Chairman
Silver Falcon Mining, Inc.
1385 Broadway Avenue
Suite 1109
New York, NY 10018
941-761-7819
941-761-7848 — FAX
www.silverfalconmining.com

Silver Standard Resources Inc. (SSRI)



JOHN SMITH has more than 30 years of experience in the resources industry. He started his career in the North Sea oil industry and spent 18 years at BHP Billiton as Vice President, Resourcing and Development in Melbourne, Australia, after which he joined Silver Standard Resources Inc. in August 2010. He has worked in various operational, strategic, M&A and commercial functions within BHP Billiton, including more than three years as the CEO of the BHP Billiton Mitsubishi Alliance. The Alliance operates nine mines, a port and 4,000 employees in Bowen Basin of Queensland, one of the world's largest coal operations. Under his leadership, four of the mines completed significant expansion projects, one new mine was brought into operation and a 10th mine was developed to within a year of production. Mr. Smith earned a B.A. in commerce from Robert Gordon University, in Aberdeen, Scotland, and an MBA with distinction from Aberdeen University.

SECTOR — PRECIOUS METALS

(ALM604) TWST: What is Silver Standard Resources?

Mr. Smith: Silver Standard Resources is a silver producer with an extensive project pipeline. We're primarily focused on the Americas, and we are able to generate project options and bring them through to development and production. So we work across the pipeline from exploration, development and production.

TWST: What do you monitor and attend to in mining, and what would particularly interest investors?

Mr. Smith: In mining, there are a number of factors that you have to monitor. But at the end of the day, it comes down to being very focused around what needs to be done and how you do it, so the "how" is as important as "what" you do. The safety of our people is a primary responsibility we have, and we'll continue to produce in a manner that is both sustainable and long term. In mining, the challenge is doing that. We focus on being the lowest cost and managing safely to the right outcome. It's a different process than exploration. Production needs a much more planned approach to what you do and how you execute around it, and having that clarity of good planning while producing to plan is of primary importance in mining.

TWST: What was on the agenda a year ago? What has Silver Standard Resources achieved since then?

Mr. Smith: About a year ago, the prime issue for Silver Standard would have been the bringing on of Pirquitas mine into production. Pirquitas is a mine that we have in Argentina, destined to produce between eight million to 10 million ounces of silver per annum. Through 2010 it was on the buildup to that production. We've made significant progress at Pirquitas, primarily around making sure that all parts of the mine and processing come up to design parameters, and we continue to work through that process to position us well coming into 2011 to achieve design rates of production.

TWST: What are your priorities for the next 12 to 24 months? What would make that time frame a success?

Mr. Smith: In the next 12 months, what's important for

Silver Standard are a number of things. We are primarily an exploration-based company that produces project options, and we'll decide to develop those that make sense in terms of our capability and capacity. And then there will be some which are best developed by others and which we'll seek to monetize. An example of that is the sale of Snowfield and Brucejack projects just now to Pretium Resources. That deal will generate \$450 million for Silver Standard, of which \$215 million will be cash and the remainder will be equity in Pretium. This is an example whereby we use the portfolio not only to identify good projects that are the right projects for us to develop, but projects that are best developed by others that can be monetized to assist in the cash flow required for our development.

TWST: Would you tell us the status of the current infrastructure, processing and refining relationships?

Mr. Smith: At Pirquitas Mine, we've been focused on getting our pre-concentration circuit to work and also processing run-of-mine material. We're now on sulfide ore, and this is a material that is effectively what the process system has been designed for and built for. We're now on that material for the first time in a full quarter, and we're working towards making sure that our processing systems and the output of silver, zinc and tin are achieving design parameters. We'll continue to work on issues such as crushing capacity to make sure that we can deliver the required material for the mill, and we'll also work on the tin circuit through the remainder of this year and into the early part of next year.

For our other projects, for San Luis in Peru, we have submitted our environmental impact statement in October, and we're working with the local communities to achieve land access agreements. Both of those, when resolved, will help San Luis to be put forward to the board for approval to proceed. It's a great project, high-grade material both gold and silver, and a high-returning project for us going forward. Pitarrilla is a project with a large resource base — it's got over half a billion ounces of silver in situ — and we're looking at the best way to mine it. We will have our feasibility study completed in early 2011, and we'll look at a bulk mining method in

order to determine if it's possible to extract more of the resource base but still achieve the returns that we need for the business.

So those are our near-term production and development projects. We'll continue to spend on exploration as we have done in the past, because we realize that exploration generates the project options and positions that allow us to decide what we build and what's best done by others, a necessary part for our business model for Silver Standard.

TWST: What do you see as some of the key hurdles?

Mr. Smith: I think for Silver Standard, clearly having one mine in production in Pirquitas is important — we need to get more projects through to development stage. For us, critically, is making sure that exploration continues, as it has in the past, to be generative. Just doing what we do well is very important. The development and production end is the new part of our business, and it's got a different requirement in terms of capability and skill set; and making sure that we have both the capacity and capability to execute our business properly, on time, on cost and with quality. Keeping that course is vitally important. So for the next period for Silver Standard, we'll continue to focus on capability building and at the same time bringing through projects to help fill that part of our business pipeline.

TWST: Introduce us to your top-level management team, two or three of your key individuals.

Mr. Smith: Silver Standard has got a management team that has delivered for the company. Ken McNaughton and Joe Ovsenek, the Exploration Senior Vice President and Corporate Development Senior Vice President, have been instrumental in achieving the exploration position of two billion ounces in the ground for Silver Standard. That's the highest in-ground silver position of any silver miner. Those two have been involved in achieving that result for this business, both from a point of view of exploration and acquiring the land necessary to do it.

Looking after operations is George Paspalas. George is a Metallurgist by background, and he has been very much focused on getting Pirquitas to come up to design capacity. And through the last year, there has been considerable achievement. He also has the responsibility for looking at the development projects once they come through the later stages of exploration.

Tom Yip, our Chief Financial Officer, is a seasoned Financial Officer, and he is strong on the management of our business in terms of cost and balance sheet management. So the team has got strengths that have been proven before and continue to be, and will be, very useful for Silver Standard going forward.

TWST: Are there particular areas or positions to improve at your organization's bench strength and skill sets?

Mr. Smith: I think the history of Silver Standard has been around its ability to explore and find silver. I mean, that two-billion-ounce position is testament to the success of that group. What we've been seeking to do is build our capability around development and production. In the last four months, we've brought on board project management capability — people with the capability that allows us to ensure that when we take large projects, where hundreds of millions of dollars to be spent, that we have the process whereby we can manage the actual work, such that we hit the critical dates and we deliver quality that allows us to maximize production from those mines. So from a look-forward position

where we are just now and to what we're focusing on, it's our own capability predominantly around that development and production end of our business, as that's effectively the new part of the business relative to our history in exploration.

"The nice thing about silver is it's got one leg in the precious metals, but it's got another leg in the industrial — that as much as half the the silver produced is consumed in industry, and therefore that gives exposure to economic growth. So the good thing about silver is you can almost have an each-way bet on the economy by having a position."

TWST: What are the dynamics, the fundamentals, the assumptions and the variables that the industry is facing?

