

Merrex Gold Inc. (TSXV: MXI) – \$12 Million Option Agreement and Private Placement Closed with IAMGOLD; First Resource Estimate on West Mali Gold Project

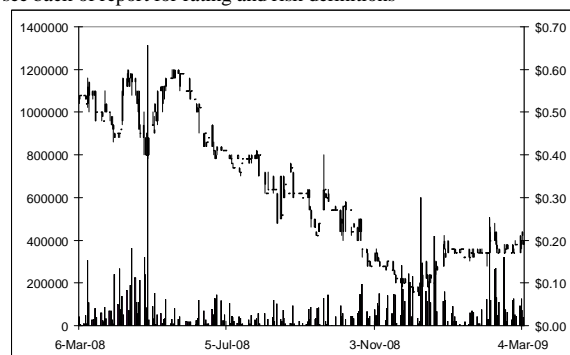
Sector/Industry: Junior Mining

www.merrexgold.com

Market Data (as of March 5, 2009)

Current Price	C\$0.19
Fair Value	C\$0.52 (↓)
Rating*	BUY
Risk*	5 (Highly Spec)
52 Week Range	C\$0.07 – C\$0.60
Shares O/S	61.96 mm
Market Cap	C\$11.77 mm
Current Yield	N/A
P/E	N/A
P/B	0.82
YoY Return	-64.8%
YoY TSXV	-70.4%

*see back of report for rating and risk definitions



Investment Highlights

- An initial resource estimate on Zone 1B at Siribaya has been calculated stating 123,000 oz, Au indicated and 319,000 oz, Au inferred at grades of 1.81 g/t and 1.74 g/t respectively
- \$10.5 million option agreement signed with IAMGOLD (NYSE: IAG; TSX: IMG) who may earn a 50% interest in the company's West Mali gold project.
- \$1.5 million private placement closed with IAMGOLD for 4.29 million units at a price of \$0.35 per unit
- \$3 million exploration program commenced on West Mali Gold Project
- The company has signed an option agreement to earn up to a 50% interest in the Crackingstone Uranium property located on the northern shore of Lake Athabasca
- The company recently raised a total of \$2.7 million, which includes \$1.5 million from a private placement (mentioned above) and \$1.2 million from the sale of one-half of its 50% interest in the West Voisey's Bay Joint Venture. We estimate the company will have to raise \$1.5 - \$2 million in 2009 to meet its current obligations, maintain its remaining properties, option agreements, and for working capital.

Key Financial Data (FYE - August 31)

(C \$)	2005	2006	2007	2008	Q1-2009
Cash & Cash Equivalents	5,942	1,128,572	3,911,520	61,459	67,334
Working Capital	(175,362)	817,806	4,213,672	(2,648,895)	(3,351,632)
Mineral Assets	-	4,913,673	12,687,285	17,139,940	17,555,756
Total Assets	22,135	6,259,823	18,039,233	17,716,186	17,798,898
Net Income	(104,396)	(1,076,709)	(1,291,451)	(4,690,672)	(345,062)
EPS	(0.02)	(0.06)	(0.03)	(0.08)	(0.01)

Merrex Gold Inc. is focused on two exploration properties: the West Mali Gold Project in West Africa, and the Jubilee Zinc-Lead Project in Nova Scotia, Canada. The company is also working to earn a 50% interest in the Crackingstone Uranium Property in Northern Saskatchewan.

West Mali Gold Property **Ownership Update:** At the time of our previous update, the company was hoping to attract the interest of a major as an investment partner for the West Mali Gold Project. On December 19, 2008, the company successfully closed a private placement and option agreement with IAMGOLD Corporation who can acquire up to a 50% interest in Merrex's wholly owned Siribaya gold project.

Option Agreement Terms: IAMGOLD may obtain a 50% interest in Siribaya by incurring up to \$10.5 million over 4 years on the project as follows from the company's news release:

The Option Agreement provides that IAMGOLD will incur exploration expenditures of \$3.0 million in the first year and aggregate expenditures totaling not less than \$2.5 million in each of the three succeeding years to earn its 50% interest. The interest to be earned will vest 30% after expenditures of \$8.0 million and a further 20% after the final expenditure of \$2.5 million.

The Option Agreement also provides that Merrex will be the initial Project Operator. After two years, or exploration expenditures of \$5.5 million, IAMGOLD can elect to be the Project Operator. The project exploration programs will be determined by a joint management committee with equal representation, subject to final program approval by IAMGOLD.

Private Placement: In addition to the option agreement, IAMGOLD subscribed for 4.29 million units at \$0.35 per unit for net proceeds of \$1.5 million. Each unit is comprised of one share and one twelve-month share purchase warrant exercisable at \$0.45 per share.

