

*Disclosure of our conflicts of interest: **We write as analysts and shareholders, but no longer advise this company.** In 2010 we invested \$478,125 in 937,500 shares and warrants all paid and exercised by November 12, 2010 representing 3.97% new shares as of October 11, 2010. Separately, on February 3, 2011 TRER engaged our affiliate, John Tumazos Very Independent Opinions, LLC, to advise it in mergers, acquisitions, joint ventures or introduce capital raisings or other advisory assignments as may arise, which expired after one year on February 3, 2012 **as we did not attempt to renew it.** On February 1 and 15, 2011 and June 10, 2011 TRER disclosed warrant financings, where it met investors contributing \$16.5 of the \$19.6 million raised at our November 9, 2010 conference in New York. It paid us 1%, or \$165,000, plus 149,000 warrants at \$2.50. John Tumazos and one of our employees bought TRER shares in the open market as well.*

TEXAS RARE EARTH RESOURCES (TRER \$0.68, price objective and coverage suspended) RESEARCH COVERAGE SUSPENDED DUE TO CAPITAL COST ESTIMATE OF \$2 BILLION, TIME LINE TO 3Q 2015 DEFINITIVE FEASIBILITY STUDY, AND FINANCING NEEDS IN BEAR MARKETS

FYAug	2011A	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E
EPS 6-19-11	-\$0.25A	<u>REVENUES UNLIKELY PRIOR TO 2018, OR LATER</u>							
EPS 2-9-11	-\$0.25A	-\$0.30	-\$0.16	-\$0.14	-\$0.18	\$ 5.41	\$ 5.42	\$ 6.12	\$ 6.06
EPS 8-15-11	-\$0.21	-\$0.26	-\$0.21	-0.27	-\$0.37	\$11.73	\$11.80	\$12.05	\$12.20

- Much of the June 14th Preliminary Economic Assessment was **favorable**, including a \$1.2 billion after tax NPV at a 10% discount rate equivalent to roughly \$24 per TRER fully diluted share. It forecast \$482 mm of annual cash flow at full output, a 26 year mine life, a 4.3 year payback, 72% recoveries and \$10.3 billion undiscounted life-of-mine cash flow. TRER defined 1,034 mmt of measured, indicated and inferred resources at a grade of 531 grams per tonne of REE versus the May 16, 2011 press release estimating 516.4 g/t from re-assaying of the first nine historic Cyprus Minerals drill holes from the 1980s. The June 14th resources contain 659.7 mm kg of REE at sales values estimated at \$110.36/kg or \$72.8 billion in situ resources. No sales revenues were assigned to most of the Round Top mineral spectrum including **Yb, Lu, Tm, Ho, Er, Be, U, Ga, Sn, Ta, Nb**. TRER said, “*REEs at the Round Top project occur in a simple metallurgy... distributed throughout the rhyolite and initial metallurgical testing and characterization indicates conventional technology can be used to concentrate the REE minerals.*”
- TRER estimates it needs \$20 million to complete a prefeasibility study by early 2014. We are concerned that issuance of common stock would be dilutive, as TRER has traded below \$1.00 since May 16, 2012 and as low as \$0.26. Its 2011 equity financings were done at \$2.50 per share. It appears that the greatest destruction possible to shareholder value may involve an equity financing at recent prices or “wasting cash” with internal squabbles, and it would be more desirable to (1) sell the company, (2) sell a noncore asset

like beryllium or the Macho silver project, (3) sell a future revenue royalty or (4) sell a participation in minerals disclosed on May 16, 2011 but not June 14, 2012 such as **Be, U, Ga, Sn, Ta, Nb**.

- The estimate of a \$2.0 billion cap ex at 80,000 mtpd with a 25% contingency was larger than our estimate of a \$750 mm cap ex at 50,000 mtpd. The “time line” to Definitive Feasibility Study completion was the 2015 third-quarter and production startup the 2018 second-quarter (June 15th presentation slide #21), but **more follow up studies could push the revenue time line into 2020.**
- We have **suspended research coverage**, rather than attempting to update our financial models or price target, because of the uncertainties related to **possible higher revenues, financing, cap ex and timing.** We are not comfortable making assumptions.
- In our opinion, the June 14th PEA mineral resources should be re-calculated to incorporate estimates of **Be, U, Ga, Sn, Ta, Nb** perhaps with infill drilling, the “radioactivity” of sedimentary rocks beneath the rhyolite should be considered for economic uranium, regional exploration is prospective, recovery studies should be done for **U, Ga, Sn, Ta and Nb**, and heap or vat leaching should be considered to bypass or reduce \$547.4 mm of \$1,182.5 mm of direct capital for crushing, screening, grinding and floatation.
- Since the \$0.4 billion of indirect capital and \$0.4 billion of “contingencies” are proportional estimates to direct capital, use of heap or vat leaching could cut total capital needs towards \$1 from \$2 billion. Further, modularized heap or vat leaching could reduce the scale if built “in phases” to possibly finance the project in phases or self-finance later phases from cash flow. **The June 14th PEA is a “conservative first study,” and subsequent more detailed studies provide opportunity to incorporate improvements.**

WHILE PROJECT PARTLY DEFINED, NEW OPEN ITEMS CREATED

On June 14th TRER defined 1,034 mmt grading 531 g/t of rare earth elements. Slide #16 on June 15th estimated Dysprosium (Dy) would generate 57.6% or \$17.22 billion of \$29.93 billion of life-of-mine revenue and Yttrium (Y) 24.7% or \$7.38 billion. The remaining \$5.5 billion or 17.3% come from Nd, Eu, Tb, La, Ce, Pr, Sa and Gd.