Mr. Smith: I think when you look at silver and commodities generally, silver has been going well in the market and consistently building its strength. I think part of that is testament to it being a precious metal, whilst the rest of the markets are somewhat nervous with quantitative easing and with the situation that's occurring in sovereign debt, such as in Ireland. That uncertainty in the markets lends people to take positions in precious metals. The nice thing about silver is it's got one leg in the precious metals, but it's got another leg in the industrial — that as much as half the the silver produced is consumed in industry, and therefore that gives exposure to economic growth. So the good thing about silver is you can almost have an each-way bet on the economy by having a position. I think that, plus the fact that the world is still an uncertain place, builds a good future for silver going forward. Having said that, as a producer, there is a long gestation period between actually finding a silver mine and producing metal from that mine. So to us, it's important to have a continuous flow of projects from exploration right through to production that take the maximum from the market. And getting in that position whereby in exploration, development and production, we've got a good balance of projects and silver coming through is important. I think that we'll be well positioned to take the best out of the market at any particular time.

TWST: What is it that investors should understand about what you actually have in hand as far as rights and assets?

Mr. Smith: I think for investors, the important thing about Silver Standard is the significant in-ground silver position that we have — two billion ounces. That gives us a range of project opportunities, which allows us to make decisions about what projects we will decide to do and which ones don't fit in terms of our strategic framework. That's a fairly unique position to have. I think the market just now is looking at us and making sure that we can deliver in Pirquitas. Where we have it in the third quarter coming into the end of the year is substantially working towards design rates. The mine works, and I think going forward that it will be seen to be a successful mine with a 14- to 17-year mine life. I think the position of Silver Standard for investors is an opportunity which not only offers upside to actual metal production today, but a significant

position of metal production for the future. Our business model is generative, which means we have a flow of projects; we are not looking for a project. We have projects that we work on, and we will continue to ensure that we spend on exploration in order that we keep that business model flowing.

TWST: How has your shareholder base evolved over time? Has it changed a lot?

Mr. Smith: We've got Canadian investors and we've got a lot of U.S. investors in our shareholder base. We have significant fund positions, and then we have significant retail positions. I think our appeal is broad in the sense that we have an appeal for the individual shareholder who wants to have exposure to physical silver. So the benefit that we offer is a per-share exposure to silver such that if you had held a share in Silver Standard through the years, year on year, notwithstanding that we have issued equity, you have had silver ounces building through that time frame. I think for some investors, in holding Silver Standard you get exposure to physical silver, but also the real generative and growth engine that will be developing and producing for the future. So I think there is appeal for the individual who wants to have a physical silver position and an equity which has growth potential. We have a business model that reflects a growing company with the options already identified and more to come within the business.

TWST: Do you feel the investment community has any misperceptions or misinterpretations about Silver Standard?

Mr. Smith: I think the investment community is well informed. I think people understand our business and what we can do as a company, what we can do as a management team, what we've got in terms of our assets and the huge potential for growth in Silver Standard. I think that's well understood. I think the market is looking at us and judging us around Pirquitas. I think we've substantially shown that that mine will work, can work, is getting towards its design capacity and that it's a long-term mine producing eight million to 10 million ounces per annum. I think then we'll see the market look at our pipeline and value that generative part of our business for the future.

TWST: As the new CEO, what are some of the key areas you're personally focused on?

Mr. Smith: I think as a new CEO coming in, understanding the people and the business is the priority. Getting an understanding of that and getting a sense of the potential for the business and working on the strategy for the future are the critical items. So my first 90 days have been very much around getting down to Pirquitas, having a look at the mine, having a look through at San Luis to understand what's there, meeting the people and understanding the management team and the capability in Silver Standard, and concurrently, working on the right strategy and the right strategic framework to ensure that we will grow, and grow appropriately, for our business. The issue with risks is vitally important. It is important to understand the risks and to discuss how we can mitigate those risks. That's a critical part of our business, be it exploration through to development, through to production. Understanding the top five risks in each part and addressing them is critical to success. In a business like ours, we can't afford to get anything wrong. So we have to execute exceptionally well in order to deliver on what we commit to do

and to keep our people safe. That's a priority for us.

TWST: What metrics or upcoming key events should investors use to track your performance?

Mr. Smith: I think shareholders, when judging Silver Standard, need to look at us in terms of us executing against what we say we'll do — that is, how we get Pirquitas up to design parameters producing as much as possible that we can — to look at us to grow our business and to be diligent about how we grow the business. There is a need for speed, but with balance for risks. And we will make sure that we do that rightly. Investors need to continue to watch that we invest in exploration and that we achieve new project options out of that; that's important. That's the lifeblood which then gives us the ability to develop. And concurrent with that, there will be acquisitions and divestments that make sense around our projects, along our business pipeline which, at the right time, we'll execute, an example being the Snowfield and Brucejack transaction. The thing for me is to be very clear about having a strategy, planning on that strategy and delivering against that strategy. We have a tremendous ability to grow this business. I'm focused on growing this business, and I understand the requirements to do that for shareholders.

TWST: Give us your vision for Silver Standard.

Mr. Smith: I think the important thing is Silver Standard is focused on growth and shareholder value; it's our single purpose. We have the largest in-ground silver position of any of our industry producers, and we generate project options that allow us to grow strategically. Options that are best developed by others, because they are either too large or small, we'll seek to monetize. We're currently building a strategic framework that will allow us to make the right business decisions. Exploration remains a key focus, and we will build our capability to develop and operate. The sale of Snowfield and Brucejack is a clear indication of our strategy and execution. While they are significant projects, they are best developed by others. At Pirquitas, we've made significant progress in design capability. Through the next six months, we'll ramp up production to design levels and continue to optimize process. With Silver Standard, from an investment point of view, we provide great exposure to physical silver, but also great exposure to a growth pipeline that is both long term and quality.

TWST: Would you like to add anything else?

Mr. Smith: No, Keith, nothing else. I'm fine with what you've covered.

TWST: Thank you. (KL)

JOHN SMITH

CEO

Silver Standard Resources Inc.

999 West Hastings Street

Suite 1400

Vancouver, B.C.

Canada V6C 2W2

(604) 689-3846

(888) 338-0046 — TOLL FREE

(604) 689-3847 — FAX

www.silverstandard.com

e-mail: invest@silverstandard.com

Solitario Exploration & Royalty Corp. (XPL)



CHRISTOPHER E. HERALD has more than 30 years of experience in the mining industry. He directed Solitario Exploration & Royalty Corp. since its formation in 1992, for which he was responsible. He was instrumental in discovering the 1.5 million-ounce high-grade Buckhorn Mountain gold deposit and its subsequent sale to Kinross Gold Corporation for approximately \$240 million in 2006. Mr. Herald has held exploration geology positions in Anaconda Minerals Company and Echo Bay Mines Ltd., and management positions in Crown Resources, LLC. Mr. Herald currently serves as Director of Atna Resources Ltd. and as Chairman of the Denver Gold Group, a not-for-profit industry association that organizes North American and European gold conferences for institutional investors. Mr. Herald received an M.S. in geological engineering from the Colorado School of Mines and a B.S. in geology from the University of Notre Dame.

