

Donner Metals Ltd. (DON-V, \$0.12)

Rating Buy
Target Price \$0.30
Return 161%
Risk Profile Very High

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Analyst Certification: See page 8; Important Information and Legal Disclaimers: See page 7

Concentrate Production Underway at Bracemac-McLeod

Valuation | We base our formal valuation on a timing-adjusted 3.5x multiple to 2014E CFPS of US\$0.08. Donner's peer group of established base metals producers currently trades at +5.0x 2013E CFPS.

Impact – Positive (neutral to our formal valuation) | Donner has announced the start of initial concentrate production at its 35% owned Bracemac-McLeod zinc-copper mine in Québec. Mine production/development, headed by the Company's project partner Xstrata, has been timed to dovetail with the closure of the major's neighbouring Perseverance mine (final underground ore production in April 2013). **With Bracemac-McLeod concentrate production now underway, Donner will begin to receive cash flow from the operation in mid-2013 given the 30- and 90-day settlement periods associated with zinc and copper concentrates respectively. Hence, Donner has essentially completed the transition from explorer/developer to producer—in our view a major milestone.** Going forward we anticipate a relatively rapid ramp-up to the project's 3,000 tpd nameplate capacity given the operational history associated with Xstrata's established Matagami mill/concentrator (which up until recently processed the ore from Perseverance). Furthermore, we note Xstrata/Donner already have ~3 months of stockpiled and blast-ready Bracemac-McLeod ore available to feed the mill at 3,000 tpd (i.e., near-term concentrate production will not be constrained by mine production).

- **With concentrate production now underway, the timeframe associated with Donner's first revenue recognition has gained clarity—which was arguably previously a point of concern given the Company's requirement to fund its share of ongoing underground mine development/production. We do not anticipate a near-term funding gap.** Nevertheless, in March Donner entered into a \$6.0M loan agreement with a group of Québec institutions, with the proceeds earmarked to cover near-term working-capital obligations (refer to *Radar Screen*, March 18, 2013). The loan provides a mechanism to partially replace a \$4.0M working-capital line of credit provided by Sandstorm, repayable on February 1, 2014 (7.0% coupon), and to avoid challenging covenants that underpin half the facility. In addition, the Québec institutions loan provides additional financial flexibility to ensure Donner can continue to meet its financial obligations as concentrate production ramp-up ensues through mid-2013—especially in light of ongoing pre-production ore development. We note that pursuant to a Metal Purchase Agreement (MPA), Donner guaranteed Sandstorm will receive minimum cash flow from the purchase of copper and precious metals of US\$6.5 million in calendar 2013. This obligation is readily met in our model (noting Haywood's US\$3.65/lb 2013E forecast copper price).
- Upside potential at Bracemac-McLeod, not contemplated in Xstrata's current development plans, includes the McLeod Deep Zone, which hosts a 2.5 Mt inferred resource grading 9.2% zinc, 1.2% copper, 39.8 g/t silver, and 1.12 g/t gold. This resource remains open in multiple directions and is located 175 m downdip from Xstrata's planned underground infrastructure (1,075 m below surface). Originally, additional exploration drilling of the McLeod Deep Zone was expected

Target Price	\$0.30	52-Week High / Low	\$0.21 / \$0.10
Current Price	\$0.12	Shares O/S	255.3M (basic)
Return	161%		282.5M (F/D)
YTD Performance	(32%)	Market Capitalization	\$29.4M
		Cash	\$21.6M
		Debt	\$6.0M
Overall Risk Rating	Very High	Working Capital	\$20.3M
Forecast Risk	(Moderate) 6	Enterprise Value	\$15.1M
Financial Risk	(Moderate) 5	Daily Volume (3-month average)	316,192
Valuation Risk	(Moderate) 4	Website	www.donnermetals.com
Political Risk	(Low) 2	CEO	Harvey Keats
	<i>Risk Profile Definitions: See page 9</i>	Currency	C\$ unless noted

Price Performance



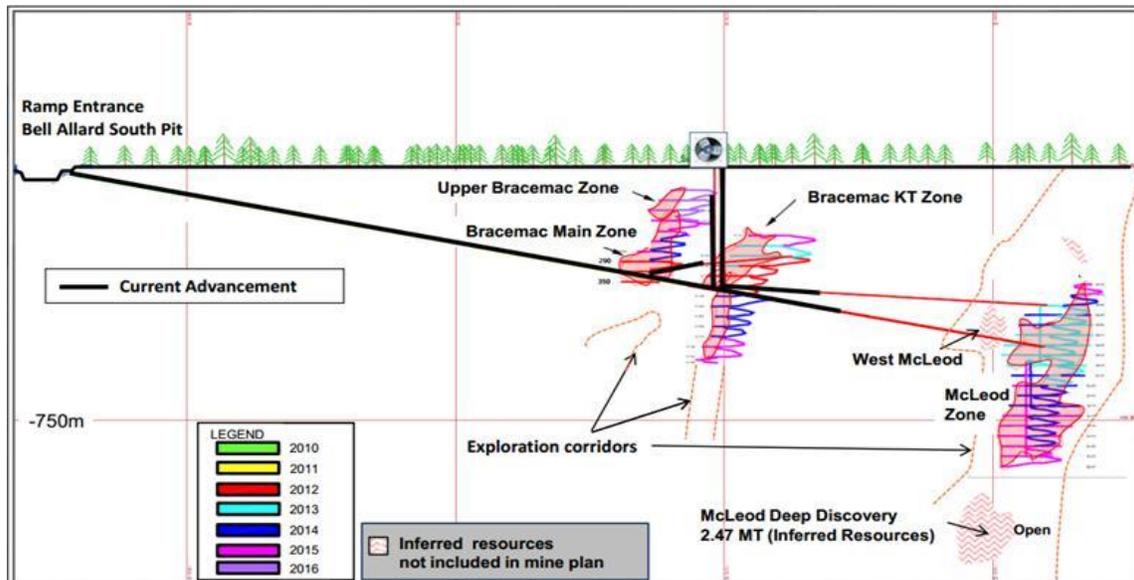
Source: Capital IQ and Haywood Securities



