

July 25, 2011

## Exploration Update

# Merrex Gold Inc., MXI:TSX-V



### HIGHLIGHTS...

- >> 2011 Drill Program in Mali 2/3 Complete
- >> Drills Winding Down for Rainy Season
- >> First 10 of 30 Diamond Drill Holes Out
- >> First 9 of 173 RC Holes (total almost 20,000m so far) Out
- >> 500m Strike Established at Northern Cousin of Zone 1A
- >> 9 New Fences 200-500m Apart Drilled Across both Structures
- >> 4,958m of 9,000m Auger Drill program at Bambadinka Target
- >> RC Drilling Possible at Bambadinka

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#### Merrex Gold (MXI:TSXv)

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Shares Issued: 118.9 million  
 Fully Diluted S/O: 141.0 million

Enterprise Value: \$55 million  
 Market Cap: \$55 million

Last Price: \$0.46  
 52-week high: \$0.65  
 52-week low: \$0.35  
 Dividend Yield (annual): Nil

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### Drills to Stop Turning For the Rains at the Merrex/IAMGOLD Siribaya Gold JV in Mali, West Africa

The seasonal rains are about to start in West Africa, and drilling at the Merrex/IAMGOLD Siribaya Gold JV in Mali, where IAMGOLD is earning 50%, is scheduled to stop until mid September when the grounds are workable again.

The 2011 drilling programs are on track - almost two thirds complete in total – each with their own goal,

- 1) 10,000m of diamond drilling aimed at increasing the NI 43-101 to approximately 1Moz
- 2) 30,000m of reverse circulation drilling aimed at establishing strike and continuity over 6km
- 3) 10,000m of auger drilling aimed at establishing validity of new Bambadinka target to the west

### Diamond Drill Program Extends 1B 50m South And Delineates New Zone on 1A Structure 2000m North of Zone 1A

The JV has been drilling since February. Some 30,000 samples have been sent to the lab for assay, with just 7,000 assays received back so far. Turnaround times are difficult to predict because the lab is backed up, we understand.

However, the first ten holes of the 10,000-meter diamond drill program (#1 above) have been released with Merrex finished drilling 6,000 meters in over 30 holes. The diamond drilling is concentrated on increasing the mineralization around zone 1A and 1B –the sources of the resource delineated in the NI 43-101 totaling about 378koz @ 2.39 gpt so far. The two zones are on different but parallel substructures (we recommend referring to the map on pp 4 for a visual). Zone 1B contains most (98%) of the total gold resource (Zone 1A contains just 6,000 ounces); only about 900 meters of strike at zone 1B is currently incorporated in the NI 43-101. The drill holes reported to date extended Zone 1B by about 50 meters south to fence RC-L-2 on the map, with two of the four holes drilled there returning a few significant widths (of 3-5 meters) grading 1-3 grams per tonne at depths of less than 100 meters (see table 1).

**TABLE 1:  
SELECT DIAMOND DRILL HOLE HIGHLIGHTS (1)**

Hole ID	Target Description / Notes	From	To	Core Length (interval)	Au (g/t)
SRD11-097	South of Zone 1B, Fence RCL2	5.00	10.00	5.00	2.37
	South of Zone 1B, Fence RCL2	26.00	30.00	4.00	1.29
	South of Zone 1B, Fence RCL2	34.00	39.00	5.00	1.69
SRD11-100	South of Zone 1B, Fence RCL2	18.00	21.00	3.00	1.41
	South of Zone 1B, Fence RCL2	67.00	72.00	5.00	1.34
SRD11-103	North of Zone 1A, Fence RCL2	34.00	37.00	3.00	1.23
	North of Zone 1A, Fence RCL2	58.00	63.00	5.00	1.97
	<i>-including</i>	<i>58.00</i>	<i>60.00</i>	<i>2.00</i>	<i>3.79</i>
	North of Zone 1A, Fence RCL2	106.00	110.00	4.00	2.25
TY-DD-11-41	North of Zone 1A, Fence RCL3	21	25	4.00	4.06
	North of Zone 1A, Fence RCL3	41	44	3.00	4.05
	North of Zone 1A, Fence RCL3	50	54	4.00	1.43
	North of Zone 1A, Fence RCL3	61	68	7.00	1.75
	North of Zone 1A, Fence RCL3	75	77	2.00	2.62
TY-DD-11-43	North of Zone 1A, Fence RCL3	9	22	13.00	1.59
	<i>-including</i>	<i>11</i>	<i>13</i>	<i>2.00</i>	<i>3.59</i>
	North of Zone 1A, Fence RCL3	24	31	7.00	1.83
	<i>-including</i>	<i>26</i>	<i>28</i>	<i>2.00</i>	<i>3.82</i>
	North of Zone 1A, Fence RCL3	41	52	11.00	1.11
	<i>-including</i>	<i>47</i>	<i>48</i>	<i>1.00</i>	<i>3.88</i>

