

Yorbeau Resources Inc Gold exploration on the Cadillac – Larder Lake Break



| | |
|--------------------------|----------------------------------|
| Market Capitalisation | ~C\$30.6m |
| Recent share price | C\$0.22 |
| Listings and tickers | TSX:YRB, PINK:YRBAF |
| Shares Issued | 152,987,946 |
| Warrants & options o/s | 6,145,250 |
| Group cash & receivables | C\$1.43m on 30/06/10 |
| Debt | C\$0.47m |
| Financial Y/E | 30 December |
| Year High / Low | C\$0.34 – C\$0.15 |
| Avg. daily vol. | 69,000 shares |
| Last Equity Financing | C\$3.5m @ 25c per share Jan 2010 |

Significant Shareholders:

| | |
|--------------------------|-------|
| David Crevier (director) | 8.28% |
| R. Renaud | 7.43% |
| P. Renaud (director) | 4.82% |



29th October 2010

- **Yorbeau Resources Inc** (“Yorbeau” or “the Company”), was established in 1984 and has a long history of exploration and past gold production from its properties which cover 12km of strike along the Cadillac Larder Lake Break (“CLLB”) south of the town of Rouyn-Noranda in Quebec, Canada.
- The Company controls two well defined projects on the CLLB; to the west lies **Augmitto** which has a historical 1980’s resource of ~300,000 ounces and which has potential access via a flooded decline and a 250m shaft. The second, **Astoria**, some 6km to the east, has an NI 43-101 compliant resource (mainly measured and indicated) of similar size and a cement lined production shaft some 500m deep, again of 1980’s vintage.
- “Carbonate ore”, which forms the majority, is developed in altered ultramafic rocks (known as “listwaenite” to geologists) that host gold which is coarse and unevenly distributed with few sulphides, and “sulphide ore” is hosted by rocks of sedimentary origin where they contain volcanic ash and lie close to the CLLB at Astoria. The sulphide ore is finer and relatively more evenly distributed and is easier to evaluate by drilling.
- A variety of approaches might now be taken by management; we believe that the high gold price over the last few years, the nature of the gold found within the carbonate ore which increases exploration costs, the extent of pre-existing surface and underground infrastructure and > 350,000m historical drill database dictates a switch to the development of mining projects.
- Exploration at ~200 to 600m depth between Augmitto and Astoria over the last few years has been successful in outlining the potential for a further 1 to 2 million ounces of gold, mainly in carbonate ore, but has probably been taken as far as it should until underground access is gained.
- We believe that value can be added by bringing both projects towards production over the next two or three years. Execution risks are addressable; the major imponderables being (i) the human resources side when a development and mining team needs to be brought together from scratch and (ii) the success of the approach taken to resource estimation within the carbonate ore type where coarse gold and a high nugget effect are found.
- Both projects are amenable to moderate increases in resource via further drilling on nearby zones already outlined.
- Due to many millions of dollars worth of existing infrastructure, the capital requirements are reduced. If the other risks are tackled successfully in due order, financing should not prove the major obstacle. Yorbeau’s progress towards production presupposes continued gold prices in excess of ~C\$1,000/ounce over the next few years.

Yorbeau currently commands a market capitalisation of just over C\$30m. We believe that it can (and should) bring into production two modest scale mines operated with a single mill through a value added sequence of low risk stages requiring modest capital input and which have the potential of doubling its share price over the next two to three years.

This note reviews the operations of Yorbeau Resources Inc (“Yorbeau” or the “Company”). The Company is incorporated in Quebec (Canada) with corporate offices at 110 Place Crémazie, Suite 430, Montreal, Quebec H2P 1B9. The Company operates in Quebec, Canada and has no subsidiaries. The author of this note, a Loeb Aron & Co staff member, visited the Rouyn properties in August 2010. The Company website is www.yorbeauresources.com.

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1 INVESTMENT SUMMARY

Yorbeau was founded on the 29th February 1984 by the merger of Yorbeau Mines and Reford Resources and listed on the Montreal Stock Exchange. Since then it has been exploring, and occasionally producing from, a 12km long section of the Cadillac – Larder Lake Break (the “CLLB”) just south of the town of Rouyn. In recent years the company has financed itself through a regular series of rights issues and placings to fund an annual drilling programme.

Drilling is cheap in Quebec, the concentration of drilling companies and skilled drillers supplemented by provincial government exploration tax breaks. This cheap drilling, the raw figure is approximately C\$70/m for diamond drilling, encourages the use of the drill as an exploration tool. Yorbeau now has a very large drill database, in excess of 350,000m, with NI43-101 compliant resources established at Astoria accessible by a shaft of 1980’s vintage and a second much drilled area, Augmitto, accessible by a decline. Between and beyond these two areas lie lengthy but more sparsely drilled sections of the CLLB with some good intersections established at an average drill spacing of 100m – 200m and depths mainly between 200m and 600m.

Recent work, since about 2008, has concentrated on characterising the less explored areas with a view to seeing if clear ore shoots can be identified and resources established by drilling. This programme has been guided by Induced Polarisation (“IP”) and ground magnetic geophysical surveys which suggested that known areas of gold mineralisation were co-incident with low magnetic and high IP chargeability values. Strong hints of ore shoot-like concentrations of good values and size can be seen on visual inspection of the long section; however no clear conclusions can be drawn as the drill holes are as yet too far apart to allow definite inferences to be drawn. Drilling the CLLB in carbonate ore, whether here or at other mines located on the main structure such as the Kerr-Addison Mine to the west, is bedevilled with the problem of coarse, nuggety gold in places and rapid variation in grade on the scale of a few metres or less. This is perhaps the classic case of “drill for structure, drift for grade”, as Yorbeau themselves suggest.

Founded 1984

Quebec provides for cheap drilling

Recent years have concentrated on exploratory drilling for large scale potential

There are two intensely drilled areas, **Augmitto** to the west accessible via a decline and **Astoria**, some 6km further to the east with a shaft dating from the 1980's. An NI43-101 non-compliant historical "reserve" and resource, supported by many drill holes but complicated by the effect of coarse and irregular gold distribution, was estimated at Augmitto in 1988 by ACA Howe. This consisted of 1,491,729 tons at a grade of 0.186 oz/ton in "reserves" and a further 700,000 tons of inferred resource at a similar grade. The "reserves" totalled 277,593 oz and resources 130,200 ounces. At Astoria, where the gold is more regularly distributed, a largely measured and indicated NI43-101 resource of close to 400,000 ounces from both an open pit and an existing shaft exists.

Yorbeau stands at a crossroads – to continue drilling for further ounces or to move towards re-establishing underground access and moving towards mining. Their recent press release (22nd September 2010) contains elements of both. On balance, we believe that the best way forward is perhaps towards mining starting with underground bulk sampling at Augmitto (planned in 2007 but never carried out). Current gold prices (now above US\$1,300/oz) make mining an attractive proposition; no time should be lost. With underground access to potential ore, credibility will be gained and share price appreciation likely. Were Yorbeau to adopt such a plan and to carry out, say, 20,000 tonnes of bulk sampling, which would either be toll treated to establish recoverable grade (after mining dilution) or treated on site to recover coarse gold via a small gravity plant, they may be able to establish a resource of, say, 300,000 ounces at Augmitto (less than the amount estimated from drill data alone in the 1980's). The bulk sample would be used to add credibility to the historical drill database at Augmitto to which limited further shallow drilling could be added to bring it to an acceptable NI43-101 standard. If achieved, then combining this with the Astoria NI43-101 compliant resource of over 300,000 ounces (mostly in the measured and indicated category at a grade of just over 4.5 g/t) would leave Yorbeau with immediately accessible ore, a major asset in the Astoria shaft, and the capability of working towards a 10-year mining plan at reasonable rates of extraction.

In the current market, we believe that such a mining directed play could easily receive a value of perhaps C\$80/oz in all resource categories for a target market capitalisation of C\$48m, a C\$18m addition to market capitalisation for an expenditure of perhaps a quarter to a third of this amount.

The next stage, as we see it, would then be the preparation of formal feasibility studies and deepening of the decline at Augmitto to allow access to further likely high grade ore. Initial production could, we believe, start at a rate of about 1,000 tpd for relatively modest capital expenditure. It would not be unreasonable to assume that such an operation could be put together for about C\$15m - C\$20m (or thereabouts, with no more than 40% being equity), especially since there is already considerable infrastructure available at the Augmitto site. Upon achieving production, possibly as soon as three or four years from now, at a rate of ~60,000 ounces per annum from both Augmitto and Astoria, Yorbeau could, we believe, be able to sustain a market capitalisation of at least C\$120m. This should be sufficient to allow a significant share price appreciation with relatively modest implementation risks.

Alternatively, Yorbeau might consider going into production at Astoria. This is quite possible, given the existing resource and production history. However, the total cost of equipping an underground shaft based operation for 1,000 tpd operation is likely to be higher than start up at Augmitto, the number of resource plus reserve ounces attributable to the company at start up lower (if Augmitto is not sampled and drilled to NI43-101 standards) and hence notional mine life limited, restricting access to debt funding. Furthermore, starting at Astoria would make little use of the infrastructure at Augmitto (buildings, power supply).

Yorbeau is at a crossroads....

...we favour moving into production taking advantage of the present gold price

Key will be establishing enough ore to support a primarily debt funded mill

Astoria start up possible, but Augmitto preferred.

Because of the nature of the ore, coarse gold in places and with rapid grade variation on the scale of metres, further drilling from surface between and beyond the Astoria and Augmitto areas is, we believe, unlikely to add immediate value by way of NI43-101 compliant resource ounces¹.