Modeling unknowns include (1) prices for Yb, Tm, Lu, Ho and Er valued at nil, (2) ore grades of Be, U, Ga, Sn, Ta and Nb not estimated, (3) recoveries of U, Ga, Sn, Ta and Nb not estimated, (4) prices of Ga, Ta and Nb if recovered, (5) the 64%, 72% or 79% low, base and high recoveries, (6) the cap ex estimate of \$2.04 billion ranges from \$1.73 to \$2.75 billion, (7) the share price < \$1 does not help raising \$20 mm for a preliminary feasibility study in 2013 nor the pre-production interval potentially to 2020 and (8) TRER has created management, governance and insulted/offended Texans or Texas officials to create new problems. **We suspended coverage because we cannot estimate shares outstanding, EPS or NPV with precision. It is possible the NPV could be either larger or smaller than the \$1.2 billion base case of the June 14th PEA.** Issues #1, #2, #3, and #4 can only add value, issues #5, #6, and #7 and issue #8 involves risks easily remedied if Marc LeVier is fired.

CORPORATE GOVERNANCE ISSUES DO NOT ENHANCE FINANCING

We wrote in our prior research report dated February 8, 2012, “We voted our February 15th proxy on 945,450 common shares as follows: On **Question #1 we voted “yes” for Dan Gorski and “no” for other five proposed directors.** Question #2 voted “yes” for auditor. **Question #3 voted “no” to increase employee stock options to 7 from 5 mm shares.** We believe Dan Gorski’s continued service to the company would have been strategic in creating shareholder value identifying new base and precious metals properties in the Southwest, and that the dilution is too much. The various directors seem to be great guys individually, but we do not understand some of their collective decisions.” We are not aware of a public company ever raising financing when an active analyst covering the stock is a dissident shareholder.

On March 23rd and April 6th management filed separate proxies, where the second proxy revised Appendix F, By-Laws, pp. 54-60 concerning Sections I “Shareholder Meetings” and Section II “Directors” from the March 23rd filing. On June 13th Gorski, Wall and McDonald filed a 13D dated May 31st stating their 10.2 mm shares were acting in concert and may elect a new board. The June 13th TRER press release stated the company reported directors Gorski and Marchese to the SEC, asked them to resign from the Board, although Gorski and Marchese refused and remain on the Board. It is possible more proxies, 13Ds, litigations and other actions/distractions may be filed.

We estimate that TRER has spent a large sum on legal fees, and may spend 2% to 10% of the roughly \$20 mm equity financing raised in 2011 on avoidable legal fees or proxy solicitations before such matters conclude. Most shareholders want monies spent on drilling, metallurgy and other scientific work. Further, many potential investors simply may take a “wait and see” attitude until after such matters conclude.

FRICTIONS DO NOT ENHANCE PERMITTING IN TEXAS

In our opinion, the use phrases “radioactivity” and “hazardous waste” on the June 15th webcast were misleading and unnecessary. Radioactive zones may be commercial uranium ores, and various elements native to the Round Top ores concentrate in acid solutions rather than the processed rock as the PEA indicated. It is possible that Texas officials may not classify one billion tonnes of Round Top materials as hazardous, but rather limit their focus perhaps to a few percent of the total volume concentrated in an acid solution. Further, we believe it **insulted** the Texas officials, who may deem the definition of hazardous waste as their own “turf” on the TRER lease from the State of Texas. The Obama Administration disrespects “states rights,” and asserts Federal control over various minerals issues in LA, TX, WV, MN, NV, AZ, and AK, for example.

Separately, TRER insulted popular or prominent Texans with the June 13th press release reporting Dan Gorski to the SEC, the May 2012 firing of local celebrity Laura Lynch and numerous other incidents. In our opinion, all of these unfortunate

incidents were not necessary. In our opinion, TRER should undertake a program of **“Re-Texafication”** to mend fences and strengthen its roots in Texas.

“POISON PILLS” TO OBSTRUCT A TAKEOVER

Certain elements of the June 15th presentation could be viewed as “poison pills” to discourage other mining companies from bidding to acquire TRER, which could serve to entrench the management of TRER. We regard the estimation of pre-production of cap ex between \$1.73 and \$2.75 billion, the mid-2018 stated time line for production, the mention of the word “radioactivity” as a risk factor concerning the pit bottom limit rather than a uranium exploration opportunity, the unqualified or unexplained discussion of “hazardous versus nonhazardous wastes” in reference to two separate tailings facilities and the exclusion of any future revenues from Yb, Tm, Lu, Ho, Er, U, Sn, Ga, Ta, Nb or Be or nearby exploration as either such “poison pills” or overlooked attractions intended to discourage a takeover.

