

While we made numerous achievements towards our quest to start gold production in 2009, obviously, as you likely are, I am very frustrated that we did not make that goal. But it wasn't for lack of effort.

To continue to add to, and to further demonstrate the economic viability of our La Ronge Gold Project, persevered with our exploration, and we successfully completed a positive Pre-Feasibility Study in January. Taking a conservative base case for the price of gold and applying very rigorous engineering, mine planning, production scheduling, operating and capital cost estimates, revenue calculations, and cash-flow projections, we were able to demonstrate a very good financial outlook for our project.

But, in retrospect, this was also something of a mixed blessing as, as we have now learned, being conservative isn't only what is needed – we also need to clearly demonstrate the project's upside. Constrained as we are with not being able to include the inferred category gold resources in the Pre-Feas that we were able to include in the earlier Preliminary Economic Assessment, we could only demonstrate a 3-year project as compared to the 8 years in the PEA. This placed us into a dilemma as the additional time and very significant cost for the additional drilling and/or underground exploration Bingo would require to add the additional data to convert the inferred into measured and indicated category for a 3-year mine life is not only cost-prohibitive, at upwards of \$8M, but would also delay the project by at least 6 months.

With the receiving of our environmental assessment approval from the province this year in May, financing remains the only hurdle to being able to start the pre-development and mill refurbishing work required to be able to start production. The fact that when the Pre-Feas came out with a CapEx of \$26 million – while not overly large – we were well into the worst collapse of the financial markets in generations and could not get financed. Risk-aversion for any venture, no matter what or where did not help, especially when the potential lenders looked at the risk that was still attached to our project: i.e., the mine-life and how that translates into our ability to repay the capital, and the permitting risk, of which I'll speak about more in a minute.

We recognized last fall that we needed to explore all avenues and met and presented our plans to several dozens of potential investors through the past year. Thinking it was probably going to be the last source for capital with our own markets having dried up, I went to China in November 2008 and again in February. Our project was very well received and while we did receive serious offers for financing, these were for equity-based structures that not only would have resulted in considerable dilution of our existing shareholders, but also would have seen a change in control of the company.

We persevered to find an acceptable financing structure and, to attempt to overcome the reluctance in our financial markets to invest risk capital, we announced a convertible debenture offering in early summer. It was quite creative in the types of returns that were available to investors but, in the end, was not successful.

By mid-summer we saw that the North American markets might be turning, so we again sought out suitable debt structures and engaged a firm based in New York and Toronto to assist us.

Again, our project has been very well received, with the technical aspects and management being well regarded. The high capital and the short project life in the Pre-

Feas continued to be issues, however. We worked very hard through all this to optimize the project, reduce costs, and increase the mineable resources at Bingo and, as we announced early this month, we've been able to reduce the initial CapEx costs to arrive at a project that now has a slower start-up but which is very achievable in 2010. We are still working with potential lenders to secure the financing, and I am very optimistic that the lowered capital and operating costs and the increased focus on high-grade mines as opposed to blending in low-grade ore as in the earlier plan will get us where we need to be with the investors.

As Gary will describe in a minute in more detail, the plans are now to start with production from Bingo and EP and not the three deposits as previously planned. This is for 2 main reasons: Komis is best mined as an underground operation because Frank's very detailed geological and resource models indicate there is much better potential for the deposit as a high-grade underground mine, especially when it comes to the additional potential he's found beneath the existing workings, and the pre-development CapEx and operating costs on a per ounce basis will be much lower than as an open pit.

This new operational plan reasonably demonstrates that we can pay back the capital within the initial 3-year project period for a loan with the increase in potentially mineable resources we've successfully seen with drilling this summer at Bingo, the re-modelled high-grade potential for Komis, and the re-working of the pre-development and mining schedules to defer some up-front costs and to lower our operating costs. The reason that our first phase of production is now using 2 deposits, Bingo and EP, while the PFS included Komis is because our more-detailed review of that deposit identifies much better potential for it to be mined as an underground operation using that existing development, which will also provide much better access to the deposit at depth where we believe there is very good potential to add to the resources. The new resource model and estimation are in progress and will be completed next month. Before it can be put into production, Komis will have to be de-watered and re-established before we can fully assess the mine plan. Even if, in the worst case, the deposit does not warrant development beneath the existing resources, we will be able at that point to mine the existing resources, including the crown pillar.