What Yorbeau has shown, is the continuity of the ore hosting structure and rock types and the potential of the area in between Astoria and Augmitto to host considerable further gold mineralization. This will need to be assessed in detail and resources calculated by drifting and bulk sampling. This potential is significant; if initial mining operations at Augmitto and/or Astoria prove profitable then the drilling hints to date combined with the scale of the CLLB structure (both along strike and to depth) is quite permissive of yielding one to two million ounces of gold in due course.

Geological comparison is often drawn between the CLLB on Yorbeau's properties with that encountered at the famous Kerr Addison Mine to the west, that produced over 10m ounces over 60 years. This analogy, examined in more detail below, might be extended beyond geology. With a difficult to evaluate gold deposit it took 30 years and a rise in the gold price² for a mine to be established at Kerr Addison; similar time periods and similar factors are likely, ultimately, to apply at Augmitto and along the CLLB on Yorbeau's properties more generally.

Multi-million ounce potential is present – the key is starting up!

Comparison with the Kerr Addison Mine may extend beyond just the geology!

2 COMPANY HISTORY, DIRECTORS & MANAGEMENT

2.1 History

Yorbeau controls a ~12km section of the Cadillac Larder Lake Break (the "CLLB"), a structural discontinuity extending for ~200 kilometres E-W across south western Quebec and into Ontario and associated with gold both on the break itself and on splays leading off. Their focus has been on proving up and mining gold on the main break itself.

Commencing in 1984, the company drilled out and developed the **Astoria** mine, currently in the eastern part of the company's area of interest (collectively the "Rouyn Project Area"). This was mined with two different JV partners, the first being bought out by Yorbeau following a cash crisis and the second withdrawing from the project leaving behind debt to the mining contractor that was subsequently settled by Yorbeau. Production totalled some 163,122 tonnes at a grade of 5.32 gm/t (which included ~50% mining dilution) drawn from the sulphide rich Aw zone. The mine was closed and allowed to flood in 1994.

After a number of years of quasi-hibernation due to poor equity markets and low gold prices, surface bulk sampling dominated activities until about 2005 when exploration moved towards proving up the potential of extensive strike length of the CLLB under Yorbeau's control – chiefly on the Cinderella and Lac Gamble properties between Augmitto in the west and Astoria in the east.

The Augmitto property was acquired in 1997; it had been developed by Augmitto Explorations, a listed junior who had put in decline access, a 250m shaft and carried out a great deal of surface and underground drilling. Coarse gold with a high "nugget effect" was identified which, via erratic sampling values giving rise to high block grade estimation variance, prevented a calculated resource of over 300,000 ounces being accepted by the Montreal Stock Exchange resulting in abandonment of the project.

¹ It has been pointed out that Agnico Eagle Mines Ltd proved up 1.2m oz of reserves at the deep Lapa deposit to the east near Cadillac from 82,000m of surface drilling. However, the ore continuity is quite different; the variogram range used for resource estimation along strike and down dip was 80m which is much greater than has been shown at Augmitto, Astoria or anywhere in between which means less holes are needed. Gold accumulations at Lapa are also greater than has so far been proven on Yorbeau's ground, giving a greater return per hole drilled.

² From US\$20/oz to US\$35/oz in 1933; Kerr Addison, discovered 1906, finally went into production in 1936.

The Company has been financed over the last two decades more or less on an annual basis, often with the backing of Chairman and major shareholder, David Crevier, a well known Montreal mining lawyer.

2.2 Directors

David Crevier LLB BCL, Chairman

Mr. David Crevier became a Director of the Corporation in 1989 and is the Chairman of the Board. He holds degrees in Civil and Common Law from McGill University and is a senior partner at the law firm Colby, Monet, Demers, Delage & Crevier. Mr. Crevier is a Director of Dia Bras Exploration Inc and Blue Note Mining Inc which are listed on the TSX Venture exchange and Cancor Mines inc which is listed on the Canadian National Stock exchange. He has been involved in the mining industry for over 20 years and has practised business law since 1975. His main focus has been in the area of public and private financing and equity investment, and he has been associated with a number of very successful ventures in the resource and technology sectors. He is a member of the board of directors of St Mary's Hospital Foundation, Montreal.



Experienced mining lawyer and long time backer of Yorbeau

Thomas L Robyn, President & Chief Executive Officer



Dr. Robyn earned his Ph.D., Geology in 1977 from the University of Oregon with a major in Igneous Petrology/Volcanology. He began his career with Anaconda Minerals Company and by 1982 was appointed Anaconda's regional exploration manager in Norway. He has also held top-level positions with several junior companies, and in recent years has advised investment funds with respect to mineral companies. Dr. Robyn's career has been truly

international, having overseen projects in such countries as Australia, Ecuador, Greenland, Norway, Liberia, Equatorial Guinea, Guyana and Suriname as well as several US states. He also serves on the board of Dia Bras Exploration Inc. as head of exploration.

Experienced geological leadership

George Bodnar Jr., Director,

A veteran of the natural resources industry, was president of Yorbeau Resources from 1997 to 2007. He is also a C.A. and was a founding partner of Côté Bodnar, Chartered Accountants (since acquired by Samson Bélair Deloitte & Touche). He also founded the management consulting firm of G. Bodnar & Associés Inc. His involvement with natural resources began in 1974 with Ayrhart Mining, which later became Meston Lake Resources Inc. Through Meston Lake Resources, Mr. Bodnar Jr. reorganized the bankrupt Chibex Limited, owner of a property that became the gold and copper producing "Joe Mann Mine" in Chibougamau, Quebec. Meston Lake Resources was subsequently acquired by Campbell Resources Inc. He became a major shareholder of Yorbeau Resources in 1997, when Yorbeau purchased from Société Minière Alta (owned 100% by Georges Bodnar Jr.) the Augmitto and Cinderella properties. Mr. Bodnar has served as a director of numerous private and public companies, and as a director of several charitable and non-profit organizations.



Paul Einarson, Director.

Mr. Einarson holds a B.Comm. degree from the University of Manitoba and is certified as an accountant in Canada (CA) and the United States (CPA). He has over 20 years of experience in the financial industry, working for recognized companies like PricewaterhouseCoopers LLP, Molson Inc. and KPMG LLP. He has international work experience, particularly in Brazil and the Czech Republic, and has gained experience in the mining industry through his work with various mining and exploration companies. He was Chief Financial Officer of Diagem Inc., an exploration mining company, from July 2005 to January 2009. He is also currently the Vice-President – Finance of Strateco Resources Inc., a company which is developing an advanced stage uranium deposit in Quebec.

R. Philip Renaud, Director.

Philip is Managing Director of Church Advisors, a European investment advisory firm involved in private financings. A graduate of Franklin College of Switzerland with a Bachelor of Arts in international financial management, Mr. Renaud has been instrumental in securing many private equity financings and has an extensive European and North American network. Prior to his involvement with Church Advisors, Mr. Renaud was a founding partner of Change Capital Partners, a 300 million Euro private equity fund. He is also a director of other public natural resources companies, namely Dia Bras Exploration Inc. and Valdez Gold Inc.



Gérald Riverin, Director.

Gérald obtained his Ph.D. from Queen's University in 1977. He has been involved with the development of several properties including the discovery of Inmet's Troilus open pit gold-copper mine near Chibougamau. Dr. Riverin is internationally renowned as an expert on the geology of volcanogenic massive sulphide deposits and is routinely invited as a speaker and lecturer on various aspects of the geology of volcanogenic massive sulphide deposits, and on exploration technology. Gérald Riverin is President and Chief Executive Officer of Cogitore Resources Inc. He is also currently serving on the board of JUNEX Inc., a

junior oil and gas exploration company, and recently completed a two-year term as President of the Association de l'Exploration Minière du Québec.

2.3 Other senior management

Ercan Ugur, the Chief Financial Officer of Yorbeau Resources, is also a director of Cancor, a mining company involved in the exploration of gold and base metal mining properties in the Abitibi region of Quebec and Algeria. Mr. Ugur holds a Bachelor of Arts degree from the University of Bosphorus, Istanbul, Turkey and has been working in the mining industry since 1982.

Laurent Hallé, is a senior geologist and project manager for Yorbeau Resources. He has considerable experience in exploration planning, property acquisition, planning and supervision of diamond drill programs, and exploration crew management. His past and recent mandates (2000 - 2008) include consultation work for Lake Shore Gold Mines Ltd., Abcourt Mines Ltd., Fieldex Exploration Inc., Lounor Exploration Inc., Superior Diamond Inc., and Visible Gold Mines Inc. From 2005 to 2007, he was a director of Fieldex Exploration Inc. and president of Xterra Resources from July 2007 to August 2008. Between 1999 and 2000, Mr. Hallé acted as project geologist for Aurora Platinum Corporations' Ni-Cu PGE Midrim exploration project where he was in charge of the drilling program, modeling the ore body and resources calculation. Earlier experience covered north-western Québec, the Ungava area and South America. Prior to his graduate studies at McGill University in Montreal (1982-1985), Mr. Hallé obtained a BSc in geology from the Université du Québec à Montréal in 1982. Laurent Hallé is a member of the Ordre des Géologues du Québec.



