

January 21, 2010

## Farallon Mining Ltd. (FAN-T, \$0.60)

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**Rating: SECTOR OUTPERFORM; 12-Month Target: \$0.75; Risk: SPECULATIVE**

**Impact: Positive (neutral to our formal valuation)**

**Event: G-9 Ramp-up Progressing Well**

- Farallon announced Q4/09A production results from the Company's 100% owned G-9 high grade underground polymetallic (zinc, copper, lead, silver, gold) mine in Guerrero State, Mexico. Q4/09 represents the Company's third quarter of commercial production and G-9 continues to make notable ramp up progress. In total, 23.4 Milb of zinc (in zinc concentrate) and 2.4 Milb of copper (in copper concentrate) were produced along with by-product lead, silver and gold during the quarter, compared to 22.1 Milb of zinc and 1.8 Milb of copper in Q3/09. Mill throughput during Q4/09 averaged 1,550 tpd, above design capacity of 1,500 tpd. Q4/09A average total cash costs have not been finalized, but are estimated at US\$0.44/lb of payable zinc, slightly below a Q3/09A average total cash cost of US\$0.45/lb. Associated Q4/09A financial results are expected to be released on March 30, 2009.
- G-9's metallurgical performance continues to improve with zinc recovery averaging 80% during Q4/09, up from 79% in Q3/09, and copper recovery averaging 56% during the quarter, up from 46% in Q3/09—zinc and copper recoveries are expected to continue to improve towards target rates of 85% and 70%, respectively. Our formal valuation includes life-of-mine average zinc and copper recovery rates of 85% and 60% respectively, the latter of which is an arguably conservative figure that we will continue to monitor closely.
- Farallon's plans to increase throughput capacity at G-9 to 2,000 tpd remain on schedule and budget. The US\$5.3M expansion, to be funded from the Company's current US\$22.0M cash position, is expected to be complete in July. Axcent Engineering has ordered all key pieces of the process equipment and site construction is expected to begin in February.
- Exploration efforts at Campo Morado are also progressing well, backed by a US\$3.0M to US\$5.0M 2010 exploration budget. The program will include approximately 60,000 metres of drilling facilitated by 3 surface rigs and 2 underground rigs; initial assay results are expected in/by late February / early March. The program will test multiple targets on the Campo Morado property including additional step out drilling to the northwest of the G-9 deposit, where initial drill results, announced on December 16, 2009, included 5.0 metres (true width) grading 36.1% zinc, 2.9% copper, 1.1% lead, 83 grams per tonne silver, and 1.64 grams per tonne gold in underground hole UG-09-120 (versus G-9's 'mineable' resource grade of 10.6% zinc in our model).
- On the corporate front, Farallon is actively looking to grow the Company's production profile through project acquisition(s). Focus is on producing base metal assets in politically stable jurisdictions, namely the Americas and Australia. We anticipate that Farallon could also opportunistically use a "corporate transaction" to address the Company's arguably challenging share capital structure which includes 472M shares outstanding.

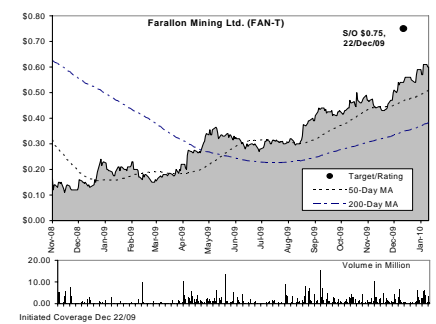
**Valuation:** 4.5x multiple to 2010E CFPS of US\$0.15 at Haywood's forecast zinc price of US\$1.00 per pound. A change of US\$0.25 per pound to Haywood's 2010E zinc price impacts our implied target by approximately \$0.15 per share.

|                     |               |
|---------------------|---------------|
| <b>Target Price</b> | <b>\$0.75</b> |
| Current Price       | \$0.60        |
| Return              | 25%           |
| YTD Performance     | 9%            |

|                      |                    |
|----------------------|--------------------|
| <b>Risk Profile:</b> | <b>SPECULATIVE</b> |
| Forecast Risk        | Moderate to High   |
| Financial Risk       | Moderate           |
| Valuation Risk       | Moderate           |
| Political Risk       | Moderate to High   |

|                              |  |
|------------------------------|--|
| 52-Week High / Low           | \$0.65 / \$0.12  |
| Share Capital                | 472.4 million (O/S)  |
|                              | 505.5 million (F/D)  |
| <b>Market Capitalization</b> | US\$261.5 million  |
| Cash                         | US\$22.5 million   |
| Debt                         | US\$26.7 million   |
| Working Capital              | US\$20.2 million   |
| Enterprise Value             | US\$268.0 million  |
| Daily Volume                 |  |
| (3 mo avg)                   | 1,646,821  |
| Currency                     | C\$ unless noted   |
| Company Web Site             | <a href="http://www.farallonmining.com">www.farallonmining.com</a> |
| CEO                          | Dick Whittington   |

### Price Performance



Source: Capital IQ & Haywood Securities

Please see rating structure, important disclosures, risk profile parameters, disclaimers, and notes on pages 4 - 7 of this report.