SECTOR — PRECIOUS METALS

(ALM601) TWST: What is Solitario?

Mr. Herald: Solitario is an exploration and royalty company with a very diverse commodity portfolio and mix of projects. Our main focus is in Latin America and specifically Peru, Mexico and Brazil, although recently we have acquired a very important new asset to us in Nevada called the Mt. Hamilton Gold Project. On that project we are earning an 80% interest. It's a feasibility-stage gold project that has in the neighborhood of about 400,000 ounces of open-pit and heap-leachable gold, very attractive economically and a very good project for expanding resources. We're also in Latin America, and we specialize in joint ventures that look a lot like royalties, net profit interest or NPI-royalty-structured joint ventures. We have among our partners some of the best mining companies in the world, such as Anglo Platinum, Buenaventura, Newmont and Votorantim Metais — so very diversified in terms of projects, geographic area and also in the stage these projects are in, with Mt. Hamilton in Nevada being our most advanced project that is in the feasibility stage. Our Bongara Zinc Project is in a prefeasibility stage, but very advanced. Our Pedra Branca platinum-palladium project is in a scoping level area where we've done a lot of work, but we still have a lot of work to go. And then we have a whole suite of early-stage exploration projects, all of which look attractive at this time but need a lot more work.

TWST: Partner history and entitlement are key. Are there any hurdles there? Who are your partners and how strong are those relationships?

Mr. Herald: Starting with our most advanced one, which is our Bongara Zinc Project. Our partner there is Votorantim Metais, which is a private Brazilian company, very large. Last year they had revenues of \$16 billion; they are also the third largest zinc producer in the world, and they own the third largest zinc smelter in the world, in Lima, Peru. Our Bongara project is in northern Peru. There's been close to \$40 million spent on it to date. 2010 was really a transformational year in that our partner made the decision to do a number

of steps that are advancing this project towards development. Specifically, they are building a 23-kilometer-long road to access the deposit. They are currently tunneling into these deposits, and both of those activities started about three months ago. These two steps are very large capital items. Additionally, they also are conducting surface drilling. They have three drill rigs going. So this project is moving ahead very, very quickly.

We have the right partner with Votorantim team there; they are known especially in the zinc world. It's been one of the premier zinc companies. So we are very happy with our relationship with Votorantim. I should also say we are carried to production in this joint venture. So at the end of the day, we will own 30% of the project, and for them to get to 70% — we currently own 100% right now — they have to expend all the funds necessary to get to production, and we only have to pay them back 30% of the construction costs. So this is a very, very strong and very risk-free project for us and one that we think over the next couple of years has a very high likelihood of going into production.

The other two major joint ventures we have — the first I will talk about is Pedra Branca platinum-palladium project in Brazil. And there, we're joint ventured with Anglo Platinum, which is the largest platinum producer in the world. They have funded \$7 million in exploration to date. We have a drill rig going there right now as part of that funding, a couple of very good new targets. There we see the potential for one million to two million ounces of platinum plus palladium, and a fair bit of work left to do on that compared to Bongara. But again, we think it's going in the right direction.

The third major joint venture is a recent one that we signed this year. It's with Buenaventura, the largest Latin American-based precious metal company. They have seven or eight underground mines in Peru. This project, the Pachuca Real Silver-Gold Project in Mexico, is Buenaventura's first major project outside of Peru. They specialize in underground mining of veins, and that's what this project is about. I should also point out that Pachuca historically was the largest silver district ever mined in the world. It produced 1.4 billion

ounces of silver and over seven million ounces of gold. This is an earlier-stage project for us, but Buenaventura is doing a lot of surface work right now. We've identified over the last four years 38 high-quality drill targets that look a lot like what was previously mined and very productive. Again in this joint venture, we are carried to production. We will ultimately have 30% interest in the project, and Buenaventura will provide all the funding necessary to take it to production. Over the next year, Buenaventura is committed to spending \$2 million, and that's going to end up buying us a lot of drilling and also some underground tunneling perhaps.

So these three projects really form the backbone of the joint venture relationships that we have, in which we are essentially carried to production in all three of them. It's a very unique set of joint ventures with diverse partners, all of which are highly qualified to complete the projects.

"Solitario has a very clean balance sheet. We only have 29.7 million shares outstanding and approximately another three million options. There is no warrant overhang on the stock, and we have been able to keep our share base down, because we create value in these joint ventures and we are carried to a large extent by our partners."

TWST: What's different about trying to set a value on your company and its assets under the Peru guidelines as opposed to Brazil's? What is it that investors should understand about what you currently have in hand as far as rights and assets?

Mr. Herald: In terms of Peru in Bongara, this project, we have a much more definitive database and a lot more work that has been conducted on it. We are at a scoping level on this project where we can see real value based on all the work that's been done. We think the drilling that has been done to date indicates a very strong potential in the neighborhood of 20 million tons of high-grade zinc that averages 9% zinc, 1% lead and a half-ounce-per-ton silver. So when you look at the economics of that type of deposit, you can see very strong cash flows in today's base metal and silver prices. So that one is one that I think over the next year or two will be able to produce a prefeasibility-level resource estimate that an investor will be easily able to put a value on the project. Right now, it's still a little early for that, and that presents a little bit of complication for value in the company. But with what we know about the project and have publicly disclosed, I think the value there is tremendous.

Mt. Hamilton, which is in Nevada, is in feasibility, and we believe within six to nine months we are going to be able to put a net asset value on that project. I think Mt. Hamilton is going to more than justify our current share price. So those two projects, Bongara and Mt. Hamilton, are advanced enough that within the next 12 months we think we are going to be able to demonstrate the economic viability of both these projects, and that it's going to, I think, be very, very favorably perceived by investors.

The other projects are less advanced, but the results we

are getting are quite good, and we think with time we are going to see a lot of value created on these other projects, such as the Pachuca Real Silver-Gold Project in Mexico, which is under the initial exploration phase. Pedra Branca, we already have 300 drill holes into that, a big database, and there's going to be value created on that project with time. Additionally, we have 10 other gold exploration projects that we continue to advance. Some of those, I think, will create significant new values. Others may not make the grade, and every year we look at these new projects. Some of them make the grade and continue to advance into further stages. Others, we terminate our participation in them, because they are not living up to our expectations.

The other thing I think is very important is that Solitario has a very clean balance sheet. We only have 29.7 million shares outstanding and approximately another three million options. There is no warrant overhang on the stock, and we have been able to keep our share base down, because we create value in these joint ventures and we are carried to a large extent by our partners. In addition, we have about \$16 million in cash and securities that are available to fund our ongoing operations, so this represents a lot of capital for our future plans.

TWST: What's on the priority list for the next 12 months? What would make that time frame a success?

Mr. Herald: Our main objective is really to get the Mt. Hamilton Gold Project through feasibility and through permitting and to a stage where we'll be financing construction, and subsequently production, of that project. So our number one priority is Mt. Hamilton, completion of the feasibility and completion of permitting.