3 FINANCIAL SUMMARY

The following balance sheet data are reproduced from the financial statements published for the six month period ending 30th June 2010.

| CONSOLIDATED BALANCE SHEET (Unaudited, C\$) | 30 th June 2010 | 31 st December 2009 |
|---------------------------------------------------|-----------------------------|--------------------------------|
| Current | | |
| Cash and cash equivalents | \$ 1,118,702 | \$ 2,048,254 |
| Taxes receivable | 309,275 | 481,278 |
| Prepaid expenses and deposits | 63,119 | 71,121 |
| | <u>1,491,096</u> | <u>2,600,653</u> |
| Mining and exploration assets | 15,216,147 | 13,978,414 |
| Total Assets | <u>\$ 16,707,243</u> | <u>\$ 16,579,067</u> |
| Liabilities and Shareholders' Equity | | |
| Current Liabilities | | |
| Accounts payable and accrued liabilities | \$ 472,060 | \$ 504,037 |
| Shareholders' equity | | |
| Capital stock | 37,879,299 | 37,103,049 |
| Contributed surplus | 1,541,805 | 1,519,294 |
| Deficit | (23,185,921) | (22,547,313) |
| | <u>16,235,183</u> | <u>16,075,030</u> |
| Total Liabilities and Shareholders' Equity | <u>\$ 16,707,243</u> | <u>\$ 16,579,067</u> |

The ratio of the amount spent on administration and expenses to total expenses (i.e. administration, expenses plus amounts spent on the mineral properties) over the last 9 months was 30%, normal for a mineral exploration company of this size. Québec provides considerable exploration incentives in the form of tax credits on qualifying expenditure, chiefly drilling, and which comprises most of the "Taxes receivable" entry above.

As of 30th June 2010, there were 5.99m options outstanding under the stock option plan of which 3,446,666 were exercisable. The weighted average option exercise price was C\$0.25, with 1,940,000 options at C\$0.16 being in the money. The total number of warrants outstanding was low, being 155,250 exercisable at C\$0.40.

4 GEOLOGY OF THE PROJECT AREA

4.1 The Cadillac - Larder Lake Break in the Rouyn Area

The Cadillac – Larder Lake Break (aka The Cadillac Tectonic Zone), Figure 1, is one of the most important metallogenic structures in the Abitibi geological sub-province of Canada. Nearly 2,000 tonnes of gold have been extracted from ore deposits on or next to the CLLB, much from world class mines such as Kirkland Lake, Kerr-Addison, Malarctic and Sigma-Lamaque. The most significant mine near to Yorbeau's properties was the Stadacona, lying on a secondary fault a few kilometres north of Yorbeau's properties and from which 15 tonnes of gold were produced.

Situated in the Abitibi region – one of the world's most productive.

Figure 1 Distribution of major gold deposits³ along the CLLB (shown on the map as “LLCF”) and the more northerly Porcupine-Destor Fault (“PDF”).

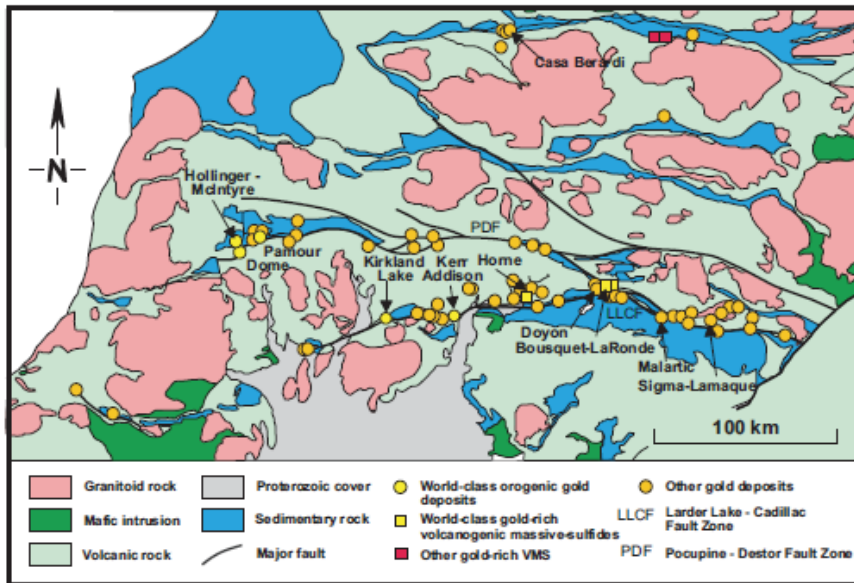


Figure 1 is a simplified map of the Abitibi greenstone belt showing the distribution of major fault zones and gold deposits. The Yorbeau properties lie just to the south of the Home VMS deposit along the CLLB (here marked as LLCF). To the west of Yorbeau’s properties, which lie to the south of the town of Rouyn, the CLLB is covered by the younger Cobalt Group sediments for some 30km.

At Rouyn, the CLLB dips steeply northwards. To the north lie the Blake River Group of metamorphosed volcanic rocks, while to the south are found the higher metamorphic grade but younger, largely amphibolite facies meta-greywackes⁴ of the Pontiac Group. The Timiskaming Group, a thin tightly folded sliver of sandy meta-sediments, of lower grade than the Pontiac Group and often including conglomerates, is found immediately both to the north and to the south of the CLLB itself and to the north of the Pontiac Group. Elsewhere, the Timiskaming Group is found to the north of the CLLB, and is thought to have been deposited on top of the previously folded and partly eroded Blake River Group volcanics.

The CLLB itself, represents both a fault (i.e. a fracture in rocks acting as a brittle material along which the rocks on each side have moved relative to each other) with considerable displacement and a zone of ductile deformation. The ductile deformation appears concentrated within the Piché Group, a narrow strand of altered ultramafic rocks stretched out along the fault plane itself. These ultramafics were originally high magnesium content lava flows known as komatiites⁵, subsequently chemically altered by hot fluids eventually to a talc-chlorite-ankerite (a calcium, iron, magnesium, manganese carbonate) schist association known as “listwaenite” with the introduction of carbon dioxide (possibly via a serpentine intermediary stage where the amount of carbon dioxide was lower).

Archaean aged fault hosted deposit, with characteristic altered rock types on the

³ Taken from Poulsen, K.H., Robert, F., and Dubé, B., 2000 “Geological Classification of Canadian Gold Deposits” Geological Survey of Canada, Bulletin 540, 106pp. Dr Poulsen acts as a geological consultant to Yorbeau and kindly conducted the field trip during Loeb Aron’s visit.

⁴ Do not be alarmed, this is just geo-babble for alternating sandy and muddy rocks formed in marine basins that have been folded and buried at relatively high temperatures and pressures.

⁵ <http://en.wikipedia.org/wiki/Komatiite>

The schists include abundant irregular, deformed intrusions of diorite, many of which may be gold-mineralized at the 0.5 – 1.0 g/t level. Not all of the altered ultramafic has been subject to ductile deformation; here and there small scale structures typical of komatiite flows (spinifex texture) or serpentinites (a characteristic “crackle” fracture and alteration rim pattern) permit the identification of the original and intermediary rock types. A green colouration is often present, caused by the presence of chromium rich muscovite mica (known as fuchsite); chromium is often found at elevated levels in ultramafic rocks. Only small amounts of sulphide are present.

4.2 Geological Setting

The Augmitto and Astoria deposits and the Kerr Addison Mine are examples of gold found on the first order fault, rather than the more abundant gold deposits located on the second order splays, which in other respects are similar though less extreme as regards the intensity of alteration. Examples of this type of deposit, known as quartz-carbonate greenstone hosted deposits, include the Mother Lode-Grass Valley (U.S.A.), Mt. Charlotte, Norseman and Victory (Australia) while the best Canadian examples are Sigma-Lamaque (Quebec); Dome and the Kerr Addison (Ontario), the Giant and Con (Northwest Territories); San Antonio (Manitoba); and Hammer Down (Newfoundland). A general, though not yet universally accepted, understanding of the formation of such deposits has arisen in recent years which is summarised below.

Understanding of larger scale brittle – ductile deformation in the crust and the structure of fault zones achieved by geologists in recent decades, has led to the idea that major quartz-carbonate fault zones exposed in Archaean greenstone terrains (such as the CLLB) represent fluid exit channels repeatedly triggered by earthquakes in tectonically active zones. At mid crustal levels ductile deformation, either localised or generalised, dominates and H₂O-CO₂ rich fluids probably derived from the gradual dehydration of water bearing lower- and mid-crustal minerals during periods of increasing temperature accumulate. The fluid pressure builds up to equal the weight of the rocks above (known in the trade as “lithostatic” pressure). At shallower levels, the rocks fracture in response to plate tectonic driven stresses (brittle deformation) instead of flowing (ductile deformation). Fluid pressures cannot here significantly exceed the weight of a column of saline water, because of the existence of connected fractures open to the surface (“hydrostatic” pressure). Between the two domains of fluid pressure, fluids from the mid-crust will leak slowly across the ductile to brittle transition depositing solids from solution as the pressure drops and so sealing the incipient fractures. Major earthquakes will break through this barrier from time to time, perhaps triggered by the build up of fluid pressure beneath, and allow brittle faulting to suddenly penetrate downwards into the normally ductile domain. The ponded high temperature mid-crustal fluids (at ~300°C) make a rapid exit upwards along these fractures reacting chemically and losing heat to the surrounding rocks as they go. The secondary splays off the CLLB might, in fact, be thought of as either feeders of fluid into the CLLB or as fluid exits from the CLLB. The key feature is that it is the CLLB which takes up the majority of the fluid flow over time, allowing the rocks of the fracture zone to more closely approach equilibrium with the gold bearing fluids.