**Q4/09 Operating Results, Haywood 2010 Estimates, and Farallon H1/10 Targets**

|   | 2008A   | Q1/09A        | Q2/09A        | Q3/09A        | Q4/09A        | QoQΔ (%)    | 2009A       | Haywood 2010E | Farallon H1/10E Targets |
|---|---------|---------------|---------------|---------------|---------------|-------------|-------------|---------------|-------------------------|
| <b>Commodity Prices</b>                                       |         |               |               |               |               |             |             |               |                         |
| Average Zinc Price (spot), US\$/lb                            | \$0.85  | \$0.54        | \$0.67        | \$0.80        | \$1.00        | 26%         | \$0.75      | \$1.00        | -                       |
| Average Copper Price (spot), US\$/lb                          | \$3.16  | \$1.57        | \$2.13        | \$2.65        | \$3.02        | 14%         | \$2.35      | \$2.75        | -                       |
| Average Lead Price (spot), US\$/lb                            | \$0.95  | \$0.53        | \$0.68        | \$0.87        | \$1.04        | 19%         | \$0.78      | \$1.00        | -                       |
| Average Gold Price (spot), US\$/oz                            | \$872   | \$909         | \$923         | \$961         | \$1,101       | 15%         | \$974       | \$1,000       | -                       |
| Average Silver Price (spot), US\$/oz                          | \$14.98 | \$12.63       | \$13.76       | \$14.75       | \$17.58       | 19%         | \$14.70     | \$15.25       | -                       |
| C\$/US\$ FX Rate  | 1.07    | 1.25          | 1.17          | 1.10          | 1.06          | (4%)        | 1.14        | 1.08          | -                       |
| <b>Campo Morado Production</b>                                |         |               |               |               |               |             |             |               |                         |
| Ore Mined, tonnes 000's                                       | -       | 116           | 135           | 126           | 151           | 20%         | 528         | 730           | -                       |
| Ore Milled, tonnes 000'S                                      | -       | 106           | 115           | 117           | 143           | 22%         | 481         | 645           | -                       |
| Ore Milled, tonnes per day                                    | -       | 1,180         | 1,260         | 1,270         | 1,552         | 22%         | 1,318       | 1,700         | 1,500                   |
| Zinc Grade Milled, %  | -       | 9.20%         | 11.00%        | 10.80%        | 9.30%         | (14%)       | 10.10%      | 11.7%         | 10.0%                   |
| Copper Grade Milled, %  | -       | 1.11%         | 1.26%         | 1.48%         | 1.40%         | (5%)        | 1.30%       | 1.6%          | 1.2%                    |
| Lead Grade Milled, %  | -       | 0.88%         | 1.16%         | 1.16%         | 1.10%         | (5%)        | 1.10%       | 1.2%          | -                       |
| Silver Grade Milled, g/t                                      | -       | 166.0         | 165.0         | 203.0         | 182.0         | (10%)       | 181.0       | 206           | 225                     |
| Gold Grade Milled, g/t  | -       | 1.7           | 2.3           | 2.7           | 3.0           | 11%         | 2.3         | 3.0           | 3.1                     |
| Zinc Recovery, %  | -       | 79.0%         | 77.0%         | 79.0%         | 80.0%         | 1%          | 79.0%       | 85%           | -                       |
| Copper Recovery, %  | -       | 45.0%         | 55.0%         | 46.0%         | 56.0%         | 22%         | 51.0%       | 60%           | -                       |
| Lead Recovery, %  | -       | 16.0%         | 20.0%         | -             | -             | -           | 8.0%        | 30%           | -                       |
| Silver Recovery, %  | -       | 40.0%         | 47.0%         | 39.0%         | 47.0%         | 21%         | 44.0%       | 40%           | -                       |
| Gold Recovery, %  | -       | 43.0%         | 52.0%         | 34.0%         | 32.0%         | (6%)        | 40.0%       | 30%           | -                       |
| Zinc Concentrate Production, DMT                              | -       | 14,829        | 18,567        | 20,462        | 21,584        | 5%          | 75,442      | 118,788       | -                       |
| Zinc Concentrate Sold, DMT                                    | -       | 10,800        | 25,750        | 27,004        | 22,730        | (16%)       | 86,284      | 118,700       | -                       |
| Zinc Concentrate Production Zinc Grade, %                     | -       | 51.7%         | 52.1%         | 49.1%         | 49.1%         | -           | 50.3%       | 54%           | -                       |
| Zinc Concentrate Production Silver Grade, g/t                 | -       | 252           | 206           | 259           | 295           | 14%         | 255         | 191           | -                       |
| Copper Concentrate Production, DMT                            | -       | 3,015         | 5,603         | 4,894         | 7,157         | 46%         | 20,669      | 30,380        | -                       |
| Copper Concentrate Sold, DMT                                  | -       | 2,100         | 3,862         | 5,947         | 6,421         | 8%          | 18,330      | 30,300        | -                       |
| Copper Concentrate Production Copper Grade, %                 | -       | 17.8%         | 14.1%         | 16.5%         | 15.4%         | (7%)        | 15.7%       | 20%           | -                       |
| Copper Concentrate Production Silver Grade, g/t               | -       | 694           | 572           | 822           | 765           | (7%)        | 716         | 488           | -                       |
| Lead Concentrate Production, DMT                              | -       | 650           | 1,280         | -             | -             | -           | 1,930       | 9,520         | -                       |
| Lead Concentrate Sold, DMT                                    | -       | 1,300         | -             | 2,234         | 225           | (90%)       | 3,759       | 9,500         | -                       |
| Lead Concentrate Production Zinc Grade, %                     | -       | 22.9%         | 20.9%         | -             | -             | -           | 21.6%       | 25%           | -                       |
| Lead Concentrate Production Silver Grade, g/t                 | -       | 57            | 41            | -             | -             | -           | 47          | 3,234         | -                       |
| <b>Zinc Production (in concentrate), Mlb</b>                  | -       | <b>16.9</b>   | <b>21.3</b>   | <b>22.1</b>   | <b>23.4</b>   | <b>6%</b>   | <b>83.7</b> | <b>141</b>    | <b>60</b>               |
| Copper Production (in concentrate), Mlb                       | -       | 1.2           | 1.7           | 1.8           | 2.4           | 38%         | 7.1         | 13            | 7.5                     |
| Lead Production (in concentrate), Mlb                         | -       | 0.3           | 0.6           | -             | -             | -           | 0.9         | 5             | -                       |
| Silver Production (in concentrate), Moz                       | -       | 0.2           | 0.3           | 0.3           | 0.4           | 27%         | 1.2         | 1.7           | 1.2                     |
| Gold Production (in concentrate), koz                         | -       | 3.3           | 4.4           | 3.4           | 4.2           | 26%         | 15.3        | 18.4          | 13.1                    |
| Operating Cost, US\$/tonne milled                             | -       | \$70.64       | \$76.28       | \$77.29       | \$81.42       | 5%          | -           | \$85          | -                       |
| <b>Zinc Production (payable), Mlb</b>                         | -       | <b>14.1</b>   | <b>18.0</b>   | <b>18.5</b>   | -             | -           | -           | <b>120</b>    | -                       |
| <b>Total Zinc Cash Cost (net of credits), US\$/lb payable</b> | -       | <b>\$0.44</b> | <b>\$0.39</b> | <b>\$0.45</b> | <b>\$0.44</b> | <b>(2%)</b> | -           | <b>\$0.25</b> | -                       |