(1) True thicknesses are about 80% of core lengths (drill hole angles ranged from -55 to -65); full table of assays at company website

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The other diamond drill holes were drilled along the same fence (RC-L-2) crossing the (parallel) 1A substructure about 1km to the east, as well as along a fence 500 meters to the south (RC-L-3) of those holes...also on the 1A substructure. These holes (TY-DD-11-41 and 43) were even better with some coming in at widths of 4 to 13 meters with grades ranging from a little over 1 gpt to as much as 4 gpt (the best hole returned a grade of 1.6 gpt over 13 meters but there were holes that graded 4 gpt over 4m). The upshot of this part of the drill program to date is that it has established a cousin to Zone 1A with a 500m strike length located southeast of Zone 1B just 2km north of 1A.

Most of the remaining assays due out will be infill holes at 1B to increase confidence, and maybe grade; and after the rains the plan is to extend Zone 1B another 200 meters south plus about 50 meters to the north, increasing the total strike length on that substructure included in the NI 43-101 by about 33%, and to define about 500 meters of strike on the 1A substructure to the north of Zone 1A...if not potentially the entire area in between it and Zone 1A.

Our guess is that at a minimum this program will have doubled their resource inventory to around 800koz.

That is a speculative and very early stage guess.

### **Nine New RC Fences –Both Infill and Stepout**

The plan for the 2011 RC drill program is for 30,000 meters of drilling across the 1A and 1B substructures to: i) investigate the strike length of the 1A and 1B Siribaya substructures north and south of Zone 1B, and ii) selective infill drilling along 200 -- 300 meter spaced fences to follow up on mineralization intersected during 2010 drilling.

In other words, this part of the drill program is aimed at establishing a strike length over about 6km – from about 2km north of Zone 1B to about 1km south of Zone 1A – along both of the parallel substructures. In 2010 the JV drilled eight lines (RCL1-RCL6 plus RCL9 and RCL10 –see map) across these substructures establishing about 3km of strike length on the Siribaya trend. The current drill program has already doubled the strike, and aims to improve confidence in the continuity of the mineralization also –both in between last year's fences and in between the parallel substructures themselves. A total of 19,168 meters of drilling has been completed (30,000m planned) in 173 holes across about nine fences/lines in this part of the drilling campaign. We've only got assays for 9 holes to date, mostly along fence RC-L-11, which is located in between fences RC-L-2 and RC-L-3 through both parallel substructures (1A and 1B). This fence (RC-L-11) increases our confidence in the continuity of the mineralization between fences RC-L-2 and RC-L-3. The intercepts along the 1A structure on this fence were about twice as rich on average as those along 1B. And it was noteworthy that some drill holes outside the structures were mineralized.

Depending on additional results the dream outcome here is that the entire 2km strike length between Zone 1A and the developing new resource on the 1A structure can be included in the resource update, which would get them to their one million ounce target easy. However, the main purpose of this drill program is to establish continuity and strike over about 6km...and to thus demonstrate the potential for a minimum 3-4-million ounce resource at Siribaya.

### **Bambadinka Could Be Bullish Surprise**

The market is also awaiting assay results from a 10,000m auger drill program (half complete) at the Bambadinka target a few kilometers to the west of the Siribaya trend. Bambadinka trends NW-SE and appears to converge with the Siribaya trend at its southernmost edge several kilometers south of the southernmost RC fence currently drilled.

Management seems to be excited about the fact that they have been getting decent grades in the saprolite, which is as good as bedrock –thereby reducing the chance that the mineralization was transported from another source.