Number two is seeing that the Bongara Zinc Project moves into feasibility in 2011. This is in the hands of our partner, but they've stepped up the pace of activities there. It's become a high priority internally for Votorantim, and we think that would be our number two objective — to see Votorantim get this project into feasibility.

Our third priority here is really just seeing our other projects advance to the next level either by our partners, Buenaventura on our Mexican Pachuca Real Silver-Gold project, and seeing our partner Anglo Platinum advance our Pedra Branca platinum-palladium project into, or at least close to, a prefeasibility stage. And then one of the most important value-creation activities that we do is our generative exploration, where we're advancing 100% owned properties on our own. And any one of these new projects could become the most important project for us if we have successful drilling results. So we see a lot of irons in the fire for the company and a lot of avenues for the company to progress, both in a market sense and also on a project-by-project level.

TWST: How much of your growth plan depends on what you have in hand today and how much depends on M&A activity?

Mr. Herald: Absolutely everything is really open for us, but we think we do look at M&A on a continuous basis. Usually as the acquiring company, we think we have ways to advance some of our own projects before we consider thinking that we're at a level where we'd like to go out and maybe see the value of Solitario to someone else. So we're on a hunt for new opportunities either at an early stage of exploration or in an advanced stage of exploration, and that's where we see good opportunities.

TWST: How strong financially are you at this point?

As far as funding and financing, what's on your agenda?

Mr. Herald: In terms of funding, I consider ourselves pretty rock solid with about \$16 million in cash and securities. That represents a solid three years of operating capital for us, so on a continuing operations basis, we're extremely well funded. Once we see Mt. Hamilton go through feasibility, I think we'd be looking at different financing options to place that project into production. The economics are such that preliminary economic assessment that was completed by a third-party engineering firm called SRK, which is one of the larger mining engineering firms in the world — they completed an economic assessment of that earlier this year. Their estimate was a \$50 million capital budget to put it into production, and the cash cost to produce an ounce of gold is just under \$450 per ounce. So there's a great margin there between today's gold price in the neighborhood of \$1,350 and our cost to produce an ounce of \$450, so we see that as a very attractive project.

TWST: Introduce us to the key individuals of your top-level management team.

Mr. Herald: There's really three people. Myself, CEO, I've been in the industry 33 years now, trained as a Geologist, but most of my activities in the last 10 years have been on the management side of a resource company. I've been with Solitario for 17 years now, so I understand the company very well, our directions and objectives. Jim Maronick is our CFO. He's been with the company for, I believe, about 12 or 13 years now, and he's been in the industry for almost 30 years, so he has a very deep understanding of not only the industry, but the company. And finally, Walt Hunt is our Chief Operating Officer. He has experience in operating mines, exploration programs, corporate development. Walt's been in the industry for over 30 years. So we have a very experienced management team, all of which have been with the company for a long time and very dedicated to seeing this company grow.

TWST: Has your shareholder base evolved over time?

Mr. Herald: It actually hasn't evolved very much in the last several years. We've had a fairly stable shareholder base in terms of our major shareholders. Sprott Asset Management owns 14% of the company, management and directors own 12%, Newmont Mining owns 9%, and then there are three or four U.S. and Canadian funds that each own about 3% to 5%. We've seen some of the smaller institutions increase their shareholdings modestly over the last couple of years. A pretty subdued level of turnover on existing shareholders, so I'd have to say most of our shareholders, I think, like the direction the company is going in, but we're always working on the investor relations side trying to make sure that the industrial community out there understands the company and where we're going.

TWST: Are there any misperceptions or misinterpretations about your company within the investment community?

Mr. Herald: I wouldn't say misinterpretations of the company, but because our company is so diverse and we have multiple partners and multiple projects, it's a little more complicated to understand than your typical junior-size mining exploration company. A lot of these companies are single-asset companies that are fairly easy to understand, and you just look at one project and can determine the value for it. In our case, we have multiple projects, which requires a little more homework to come up with a realistic

value on the company. I think that presents a challenge to us when explaining the company — why it's good to be diversified versus a single asset, why it's good to be diversified geopolitically and also commodity-wise. This is a challenge to us, but I think as we're able to sit down with new investors and get into the details of the company, they appreciate the value.

"In terms of our focus, traditionally we've been a company that goes out, looks at new property opportunities that are not very far advanced — what we would call grassroots opportunities — doing work on those, developing them to a point where a major mining company can see the value and then structuring a joint venture that minimizes our financial risk while advancing that project."

TWST: As CEO, what risks and variables are you focused on that you think haven't been receiving enough attention?

Mr. Herald: In terms of our focus, traditionally we've been a company that goes out, looks at new property opportunities that are not very far advanced — what we would call grassroots opportunities — doing work on those, developing them to a point where a major mining company can see the value and then structuring a joint venture that minimizes our financial risk while advancing that project. We'll take a smaller interest in the project, but it's awfully good to have three partners spending in excess of over \$10 million on your projects and you not having to spend anything. So in that way, we really minimize our financial risk, and we leverage our exploration success into more opportunities. In this industry, the more opportunities you're exposed to, the greater likelihood that one or more will work out to the benefit of your shareholders. So we try to minimize our risk in that way.

In the case of the Mt. Hamilton Gold Project, we're actually going to be the operator, and we're going to place that project into production. We saw an opportunity there where the mine was very simple. It's a single open-pit mining situation, the processing is heap leach, which is also very simple, and a very good recovery rate on gold of 75%. So we saw that as kind of a one-off opportunity where we'll take the operator risk, because the project is simple, the capital is such that we can handle it and the returns are exceptional. So every once in a while you run into a project like this, but they're pretty rare.

TWST: What are the key metrics investors should focus on to rate your performance?

Mr. Herald: I think the key for us is meeting the objectives that I previously set out. We need to get this feasibility of the Mt. Hamilton project completed within the next 12 months, and we think we'll beat that by a fair margin. Once the feasibility is out, we'll be able to talk about the exact economic benefits to the company and to the shareholders. The other thing I think investors should focus on is the quality of our partners. These are all well-respected experts in the field in which we have joint ventures; for instance, Bongara and Votorantim, third largest zinc producer in the world. Here we're not spending any of our own money to get into

production. Going to Pedra Branca, the platinum-palladium project in Brazil; again, the world's leader in platinum production, Anglo Platinum, is a number one industry name for this type of project. Again, we're carried to production at Pedra Branca. Finally, when taking a look at our Buenaventura joint venture at the Pachuca Real Silver-Gold Project in Mexico, this project is virtually risk free to our shareholders, as Buenaventura is supplying all the funds necessary to take this to production. And we're carried to production while still maintaining a very substantial 30% interest. So these are the key things that I think should be focused on.

TWST: What would compel an investor to review Solitario Exploration & Royalty and include it not only as a part of his or her current portfolio, but as a part of a longer-term investment strategy?

Mr. Herald: I think the industry we're in is an industry of the future — commodities and precious metals. I think that all investors should be looking very strongly at precious metal investments. With our Mt. Hamilton project, we're definitely focused there. I think another reason an investor would like to see, what they would like to see in a company is that we've been very judicious with issuing new shares. In the last 10 years, we've only issued 6.4

million shares of Solitario; we only have 29.4 million fully diluted. A lot of our peer companies, they do private placements every six months to a year and continually dilute existing shareholders. That's not to say we won't ever do financings, but we have historically been very cautious on issuing new shares, and I would expect we'd continue that philosophy.