Source: Farallon Mining

**Cash Flow Sensitivity and Implied Target Price**

|  | Haywood Model | Sensitivity |         |         |         | Current Spot |
|--|---------------|-------------|---------|---------|---------|--------------|
| 2010E Forecast Zinc Price, US\$/lb                     | \$1.00        | \$0.75      | \$1.00  | \$1.25  | \$1.50  | \$1.11       |
| 2010E Forecast Copper Price, US\$/lb                   | \$2.75        | \$2.25      | \$3.00  | \$3.75  | \$4.50  | \$3.33       |
| 2010E Forecast Lead Price, US\$/lb                     | \$1.00        | \$0.75      | \$1.00  | \$1.25  | \$1.50  | \$1.03       |
| 2010E Forecast Silver Price, US\$/oz                   | \$15.25       | \$13.00     | \$16.00 | \$19.00 | \$22.00 | \$17.41      |
| 2010E Forecast Gold Price, US\$/oz                     | \$1,000       | \$800       | \$1,000 | \$1,200 | \$1,400 | \$1,091      |
| 2010E Forecast C\$/US\$ FX Rate                        | 1.08          | 1.10        | 1.05    | 1.00    | 0.95    | 1.05         |
| 2010E CFPS, US\$                                       | \$0.15        | \$0.10      | \$0.19  | \$0.27  | \$0.35  | \$0.22       |
| Implied Target Price at 4.5x 2010E CFPS, C\$ per share | \$0.75        | \$0.50      | \$0.90  | \$1.25  | \$1.50  | \$1.05       |
| Implied Target Price at 5.0x 2010E CFPS, C\$ per share | \$0.80        | \$0.55      | \$1.00  | \$1.35  | \$1.70  | \$1.20       |
| Implied Target Price at 5.5x 2010E CFPS, C\$ per share | \$0.90        | \$0.65      | \$1.10  | \$1.50  | \$1.85  | \$1.30       |
| Implied Target Price at 6.0x 2010E CFPS, C\$ per share | \$0.95        | \$0.70      | \$1.20  | \$1.65  | \$2.00  | \$1.40       |