to proceed from McLeod’s underground workings in ~2014. However, Xstrata/Donner is now fast-tracking McLeod Deep exploration efforts from surface (utilizing wedge holes). Donner released initial drill results from the 35,000-metre exploration program earlier this month (refer to *Radar Screen*, March 4, 2013). Highlights include a 12.8-metre intersection grading 9.4% zinc, 2.5% copper, 0.81 g/t gold, and 35.7 g/t silver in hole MCL-13-25, approximately 90 m downdip from the base of McLeod’s reserve and 110 m updip from the top of McLeod Deep’s inferred resource envelope. We had previously anticipated the two zones were likely connected by continuous sulphide mineralization (refer to *Radar Screen*, November 29, 2011). However, drill hole MCL-13-25 provides the first hard data to support this hypothesis.

- **The goal of the current exploration program is to convert McLeod Deep’s inferred resource into the indicated category and to test the undrilled ~200-metre gap between McLeod and McLeod Deep (noting the recently announced hole detailed above).** Six diamond-drill rigs are currently active at the project (five surface and one underground). The ~\$8.0 million program (~\$2.8 million attributable to Donner) will include ~54 drill holes (including wedges), 35 of which will infill the McLeod Zone on 50-metre centres to support an indicated resource estimate. The remaining ~19 holes will step out from McLeod Deep’s existing inferred resource envelope in an effort to expand the zone in multiple directions. Additional results are expected through Q3/13, and a subsequent resource update is anticipated in late 2013.
- We continue to believe the deep-drilling program has the potential to extend Bracemac-McLeod’s mine life to +8 years; hence, this is money well spent, in our opinion. Furthermore, formal delineation of an increased reserve at Bracemac-McLeod could arguably prove to be the catalyst that prompts Xstrata to (re)consider Donner’s ownership position (refer to *Radar Screen*, November 20, 2012), noting that the mine’s optically short current reserve life is arguably a (the) Achilles’ heel underpinning the Donner story. **We note our formal valuation (modelled mine plan), which is underpinned by Bracemac-McLeod’s current 4-year reserve (3.7 million tonnes), generates an after-tax corporate NAV10% of \$0.20 per share. However, extending Bracemac-McLeod’s mine life to 8 years increases Donner’s after-tax corporate NAV10% to +\$0.30 per share in our model (at Haywood’s forecast metal pricing, which includes a long-term zinc price of US\$1.15/lb; refer to *Radar Screen*, January 8, 2013).**

Bracemac-McLeod Development and Exploration Plan



Source: Donner Metals

Catalysts | 1) Bracemac-McLeod concentrate production ramp-up (mid-2013) 2) Matagami exploration success (2013); 3) Zinc price appreciation (+2014); 4) Corporate activity.



Investment Thesis

Donner's flagship asset is a 35% interest in the advanced-stage Bracemac-McLeod zinc-copper project located within the Matagami base metals mining camp, in the Abitibi greenstone belt of north-central Québec. **Xstrata, Donner's 65% project partner and operator, is heavily invested in the Matagami district, and has an inherent interest in achieving timely production start-up at Bracemac-McLeod.** In July 2010, the Major announced plans to begin advancing development/construction initiatives at the project—well before Donner had formally earned an interest in the associated joint-venture area (JVA). This decision was prompted by the recognition of limited reserve life at Xstrata's neighbouring Perseverance mine, which is now fully depleted (mining completed in April 2013), and the potential supply gap the Company's Matagami mill faced. **Xstrata has brought the Bracemac-McLeod project on line to replace Perseverance production. Although difficult to quantify, we stress the value of Xstrata's position as operator, as the major's fully integrated profile, coupled with Matagami-specific production expertise (and access to an established mill/concentrator), considerably decrease Bracemac-McLeod's execution risk for Donner's shareholders. Furthermore, we would not be surprised to see the major consolidate its ownership in the mine following a recently initiated expedited drill program at McLeod Deep, which we anticipate could boost Bracemac-McLeod's mine life to +8 years. Hence, corporate activity is a notable wild card catalyst that could drive Donner's market valuation higher.** Bracemac-McLeod's original development plans are detailed in a September 2010 feasibility study (Genivar). The feasibility study is based on a 2,500-tonne-per-day (life-of-mine average; now 3,000 tonnes per day) ramp-accessed underground mining operation, underpinned by a 4-year mine plan, expected to produce 606 million pounds of zinc, 83 million pounds of copper, 1.5 million ounces of silver, and 13,000 ounces of gold (payable) at an average total zinc cash cost of US\$0.42 per pound (net of credits). Run-of-mine ore will be hauled ~4 kilometres to Xstrata's 100% owned Matagami mill/concentrator, which up until recently treated ~3,000 tonnes of ore per day from Perseverance utilizing standard off-the-shelf froth flotation to produce separate zinc and copper concentrates. Donner will be charged a fee for the use of Xstrata's Matagami mill and tailings facilities. The September 2010 feasibility study includes a US\$164 million life-of-mine capital-cost estimate (100% basis; including a 10% contingency), of which US\$116 million will be incurred before production start-up.

