

Re: Upcoming offer from Nord Gold for HRG minority shares

*These securityholder materials are being sent to both registered and non-registered owners of the securities. If you are a non-registered owner, and Chris Charlwood, a shareholder of High River Gold Mines Ltd. or his agent has sent these materials directly to you, your name and address and information about your holdings of securities, have been obtained in accordance with applicable securities regulatory requirements from the intermediary holding on your behalf.*

September 5, 2012

To High River Gold Shareholders,

I am a fellow shareholder in High River Gold with 4.4M shares. In the next few weeks you will be receiving an official offer from Nord Gold, controlled by Russian Billionaire Alexey Mordashov, for your shares in HRG. Nord is the Gold spinoff from Severstal, a steel company also controlled by Mordashov. This is Mordashov's second attempt at buying out HRG minority shareholders cheaply; the first time being in the summer of 2009. Like then, I am writing to you to provide you with information to make a decision on whether to tender your shares to their proposed offer of .285 Nord Gold shares for each HRG share or \$1.40/share in cash. As a response to Nord's proposed offer, the Independent Committee of the HRG Board of Directors will also be sending out a valuation of HRG by Paradigm Capital, which, like last time, I expect to support the low buyout valuation. These are the same Directors that have signed off on lending \$166M of HRG's money to Nord Gold against HRG minorities' wishes. In 2009, almost 90% of the HRG minority did not to tender to Nord's offer of \$.22/share - later increased to \$.30/share. In my opinion, based on the information below, Nord's current proposed cash and/or share exchange offer are much too low.

To give you some comparisons, per the enclosed excerpts from a report by Scarsdale Equities LLC, mid-cap senior producing gold mining companies are trading at an average of 21.6 times 2012 estimated earnings (P/E ratio). The junior gold mining companies are trading at an average of 18.1 times 2012 estimated earnings. The report shows HRG trading at a 6.8 times 2012 estimated earnings. If HRG were trading at its potential market cap, it would be classified as a mid-cap senior producer rather than a junior. This puts Nord's proposed cash offer at approx. 1/3 of the average P/E. In terms of the share exchange offer, Nord is proposing a .285 share of Nord for each share of HRG. This translates to 3.5 HRG shares for each Nord share and about 58% of Nord's value for 100% of HRG. To put this share exchange ratio into perspective, I have compared the first half of 2012 results for both Nord and HRG.

First half year (H1) results

- HRG had revenues of \$277.8M vs. Nord at \$528.5M – 52.6% of Nord's total.
- HRG had production of 167,859 oz vs. Nord at 321,000 oz - 52.3 % of Nord's total.
- HRG had EBITDA of \$150.0M vs. Nord at \$217.7M – 68.9% of Nord's total.
- HRG had cash flow of \$121.2M vs. Nord at \$44.4M (excluding one off interest pmt) – 273% of Nord's total. Actual Nord cash flow was \$2.4M including the interest pmt.

- HRG had profit of \$98.2M vs. Nord at \$65.3M - 150.4% of Nord's total.
- HRG had \$252.5M liquid assets (\$166.0M of loans to Nord, \$68.7 third party stocks, and \$18M cash) and \$10.1M debt at the end of Q2.
- Nord had \$50.5M of cash and \$430.9M of debt at the end of Q2. Without HRG's loans to Nord, Nord would have had a negative cash balance of \$115.5M.

Note: Numbers above for both companies are for 100% interest to show apples to apples comparison. Non-controlling interests and attributable to shareholder numbers are not reflected.

Clearly these results show that HRG's assets have much higher margins than Nord Gold's other assets. In fact, without HRG, Nord would show very little cash flow and a \$33M loss for the first half of the year. In Nord's press release regarding the proposed offer, Nord states that its proposed share swap ratio at 58% of Nord's total value is fair by referencing that HRG only made up 49% of Nord's 2011 full year production and revenues. They do not mention the more important numbers of cash flow, EBITDA and profit - as this does not support their proposal. With HRG performing at much higher than 58% of Nord's total in these categories in the first half of 2012, it demonstrates their exchange ratio is far too low.

Another comparison they make in their press release is that HRG only makes up 31.3% of Nord's resource base. Based on the resource numbers presented on both companies' websites, I calculate this number at 34.4%. Also, HRG Minority shareholders have been complaining for years now about HRG Management's delay in putting out drill results at Buryatzoloto. These are the mines HRG management claims are depleted, yet in certain Nord Gold presentations they show Buryatzoloto has a potential additional 3.4M oz of gold in the P1 resource category (equivalent to Inferred). Also, HRG management have not disclosed information on a NI 43-101 report commissioned by the other 50% partner (Polar Silver) in HRG's Prognoz silver property that shows resources of 293M oz (inferred) as compared to the 205M oz HRG has disclosed – a 43% increase. In addition, HRG Management has given very little detail on the reasons for dispute and bankruptcy filings between the two 50% partners of Prognoz. The Buryatzoloto drill results (continuously delayed from a program started in April 2010) were finally supposed to be out in Q3, however, in Nord's press release they mention a new geological model is being implemented with the results due in H1 2013 – conveniently after this buy out attempt is complete. I have asked the OSC to insist that HRG put out these drill results, resource updates and dispute details of Prognoz prior to HRG shareholders having to react to an offer. The point being that we are seeing zero value in Nord's offer for Buryatzoloto drill results and the Prognoz silver property - one of the world's largest with highest grades at up to 773 g/t. The other 50% shareholder in Prognoz, Polar Silver, has intentions to take their shares public on the TSX. If they succeed and, eventually, negotiate with HRG to roll in our shares as a dispute settlement, HRG minority will miss out on our fair share of a 100% spin off of Prognoz - if we agree to Nord's low buyout offer.