The ore forming fluid in this class of deposit is typically a 1.5 ± 0.5 kbars, 350° ± 50°C, low-salinity H₂O-CO₂ ± CH₄ ± N₂ fluid which transported gold as a reduced sulfur complex⁶. These complexes are destabilised where the fluids encounter reducing conditions. Chemically available iron often causes gold to precipitate, as would the presence of free carbon if available. Unlike epithermal deposits which are typically limited in vertical extent, greenstone quartz-carbonate hosted gold deposits often show great vertical extent, 2km or so being not unknown.

A generally accepted geological understanding of the genesis of these deposits is now emerging – both in terms of chemistry and crustal mechanics through time.

⁶ Groves, D.I., Goldfarb, R.J., Robert, F., and Hart, C.J.R., 2003. “Gold deposits in metamorphic belts: Overview of current understanding, outstanding problems, future research, and exploration significance”: Economic Geology, vol. 98, pp. 1-29.

4.3 Kerr Addison Mine – a partial analogue?

Half of the gold at the Kerr Addison Mine (lying on the CLLB some 45km to the west of Yorbeau's claims) and most of the gold recorded in drilling by Yorbeau and Augmitto Explorations, is found in the Piché Group listwaenite termed "carbonate ore" at the Kerr Addison. The best guide to the presence of gold in both places is where greenish fuchsite mica occurs and small to moderate amounts of rather diffuse quartz veining is found within "green carbonate" listwaenite, often with a fine brownish variety of tourmaline. The gold is often coarse and erratically distributed at the Kerr Addison, similar to that found at Augmitto. Because of this, at Kerr Addison drilling alone was not found to be a suitable method for outlining carbonate ore blocks; "rules of thumb" including the fraction of quartz veining present were also important guides. Identical considerations applied in similar rocks at the famous Dome Mine⁷, and could also be adopted by Yorbeau.

Some encouraging intersections of potentially ore grade material have been identified from the Timiskaming sediments near to the contact with the Piché Group on Yorbeau's claims, notably the Aw zone at Astoria where the sediments contain volcanic material. Similarly structurally located ore at the Kerr Addison Mine (known as "flow ore" found just to the side of the actual main CLLB fault) made up 60% of the gold production; however, the flow ore at the Kerr Addison is hosted by bleached basaltic flows, pillow lavas and tuffs of the Piché Group rather than tuffaceous Timiskaming sediments. In both cases the ore is found with significant amounts of pyrite (up to 20% at Kerr Addison) and is both finer grained and more evenly distributed than the gold in the carbonate ores at either location. It seems likely to the author of this note that the Timiskaming sediments adjacent to the CLLB present on Yorbeau's claims are in general less likely to host significant gold than the more chemically receptive basaltic flows and pillow lavas at the Kerr Addison Mine in the same structural position an important exception being where volcanic material is found in the sediments such as at Astoria and where later intrusive dykes may have remobilised gold. This original chemical receptivity of the host rock is recorded by the presence of pyrite in the ore – either partly present in the original rocks and/or reflecting the precipitation of sulphur from the gold bearing fluids.

Possible host rock chemical control on sulphide rich ore type seen at both at Kerr Addison and at Astoria

5 AUGMITTO PROJECT AND SURROUNDING AREAS

5.1 Augmitto

Augmitto was rapidly promoted as having geological similarities with a major mine at Larder Lake to the west, because of the presence of the "carbonate ore" rock type also found at the Kerr Addison Mine, which had been discovered 1906, developed as a mine in the 1930's⁸ and which produced over 11m ounces of gold until closure in the 1990's. Augmitto Explorations was floated in 1981 at a time of intense gold fever the promoters raising equity from 1,300 subscribers, apparently all residents of the town of Youngstown, Ohio at a price of C\$2 per share(!).

By 1988 gold fever had quite abated and the good citizens of Youngstown were doubtless regretting their investment, but extensive drilling and underground sampling allowed consultants ACA Howe to prepare a pre-NI43-101 reserve and resource estimate (now historical at best), quoted variably depending on cut off as having been "a total diluted reserve of 1,896,803 short tons at 0.165 oz/ton Au in the proven, probable and possible categories using a cut-off of 0.075 oz/ton Au." amounting to some 312,972 ounces in the "reserve" category. A further 130,000 ounces of "inferred resource" was also said to be present, although the original ACA Howe report was not available for inspection. A fraction of this historical resource related to the Durbar property that lies just north of the CLLB proper.

⁷ Rogers, D. S., 1982, Drilling as an aid in ore definition at the Dome Mine, Canadian Institute of Mining and Metallurgy, vol. 75, no. 842, June 1982, p. 98-104.

⁸ See "The Story of Canadian Mining" by Arnold Hoffman 1948 pp329-334 for brief summary.

Rather unusually, this report was rejected by the Montreal Stock Exchange despite the high drilling density supporting the calculations. Extremely coarse gold, with highly erratic local variation in accumulation (nuggety), prevented any spatial correlation of sample grades from one drill hole to another – even at a distance of a few metres (i.e. resulting in what is termed a pure “nugget effect”). Absent such correlation, the reserve calculation as used to support a selective mining plan, was deficient and was not accepted by the exchange⁹. This left Augmitto pretty much high and dry, and despite having spent some C\$50m and having received support from the likes of Rothschilds (Australia) via a debt facility, a cease trade order was issued in September 1990 with the shares at 13c. Much infrastructure had been developed at surface, some of which remains in reasonable condition and is now owned by Yorbeau, Figure 2.

Figure 2 Infrastructure at Augmitto (Photos: Loeb Aron & Co.)

(a) 2000KVa transformer, 3 Phase
600V from 24Kv primary

(b) Portion of core sheds with Prof. K.
Howard Poulsen (geological consultant
to Yorbeau) in foreground.

(c) Head frame and part of
office/workshops



*Significant
surface
infrastructure at
Augmitto*

With the passage of time and the failure of the company a label of “colourful” has become firmly attached to Augmitto Explorations. Based on the available evidence this seems just a little unfair; they appear to have been diligent in pressing on as best they could despite a falling gold price. Where they can perhaps be faulted is firstly inadequate geological analysis leading to many of their holes failing to properly penetrate the Piché Formation. Two bulk samples from Augmitto (Prof K H Poulsen, pers. comm.) taken in 1988 was reported to have yielded a mined grade of 0.13 oz/ton (4.45 g/t) which was deemed to have been disappointing in the light of an expected in situ grade of 0.18 oz/ton. The difference was attributed to dilution which is more than possible in the absence of application of the “rules of thumb” established over the years for grade control at other mines in similar ore.

The Augmitto assets were subsequently acquired by George Bodnar¹⁰ via Societe Miniere Alta Inc and vended in to Yorbeau for a mixture of cash, shares, warrants and royalty in 1997. Mr Bodnar then led the Company until Tom Robyn was appointed President and CEO in November 2007.

Much emphasis was given in Yorbeau’s earlier announcements to the presence of the CLLB at Augmitto and the large amount of gold extracted from the Rouyn area. However, the vast majority of mined gold associated with the length CLLB has been extracted from mines developed on secondary splays of the CLLB, rather than from the CLLB itself. Indeed, only one major mine has been developed actually on the CLLB – the Kerr-Addison – most are typically a kilometre or two either side¹¹.

⁹ NI43-101 compliant report “Review of Proposed Astoria II Bulk Sample Project, Quebec”, by David B Armstrong. See section 19.1, p36.

¹⁰ Mr Bodnar remains a director of Yorbeau today.

¹¹ At Rouyn itself, some 10m of the 15m or so ounces of gold produced in the area came from the Horne Mine, an ultra large VMS style deposit largely unconnected with the CLLB itself.

Kerr Addison Mine was founded on the basis of "drill for structure, drift for grade" and continued in this way for much of its life.

The above is the view from the negative side; what Yorbeau and Augmitto have demonstrated is that the coarse nuggety gold hosted by carbonatised ultramafic rocks ("listwaenite" geologically speaking) where cut by quartz veining as seen at Kerr Addison is characteristic of a further extensive section of the CLLB. The Kerr Addison was discovered in 1906, and was only demonstrated as having commercial potential in 1936-8¹² after a rise in the price of gold to \$35/oz. This was not done through drilling, which would likely have yielded the same sort of spotty, although occasionally spectacular, results as seen at Augmitto, but rather by underground development and bulk sampling of carbonate ore from an exploratory shaft and drifts. Indeed, drilling was not used alone at Kerr Addison for grade prediction, but the coarse patchy gold dictated use of the well known dictum "drill for structure, drift for grade". **We believe that an underground mining operation developed at Augmitto would likely need to be conducted in the style of the Kerr Addison Mine, meaning that the grade and tonnage is unlikely to be easily determined accurately in advance by drilling and that development sampling and the estimation of the abundance of quartz veining would be important.**

This conclusion is supported by a 2003 technical report¹³ for Yorbeau on bulk sampling from Augmitto which concludes: "The gold in the deposit occurs primarily as free gold and coarse with 80% of the gold particles greater than 0.30 mm. **Diamond drilling is not an effective way to assess the grade of a deposit containing this type of gold mineralization.**" This perhaps over states the situation, but is an important observation.

Good recoveries from the bulk samples of Augmitto ore (with the possibility of centrifugal gravity recovery of a significant fraction – possibly as much as 75%¹⁴ - prior to cyanidation) and the likely (though by no means certain) under reporting of bulk tonnage grades through resources calculated from capped drill sample analyses, give hope of a commercial operation. An existing decline and shaft (not yet connected to each other) provides for rapid access to ore and reduced development time and could allow for bulk sampling in the near future to support the existing drill data.

