

Growth Stocks Weekly

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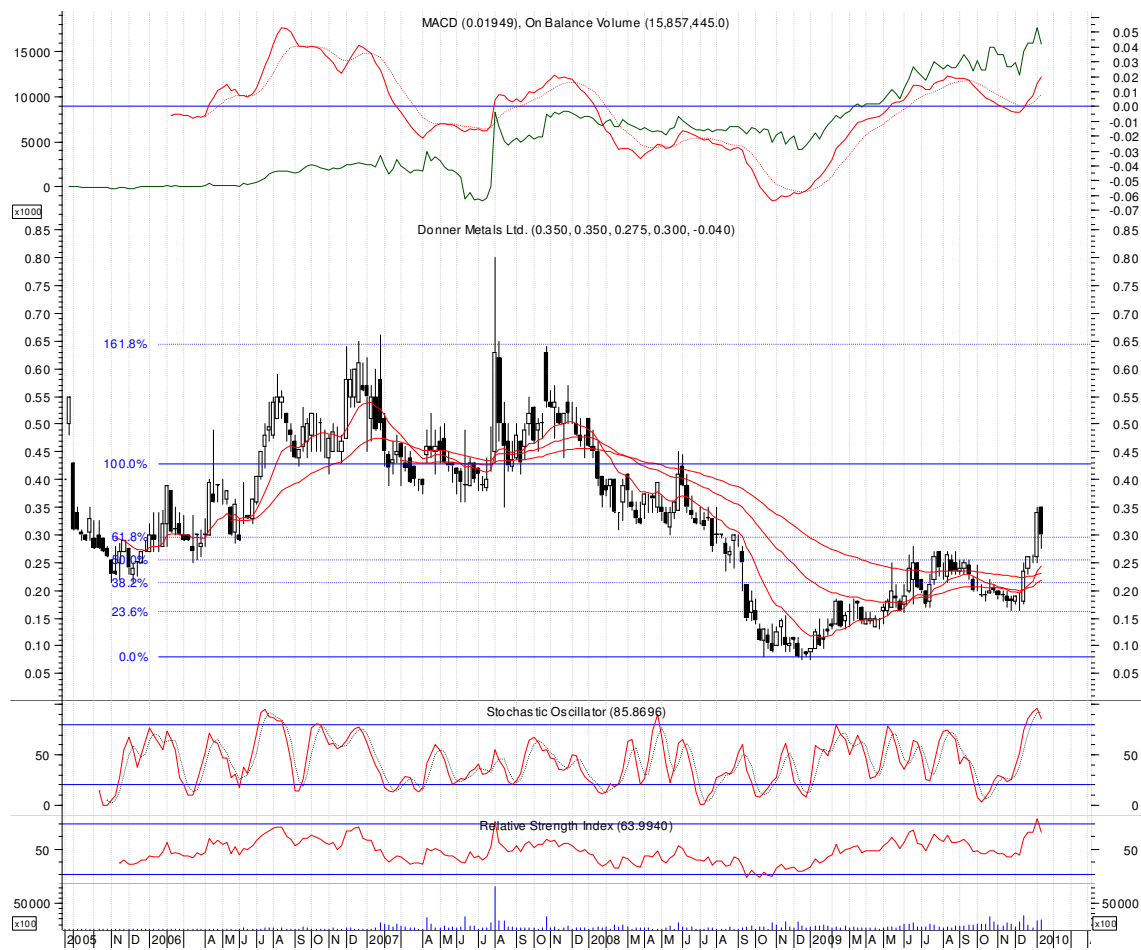
Growth: 1996 116.9%; 1997 28.1%; 1998 36.4%; 1999 39.4%; 2000 180.9%; 2001 -50.5%; 2002 18.7%; 2003 28.8%; 2004 166.7%; 2005 28.2%; 2006 153.3%; 2007 8.8%; 2008 -25.2%; 2009 -50.3%

Junior Gold and Natural Resource Sector Report

January 14, 2010

Update Report

Donner Metals Ltd. (DON-TSX Venture)



Weekly chart, Semi-log Scale, High \$0.80, Low \$0.075, Last Trade \$0.30

Donner step-out drills 21.60m of 6.05% Zinc, 1.85% Copper, 65.5g/t Silver, 1.56g/t Gold

Donner's high-grade zinc and copper discovery, the Bracemac-McLeod deposit, is in the prolific Matagami camp of Quebec, in close proximity to Xstrata's producing Perseverance mine. Xstrata is a major global diversified mining group, listed on the London and Swiss stock exchanges. Xstrata elected to commence an accelerated feasibility study on Donner's discovery property.

