



Mining Sector

New Ideas of Interest

March 17, 2009

Paul Burchell / (416) 350-3499
pburchell@dundeesecurities.com

Ron Stewart / (647) 428-8324
ron.stewart@dundeesecurities.com

David A. Talbot / (416) 350-3082
dtalbot@dundeesecurities.com

Julia Carr-Wilson / (416) 350-3226
jcarr-wilson@dundeesecurities.com

Timothy Lee, M.Sc., MBA / (416) 840-7916
tlee@dundeesecurities.com

Harish Srinivasa, M.Eng. / (416) 350-3345
hsrinivasa@dundeesecurities.com

Robert Thaemlitz / (647) 428-8392
rthaemlitz@dundeesecurities.com

New Ideas from PDAC 2009

We have selected four companies that grabbed our attention at this year's PDAC Convention. These are companies that have been under the radar: we do not have formal coverage and they are not on our Mineral Exploration Watch List. All have interesting mineral exploration or development projects with active programmes in 2009, and we believe they could be accretive shares in a risk tolerant portfolio.

Extract Resources Ltd. (EXT-T: \$2.80, Not Rated)

- Extract Resources is an Australian-based uranium exploration company focused on projects in Namibia. Extract's flagship property is the Husab Uranium Project that hosts the both Rossing South and Garnet Valley (Ida Dome) deposits.
- The project hosts a large uranium resource with the best grade of its peers, and it appears to have excellent exploration potential. With its large, well-located project, the company may be a takeover candidate for producers operating in the region.

Grayd Resource Corporation (GYD-V: \$0.45, Not Rated)

- Grayd Resource Corporation is primarily focused on exploring and developing the La India Project, where the company is earning into a 100% interest.
- La India has a heap leach ready resource that may have the potential to become a 75,000 oz per year gold producer. The company is arguably a takeover candidate for Alamos Gold Inc. (AGI-T, Buy, target price C\$8.80) which has an operating mine nearby.

International Tower Hill Mines Ltd. (ITH-V: \$2.82, Not Rated)

- ITH is focused on its Livengood gold project located 110 km north of Fairbanks, Alaska.
- The Livengood deposit is big and getting bigger and better fast. The project could be on the verge of becoming an economically viable project, which might give the share price a boost. The company has potential catalysts this year, and the good shareholder base could hint at a takeover.

Northern Freegold Resources Ltd. (NFR-V: \$0.53, Not Rated)

- Northern Freegold is an exploration company focused on its 100%-owned Freegold Mountain project in the Yukon.
- The Freegold Mountain project is large, has several interesting targets, and has excellent infrastructure. Drilling has recently encountered high-grade gold in newly identified structures, and the company has additional drilling results and resource estimates on the way this year.

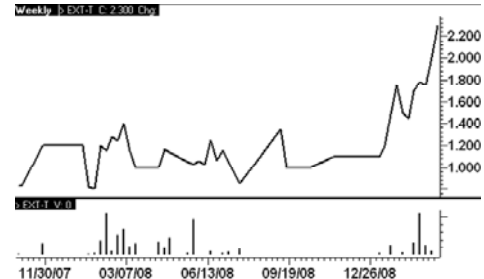
Dundee Securities Corporation from time to time publishes reports on securities for which it does not and may not choose to provide continuous research coverage. Such reports are published as Ideas of Interest.

Extract Resources Limited (EXT-TSX) (EXT-ASX)

Rating **Not Rated**
12-Month Target Price **Not Rated**

Background

- Extract Resources is an Australian-based uranium exploration company focused on projects in Namibia. Extract's flagship property is the Husab Uranium Project that hosts the both Rossing South and Garnet Valley (Ida Dome) deposits.



Source: Thomson One

Why Is It Interesting?