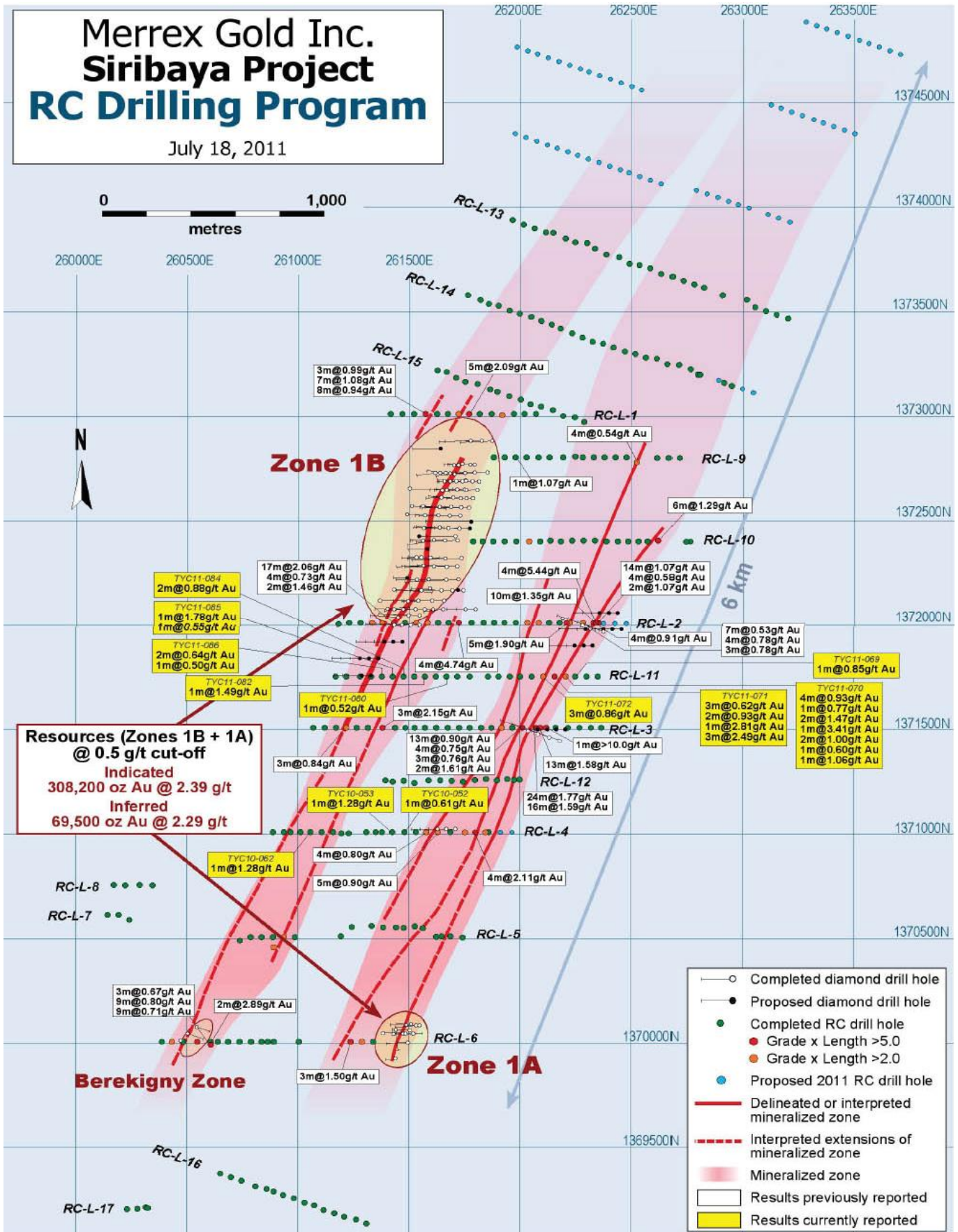
Bambadinka just adds to the multi-million ounce appeal of this project.

There are targets to the west of Bambadinka and on some of the other concessions to the east of Siribaya.

