

Murgor Resources Inc. (TSX-V: MGR) – Diversifies portfolio; Focus on near term gold production

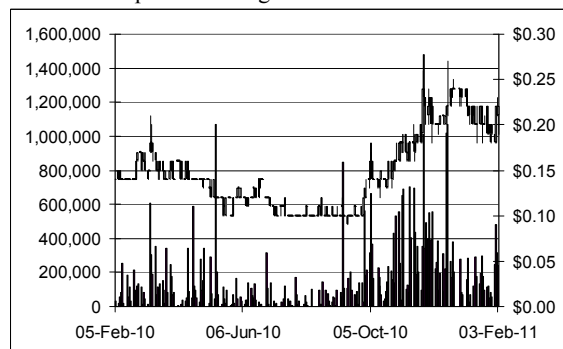
Sector/Industry: Junior Exploration/Mining

www.murgor.com

Market Data (as of February 4, 2011)

Current Price	C\$0.215
Fair Value	C\$0.40 (↓)
Rating*	BUY
Risk*	5 (Highly Spec)
52 Week Range	C\$0.09 - C\$0.27
Shares O/S	74.68 mm
Market Cap	C\$16.06 mm
Current Yield	N/A
P/E (forward)	N/A
P/B	1.31
YoY Return	53.6%
YTD TSXV	56.1%

*see back of report for rating and risk definitions



Investment Highlights

- Murgor has not done any work on the Wim and Hudvam projects since our previous report in September 2009. The company is awaiting Hudbay's decision on its right to buy back a 65% interest in the projects.
- The company signed a letter of intent in November 2010 to acquire an interest in the Golden Arrow Mine in Timmins, ON and started drilling on the property on November 18, 2010. Initial results returned 59 meters of 2.64g/t gold.
- Metanor, Murgor's partner on the Nelligan gold project in QC, drilled 28.06 g/t (uncut) over 4.54 m on the property.
- Murgor granted Eagle Hill ("EAG") the right to earn all of its interest in the Windfall gold property in QC. Murgor retains a 1% NSR. Initial drilling at Windfall in 2010 returned an uncut assay of 19.61g/t over 33m.
- Murgor acquired three new properties. 1,078Ha adjacent to the Windfall lake property, QC (through a JV with Eagle Hill), an exploration license of 40,000Ha south of Snow Lake, MB and 15,615Ha near Chibougamau, QC.
- The company currently has \$2.3 million in the treasury.

Key Financial Data (FYE - April 30)

(C \$)	2010	Q2 2011 (6 mo)
Cash	638,680	1,190,333
Working Capital	1,361,896	1,487,532
Mineral Assets	9,798,352	10,335,886
Total Assets	12,285,590	12,361,107
Net Income	(2,166,164)	(431,804)
EPS	(0.04)	(0.01)

Murgor has shifted its focus to becoming a near term gold producer. The company is conducting due diligence work at the Gold Arrow Mine property, a past gold producer in 1980s. Murgor currently has combined NI 43-101 compliant indicated and inferred resources of 4.58 million metric tonnes of ore containing 161 million pounds of copper, 356,000 ounces of gold, 71 million pounds of zinc and 1.24 million ounces of silver at its Hudvam and Wim properties.