2010E Average Shares O/S: 472M

Source: Farallon Mining





### Farallon Mining Ltd. (FAN-T)

**Rating: SECTOR OUTPERFORM**  
**Target Price: C\$0.75**  
 Target Price Metric: 4.5x 2010E CFPS

|                            |                 |                              |                        |
|----------------------------|-----------------|------------------------------|------------------------|
| Target Price, C\$          | \$0.75          | Shares O/S, million          | 472.4                  |
| Current Price, C\$         | \$0.60          | Shares F/D, million          | 505.5                  |
| Return, %                  | 25%             | Market Capitalization, US\$M | \$261.5                |
| 52-Week High / Low, C\$    | \$0.65 / \$0.12 | Company CEO                  | Dick Whittington       |
| Daily Volume (100-day avg) | 1,646,821       | Company Web Site             | www.farallonmining.com |

#### Balance Sheet and Capitalization

|                       | US\$M    | US\$ / O/S Share | C\$M     | C\$ / O/S Share |
|-----------------------|----------|------------------|----------|-----------------|
| Market Capitalization | \$261.5  | \$0.55           | \$283.5  | \$0.60          |
| Current Cash          | \$22.5   | \$0.05           | \$24.4   | \$0.05          |
| F/D Cash Adds         | \$14.4   | \$0.03           | \$15.6   | \$0.03          |
| Working Capital       | \$20.2   | \$0.04           | \$21.9   | \$0.05          |
| Copper Hedge Position | \$0.0    | \$0.00           | \$0.0    | \$0.00          |
| Long-term Debt        | (\$26.7) | (\$0.06)         | (\$29.0) | (\$0.06)        |
| Book Value            | \$43.2   | \$0.09           | \$46.9   | \$0.10          |
| Enterprise Value (EV) | \$268.0  | \$0.57           | \$290.5  | \$0.61          |

EV = Market Capitalization - Working Capital + Long-term Debt  
 CS/US\$ FX Rate: 1.08

#### Financial Forecast

|                                       | 2009     | 2010    | 2011    | 2012    | 2013    | 2014    |
|---------------------------------------|----------|---------|---------|---------|---------|---------|
| Forecast Zinc Price, US\$/lb          | \$0.75   | \$1.00  | \$1.15  | \$1.05  | \$0.95  | \$0.95  |
| Forecast Copper Price, US\$/lb        | \$2.35   | \$2.75  | \$3.00  | \$2.50  | \$2.25  | \$2.25  |
| Forecast Lead Price, US\$/lb          | \$0.75   | \$1.00  | \$1.15  | \$1.05  | \$0.95  | \$0.95  |
| Forecast Gold Price, US\$/oz          | \$960    | \$1,000 | \$950   | \$900   | \$825   | \$825   |
| Forecast Silver Price, US\$/oz        | \$14.75  | \$15.25 | \$14.50 | \$13.75 | \$12.75 | \$12.75 |
| CS/US\$ FX Rate                       | \$1.14   | \$1.08  | \$1.09  | \$1.09  | \$1.09  | \$1.09  |
| Shares O/S, millions                  | 421      | 472     | 472     | 472     | 472     | 472     |
| Gross Sales Revenue, US\$M            | \$94     | \$196   | \$251   | \$208   | \$174   | \$174   |
| Net Revenue, US\$M                    | \$59     | \$149   | \$192   | \$153   | \$123   | \$123   |
| Cost of Sales, US\$M                  | (\$44)   | (\$52)  | (\$53)  | (\$53)  | (\$53)  | (\$53)  |
| Corporate G&A, US\$M                  | (\$7)    | (\$7)   | (\$7)   | (\$7)   | (\$7)   | (\$7)   |
| EBITDA, US\$M                         | \$8      | \$87    | \$129   | \$91    | \$62    | \$62    |
| EV / EBITDA                           | 33.6x    | 3.1x    | 2.1x    | 2.9x    | 4.3x    | 4.3x    |
| DD&A, US\$M                           | (\$15)   | (\$16)  | (\$17)  | (\$17)  | (\$17)  | (\$17)  |
| Gain on Derivative Instruments, US\$M | (\$1)    | \$0     | \$0     | \$0     | \$0     | \$0     |
| Earnings, US\$M                       | (\$8)    | \$52    | \$84    | \$60    | \$41    | \$42    |
| EPS, US\$                             | (\$0.02) | \$0.11  | \$0.18  | \$0.13  | \$0.09  | \$0.09  |
| Current Price / EPS                   | -        | 5.0x    | 3.1x    | 4.3x    | 6.3x    | 6.1x    |
| Target Price / EPS                    | -        | 6.3x    | 3.9x    | 5.4x    | 7.9x    | 7.7x    |
| Cash Flow Before W/C Changes, US\$M   | \$8      | \$69    | \$101   | \$77    | \$58    | \$59    |
| CFPS, US\$                            | \$0.02   | \$0.15  | \$0.21  | \$0.16  | \$0.12  | \$0.13  |
| Current Price / CFPS                  | -        | 3.8x    | 2.6x    | 3.4x    | 4.5x    | 4.4x    |
| Target Price / CFPS                   | 36.2x    | 4.8x    | 3.2x    | 4.2x    | 5.6x    | 5.5x    |
| Zinc Price CFPS Sensitivity, US\$     | \$0.02   | \$0.03  | \$0.04  | \$0.04  | \$0.04  | \$0.04  |
| Copper Price CFPS Sensitivity, US\$   | \$0.00   | \$0.01  | \$0.01  | \$0.01  | \$0.01  | \$0.01  |
| Gold Price CFPS Sensitivity, US\$     | \$0.00   | \$0.00  | \$0.00  | \$0.00  | \$0.00  | \$0.00  |
| CAPEX, US\$M                          | (\$10)   | (\$12)  | (\$7)   | (\$7)   | (\$3)   | (\$3)   |
| Proceeds from Equity Financing, US\$M | \$27     | \$0     | \$0     | \$0     | \$0     | \$0     |
| Proceeds from Debt Financing, US\$M   | \$30     | \$0     | \$0     | \$0     | \$0     | \$0     |
| Debt Repayment, US\$M                 | (\$31)   | (\$5)   | (\$10)  | (\$10)  | (\$5)   | \$0     |
| Free Cash Flow, US\$M                 | \$17     | \$40    | \$72    | \$50    | \$43    | \$49    |
| FCPS, US\$                            | \$0.04   | \$0.09  | \$0.15  | \$0.11  | \$0.09  | \$0.10  |