### **Conclusion**

The drill results were good. The market is not going to get the adrenalin rush it gets out of a discovery hole or from an above average intersection in a step out. Or at least it hasn't yet. It still might. Who knows what's really down there until the data reveals it. And there's lots of data coming. We continue to feel confident in the basic elements of the plan to build towards a 5-10 million ounce resource inventory; and the results so far suggest they're en route.

We have a \$2 medium term (12-18 month) share price target, and continue to recommend owning these shares.



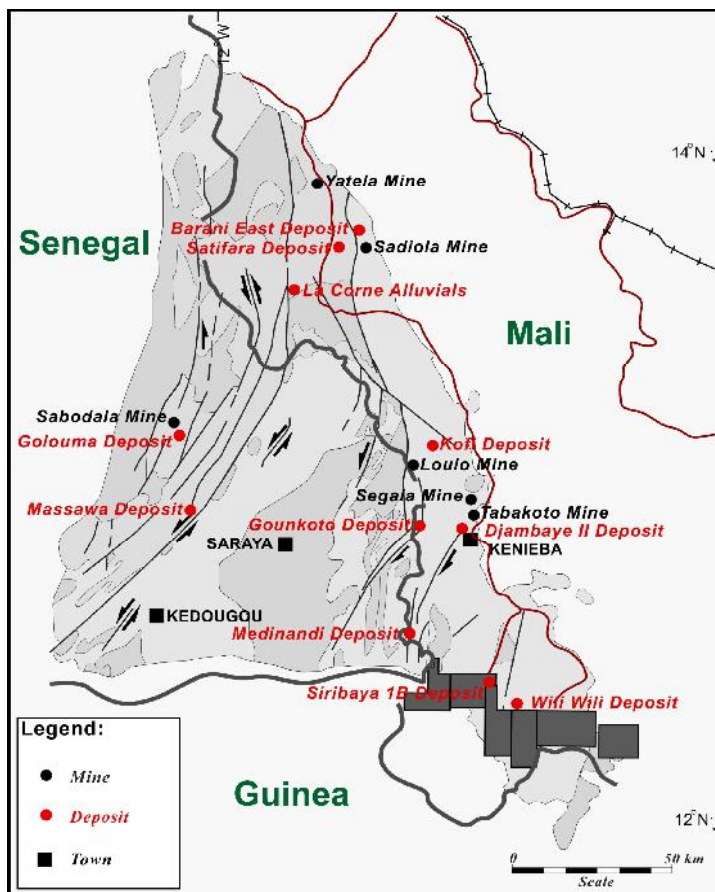
## COMPANY DESCRIPTION

Headquartered in Nova Scotia, Merrex Gold Inc was formed through the 2006 reverse takeover of its predecessor company Merrex Resources by Jubilee Minerals, a private company with Zn-Pb interests in Nova Scotia (Eastern Canada). The new company spun its non-core interests into a related company (Frontline) and paid out a special dividend to Merrex shareholders representing 39% of Frontline (FGC:TSXV) in 2010. The company's main focus is to advance its 2006 gold discovery in West Africa.

The company's flagship asset is its 100% owned Siribaya Gold project in Mali, discovered in 2006.

Siribaya is the largest contiguous gold exploration land package in Mali (six permits) spanning 848 km<sup>2</sup>. It is located at the southeastern margin of a prolific sequence of Birimian aged greenstones (known as the Kedougou-Kenieba Inlier –shaded area in graph to the right) shared by Randgold's Loulo and IAMgold's Sadiola mine, as well as others (like Tabakoto-Segala, Sabodala, Yatela) that host resources of more than 30 million ounces in total (to the north). Five mines in the region produced over one million ounces in 2009.

Similar Birimian aged sequences show up in Ghana too, where they host mines such as Red Back's Chirano and Anglo's big Obuasi mine.



Merrex spent \$8 million on the property since 2005, and in 2008 farmed 50% out to a JV with IAMGOLD (who became operator in 2010 having met the requisite conditions). IAMGOLD (IAG) must spend \$10.5 million to earn 50% over four years (by the end of 2012). It has spent approximately \$7 million as of the end of 2010, and announced plans to spend over \$3 million in 2011. Vesting of its 50% is projected for the end of Q4 2011.