Nord Gold owns 75.06% of HRG. Since Severstal (previous owner of HRG shares prior to its Nord Gold spinoff) took control of HRG in 2008, they have influenced the votes and Board of

Directors of HRG. HRG minority have complained countless times to both the Ontario Securities Commission (OSC) and Superintendent of Securities, Gov't of Yukon regarding certain transactions that have been to the benefit of Nord/Severstal and the detriment of HRG shareholders. The first example of this is the \$165.9M of loans to Nord Gold. Other questionable transactions include a \$10.6M financing at \$.18/share with Severstal in conjunction with the first buyout offer in 2009 and a private placement with Troika (we considered Troika to have a pre-existing relationship with Severstal) at \$.38/share for \$57M in 2010. Both of these financings were, in my opinion, completely unnecessary as HRG had been cash-flowing no less than \$25M/quarter since Nord/Severstal got involved – I believe, enough to negotiate any debt payments due. Severstal later bought back Troika's shares, oddly, at a discount. In 2011, after Nord had started borrowing money from HRG, it used some of those funds to buy approx. 20M HRG shares from third parties. I sent a complaint letter to HRG Board of Directors and to the OSC and Superintendent of Securities, Gov't of Yukon that these shares should have been bought by HRG with our own money and the shares retired – instead of lending money to Nord to take a larger position in HRG. The financings and share purchases outlined above helped Severstal/Nord increase its holdings in HRG from 50.1% to the current 75.06% since 2009. This was all done at the same time that HRG Board of Directors and HRG management did not make any effort to promote or tell the successful HRG turnaround story to the investment community. In my opinion, HRG's stock has been artificially low for 3 years now due to efforts made (or not made in this case) so that Nord could continue purchasing minority shares cheaply.

Nord's proposed cash offer of \$1.40/share is much too low based on the gold miner average P/E ratios; using the average puts HRG's price at \$4.45/share. The proposed .285 share exchange is also too low based on the financial performance of each company in the first half of the year. Also, Nord's shares have traded down post buy-out announcement valuing HRG shares at \$1.25/share using their ratio. I had stated in my last writings that I would accept a share exchange ratio of .333 Nord share for each HRG share, which translates into 3 HRG shares for each Nord share. This values HRG at 66% of Nord Gold. However; even this now looks low after seeing Nord Gold's Q2 results. I also stated in my last communication that it was imperative that Nord secure a TSX listing as part of this buyout. Trading on the LSE is cumbersome and cost prohibitive (\$400/trade) for Canadian investors. At this point Nord has not offered a TSX co-listing citing that this would require additional reporting Management time and costs. I argue that they are doing this now anyways with reporting requirements for both the LSE and the TSX. To offer a TSX listing would be status quo in terms of time and costs involved.

In canvassing the opinions of many of HRG shareholders, (other than the 59.9M minority shares already locked-up to convert to Nord) very few others will convert their shares into Nord shares. When the locked-up shares convert, Nord's float will only increase to approx. 14% from the current approx.10%. This does not resolve Nord's share liquidity problem and does not get them near the 25% required for a main LSE listing. Therefore, at this point, unless they dramatically increase the share exchange ratio and offer a TSX listing, I would only consider accepting a fair

cash offer for my shares. I believe Nord would have to come up in the \$3-4/share range in order to get all minority shareholders to tender their shares. Otherwise, I am happy to remain an HRG shareholder as the company metrics keep improving.

After the lock-ups convert, HRG will only have approx. 150M shares in its minority float. Nord may eventually try and buy enough shares in the market to reduce the minority holdings to below 10% (84.02M shares) allowing Nord to invoke the 90% squeeze out rules under Canadian law. If a squeeze out is attempted, I see no other option but for minority shareholders to take legal action. I have been told by lawyers a case could be heard for minority shareholder oppression. Such action could stall any future plans of Nord wanting to increase its market value - as a suit involving its most valuable asset, HRG, could scare off investors. It will be very short-sighted of Nord to not finally pay fair value to HRG shareholders.

I have identified shareholders holding close to or over 10% of HRG shares who have confirmed they will not tender to either of Nord's current offers. 10% keeps minority shareholders from being squeezed out by Nord using the 90% rules in Canada. I am hoping to identify more HRG shareholders who do not wish to tender to the Nord offer by way of this letter. We are looking to add enough shares to get us over the 104.8M shares, majority of minority, required to vote down a potential follow-on amalgamation squeeze-out offer from Nord. Nord cannot vote its shares.

Some of you have e-mailed us/me already over the last 60 days confirming you will not tender and provided your HRG shareholdings. If so, there is no need to do so again. If you have not provided this information in the last 60 days and have over 100,000 HRG shares, please e-mail me at [Rainerc7@gmail.com](mailto:Rainerc7@gmail.com). If you have less than 100,000 shares, please e-mail a fellow shareholder assisting me, Jordan, at [Tryte@rogers.com](mailto:Tryte@rogers.com). All shares, no matter how small your position, are important in this matter. It is worth the time of sending an e-mail and will allow for quick communication on this topic in future. I have kept everyone's identities and shareholdings confidential for over 3 years now – including institutional holders.

Gold Company P/E Comparisons

<http://freepdfhosting.com/c7b1be2e4a.pdf>

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