

Hinterland Metals creates rare earth focus by spinning off Yukon gold



Mark Fekete President, CEO and Director

Hinterland Metals Inc. (TSX.V: HMI) recently announced its intention to spin off its Yukon properties and form a new company. Hinterland will remain focused on rare earth elements in Ontario and Quebec. The new company, Stakeholder Gold Corp. will be focused on Yukon gold. President and CEO, Mark Fekete speaks with Katherine Young of Resource Intelligence about that decision and the activities of the company.

Resource Intelligence: Hinterland has announced that it intends to spin off its Yukon gold assets to form a new company. Can you tell us about the details of that plan?

Mark Fekete: Through a plan of arrangement, shares of a new company called Stakeholder Gold Corp will be distributed to Hinterland shareholders on a pro rata basis. At the same time Hinterland will be consolidated on a one for four basis. Both companies will close financings as part of the arrangement. At the end of all this we will have two well structured companies with strong balance sheets that will be ready to explore two very different but equally prospective targets. We expect to close everything by early May.

RI: What was your rationale for the spin-off?

MF: Over the past 18 months there has been confusion amongst shareholders as to what kind of exploration company Hinterland really is. The reason we are splitting this company is to develop focus for each of the two separate parts. Hinterland will remain a Quebec and Ontario based company. It

will be primarily focused on the Kipawa rare earth property located in Western Quebec just over the border from North Bay, Ontario. Stakeholder Gold Corp will take over all the Yukon assets with the goal of being a key player in the new Yukon gold rush.

RI: Can you tell us more about the Kipawa Rare Earth Project?

MF: Personally, I really like Kipawa because of its excellent location. The property is about 30km west of Matamec's Zeus deposit. As far as rare earth deposits go, Zeus is small. With a recent resource calculation at 67,200 tonnes of total rare earth oxides, it is tiny compared to the estimates for Quest's Strange Lake or Avalon's Thor Lake. However, the Kipawa area is very close to markets and is only a five hour drive north of Toronto. There are roads all through the area and a hydro-electric dam nearby. Because it is smaller and it is close to infrastructure, it will be much cheaper and quicker to put Zeus into production in contrast to other projects like Strange Lake in Labrador and Thor Lake in the Territories. Those projects will require huge capital investments to build the infrastructure necessary for development. Hinterland is betting that one of the first rare earth projects to go into production in Canada will be Matamec's Zeus deposit.

Our own project in the Kipawa area is not nearly as advanced as the Zeus project, but at this early stage it looks very prospective to find a rare earth deposit. Once Matamec has a mill up and running it makes sense that they would be looking for more mill feed. If we can bring our project along and develop one or more deposits, there is a very good chance that we could sell to an operating mill in the area.

RI: Can you tell us a little about the Yukon projects and why the White Gold area is looking so promising at the moment?

MF: We have two main projects in the Yukon. The Ballarat is the first one we acquired by staking in response to Underworld's White Gold discovery in May of 2009. Underworld took the discovery to the initial resource estimate in a short 8 months. That kind of success is nothing short of incredible. And it is in a completely new area of Yukon for gold so it is very exciting to be a player there.

We have values up to 796 ppb gold, which is just under a gram per tonne. This is comparable to the initial levels found on the White Gold deposit about 9km north of Ballarat and Kaminak's Coffee project located some 20km south of us. From both a technical and promotional standpoint Ballarat is very well located between these two new discoveries.

RI: What work do you have planned at the Ballarat project this year?

MF: We will be drilling Ballarat this year. At this point we don't know how much or when we're going to start. The property was recently expanded to 200 claims, basically doubling it. Before we start drilling we'd like to have a look at the new parts of the property to see if there are any possible targets.

RI: Can you tell us a little about your new Culvert gold property in the Yukon?

MF: Again it is in an exciting new area and is well located about 30km north of Firestone's spectacular new 3-Ace gold discovery announced in October 2010. We optioned it late last year from several well known, long time prospectors based in Whitehorse. By good old fashioned prospecting work they have traced a very interesting gold zone for at least 2 kilometres. The main showing at Culvert has returned gold values up to 22.8 grams per tonne. These guys have done such a good job that, without too much work, we will very quickly be able to pick some high quality drill targets.

RI: How well is Hinterland financed to proceed?

MF: We have big plans for both companies so of course we will need money. Hinterland is in good shape right now with just over \$1.5-million in the bank. We plan to spend between \$2 to \$3-million over the next 18 months in Quebec and Ontario. So a financing will have to be undertaken. Stakeholder will be required to raise money as part of its TSX Venture Exchange listing. Initially we expect to raise \$2.5-million; mostly for Ballarat but some funds will go to Culvert as well. With good results we expect to have a better plan in place for Culvert and to raise money for drilling later in the year. Our corporate strategy and project portfolio have been very well received by a number of key brokers at both the retail and institutional level so I expect the financings for both companies to go well.

Investor Highlights:

- **Hinterland will create greater clarity of focus for investors by spinning off its Yukon properties into a new company called Stakeholder Gold Corp.**
- **Hinterland will remain focused on sought after rare earth elements on their Kipawa Project strategically located near to Matamec's Zeus deposit in Western Quebec**
- **Stakeholder will be focused on Yukon gold projects including Ballarat and the recently optioned Culvert**