TWST: Is there anything else you would like to add?

Mr. Herald: I think you covered it pretty well.

TWST: Thank you. (KL)

CHRISTOPHER E. HERALD

CEO

Solitario Exploration & Royalty Corp.

4251 Kipling St.

Suite 390

Wheat Ridge, CO 80033

(303) 534-1030

(303) 534-1809 — FAX

(800) 229-6827 — TOLL FREE

www.solitarioresources.com

e-mail: dwmino@slrxpl.com

TNR Gold Corp. (TNR.V)



MIKE SIEB brings 22 years of strong corporate growth and project management experience in international mining and exploration. Prior to joining TNR Gold Corp., Mr. Sieb was President of Brilliant Mining Corp., which was named "Top 10 Mining Companies on the TSX: V" for two consecutive years by the TSX Venture Top 50 during his tenure. Mr. Sieb is recognized as a committed executive with an exceptional array of skills essential for operating and developing a premier mining company. He earned an MBA from the University of British Columbia and a B.S. in geology from Concordia University.

SECTOR — PRECIOUS METALS

(ALM605) **TWST:** Please begin with a brief historical sketch of TNR Gold and an overview of your current activity.

Mr. Sieb: TNR Gold was formed approximately 20 years ago. It's spearheaded by individuals whose forte is identifying early-stage opportunities, acquiring them and advancing them to the resource stage for potential joint venture. So it's basically a joint venture business model which has been proven successful in the past. Historically, the company has been focused on gold and copper. We have a long-standing office and staff in Argentina, for more than 18 years now, which has been instrumental for our operations into Argentina. If you review our basket of projects, you can readily see that we're heavily weighted towards South America and Argentina in particular. However, our global investigations have led us to acquire and advance high-quality projects across North America.

TWST: Update us about the Shotgun property in Alaska. What prospects does the property hold in terms of reserves and when do you think you'll be able to get commercial qualities of gold from it?

Mr. Sieb: The Shotgun property in Alaska has seen a significant amount of exploration in the past. Greater than \$7 million has been spent on the ground as part of a joint venture with TNR Gold and NovaGold. In a recent development, we've been able to consolidate 100% ownership of the Shotgun property into TNR by acquiring the outstanding 50% from NovaGold, providing TNR with the ability now to proceed ahead. The historic work has resulted in a non-43-101 compliant resource, a fairly significant one, that we're hoping in our next phase of exploration to convert into a compliant 43-101 inferred resource, expand upon it and develop it by expending \$5 million over the next two years.

TWST: Update us about your Argentina projects, Mariana, El Salto, El Tapau.

Mr. Sieb: Those projects have all experienced early-stage drilling programs that have identified significant mineralization. The projects are all in the category of follow-up, whereby they now require additional drilling to advance the projects to a resource category. The El Tapau project has shown some high-grade copper intersections, very strong structural relationship that the subsequent drill program will need to follow up and define the high-grade core

of those mineralized zones.

TWST: What are the dynamics, the fundamentals, the assumptions and the variables that the industry is facing that could have an impact on your own strategies and goals?

Mr. Sieb: The market is very supportive nowadays. With the record-breaking gold prices, the strong demand for copper, I think that TNR Gold is in an absolutely perfect position to take advantage of the current market situation, as well as we have the strong property base to be able to exploit that sector. Basically, we have built a solid foundation of very high-quality projects. The target is to spend a sufficient amount of money over the next two years to really bring out the valuation of those projects. That is our goal and one we can show to the marketplace.

TWST: What is your agenda for the next 12 months? What would make that time frame a success?

Mr. Sieb: The first thing that we are doing is unlocking the value in TNR Gold. We currently have three subsets of projects. We have our Argentina gold and copper projects. We have our rare metal projects, which are in International Lithium, a wholly owned subsidiary, and we have our Alaskan gold projects in another wholly owned subsidiary, AmeriGold. Our philosophy is that the sum of the individual parts is greater than the whole. In order to realize an increased valuation, it is our goal to compartmentalize the three project subsets by translating the two subsidiaries into their own trading entities, thereby providing AmeriGold and International Lithium management team with the determination and independence to advance their projects as their own main priority.

TWST: How strong financially is TNR at this point? Are you focused on any particular items on your balance sheet or P&L report?

Mr. Sieb: That's part of the objective for the restructuring of TNR Gold. For example, AmeriGold — focused on gold in Alaska as a spinout of and separate to TNR — has an initial directive to raise \$5 million in the marketplace and focus that \$5 million on advancing the Alaska projects. In similar fashion, International Lithium, the rare-metal company spinout, is currently in the process of raising \$2.5 million, so it can focus on the rare-metal projects and not erode TNR's balance statement.

TWST: What is your current revenue stream?

Mr. Sieb: As I stated earlier, TNR Gold is focused on early-stage opportunities, whereby TNR Gold will invest nominal funds to advance the projects to an elevated level, inherently increasing the valuation. This higher value is realized from the benefits garnered through joint venturing the project to an alternate company, which will then spend additional funds to add further value. Our business model provides a very solid fundamental basis, whereby our objective is to expend as little as possible at the start for the greatest benefit for our shareholders in a condensed time frame.

TWST: Introduce us to two or three of the key individuals in TNR's top-level management team.

Mr. Sieb: There is myself, Mike Sieb, I am Chief Operating Officer of TNR Gold. I have over 20 years of experience in the exploration and mining aspects of the industry across a multitude of commodities, as well as jurisdictions. Gary Schellenberg possesses at least 25 years of experience and is the main steward for multiple companies in the exploration and mining sector. He has had quite a number of successes under his belt in his career to date. Our Non-Executive Chairman Kirill Klip is personally 100% committed to the company. He personally holds a significant share position in the company, at more than 25%, demonstrating his confidence in not only our projects but our management team.

TWST: As you increase your exploration and production, are you going to be adding to your management team?

Mr. Sieb: Absolutely, and that's part of the restructuring that TNR is currently undergoing in regards to taking the existing divisions and setting them up as their own publicly traded entities. The building up of the companies' respective management teams that are specifically focused on their various objectives and entities is a natural evolution of the process.

TWST: How has the shareholder base at TNR Gold evolved over time?

Mr. Sieb: With the introduction of our Non-Executive Chairman approximately seven years ago, who has personally acquired at least 25% of the outstanding shares of the company over the intervening period, we have attracted a number of strategic investors and industry insiders in TNR Gold. Currently, management and insiders of the company own greater than 50% of the company, which is one of our strongest structural bases in that the management is in control of the company.

TWST: Do you think the investment community has any misperceptions about your company?

Mr. Sieb: No, we're currently in a transitory period. We're moving from an older one-company model to a multiple-company model that will be able to focus on more specific aspects of our overall portfolio of projects. So I think shareholders will see over the next short period of time, a stronger identity and strength as a shareholder in the company, and hopefully resulting in an increased valuation.

TWST: What risks and variables is management focused on that hadn't received enough attention in the past?