Separately, we regard the June 13th press release concerning directors Dan Gorski and Anthony Marchese as a “poison pill” that may confuse a reader or scare away a potential acquirer in introducing potential legal expense, litigation liabilities or related expenses unnecessarily. Directors Gorski and Marchese are indemnified by TRER. CEO LeVier also has been indemnified by TRER, and Gorski or Marchese may later sue for harassment or libel. On March 26, 2012 yours truly sent an email to the TRER board expressing my opinion that Marc LeVier abused the corporate counsel for his own agenda, such as re-writing the bylaws, and that he should be held personally accountable to pay all TRER legal fees.

DILUTION AS A TACTIC TO ENTRENCH MANAGEMENT

The owners of 10.2 mm shares filed a 13D dated May 31, 2012 on June 12th stating that on May 31st they *“agreed to act together to explore their options concerning proposing and voting as a group on candidates for the Board of Directors of TRER, including potentially for the purpose of changing control of TRER.”* On February 15, 2012 approximately 18 mm share voted against Marc LeVier as a director, while only 8 mm supported him. Further, current directors Gorski and Marchese each own > 1 mm shares, while LeVier, Graham, Martin and Karklin own little and bought no or virtually no stock suggesting the divisions of the Board involve shareholder rights.

We are concerned that TRER may be indifferent to common stock dilution at best, where continuing to pay salaries, fund technical studies and completing the 2013 financing to continue the evaluation of the Round Top property also are goals. Further, the creation of a large amount of new common shares could be embraced as a mechanism to change the voting outcome if dissident shareholders call a shareholders meeting. For example, management may seek to double or triple the number of shares outstanding to reduce the proportionate voting impacts of the 10.2 mm shares of Gorski, McDonald and Wall that filed the recent 13D.

Figure 1: Reverse Circulation Rotary Rig Working on Round Top November 3, 2011



Figure 2: Circa Spring 1988 photo of Texas Rare Earth Resources' "Round Top" deposit, where the drill roads used for portions of 82,000 feet of drilling had no grass and the bright green vegetation highlights the barren bulldozer drill cuts.



MARKET SAAVINESS OF ADVISORS AND CONSULTANTS (from Feb. 8th)

REE markets are in their infancy. Data concerning current volumes and prices for the 17 separate elements are scarce, where Chinese state-owned-entities produce and sell most of the products. We believe that US DOE data on Ce, La and Nd, which the DOE

estimated were 93,000 tonnes in 2011 and 106,000 tonnes in 2010 or over 75% of the total REE tonnes, have a chance of accuracy. Anyone's data on the other 14 REE that represent 15% to 25% of the total volumes are the least reliable price data. As there is limited data on volume or price, there are no data bases appropriate to estimate the price-elasticity either of supply or demand.

The various other scarce minerals contained in Round Top each are small, volatile markets. Tin, the largest of the non-REE scarce minerals in the deposit, is a roughly 360,000 tonne market. Uranium, is a roughly 63,285 tonne and niobium a 85,000 tonne market, although there is less reason to expect niobium to be easily recoverable and we equate niobium to molybdenum based on reports from steel company metallurgists. The other relevant scarce elements are < 1,000 tonne markets. We treat thorium Th and zirconium Zr as though they are not recoverable or necessarily salable.

Thus, we have doubts as to whether any of the financial advisors, investment banks, consultants, "rare earth experts" or other resources of the company will be very effective or accurate. Multi-billion-dollar transactions or larger companies would attract the best or brightest from such institutions or consultants. TRER may not have the funds to command such experts, even if they prove effective or insightful. One of the reasons we had applied a three times earnings or 1/3 of NPV valuation to TRER in our prior 2011 research reports involves the risks that management relies upon outside financial, legal or rare earth market experts whose advice does not serve the company well. We are particularly concerned that the various rare earth markets, including Dysprosium and Yttrium, are in their infancy and that neither future financial advisors, Roskill Services or the U.S. Dept. of Energy studies expectations will be met. We were disappointed the June 14, 2012 PEA did not address the mature, mundane markets for tin, uranium or other non-REE elements that might add well-known products with well-established price histories and diversify revenue streams.

The TRER managers are most effective in mine engineering, metallurgy, geology, etc. The finance issues, shareholder relations and communications issues are new turf, and they are making their best efforts.

We have not repeated every chart, photo, financial model, commentary or other data from our August 15, 2011 first report, our November 5, 2011 report after our Texas site visit or our February 8, 2012 previous report. The first report dealt mostly in the REE and other scarce mineral markets. The second report described more the geology.

You may go to www.advisoryandcompensatedresearch.com or contact us directly to obtain the earlier reports.

BUSINESS RISKS INHERENT IN OUR MODELING.AND PRICE OBJECTIVE (repeated from February 8th)

Our prior Tables 1 to 5 provide extensive detail in our estimates of ore grades (based on May 16, 2011 press release), primary and secondary recovery rates, product prices and

various revenue breakdowns. The June 14, 2012 PEA supercedes portions of those analyses.

Our estimates of ore grades from the 516.4 g/t total REE reported in the May 16, 2011 TRER press release is very preliminary, as TRER had assayed about half of the 82,000 feet of historic prior drilling of Cyprus Minerals and Cabot Corp. It had not begun its own drilling, where the June 14, 2012 Gustavson 43-101 compliant study is more methodical with up to twice as much data. There is a chance that the initial May 16th estimates were conservative.