- The project hosts a large uranium resource with the best grade of its peers.** The project totals 133 million pounds U3O8. This includes a recent initial Rossing South Zone 1 resource of 108 million pounds U3O8 and the Garnet Valley resource totalling 25.1 million pounds U3O8. The Rossing South Zone 1 resource grades 430ppm U3O8. This compares favorably to all of the nearby Alaskite deposits including Rossing (300ppm reserve grade), Bannerman's (BAN-T, Not Rated) Etango (Anomaly A) deposit (207ppm Indicated, 195ppm Inferred), and Forsys' (FSY-T, Not Rated) Valencia deposit (130ppm Measured and Indicated).
- The project appears to have excellent potential for expansion.** About 9km of the 15km long Rossing South trend has been tested. Two shallow, open pitable zones have been identified and remain open at depth and along strike. Zone 1 has been defined along 1,800m strike and has been tested to 275m depth. Zone 2 has been defined along 2,000m of strike at to a depth of 290m. Both zones show good continuity.
- The company may be a takeover candidate.** There are few large uranium deposits in the world controlled by junior explorers. Rio Tinto (RIO-LN, Not Rated) owns 69% of the neighboring world-class Rossing Mine and already owns 14.4% of Extract Resources. Kalahari Minerals PLC (KAH-LN, Not Rated) owns 39.1% of Extract. Earlier merger plans between Extract and Kalahari were terminated in November 2008 as Kalahari did not have support by a number of its largest shareholders.

Property Description

- The deposit is located 6km south and along strike of the 33-year old Rossing Mine that produces ~8.9 million pounds of U3O8 annually (owned 69% by Rio Tinto). It is located within 30km of the Langer Heinrich Mine (owned 100% by Paladin Energy (PDN-T, Buy, \$4.20 Target Price)). Other companies with large projects in the region include AREVA, Forsys, Bannerman and Deep Yellow.
- The company continues drilling at Rossing South to expand both Zone 1 and Zone 2 deposits. Zone 2 - An infill drilling is designed to prepare for an initial resource estimate. The company suggests a target of 68.7 to 105.8 million pounds of U3O8 grading between 260 and 300 ppm. A Feasibility Study has begun on the initial resource at Zone 1. The company expects drilling to expand the resource beyond 108 million pounds U3O8. At Ida Dome, a feasibility study will begin and 60,000m of definition drilling is underway.

Financial and Share Structure

- The company had a cash balance of A\$30.5 million as of December 31, 2009. It has 213 million shares issued and outstanding.

Management

- Peter McIntyre, Managing Director – Mr. McIntyre has 30 years experience, 15 years with WMC Ltd. in various senior management positions and has been involved with the development of major projects.
- Stephen Galloway, Chairman – Mr. Galloway has extensive experience working in Namibia in the mining, energy, and financial sectors. A geologist, he held a number of positions within the Namibian Government.

Grayd Resource Corporation (GYD-TSXV)

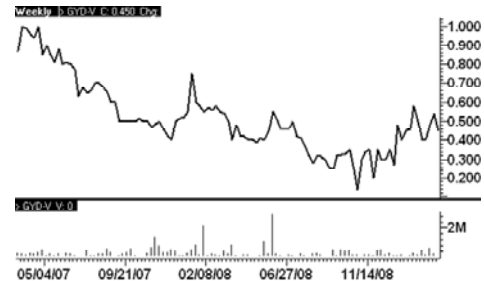
Rating **Not Rated**
12-Month Target Price **Not Rated**

Background

- Grayd Resource Corporation is primarily focused on exploring and developing the La India Project, where the company is earning into a 100% interest.

Why Is It Interesting?

- The La India deposit has an established heap-leach ready resource.** The resource contains 900,000 oz of gold, 80% of which is readily leachable oxide material. The company is continuing its step-out drilling program that could expand the resource, and has begun work on a preliminary economic assessment on the project.
- La India has the potential to become a 75,000 oz per year producer.** The strip ratio is currently estimated at a low 1:1 waste to ore, and preliminary metallurgical testing suggests leach recoveries of up to 78%.
- The company is arguably a take out candidate for Alamos Gold, whose Mulatos heap leach mine is located only seven km to the south.** Alamos has been quite vocal in recent months about increasing the company's production profile, and we believe Grayd would be a logical acquisition.