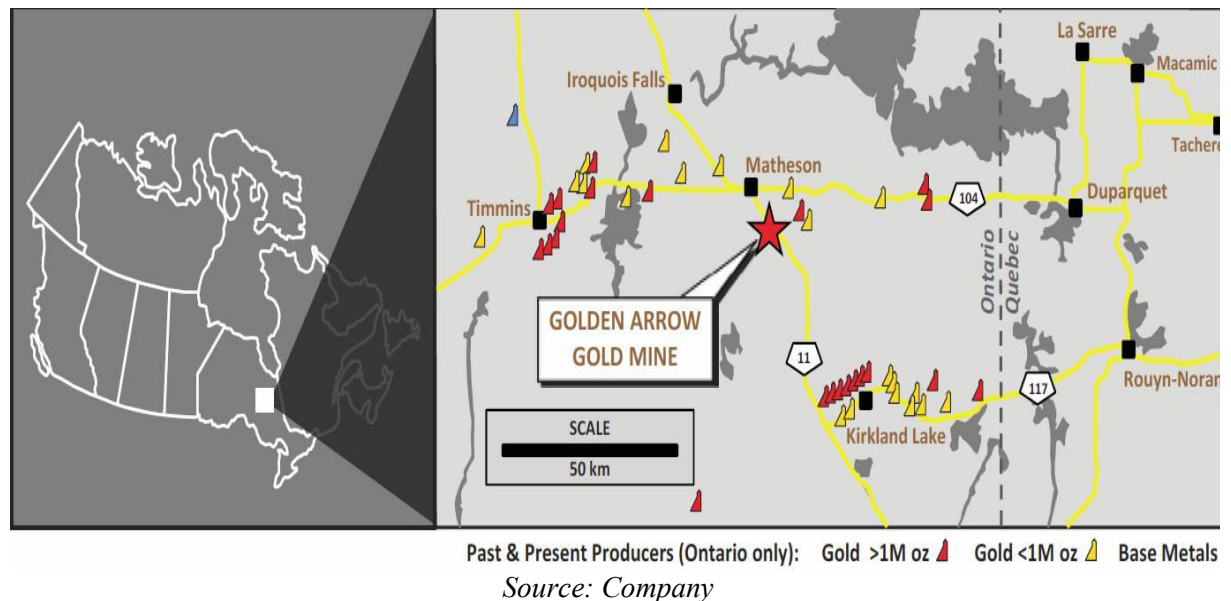
Update on key projects

Golden Arrow Mine

Murgor signed a letter of intent (LOI) earlier in November 2010 to acquire up to a 70% interest in the Gold Arrow gold mine from a private company called Victoria Gold Mines East Timmins Limited.

According to the LOI, MGR has the right to acquire a 55% interest for a cash payment of \$0.50 million, cash + share payment of \$1.50 million, and 15 million shares. MGR will also have to incur exploration expenditures of \$4 million over two years. MGR has the right to earn an additional 15% by completing a positive pre-feasibility study (PFS), should Victoria decide not to participate in the expenditures related to the PFS.

The Golden Arrow open pit mine operated briefly from 1981 to early 1983. A total of 0.28 million tons was mined at 0.061 oz/t gold from the Arrow open pit. The following map shows the location of the Golden Arrow mine.



The property is adjacent to a paved highway and near five gold mills. The project is fully permitted for 0.10 million tonnes of bulk sample. Dewatering in the existing pit is nearly finished. Murgor started a 1,200 meter drilling program on the property on November 18, 2010, as part of the due diligence planned to evaluate the project.

In December 2010, the company reported the following drill results from the first four holes.

Table 1 Initial Drill Results From Golden Arrow Mine Project (Source: Company)

HOLE-ID	FROM (m)	TO (m)	LENGTH (m)*	AU (g/t)
A10-01	33.00	64.00	31.00	1.71
incl.	42.00	54.00	12.00	2.52
A10-02	31.00	62.00	31.00	1.63
incl.	50.00	61.00	11.00	2.12

A10-03 incl.	41.00 59.00	84.00 78.00	43.00 19.00	2.27 3.43
A10-04 incl. and	34.00 35.00 85.00	96.00 66.20 96.00	59.00** 31.20 11.00	2.64 3.21 2.94

*True widths=75% of reported core lengths

** Missing core between 66.2 and 69.2 meters due to old mine workings

We believe that the drilling results are encouraging and demonstrate the potential for further exploration. The company is willing to move forward with the project and is working with Victoria Gold Mines to finalize the terms of the formal agreement.

Wim and Hudvam

Since our last update, Murgor has not done any work on the Wim and Hudvam projects. Murgor acquired 100% interest in Wim and Hudvam properties from Hudbay (TSX: HBM) through an option agreement which entitles Hudbay the right to buy back 65% interest in the projects until September 2012.

Hudbay has three operating mines in the region, Trout Lake Mine, 777 Mine and Chisel North Mine, as shown in Figure 1. The Trout Lake and Chisel North reserves are expected to be depleted in 2012, and Hudbay has been actively engaged in exploration activities in the region. **Our conversation with Hudbay indicated that they expect the Lalor deposit to replace Chisel North starting from 2012.** Hudbay entered into an option agreement with Halo Resources (TSXV: HLO) to acquire the Sherridon project located near the Flin Flon mill. Hudbay also has a joint venture with VMS Ventures (TSXV: VMS) to explore the Reed Lake project in Manitoba.