Further, TRER is progressing from initial “ore characterization studies,” floatation tests, grinding size studies, reagent studies and other metallurgy studies to reconfirming estimated recovery rate tests and other variables with multiple empirical tests. However, the REE are contained in fluoride minerals, the gallium, tantalum and tin in cassiterite, the thorium in thorite, and the beryllium in the “Contact Zone with high uranium, and uranium and niobium are in particular minerals. Subsequent floatation and metallurgical testings are pending, and we do not expect results until after 2013. **Additional results may or may not become available, depending on whether TRER conducts more studies or simply terminates metallurgical studies limited solely to the several easiest REE to recover including Dy and Y.**

Further, selling prices and market sizes of many of these elements are not known, or have been very crudely estimated on our part. We have made a literature search of the US DOE December 2010 and 2011 background paper, and the web sites of Lynas, other REE companies, www.chemicool.com and www.metals-pages.com. None of these are authoritative, and the Chinese government probably possesses the best market information that exists. TRER relied on projections of Roskill Services as well.

There has not been any SEC compliant calculation of proven and probably reserves, tonnages, ore grades, recovery rates, capital expenditure budget, definitive feasibility study, etc. The June 14th Gustavson study is preliminary and not definitive. The Round Top property is unique, and management and various consultants will have to define its own metallurgical recovery process to extract its unique collection of minerals. They cannot copy a “cookie cutter” design of one of dozens of heap leach copper refineries nor similar aluminum smelters. There is no assurance the project can be financed, or financed with small or acceptable dilution as we optimistically estimated. No one has ever made an advanced sale of a tin, uranium, beryllium, niobium or gallium revenue stream as we postulate may be possible or subject of an IPO.

Owing to these many business risks, in our earlier reports we had discounted certain selling prices 80% to 99%, including current bulk discounts, allowed for an \$82 mm operating cost contingency, \$200 mm for outside processing, allowed for half of two key products to be “stockpiled” initially if they cannot initially been sold out, allowed for government support via loans or a central national REE recovery facility, and related contingencies. Our prior price target of \$15 is three times our long-term earnings estimate and significantly below estimated NPV, year 2021 cash balances after 7 years of

operations or year 2021 book value. As the June 14, 2012 PEA illustrated, the Round Top property appears robust and well-suited to bulk processing, where a \$1.2 billion after tax NPV was estimated by Gustavson essentially from Dy and Y even though it ignored possible revenues from Yb, Tm, Lu, Ho, Er and did not consider non-REE including Be, U, Sn, Ga, Ta or Nb.

DISCLOSURES CONCERNING JOHN TUMAZOS ADVISORY AND COMPENSATED RESEARCH, LLC (JTACR)

John Tumazos Advisory and Compensated Research, LLC (JTACR) is a separate investment advisor registered with the State of New Jersey Bureau of Securities on June 29, 2011 with CRD # 157606. **Under no circumstances will JTACR be commissioned by a mining or other publicly traded company simply to write a “paid” research report.** Its purpose is to include research reports after separate compensation has been received for an advisory service such as a fairness opinion, mergers & acquisitions advice, introductions of investors in a capital raising or other advisory services. Regulators presume that any “compensation” or potential compensation biases research reports, however small, and outside counsel advises us that we should not write about a company as “John Tumazos Very Independent Research, LLC” if compensated or seeking compensation.

We have created a separate web site, www.advisoryandcompensatedresearch.com to support JTACR. It is separate from our normal research investment advisor site, www.veryindependentresearch.com.

Paramount Gold and Silver, Galway Resources and Texas Rare Earth Resources have published favorable results from mineral properties, and their shares appreciated after we received compensation. The purpose of JTACR is to remedy a “regulatory blackout,” where we cannot publish research as “independent” under JTVIR after accepting compensation. The creation of JTACR remedies such a “regulatory gag,” while openly communicating that we were compensated. It is possible that some institutional investors may consider it to be a “feather in the cap” of a small company that it engaged us to advise them in a transaction owing to our experience.

After receiving compensation from Paramount Gold and Silver in June 2010 for a fairness opinion in its acquisition of X-Cal Resources or later in 2011 from Galway Resources, Tara Gold Resources, Appia Energy, Focus Gold, Texas Rare Earth Resources or potentially other companies in the future, John Tumazos Very Independent Research, LLC (JTVIR) refrains from publishing research reports on such companies.

We define “compensation” as any consideration that creates direct pretax income for any of our businesses, research or advisory or any of our employees personally. However, we do permit companies to defray expenses, and large companies’ policies vary. Rio Tinto or Teck have invoiced us for charter aircraft. In contrast, we have accepted free air travel to mine sites from Agnico-Eagle to Finland, Chihuahua or Nunavut, Stonegate Agricom to Idaho, Fortescue Metals to its Pilbara mines from Perth, HudBay Mineral to Manitoba,

Goldcorp, Brigus and VG Gold each to Timmons, Augen Gold to Swayze, Paramount Gold and Silver to Chihuahua, Goldcorp to Zacatecas, and many others. We do not define as “compensation” if Barrick Gold, Duluth Metals, Wits Gold or some other company picks up a group client lunch tab or buys us lunch alone. We do not define as “compensation” if a company charters an airplane to facilitate a research visit to a mine location without convenient commercial air service. We routinely invoice companies participating in our investor conferences \$1,000 to \$2,000 each to cover their pro rata expenses of the conference on a “Dutch Treat” basis, where we send each company a full expense accounting of our conferences as well.