Donner has made the transition from explorer/developer to producer—a milestone that should garner a market rerating of the Company's share price. We anticipate that Donner will receive additional value recognition by enhancing reserve life at Bracemac-McLeod through the delineation of McLeod Deep. Ultimately, we would not be surprised to see the mine provide the Matagami mill with +8 years of ore feed. Regional exploration extends beyond Bracemac-McLeod. Five other JVAs with Xstrata are underpinned by an extensive list of new (untested) good-quality exploration targets. Prior to 2006, exploration at Matagami was focused entirely on the Key Tuffite horizon. However, Donner's discovery of the stratigraphically separated Upper Bracemac Zone, Bracemac Main Zone, and Bracemac Key Tuffite Zone has demonstrated the potential for stacked volcanogenic massive sulphide (VMS) mineralization in the camp. The Key Tuffite is still regarded as the most favourable/prolific VMS horizon in the district. **However, Donner clearly documented the reactivation of the Matagami hydrothermal system, which led to additional VMS development in hanging wall volcanic rocks—a revelation that has reopened the entire district for future exploration. We continue to recommend Donner with a BUY rating and target price of \$0.30 per share (161% implied return).**



Risks

Significant Investment Risks

The investment to which this report relates carries various risks, which are reflected in our Overall Risk Rating. We consider the following to be the most significant of these investment risks:

- Mine development, headed by Xstrata, remains on schedule and on budget. However, the major did not begin milling Bracemac-McLeod ore until feed from its neighbouring Perseverance mine was exhausted (through April 2013). Bracemac-McLeod concentrate production is now underway. That said, Donner will not begin to receive cash flow from the operation until mid-2013 given the 30- and 90-day settlement periods associated with zinc and copper concentrates respectively. In the interim, Donner is required to fund its share of ongoing underground mine development/production. Financings in November 2012 and March 2013 fund this 'working capital' requirement in lieu of operating cash flow. However, additional funding may be required if concentrate production ramp-up is delayed and/or metal prices languish.
- Bracemac-McLeod's current 3.7 million tonne reserve translates into a modest 4-year mine life, which raises longevity concern. That said, we acknowledge that the McLeod Deep zone offers a potentially significant source of additional mill feed that will be better understood following a 35,000 metre 2013 exploration drill program now underway (resource update anticipated by yearend 2013).

Our Risk Profile Parameters ratings and Overall Risk Rating are set out on the cover page and are explained in our Rating Structure section under "Overall Risk Rating" and "Risk Profile Parameters". These ratings are an integral part of our Report.



HAYWOOD SECURITIES INC.
Donner Metals Ltd. (DON-V)
 Rating: BUY
 Target Price: C\$0.30
 Target Price Metric: 3.5x 2014 CFPS

Target Price, C\$	\$0.30	Shares O/S, million	255.3
Current Price, C\$	\$0.12	Shares F/D, million	282.5
Return, %	161%	Market Capitalization, US\$M	\$29.7
52-Week High / Low, C\$	\$0.21 / \$0.10	Company CEO	Harvey Keats
Daily Volume (100-day avg)	316,192	Company Web Site	www.donnermetals.com

	US\$M	US\$ / O/S Share	C\$M	C\$ / O/S Share
Market Capitalization	\$29.7	\$0.12	\$29.4	\$0.12
Current Cash	\$21.9	\$0.09	\$21.6	\$0.08
F/D Cash Adds	\$7.6	\$0.03	\$7.5	\$0.03
Working Capital	\$20.5	\$0.08	\$20.3	\$0.08
Long-term Debt	(\$6.1)	(\$0.02)	(\$6.0)	(\$0.02)
Book Value	\$33.3	\$0.13	\$32.9	\$0.13
Enterprise Value (EV)	\$15.3	\$0.06	\$15.1	\$0.06

EV = Market Capitalization - Working Capital - Long-term Debt
 C\$/US\$ FX Rate: 0.99

	Number	Price	Proceeds	Expiry
Warrants	22.5	C\$0.32	US\$2.4M	March 2014
Options	19.9M	C\$0.26	US\$5.2M	Jan. 2014 - Nov. 2014
Warrants + Options	27.2M	C\$0.28	US\$7.6M	

C\$/US\$ FX Rate: 0.99

November 14, 2012 - C\$5.0M brokered FT financing (25.1M FT shares at C\$0.20 per share)
March 6, 2012 - C\$15.2M brokered unit / FT financing (14.8M units @ C\$0.25 per share + 41.2M FT shares at C\$0.28 per share)
November 9, 2011 - C\$0.44M non-brokered FT financing (2.0M shares @ C\$0.22 per share)
November 9, 2011 - C\$2.0M brokered FT financing (9.1M FT shares @ C\$0.22 per share)
July 13, 2011 - C\$2.25M Sandstorm equity financing (6.2M shares @ C\$0.35 per share)