As part of the deal, IAMGOLD also acquired an interest in Merrex shares (owned 9.6% at the end of 2010 and recently increases to 14%). The Siribaya mega-structure is now interpreted to contain two distinct sub-structures: zone 1B is 500m wide and 10.5 km long; and zone 1A to the west is 500m wide by 9.5km long.

The zones contain multiple subparallel shear structures. Detailed drilling of a significant structure (zone 1B) led to the NI43-101 compliant definition of 442,000 ounces of gold published by ACA Howe in 2009, revised to 377,800 higher confidence ounces in 2010 (**4,015,000 tonnes of 2.4 g/t indicated plus 946,000 tonnes of 2.3 g/t inferred**) over less than 900 meters of strike. It also led to the discovery of parallel shear structures. Wide spaced drill fences have extended this zone up to 3 kilometers so far on strike (southward), and the JV now believes it can confirm 2-4 million ounces over strike lengths of at least 6 kilometers in several sub-structures.

Merrex also controls 100% of the Jubilee Zinc-Lead project in Nova Scotia (subject to the issuance of 1 million shares of Merrex to Frontline for the acquisition of the other 50%). As of 2007 the Jubilee deposit had an NI 43-101-compliant resource estimate of 3.1 million tonnes grading 4.71 per cent zinc equivalent, including 2.1 million tonnes grading 5.6 per cent zinc equivalent and 1.9 million tonnes grading 5.79 per cent zinc equivalent metal.