As of February 10, 2012, Texas Rare Earth Resources, Paramount Gold and Silver, Galway Resources, Tara Gold, Tara Minerals, and Appia Energy are eligible for JTACR research reports as having been “advised” and we have been “compensated.” Augen Gold no longer exists as a free standing public company. In the past we have advised Duluth Metals, Quaterra Resources, the Dorado Ocean Resources former subsidiary of Odyssey Marine Exploration and a private forest products company FXX, LLC without success and without receiving compensation.

Because of Texas Rare Earth Resources June 10, 2011 disclosure of a financing upon which we had advanced knowledge and introductions, the June 28, 2011 disclosure that its S1 registration statement was effective with the SEC, and a subsequent July 14, 2011 8K filing with the SEC describing both our advisory relationship and that no mergers and acquisition discussions currently are ongoing, and the February 3, 2012 expiration of our prior advisory agreement, we treat ourselves as possessing no nonpublic information or concerning inclinations of financings, mergers or pending technical studies.

We will distribute JTACR reports to JTVIR paid subscribers free, the particular mining companies may distribute JTACR reports from time-to-time and eventually we may sell JTACR to its own subscribers for \$5,000 annually after building up a coverage list.

We will monitor the financial returns of JTACR investment recommendations over time, and compare them to JTVIR returns. We expect that JTACR recommendations will provide much more volatile returns than the larger, more established companies JTVIR covers as large as BHP Billiton, Vale or Rio Tinto. Under previous employment at Donaldson, Lufkin & Jenrette, John Tumazos participated in the sole managed IPOs of Huntco in 1993 and Reliance Steel & Aluminum in September 1994 at \$3.225. Huntco subsequently went bankrupt after speculating on inventory and operating at low utilization rates. Reliance Steel & Aluminum, however, appreciated 16-fold to \$51.32 as of May 20, 2011. It is inevitable that some companies will make better decisions than others.

CERTIFICATION OF OUR RESEARCH OPINIONS

I, John Tumazos, certify that the opinions written in all research reports are my own. I believe what we write, and from time to time I may buy or sell the shares we recommend after a 48 hour delay after publishing our reports following the advice we give. Further, I

personally proofread and “click the pdf button” on virtually every report we publish except sometimes when I am abroad.

It is my management policy that any employee is welcome and encouraged to disagree with me at any time. We have active and vigorous internal debates concerning appropriate discount rates or long-term terminal growth rates to use in net present value valuations or other analytical issues. My team realizes that customers want to pay for my 30+ years of experience, but I encourage them to disagree, correct or provoke debate concerning any view to improve the quality our work.

DEFINITION OF A RESEARCH OPINION

We have target prices, investment ratings, earnings estimates and financial models for about 35 to 40 companies upon which we maintain regular research coverage.

The legal or regulatory definition of research, however, is more broad. Regulators consider any written or editorial commentary about a stock or publicly traded company to be “research.” However, a “recommendation” or “opinion” is not rendered unless there is a price target and specific buy or sell recommendation.

From time-to-time we visit very large, important global companies outside our research coverage. Our objective may be to be well informed about industry events, predict future mine output or “supply” in a particular market or to begin to learn about a complex company to begin future full research. We may need to learn and become familiar to provide inputs to our financial models. In May 2008 we published a partial report on Xstrata after visiting two of its mines in South America. In November 2008 we published a partial report summarizing our visits to the London headquarters of Xstrata and Anglo-American outside our coverage as well as Rio Tinto and Antofagasta PLC within our full coverage. In August 2009 we published two research reports on Severstal after visiting its Columbus, MS newest steel plant a second time. These “partial” reports contained no price target, investment rating, earnings estimates or financial models. Instead, they provided detailed descriptions of the important locations we visited or meetings in headquarters.

We provide research about commodities markets in general, “seminar highlights” on up to another 75 or more companies we host annually at our conferences outside our regular full research coverage and “partial reports.” We have no price target, written investment opinion, earnings estimates or financial models (production, incomes statement, cash flow or balance sheet simulations) of such companies outside our coverage that speak at our March or November conferences. Any viewpoint we have without complete financial models or careful financial analysis is “winging it.”

Our intent in writing Seminar Highlights is to provide a one page written summary of each seminar participant company’s presentation. We provide live open, public, unrestricted webcasts of each such corporate presentation at our conferences as a courtesy

to each participating company, and archive each webcast under the “conferences” tab of www.veryindependentresearch.com.

