

Lead/Zinc

Metal and Equity Review



Table 1: Summary of recommendations.

Name	Share price	Recommendation	Target price
Angus & Ross	£0.18	BUY	£0.58

- This report focuses on 13 lead-zinc companies at various stages of development.
- We cover one of these companies, Angus and Ross, with a Buy recommendation and target price of £0.58.
- The developing economies, in particular China, have had a profound effect on the demand for lead and zinc.
- Chinese growth in automobile (battery) demand is expected to remain strong which will continue to support lead demand and high prices.
- Growth in production of galvanised steel, hence zinc demand, is likely to be outpaced for the next few years by increases in mine supply and smelter capacity. However, the long term price of zinc is expected to remain strong.
- We provide a summary of the geology of major lead-zinc ore deposit types and of the most common processing and refining techniques used in their extraction.
- This report continues our themed coverage of the junior and mid-cap mining market, with previous coverage on the Nickel, Diamond and Eurasian Gold sectors.

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Executive Summary

Demand/Supply

Lack of lead concentrate from a series of major mine supply reductions coupled with a dramatic increase in demand from China has caused rapid price increases since 2000. As China, and other developing nations, progress towards levels of motorisation seen in the West, the requirement for lead in batteries is expected to remain strong. Galvanised steel manufacture makes up nearly half of total global zinc demand. Although Chinese line capacity is forecast to increase by 43% from 2007 to 2010, total global demand for zinc is expected to grow at only 4.6% per annum. With global smelter production currently increasing at 9% it is likely that inventories will move to surplus and prices will remain under pressure, provided anticipated mine supply increases are delivered on schedule.

Lead/Zinc Deposits

The geology of lead-zinc deposits is varied and several classes exist based on their genetic models. Sedimentary Exhalative (SEDEX), Volcanic Massive Sulphide (VMS) and Broken Hill Type (BHT) deposits were all formed in conjunction with submarine volcanism and/or sedimentation. Carbonate Replacement and Epithermal deposits were emplaced by hydrothermal fluids circulating within pre-existing rocks. Most ore is in sulphide form and, depending on deposit type, is often associated with other metals such as copper, silver, gold, barium and fluorite.

Ore Processing

It is usual for grinding to be followed by two flotation circuits, the first producing a lead concentrate and, from its tailings, the second giving a zinc concentrate. However, since economic grades of copper will often occur with the ore, it is common to see a three-stage process with a copper circuit before the lead. Any gold or silver in the ore will report to the first concentrate, i.e. either the copper or, if this circuit is not present the lead. Concentrate grade is a key driver of mine profitability with typical values in the order of 50-55% for both the lead and zinc products.

Lead is smelted in one of two ways. Older smelters burn off the sulphur to produce sulphuric acid before the remaining sinter is crushed and smelted in a blast furnace. Newer smelters use flash smelting, whereby an oxygen lance promotes oxidation of the sulphur and heating by the resulting exothermic reaction. The resulting crude lead is then refined. Zinc is also roasted, with the resulting oxide then being dissolved in a sulphuric acid solution and refined by electrolysis. Prior to final sale to the end user, zinc metal is then commonly alloyed with other metals such as aluminium. Treatment charges are negotiated and calculated as a base charge plus an additional charge, which is calculated as a percentage of the realised lead/zinc price versus the contract basis price.

Lead-Zinc Companies

In this report we present 13 lead-zinc focussed companies at various stages of development, from early stage exploration through to production. Our primary focus has been towards those companies listed on the AIM market, although some TSX and ASX-listed companies are also included. The companies are compared on the basis of their Enterprise Value as a percentage of the in-situ metal value of their total resource. A clear trend emerges, where the market is currently valuing exploration stage companies at around 2% of their in-situ value, pre-production companies at just under 3% and producers at over 4%. The degree of variability around these average market valuations is markedly less for production stage companies than for the exploration stage group. This corresponds with a reduction in a company's risk profile as it proceeds from exploration through to feasibility, achieves financing and finally is able to develop a profitable mine.

Table 2: Companies reviewed in this report with share price and recommendation.

Company	Share Price	Rec.	Target	Comment
ABRA Mining	A\$0.31	-	-	Large but deep resource will require significant capex.
AIM Resources	£0.06	-	-	Fairly valued. Requires larger tonnage for economies of scale.
Anglesey Mining	£0.15	-	-	New shallow ore zone in historical mining district brings fresh impetus.
Angus and Ross	£0.18	BUY	£0.58	Low-risk re-development of historic mine with exploration upside.
Blue Note Mining	C\$0.29	-	-	Turn-around success in bringing new technology. Acquisitions likely.
Drake Resources	A\$0.22	-	-	Early-stage explorer with large land holdings in established districts.
Herencia Resources	£0.015	-	-	Active and focussed early stage explorer with prospective ground.
Inter. Cons. Mins.	US\$5.77	-	-	High grade production with significant exploration/scale upside.
Maghreb Minerals	£0.05	-	-	Exploration around historic mines. Possibly overlooked by market.
Mount Burgess Mins.	A\$0.09	-	-	Explorer needing higher grades or tonnage for economies of scale.
Neptune Minerals	£0.30	-	-	First player advantage in new frontier for mining industry.
Selwyn Resources	C\$0.23	-	-	Very large resource but remote location requires significant capex.
ZincOx	£2.59	-	-	Zinc oxide focus and recycling plants give environmental premium.