Mr. Sieb: It's a process. We have strong projects, which is a very important starting point. Our main goal at present is to supply those projects with sufficient funds to advance them to where we envision they should be. I think that's going to be the key in demonstrating the strongest progress in the company, as well as garner the potential returns for not only ourselves but our shareholders.

TWST: What key metrics should investors use when evaluating your performance?

Mr. Sieb: I think when they see us providing the various projects that we have, the level of focus we want to impart on them, as well as complete the exploration that we're planning, I think that's going to be the strongest indicator and show the marketplace that we're on track and we're moving in the right direction.

TWST: What would compel an investor to review TNR Gold and include it not only as part of his or her current portfolio, but as part of a longer-term investment strategy?

Mr. Sieb: It's increased valuation. The current restructuring we're undergoing right now will have a direct result in the marketplace. We're basically unlocking the value. Currently, with one company, one entity with a multitude of projects, you don't realize the underlying value of the myriad of projects in the company, and the complexity does not translate very well to the marketplace or the shareholder. The current restructuring that we're undertaking, whereby we are setting up individually focused management teams that are focused on fund-raising, exploration and advancement of our various property portfolios into specific packages, will provide direct benefits. I believe it's going to very readily result in an unlocking of our current value, and we're going to be able to move not only this company forward, but the companies that are derived or get spun out of TNR Gold Corp.

TWST: Would you like to add anything else?

Mr. Sieb: No, I think that pretty much summarizes our current game plan, what we've been putting together over the last year and what we foresee for the future.

TWST: Thank you. (KL)

MIKE SIEB
COO
TNR Gold Corp.
620 - 650 W. Georgia St.
Vancouver, B.C.
V6B 4N9, Canada
(604) 687-7551
(604) 687-4670 — FAX
(800) 667-4470 — TOLL FREE
www.tnrgoldcorp.com
e-mail: info@tnrgoldcorp.com

Northern Dynasty Minerals Ltd. (NAK)



RON THIESSEN is CEO and President of Northern Dynasty Minerals Ltd. He holds a BComm degree from the University of Saskatchewan and the Chartered Accountant designation. Since the 1980s, he has concentrated on the management and financing of public and private companies. As Director of Corporate Development for HDSI, beginning in 1996, and as President and Chief Executive Officer since 2000, he and his associates have completed in excess of 20 property or project acquisitions, raised over \$1 billion in exploration financings, and built an impressive portfolio of advanced mineral exploration, development and mining projects. Mr. Thiessen led the HDI team that won the Pacific Ernst & Young Entrepreneur of the Year award in 2004, and he won the Ed Scholz Award for excellence in mine development in 2008.

SECTOR — PRECIOUS METALS

(ALM612) TWST: Would you give us a short history of Northern Dynasty Minerals and its expertise?

Mr. Thiessen: Northern Dynasty is a company that owns 50% of the Pebble Project in southwest Alaska. It's a project that we acquired in 2001 from Cominco. When NDM first acquired Pebble, it had a pretty substantial database and a drill indicated or inferred resource of about a billion tons of mineralization. And we thought it held potential for both higher-grade mineralization and to expand that resource with a very large land package. At that time Pebble was listed by the U.S. Geological Association as the largest known sulfide system in the world, so that's what attracted us toward the database and U.S. Geo's assessment. We proceeded to undertake exploration on it, with a great deal of success, and were able to attract in the early days a very substantial investment by Rio Tinto in 2006 of about \$90 million for 10% of the company at that time.

Rio Tinto followed that with an additional investment in the company, taking them up to a 19% interest for an additional \$100 million investment. In 2007 NDM entered into a partnership on the property itself with Anglo-American, in which they agreed to fund up to \$1.5 billion to earn a 50% interest in the property — and that's an all-or-none situation where if they don't spend the full \$1.5 billion, they actually don't get anything. Mitsubishi also became interested in the company and the project, and they acquired it through the market an 11% interest in the company. I couldn't say exactly what they paid for their share, but would say it was north of \$100 million. The company itself is sitting on a very good treasury, we have about \$40 million in cash, Anglo is funding all of the expenditures, we have done a tremendous amount of work on the property in terms of resource reserve drilling and increased the resources to now almost 10 billion tons of measured, indicated and inferred resources. What really excites most people is the contained metal of approximately 105 million ounces of gold, 85 billion pounds of copper, 25 billion pounds of molybdenum, as well as palladium and rhenium and silver. It's a unique polymetallic porphyry and one of the largest undeveloped deposits in the world,

a Tier 1 asset, and I would speculate that the mining industry only discovers a Tier 1 asset once every five to 10 years.

We have just over 95 million shares outstanding on a fully diluted basis. We're trading at about nine to 10 dollars Canadian, so close to a billion-dollar market cap, \$900 million. We trade on the Toronto Stock Exchange Senior Board, and we trade on New York Stock Exchange alternate in terms of the old Amex. There is good liquidity in the stock, a very good shareholder base and a good partner in Anglo American, who is funding substantial work on the property, and we expect to complete a pre-feasibility study level of engineering document around the end of 2011. Anglo has spent close to \$300 million of their \$1.5 billion to date, and we'll likely have a substantial budget approved for 2011; we expect something north of \$75 million.

TWST: Realistically speaking, what do you really expect out of the Pebble Project in terms of future prospects?

Mr. Thiessen: We've always said that for ourselves being a single purpose, single asset company, that in the longer term, Pebble is a kind of project that would be developed by a consortium of major mining companies — for instance, in the case of Escondida, BHP, Rio Tinto, Mitsubishi with a Japan group, and still others involved. If you look at other big projects, typically there are two or three senior mining companies and maybe Asian smelter groups involved in the development. And really, I expect the future for the Pebble Project will be the same. We foresee the involvement of two major mining companies, perhaps a base metal company like Anglo and one of the big international precious metal/gold companies, and a smelter group involved in the development. Really what that means is that Northern Dynasty will not be part of that picture because we think that ultimately Northern Dynasty will be taken over. We've not encouraged nor gone out to try and do anything like that because we feel that we want to stay at the helm, if you will, driving the value up until the point in time where we see, "Okay, realistically now we're at the point where as a junior resource company we are not creating any more value and we've done everything we can."

At that point in time, we expect we'll be seeking to do a corporate transaction with other major mining companies. The logical question is when will that point in time be, and I think it is when you can actually show the marketplace the economic values. What we've done to date is create the deposit, the resources, the contained metal. Everybody knows that those are hard numbers, the grades, the tons, the contained metal. What they now want to know is what the economics of this project are — what's the capex? What's the opex? What's the internal rate of return? What's the DCF? And that information is fundamentally what the pre-feasibility study is all about. So over the next year as those numbers are firmed up, we will see the opportunity to engage with the investment bankers and big mining houses in cogent discussion about what the economic attributes and the true value of Northern Dynasty is.

TWST: Give us your background view on the industry today. What are the key trends or issues, and what impact are they having on you, as you look at your strategies for the next two to three years?