Source: Thomson One

Project Description

- A recent resource update suggests the deposit hosts a total resource of 900,000 oz of gold. At a 0.5 g/t cut-off, grades are just over 1 g/t. (Indicated resource: 17.2 MM tonne @ 1.01 g/t Au = 559,000 oz of gold and Inferred resource: 9.4 MM tonne @ 1.05 g/t Au = 318,000 oz of gold).
- Exploration work indicates that the stratigraphy and alteration of the main zone of gold mineralization potentially extends an additional 1.2 km down-dip from the area encompassed by the current resource. For 2009, exploration drilling program plans to test for gold within the high potential exploration areas adjacent to the current resource.
- The project is located 7 km northwest of Alamos Gold's 3 million oz Mulatos mine in Sonora, Mexico. The La India project area covers over 25,000 hectares and Grayd is the second largest land holder in the Mulatos area after Alamos Gold.

Financial and Share Structure

- The company currently has \$3.5 million in cash.
- The company has 64 million shares outstanding and 70 million shares fully diluted.

Management

- Marc Prefontaine, President & CEO – Mr. Prefontaine graduated with a B.Sc. in Geology from the University of Alberta and a M.Sc. in Mineral Exploration from Queen's University. He is a professional geologist with over 20 years experience in all facets of mineral exploration including Exploration Manager, and has worked extensively throughout North and South America, South Africa and Central Asia for major companies.
- Hans Smit, V.P. Exploration - Mr. Smit is a professional geologist with over 25 years experience in all aspects of the mineral industry including grass roots exploration, drilling, underground development and resource calculation. Mr. Smit has managed major exploration programs in northern British Columbia and the Yukon Territory, and has worked on mine feasibility studies, mine permitting, and ore reserve evaluations.

International Tower Hill Mines (ITH-TSXV)

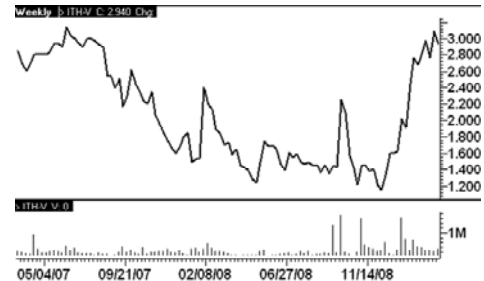
Rating **Not Rated**
12-Month Target Price **Not Rated**

Background

- ITH is focused on its Livengood gold project located 110 km north of Fairbanks, Alaska.

Why Is It Interesting?

- **The Livengood project is big and getting bigger and better fast.** The Livengood project has experienced rapid resource growth, increasing from an estimated 1.9 million ounces to 6.8 million in a year. The latest round of drill results since September is showing weighted average grades of 1.09 g/t, 30% higher than the latest resource estimate. The deposit is open in all directions, and ITH has drilled only a small portion of the anomaly's surface expression.
- **The company has potential catalysts this year.** News expected in the year ahead includes monthly drilling updates, three resource estimates in June, October and February, metallurgical work, and a Preliminary Economic Assessment to be released in July. ITH has budgeted 40,000m of drilling in 2009, approximately equal to the amount of drilling completed to date. The company plans to test double the area drilled thus far. ITH is targeting a 10 million oz resource by year end, including 7 million oz with a grade over 1 g/t.
- **Good shareholder base could hint at takeover.** Institutions hold 65% of the stock with AngloGold Ashanti controlling 13%. We suspect AngloGold (AU-N, Not Rated) and Kinross (K-T, Buy, \$28.00 Target Price), the operator the Fort Knox mine in Alaska, to be following ITH's progress as it advances Livengood to feasibility.
- **We believe International Tower Hills' Livengood project could be on the verge of becoming an economically viable project possibly resulting in a valuation jump for the company's shares.** Positive news flow this year might include higher grade intercepts and resource estimates that could grab the attention of the market. The company is trading at US\$20 per total resource oz on a fully diluted basis, cheaper than many of its peers.



