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Sacre-Coeur Minerals, Ltd. ^{1,6} (SCM.TSX-V, \$1.36)

RESEARCH COMMENT

Sacre-Coeur, Million Mountain, and the Guyana Shield: Gold Exploration Commences

Current Shares O/S: 17.8 million
52-Week High/Low: \$1.60/\$1.05
Cash (estimated): \$11.8 million

Fully Diluted: 25.7 million
Adjusted Market Cap: \$12.5 million
Per Share Fully Diluted: \$0.46

Sacre-Coeur Minerals, Ltd. has commenced a drilling program at the Million Mountain gold project in the Lower Purini Region of central Guyana. The Company recently completed its IPO after optioning a large spread of gold and diamond projects in the only English-speaking country of South America, Guyana. The option agreement aggregates expenditures of \$6.25 million over three years, issuance of a total of 1.5 million shares, and cash payments totalling \$500,000 (paid), with a bonus payment upon delineation of any deposit(s) exceeding 1 million ounces and attainment of commercial production. The deal makes Sacre-Coeur the largest explorer for gold and diamonds in Guyana with some 850 square miles of prime exploration ground. Much of the Company's activity since going public is focused on the 89-square-kilometre Million Mountain.

The property is located 6 kilometres north of the Peters Mine property of Guyana Goldfields Ltd. (GUY.TSX-V) and covers parts of areas of extensive past and current alluvial mining adjoining one active operation. Also located north of Million Mountain (approximately 120 kilometres) is the Tassawinni project of StrataGold Corporation (SGV.TSX-V), which was profiled in a report dated November 18, 2005. The geological setting at all three projects is somewhat similar in that gold mineralization is within high-grade structures, with or without lower grade haloes in the saprolite material.

Million Mountain has a history of exploration by the Guyana Geology and Mines Commission, Golden Star Resources Ltd., and Heritage Mines, a defunct Denver-

based junior public exploration company. From 1996 to 1998, the property was the focus of a short-hole auger drilling program that outlined a resource, not National Instrument 43-101 compliant, of 1.3 million tonnes grading 3.7 g/t gold. **Examples of auger drill results include 13.4 metres grading 11.38 g/t gold, and 12.2 metres grading 10.3 g/t gold.**

In 2005, a trenching program identified a high-grade shear zone of variable width with continuous mineralization up to an **average grade of 20 g/t gold**. Surrounding the shear zone, a widespread halo of stockwork veining grading between 1 and 2 g/t gold was also identified. The trenching covered only a small portion of the property where the historical resource is located. Other areas of quartz with angular gold occurrences were not tested.

Million Mountain is underlain by Precambrian-age volcanics and sedimentary rocks that were compressed and metamorphosed during the Akawaian Episode and Trans-Amazonian Orogeny. The underlying rocks are now typically referred to as a greenstone belt. Analogues to the geological setting would be the greenstone belts of Ontario and Quebec, where hundreds, if not thousands, of high-grade mines have been developed. Associated with these greenstone belts are structurally controlled gold deposits that in the latitude of Guyana can be transformed to near-surface saprolite occurrences that can be mined with low strip ratios and low operating costs. **We normally would expect to see a degree of surface gold enrichment, as this is a tropically weathered environment—and given the elevated grades present, such is likely the case.** Confirmation is the presence of pannable gold within the saprolite in the area of the historical resource.

A phase 1 diamond drilling has commenced (two holes have been completed, depths exceeding that initially planned) that will test the shear zone structure at depth and on strike. At least two angle holes are planned from each setup that will test both the shear structure at varying depths and the stockwork zone in both the hanging wall and footwall.

Given the historical resource, new name, and historical record of elevated grades within the shear zone, we anticipate considerable attention by the market in the near term. We anticipate early drill results before the end of January and suggest that this story could be an instant lottery ticket with a winning combination if grades and thicknesses are anywhere near the previously reported results.

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Rating Structure

SECTOR OUTPERFORM – Haywood’s top rating category. The analyst believes that the security will outperform its sector. Furthermore, the shares are forecast to provide attractive returns measured against alternative investments when considering risk profiles. The rating carries a minimum total return threshold of 15% for equities and 12% for trusts. The rating applies to companies that have tangible underlying assets that give a measure of support to the market valuation. The rating category considers both the absolute and relative values in assigning the highest rating on the security. **SECTOR OUTPERFORM (SPECULATIVE)** – Investment for risk accounts only. The security has strong upside although its risk profile leaves the potential for significant downside. Return expectations should generally exceed those of SECTOR OUTPERFORM to allow for the additional risk. Companies in this rating category carry greater financial and/or execution risk without tangible assets for underlying support. **SECTOR PERFORM** – The analyst believes that the security will trade with tight correlation to its underlying sector. Furthermore, the target price (together with any anticipated distributions) is at or above the market price, and forecast risk-adjusted returns are attractive relative to alternative investments. **SECTOR UNDERPERFORM** – Investors are advised to sell the security or hold alternative securities within the sector. Stocks in this category are expected to underperform relative to their sector. The category also represents stocks with unattractive forecast returns relative to alternative investments. **RESEARCH COMMENT** – An analyst comment about an issuer event that does not include a rating. **COVERAGE DROPPED** – Haywood Securities will no longer cover the issuer. Haywood will provide notice to clients whenever coverage of an issuer is discontinued. The termination of coverage will not occur unless clients have been provided with advice relating to positions they may still hold, such as a recommendation to sell their securities.

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Forecast Risk: High – Haywood forecasts are below guidance. The Company has a history of missing targets and/or Haywood expects guidance to be lowered. Limited hedging increases commodity leverage. Forecasts reflect higher commodity prices or production relative to guidance. **Moderate** – Haywood forecasts are generally in line with guidance. The Company has a history of meeting or exceeding guidance. Forecasts are consistent with current commodity pricing and production guidance. Hedging is in line with peers. **Low** – Haywood forecasts exceed guidance. The Company has a history of meeting or exceeding guidance. Forecasts allow for modestly lower commodity pricing or production levels. Commodity hedging lowers volatility relative to peers.

Financial Risk: High – The business plan is not fully funded, but requires debt and/or equity financing. The exploration program is funded for two years or less. This categorization does not predict whether the additional funds will be raised. **Moderate** – The development plan is fully funded, with the exploration program funded for three years or more. The Company’s debt is rated below investment grade. **Low** – The Company is fully funded. Its debt is rated investment grade and/or the Company has a history of profitability or dividend payments in each of the last three years.

Valuation Risk: High – The current valuation is at the high end of historic levels and/or at a premium to peers. The valuation reflects considerable exploration success and/or commodity appreciation. Where applicable, the current capitalization exceeds the DCF evaluation by more than 50%. **Moderate** – 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** – 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 – Currently no industry activity or infrastructure exists. Government opposition is significant. Obtaining permits is challenging. **Moderate** – Industry activity or infrastructure is minimal. Government at national, regional, and local levels is indifferent. Obtaining permits is relatively straightforward. **Low** – Industry activity and infrastructure exist. Government is supportive. Obtaining permits is facilitated.

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