Zinc price CFPS sensitivity is based on a US\$0.10/lb change in forecast zinc price.  
 Copper price CFPS sensitivity is based on a US\$0.25/lb change in forecast copper price.  
 Gold price CFPS sensitivity is based on a US\$50/oz change in forecast gold price.

#### Campo Morado Production Profile (100% owned)

|   | 2009   | 2010     | 2011     | 2012     | 2013     | RLOM     |
|---|--------|----------|----------|----------|----------|----------|
| Ore Tonnes Milled, millions                       | 0.5    | 0.6      | 0.8      | 0.8      | 0.8      | 5.2      |
| Ore Tonnes Milled, tonnes per day                 | 1,400  | 1,800    | 2,100    | 2,100    | 2,100    | 1,800    |
| Zinc Grade Milled, %                              | 10.1%  | 11.7%    | 11.7%    | 10.7%    | 10.0%    | 10.6%    |
| Copper Grade Milled, %                            | 1.3%   | 1.6%     | 1.6%     | 1.5%     | 1.5%     | 1.5%     |
| Zinc Recovery, %                                  | 79%    | 85%      | 85%      | 85%      | 85%      | 85%      |
| Copper Recovery, %                                | 51%    | 60%      | 60%      | 60%      | 60%      | 60%      |
| Zinc production (in concentrate), Mlb             | 84     | 141      | 164      | 151      | 141      | 1,034    |
| Copper production (in concentrate), Mlb           | 7      | 13       | 16       | 15       | 15       | 105      |
| Lead production (in concentrate), Mlb             | 1      | 5        | 6        | 5        | 5        | 37       |
| Silver Production (in concentrate), Moz           | 1.1    | 1.7      | 2.0      | 1.7      | 1.4      | 11.3     |
| Gold Production (in concentrate), koz             | 11     | 18       | 21       | 17       | 14       | 117      |
| Payable Zinc Production, Mlb                      | 71     | 120      | 140      | 128      | 119      | 879      |
| Payable Copper Production, Mlb                    | 7      | 13       | 15       | 15       | 15       | 104      |
| Operating Cost, US\$/tonne milled                 | \$90   | \$80     | \$70     | \$70     | \$70     | \$70     |
| Zinc Cash Cost (on-site, net of credits), US\$/lb | \$0.10 | (\$0.20) | (\$0.30) | (\$0.20) | (\$0.10) | (\$0.80) |
| Total Zinc Cash Cost (net of credits), US\$/lb    | \$0.60 | \$0.25   | \$0.20   | \$0.30   | \$0.40   | \$0.35   |

#### Hedge Position

|   | 2009   | 2010 | 2011 | 2012 | 2013 | RLOM |
|---|--------|------|------|------|------|------|
| Forward Zinc Sales, Mlb                     | -      | -    | -    | -    | -    | -    |
| Forward Zinc Sales Price (floor), US\$/lb   | -      | -    | -    | -    | -    | -    |
| Forward Copper Sales, Mlb                   | 1.3    | -    | -    | -    | -    | -    |
| Forward Copper Sales Price (floor), US\$/lb | \$2.42 | -    | -    | -    | -    | -    |