Augmitto Explorations' drilling was relatively shallow, mostly above the depths reached by the decline and drives shown in Figure 3 below. Yorbeau have expanded knowledge of the area with further drill holes to depth and towards the east on the Cinderella block. The visual suggestion of an arcuate high grade zone beneath the Augmitto decline is strong, but the lack of close range correlation between drill hole results even as close as 7m apart in the historical Augmitto data set suggests caution is needed. The author of this note is personally convinced that this arcuate structure is not random in origin, but cautions that Yorbeau has yet to have developed the statistics to demonstrate this as a fact.

The failure of Augmitto Explorations' drill holes to penetrate the full thickness of the Piché Group in many cases may have led, in part, to their difficulties with hole-to-hole gold accumulation and grade correlation.

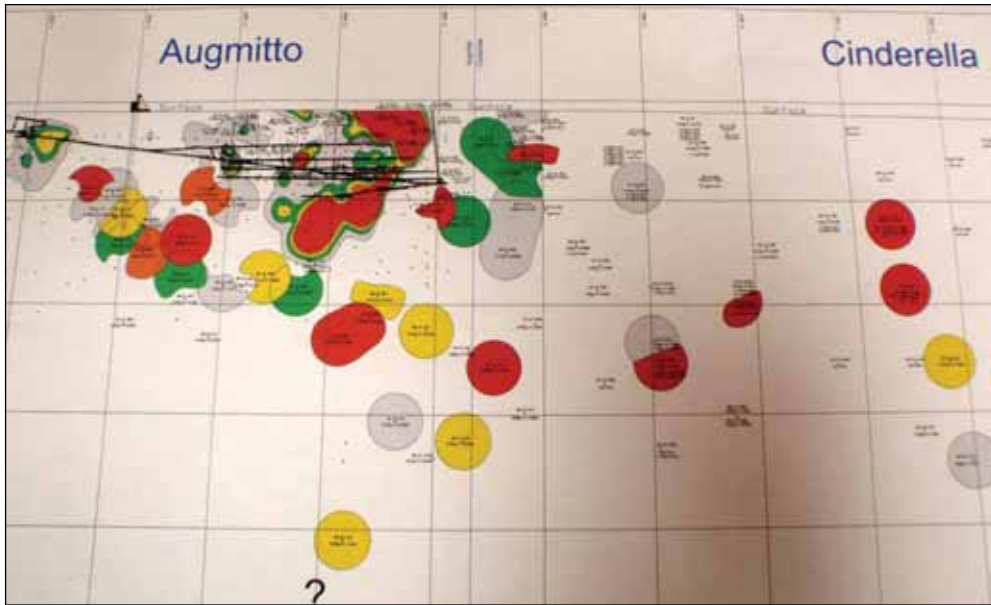
Gravity recovery of a portion of the gold is a distinct possibility at Augmitto

¹² A brief account of the gradual proving up of the Kerr Addison Mine can be found in "Free Gold – The Story of Canadian Mining" by Arnold Hoffman, published 1947, p329-334.

¹³ Technical Report "Review of Proposed Astoria II Bulk Sample Project (Revision 1)" 6th October 2003 by David B. Armstrong P.Eng.

¹⁴ Based on the treatment of 4 x 500kg samples from Augmitto by the Mineral Technology Research and Services Department of the CEGEP of Abitibi-Temiscamingue in Rouyn-Noranda – Yorbeau press release 6th May 2003

Figure 3 Long section in the area of the Augmitto project showing recent Yorbeau drill hole intercepts. (Red circles = 50m radius surrounding intersections deemed broadly “economic”). There is, as yet, no geostatistical basis for the 50m radius.
 Source: Yorbeau Resources Inc.



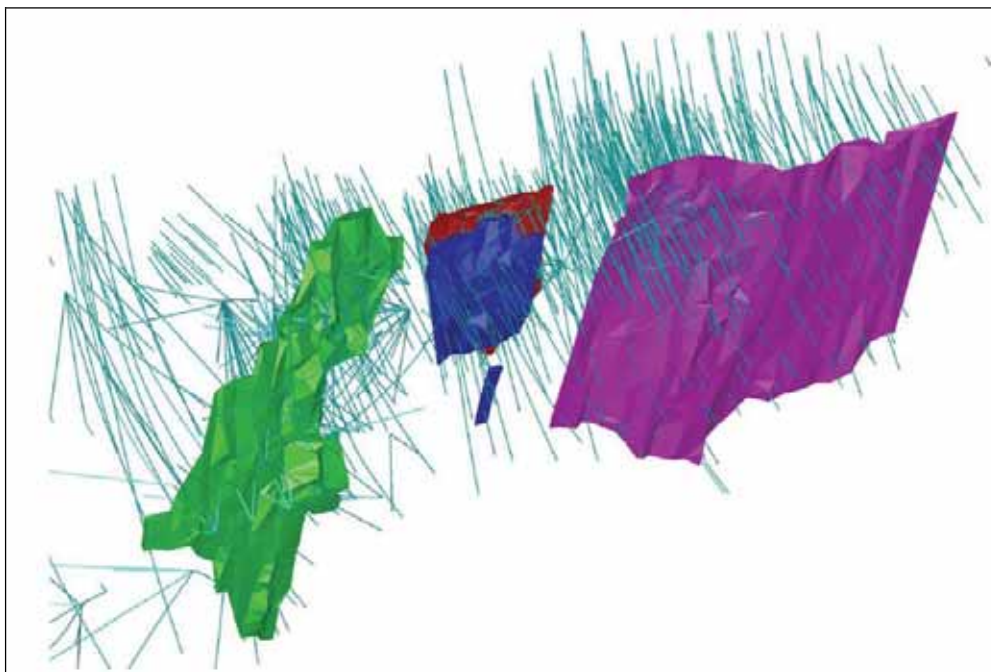
6 ASTORIA MINE AND NEARBY AREAS

6.1 Astoria

At the **Astoria Mine** (past production by Yorbeau of ~29,000 oz at a grade of 5.32 g/t Au) has an NI43-101 compliant resource published in 2005. This consists of an open pit resource of 63,400 ounces at a grade of 2.57 g/t in the measured and indicated categories at a cut off of 0.6 g/t, plus a further 1,000 ounces at 2.29 g/t in the inferred category. Underground, there is a resource of 285,700 ounces at a grade of 4.51 g/t in the measured and indicated categories (cut off grade 2.5 g/t) and a further 59,800 ounces in the inferred category at a grade of 4.84 g/t. This (undiluted) resource was based on no less than 582 diamond drill holes, 53 percussion holes and 13 surface channels. The NI43-101 report is brief in the extreme, no use is made of underground sampling data nor is mention made of the existence of shaft access or past mining activities. Meaningful borehole to borehole correlation of gold grades (as revealed in the calculation of “variograms”) extends at best to between 15m and 20m with nugget effect generally 50% of the variance; only the large number of drill holes has permitted the establishment of the resource – coarse gold sampling effects and short range gold accumulation variability seem to have been significant problems. Figure 4 shows the mineralised zones in outline and the drill holes on which the resource is based.

*NI43-101
 compliant
 resource exists
 at Astoria*

Figure 4 Mineralised zones containing the resource at Astoria and the numerous drill holes used in the calculation.
(Source: Report by P&E Mining Consultants 2005.)



The Astoria Mine represents a different opportunity for Yorbeau compared to Augmitto, because, to an extent, the ore does respond to resource calculation from drilling. The drilled out ore is present in several bodies. In most of these, the gold is found in carbonate – quartz vein ore and is coarse and patchy, similar to that at Augmitto, though not perhaps quite as extremely so. Dense drilling, Figure 4, has allowed inclusion of this carbonate ore in an NI43-101 compliant resource¹⁵ despite far from perfect variograms. The partly mined ore body at Astoria, denoted “Aw” and shown in green in Figure 4 above, is more sulphide rich and can be taken to be somewhat analogous with the “flow ore” type seen at Kerr Addison. It is developed in the Timiskaming sediments, which locally are more clay rich and contain some tuffs (volcanic ash deposited in water) and lapilli tuffs rather than the basaltic host rock seen at the Kerr Addison Mine. Pyrite is present in these rocks and the gold is finer and more evenly distributed; drilling on ~25m centres is seemingly adequate to define a resource or reserve to reasonable certainty. However, some of the medium depth ore of this type (~400m below surface) has been mined leaving this ore body open to depth with increasing grade but requiring deep (and therefore relatively expensive) drilling from surface to outline more to bankable standards.