Our clients should not automatically consider our invitation of a company to speak at our future conferences as a “Buy Recommendation” or complete endorsement. We may not have visited the mines or assets of some of these companies. Occasionally we invite a company to speak to learn more about them as a stage in our learning process. Knight Capital Group co-hosted our November 18-19, 2009 industry conference, providing us with “more hands” to administer the event and share costs. Knight Capital Group invited a company to speak as well. We have been approached by other broker-dealers interested in sponsoring or co-hosting our conferences, and our small team may accept help in hosting 275 or so guests at such a program.

ORGANIZATION OF JTVIR

John Tumazos Very Independent Research, LLC (JTVIR) is organized as an investment advisor in the State of New Jersey and regulated by the NJ Bureau of Securities. We publish about 20 research reports each month covering about 35 to 40 stocks in the metals commodities markets, forest products, aluminum, steel, gold, copper and other mining sectors. We travel abroad or domestically typically each month visiting companies. We host two Metals Conferences each year in which companies make presentations, which are archived for roughly one year at www.veryindependentresearch.com under the “conferences” tab.

Currently we have over 40 paid clients in the U.S., Canada, and U.K. Three of our clients have engaged us to write “custom studies” on pre-production mining stocks without any U.S. or global research coverage, including Skye Resources (an 11 bil lb nickel resource in Guatemala), Mercator Minerals (a copper-moly restart in Arizona) and JSW Steel’s 70%-owned Minera Santa Fe (48 sq km undrilled magnetic anomaly and associated iron ore properties in 3rd Region of Chile).

JTVIO

John Tumazos Very Independent Opinions, LLC (JTVIO) is a separate company providing various services “other than” investment research sold to institutions in JTVIR. Counsel advised any other activities be organized separately.

Such other activities have involved < 5% of our time.

In general, we may provide investment banking or advisory services mostly to sub-\$100 mm mining companies that have defined a “deposit,” but need more capital after a discovery for infill drilling, bulk metallurgical testing, definitive feasibility study or the capital outlays to build a mine. The “research coverage” of JTVIR largely involves very large companies with completed steel, aluminum, forest products or mine plants with market capitalizations usually between \$1 and \$250 billion. Historic companies often over one century old, such as Alcoa or U.S. Steel or BHP Billiton, will use top ten

commercial or investment banks for advisory services and we make no attempt to be engaged by them owing to their long historic relationships.

We prefer to advise companies without revenues, which large investment banks like Goldman Sachs, JP Morgan, Morgan Stanley or BMO avoid. Such mining companies without revenues are not as competitively over-banked, and many of the geologists are quite gifted and have extremely promising projects.

We have accepted compensation from Texas Rare Earth Resources and Appia Energy, a private concern, related to introducing investors to them.

On October 6, 2010 we were engaged by Dorado Ocean Resources Limited, a privately held company. That assignment has concluded without success or compensation.

On October 9, 2010 we were engaged by Tara Gold Resources to evaluate the fairness of their September 13, 2010 proposed merger to amalgamate with Tara Minerals, which it terminated on March 7, 2011. That assignment took a different form, however, as Tara Gold Resources adapted to new developments. We delivered a “structure opinion” to Tara Gold Resources and Tara Minerals on May 20, 2011.

On June 24, 2010 we delivered a Fairness Opinion to the board of directors of Paramount Gold and Silver in their acquisition of X-Cal Resources, Ltd concerning the Sleeper gold mine near Winnemucca, NV formerly operated in 1986-1996 by Amax Gold and having past output of 1.66 mm oz gold and 2.3 mm oz silver plus 26,000 oz of placer gold almost one century ago. We covered Amax Gold and its parent companies, Amax Inc. and Cyprus Amax Minerals, as an analyst during its 1986-1996 former period of operation. We have received compensation from Paramount Gold and Silver.

On June 3, 2008 Galway Resources engaged JTVIO to commercialize its Victorio, New Mexico molybdenum-tungsten deposit containing over 200 mm pounds of each mineral in situ, which is JTVIO’s first activity (see www.galwayresources.com June 3, 2008 press release). We have received compensation from Galway Resources. That assignment concluded, as Galway determined to take its moly-tungsten project in Canada using a new publicly traded listed vehicle.

These past engagements pose no “conflict of interest” with JTVIR research coverage as long as JTVIR does not cover or write on Paramount Gold and Silver, Galway Resources, or other sub-\$250 mm market cap emerging companies. However, subsequently Galway Resources has documented gold occurrences on Galway grounds and begun drilling. After our November 6-12, 2009 trip to the California gold district of Colombia, we published research reports on Greystar Resources and NOT Galway Resources to avoid conflicted research. We omitted Galway Resources from our “Conference Highlights” report even though it spoke at our November 19, 2009 conference in a similar vein to avoid conflicted research.

Two other small capitalization companies, which we have not named as they have not made disclosures, engaged us to sell assets or negotiate joint ventures. These assignments expired without success or compensation, and we forfeited one year “follow on” periods. We may have occasional discussions with others.

Knight Capital Group asked us to “introduce” capital raising clients to it, principally in the range of \$100 mm to \$1 billion market capitalization emerging mines. Knight paid us nothing, and enjoyed no success. We have terminated that relationship.

JTVIO envisions merger advisory, “second opinion” critiques of investment banking advice, strategic consulting, valuation opinions, fairness opinions, mine technical services such as “Third Party Reviews” of technical studies or other corporate services.