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#### Share Capital Dilution

|                    | Number | Price   | Proceeds  | Expiry               |
|--------------------|--------|---------|-----------|----------------------|
| Warrants           | 6.3M   | C\$0.54 | US\$3.1M  | Jan 2010 - Sept 2013 |
| Options            | 26.8M  | C\$0.46 | US\$11.3M | Mar 2011 - June 2014 |
| Warrants + Options | 33.1M  | C\$0.47 | US\$14.4M |                      |

CS/US\$ FX Rate: 1.08

#### Recent Financings

October 8, 2009 - \$11.5M bought deal (27.7M common shares @ \$0.415 per share)  
 June 8, 2009 - US\$30.0M term loan facility with Credit Suisse (4 years @ 5.75%)  
 April 6, 2009 - \$8.3M private placement (41.7M shares @ \$0.20 per share)  
 February 26, 2009 - \$5.0M financing (25.0M shares @ \$0.20 per share)  
 October 17, 2008 - \$7.75M private placement (\$0.5M promissory notes convertible @ \$0.33 per share for 6 months)  
 September 9, 2008 - \$25.0M private placement (1 unit = \$100,000 note @ 15% + 8,000 common shares)

#### Major Shareholders

|                              | O/S (millions) | O/S (%) | F/D (millions) | F/D (%) |
|------------------------------|----------------|---------|----------------|---------|
| Acuity Investment Management | 112.2          | 24%     | 112.2          | 22%     |
| RBC Global                   | 16.8           | 4%      | 16.8           | 3%      |
| NATCAN Investment            | 14.0           | 3%      | 14.0           | 3%      |
| Capital International        | 11.5           | 2%      | 6.9            | 1%      |
| Management and Directors     | 2.3            | 0%      | 2.3            | 0%      |
| Total                        | 472.4          | 33%     | 505.5          | 30%     |

#### Corporate NAV Summary and Sensitivity

|   | Haywood Model | \$0.75   | \$1.00   | \$1.25   | \$1.50   | \$1.11   |
|---|---------------|----------|----------|----------|----------|----------|
| Forecast Zinc Price, US\$/lb                        |               | \$0.75   | \$1.00   | \$1.25   | \$1.50   | \$1.11   |
| Forecast Copper Price, US\$/lb                      |               | \$2.25   | \$3.00   | \$3.75   | \$4.50   | \$3.33   |
| Forecast Lead Price, US\$/lb                        |               | \$0.75   | \$1.00   | \$1.25   | \$1.50   | \$1.03   |
| Forecast Silver Price, US\$/oz                      |               | \$13.00  | \$16.00  | \$19.00  | \$22.00  | \$17.41  |
| Forecast Gold Price, US\$/oz                        |               | \$800    | \$1,000  | \$1,200  | \$1,400  | \$1,091  |
| Forecast CS/US\$ FX Rate                            | 1.08          | 1.10     | 1.05     | 1.00     | 0.95     | 1.05     |
| Corporate Adjustments, US\$M                        | (\$27)        | (\$27)   | (\$27)   | (\$27)   | (\$27)   | (\$27)   |
| Farallon After-Tax Project NAV(10%), US\$M          | \$301         | \$167    | \$333    | \$498    | \$663    | \$405    |
| Additional Exploration Credit, US\$M                | \$0           | \$0      | \$0      | \$0      | \$0      | \$0      |
| Corporate NAV, US\$M                                | \$274         | \$141    | \$306    | \$472    | \$637    | \$378    |
| Corporate Adjustments, CS / F/D share               | (\$0.06)      | (\$0.06) | (\$0.06) | (\$0.05) | (\$0.05) | (\$0.06) |
| Farallon After-Tax Project NAV(10%), CS / F/D share | \$0.65        | \$0.36   | \$0.69   | \$0.99   | \$1.25   | \$0.84   |
| Additional Exploration Credit, CS / F/D share       | \$0.00        | \$0.00   | \$0.00   | \$0.00   | \$0.00   | \$0.00   |
| Corporate NAV, CS / F/D share                       | \$0.59        | \$0.31   | \$0.64   | \$0.93   | \$1.20   | \$0.79   |
| Current Price / Corporate NAV                       | 1.0x          | 2.0x     | 0.9x     | 0.6x     | 0.5x     | 0.8x     |
| Target Price / Corporate NAV                        | 1.3x          | 2.5x     | 1.2x     | 0.8x     | 0.6x     | 1.0x     |
| 2009E CFPS, US\$                                    | \$0.02        | \$0.09   | \$0.16   | \$0.23   | \$0.30   | \$0.19   |
| 2010E CFPS, US\$                                    | \$0.15        | \$0.10   | \$0.19   | \$0.27   | \$0.35   | \$0.22   |