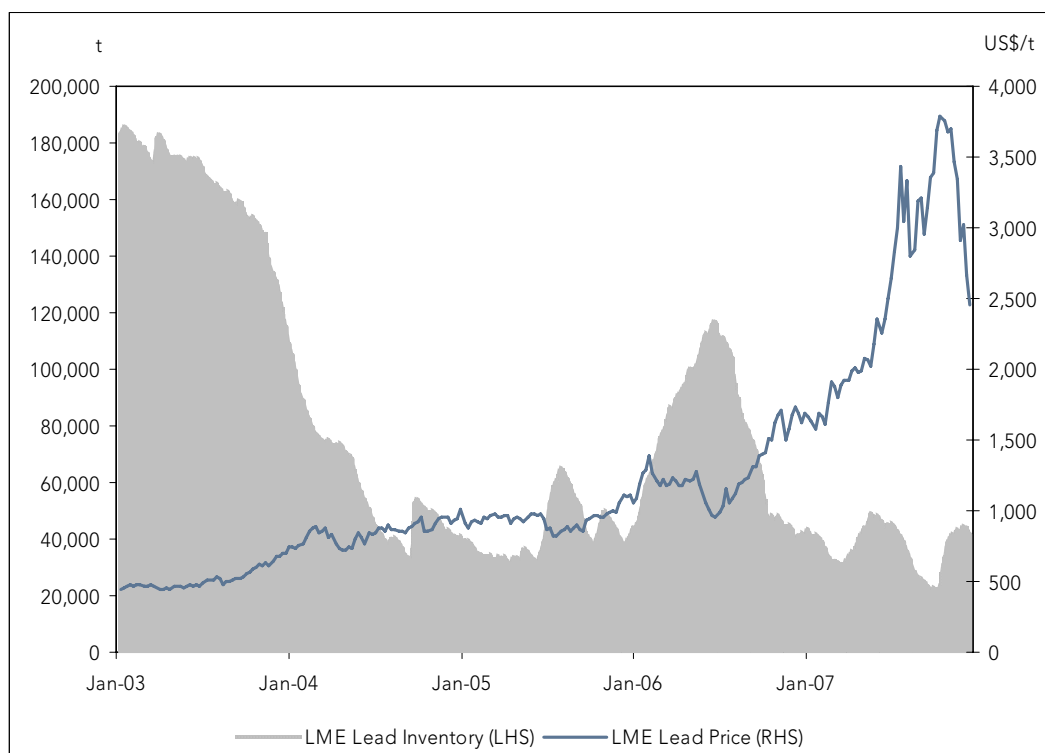
Source: FDC, Bloomberg

Supply and Demand

Lead

The following chart shows the lead price since 2003 with the LME inventory levels.

Exhibit 1: Lead price vs. LME inventory



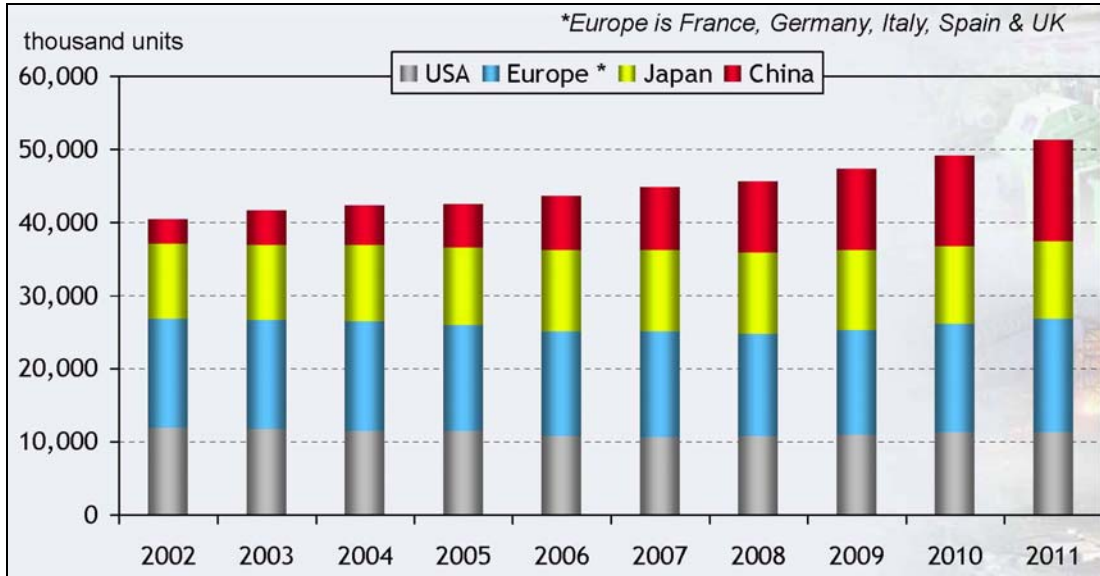
Source: Bloomberg

Demand

The major end-use for lead is in batteries, which accounts for around 80% of global consumption. In 2005 China overtook the USA to become the largest consumer of lead, an increase in demand which has been driven by the fast expansion of the domestic vehicle sector and by battery exports. In 2002 demand for cars in China soared by 56% and by 75% in the following year, far more than even the most optimistic projections. Growth slowed in 2004 to around 15% as the government tightened rules on credit for car purchases. In a sluggish global market, however, China's demand remains strong and few expect this year's growth to dip below 10%.

As long as the Chinese economy continues its march, many expect car sales to increase by 10-20% annually for several years to come. To put these growth rates into perspective, Germany has 1.7 vehicles per inhabitant and the USA 1.2. In 2004, China had 30 million vehicles for its 1.3 billion inhabitants. From 2004, a further 160 million cars are required for the country simply to reach the worldwide average level of ownership. It is true that such heights may remain elusive in China, India and the other developing nations for some time to come as restrictions will no doubt be imposed by population density, infrastructure inadequacies and the effect the growth itself would have on oil and gas supplies. However, despite a flat outlook in demand from the industrialised nations, China's (and to a lesser extent India's) continuing impact on the growth in automobile sales, hence batteries, is obvious.

Exhibit 2: Vehicle production forecast.