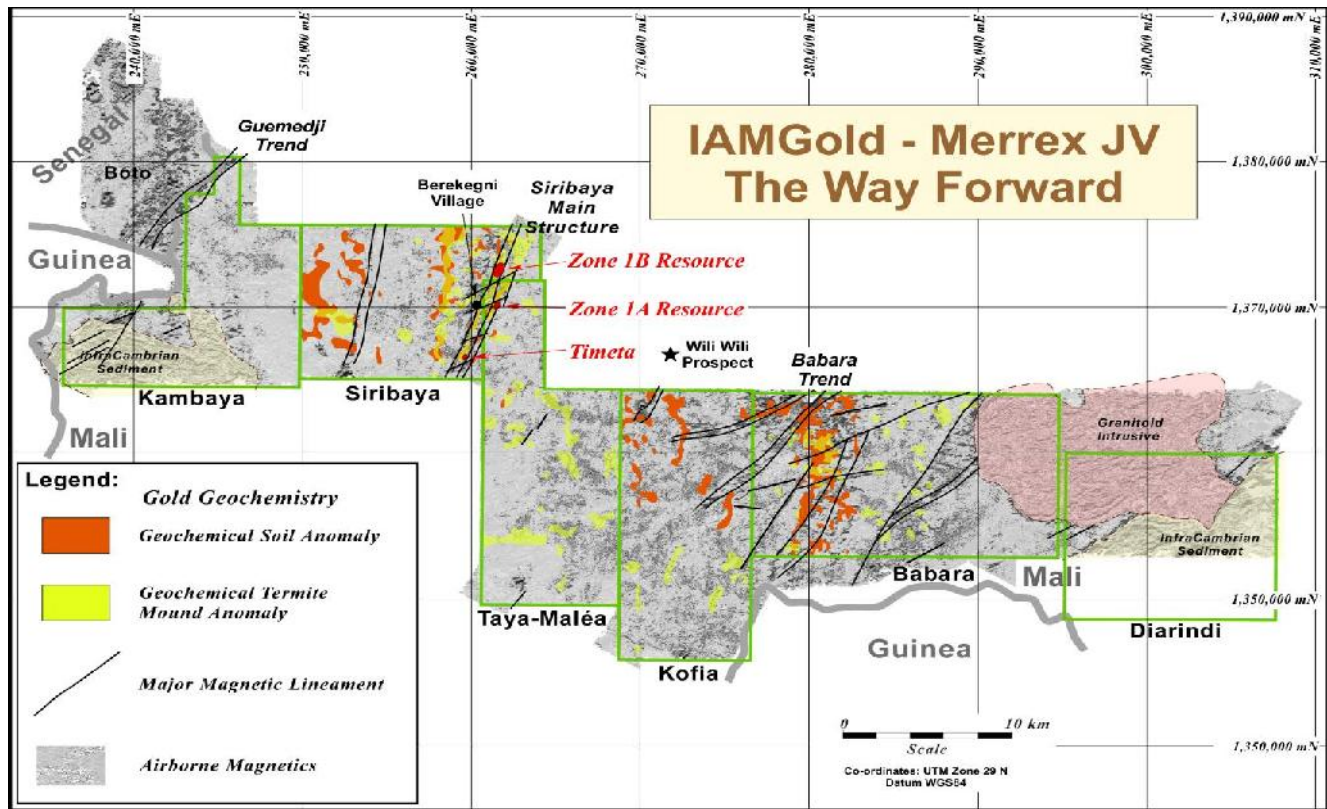
### EXPLORATION ASSETS

Project	Location	NWI*	JV Partner	Stage	Deposit Type / Style	Indicated	Inferred
Siribaya	Mali	45%	IAMgold	Definition	Shear/Vein/Laterite Au	4Mt @ 2.4 g/t	1Mt @ 2.3 g/t
Jubilee	Nova Scotia	100%	n/a	Definition	Carbonate hosted Zn-Pb	-----	3Mt @ 3.8%

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\* Merrex controls Jubilee 100% subject to a 2% NSR to Teck –option to buy back 1% for \$1 million.

\* Merrex currently controls Siribaya project 100%, but IAMgold is earning 50% by spending \$10.5 million by October 2012...of which it has spent \$6.8 million thru 2010...Malian government then gets 10% of producing projects (free carried interest), and may purchase up to an additional participating 10%...a private Malian company retains a 5% net profits interest/royalty.



## NI 43-101 MINERAL RESOURCE ESTIMATES

-Siribaya Gold Deposit as of February 2010 (using a 0.5% cutoff)

-Jubilee Zinc-Lead Deposit as of November 2007 (using a 2.5% Zn cutoff)

INDICATED	Tonnes (Mt)	Au (gpt)	Zn (%)	Pb (%)	Oz, Au	Pounds, Zn	Pounds, Pb
Siribaya Zone 1B	3.9	2.40	n/a	n/a	302,551	n/a	n/a
Siribaya Zone 1A	0.1	1.85	n/a	n/a	5,591	n/a	n/a
<b>Ttl Indicated</b>	<b>4.0</b>	<b>2.39</b>	<b>0</b>	<b>0</b>	<b>308,142</b>	<b>0</b>	<b>0</b>
INFERRED	Tonnes (Mt)	Au (gpt)	Zn (%)	Pb (%)	Oz, Au	Pounds, Zn	Pounds, Pb
Siribaya Zone 1B	0.9	2.29	n/a	n/a	69,281	n/a	n/a
Siribaya Zone 1A	0.0	2.13	n/a	n/a	342	n/a	n/a
Jubilee (Nov 2007)	3.1	0.00	3.8%	0.9%	0	260,432,550	60,835,950
<b>Total Inferred</b>	<b>4.0</b>	<b>0.54</b>	<b>3.8%</b>	<b>0.9%</b>	<b>69,624</b>	<b>260,432,550</b>	<b>60,835,950</b>