Model shares F/D (fully financed): 506M

#### Corporate Metal Inventory - Model Mineable, Reserve, and Resource (100% owned)

|  | Tonnes (000's) | Zn Grade (%) | ZnEq Grade (%) | Zinc (Mlb) | ZnEq (Mlb) | EV/lb CuEq (US\$/lb) |
|--|----------------|--------------|----------------|------------|------------|----------------------|
| Haywood Model Mineable (100%)            | 5,133          | 10.3%        | 21.4%          | 1,168      | 2,426      | -                    |
| Haywood Model Payable (100%)             | -              | -            | -              | 879        | 1,463      | -                    |
| Proven and Probable Reserve (100%)       | -              | -            | -              | -          | -          | -                    |
| Measured & Indicated Resource (100%)     | 7,113          | 7.79%        | 17.7%          | 1,221      | 2,768      | -                    |
| Inferred Resource (100%)                 | 1,842          | 8.66%        | 19.0%          | 352        | 770        | -                    |
| Total Reserve and Resource (100%)        | 8,955          | 7.97%        | 17.92%         | 1,573      | 3,538      | \$0.076              |
| Attributable Reserve (100%)              | -              | -            | -              | -          | -          | -                    |
| Attributable Reserve and Resource (100%) | 8,955          | 7.97%        | 17.92%         | 1,573      | 3,538      | \$0.076              |

Measured & indicated resource is additional to proven and probable reserve.

#### Farallon Mining Ltd. Consensus Estimate Summary (Reuters data sourced via Capital IQ)

|                         | Analysts | Mean EPS  | High / Low          | Haywood vs. Cons. | Mean CFPS   | High / Low          | Haywood vs. Cons. |
|-------------------------|----------|-----------|---------------------|-------------------|-------------|---------------------|-------------------|
| 2009 Consensus Estimate | 1        | US\$0.06  | US\$0.07 / US\$0.05 | (31%)             | US\$0.08    | US\$0.09 / US\$0.07 | 23%               |
| 2010 Consensus Estimate | 4        | US\$0.15  | US\$0.18 / US\$0.11 | 72%               | US\$0.16    | US\$0.24 / US\$0.12 | 91%               |
| Consensus Valuation     | 4        | SO Rating | SP Rating           | SU Rating         | Mean Target | High / Low          | Haywood vs. Cons. |
|                         |          | 3         | 1                   | -                 | US\$0.74    | US\$0.75 / US\$0.70 | 102%              |

#### Peer-Group Comparables (Haywood Securities estimates)

|                                     | Price    | Corp NAV  | Price / NAV | 2009 CFPS  | Price / CFPS | 2010 CFPS  | Price / CFPS |
|-------------------------------------|----------|-----------|-------------|------------|--------------|------------|--------------|
| Farallon Mining Ltd. (FAN-T)        | C\$0.60  | US\$0.52  | 1.0x        | US\$0.02   | 28.9x        | US\$0.15   | 3.8x         |
| Anvil Mining Ltd. (AVM-T)           | C\$3.45  | US\$4.48  | 0.7x        | (US\$0.05) | -            | US\$0.06   | 53.0x        |
| Capstone Mining Corp. (CS-T)        | C\$2.88  | US\$2.32  | 1.1x        | US\$0.60   | 4.2x         | US\$0.54   | 4.9x         |
| Charlot Resources Ltd. (CHD-T)      | C\$0.49  | US\$0.33  | 1.3x        | (US\$0.00) | -            | (US\$0.02) | -            |
| Coro Mining Corp. (COP-T)           | C\$0.70  | US\$0.67  | 0.9x        | (US\$0.02) | -            | US\$0.25   | 2.5x         |
| First Quantum Minerals Ltd. (FM-T)  | C\$95.70 | US\$58.53 | 1.4x        | US\$8.45   | 9.9x         | US\$13.00  | 6.8x         |
| GlobeStar Mining Ltd. (GMI-T)       | C\$1.15  | US\$0.73  | 1.4x        | US\$0.22   | 4.7x         | US\$0.25   | 4.2x         |
| Inca Pacific Resources Inc. (IPR-V) | C\$0.22  | US\$0.23  | 0.8x        | (US\$0.04) | -            | (US\$0.04) | -            |
| Lundin Mining Corp. (LUN-T)         | C\$4.79  | US\$6.27  | 0.7x        | US\$0.40   | 10.5x        | US\$0.75   | 5.9x         |
| Nevsun Resources Ltd. (NSU-T)       | C\$2.28  | US\$3.11  | 0.6x        | (US\$0.04) | -            | (US\$0.07) | -            |
| Terrame Metals Corp. (TRX-V)        | C\$1.12  | US\$0.89  | 1.1x        | (US\$0.01) | -            | (US\$0.05) | -            |
| Peer-Group Average (all)            |          |           | 1.0x        |            | 11.6x        |            |              |