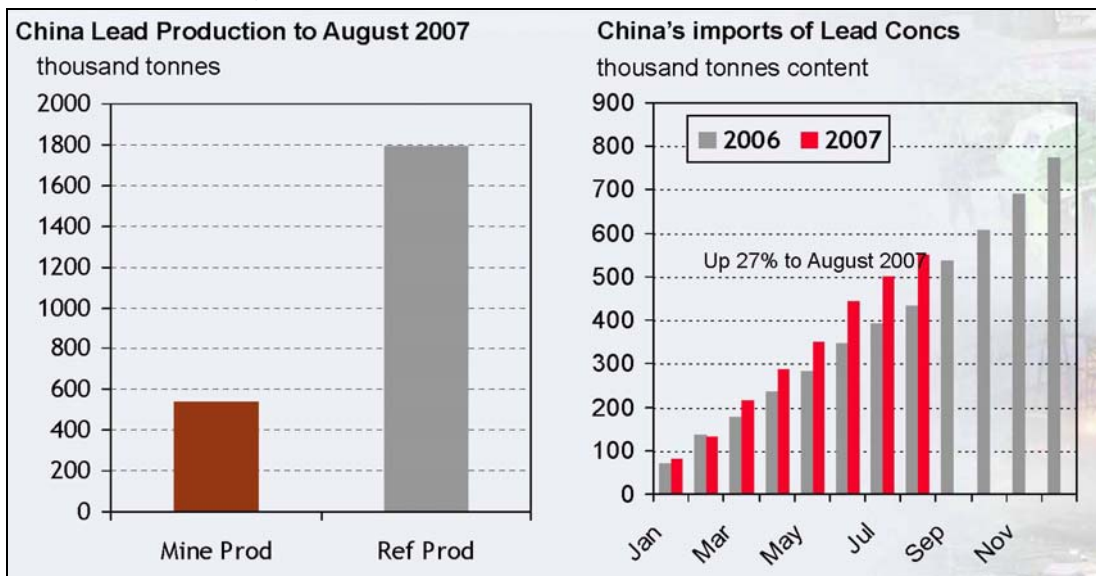


Source: CRU

Supply

A shortage of lead concentrate emerged in 2002 and has continued to date, brought about by strikes at the Tara mine in Ireland, a reduction in production from BHP-Billiton's Cannington mine and environmental problems related to exports from the Magellan mine in Western Australia. Supply-side tightness was exacerbated further in 2007 when the largest lead smelter in the USA was shut down following an explosion. A one-in-twenty year maintenance was conducted at the world's largest lead smelter, Port Pirie, Australia in 2006, which was followed by a slower than expected ramp up to full production. Problems were also encountered at the Mount Isa lead/zinc mine in mid-2007. At the same time, a series of dramatic increases in demand since 2000 has seen China transform from a net exporter of lead concentrate in 1995 to an importer of about 580,000t in 2005. Imports remained flat in 2006 and are forecast to decline marginally in 2007.

Exhibit 3: Chinese import growth in lead concentrate.



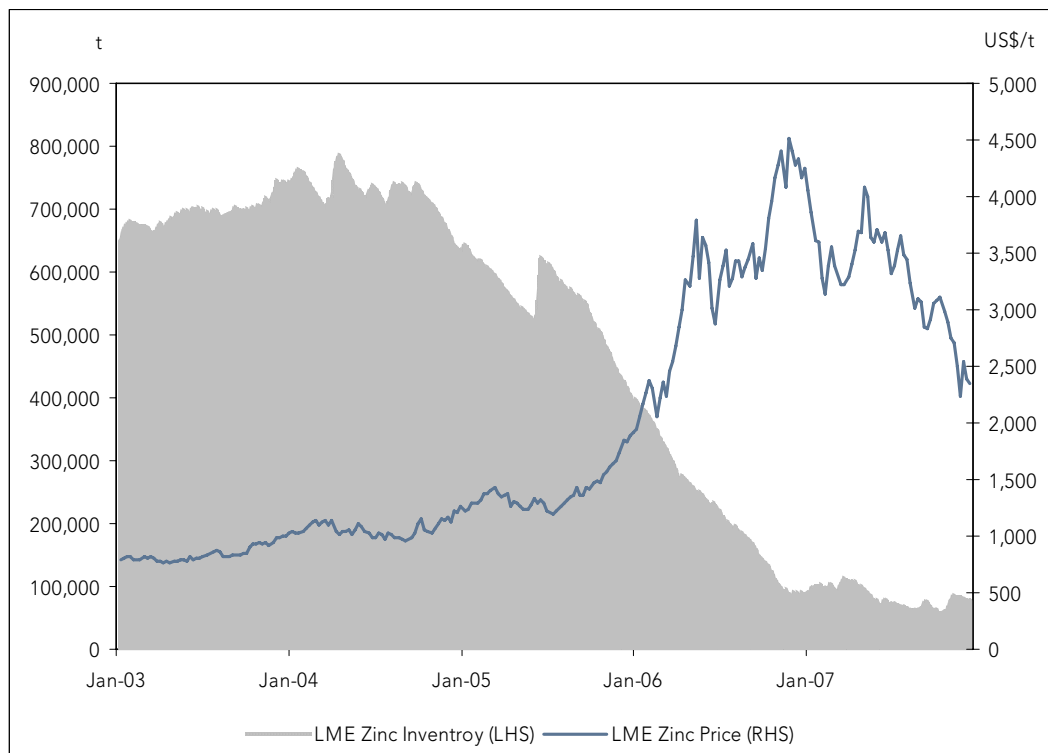
Source: Antaika

Matching the Chinese build-up in concentrate imports was a significant increase in lead metal exports, which peaked at around 570kt in 2006. During this time, Chinese refined primary lead output more than doubled from 1Mtpa to 2.1Mtpa. Although exports of lead were already in decline, China imposed a 10% tariff with effect from 1 June 2007 to suppress the trade further. The Chinese government does not want to develop polluting industries for export trade – how effective this policy will be remains to be seen.

Zinc

The following chart shows the zinc price since 2003 with the LME inventory levels.