Mr. Thiessen: The two principle metals involved in the Pebble Project are copper, which accounts for probably 55% to 60% of the value and gold, which accounts for 30%, 35% of the value, the balance being made up with molybdenum and silver, rhenium and palladium. And what I like about those metals is that fundamentally, copper is the industrial mineral that is the real driver of economies. Developing economies or rebuilding economies fundamentally need copper, everything in the Western world or the developing world runs on electricity. We can't live in high-rise buildings without electricity. We can't communicate without electricity. We can't use computers, cell phones and in the future, we're not going to be able to drive without electricity. So fundamentally, electricity is next to the oxygen we breathe and the food that we eat. Electricity should be included in Maslow's Hierarchy of Needs. Electricity can only be transmitted feasibly in one medium, and that's copper wire. You can't use aluminum wiring inside buildings.

Copper is a fundamental need in the developed world and the developing world. In the developing world — if you look at China, India, Brazil and parts of the Middle East, even the reconstruction of Eastern Europe — every time you see a building going up, you're seeing hundreds of miles of copper wire being used. In cars today, a typical internal combustion engine driven car uses about 50 pounds of copper, and a hybrid car, which is a combination of electric battery and an internal combustion, uses about 100 to 110 pounds of electrical wire. And a pure lithium ion battery car uses about 300 to 350 pounds of copper. So copper demand will become greater and greater, but there are fewer and fewer deposits that are being brought on stream. We've seen copper, back in 1990 - 2000, trading at \$0.60 a pound, and people said it would never surpass \$1 again. But today copper is at \$3.50, and people can't get enough of it.

Gold, well it's gold's era to shine as a reserve currency, as a store of wealth. What we're seeing around the world with uncertainty in sovereign debt, uncertainty in currency issues, volatility in currencies, massive government debts — that's all positive for gold. Add to that, China, which four or five years ago opened itself up to individual ownership of gold. When you go

through the Beijing Airport, there is a beautiful shop there that will sell you gold ingots three nines, four nines or five nines gold anything up to, I think, a 250-gram bar, and it's quite amazing. I was in Abu Dhabi about a month ago at the Palace Hotel and they have a gold vending machine where you can buy small gold ingots and Krugerrands, and the kiwi and Canadian maple leaf. So there is more and more private ownership of gold, plus just simply the store of wealth and the need for people to have what they consider as a stable reserve currency.

"The two principle metals involved in the Pebble Project are copper, which accounts for probably 55% to 60% of the value and gold, which accounts for 30%, 35% of the value, the balance being made up with molybdenum and silver, rhenium and palladium. And what I like about those metals is that fundamentally, copper is the industrial mineral that is the real driver of economies."

And then you add ETFs, first they came on precious metals, now they are being put together for copper, and they will also drive the price of both of these metals up as they take product off-market and store it. You've got the use and you've got the investment criteria that are driving the value of these two elements.

And then when we look at molybdenum, which is the third significant metal at Pebble, it's an alloying metal for steel, and with all the construction that's going on in those areas I previously talked about, the iron ore consumption, the metallurgical coal consumption, they need alloying metals for steel hardening and strengthening. Molybdenum is the perfect way to play that aspect of the developing economies. I am extremely bullish, as you can tell, and I think that China is only in the first third of its true economic growth. We deal occasionally with a company in China named State Grid, which is China's largest utility. They have actually been the largest utility in the world, and they are the world's single largest purchaser of copper wire. I understand that their grid is expanding so much every year that they are building the equivalent of the entire electrical grid of the United Kingdom. And they expect to do that for the next 10, 20 years.

TWST: Let's turn to the Pebble Project for a moment. It's located in Southwest Alaska and this site is one of the world's largest undeveloped sources of gold and copper. It's also very close to the world's largest wild salmon habitats. Would you speak to the controversy that's brewing regarding Tiffany and other European and U.S. jewelers who are vowing not to buy gold from the proposed project?

Mr. Thiessen: The Pebble Project, as you say, is located in southwestern Alaska, about 250 miles southwest of Anchorage and about 150 miles as the crow flies from Bristol Bay. As rivers run, it's probably 250 to 300 miles down various water sheds into Bristol Bay, and Bristol Bay is one of the world's preeminent, if not, the preeminent sockeye salmon fishery. And we have made a commitment to the people of Alaska and therefore everybody, that if we can't build Pebble in a manner that does not damage Bristol

Bay, then Pebble will not be built. But we are so confident. The region that the Pebble Project is located in is very moderate terrain. It's not high altitude, it's not mountainous, there is not a great deal of water source in our area. Generally, we have a very large land package, but the mine itself is a very small dot in all of Western Alaska and it's a very small part of our property overall. There are two water sheds that drain from the property, but not really the mine area, and those two water sheds account for less than 0.5% of the river systems that flow into Bristol Bay, 250, 300 miles away. So it is a remote site that is a substantial distance away.

We actually believe that when we bring the Pebble Project into production in Western Alaska that we will enhance many things, not least of which is the fishery. There are things that we can do that would assist the fishery. We can improve some of the watersheds in terms of their productive capacity for salmon or trout spawning. We will also bring electricity to an area of Western Alaska that currently has no major electrical source other than diesel power generation. I think one of the problems with the Bristol Bay fishery is they get this massive influx of salmon in a four- to six-week period, but because the energy costs are so high, it's expensive to even produce ice let alone run a processing plant to process these fish. Energy costs in Western Alaska typically run \$0.60 to \$0.80 per kilowatt hour. Here in Vancouver, a typical household pays \$0.05 per kilowatt hour. If you are in New York, you might pay \$0.08 or \$0.09 per kilowatt hour. So out there in Western Alaska they are paying 10 times what we are paying for their power. People run out of money — they can't afford fuel for their home, heating or their schedules in winter — that's how bad it can get.

If you build the Pebble Project, you've got the capacity to process more of the fishery and process it more efficiently out there. We think that will enhance people's lives. It will bring the industrial base to portions of Western Alaska, it will increase employment. There will be spin-off jobs and contracting. Most of the villages in Western Alaska, I understand, in about 5,000 square miles there is about 7,500 people. Most of these villages — the populations are reducing because there is nothing to do in them and people are moving out — they are moving to Dillingham, moving to Anchorage, and moving to the Southern 48 because there simply is nothing to do. It's, for the most part, subsistence living, and subsistence will continue even when the Pebble Project is there. We are not going to destroy the fishery, we are going to improve the fishery, we are going to work with the people to improve not only their way of life, but improve the economics of the fishery and the capacity of the fishery, the economics of the fishery.

If you look simply at Bristol Bay versus Copper River, everybody in the U.S. has heard of Copper River salmon. It sells for a premium price, it's, I think, the landed price of a Copper River salmon in Copper River. The fishery is probably about \$3.50 a pound, whereas as the value of fish caught in Bristol Bay is \$0.60 to \$0.80 a pound. The difference is that fishing in Copper River region, and there is lots of processing facilities can handle and deal with all of those fish. It's a longer season, whereas everything is about supply and demand. All these fish come in one short window of opportunity and if you can't handle and process the fish, then you are not going to pay a premium price for them. So economically, we think it's the perfect thing.