In order to complete the above transactions, the company acquired the outstanding 5% free carried interest royalty from Touba Mining SARL for 2 million common shares at a deemed issue price of \$0.25 per share.

Overall the project is subject to a carried production royalty of 10% to the Mali government, an optional 10% participating interest to the Mali government, and a 5% net profit production royalty to Touba.

We believe this is a constructive move for the company as it should expedite the development of the project. IAMGOLD will be contributing a significant amount of money to explore a project with highly prospective targets already identified. We expect near term exploration will consist of drilling to substantially expand on the initial inferred resources, and identification of other high priority targets. It is also important to note that Merrex will retain 50% interest in the project.

Resource Estimate: The company released an initial resource estimate on the Siribaya project on February 10, 2009. The resource is based on Area 55 of Zone 1B, a 300 meter mineralized section that has been drill tested to 250 meters depth where the majority of 2008 drilling took place. Table 1 below summarizes calculated indicated and inferred resources.

Table 1

	Cut-off Grade (g/t)	Tonnes	Grade (g/t)	Au (oz)
Indicated Resource	2.00	710,000	3.29	80,000
	1.00	1,470,000	2.30	109,000
	0.75	1,750,000	2.07	116,000
	0.50	212,000	1.81	123,000
Inferred Resource	2.00	1,750,000	3.13	180,000
	1.00	4,090,000	2.13	280,000
	0.75	4,820,000	1.94	301,000
	0.50	5,700,000	1.74	319,000

Source: Merrex Gold Inc.

In our previous reports on Merrex, we presented a basic theoretical resource calculation of 1.01 million ounces over the entire 7,000 meter strike length at a grade of 2.5 g/t and discounted by 50%. As the NI 43-101 resource calculation is initial, and covers only 300 meters of strike length, it is unreasonable to base any judgments on comparisons between the two.

We remain positive on the project based on this initial resource estimate and the potential for future drilling to significantly increase resources. Area 55 is open along strike and to depth, and represents approximately a third of Zone 1B. In turn, at a kilometer in length, Zone 1B represents only a small portion of the entire 10 km Siribaya structure demonstrating the potential of the company's project.

2009 Exploration Program: The estimated \$3 million exploration program will include diamond drilling, a high-resolution airborne magnetic survey and geochemical surveys.

Diamond Drilling: 5,000 meters are planned and will focus primarily on the Siribaya structure with a main objective of expanding and further defining the current gold resource.

Airborne Magnetic Survey: The proposed survey will cover Merrex's entire land package of approximately 700 square kilometers. Data derived from Area 55, and Zone 1B at Siribaya, should help the company further comprehend structural controls and help identify local extensions of gold mineralization. At Zone Bambadinka, survey data will be combined with previously collected geochemical assisting in the identification and selection of drill targets.

Geochemistry: This program will include trenching and pitting in areas of interest as well as deeper trenching and pitting in areas with previously identified geochem anomalies.

Jubilee Zinc Property

Results of 2008 Drilling: In 2008, the company completed a 16 hole, 5,000 meter drill program on its 100% owned Jubilee zinc lead project in Nova Scotia. The 2008 program focused on expanding the grade and character of the eastern parallel structure, one of the associated adjacent fault zones we briefly discussed in our past reports. Assay highlights

from this structure, which the company has named the Racetrack Zone, are summarized in Table 2.

Table 2

Drill Hole	From (m)	To (m)	Width (m)	Weight Average (%)		
				Zn	Pb	Zn + Pb
MJ-08-56	409.55	410.55	1.00	1.39	0.03	1.42
MJ-08-57	423.85	425.45	1.60	1.60	0.07	1.67
MJ-08-59	351.00	362.65	11.65	7.96	3.32	11.29
Including	352.00	355.60	3.60	17.20	4.60	21.81
MJ-08-60A	344.75	355.05	10.30	1.79	0.61	2.40
MJ-08-61	342.50	343.20	0.70	8.32	0.03	8.35
MJ-08-62	352.40	360.00	7.60	1.52	0.67	2.20
MJ-08-67	316.70	317.50	0.80	5.02	0.33	5.35
MJ-08-68	317.60	319.40	1.80	4.78	0.11	4.89

Source: Merrex Gold Inc.

Aside from a few exceptions such as MJ-08-59, drill results appear to indicate the Racetrack zone is slightly lower grade with shorter mineralized intervals than the main Jubilee zone. **Proving mineralization in the parallel structure however can be viewed as positive as we believe it holds potential to expand on current resources.** The Jubilee project has an NI 43-101 inferred resource of 3.1 million tonnes grading 3.81% Zn and 0.89% Pb and a Zn equivalent (calculated as Zn% + Pb%) of 4.71%.