Exhibit 4: Zinc price vs. LME inventory



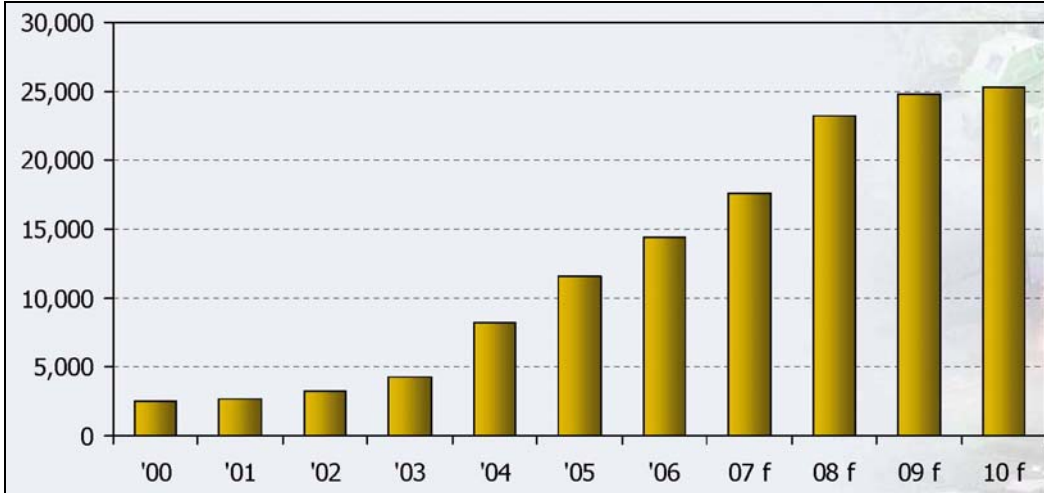
Source: Bloomberg

Demand

The major use of zinc is for galvanising which currently accounts for 48% of total consumption. Galvanised steel, which makes up 45% of this, is used extensively in infrastructure projects, including bridges and electricity transmission towers. Brook Hunt estimate that Chinese galvanised capacity will be 43% higher in 2010 than it has been for 2007. Brass is the second highest use of zinc, accounting for a further 17% of production. Die-casting consumes 11% of global production and is primarily used in reducing vehicle weights and in toys.

In many ways, zinc consumption is related to automobile demand, although not to the same extent as lead. Cars, especially those made in Europe, have their bodies galvanised to prevent corrosion. Many parts such as door handles are made of die-cast alloy and the manufacturing of vulcanised rubber, principally for tyres, is a key use of zinc oxide. Total zinc demand is expected to grow by only 4.6% per annum in the next few years.

Exhibit 5: Chinese continuous galvanising line capacity (thousand tonnes).



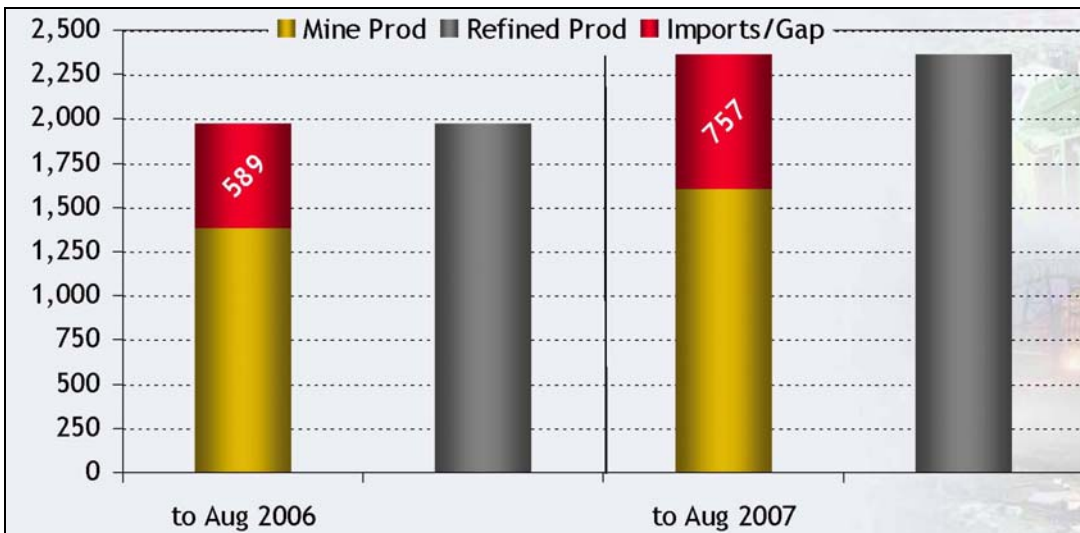
Source: Brook Hunt

Supply

In 2006 China accounted for 28.2% of mine supply. The next major supplier is Latin America with 19.8% of global production, followed by Australia and North America with 13.9% and 12.8% respectively.

The smelter production profile is totally different, with European smelters producing 21.3% of global production, followed by Asia with 18.3%. It is anticipated that over the next few years global smelter production will increase by around 9% per annum. This will follow from the de-bottlenecking of existing smelters and increased production following the greater availability of concentrates. Consequently, metal stocks are forecast to increase through to the end of 2009 and approach those levels achieved in 2003 when LME stocks peaked. Of course, this assumes that all projects deliver on schedule. Whilst this is unlikely, we assume that zinc stocks will indeed increase over this time frame and therefore that prices will remain under pressure. A production surplus will likely continue through to 2013, by which time the increasing infrastructure build in China and India will once again put the market into deficit.

Exhibit 6: China's need for importing zinc concentrate (thousand tonnes).



Source: Antaika

Geology and Exploration

Galena and sphalerite (lead and zinc sulphide respectively) are *paragenetically* related, i.e. they share sufficient chemical properties that they are often deposited at around the same time in the same location. Within lead-zinc ore bodies there is often *zoning* into localised concentrations of lead, zinc and/or other accessory metals (notably copper, silver and barium).

It has only been in recent years that the geneses of lead-zinc deposits have been sufficiently understood to allow proper classification. Two major groups are now known to exist, differentiated by their genetic models: (a) those *syngenetically* related to, i.e. emplaced contemporaneous with, the host rocks, and (b) deposits of an *epigenetic* origin, i.e. those which were emplaced much later than the host rocks were formed.

Syngenetic Deposits

Syngenetic deposits were formed in areas under tectonic extension, i.e. seafloor spreading, back-arc and continental rifting settings. Because of the geologically dynamic nature of these environments the main issue regarding their modern day distribution is one of preservation, with many ancient deposits no doubt having been 're-subducted' at continental margins. Since those that are both preserved and mineable must, by necessity, have been transferred from an oceanic to continental setting by orogenic processes it is not surprising that they are often deformed, faulted and overprinted through metamorphism to varying degrees.