FLAGSHIP	SIRIBAYA GOLD PROJECT
<b>Location</b>	West Mali Gold Belt, West Africa –in same rocks as mines operated by Randgold, IAMGOLD and Anglo, at the southeast end of the Kedougou-Kenieba inlier...project is comprised of 848 km <sup>2</sup> of contiguous exploration permits collectively called “The Siribaya Gold Project.”
<b>Terms</b>	Merrex controls 100% of the Siribaya gold project. IAMgold is earning 50% by spending \$10.5 million over 4 years to December 23, 2012 (but vesting is now projected for the end of Q4 2011). IMAGOLD is the operator but a 50-50 joint management committee determines exploration programs. The deal required issuing 2 million shares to Touba SARL (Malian company) to acquire an outstanding 5% free-carried-interest in the project thus increasing Merrex's interest to 100%, and included a \$1.5 million private placement by IAMgold. The Malian government is entitled to a <i>free</i> carried interest of 10% (effective on production), and an <i>optional</i> 10-per-cent <i>participating</i> interest, and Touba Mining SARL retains a 5% net profit royalty (NPI).
<b>Stage</b>	Delineation and Definition Drilling –resource expansion
<b>Deposit</b>	Shear zone, Laterite, Saprolite hosted Gold system in Birimian aged greenstones
<b>Geology</b>	Underlain by northerly striking and steeply dipping Birimian rocks comprising calcareous metasediments, meta-siltstones and meta-greywackes. Mineralization is fracture-bound, and is hydrothermal in origin. Main target is a series of parallel substructures related to a 10.5km long mineralized shear structure(s) stepping northeast controlled by east-northeast-trending complementary shears. The 10.5 km Siribaya mega-structure contains two distinct substructures: the 10.5 km long 1B substructure and the 9.5 km long 1A substructure to the east of 1B. The substructures are interpreted to contain multiple smaller parallel gold-mineralized structures. Mineralization associated with these structures includes lenses developed in brecciated felsic volcanic rock and interbedded sediments and higher-grade hydrothermal breccia-style mineralization with a polymetallic assemblage. Other styles of mineralization include stockworks; veins and disseminated sulphides hosted by quartz feldspar porphyry and felsic dikes. The resource estimate was completed for the saprolite, saprock and fresh rock mineralization. Analysis of the sample statistics indicates that there is no evidence of near-surface supergene gold enrichment.
<b>Previous Work</b>	Regional geochem in nineties identified broad anomalous gold targets around old Orpailleur workings, especially around zone 1A that subsequently trenched 3.1 g/t over 35 meters...after 2005: soil geochem (15,000 samples), trenching, airborne magnetic spectrometer (22,785 line kilometers) & termite mound geochem sampling; 31,000 meters of RAB drilling (722 holes), 6,600 meters of recon diamond drilling (47 holes), 16,700 meters of detailed diamond drilling (66 holes), 4,823 meters of auger drilling (>200 holes) and 16,142 meters of RC drilling most recently (in over 100 holes). The company updated its NI 43-101 in February 2010 to include gold resources in two parallel zones (1A and 1B) over 900m of strike, <u>but has traced these zones by up to 3 km south and 1 km north...geochem and aeromag data, as well as drilling 7 kilometers south of zone 1B where they have identified another priority target by old workings, suggest the Siribaya mega-structure holds potential to host a world class gold system. Two kilometers west of the main Siribaya mega-structure, auger drilling by IAMGOLD has also traced a shallow laterite/saprolite hosted deposit (Bambadinka) over 4km of strike length (200-400 meter step outs with drill fences up to 1km wide with 20m hole spacing)...some 142km of gradient-array induced polarization (IP) and previous RAB drilling by Merrex Gold suggests the target is mineralized over twice that strike length, and that it may intersect the Siribaya mega-structure at the south margin. Exploration has <u>uncovered a new trend to the west of the Bambadinka trend, as well as substantial Siribaya-like structures east</u> (Babara permit).</u>
<b>Current Work</b>	<i>Merrex's joint venture partner IAMGOLD plans to drill up to 30,000 meters (RC drilling) in 2011 to confirm the continuity of the mineralization in the major substructures (1A &amp; 1B) that has previously been traced for over 3 km of strike – only 900m of strike of these zones included in the resource estimate so far – and to extend the potential strike length further to 7 kilometers, establishing the “potential” for a 2-4 million ounce gold system at minimum (other work suggests the strike may extend 10km). Merrex is spending its own money on a 10,000m-diamond drill program with the objective of increasing the resource around</i>

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*zones 1A and 1B possibly up to 1 million ounces by year end; as well, the joint venture will continue to explore new mineralized trends to the west (Siribaya West) and east (Babara) where geochem anomalies are even more intense and IAMgold has already set up camp.*

#### **Budget**

Expenditures to the end of 2010 at Siribaya total approximately \$14.8 million (\$8 million by Merrex plus \$6.8 million by IAMgold); IAMgold has budgeted over \$3 million for work in 2011 with vesting of 50% projected for the end of Q4 2011, a full year ahead of schedule. In addition, we estimate that Merrex will spend \$2.0-2.5 million of its own funds for a 10,000m resource expansion diamond drill program.