According to the company's most recent Management Discussion and Analysis prepared as of December 17, 2008, the restructuring we discussed in our previous report is still in the planning stage.

Uranium Property Option

Crackingstone Uranium: On December 30, 2008, the company announced an agreement to option a 50% interest in the Crackingstone River uranium property which was under joint venture between International Montoro Resources Inc. (TSXV: IMT) and Belmont Resources Inc. (TSXV: BEA). The terms of the agreement state Merrex may earn up to a 50% interest by issuing Montoro and Belmont 1.2 million common shares (0.6 million each), incurring \$1.2 million in exploration expenditures in the first year, and an additional \$2.4 million in exploration expenditures in the second year. The 1.2 million shares have been issued.

The Crackingstone River claim block covers 750 hectares on the north shore of Lake Athabasca. During 2008, Montoro and Belmont conducted a 20 hole drill program to test for the presence of uranium mineralization at the intersection between the Boom Lake Fault and North Crackingstone Fault; mineralization was confirmed over a 1,800 meter strike length. Hole C-14-08 returned the highest assay results of 0.36% U₃O₈ over 3 meters including 2.09% U₃O₈ over 0.3 meters.

West Voisey's Bay

Joint Venture Sale: Also announced on December 30, 2008, was MXI's sale of half of its 50% interest in the West Voisey's bay Joint Venture to Montoro and Belmont for \$1.2 million. MXI retains a net 25% participating interest and paid a finders fee of 25,000 shares.

**Turkey
Exploration
Syndicate**

Option Agreement: On October 10, 2008, the company announced that along with its strategic partner AgeanGold Madencilik Ltd. Sti, it had optioned a 50% interest in its four Turkey properties to Roscan Minerals (BVI) Corp (TSXV: ROS). Roscan may earn up to 50% undivided interest in 12 exploration concessions on the four properties in return for \$1 million of exploration expenditures over three years. \$0.3 million is to be spent in year 1, \$0.35 million in year 2 and \$0.35 million in year 3. Year 1 expenditures are a firm commitment.

Management

Since our last update, the company has appointed a Director of Finance, an interim Chief Financial Officer, and seen four directors resign. John Cumming, already a director with the company, has come on as the CFO. Directors Michel Blouin, John Edmondson, Dan Whittaker and Gary MacKenzie have resigned. We do not believe these resignations affect the company negatively as we expect changes in management as the company is in preparation for restructuring. The biography of Chris Ryan, as provided by the company follows below:

Chris Ryan, B. Comm., CA – Director of Finance

Mr. Ryan, a Dalhousie graduate, has over 25 years experience in corporate finance. After completing his chartered accountancy Mr. Ryan joined FTSE 100 oil and gas company LASMO (previously London and Scottish Marine Oil Plc., now Eni Lasmo Plc.), one of Britain's largest independent oil and gas exploration companies. During his tenure at LASMO he served as Finance Manager participating in the marketing and sale of LASMO's Canadian operations to PanCanadian Petroleum. Mr. Ryan gained international experience working with both LASMO and Precision Drilling throughout South America. Mr. Ryan returned to Canada in 2003 as Director of Finance for Air Canada Jazz leading the finance team as Air Canada Jazz worked out of CCAA protection. Most recently Mr. Ryan served as Regional Controller for Major Drilling in Africa.

**Outlook on
Gold and Zinc**

We have maintained our long-term forecast on gold and zinc prices at US\$600/oz and US\$0.75/lb, respectively.

Financials

At the end of November 2008, the company had \$0.07 million in cash. The company had a working capital deficit of \$3.35 million. In Q1-2009 (quarter ended November 2008), the company reported a net loss of \$0.35 million (EPS: -\$0.01). We estimate the company had a burn rate of \$0.13 million per month in Q1-2009 versus \$0.57 million per month in FY2008.

	2007	2008	Q1-2009
Cash & Cash Equivalents	3,911,520	61,459	67,334
Working Capital	\$4,213,672	(2,648,895)	(3,351,632)
Current Ratio	6.65	0.16	0.05
LT Debts/ Assets	-	-	-
Burn Rate/Month (incl exploration costs)	(\$837,160)	(\$568,572)	(\$131,911)
Cash from financing activities	\$12,828,870	\$2,972,798	-

Subsequent to Q1-2009, the company received a total of \$2.70 million from the following:

- In December 2008, IAMGOLD subscribed for 4.29 million units at a unit price of \$0.35 for net proceeds of \$1.5 million. Each unit consists of one common share and one warrant (exercise price - \$0.45 per share; maturity period – 12 months).
- In December 2008, the company announced it has agreed to sell one-half of its 50% interest (net 25%) in the West Voisey’s Bay Joint Venture to Montoro and Belmont for \$1.20 million.