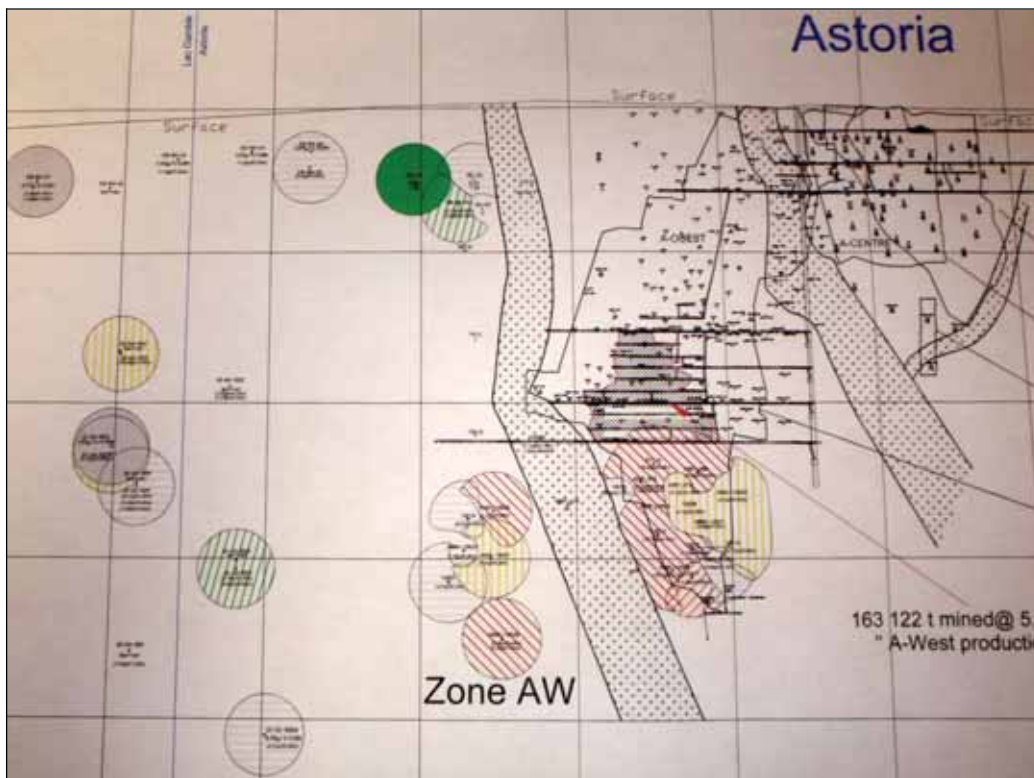
A study carried out for Yorbeau in 2010 has carried out a reconciliation of the historical production from the Aw zone with exploration drill data. The consultant, Tony Brisson, found that the drill data (6 surface holes and 27 underground holes) were able to give a good estimate of the average mined grade for the block provided that allowance was made for 50% mining dilution at a grade of 0.5 g/t. The average drill spacing was 28m, greater than would be required to produce a resource estimate with spatial definition within the mining block, but despite this there was a good overall reconciliation of the block as a whole.

Reserve drilling is able to predict mined grade within the Aw zone at the stope level.

¹⁵ Technical Report “OPEN PIT AND UNDERGROUND MINERAL RESOURCE ESTIMATE FOR THE ASTORIA I GOLD PROJECT, NEAR ROUYN, QUEBEC” by Eugene Puritch P.Eng, (P & E Mining Consultants Inc), January 24th 2005.

Thick dolerite (“diabase” for American readers) dykes run NE-SW and N-S at Astoria, the westernmost being the larger and up to 100m thick. It is notable that the Aw ore zone is developed between the two dykes and that the exploration holes drilled to the west by Yorbeau which intersect useful gold accumulations in the Timiskaming (and generally not in the nearby listwaenite), Figure 5 below, all do so within about 100m of the thicker dyke. This dyke may well have caused local heating of the rocks and remobilisation of pre-existing gold into the Timiskaming sediments that due to the presence of some volcanic material were more receptive than elsewhere. Figure 5 is a sectional view looking north; the main dyke runs NE-SW where it cuts the section, but rapidly curves around to run more or less E-W parallel to the section in the western part. Because of this, it is never more than about 100m away from any of the significant “flow ore” drill intersections.

Figure 5 Long section at Astoria, showing the mine development, the dolerite dykes (stippled) and Yorbeau’s exploratory drilling. Source: Yorbeau Resources Inc. [The red striped circles represent drill intersection of gold accumulations in excess of 25 g.m Au in Timiskaming sediment (i.e. the sulphidic ore type).]



It seems likely to the author of this note that both the occurrence of the pyrite rich style of gold accumulation in the locally tuffaceous Timiskaming at Astoria, and the better overall spatial correlation of gold values between boreholes, is likely explained by documented local factors. Local heating, fracturing and the possible introduction of sulphide rich fluids could be responsible for the re-deposition of coarse gold in a finer more evenly distributed form into the more receptive Timiskaming host rocks here locally available.

Aw zone sulphide ore at Astoria may be controlled by the presence of intrusive dykes

Potential for further deep ore in the Aw zone, and further ore to the west - outside the current resource envelope.

Although probably different in geological detail from the bulk of their properties along the CLLB, Astoria presents Yorbeau with an opportunity. There is a deep cement lined shaft and significant underground development, reducing significantly re-opening time and cost. Because of this lowered capital expenditure there may be sufficient ore to allow more or less conventional debt financing¹⁶. Current gold prices allow, we believe, for profitable working, notwithstanding the grade control problems faced in the early 1990's. **Combination of the Astoria resource and underground mine development with the Augmitto gold deposit in an appropriate fashion is probably required.** How this might be done is discussed below.

7 DISCUSSION

Recent work, mainly since 2008, has concentrated on characterising the less explored areas, mainly between Augmitto and Astoria, with a view to seeing if clear ore shoots can be identified and resources established by drilling. This programme has been guided by an Induced Polarisation ("IP") geophysical survey which suggested that currently known areas of gold mineralisation were co-incident with high IP chargeability values, as well as ground magnetic data that show the altered portions of the Piché Group rocks. Hints of ore shoot-like concentrations of good values can be seen on visual inspection of the long section; however this is far from certain as yet. Drilling the CLLB, whether here or at other mines located on the main structure hosting "carbonate ore" such as the Kerr-Addison Mine to the west, is bedevilled with the problem of coarse, nuggety gold in places and erratic variation in grade on the scale of a few metres or less.

Figure 6 Yorbeau's drill intersections at Lac Gamble. Source: Yorbeau Resources Inc. [Red circles indicate intersections in excess of 25 g.m Au.]



Between and beyond Augmitto and Astoria, exploration areas have been given names, broadly from west to east Augmitto, Cinderella, Lac Gamble, Astoria, Wright-Rouyn, Durbar and Lake Bouzan. Most drilling has been on the Cinderella and Lac Gamble sections with that on the Cinderella section discussed above in the section describing Augmitto. At Lac Gamble, Yorbeau's drilling has again outlined a visually coherent block of higher grades, Figure 6.

Drill spacing at Lac Gamble again remains large, typically more than 100m, reflecting the large scale of the target area. The intersections at Lac Gamble are in carbonate type ore. Here at Lac Gamble perhaps half perhaps a quarter of drill intersections contain potentially economic grades and accumulations, a not untypical figure for ancient gold deposits worldwide.

Visually compelling evidence for further large scale ore shoots at Lac Gamble, between Augmitto and Astoria.

¹⁶ The likely problem is the concept of "run-off time". Debt financiers like to see a good five years of production after the scheduled completion of debt repayment; the limited resources at Astoria may not be sufficient in themselves to obtain debt finance.

The central questions that Yorbeau's recent exploration strategy raises are these:

- Are these apparent ore shoots real?
- If so, can they be proven up to support a mine through a cost effective drilling programme?
- Would this be the best way forward for Yorbeau to add value today?
- If not, then what other alternative might be the best way forward?

Human brains, or at least most examples of them, have a tendency to try to create order out of chaos, even when chaos is the only thing present¹⁷. Yorbeau's apparent drill outlined ore shoots (Figures 3, 5 and 6 above) are suggested by a sparse drilling programme with ~100m spacings at best. Geostatistical studies have yet to be undertaken on this data set, and the evidence from much larger drill sets at the Augmitto and Astoria mines nearby suggests long range correlation of grade or accumulation is absent, certainly at distances above 35m at best. It is difficult, in all conscience, to give much credence to the potential ore shoots in any quantitative sense, however visually attractive, until geostatistical studies have (i) proven the range of correlation and (ii) the "ore shoots" have been drilled off at this spacing or better. Concentration on a particular area would be called for to prove the concept in the first instance. However, we do not believe that the economic case for such detailed drilling from surface can be easily made given the depth to which the ore shoots are developed and the likely gold accumulations.

By way of example, take a hypothetical 200m x 200m block centred 300m below surface with, say, 4 existing intersections outlining part of an apparent ore shoot. Inspection of the better exploration intersections (i.e. deemed likely to be economic) from Cinderella / Lac Gamble suggests an average true thickness accumulation of 48.5 g.m Au, corresponding to about 4½ ounces of gold per square metre of vertical long section (and represented by the average of the red circles in Figures 3 and 6). If 60% of the block is shown by closer spaced drilling to fall within the ore shoot, then the drilling programme will have outlined 108,000 ounces of gold.

To prove this hypothesis one way or the other, at a 25m drill spacing, would require a further ~60 drill intersections, from a holes averaging ~400m in length. The direct drilling cost of such a programme would be about \$1.7m at the very low Quebec drilling rate of ~C\$70 per metre¹⁸, say \$2.5m all in. The hypothetical cost of discovery, given success, would be ~C\$25/oz. Were the required drill spacing 15m instead of 25m, then ~170 holes would be needed and the cost would escalate to ~C\$70/oz. The problems are that (a) we don't know the geostatistical range or the magnitude of the "nugget" effect, except that in carbonate ore in general the range is apparently not great and the nugget likely to be high, (b) success is not guaranteed and (c) Yorbeau already has resources and other closely drilled out areas with underground access either by shaft or decline likely to be exploited first in any rational mining plan. Thus, such new resources as might be brought into an NI43-101 resource (which would have to be measured or indicated to be part of a mining plan) would both be relatively expensive to prove up by drilling and, if located away from Augmitto or Astoria, would not add much immediate value since they would be unlikely to be exploited early on in the eventual mining plan. Their depth suggests they would need to be mined from underground and so "economies of scale" arguments applicable to open pit operations are unlikely to apply.