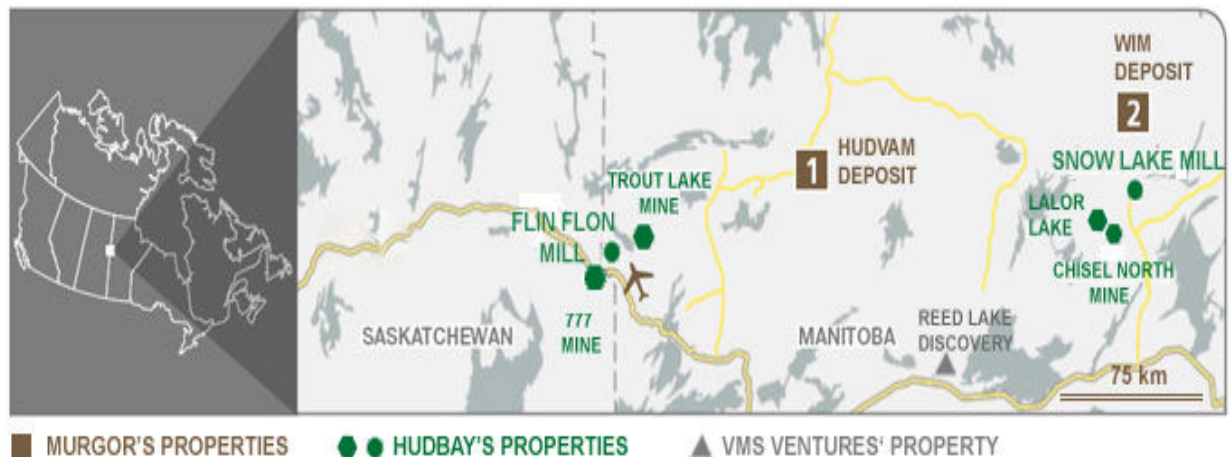


Figure 1 Murgor and Hudbay's Mining Properties in the Flin Flon Belt

Hudbay is also considering the potential of Wim and Hudvam among all other options and has until September 2012 to decide whether to buy back these projects. Murgor's Wim and Hudvam properties (Figure 1) are located on the Flin Flon Belt and the Snow Lake

region in Manitoba, near Hudbay's Flin Flon mill and Snow Lake mill. As we stated in our previous report, the Wim and Hudvam properties can serve as replacement reserves for Hudbay. **While anticipating Hudbay's final decision, Murgor has been conservative in its strategy on these projects and decided not to invest further on exploration at Wim and Hudvam. We believe that this decision, combined with the recent acquisition of the Golden Arrow Mine, signifies the diversification of the company's portfolio with a new focus of becoming a near term gold producer.**

Other Property Transactions

Since our previous report, the company has been involved in the following property transactions:

- In October, 2009, Murgor granted Eagle Hill ("EAG"; TSXV: EAG) the right to earn all of its interest in the Windfall gold property in QC. Murgor conducted exploration work on the property, 100% financed by Eagle Hill, until October 2010. Murgor collected a 10% management fee and generated \$450,000 in revenues from the operations.
- In June 2010, Murgor acquired a mineral exploration license for **40,000 hectares of land in Moose Lake, south of Snow Lake, MB**. The property is located on the Flin Flon belt in a favorable geological setting similar to other Volcanogenic Massive Sulfide deposits in the region. The company stated that exploration work would start immediately.
- In addition, Murgor announced in November 2010, that it staked **283 claims, 10 kilometers northwest of Chibougamau, QC**, and conducted an airborne geophysical survey. The property covers 15,615 hectares of land, where historical grab samples were taken and returned high values of gold, indicating the existence of gold mineralization. The company is making efforts to understand the glacial geology of the area and locate the source of the gold rich boulders.
- Murgor terminated the option agreement with Hudbay to acquire the Fon property in SK. Fon was one of the projects Murgor had options with Hudbay to acquire, along with Wim and Hudvam. Further exploration work performed on Fon by Murgor indicated that the resources are comprised of relatively small ore lenses which require high mine development costs, unlike the Wim and Hudvam property where less development work is required, to mine large ore bodies. Murgor therefore decided not to pursue the Fon project.

Exploration Updates

Murgor's exploration partner on the Nelligan Gold project, Metanor (TSXV: MTO), intersected a gold bearing shear zone in one of their drill holes in September, 2009. The assay is 28.06g/t gold (uncut) over 4.54 meters starting from surface, including 0.5 meters of 234g/t gold. The adjusted gold assay (cut to 1oz/t) is 6.61g/t. Metanor is earning up to a 70% interest in the Nelligan property through an option agreement with Murgor. Metanor is planning more drilling at the Nelligan property this year.

Channel samples returned high values in Murgor's Fancamp property in northwestern Quebec. The following is a list of channel samples and assays.