	2013	2014	2015	2016	2017	2018
Forecast Zinc Price, US\$/lb	\$0.95	\$1.20	\$1.25	\$1.20	\$1.15	\$1.15
Realized Zinc Price, US\$/lb	\$0.95	\$1.20	\$1.25	\$1.20	\$1.15	-
Forecast Copper Price, US\$/lb	\$3.65	\$3.65	\$3.50	\$3.25	\$3.25	\$3.25
Realized Copper Price, US\$/lb	\$1.66	\$1.66	\$1.61	\$1.54	\$1.54	-
C\$/US\$ FX Rate	\$0.99	\$1.00	\$1.03	\$1.04	\$1.06	\$1.07
Average Shares O/S, millions	255	255	255	255	255	255
Gross Sales Revenue, US\$M	\$45	\$112	\$103	\$71	\$8	\$0
Net Revenue, US\$M	\$32	\$87	\$80	\$55	\$6	\$0
Cost of Sales, US\$M	(\$21)	(\$39)	(\$38)	(\$27)	(\$2)	\$0
Corporate G&A, US\$M	(\$2)	(\$2)	(\$2)	(\$2)	\$0	\$0
EBITDA, US\$M	\$9	\$45	\$40	\$25	\$5	\$0
EV / EBITDA	1.7x	0.3x	0.4x	0.6x	3.3x	-
DD&A, US\$M	(\$12)	(\$18)	(\$18)	(\$12)	\$0	\$0
Gain on Derivative Instruments, US\$M	\$0	\$0	\$0	\$0	\$0	\$0
Earnings, US\$M	(\$4)	\$14	\$12	\$7	\$4	\$1
EPS, US\$	(\$0.02)	\$0.05	\$0.05	\$0.03	\$0.02	\$0.00
Current Price / EPS	-	2.2x	2.4x	3.8x	7.1x	-
Target Price / EPS	-	5.6x	6.4x	9.9x	18.5x	-
Cash Flow Before W/C Changes, US\$M	(\$2)	\$22	\$21	\$14	\$4	\$3
CFPS, US\$	(\$0.01)	\$0.08	\$0.08	\$0.06	\$0.02	\$0.01
Current Price / CFPS	-	1.4x	1.4x	2.0x	6.7x	10.2x
Target Price / CFPS	-	3.5x	3.5x	5.2x	17.5x	26.6x
CAPEX (incl. exploration), US\$M	(\$21)	(\$4)	(\$3)	(\$2)	(\$0)	\$0
Proceeds from Equity Financing, US\$M	\$0	\$0	\$0	\$0	\$0	\$0
Proceeds from Debt Financing, US\$M	\$8	\$0	\$0	\$0	\$0	\$0
Debt Repayment, US\$M	(\$1)	(\$4)	(\$2)	(\$0)	\$0	\$0
Free Cash Flow, US\$M	(\$16)	\$14	\$16	\$11	\$4	\$3
FCPS, US\$	(\$0.06)	\$0.05	\$0.06	\$0.04	\$0.01	\$0.01

	2013	2014	2015	2016	2017	RLOM
Ore Tonnes Mined, millions	1.1	1.1	1.1	0.4	-	3.7
Waste Tonnes Mined, millions	0.4	0.4	0.4	0.1	-	1.3
Ore Tonnes Milled, millions	0.7	1.1	1.1	0.7	-	3.7
Ore Tonnes Milled, tonnes per day	2,000	3,000	3,000	2,000	-	3,000
Zinc Grade Milled, %	9.1%	10.6%	9.2%	9.6%	-	9.7%
Copper Grade Milled, %	1.5%	1.2%	1.2%	1.2%	-	1.2%
Zinc Recovery, %	92%	92%	92%	92%	-	92%
Copper Recovery, %	86%	86%	86%	86%	-	86%
Zinc production (in concentrate), Mlb	134	233	204	142	-	714
Copper production (in concentrate), Mlb	21	24	25	16	-	87
Payable Zinc Production, Mlb	114	198	173	121	-	606
Payable Copper Production, Mlb	21	24	24	16	-	83
Zinc Sold, Mlb	97	198	175	125	10	606
Copper Sold, Mlb	12	26	24	18	4	83
On-Site Operating Cost, C\$/tonne milled	\$95	\$95	\$90	\$95	-	\$95
Total Zinc Cash Cost (NoC; IR), US\$/lb	\$0.50	\$0.35	\$0.40	\$0.40	-	\$0.40
On-Site Operating Cost (DON attrib. share), C\$/tonne milled	\$105	\$105	\$100	\$105	-	\$105
Total Zinc Cash Cost (NoC; IR; DON attrib. share), US\$/lb	\$0.70	\$0.55	\$0.60	\$0.60	-	\$0.60

NOC = net of credits; IR = including royalties.