POTENTIAL MONEY MANAGEMENT ACTIVITIES

We manage about \$10 mm of my own money. Our trades conform to our published research and follow publication by a minimum of two business days.

Money Management for clients could be another line of business, which we have thought about. Currently we have two such clients. However, to date we have been too busy to organize client concerted marketing advisory funds, but we do manage our own personal capital and intend to expand into this direction. “Mine Development Fund” is a “current” project to establish a small fund to invest in post-discovery, large resource companies (over \$2 billion in situ mineral value already defined) requiring financing to “build the mine” and grow. The target market cap of the companies in which it would invest would be \$0.1 to \$10 billion. Our detailed studies of emerging mines may prove synergistic across several applications. We have also considered creating sector ETFs, but determined there is more value-added in fund management.

Our published research of nearly 1,000 research reports to Since July 7, 2007 has concentrated on the metals commodities themselves, steel, aluminum, forest products and larger capitalization mines like Rio Tinto, BHP, Freeport-McMoRan Copper, Barrick Gold, etc. Only 7%-10% of our written research involves the “sub-\$2 billion mine” size range that would be the focus of either JTVIO or Mine Development Fund. Thus, compliance issues or conflicts of interest would occur in a smaller subset of JTVIR coverage as JTVIR coverage involves larger caps, “established processing companies” or commodities. JTVIO or the buy-side Mine Development Fund will focus on much smaller companies

POTENTIAL MINE SERVICES ACTIVITIES

We do not aspire to have a “consulting” business billed by the hour. However, as a substantial user of mine feasibility study reports or other technical reports prepared at early stages after first discovery, sometimes we are very dissatisfied.

We have not yet launched such a service, but we may from time-to-time provide “Third Party Review,” critique or correct what we deem to be shortcomings in such mine scoping study or prefeasibility study reports. We do not seek to “second guess” scientific issues of mine engineering or metallurgy. However, we may differ with the mathematics of reserve determination, capital cost estimates, “simultaneity” of price and cost assumptions, various business planning issues, the opportunity to “phase” or subcontract to reduce initial capital costs or other financial issues. The “custom studies” we have provided to several buy-side JTVIR customers may resemble “Mine Services” future products presented as “Third Party Review” of mine technical studies.

JTVIR DISCLOSURES

“John Tumazos Very Independent Research, LLC” (JTVIR) is a Delaware Corporation formed July 6, 2007 with registration effective on August 27, 2007 as an investment advisor in the state of New Jersey owing to our place of business in New Jersey.

JTVIR is not a broker-dealer, and conducts no trades. Its primary business is to provide “unbundled” metals and paper industry securities and market research to institutions or corporations in a zero commission, electronic execution, electronic dissemination, unbundled format for a specified annual fee structure.

Our investment rating system for securities recommendations is Overweight, Neutral Weight or Underweight. Overweight or Underweight recommendations are estimated to vary from the relative performance of the S&P 500 by more than 10% annually, and the intended time horizon is up to 24 months. Our securities research is intended for institutional investors that might buy up to 10% of a given company, and as such focuses more towards longer-term dynamics impacting the net present value of future cash flows rather than “day trading” sorts of near-term issues.

Except for SilverWillow Energy, HudBay Minerals, VMS Ventures, Advanced Exploration Inc., Rainy River Resources Ltd, BHP Billiton, Vale, Xstrata, Anglo American, Allegheny Technologies, Worthington Industries, Tahoe Resources, Everton Resources, Majescor, Anglo Aluminum, Alumina Ltd., Stonegate Agricom, Premier Gold, Wits Gold, Virginia Mines, Paramount Gold and Silver, Entrée Gold, McEwen Mining, Claude Resources, Kirkland Lake Gold, Magellan Minerals, Argonaut Resources, Northern Superior, Connacher Oil and Gas, Duluth Metals, Polymet Mining, URU Metals, Appia Energy, Texas Rare Earth Resources Corp., Galway Resources, Eco Oro/Greystar Resources, Pilot Gold, Renaissance Gold, High Desert Gold, Klondex Mines, Atna Resources, Platinum Group Metals, Domtar, Norbord, Packaging Corp., International Paper, Cliffs Natural Resources, FCX, Teck, Nevada Copper, Entrée Gold, Southern Copper, Mercator Minerals, and Quest Rare Earth, neither JTVIR, its members or is employees own or have a financial interest in any securities discussed in this report or any reports we have published recently. Our policy is full disclosure.

Our policy permits personal trading in the metals or paper industries. Our policy is that any personal trading must be consistent with our recommendation, made two business

days or more AFTER a recommendation or change in recommendation and held for a minimum of 30 days or one month. We believe it is virtuous for a securities analyst to “put his or her money where his mouth is” to invest consistent with the recommendation to clients after such recommendation has been made, and we disagree with some restrictions made upon broker-dealer employees after 2000 era scandals.

To date we have declined all requests to join corporate boards as our existing business keeps us busy. However, our policy permits up to three directorships and up to five consulting projects, advisory assignments or financial advice to corporations that might supplement, backcheck or substitute for certain services of a large investment banking firm. For example, we would accept an engagement to evaluate investment banking advice on behalf of a manufacturing company concerned whether advice is sincere or intended to maximize fees.