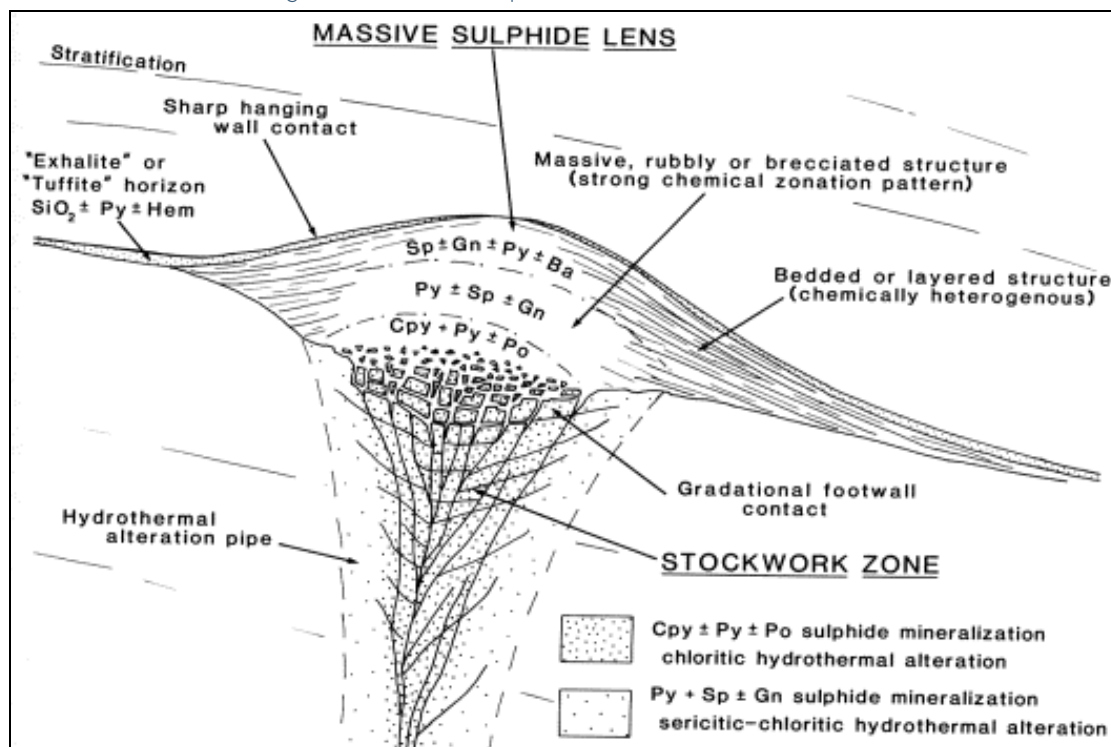
Ore-forming minerals were 'scavenged' at depth (presumably from large volumes of rock with relatively low metal concentrations) and subsequently *exhaled* onto the seafloor, either contemporaneous with volcanism (VMS) or sedimentation (SEDEX). Mineral/metal transportation was provided by hydrothermal convection cells, which were in turn driven by a magmatic heat-source. Metal and alteration mineral zoning is controlled predominantly by distance from the seafloor vent. Since sulphides are relatively insoluble compared with sulphate, oxide and hydroxide minerals, lead-zinc deposits of this type tend to have formed close to the vent. This is evidenced by the occurrence of lead/zinc-fossilised chimney structures and organisms such as 'vent worms' (which fed on the sulphur-dependent bacteria) in deposits such as Silvermines in Ireland. These remnants of ancient seafloor vent activity are similar to those observed in modern-day parallels (e.g. the 'black smokers' of the mid-Atlantic).

One issue with the VMS/SEDEX sub-grouping is the inevitable crossover between the two types, such as can be seen in the hybrid deposits at Bathurst, New Brunswick and the Iberian Pyrite Belt. Therefore, despite the fact that the 'end members' along the scale are readily distinguishable, the similarities between the two deposit types must be kept in mind.

Volcanic Hosted Massive Sulphide (VMS)

VMS deposits are found within the massive or semi-massive sulphide accumulations typically formed above submarine volcanic centres, which are preserved as highly altered stockwork zones (and can themselves host ore-grade mineralisation in sulphide-rich veins). Whilst pyrite is ubiquitous and forms the bulk of the massive sulphide body, metal zoning of ore minerals can be seen with copper, in chalcopyrite form, typically giving way outwards to the more soluble sphalerite and galena and sometimes barite (barium sulphate). The outermost flanks will typically be more oxidised, containing manganese, hematite, chert and finally magnetite. In some cases at greater distance this lateral gradation culminates in iron or manganese-rich massive oxide deposits, for example the Archaean Algoma-type Banded Iron Formations, which can have great economic significance in their own right.

Exhibit 7: Cross-section through an idealised VMS deposit



Source: www.geology.wisc.edu/~pbrown/g515/vms.htm

The following table summarises the various VMS deposit types based on their associations with dominant surrounding rocks and the geological setting of formation.

Table 3: VMS deposit types

Type	Dominant Rock Associations	Geological Setting	Main Ore	Example Mining Districts
Cyprus	Mafic volcanics (ophiolites)	Oceanic & back-arc spreading centres	Cu-dominant	Cyprus, Oman, Newfoundland Appalachians
Abitibi / Primitive	Mafic + minor felsic volcanic	Archaean greenstone belts	Cu-Zn	Noranda, Kidd Creek
Besshi	Mafic volcanic + sediment	Early-stage island arc	Cu-Zn	Besshi (Japan)
Kuroko	Felsic	Late-stage island arc	Cu-Pb-Zn (±Au, Ag, Ba)	Kuroko (Japan)
Hybrid VMS/SEDEX	Felsic volcanic + sediment	Late stage island arc	Cu-Zn-Pb	Bathurst (New Brunswick), Iberian Pyrite Belt, Parys Mountain (Anglesey)

Source: Fox-Davies Capital

As can be seen, the presence of lead in these deposits is dependant on the volcanic host rock association and is usually only found in economic levels where felsic volcanics (especially rhyolite) are dominant.