	2013	2014	2015	2016	2017	RLOM
Zinc Offtake, Mlb	-	-	-	-	-	-
Zinc Offtake Price, US\$/lb	-	-	-	-	-	-
Copper Offtake, Mlb	3	6	6	4	1	20
Copper Offtake Price, US\$/lb	\$0.80	\$0.80	\$0.80	\$0.80	\$0.80	\$0.80

	Year	Quarter	Amount (\$M)	Price (C\$/share)	Shares (millions)
Current O/S Share Capital	-	-	-	-	255
Current F/D Share Capital	-	-	-	-	283
Modelled Equity Financing	-	-	-	-	-
Modelled Fully Financed F/D Share Capital	-	-	-	-	283

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Source: Donner Metals, Capital IQ, and Haywood Securities

	O/S (millions)	O/S (%)	F/D (millions)	F/D (%)
Sentry Investments	22.5	9%	22.5	8%
Creststreet	4.6	2%	4.6	2%
Management and Directors	1.6	1%	1.6	1%
Total	255.3	11%	282.5	10%

	Haywood Model	\$0.50	\$1.00	\$1.50	\$2.00	\$0.81
Forecast Zinc Price, US\$/lb	\$2.00	\$3.00	\$4.00	\$5.00	\$3.22	
Forecast Copper Price, US\$/lb	1.20	1.10	1.00	0.90	1.02	
Forecast C\$/US\$ FX Rate	\$1.4	\$1.4	\$1.4	\$1.4	\$1.4	
Corporate Adjustments, US\$M	\$25	(\$39)	\$11	\$58	\$103	(\$10)
Bracemac-McLeod After-Tax Project NAV(10%), US\$M	\$18	\$18	\$18	\$18	\$18	\$18
Additional Exploration Credit, US\$M	\$58	(\$7)	\$44	\$90	\$136	\$22
Corporate NAV, US\$M	\$0.05	\$0.06	\$0.06	\$0.05	\$0.05	\$0.05
Corporate Adjustments, C\$/F/D share	\$0.09	(\$0.17)	\$0.04	\$0.21	\$0.33	(\$0.04)
Bracemac-McLeod After-Tax Project NAV(10%), C\$/F/D share	\$0.06	\$0.08	\$0.07	\$0.06	\$0.06	\$0.06
Additional Exploration Credit, C\$/F/D share	\$0.20	(\$0.03)	\$0.17	\$0.32	\$0.43	\$0.08
Corporate NAV, C\$/F/D share	0.6x	-	0.7x	0.4x	0.3x	1.4x
Current Price / Corporate NAV	1.5x	-	1.8x	0.9x	0.7x	3.7x
Target Price / Corporate NAV	(\$0.01)	(\$0.06)	\$0.00	\$0.04	\$0.08	(\$0.03)
2013E CFPS, US\$	\$0.08	(\$0.06)	\$0.06	\$0.13	\$0.21	\$0.02
2014E CFPS, US\$						

Based on 35% Bracemac-McLeod project ownership.
 Model shares F/D (fully financed): 283M

	Tonnes (000's)	Zn Grade (%)	ZnEq Grade (%)	Zinc (Mlb)	ZnEq (Mlb)	EV/lb ZnEq (US\$/lb)
Haywood Model Mineable (100%)	3,728	9.67%	14.84%	795	1,220	-
Haywood Model Payable (100%)	-	-	-	606	873	-
Proven and Probable Reserve (100%)	3,728	9.60%	14.78%	789	1,215	-
Additional M&I Resource (100%)	1,981	4.11%	8.02%	179	350	-
Inferred Resource (100%)	2,628	8.79%	15.56%	509	901	-
Total Reserve and Resource (100%)	8,338	8.04%	13.42%	1,478	2,467	-
Attributable Reserve (35%)	1,305	9.60%	14.78%	276	425	\$0.036
Attributable Reserve and Resource (35%)	2,918	8.04%	13.42%	517	863	\$0.018

Attributable values are based on 35% Bracemac-McLeod and 35% (projected) PD-1 ownership.

	Analysts	Mean EPS	High / Low	Haywood vs. Cons.	Mean CFPS	High / Low	Haywood vs. Cons.
2013 Consensus Estimate	1	US\$0.03	US\$0.03 / US\$0.03	(157%)	US\$0.06	US\$0.06 / US\$0.06	(115%)
2014 Consensus Estimate	1	US\$0.05	US\$0.05 / US\$0.05	7%	US\$0.08	US\$0.08 / US\$0.08	4%
Consensus Valuation	1	1	1	-	US\$0.30	US\$0.30 / US\$0.30	-