Our policy is full disclosure of any advisory relationship or conflict going back three years, except if our corporate clients have not disclosed the asset (or company itself) is for sale.

Numerous prior investment banking relationships existed prior to three years history to the pre-1997 time frame under the employment of Donaldson, Lufkin and Jenrette or Oppenheimer & Co., Inc. Some of these we can recollect included 14 different gold mine valuations or sales for Barrick Gold, LAC Minerals (later acquired by Barrick), Addington Resources (gold assets in Montana acquired by Canyon Resources), Westworld Industries (Bolivian assets acquired by Battle Mountain Gold later acquired by Newmont Mining), Coeur d’Alene Mines, Crown Resources (acquired by Kinross Gold), Freeport-McMoRan Gold (acquired by Minorco later AngloGold later Queenstake Resources), FMC Gold (later renamed Meridian Gold) and others. Sole managed initial public offerings included Reliance Steel & Aluminum and Huntco. Lead-managed initial public offerings included American Steel & Wire (later acquired by Birmingham Steel) and lead-managed underwritings included Quanex. Co-managed underwritings included the IPO of Century Aluminum and Grupo Imsa and offerings for AK Steel, Kaiser Aluminum, Agnico-Eagle Mines, Cameco and others. Asset sales or purchase advisories, fairness opinion or trusteeships were done for Thypin Steel (sold to Ryerson Tull), Cyclops Corp. (sold to Armco later sold to AK Steel), Allegheny Corp., Bethlehem Steel, the U.S. Dept. of Justice pursuant to the June 1984 merger of LTV and Republic Steel to sell the Gadsden, AL integrated flat-rolled mill, Cobre Copper, and others. Typically more than five investment banking assignments were evaluated, partly executed or “due diligenced” for any completed transaction. Some examples we can recall for which a prospectus was either drafted or partly drafted indicating much work included stock underwritings not completed for Wheeling-Pittsburgh Steel, Steel Dynamics, Atlas Corp., Webco, Sharon Steel, IPSCO, Co-Steel Inc., and others.

ANALYST UNIVERSE COVERAGE:

John C. Tumazos, CFA as of June 2007: Rio Tinto, Louisiana-Pacific, Nucor Corp., Newmont Mining, U.S. Steel, International Paper, BHP Billiton, MeadWestvaco Corp., Antofagasta PLC, Allegheny Technologies, Alcoa Inc., Inco Limited, Bowater, Temple-Inland, Barrick Gold,

Abitibi-Consolidated, Weyerhaeuser Co., Alcan Inc., Smurfit-Stone Container, Plum Creek Timber, Worthington Industries, Goldcorp Inc., AngloGold Ashanti, Freeport-McMoRan Copper & Gold, and FNX Mining..

Dynatec, Alcan and Bowater are companies not continued in the research coverage of JTVIR, LLC that was previously included in the prior June 6, 2007 Prudential Equities Group universe owing to takeovers. Smurfit-Stone Container and AbitibiBowater were dropped from JTVIR research coverage after they entered bankruptcy. Skye Resources and FNX Mining were dropped after full coverage initiation due to takeover. FNX Mining, Brett Resources, Linear Gold, Comaplex Resources, Skye Resources, Fording Coal, Gold Eagle Mines, International Royalty, Selkirk Metals, Franconia Minerals and Fronteer Gold are companies that have spoken, were scheduled or invited to speak at our conferences and later taken over, and UTS Energy successfully defended a takeover offer.

Subsequently, since September 2007 JTVIR, LLC has initiated regular coverage of new companies not previously covered in the former universe at the former Prudential Equities Group. These new companies include Teck, Agnico-Eagle Mines, Mercator Minerals, Skye Resources, General Moly, Inc., Duluth Metals, Polymet Mining, Greystar Resources, Vale, Xstrata, Anglo American, Packaging Corp. of America, Norbord, Rock Tenn, Quadra FNX Mining, HudBay Minerals, Alumina Ltd., Fortescue Metals, and Century Aluminum.

In accordance with applicable rules and regulations, we note above parenthetically that our stock ratings of “Overweight,” “Neutral Weight,” and “Underweight” most closely correspond with the more traditional ratings of “Buy,” “Hold,” and “Sell,” respectively; however, please note that their meanings are not the same. (See the definitions above.) We believe that an investor’s decision to buy or sell a security should always take into account, among other things, that the investor’s particular investment objectives and experience, risk tolerance, and financial circumstances. Rather than being based on an expected deviation from a given benchmark (as buy, hold and sell recommendations often are), our stock ratings are determined on a relative basis (see the foregoing definitions).

There is no intention to “balance” the number of Overweight or Underweight ratings, as instances of broad over- or under-performance among basic industrials may occur. JTVIR makes each investment judgment in a “bottoms up” manner based on the assets of each individual company.

Price Target – Methods/Risks

The methods used to determine the price target generally are based on future earning estimates, product performance expectations, cash flow methodology, historical and/or relative valuation multiples. The risks associated with achieving the price target generally include customer spending, industry competition and overall market conditions.

Additional risk factors as they pertain to the analyst's specific investment thesis can be found within the report.

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