2009E CS/US\$ FX Rate: 1.14

2010E CS/US\$ FX Rate: 1.08





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|---|---|-----------------------------|---|---|---|---|---|---|---|---|
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|   | TSX:CS  | Capstone Mining Corp.       |   | X | X | X | X |   |   |   |
|   | TSX:CHD   | Chariot Resources Limited   |   |   | X |   |   |   |   |   |
|   | TSX:COP   | Coro Mining Inc.            |   | X | X |   |   |   |   |   |
|   | TSX:FAN   | Farallon Mining Limited     |   |   | X |   |   |   |   |   |
|   | TSX:FM  | First Quantum Minerals Ltd. |   |   | X |   |   |   |   |   |
|   | TSX:GMI   | GlobeStar Mining Corp.      |   |   | X |   |   |   |   |   |
|   | TSXV:IPR  | Inca Pacific Resources Inc. |   |   | X |   |   |   |   |   |
|   | TSX:LUN   | Lundin Mining Corporation   | X |   | X | X |   | X |   |   |
|   | TSX:NSU   | Nevsun Resources Ltd.       |   |   | X |   |   |   |   |   |
|   | TSXV:TRX  | Terrane Metals Corp.        |   |   | X |   |   |   |   |   |
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**Valuation Risk:** *High* – The current valuation is at the high end of historic levels and/or at a premium to peers. The valuation reflects considerable exploration success and/or commodity appreciation. Where applicable, the current capitalization exceeds the DCF evaluation by more than 50%. *Moderate* – The current valuation is within historic ranges and generally consistent with peers. The valuation reflects reasonable exploration success and/or commodity appreciation. Where applicable, the current capitalization exceeds the DCF valuation by 15% to 50%. *Low* – The current valuation is at the low end of historic ranges and at a discount to peer valuations. The valuation reflects limited new exploration success and no commodity appreciation. Where applicable, the current capitalization exceeds the DCF valuation by less than 15% or falls below the current market value.

**Political Risk:** *High* – Currently no industry activity or infrastructure exists. Government opposition is significant. Obtaining permits is challenging. *Moderate* – Industry activity or infrastructure is minimal. Government at national, regional, and local





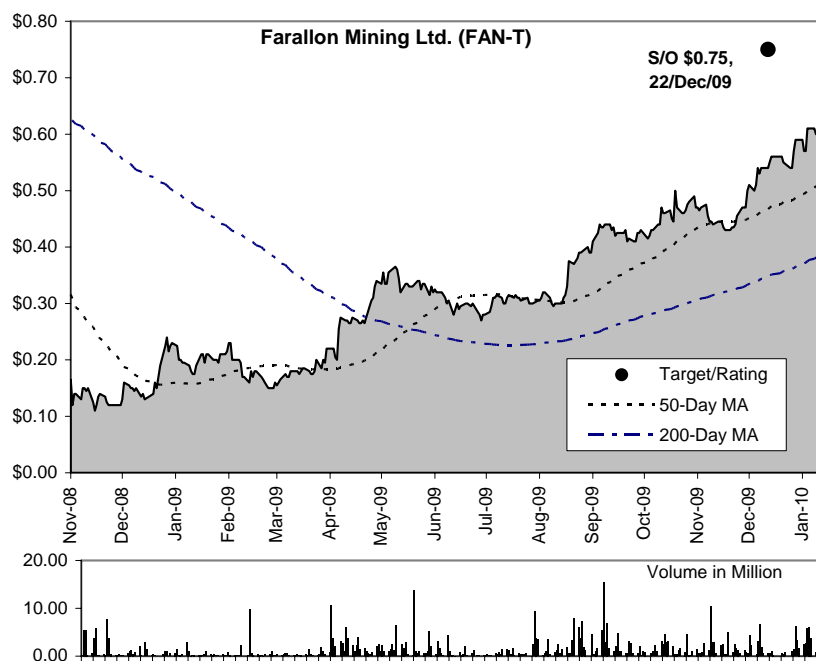
levels is indifferent. Obtaining permits is relatively straightforward. *Low* – Industry activity and infrastructure exist. Government is supportive. Obtaining permits is facilitated.

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|                      | Distribution of Ratings |    | IB Clients |
|----------------------|-------------------------|----|------------|
|                      | %                       | #  | (TTM)      |
| <b>S/O</b>           | 44.4%                   | 56 | 67.6%      |
| <b>S/P</b>           | 5.6%                    | 7  | 2.7%       |
| <b>S/U</b>           | 3.2%                    | 4  | 0.0%       |
| <b>T</b>             | 1.6%                    | 2  | 2.7%       |
| <b>UR (S/O)</b>      | 10.3%                   | 13 | 21.6%      |
| <b>UR (S/P)</b>      | 4.8%                    | 6  | 2.7%       |
| <b>UR (S/U)</b>      | 0.8%                    | 1  | 0.0%       |
| <b>dropped (TTM)</b> | 29.4%                   | 37 | 2.7%       |

### Rating and Price Target History (as of January 21, 2010)



Initiated Coverage Dec 22/09

S/O: Sector Outperform; S/P: Sector Perform; S/U: Sector Underperform; T: Tender; U/R: Under Review  
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