	Share Price	Corp NAV	Price / NAV	2013E CFPS	Price / CFPS	2014E CFPS	Price / CFPS
Donner Metals Ltd. (DON-V)	C\$0.12	US\$0.20	0.6x	(US\$0.01)	-	US\$0.08	1.4x
Avant Mining Inc. (AVT-V)	C\$0.08	US\$0.20	0.4x	(US\$0.01)	-	(US\$0.01)	-
Capstone Mining Corp. (CS-T)	C\$2.26	US\$4.95	0.5x	US\$0.35	6.5x	US\$0.75	3.0x
Castle Resources Inc. (CRI-V)	C\$0.06	US\$0.39	0.2x	(US\$0.01)	-	(US\$0.01)	-
Copper Mountain Mining Corp. (CUM-T)	C\$1.72	US\$3.84	0.5x	US\$0.70	2.5x	US\$1.00	1.7x
Coro Mining Corp. (COP-T)	C\$0.15	US\$0.26	0.6x	US\$0.00	-	(US\$0.01)	-
First Quantum Minerals Ltd. (FM-T)	C\$18.90	US\$17.37	1.1x	US\$2.50	7.6x	US\$3.00	6.3x
Foran Mining Corp. (FOM-V)	C\$0.36	US\$0.74	0.5x	(US\$0.02)	-	(US\$0.01)	-
Lundin Mining Corp. (LUN-T)	C\$4.10	US\$6.35	0.7x	US\$0.90	4.6x	US\$1.00	4.1x
Mercator Minerals Ltd. (ML-T)	C\$0.22	US\$0.27	0.1x	US\$0.10	2.2x	US\$0.15	1.5x
Nevsun Resources Ltd. (NSU-T)	C\$3.54	US\$4.80	0.7x	US\$0.40	8.8x	US\$1.10	3.2x
Royal Nickel Corp. (RNX-T)	C\$0.39	US\$0.98	0.4x	(US\$0.08)	-	(US\$0.04)	-
Sunridge Gold Corp. (SGC-V)	C\$0.20	US\$0.49	0.4x	(US\$0.03)	-	(US\$0.03)	-
Trevi Mining Corp. (TV-T)	C\$0.66	US\$1.44	0.5x	US\$0.02	-	US\$0.32	2.0x
Zazu Metals Corp. (ZAZ-T)	C\$0.65	US\$1.26	0.5x	(US\$0.04)	-	(US\$0.04)	-
Peer-Group Average (producers)			0.6x		5.4x		3.1x
Peer-Group Average (developers)			0.4x		-		-
Peer-Group Average (all)			0.5x		5.4x		3.1x

2013E C\$/US\$ FX Rate: 0.99
 2014E C\$/US\$ FX Rate: 1.00



Donner Metals Ltd. (DON-V)

Rating: BUY
 Target Price: C\$0.30
 Target Price Metric: 3.5x 2014E CFPS

Current Price, C\$ \$0.12
 Return, % 161%
 52-Week High / Low, C\$ \$0.21 / \$0.10
 Shares O/S, million 255.3
 Shares F/D, million 282.5

Market Capitalization, US\$M \$29.7
 Current Cash, US\$M \$21.9
 Working Capital, US\$M \$20.5
 Long-term Debt, US\$M (\$6.1)
 Enterprise Value (EV), US\$M \$15.3

After-Tax Corporate NAV Sensitivity (C\$ per fully diluted share)

		Zinc Price (US\$/lb)									
		\$0.25	\$0.50	\$0.75	\$1.00	\$1.25	\$1.50	\$1.75	\$2.00	\$2.25	\$2.50
Copper Price (US\$/lb)	\$0.50	(\$0.16)	(\$0.07)	\$0.01	\$0.10	\$0.18	\$0.26	\$0.35	\$0.43	\$0.51	\$0.60
	\$1.00	(\$0.15)	(\$0.07)	\$0.02	\$0.11	\$0.19	\$0.27	\$0.35	\$0.44	\$0.52	\$0.60
	\$1.50	(\$0.14)	(\$0.06)	\$0.03	\$0.11	\$0.19	\$0.28	\$0.36	\$0.44	\$0.53	\$0.61
	\$2.00	(\$0.13)	(\$0.05)	\$0.03	\$0.12	\$0.20	\$0.28	\$0.37	\$0.45	\$0.53	\$0.62
	\$2.50	(\$0.13)	(\$0.04)	\$0.04	\$0.12	\$0.21	\$0.29	\$0.37	\$0.46	\$0.54	\$0.62
	\$3.00	(\$0.11)	(\$0.03)	\$0.06	\$0.14	\$0.22	\$0.31	\$0.39	\$0.47	\$0.56	\$0.64
	\$3.50	(\$0.10)	(\$0.02)	\$0.06	\$0.15	\$0.23	\$0.31	\$0.40	\$0.48	\$0.56	\$0.65
	\$4.00	(\$0.10)	(\$0.01)	\$0.07	\$0.15	\$0.24	\$0.32	\$0.40	\$0.49	\$0.57	\$0.65
	\$4.50	(\$0.09)	(\$0.01)	\$0.08	\$0.16	\$0.24	\$0.33	\$0.41	\$0.49	\$0.58	\$0.66
	\$5.00	(\$0.08)	\$0.00	\$0.08	\$0.17	\$0.25	\$0.33	\$0.42	\$0.50	\$0.58	\$0.67

After-Tax Bracemac-McLeod Project NAV Sensitivity (C\$ per fully diluted share)

		Zinc Price (US\$/lb)									
		\$0.25	\$0.50	\$0.75	\$1.00	\$1.25	\$1.50	\$1.75	\$2.00	\$2.25	\$2.50
Copper Price (US\$/lb)	\$0.50	(\$0.27)	(\$0.19)	(\$0.10)	(\$0.01)	\$0.07	\$0.15	\$0.23	\$0.32	\$0.40	\$0.48
	\$1.00	(\$0.26)	(\$0.18)	(\$0.09)	(\$0.01)	\$0.07	\$0.16	\$0.24	\$0.32	\$0.41	\$0.49
	\$1.50	(\$0.26)	(\$0.17)	(\$0.09)	(\$0.00)	\$0.08	\$0.16	\$0.25	\$0.33	\$0.41	\$0.50
	\$2.00	(\$0.25)	(\$0.16)	(\$0.08)	\$0.00	\$0.09	\$0.17	\$0.25	\$0.34	\$0.42	\$0.50
	\$2.50	(\$0.24)	(\$0.16)	(\$0.07)	\$0.01	\$0.09	\$0.18	\$0.26	\$0.34	\$0.43	\$0.51
	\$3.00	(\$0.23)	(\$0.14)	(\$0.05)	\$0.03	\$0.11	\$0.19	\$0.28	\$0.36	\$0.44	\$0.53
	\$3.50	(\$0.22)	(\$0.13)	(\$0.05)	\$0.03	\$0.12	\$0.20	\$0.28	\$0.37	\$0.45	\$0.53
	\$4.00	(\$0.21)	(\$0.13)	(\$0.04)	\$0.04	\$0.12	\$0.21	\$0.29	\$0.37	\$0.46	\$0.54
	\$4.50	(\$0.20)	(\$0.12)	(\$0.04)	\$0.05	\$0.13	\$0.21	\$0.30	\$0.38	\$0.46	\$0.55
	\$5.00	(\$0.20)	(\$0.11)	(\$0.03)	\$0.05	\$0.14	\$0.22	\$0.30	\$0.39	\$0.47	\$0.55