Can deep drilling prove up further resources economically? This will depend very much on the drill spacing required, as holes to > 400m do not come cheap!

¹⁷ A classic case was an experiment carried out, I believe in the 1960's or 1970's, where geologists were presented with random dots on a piece of paper and asked to identify the lineaments. Many respondents did so with confidence.

¹⁸ T. Robyn, pers. comm.

Resources are valued by the market according to both their intrinsic merit if mined and by the propensity and capability of the owner of those resources to put them into production. Yorbeau, with its recent emphasis on deep widely spaced drilling, is not given much credit in the market for the ounces it already controls or, if this drilling process continues on a long term basis, to ounces it adds since the commitment to production appears absent.

This situation needs to be changed, and we believe that the current gold price environment dictates a renewed emphasis on moving towards production.

Yorbeau's drilling at Augmitto, Cinderella, Lake Gamble and Astoria has shown that at least some fifteen 200m x 200m blocks down to 600m depth contain potentially economic intersections in predominantly "carbonate ore".

A completely "order of magnitude" calculation suggests that the potential for 1.5m ounces of gold or more at depths down to 600m has been established.

In conclusion, Yorbeau has (a) successfully drilled for structure, (b) shown that about 25% of drill intersections are potentially economic – much as would be expected from a structure of this type containing mineable ore shoots and (c) demonstrated that the potential for considerably more gold than that already outlined at Augmitto and Astoria exists.

The irregular distribution of the ore, and possibly its coarseness as well in carbonate ore, has meant that the process of showing exactly where the ore is to be found away from the intensely drilled Augmitto and Astoria blocks is probably not best undertaken by drilling. However, having drilled for structure, Yorbeau have set the scene for drifting for grade. The very large scale of the Cinderella and Lac Gamble target areas, suggests that exploration by drifting and bulk sampling would have a very real expectation of outlining between 1m and 2m ounces of gold in addition to that already known at Augmitto and Astoria.

7.1 The way forward on the CLLB?

We believe¹⁹ that Yorbeau would well serve its interests in the current strong market for gold by recognising the potential of what they have achieved through their drilling on the Augmitto, Cinderella, Lac Gamble and Astoria blocks but also the limitations of continuing much further in this vein²⁰. The Company also needs to take on board the currently favourable gold price. We would look forward to a work plan that starts to move towards the following:

- Completion and verification of the digital database (which has been ongoing since October 2007);
- Drilling at Augmitto and Astoria to confirm the apparent ore shoots not currently part of any resource (NI43-101 or historical) – if such ore shoots can be brought into a resource category and thence into a mining plan, value will be added;
- Shallow drilling at Augmitto to see if Augmitto Explorations' failure to penetrate the Piché Group with many of their boreholes contributed to an under estimation of the gold present or to problems with establishing correlation between boreholes;
- Re-examination of the Augmitto data to establish what degree of underground bulk sampling is required to establish measured and indicated resources;

We believe that Yorbeau have shown the potential for a further 1m – 2m ounces of gold

¹⁹ This section brings together what we at Loeb Aron believe to be the best way forward for Yorbeau. It does not necessarily reflect the views of the management of Yorbeau who may have other ideas – maybe better ones!

²⁰ Sorry for the pun.

- A geostatistical study of the widely spaced deep exploration data acquired by Yorbeau to establish what conclusions may definitely be drawn from it and limited further drilling to see if the apparent Cinderella and Lac Gamble ore shoots withstand more closely spaced drilling (but be prepared to stop if they do not!);
- De-watering, bulk sampling and metallurgical testwork at Augmitto to support a resource statement (in combination with existing drill data) leading to a scoping study;
- A scoping study for Astoria, based on the existing measured and indicated resources, perhaps updated with drilling carried out since 2005.

Since the Augmitto mine is probably more cheaply re-opened than the Astoria and it is likely that resources from both Augmitto and Astoria will be required in combination to exceed critical mass and thus source backing from debt providing institutions²¹, we believe it makes sense for Yorbeau to schedule future production from the Augmitto prior to start up at Astoria. In combination, we believe, that with relatively limited further work a combined robust resource of the order of 650,000 ounces could potentially be outlined and that this could support feasibility studies requiring limited capital for start up.

8 ELLISON ROYALTY

Through a complex series of transaction, Yorbeau have retained a sliding royalty on a property now owned by Agnico-Eagle Mines Limited. At gold prices above US\$425 per ounce the Ellison royalty is set at 2.5%. These properties contain close westerly extensions of the Bousquet orebody currently being mined at Agnico Eagle's La Ronde operation further east along the CLLB in Quebec. Yorbeau believe that Agnico Eagle will need to start mining these ore bodies in the next few years.

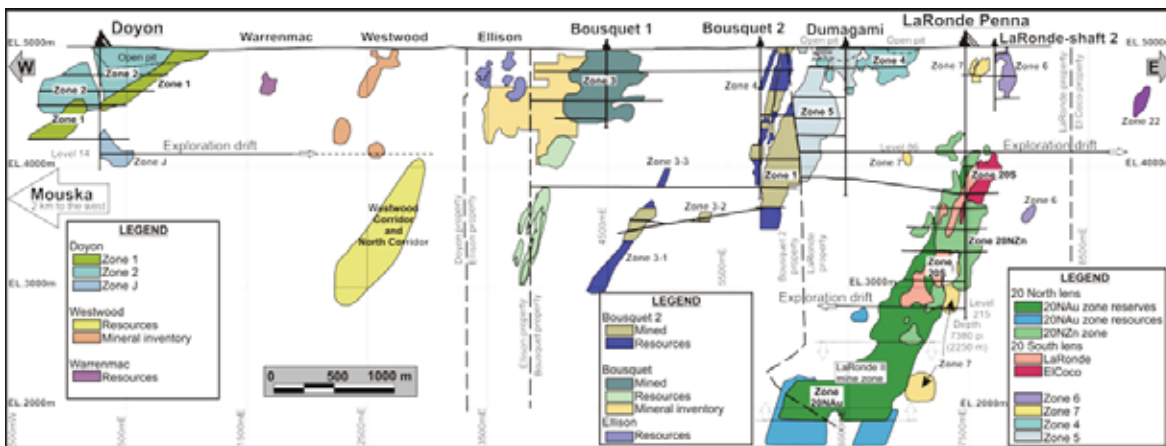
By December 2005, Agnico Eagle had drilled 34 holes for 18,813m on the Ellison property. Published resources on the Ellison property, as of 31st December 2009, are 415,000 tonnes at 5.68 g/t Au in the indicated category and 786,000 tonnes in the inferred category at 5.81 g/t Au.

We assume a 90% recovery of this material over a 5 year period commencing in three years time. The value of the royalty, about US\$1m per annum during mining, is calculated on the basis of US\$1,000/oz gold and discounted at 6% back to the present day. The discounted value of the cash flows is then further reduced by 50% to reflect uncertainty in whether or when the material is likely to be mined at all (or in the time frame envisaged). The present day value of the royalty, based on Agnico's drilling, is thus conservatively estimated at C\$1.75m.

Beyond this, there is a possibility that as yet unrecognised up dip or lateral extension of IAMGOLD's Westwood gold deposit may cross over onto the Ellison ground. A pilot hole by Agnico Eagle has already cut the Westwood structure at ~3000m down-the-hole depth on the Ellison property, but gave sub-economic gold grades. Further drilling by Agnico Eagle is underway. This play is illustrated in Figure 7,

²¹ I won't say a b**k, since that is a dirty word at present and alternative sources are increasingly available.

Figure 7 Position of the Ellison property at the western edge of Agnico-Eagle’s ground abutting IAMGOLD’s Westwood project. (Taken from the Geological Survey of Canada website²² modified after a paper by Mercier-Langevin et al. published in 2007)



9 VALUATION AND FUTURE PROSPECTS

9.1 Present day valuation

It is worth considering just how the market is giving Yorbeau a present valuation of ~C\$30m. How is this built up?

Since Yorbeau is far from focussed on mining at present, the ~300,000 ounces at Astoria are probably being valued at a discount, say C\$30/oz for mainly a measured and indicated resource, which under other circumstances could sustain a valuation of twice that or even more. This would contribute ~C\$9m.

At Augmitto, there is an historical resource estimate of a similar amount. However, this is less well known to the market in general and non NI43-101 compliant. A value of C\$20 per historical ounce is a reasonable estimate, adding a further C\$6m.

Both at Astoria and Augmitto, drilling has outlined further credible ore shoots that might add another 300,000 ounces in resources between them subject to further work. It is reasonable to allow a market perception of value of C\$3m for this, split equally between the two.

More difficult to value is the exploration drilling that has resulted in visually outlined ore shoots to the east of Augmitto into the Cinderella block and at Lac Gamble. These have significant potential, which we suggest above may extend to anywhere between 1m oz and 2m oz in the fullness of time. We believe that a junior with these results alone, would be likely given an enterprise value of about C\$7m – perhaps the equivalent of \$5 per “potential ounce”.

The Ellison royalty adds a further \$1.75m bringing the total to C\$26.75m. Cash and the surface installations at Augmitto bring the total close to the current market capitalisation.

How may Yorbeau now best improve on this situation? We look at one possible route below. That is not to say it is the only route, but we offer this as our best shot.