West Structure:	East Structure:	South Trench:
- 10.40 g/t Au over 4.30 meters	- 6.69 g/t Au over 1.40 meters	- 18.90 g/t Au over 1.00 meters
- 5.21 g/t Au over 5.60 meters	- 13.05 g/t Au over 0.80 meters	- 7.67 g/t Au over 1.00 meters
- 18.03 g/t Au over 1.60 meters		- 5.71 g/t Au over 0.98 meters
- 5.75 g/t Au over 0.90 meters		

Murgor is currently negotiating a possible Joint Venture at Fancamp.

In March 2010, Eagle Hill's drill hole on the Windfall property returned an uncut assay of 19.61g/t gold (3.51g/t gold when cut to 1oz/t) over 33 meters.

Management Changes

Mr. Zeng joined the Board of Directors in March 2010. A brief biography, as provided by the company, follows:

Mr. Zeng has over 15 years of experience as an entrepreneur with businesses operating in Canada, the United States and China. He is currently serving as director and CEO of China Mining of Canada Corp., director the China Metallurgical Corp. and Sino Minerals Corp., and is executive director of the China Mining Association of Canada. He holds a Bachelor of Science degree in Polymer Science from Chengdu University of Science and Technology. Mr. Zeng has been involved in the mining industry for many years serving as a mining investment expert in China and Canada. He is a featured speaker at many mining conferences, including the annual convention of the Prospectors and Developers Association of Canada.

Financials

At the end of Q2 FY2011 (3 months ended October 2010), the company had \$1.44 million in cash and marketable securities as well as \$0.43 million held for exploration expenses. The table below shows the company's cash and liquidity position at the end of Q2-2011.

Liquidity Analysis (C\$)	2010	Q2 2011 (6 mo)
Cash	638,680	1,190,333
Working Capital	\$1,361,896	1,487,532
Current Ratio	26.92	19.94
LT Debts/ Assets	-	-
Burn Rate/Month (incl exploration costs)	(\$159,198)	(\$134,947)
Cash from financing activities	2,926,642	350,329

We estimate MGR's burn rate (cash spent on operating and investing activities) was about \$0.13 million per month in the first six months of FY2011, compared to \$0.16 million per month in FY2010 (12 month period ended April 2010).

Subsequently, **in December 2010, the company raised \$1 million** by issuing 4.01 million flow-through shares at \$0.25 per share. The company currently has about \$1.30 million in unrestricted cash and \$1 million in flow-through funds - which, we believe, should be sufficient for the next six months.

Stock Options & Warrants

According to management, the company currently has 4 million options (weighted average exercise price of \$0.18), with about 3.3 million currently in the money. The company also

has 9.2 million warrants outstanding, with about 0.70 million in the money.

Valuation and Rating

We have continued to value MGR based on the assumption that MGR will be able to utilize HudBay's facilities at Flin Flon to process ore from the Hudvam and Fon properties, and the Snow Lake mill to process ore from the Wim property. Although HudBay has a buy-back option, our valuation models indicate that HudBay is better off acquiring MGR (and thereby maintaining a 100% interest in the projects), instead of reimbursing MGR twice the cash paid by MGR to HudBay, and solely financing and bringing the Hudvam and Wim projects into commercial production to earn up to 65% interest.

Our revised valuation on MGR is \$0.40 per share, down from our previous estimate of \$0.63 per share. The following table shows a summary of our valuation.

Valuation Summary	VPS
Hudvam	
DCF	\$0.12
Real Options	\$0.16
Average	\$0.14
Wim	
DCF	\$0.19
Real Options	\$0.25
Average	\$0.22
Working Capital - LT Debt	\$0.03
Fair Value	\$0.40

(Long-term commodity price forecasts - US\$2.03/lb Cu, US\$1,000/oz Au, \$18.35/oz Ag and US\$0.75/lb Zn)

Our valuation dropped primarily because Murgor terminated the option agreement to acquire the Fon property and a 34% increase in our estimate of the number of shares (diluted) outstanding, offset by an increase in our long-term gold price forecast from US\$600/oz to US\$1,000/oz, since our previous report in September 2009. Note that this valuation does not account for the upside potential from the Golden Arrow mine; we will incorporate our valuation on the Golden Arrow mine if and when the proposed transaction is finalized.

We reiterate our BUY rating, and lower our fair value estimate from \$0.63 to \$0.40 per share.

Risks

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

- The positive outcome of feasibility studies on the Hudvam and Wim properties are

important long-term success factors for these early projects.

- Hudbay's decision on its right to buy back a 65% interest in MGR's projects will impact our valuation.
- The value of the company depends heavily on commodity prices (copper, gold and zinc).
- Access to capital and 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.**Disclaimers and Disclosure**

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