

# Gold Newsletter

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## RYE PATCH GOLD CORP.

RPM.V; RPMGF.OB  
604-638-1588  
ryepatchgold.com

Years ago, some old friends in the industry told me they were launching a new, grass-roots gold exploration company, and invited me to be one of the early investors.

As you can imagine, this is not an uncommon experience for me. Usually, I beg off, bemoaning a personal portfolio that's already bulging with "cheapies with a chance." Sometimes, if I like the people involved and/or the projects, I put down a bet.

That doesn't mean the company ever gets mentioned in Gold Newsletter. In fact, most of these plays never get recommended, because I'm much willing to take risks that I would never recommend for my readers.

OK, if you haven't guessed by this point, Rye Patch Gold was a company I took a flyer on years ago. I liked the management team, having come to know its Chairman, Joe Kajszo, pretty well. And I liked the business plan.

But I couldn't bring myself to recommend it. Until now.

You see, the company had a great business plan, good properties and extremely qualified management. But there simply wasn't a "value trigger" that would get the market's attention. Now — between the current rally in gold and an ongoing drill program — the trigger is being pulled.

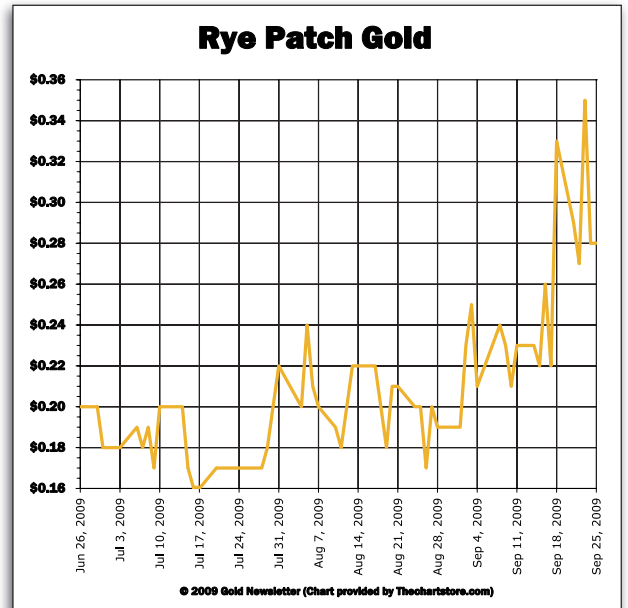
More on that in a moment. First, some background....

At first glance, it's easy to scoff at Rye Patch Gold and its ambitions of building a 10-million-ounce resource in Nevada within three years. But when you look under the hood of this company, you immediately notice a large-cap management team crammed into the engine compartment of a small-cap company.

The company's two co-founders, the aforementioned Joe Kajszo (chairman) and Bill Howald (CEO and president), boast deep industry experience at large, successful mining companies. Kajszo also co-founded Nevada Pacific Gold, which was taken over by US Gold Corp. in 2007, and was VP exploration for Robert Friedland's Ivanhoe Capital Corp. for much of the 1990s. Howald spent 16 years with Placer Dome, latterly as general manager of exploration for the U.S. and Latin America until 2006.

Backing up these guys is a two-man Nevada technical/geological team with nearly 60 years of combined experience. Another asset: Kinross Gold has been a shareholder since 2008 and is today the largest shareholder with a 15% stake.

Of course, there's an obvious question: Where in Nevada could a little company like this build a 10-million-ounce resource? After all, the majors have stomped over most of the best ground for decades. Before answering that question, let's first look at two important trends in



the gold mining industry in central Nevada, where Rye Patch is concentrating its exploration efforts.

The big producers like Barrick and Newmont are depleting their gold reserves faster than they can replace them. They're also operating mills with greater capacity than they're using. Additionally, these mills have been built to handle specific types of ore — which enables a company to maximize gold recoveries by shipping various types of ores across the state to the appropriate mills. In the past, mills generally milled only the ore from the property they were built to serve. But mining companies today know that they get further ahead by matching gold ore with the best available mill.

Recognizing these trends, Kajszo and Howald saw an opportunity for a junior company to build an inventory of gold in the ground that could be sold to the majors for mill feed. Remember, these two guys

(Continued...)

aren't mine operators. They're both geologists with experience finding and developing large ore deposits. So this strategy plays to the company's strengths — it's a company managed and operated primarily by seasoned exploration geologists. The end-game is to develop individual properties large enough to interest a major, or a portfolio of properties that will motivate a major to take over Rye Patch.

But as I mentioned, Nevada isn't an exactly unexplored territory. Yet again, the answer intrigued me. Kajszo and Howald have identified what they believe is a new gold trend located midway between Reno and Winnemucca, Nevada. Called the Oreana Trend, the geologists have identified similarities in mineralization and geology across an area measuring about 15 kilometers by six kilometers.

Today, this area is known to contain five million ounces of gold. But Kajszo and Howald believe that the potential is much, much larger. In fact, they believe that it may hold 15-20 million ounces. And this is where the big-company experience and strategy come together.

Rather than pick away at this new trend, Rye Patch has acquired 65 square kilometers of ground and now controls the majority of the Oreana Trend. The company has three principal properties here: Wilco (the most advanced) and Jessup already host 3.3 million ounces of gold equivalent (2.7 million ounces of gold, 31 million ounces of silver). At the earlier-stage Lincoln Hill property, a 2008 drill hole intercepted 21.3 meters of 27.2

g/t gold, including 7.6 meters averaging of 75.4 g/t.

Unfortunately, all this good news came last year, when no one wanted to hear about another gold speculation and there certainly wasn't any urgency for me to recommend one.

But now, gold is taking off, and Rye Patch is in the midst of drilling numerous targets at Lincoln Hill and Wilco that have the potential to yield high grades and expand the oxidized mineralization.

At Lincoln Hill, for example, the company's geologists believe they've gained an understanding of the control to the high-grade mineralization, and are testing 14 targets. At Wilco, they are drilling the North Basin target, where the last holes of the 2008 program hit the thickest and highest-grade intervals to date on the property. The North Basin is a circular depression, and the company is excited about its potential to host a new high-grade discovery.

If this exploration team continues to add resources as efficiently and cost-effectively as it has so far (a finding cost of one dollar per ounce of gold equivalent), these programs should add considerably to the current resource estimates.

More importantly, they will push Rye Patch ever closer to its ambitious 10-million-ounce target and its stock to higher valuations based on its growing inventory. Kajszo and Howald say they may leverage their exploration efforts by picking off cash- or resource-rich juniors. And, as always, they're on the lookout for new gold projects.

The Rye Patch train still has a mountain to climb before realizing its ambitious goal. But the market is starting to take notice — as the recent rise in share price indicates. I anticipate good results from the current drill program, and don't want you to miss out on any more potential gains.

Rye Patch Gold is a buy.

### Rye Patch Gold Corp.

Recent Share Price: .....C\$0.31  
 Shares Outstanding: .....65.0 million  
 Market Cap: .....C\$20.2 million  
 Shares Outstanding Fully Diluted: .....105.0 million  
 Market Cap Fully Diluted: .....C\$32.6 million

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