Options and Warrants: The company currently has 5.2 million stock options and 4.62 million warrants outstanding. None of the outstanding options and warrants are currently ‘in-the-money’.

Conclusion: Based on the company’s current cash position, we estimate the company will have to raise an additional \$1.5 - \$2 million in 2009 to meet its current obligations, maintain its remaining properties and option agreements, and for working capital.

Valuation

Our revised valuation on the company dropped from \$1.05 per share to \$0.52 per share. A summary of our valuation is shown below.

Valuation Summary	Revised		Previous	
	Value	VPS	Value	VPS
Siribaya Gold Project - DCF	\$16,079,775	\$0.26	\$23,964,778	\$0.44
Siribaya Gold Project - Real Options	\$21,150,957	\$0.34	\$35,533,670	\$0.65
Average	\$18,615,366	\$0.30	\$29,749,224	\$0.54
Jubilee Zn - Pb Project - DCF	\$9,105,170	\$0.15	\$12,100,425	\$0.22
Jubilee Zn - Pb Project - Real Options	\$14,761,043	\$0.24	\$26,051,370	\$0.47
Average	\$11,933,106	\$0.19	\$19,075,897	\$0.35
Book Value of all the other properties	\$1,971,009	\$0.03	\$4,878,725	\$0.09
Working Capital	(\$501,632)	(\$0.01)	\$3,986,579	\$0.07
Fair Value of MXI	\$32,017,849	\$0.52	\$57,690,425	\$1.05
Shares (diluted)	61,961,000		55,066,752	

- 44% of the drop in valuation was a result of share dilution (due to the recently completed private placement), drop in working capital, and a decrease in the book value of the company’s properties due to writeoff (excluding the Siribaya and Jubilee projects)
- 34% of the drop in valuation was because we lowered our valuation on the Siribaya project. Our valuation dropped from \$0.54 to \$0.30 per share due to share dilution and as we have assumed that IAMGOLD will obtain a 50% interest by incurring \$10.5 million.

- 22% of the drop in valuation was because we lowered our valuation on the Jubilee zinc project. Our valuation dropped from \$0.35 to \$0.17 per share due to share dilution and as we delayed production commencement by 2 years.

Conclusions & Rating

Therefore, based on our revised valuation models, we reiterate our BUY rating, but lower our fair value estimate from \$1.05 to \$0.52 per share. We continue to rate the shares Risk 5 (Highly Speculative).

Risks

The following risks, though not exhaustive, may cause our estimates to differ from actual results:

- The success of drilling, project studies, and development are important long-term success factors for the company.
- The value of the company depends on gold, zinc and lead prices.
- The company is subject to delays that are affecting the entire mining industry.
- Access to capital
- Share dilution

Fundamental Research Corp. Equity Rating Scale:

Buy – Annual expected rate of return exceeds 12% or the expected return is commensurate with risk

Hold – Annual expected rate of return is between 5% and 12%

Sell – Annual expected rate of return is below 5% or the expected return is not commensurate with risk

Suspended or Rating N/A— Coverage and ratings suspended until more information can be obtained from the company regarding recent events.

Fundamental Research Corp. Risk Rating Scale:

1 (Low Risk) - The company operates in an industry where it has a strong position (for example a monopoly, high market share etc.) or operates in a regulated industry. The future outlook is stable or positive for the industry. The company generates positive free cash flow and has a history of profitability. The capital structure is conservative with little or no debt.

2 (Below Average Risk) - The company operates in an industry where the fundamentals and outlook are positive. The industry and company are relatively less sensitive to systematic risk than companies with a Risk Rating of 3. The company has a history of profitability and has demonstrated its ability to generate positive free cash flows (though current free cash flow may be negative due to capital investment). The company's capital structure is conservative with little to modest use of debt.

3 (Average Risk) - The company operates in an industry that has average sensitivity to systematic risk. The industry may be cyclical. Profits and cash flow are sensitive to economic factors although the company has demonstrated its ability to generate positive earnings and cash flow. Debt use is in line with industry averages, and coverage ratios are sufficient.

4 (Speculative) - The company has little or no history of generating earnings or cash flow. Debt use is higher. These companies may be in start-up mode or in a turnaround situation. These companies should be considered speculative.

5 (Highly Speculative) - The company has no history of generating earnings or cash flow. They may operate in a new industry with new, and unproven products. Products may be at the development stage, testing, or seeking regulatory approval. These companies may run into liquidity issues, and may rely on external funding. These stocks are considered highly speculative.

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