Source: Thomson One

Project Description

- ITH owns 100% of the 44 km² Livengood project which has access to great infrastructure for Alaska. The property is located near a paved highway, 55 km to the power grid, and along the proposed Alaskan natural gas pipeline route. In January, ITH released a 6.8 million ounce gold resource, half of which was in the indicated category with a grade of 0.83 g/t

Financial and Share Structure

- The company has \$15 million in cash after recently raising \$10.5 million in a bought deal financing.
- The company has 48.5 million shares and 60.5 million shares fully diluted.

Management

- Jeffrey A. Pontius, President and CEO – Mr. Pontius has 28 years of geological experience and has discovered three precious metal deposits in his career. He worked last with AngloGold Ashanti (USA) for seven years where he became North American Exploration Manager.
- Russel Myers, Vice-President, Exploration – Dr. Myers has over 25 years experience of geological experience and also worked for AngloGold for six years holding several key senior geological positions.
- Hendrick Van Alphen, Director & Chairman – Mr. Van Alphen has been in the mining business for 23 years and is a director of several resource companies. He was President of Pacific Rim Mining.

Northern Freegold Resources Ltd. (NFR-TSXV)

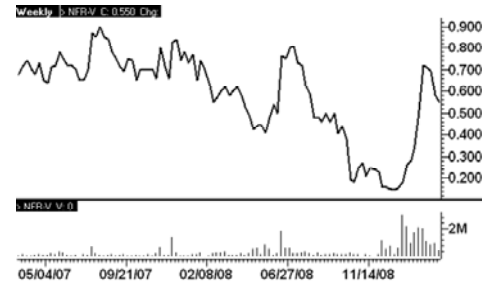
Rating **Not Rated**
12-Month Target Price **Not Rated**

Background

- Northern Freegold is an exploration company focused on its 100%-owned Freegold Mountain project in the Yukon.

Why Is It Interesting?

- Large project with good infrastructure and multiple interesting targets.** The district-scale Freegold Mountain project has road access, is close to power lines, and contains several target areas with gold and silver mineralization.
- Drilling has recently hit high-grade gold in a newly-discovered vein type.** The company has recently reported strong drilling results from the Nucleus Zone, with several high-grade gold intervals. Highlights include 10.4 g/t gold over 37.8m (including 101 g/t gold over 3.25m), 70 g/t gold over 9.4m, and 14.5 g/t gold over 47m (including 206.5 g/t gold over 1.2m).
- Northern Freegold should have news on the way, including drilling results and resource estimates.** The company drilled 53 holes in 2008, and assays are pending for 39 of these holes. Several of these lie in the Nucleus Zone, in the vicinity of the recently reported holes with high-grade gold. The company plans to complete resource estimates for two targets when all assays have been received.



Source: Thomson One

Project Description

- Freegold Mountain is a 166 km² land package located in the Yukon. The property is accessible by road and has grid power construction underway within 7km of the property. The property contains a 35km section of the Tintina Gold Belt and hosts at least 20 known mineralized zones, some of which contain historic resources.
- Recent work has focused on the Nucleus, Tinta, and Stoddart zones. Past work in the Nucleus Zone focused on the low-grade, bulk tonnage potential of the property, based on gold-bearing hydrothermal veins. Drilling has recently hit high-grade gold in North-South trending sulphide-bearing veins. The Tinta Zone, located 22km to the east of Nucleus, contains a gold-silver-copper polymetallic vein system. Northern Freegold drilled 17 holes at Tinta in 2008, with the goal of producing an NI 43-101 compliant resource estimate. Assays are pending for all 17 holes. The Stoddart Zone is an earlier-stage target, where two holes drilled in 2007 encountered porphyry mineralization. Assays are pending for 10 holes drilled at Stoddart in 2008.
- Northern Freegold also has the Burro Creek property, located in Arizona. The property covers a low-sulphidation epithermal vein system that has been traced for over 1.7km with widths of up to 45m.