So, with all of these revisions to our development plans, we have been able to recast our project in significant ways that I believe will satisfy the needs of our potential lenders. And the markets have certainly changed over these past months – and finally for the better, especially with the price of gold finally tracking new highs. I cannot yet say when we will get the project financed, but we are well into a new round to get this done as soon as possible so we can start work immediately. If we can get financed by January, our target is to start production by September 2010, and certainly no later than the fourth quarter, the main determining factor being time based on when certain outdoor work can be done after next spring.

As you well-know, an ongoing frustration remains the federal regulators and the permitting of our tailings facility. It has been a long and difficult year but after a meeting two weeks ago, I have never been more confident that this process is on-track and getting closer to completion. Fortunately, the province has been very good to work with throughout the EA process and we were able to get alternative tailings deposition sites in the provincially-approved EA so the federal permitting delays will not hold us up from

getting into production. Realistically, though, there's probably another 12 to 18 months to go before we do finally complete the federal permitting.

And we continue to work with and keep the support of the Lac La Ronge Indian Band for our project. The Band, through the direct involvement of Chief Tammy Cook-Searson, Russell Roberts, CEO of Kitsaki, and several Band Counsellors, remained very engaged with us on several fronts. In particular, the Band, through Kitsaki, is currently negotiating with their JV partner, Procon Mining and Tunnelling, to provide their services for our mining and milling operations. Another Kitsaki company, CanNorth Environmental, has been an integral part of our environmental and permitting efforts now for the past 5 years.

Updates on our exploration and development activities will be provided in a minute by Frank and Gary, and Gary Leland will report on our financial and market info. Just before that, though, there are several other fronts I'd like to report on first.

I would like to say again that our exploration focus will continue to be a cornerstone to our future. There has been criticism about how our exploration is distracting us from our work to start production. I make no apologies for continuing to explore for several reasons: any mining company is only as secure as its future reserves and mines are discovered.

Yes, we can reasonably forecast our long-term objective to continue mining for upwards of 9 or 10 years based on the resources we already have, so we are not necessarily going all-out to add to them, but we do know that most of those deposits remain open and that there is excellent potential to increase the known resources – especially at the higher-grade deposits like Bingo where we are currently drilling the 2<sup>nd</sup> deep step-out hole, and at Komis where our new and very comprehensive geological and resource models point to excellent potential for more high-grade – and Komis is still untested below a very shallow 175 m depth, so that is clearly a high-priority for more work as high-grade resources having a near-term development potential are at the top of the list.

And the longer that we can keep these two high-grade, low cost per ounce, deposits in production, we have the option to delay the new capital expenditures needed to bring other mines into production. Our goal remains to produce 75,000 ounces per year initially and then move to 100,000 ounces and both these business targets will require the additional production that will come from our other deposits like Golden Heart. But it is nice to have the ability to sustain production while delaying those additional start-up costs if that makes more financial sense at that time.

Also, we will also continue with early-stage exploration because we have both many excellent targets and the trained and experienced staff to chase them. We won't necessarily be going full out after them, but much as we have been, in a measured and logical progression. And we are certainly looking forward to when we can be funding exploration out of cash flow.

I'd like to make one last comment about our exploration team, and that is about the more-active involvement once again this summer of one of our directors, Klaus Lehnert-Thiel, who many of you know from his very successful tenure as our VP Exploration until he was forced to retire in 2006 because of very ill health. Klaus has fully regained his health and was very active in this past summer's field exploration – with work that has

resulted in our 2 newest gold showings that he named Thunder and Lightening. We finally received the assays on Friday that confirmed these are nicely mineralized – and a news release was made this morning with those results. This serves as an example of how exploration moves forward in incremental steps, these showings are the result of work he started before he became ill, and I'm told that he has many more ideas on where we should be looking next. On behalf of all of us, thanks Klaus and welcome back.

Finally, I must close these remarks with thanks to each of our 14 very diligent and hard working employees. Despite the many frustrations of this past year and the very real uncertainties about how we would even survive through what are the worst markets, hopefully in our lifetime, we have many accomplishments to be proud of in all of our areas of work: our development and mining team, led by VP of Operations and COO, Gary Haywood; our exploration and resource definition team, led by VP of Exploration, Frank Hrdy; and our corporate support team, led by VP of Finance and CFO, Gary Leland.

Thank you all.