²² http://gsc.nrcan.gc.ca/mindep/metallogeny/gold/dbl/index_e.php#fig07

9.2 Value addition – one possible route

How might value change if Yorbeau broadly adopted the programme suggested at 7.1 above? The analysis breaks down the process into stages and examines the value addition at each stage. In order to increase the share price and so allow a return for the risk taken, we believe that value must be added of at least two times the amount of money spent at each stage.

Step 1 The suggested scoping study at Astoria, together with some deep drilling to increase the resources in the Aw zone, might cost C\$1.5m. The metallurgy and mining issues have already had practical demonstration. This should be capable of expanding and updating the historical resource estimate by, say, 50,000 ounces to ~350,000 ounces and might increase the market valuation to C\$50/oz. C\$17.5m of value would then exist where at present there is only C\$9m, an addition of C\$8.5m for the expenditure of C\$1.5m.

Resolving the problems at Augmitto should also be a priority. This is because debt funding for mining operations typically requires a run-off period; this consists of mineable reserves allowing for several years production beyond the period needed for the repayment of debt under the base case assumptions of the bankable feasibility study. Four years for repayment plus a further four years run-off might be typical. The resources at Astoria alone are unlikely to be quite enough for and Augmitto represents cheapest option available to Yorbeau to make up the difference.

Drilling through the full thickness of the Piché Group in a number of places at Augmitto to make up for the deficiencies of the 1980's, dewatering, further underground sampling and drilling below current levels, perhaps from underground to minimise hole lengths might cost C\$3m and hopefully should deliver a resource capable of supporting a positive scoping study over perhaps 300,000 ounces, probably in a combination of measured, inferred and indicated categories. Further studies could be carried out on the existing core in storage to link quantitatively the presence or absence of gold with quartz veining or other features. Both by bringing the resource into NI43-101 compliance and by emphasising an intention to produce, value would be increased, perhaps to C\$40 per ounce. There would be C\$12m worth of value where C\$6m existed before for a cost of C\$3m.

I leave aside the matter of further exploratory deep drilling at this stage; it is not really possible to predict with any certainty the outcome.

Step 2 Beyond this would lie a combined feasibility study for both projects, which might require further drilling and possibly dewatering of the Astoria shaft to allow an assessment of condition and underground exploration access for further drilling to the west of the Aw zone to bring more ounces in the measured and indicated resource category at minimum cost.

At a rough guess, this might cost a further C\$5m and yield two projects with a total of 650,000 ounces in resources. Assuming a 80% conversion to reserves, then the market valuation at BFS but prior to funding would likely be in the range C\$100 per ounce for a total value of the two projects of C\$52m where C\$29.5m existed previously at the end of Step 1.

Step 3 By staggering the Augmitto and Astoria projects, perhaps with mining at Augmitto starting first, the initial capital requirements might be kept low, with the possibility of partly financing the second operation using cash flow and equity raised on the back of a producer's valuation rather than that given to an explorer. Based on our speculations above, a 30,000 ounce per annum mine might ultimately be considered for each site. Market valuations for smaller Canadian producers (even not particularly profitable ones), after allowing for cash, are typically close to C\$2,000 per ounce per annum. On this basis at start-up of one operation Yorbeau could expect to have valuation components of ~C\$60m for the first mine and about half that for the second project waiting in the wings as it were. This assumes that the first mine is scheduled to produce 30,000 ounces per annum mine with a reasonably long life ahead of it and low start up capital requirement. A further C\$8m of equity might be required at this stage accompanied by debt or mezzanine project funding.

A rough calculation shows that a 30,000 ounce per annum first mine via successive value addition stages could result in a trebling of the company valuation; since each stage adds more value than money spent, the share price will increase in the process. We believe that the risks, examined further below, are moderate and the financing requirements within the capability of the company. Further upside would then exist when the second mine (Astoria?) came into production (**Step 4**) and drifting along the CLLB started to outline further ore blocks where at present there are merely wide spaced drill intersections suggestive of potential ore shoots.

Table 1 shows how we believe that Yorbeau can proceed to add value, from the present day through the completion of Steps 1 – 4 outlined above.

Table 1 Suggested possible value addition through the outlining of mineable reserves and the development of two 30,000 ounce per annum mining projects, assuming mining starts at Augmitto first. Values estimates only, in C\$m.

| Stage | Cinderella, Lac Gamble, surface plant, Ellison royalty | Augmitto resource / reserve / mine | Astoria resource / reserve / mine | Amount spent | Value added | Total value |
|-------------|--------------------------------------------------------|------------------------------------|-----------------------------------|--------------|-------------|-------------|
| Present day | 12 | 7.5 | 10.5 | N/A | N/A | 30 |
| End Step 1 | 12 | 13.5 | 19 | 4.5 | 14.5 | 44.5 |
| End Step 2 | 12 | 25.5 | 29.5 | 5 | 22.5 | 67 |
| End Step 3 | 12 | 60 | 29.5 | 8 | 34.5 | 101.5 |
| End step 4 | 12 | 60 | 60 | 8 | 30.5 | 132 |

9.3 Risks

There are risks. The risks lie in team building (inherent to all juniors in this position) and resource delineation to acceptable levels of certainty in the carbonate ore. If these can be tackled effectively, the risks of drill results and financing are, we believe, quite manageable.

Of these, the chief risk, Loeb Aron believes, lies not so much in the suggested exploration and development schedule but in assembling a team capable of implementing this programme efficiently – which goes way beyond exploration – and then conducting mining in a cost effective manner. Much of the value in a well established and highly rated mining company lies not in the statistics of their deposits, but in the body of people they have put together who understand how to mine them and how to keep costs under control while doing so. Yorbeau know well the risks of leaving underground mining in the hands of contractors, and should aim to avoid repeating the mistakes of the past.

The upgrading of an historical resource at Augmitto in carbonate ore will require a degree of resolve and possibly innovation; there is an extensive database to get to grips with and challenges from the nature of the gold particle size and distribution. Errors in estimating block grades can be reduced to acceptable levels, we believe, if Yorbeau were to frame their resource statement in terms of much larger than usual blocks (perhaps 50 to 100 times larger). In this way each block would have a large number of drill intersections, from which a block average could be estimated to an acceptable level. The better block averages would come at the expense of spatial resolution of ore grade, and would not permit detailed (daily or weekly) reconciliation of gold mined to reserve block estimates which might be done on a quarterly or six monthly basis.

We do not know whether or not such an approach is permissible within the framework of CIM 2000²³; for example an Indicated Resource requires that *"The estimate is based on detailed and reliable exploration and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough for geological and grade continuity to be reasonably assumed."* Now, this continuity, in practise, should mean from resource block to resource block with acceptably small estimation error for each block. But what sets the block size?

Guidelines for CIM 2000 state: *"In block modeling, the size of the blocks in the model will be chosen to best match mining selectivity and the anticipated grade control method, sample density and sample statistics."* By adopting at the outset the idea of complete mining of blocks of rock that satisfy the "rule of thumb" approach, as applied at Kerr Addison and elsewhere, we believe that large resource / reserve blocks can potentially be justified. Selective mining of carbonate ore cannot be justified, as the rock does not present sufficient information to allow approach even if densely drilled. For example a hypothetical approach that states *"we will mine entire carbonate ore blocks of 100,000 tonnes where quartz veining is present in more than X% of drill core intersections with at least drill 20 intersections per block and with an average grade above cut off of Y g/t"* would be consistent with large resource blocks.

At Astoria, the process of building resources and subsequently reserves in the Aw zone is perhaps more straightforward; but we believe that value will be more easily added to the company as a whole by bringing both Astoria and Augmitto forward together.

²³ See www.cim.org

10 CONCLUSIONS

- Yorbeau controls two well defined projects situated on properties controlling 12km of strike along the Cadillac Larder Lake Break (“CLLB”) south of the town of Rouyn. To the west is Augmitto which has a historical resource of ~300,000 ounces and has potential access via a decline and a 250m shaft. The second, Astoria some 6km to the east, has an NI 43-101 compliant resource of similar size and a cement lined production shaft some 500m deep of 1980’s vintage.
- We believe that the resource at Augmitto might be brought into NI 43-101 compliance via underground bulk sampling and limited further drilling provided that an appropriate approach is taken to resource estimation.
- Both projects are amenable to moderate increases in resource via further drilling on zones already outlined.
- Between the two projects, which are situated 6kms apart, deep drilling has revealed apparently visually coherent zones that show a potential for a further 1 million – 2 million ounces of gold. These are likely to be most economically proven up via underground drifting and bulk sampling following the old adage “*drill for structure, drift for grade*”.
- Looking for value is very much a process of deciding “What is going to happen next?” To this end we have pulled together a series of ideas that, we believe, could lead to value addition at acceptable risk levels.
- We believe that value can be added by bringing both the Augmitto and Astoria projects towards production over the next couple of years in tandem. Execution risks are moderate; the major imponderable being (i) the human resources side when a development and mining team needs to be brought together from scratch and (ii) the success of the approach taken to resource estimation within the carbonate ore type where coarse gold and a high nugget effect are found.
- A variety of approaches may be taken by management; we believe that the high gold price over the last few years, the nature of the gold found within the carbonate host rock that is being explored and the extent of pre-existing infrastructure and drill results dictates a switch to the development of mining projects. Exploration between Augmitto and Astoria has been successful, but has probably been taken as far as it should until underground access is gained.
- Due to many millions of dollars worth of existing infrastructure, the capital requirements are modest. If the other risks are tackled successfully in due order, financing should not prove the major obstacle.
- Yorbeau’s progress presupposes continued gold prices in excess of ~\$1,000/ounce over the next few years. We take comfort from the fact that this price level is now commonly being used in feasibility studies.

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