2013E CFPS Sensitivity (US\$)

		Zinc Price (US\$/lb)									
		\$0.25	\$0.50	\$0.75	\$1.00	\$1.25	\$1.50	\$1.75	\$2.00	\$2.25	\$2.50
Copper Price (US\$/lb)	\$0.50	(\$0.12)	(\$0.09)	(\$0.05)	(\$0.02)	\$0.01	\$0.03	\$0.05	\$0.07	\$0.09	\$0.11
	\$1.00	(\$0.12)	(\$0.08)	(\$0.05)	(\$0.02)	\$0.01	\$0.03	\$0.05	\$0.07	\$0.09	\$0.11
	\$1.50	(\$0.12)	(\$0.08)	(\$0.05)	(\$0.02)	\$0.01	\$0.03	\$0.05	\$0.07	\$0.09	\$0.11
	\$2.00	(\$0.11)	(\$0.08)	(\$0.05)	(\$0.01)	\$0.01	\$0.03	\$0.05	\$0.07	\$0.09	\$0.11
	\$2.50	(\$0.11)	(\$0.08)	(\$0.04)	(\$0.01)	\$0.02	\$0.03	\$0.05	\$0.07	\$0.09	\$0.11
	\$3.00	(\$0.11)	(\$0.07)	(\$0.04)	(\$0.01)	\$0.02	\$0.04	\$0.06	\$0.08	\$0.10	\$0.11
	\$3.50	(\$0.10)	(\$0.07)	(\$0.04)	(\$0.00)	\$0.02	\$0.04	\$0.06	\$0.08	\$0.10	\$0.12
	\$4.00	(\$0.10)	(\$0.07)	(\$0.03)	(\$0.00)	\$0.02	\$0.04	\$0.06	\$0.08	\$0.10	\$0.12
	\$4.50	(\$0.10)	(\$0.06)	(\$0.03)	\$0.00	\$0.02	\$0.04	\$0.06	\$0.08	\$0.10	\$0.12
	\$5.00	(\$0.10)	(\$0.06)	(\$0.03)	\$0.00	\$0.02	\$0.04	\$0.06	\$0.08	\$0.10	\$0.12

2014E CFPS Sensitivity (US\$)

		Zinc Price (US\$/lb)									
		\$0.25	\$0.50	\$0.75	\$1.00	\$1.25	\$1.50	\$1.75	\$2.00	\$2.25	\$2.50
Copper Price (US\$/lb)	\$0.50	(\$0.17)	(\$0.10)	(\$0.03)	\$0.04	\$0.07	\$0.11	\$0.15	\$0.19	\$0.23	\$0.26
	\$1.00	(\$0.16)	(\$0.09)	(\$0.02)	\$0.04	\$0.07	\$0.11	\$0.15	\$0.19	\$0.23	\$0.27
	\$1.50	(\$0.15)	(\$0.09)	(\$0.02)	\$0.04	\$0.08	\$0.11	\$0.15	\$0.19	\$0.23	\$0.27
	\$2.00	(\$0.15)	(\$0.08)	(\$0.01)	\$0.04	\$0.08	\$0.12	\$0.16	\$0.20	\$0.24	\$0.28
	\$2.50	(\$0.14)	(\$0.08)	(\$0.01)	\$0.04	\$0.08	\$0.12	\$0.16	\$0.20	\$0.24	\$0.28
	\$3.00	(\$0.13)	(\$0.06)	\$0.00	\$0.05	\$0.09	\$0.13	\$0.17	\$0.21	\$0.25	\$0.29
	\$3.50	(\$0.13)	(\$0.06)	\$0.01	\$0.05	\$0.09	\$0.13	\$0.17	\$0.21	\$0.25	\$0.29
	\$4.00	(\$0.12)	(\$0.05)	\$0.01	\$0.06	\$0.10	\$0.13	\$0.17	\$0.21	\$0.25	\$0.29
	\$4.50	(\$0.12)	(\$0.05)	\$0.02	\$0.06	\$0.10	\$0.14	\$0.18	\$0.22	\$0.26	\$0.29
	\$5.00	(\$0.11)	(\$0.04)	\$0.02	\$0.06	\$0.10	\$0.14	\$0.18	\$0.22	\$0.26	\$0.30

Haywood model is based on a forecast zinc price of US\$0.95/lb in 2013, US\$1.20/lb in 2014, US\$1.25/lb in 2015, US\$1.20/lb in 2016, and US\$1.15/lb thereafter.