Due to the relatively small extent and therefore tonnage (0.1-10 Mt), major VMS copper-zinc-lead mining camps usually correspond with deposit clusters. However, despite their small size, the high grade and bulk nature of these deposits mean they are often extremely profitable to mine.

Furthermore, exploration using geophysical techniques is aided by the high relative density and electro-magnetic properties of these bodies.

Sedimentary-Exhalative (SEDEX)

This group of deposits, sometimes referred to as Sediment-Hosted, contain a substantial part of the world's lead and zinc. They comprise sulphide ores (galena-sphalerite) which have been vented into basins on the sea floor contemporaneous with sedimentation of shales, siltstones and carbonates. Ore zones are *stratiform*, i.e. laminated/bedded and conformable with the sediments, and often laterally highly uniform in composition over hundreds, sometimes thousands, of metres.

The generally accepted model suggests that basin-bounding fault structures provided conduits for the hydrothermal fluids, which eventually discharged onto the seafloor. There is some evidence in a number of deposits (e.g. Red Dog, Century) suggesting an element of mineralisation following sedimentation, perhaps not surprising as partly-lithified sediment will have likely retained some permeability. Barite is an important and common accessory mineral and sizeable quantities of silver, copper, gold, bismuth and tungsten can also be found. Wallrock alteration is generally absent except, as at Rimersburg in Germany, in the altered pipe like bodies beneath the ore lenses which represent the feeder conduit zones.

SEDEX deposits include such giants as Mt Isa and McArthur River in Australia and Red Dog in Alaska, which each held several million tons of ore (including past production) and grade up to 20% Pb-Zn combined. Other important deposits are found at Silvermines in Ireland, Selwyn Basin in Canada and Brook Range USA. The Angus & Ross Black Angel mine in Greenland is also believed to be a SEDEX-type. It should also be noted that the so-called "Sediment-Hosted Copper" deposits, such as those found in the Zambian/DRC Copper Belt, the Kupferschiefer in North Europe and White Pine in Canada, are also SEDEX-style and can contain important levels of lead and zinc as secondary minerals.

Broken-Hill Type (BHT)

BHT deposits are considered to be a special sub-set of SEDEX deposits since they are characterised by a strong amphibolite-granulite metamorphic overprint of sediment-hosted precursor deposits. Deformation and remobilisation of mineralisation has resulted in discontinuous, but high grade (up to 20% Pb-Zn) ore lenses which tend to be separated into zinc-rich and lead-rich zones. Silver is an extremely important accessory ore and, due to the metamorphism and introduction of new fluids, it is also typical to see a very large array of Fe/Ca/Mn/F-rich secondary minerals, some of which are unique to the particular deposit. Examples of BHT deposits are found at Broken Hill in New South Wales, Cannington in Queensland and Gamsberg in South Africa.

Epigenetic Deposits

Carbonate Replacement Deposits

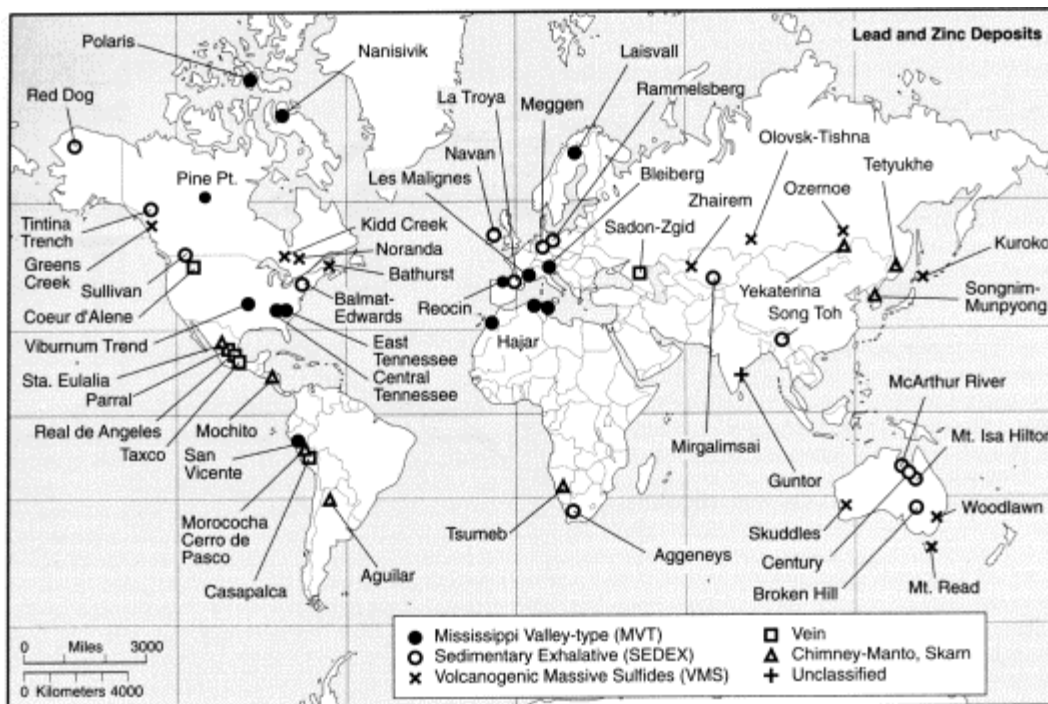
This group of deposits, synonymous with the Mississippi Valley Type (MVT) nomenclature, are predominantly hosted by dolomitised and brecciated limestones which contain mineral replacement and open-space filling by sphalerite-galena-fluorite-barite and calcite. Silver, cadmium and germanium often form important accessory minerals. Since the carbonates are usually much more permeable in nature than the surrounding formations, mineralisation is usually seen to be *stratabound*. This observation has confused many geologists in the past into concluding that ore genesis must therefore have been syngenetic in nature. However, any geologic feature that permits upward migration of ore fluids, e.g. a fault or basement high, can act to localise mineralisation. The fluids themselves were high-salinity basinal brines (10-30 weight% salts) that released their metal content as they cooled, mixed with near-surface waters and/or reacted with the host rocks. There is yet some argument as to whether an igneous heat source was required to have driven fluid migration.