## SHARE AND CAPITAL STRUCTURE

<b>CAPITAL STRUCTURE</b>	<b>Millions</b>	<b>SHARE STRUCTURE</b>	<b>Millions</b>	<b>OWNERSHIP STRUCTURE</b>	<b>%</b>
Cash & Equivalents	\$16.0	Shares Issued	118,899,793	IAMgold	14.0%
Deferred Exploration Costs	\$11.2	Warrants	13,343,800	Greg Isenor	9.6%
Total Assets	\$27.8	Options	8,790,000	John Cumming	1.8%
Total Liabilities	\$0.4	Fully Diluted s/o	141,033,593	Other >1%	10.0%
Shareholders Equity	\$50.7			Significant Positions	35.4%
Working Capital	\$16.0	Convertibles	0	Float	64.6%
Annual Burn Rate	\$5.0	Other Securities Issued	0	Total	100.0%

## MANAGEMENT

### **DIRECTORS / MANAGEMENT**

<b>DIRECTORS:</b>	<b>TITLE</b>	<b>RELATED SINCE</b>
Greg Isenor	Director, President & CEO	2005
John Cumming	Director, CFO	2001
Dr James Patterson	Director	2005
Walter Henry	Director	2007
Jean-Marc Gagnon	Exploration Mgr Mali	2006

#### **Gregory Isenor, BSc., P.Geo, President & Chief Executive Officer**

- Company's qualified person NI 43-101
- Actively directed the Siribaya property acquisition and all exploration programs from 2005 to 2010
- +35 years experience in resource sector, globally
- Former President, CEO & Director of Jilbey Gold Exploration prior to 2005 takeover by High River Gold
- Founded Jubilee Minerals (private co) which was merged into Merrex Resources as an RTO
- Served as Director of PDAC for 12 years

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- Currently also a director of Riverstone Resources and Frontline Gold where he's also the VP Exploration, and is also President & Director of Glencoe Resources Inc. and Vice President of Prince Edward Gas Inc; and is also a Director and past president of the Chamber of Mineral Resources of Nova Scotia

**John Cumming, Director, CFO**

- Corporate, securities and mining lawyer (and businessman)
- Holds Masters in Laws (1993) degree from King's College, University of London (corporate / commercial)
- +30 years experience in securities markets and resource sector
- Was President of Merrex Resources Inc. prior to restructured into Merrex Gold in 2005-06
- Formerly President & Director of ComWest Enterprise Corp.,
- Actively engaged in developing Merrex Gold's corporate development, financial and communications strategies
- Director & President of Yaletown Entertainment –coproduced 150+ TV episodes – and was the senior securities and mining law partner at Vancouver law firm Boughton Peterson until 1992

**Dr. James M. Patterson, PGeo.**

- +40 years exploration experience at all phases in Canada, Ireland, Thailand, Malaysia and Indonesia
- Participated in the discovery of mineral deposits in Ireland
- Immigrated to Canada in 1978 to work on a lead mine in Nova Scotia
- Former Director of Jilbey Gold Exploration prior to its takeover by High River Gold Mines in 2005
- Currently a Director of Garson Gold Corp. and International Millenium Mining Corp
- Former Director of Hornby Bay Exploration Ltd., Crowflight Minerals Inc. and Mispec Resources Inc, and former Executive VP and Consultant to FNX Mining Company Inc from its early days to maturity
- Obtained his Ph.D. in Mining Geology from the Royal School of Mines, London University, England
- Founding President of the Irish Association for Economic Geology
- Dr. Patterson has written numerous publications on mineral exploration and environmental frameworks.

**Walter Henry, BA, CFA**

- Experience in corporate finance transactions and controls
- President and Director of Frontline Gold Inc.
- Formerly CFO of Royal Nickel, Juno Special Situations Corp and Director of Cons Westview Resource
- Formerly CFO of Alturas Minerals and Tiberon Minerals, Manager at CIBC World Markets, and assistant VP of Mining & Infrastructure, Financial Advisory Services Group of Price Waterhouse Coopers Securities

**Jean-Marc Gagnon, Exploration Manager, Mali**

- ~30 years experience in mining sector (since 1980) supervising drill programs in Africa
- Geological Engineer and holds his MBA designation (1999) from Université Laval
- Formerly consultant (and GM) at Emerging Africa Gold, Major Drilling Int'l and Golden Star Resources

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