The Xstrata study is based on a NI 43-101 compliant indicated mineral resource of 3.62 million tonnes grading 11.52% zinc, 1.60% copper, 31.55g/t silver and 0.49g/t gold. With a positive feasibility study, this project has the potential to be fast tracked into near-term production.

Capital costs would be low due to the proximity of Xstrata's 2,600 t/d mill and established infrastructure at the Matagami Camp, which includes an airport, railway, paved road, and access to power. Xstrata has limited mine life at Perseverance, and is anxious to add to its existing zinc and copper resources.

Donner has several other potential deposits in this prolific area, evidence of which is supported by yesterday's [news release](#). Drill hole MC-09-02 intersected 21.60 metres of massive sulphides from 1,280.40 to 1,302.00 metres core length, grading 6.05% zinc, 1.85% copper, 65.49g/t silver and 1.56g/t gold, 411 metres down-dip from the McLeod Zone.

MC-09-02 is located 394 metres down-dip of MC-05-18 (22.70% zinc, 0.46% copper, 0.47g/t gold over 0.85 meters) and 230 metres east and up-dip from MC-08-34 (10.81% zinc, 1.35% copper, 37.72g/t silver, 0.59g/t gold over 2.12 meters).

A strong BHEM response has been detected up-dip. This new sulphide discovery is a significant step-out from mineralized drill intercepts and there are no confining drill holes nearby.

We suspect that ultimately it may be cheaper for Xstrata to buy Donner out, or offer a healthy share exchange deal, then to adhere to the existing JV arrangement. Worst case, Donner would be in a decent cash flow situation as the discovery property goes into production.

A total of 8 drills are currently active on the project, three investigating exploration targets (including PD1) and five on feasibility definition drilling at Bracemac-McLeod.

Donner Metals was the subject of our Initial Report on Nov 11, 2008, issued near the bottom of the resource sector sell-off. Donner was trading at \$0.11 per share at the time and has done reasonably well so far, up about 200% over 14 months. We issued a followup Update Report on Sept 22 (both reports are available on our website). We hold 250,000 shares at an average \$0.175 in the GSW Model Portfolio.

In the space of only 36 months the Donner-Xstrata team discovered a deposit, outlined it, completed a scoping study and started a full feasibility study, with production planning already underway, resulting in the team's Outstanding Achievement Exploration Award in Dec 2008.

Base metal prices have recovered strongly over the last year, taking many of the senior base metal stocks with them. Zinc is now at \$1.25 (US) per pound, copper is at \$3.40 per pound and precious metals recently made new highs.

That's the market telling us that the recession, as severe as it was, may well be over, at least where demand for base metals is strongest – out of China – and for those resource-blessed countries with infrastructure and the rule of law. Many base metal producers have been on an upward tear since early 2009, but so far most juniors have only participated modestly.

Donner Metals broke out from a two-year downtrend back in early May and consolidated between \$0.16-0.25 until last week's breakout. All key moving averages are moving higher in unison, acting as price support on pullbacks (see chart). The OBV's steady climb evidences ongoing investor accumulation, and underpins an unbroken uptrend line. Key Fibonacci support now sits at \$0.215, \$0.255 and at \$0.295.

Donner has seasoned senior management that negotiated key joint venture agreements with Teck Cominco and Xstrata Zinc Canada. Donner's CEO Harvey Keats and VP Exploration Robin Adair also had their share of past success. Harvey was chief geologist at Diamond Field's Voisey Bay nickel discovery, directly responsible for the exploration program where reserves were increased with the

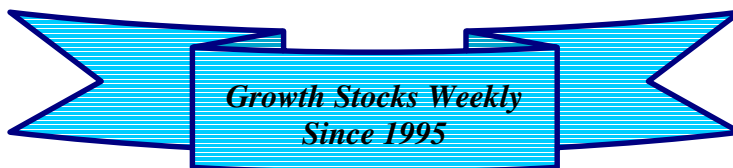
discovery of the "Eastern Deeps" zone. Robin discovered a lot of copper, zinc and nickel as Exploration Manager with Falconbridge (bought out by Xstrata in 2006).

The Matagami project began in late 2006 and in January of 2007 the first discovery was announced, quickly validating the team's geophysical theories.

The team was recognized by the Québec Mineral Exploration Association for their "outstanding exploration success," and awarded its Prospector of the Year Award in November of 2007.

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