People talk to me about the jewelers and all the stuff. If the jewelers aren't buying things from a responsibly, they aren't buying their gold from a responsibly developed mineral resource, where are they buying their gold from? Are they buying it from miners that are working in very dangerous conditions and see early on? Are they buying from, what sources? To tell you the truth, I suspect they don't even actually know where they are buying their gold from. Pebble will produce a copper concentrate, and that concentrate will go to Asian smelters. The gold will go on to Asian refineries, those refineries will sell them, sell that gold at auctions around the world. I think it's a pretty hollow and not a very robust undertaking by these people, we are going to jump on some bandwagon and hopefully increase our sales by saying we won't buy gold, but Pebble isn't actually going to sell any gold. We sell copper concentrates and molybdenum concentrates to smelters. I'm 100% in favor of being able to identify the source of gold, so that these jewelers like Tiffany's and the others actually know and can stand behind statements that we buy gold from areas that responsibly produce the gold that adhere to human rights, that adhere to environmental standards and all the rest. I know they buy gold from some refineries in the U.S. that I've seen the EPA has slapped criminal charges on.

"We are next up. I even hold capital for Oyu Tolgoi. They are at bat right now, they are in production, they are in development. They are going to get on base or hit the long ball. The next guy in the batter's box, it's going to be Northern Dynasty and the Pebble Project."

TWST: What should we expect over the next six to 12 months? What are the key metrics or events investors should focus on as they track your performance?

Mr. Thiessen: First and foremost, the delivery of fundamentally an economic study. We've delivered the geological and resource studies in states to the investment community and the mining industry. Now we're going to deliver the fundamental economics of the project. That's going to allow the financial analysts in the world say, "Okay, truly this is what Pebble is worth. Therefore, this is what Northern Dynasty is worth." That's going to create a true economic underpinning to the share value, which is going to be substantially north of where it is today. I'd like to tell people we are in the batter's box. We are next up. I even hold capital for Oyu Tolgoi. They are at bat right now, they are in production, they are in development. They are going to get on base or hit the long ball. The next guy in the batter's box, it's going to be Northern Dynasty and the Pebble Project.

I see potentially a corporate transaction on Northern Dynasty in the next 12 to 18 months. Once we get that economic underpinning out in the marketplace, then away we go with the corporate transaction. In terms of its development potential, that's probably starting in 2012; the permitting, it's a two- to three-year permitting process, and then a 24 to 30 months of construction

development process. So call it five to six years, and that's about the time you'd see the production, and the production will be very substantial. This project is going to produce somewhere between two quarters or three quarters of a billion and a billion pounds of copper a year and somewhere between 600,000 and 800,000 ounces of gold a year plus molybdenum, palladium and rhenium and silver.

TWST: Introduce us to your top-level management team. Who are two or three of your key individuals?

Mr. Thiessen: Bob Dickinson, who is the Chairman of the company, and Bob is the Founder of the Hunter Dickinson organization. Northern Dynasty is part of that group of Hunter Dickinson. Hunter Dickinson is a private mining company that has 150 employees. I'd like to say Hunter Dickinson is the intellectual capital, the library of knowledge and the portfolio of opportunity. They are some of the brightest and hardest working people in the mining industry, that is actually the team that is behind Hunter Dickinson. So the management team, you've got Bob Dickinson, who founded that organization, and Bob's background is geology and finance.

Myself, the CEO, I have a financial background and a corporate background in terms of corporate transactions. Marchand Snyman is the CFO. Marchand has a long history in the mining business, came out of the Anglo Group of companies, where he was in the financial and corporate development side of Anglo Platinum, South Africa. We've got a very august board of directors, and I see nothing but great opportunity. Steve Hodgson, who is the Head of Engineering for Pebble Project, he is actually currently seconded from NDM to the Pebble partnership team, but Steve has a long history, 25-plus years, in the engineering consulting businesses, worked on every big major porphyry opportunity pretty much in the world over the last 20 years. So it's a very knowledgeable group of people. Pebble itself has about 40 employees, 30 of them are up in the head office in Anchorage, and they have 10 to 12 engineers working in the engineering office down here in Vancouver.

TWST: As far as your focus, as CEO of the company, how is it changing and where is it directed?

Mr. Thiessen: It's gone from managing the resource developments and financial to stepping out now with the arrows that I needed to be able to show investors, the investment community, the value that we've created. Up to this point in time we've had to say okay, we've got more than 100 million ounces of gold, 84 billion pounds of copper and what's that worth really in a gross term. What I will be able to do now is start marketing the company on a fundamentally and an economic Bcf basis. And that fits my talents as well, because I'm a Chartered Accountant by profession, but really in the corporate and finance world is where I've been on the mining industry. I've been in the mining industry since 1986.

TWST: Your share price is trading between, let's say, \$9, \$10, what's your view on that?

Mr. Thiessen: My view is that it's a bargain given the asset, stature of this asset. When I look at comparable deposits around the world, there is a tremendous amount of upside opportunity by comparison to other projects, whether its the geographic location or the geological aspects, compare Pebble with the OT project in

Mongolia. There is a lot of good comparisons, and then there are some interesting differentiations, and there is a company that has an asset north of \$10 billion in market capital; we're at one.

TWST: What critical issues does the company face over the next 18 months? What's the top of the list in your view?

Mr. Thiessen: Getting this PFS completed, the pre-feasibility study, getting that completed and out in the market's hands.

TWST: In your discussions with the financial markets, are there any recurring questions, any misperceptions?

Mr. Thiessen: A lot of them really like the resource; the location is fantastic. The perception of the conflict with the Bristol Bay fishery is problematic for them, and we will be addressing that very significantly through the Pebble partnership this coming year. We have ourselves been focused on getting our knitting done, getting everything done right and responsibly at sight. And we haven't really stepped up and engaged in a fight with the NGOs or the naysayers on Pebble, but I think we are at a position where we've got the information that we can do that. Our environmental baseline data is a collection of information. Some of it spans 20 years; most of it is four to five years.

I was just up in Anchorage, and they were telling us that it looks like the document itself will be some 12,000 pages of text and 8,000 pages of figures. We have more detailed technical environmental data on Western Alaska than anybody else that includes the state of Alaska. People are actually really excited to get this information because they can use the information in other things that they are doing with respect to fisheries, habitat, wetlands and all the rest. We have spent more money and done more environmental socioeconomic studies than any other industrial project in the world because we are committed to doing it right. We probably spent about a \$175 million between ourselves and Anglo on the environmental baseline and socioeconomic information.

TWST: Provide a summary statement for a potential investor. Why should he/she buy the stock today in your view?

Mr. Thiessen: Because the bases are loaded and we are coming up to bat, and we have the biggest bat. Pebble is the preeminent metal deposits in the world today. It's located in the world's best jurisdiction for regulation and responsible environmental development — the United States of America — where you've got most rigorous environmental and permitting rules and regulations, and the rule of law. It's a great deposit, and it's in the right country.

TWST: Thank you. (KL)

RON THIESSEN
CEO & President
Northern Dynasty Minerals Ltd.
1020 - 800 West Pender Street
Vancouver, BC
Canada V6C 2V6
(604) 684-6365
(800) 667-2114 — TOLL FREE
www.northerndynastyminerals.com