

Gold Newsletter

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RYE PATCH GOLD CORP.

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Rye Patch Gold continues to make what I consider remarkable progress towards its goal of building a 10-million-ounce gold resource in Nevada by the end of 2011. It took a big step toward that goal in November when it acquired Centerra Gold's 64% interest in the Ren project in the northern Carlin Gold Trend. With about 1.65 million ounces of high-grade (but deep) gold in total, Rye Patch's portion works out to a little over a million ounces in all categories, with 780,000 ounces of that total in measured and indicated categories.

The price? Well, that's where it gets interesting. Rye Patch is committing to pay US\$42 million for the resource, which is far, far more than the tiny junior has in the bank now or will have in the near future. The good news: They only have to pay US\$2 million now, and have two years to pay the next US\$10 million.

So, in effect, the company just gained a two-year option on a million ounces of gold for just US\$2 million. Not a bad deal, when looked at in that respect. As I noted, the resource is deep, and there are some other concerns. But these are balanced by the fact that there is significant room for expansion of the resource, especially immediately

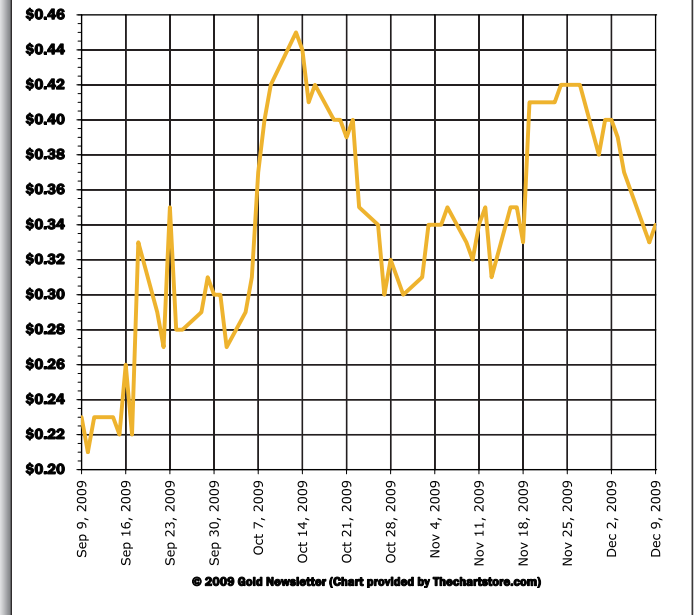
to the south.

And that just happens to be the boundary of the Goldstrike property owned by Barrick Gold, which is mining the Meikle Mine and developing the Banshee deposits. These just happen to lie a mere 250 meters south of the Ren property bought into by Rye Patch. Now, before you say "so what?," know this: The owner of the remaining 36% of the Ren project just happens to be Barrick Gold.

See, not a bad story, is it? Rye Patch has a natural partner or buyer or perhaps both for the Ren property, and maybe even for the rest of its growing gold portfolio.

Elsewhere, Rye Patch reported good results from a reverse circulation drill hole at its Lincoln Hill project — 15.2 g/t gold and 308 g/t silver over 3 meters. The share price dropped a bit because this was the only high-grade intersection of the five holes released, but it has since inched upward. Samples from the remaining 15 holes of this program are at the assay lab.

Rye Patch Gold



Bill Howald, the Company's CEO and president, says "Initial assay results from the Lincoln Hill reverse circulation drill program are expanding the near surface stockwork gold and silver mineralization, and continue to show high-grade gold and silver zones within this halo mineralization." He has a core drill on site to follow up the high-grade zones and gain a better understanding of the mineralization.

I'm still very positive on the stock. Management is aggressively pursuing its ambitious 10-million-ounce target in the midst of a plus-\$1,100 gold market. By my calculation, the Ren project puts them at about 4.4 million ounces of gold in all categories.

With a market cap of just

(Continued...)

C\$27 million (C\$44 million fully diluted), it's very attractive on that basis, and a buy on weakness.

Rye Patch Gold Corp.

Recent Share Price:.....C\$0.28

Shares Outstanding:65.0 million

Market Cap:.....C\$18.2 million

Shares Outstanding

Fully Diluted:107.0 million

Market Cap

Fully Diluted:C\$30.0 million

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