Financial and Share Structure

- As of early March 2008, the company had about \$4 in working capital.
- The company has 52.7 million shares outstanding and 71 million shares fully diluted.

Management

- Bill Harris, CEO & COO – Mr. Harris has 40 years of experience in mining and exploring in Freegold Mountain area, Arizona and throughout the Americas. He was born and raised in the Yukon.
- Sue Craig, President – Ms. Craig is a professional geologist with over 20 years of experience. She was involved in all phases of Brewery Creek heap leach mine in the Yukon, and she recently led the multi-billion dollar Galore Creek Project through environment assessment in British Columbia.
- Cor Coe, VP Exploration – Mr. Coe is a geologist and mine technologist with extensive operations and project management. He developed and operated two gold-silver mines and was involved in exploration on properties in Arizona, Nevada, California and Yukon.

Disclosures & Disclaimers

Dundee Securities Corporation is an affiliate of Dundee Corporation, DundeeWealth Inc., and Goldman & Company, Investment Counsel Ltd.

Research Analyst Certification: Each Research Analyst involved in the preparation of this Research Report hereby certifies

Disclosures & Disclaimers

Dundee Securities Corporation is an affiliate of Dundee Corporation, DundeeWealth Inc., and Goodman & Company, Investment Counsel Ltd.

Research Analyst Certification: Each Research Analyst involved in the preparation of this Research Report hereby certifies that: (1) the views and recommendations expressed herein accurately reflect his/her personal views about any and all of the securities or issuers that are the subject matter of this Research Report; and (2) his/her compensation is not and will not be directly or indirectly related to the specific recommendations or views expressed by the Research Analyst in this Research Report.

U.S. Residents: Dundee Securities Inc. is a U.S. registered broker-dealer and an affiliate of Dundee Securities Corporation. Dundee Securities Inc. accepts responsibility for the contents of this Research Report, subject to the terms and limitations as set out above. U.S. residents seeking to effect a transaction in any security discussed herein should contact Dundee Securities Inc. directly.

This Research Report is not an offer to sell or the solicitation of an offer to buy any of the securities discussed herein. The information contained in this Research Report is prepared from sources believed to be reliable but Dundee Securities Corporation makes no representations or warranties with respect to the accuracy, correctness or completeness of such information. Dundee Securities Corporation accepts no liability whatsoever for any loss arising from any use or reliance on this Research Report or the information contained herein. Any reproduction in whole or in part of this Research Report without permission is prohibited.

Dundee Securities Research is distributed by email, website or hard copy. Dissemination of initial reports and any subsequent reports is made simultaneously to a pre-determined list of Dundee Securities' Institutional Sales and Trading representative clients and Retail Private Client offices. The policy of Dundee Securities with respect to Research reports is available on the Internet at www.dundeewealth.com.

The compensation of each Research Analyst/Associate involved in the preparation of this Research Report is based upon, among other things, the overall profitability of Dundee Securities Corporation, which includes the overall profitability of the Investment Banking Department.

© Dundee Securities Corporation

Note 1: All historical data including financial and operating data on the issuer(s) mentioned in this report come from publicly available documents including statutory filings of these issuer(s). Data may also be sourced from Bloomberg, Baseline, Thomson ONE.

Explanation of Recommendations and Risk Ratings

Valuation methodologies used in determining the target price(s) for the issuer(s) mentioned in this report are contained in current and/or prior research. Target Price N/A: a target price is not available if the analyst deems there are limited financial metrics upon which to base a reasonable valuation.

BUY: total returns expected to be materially better than the overall market with higher return expectations needed for more risky securities. NEUTRAL: total returns expected to be in line with the overall market. SELL: total returns expected to be materially lower than the overall market. TENDER: the analyst recommends tendering shares to a formal tender offer.