Typically, the relatively low tonnage of these deposits (<20MT) is countered by high grades, with 3-15% Zn-Pb combined being typical. As with VMS deposits, it is not uncommon to find clusters of deposits in a particular mining district. The main locations are found in the US (Tri-State, Missouri, Upper Mississippi Valley, Appalachians), Canada and North Africa (for example, Maghreb's Bou Jabeur deposit).

Epithermal Deposits

Epithermal deposits are generally defined as the products of continental volcanic-related hydrothermal activity at shallow depths (up to about 1km from surface) and low temperatures (50-300°C). Although these deposits are most commonly associated with gold and silver they can, towards the higher depth/temperature end of the range, grade into base metal mineralisation including lead and zinc. Typically, this style of mineralisation will correlate with low-sulphidation epithermal environments. Known occurrences of this type include Herencia Resource's Paguanta deposit in northern Chile.

Exhibit 8: Locations of major lead-zinc deposits



Source: Kesler: 1994

Metallurgy

Mineral Processing

One of the key aspects of lead/zinc metallurgy is the grain size of the sphalerite and galena particles. In recent years, the advent of finer grinding technology has removed some of these constraints, but the problem remains that if the ore is ground too fine flotation recoveries start to suffer.

Copper frequently occurs with lead and zinc mineralisation. If this is the case, such as in a typical VMS style deposit, then a copper concentrate is usually produced first. Under these conditions the standard milling circuit would be crushing, followed by a SAG mill and a conventional ball mill. The bulk of any gold and silver in the ore would report to the copper flotation concentrate. If the concentrate grades are high enough precious metal credits would be paid (covered in the section on treatment charges). The copper mineralisation is initially floated off in the rougher circuit. This material is then regrind and refloat as a cleaner concentrate. The aim of the regrind is to enhance the liberation of the copper particles and ensure production of a saleable copper concentrate, typically over 25% copper and low in lead and zinc. If the copper content of the mill feed is low, and the ore is fine-grained, it is standard practice to float a combined copper/lead concentrate, regrind using an ultra fine grinding mill, and then float a copper concentrate, with the tailings becoming the lead concentrate.

If uneconomic grades of copper occur in the circuit then the lead circuit will follow grinding. For this reason, the lead circuit also attracts any gold and silver in the ore. The lead circuit follows the same principles as the copper circuit in that a rougher concentrate is produced, fed to a regrind circuit and then refloat as a cleaner concentrate. Final grades vary tremendously, with mines such as Endeavour and Rosebery in Australia producing concentrates grading 52% and 64% lead respectively, accompanied by silver grades of around 10oz/t. However, some mines such as Broken Hill produce concentrates grading better than 70% lead and around 20oz/t of silver.

The tailings from the lead circuit form the feed to the zinc circuit. Since the lead, and perhaps copper, have been removed by this stage, most of the precious metals have also already been floated off. As a consequence, a typical zinc concentrate contains no payable precious metal credits. Again, a rougher concentrate is produced, regrind in the regrind circuit and a cleaner concentrate is produced. Zinc concentrates vary from around 49% zinc to 63%, but the very high grade concentrates are quite rare.

Smelting/Refining

Lead

At the older lead smelters, such as Port Pirie and Mount Isa in Australia, the concentrate is mixed with silica and ground coke and then fed on to a sinter strand. The lead concentrate is set alight and the sulphur burns, oxidising the galena to lead oxide. The sulphur, now in the form of sulphur dioxide is captured, cleaned and converted into sulphuric acid. The process is controlled by blowing a draught of air through the concentrate bed and the use of additives. Once the mixture leaves the sinter strand all the sulphur has been removed and the concentrate has been fused into what is known as sinter.

The sinter is crushed and screened to produce a defined size distribution, with any fines being recycled back onto the sinter strand. A mixture of sinter and coke is then added to the blast furnace where air is blown through the mixture. The point of adding coke is twofold. Firstly, it burns providing the heat to melt the sinter and secondly, the carbon in the coke reduces the lead oxide to lead. Periodically, the molten lead is tapped from the blast furnace. The silver is removed and the lead cast into billets ready for refining. If the lead concentrate contains high levels of zinc it is

possible, such as at Port Pirie, to run the blast furnace to give a zinc rich slag. This makes an ideal feed for a zinc fuming process, and is how Port Pirie manages to produce around 40,000tpa of zinc metal.

The newer lead smelters use a flash smelting process. Typically they use an Isa Smelt or Ausmelt process. The lead concentrate is fed into the reactor vessel and the vessel is heated with an oxygen lance, which promotes an exothermic reaction as the sulphur is oxidised. By adding fluxes and fuel to the reactor vessel, a crude lead is produced that is sent to the refinery. Once the lead has been tapped off, the same reactor vessel can be used to reduce the slag, by changing the conditions within the vessel. This produces more lead bullion and some zinc fume which is collected using an electrostatic precipitator. By changing the conditions yet again, the reduced slag can then be cleaned, the products of which are a discard-able slag and a zinc-rich fume.

Zinc

Most zinc refining is conducted by the electrolytic process and is therefore not technically smelted at all (a term which implies a pyro-metallurgical process). The zinc concentrate is first roasted in a fluidised bed roaster. This oxidises the sphalerite, or zinc sulphide to zinc oxide and generates sulphur dioxide as a by-product. The sulphur dioxide is captured, cleaned and converted into sulphuric acid.

One of the reasons that zinc refineries do not like copper and lead in the zinc concentrate is that if these two elements are at elevated levels in the concentrate there is the potential to solidify the bed. This necessitates shutting the roaster down, jack-hammering the bed out and restarting the roaster. This is a time consuming exercise that normally costs at least a week's production.

After roasting, the zinc oxide is dissolved in sulphuric acid, and the solution purified. This is conducted by manipulating the pH of the solution and precipitating any lead and silver that has come through the system. This precipitate is known as primary leach residue and is normally sold as a feedstock to a lead smelter. Dependent upon acid strength and temperature, differing residues are created. Alternative processes can produce jarosite, goethite and para-goethite residues. The purified zinc-rich solution is then pumped to the cell room where the zinc is electrolytically extracted in the form of cathodes. The final stage in the process is to melt the cathodes and cast them into pigs or billets.