Haywood model is based on a forecast copper price of US\$3.65/lb in 2013-2014, US\$3.50/lb in 2015, and US\$3.25/lb thereafter.

Current spot prices include a zinc price of US\$0.81/lb, and a copper price of US\$3.22/lb.

Source: Haywood Securities



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	Ticker	Company	1	2	3	4	5	6	7	8
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	TSX:CS	Capstone Mining Corp.			X					
	TSXV:CRI	Castle Resources Inc.			X	X	X			
	TSX:CUM	Copper Mountain Mining Corp.			X					
	TSX:COP	Coro Mining Inc.		X	X					
	TSXV:DON	Donner Metals Ltd.		X	X	X				
	TSX:FM	First Quantum Minerals Ltd.	X		X					
	TSXV:FOM	Foran Mining Corp.			X					
	TSX:LUN	Lundin Mining Corporation	X		X					
	TSX:ML	Mercator Minerals Ltd.			X	X		X		
	TSX:NSU	Nevsun Resources Ltd.			X					
	TSX:RNX	Royal Nickel Corporation			X			X		
	TSXV:SGC	Sunridge Gold Corp.		X	X		X			
	TSX:TV	Trevali Resources Corp.			X					
	TSX:ZAZ	Zazu Metals Corp.		X	X					

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medium tolerance for risk and volatility and who are prepared to accept general stock market risk including the risk of a temporary or permanent loss of some of their investment capital.

Risk Profile Parameters – Mining and Minerals Sector

Forecast Risk: High (7-10) – The Company’s primary project(s) is at an earlier stage of exploration and/or resource delineation whereby grades, tonnages, capital and operating costs, and other economic/operational parameters are not yet reliably established. **Moderate (4-6)** – The Company has taken steps to de-risk its primary producing, or soon to be producing project(s) and has established reasonably reliable operational and economic parameters. **Low (1-3)** – The Company has de-risked the majority of its primary project(s) through operational history and established production profile(s).

Financial Risk: High (7-10) – The Company’s near- and medium-term (capital) expenditure considerations, including the current year or next forecast year, are not fully funded through a combination of established debt facilities, cash on hand, and/or anticipated cash flow from existing operations—successful project execution depends, in part, on future (equity) financing(s). Existing and/or forecast levels of leverage are above average relative to the Company’s peer group. The risk of a significant capital cost overrun(s) is high given the early stage of project development. **Moderate (4-6)** – The Company’s near-term (capital) expenditure program, in the current year or next forecast year, is fully funded through a combination of established debt facilities, cash on hand, and/or anticipated cash flow from existing operations. Medium-term funding requirements will likely require additional financing consideration, but should be achievable assuming no significant uncontrollable events impede access to capital. Existing and/or forecast levels of leverage are in-line with the Company’s peer group. The risk of a significant capital cost overrun(s) is moderate given the advanced stage of project development. **Low (1-3)** – the Company’s near- and medium-term (capital) expenditure program is fully funded through a combination of established debt facilities, cash on hand, and/or anticipated cash flow from existing operations. Existing and/or forecast levels of leverage are below average relative to the Company’s peer group.

Valuation Risk: High (7-10) – The current valuation is at a premium to peers. The valuation reflects considerable future exploration success and/or commodity appreciation. Where applicable, the current capitalization exceeds the “DCF” evaluation by more than 50%. **Moderate (4-6)** – 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 (1-3)** – 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.

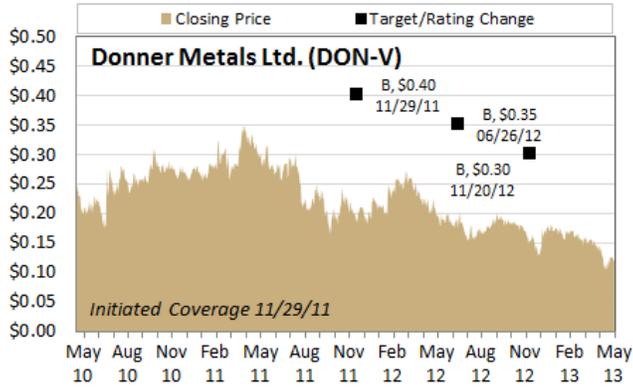
Political Risk: High (7-10) – Obtaining permits is challenging. Properties are located in an area(s) with high geo-political uncertainty, limited access, and/or have significant new infrastructure requirements. **Moderate (4-6)** – Properties are located in an area(s) with moderate geo-political risk, reasonable or manageable access, and some established infrastructure. **Low (1-3)** – Properties are located in areas with a manageable geo-political risk profile and established access/infrastructure.

Distribution of Ratings (as of May 16, 2013)

	Distribution of Ratings		IB Clients (TTM)
	%	#	
Buy	52.8%	75	66.7%
Hold	6.3%	9	6.7%
Sell	0.0%	0	0.0%
Tender	0.0%	0	0.0%
UR (Buy)	18.3%	26	26.7%
UR (Hold)	1.4%	2	0.0%
UR (Sell)	0.7%	1	0.0%
dropped (TTM)	20.4%	29	0.0%



Price Chart, Rating and Target Price History (as of May 16, 2013)



B: Buy; H: Hold; S: Sell; T: Tender; UR: Under Review
Source: Capital IQ and Haywood Securities