*Risk Ratings: risk assessment is defined as Medium, High, Speculative or Venture. Medium: securities with reasonable liquidity and volatility similar to the market. High: securities with poor liquidity or high volatility. Speculative: where the company's business or financial risk is high and is difficult to value. Venture: an early stage company where the business or financial risk is high, and there are limited financial metrics upon which to base a reasonable valuation.

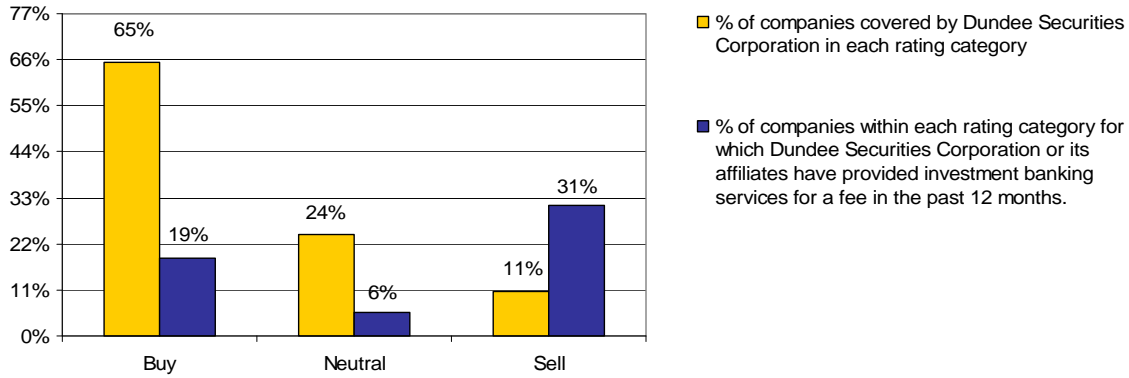
Medium and High Risk Ratings Methodology: Medium and High risk ratings are derived using a predetermined methodology based on liquidity and volatility. Analysts will have the discretion to raise the risk rating if it is determined a higher risk rating is warranted. Securities with poor liquidity or high volatility are considered to be High risk. Liquidity and volatility are measured using the following methodology: a) Price Test: All securities with a price \leq \$3.00 per share are considered high risk for the purpose of this test. b) Liquidity Test: This is a two-tiered calculation that looks at the market capitalization and trading volumes of a company. Smaller capitalization stocks ($<$ \$300MM) are assumed to have less liquidity, and are, therefore, more subject to price volatility. In order to avoid discriminating against smaller cap equities that have higher trading volumes, the risk rating will consider 12 month average trading volumes and if a company has traded $>$ 70% of its total shares outstanding it will be considered a liquid stock for the purpose of this test. c) Volatility Test: In this two step process, a stock's volatility and beta are compared against the diversified equity benchmark. Canadian equities are compared against the TSX while U.S. equities are compared against the S&P 500. Generally, if the volatility of a stock is 20% greater than its benchmark and the beta of the stock is higher than its sector beta, then the security will be considered a high risk security. Otherwise, the security will be deemed to be a medium risk security. Periodically, the equity risk ratings will be compared to downside risk metrics such as Value at Risk and Semi-Variance and appropriate adjustments may be made. All models used for assessing risk incorporate some element of subjectivity. Risk in relation to forecasted price volatility is only one method of assessing the risk of a security and actual risk ratings could differ.

SECURITY ABBREVIATIONS: NVS (non-voting shares); RVS (restricted voting shares); RS (restricted shares); SVS (subordinate voting shares).

Ideas of Interest

Dundee Securities Corporation from time to time publishes reports on securities for which it does not and may not choose to provide continuous research coverage. Such reports are published as Ideas of Interest.

Dundee Securities Equity Research Ratings



As at January 31, 2009

Source: Dundee Securities Corp.