It is worth noting that many zinc refineries do not sell all that they produce as pure zinc. Typically, when the cathodes are melted down for casting into billets etc, other metals such as aluminium, magnesium and nickel are added. The reason for this is that they sell custom made alloys with the exact mix varying from customer to customer. The main reason for this is that the melting stage is the ideal time to make the alloys, and by making customer specific alloys, the refinery has the potential to lock its customers in. Premium prices are also charged for the alloys.

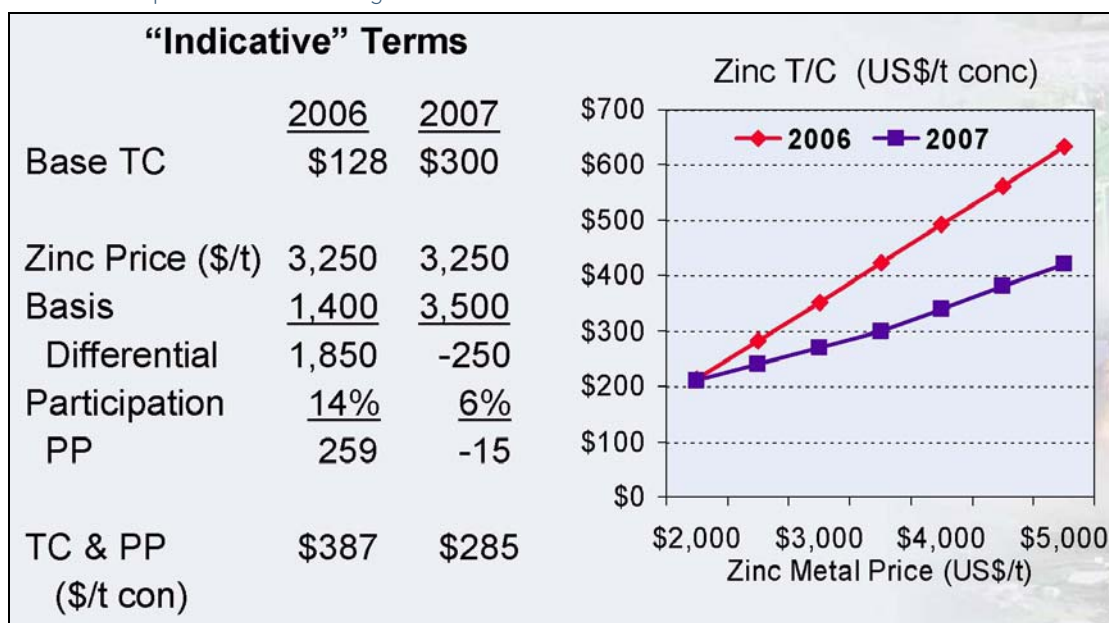
Treatment Charges

Zinc

Historically, the early zinc smelting procedures such as horizontal and vertical retorts only used to recover 85% of the metal contained in the concentrate. For this reason a zinc refinery will still only pay 85% of the contained zinc in the concentrate. Any higher recovery therefore results in "free metal" to the refinery. In modern zinc refineries, the higher grade zinc concentrates are found to give better recoveries, the reason being that there is less waste produced in which to entrain zinc bearing solution.

The treatment charge is currently around US\$300/t of concentrate basis US\$3500/t. The basis is a price which is set in the annual negotiations somewhere around the actual zinc price. The reason for this charging structure is so that the refinery, via escalators and de-escalators, can partake in any upside or help reduce the impact of a fall in the zinc price. The escalators and de-escalators change every year, and may be phased, for example 8% under US\$4,000/t and 10% above US\$4,000/t.

Exhibit 9: Example zinc treatment charges



Source: Teck Cominco

Lead

As with zinc, there are two key elements driving lead treatment charges. Frame contracts typically pay for 95% of the metal contained in the concentrate, with a fixed treatment charge, currently \$158/t. This figure has tended to be less volatile than the zinc treatment charge. The base price for lead concentrate calculations has been slowly rising, reflecting the increasing LME price, and is currently \$1,500/t. For 2007, the escalator dropped to 7% from the 10% that had been prevalent for the previous three years, whilst the de-escalator dropped to 5% from 10%.

Table 4: Historical lead treatment charge data

		2000A	2001A	2002A	2003A	2004A	2005A	2006A	2007E
Lead cash price	US\$/t	454	476	452	515	886	976	1286	2431
Base TC	US\$/t	188	150	135	120	125	150	149	158
Base lead price	US\$/t	500	500	500	480	650	850	850	1500
De-escalator	%	0	0	12.5	10	10	10	10	5
Escalator	%	10	12.5	15	15	10	10	10	7
Realised TC as % of lead price		73	55	50	43	29	29	29	26

Source: Newstar

With the current strength in the lead price, we would anticipate that treatment charges will increase in 2008 but decline as an actual percentage of the lead price.

Gold

As discussed in the previous section, it is not unusual to find payable gold in lead concentrates, especially from VMS type deposits. Typically this is paid 95% with a one unit deduction. This translates as the gold grade in the concentrate measured in grams per tonne less one (gram per tonne) multiplied by ninety five per cent. There will also be a modest refining fee.

Silver

Although found in both the lead and zinc concentrates, the majority reports to the lead concentrate. The notable exception is the zinc concentrate produced from the Century mine in north-west Queensland, Australia. Silver normally has a 50 unit deduction payable 95%. This translates as the silver grade of the concentrate measured in grams per tonne less fifty (grams per tonne) multiplied by ninety five per cent. There will also be a modest refining fee.

COMPANIES SECTION

The Lead-Zinc Equity Sector

Companies Reviewed

Whilst a good deal of global production comes from major producers such as Zinifex, Teck Cominco and Xstrata, lead and zinc is one of the least consolidated of the mining sectors. At the same time, exploration and development companies with a pure focus on these metals are rare. Not only do lead-zinc deposits often include significant by-products of metals such as silver and barium, but the mining/exploration companies themselves often control additional assets targeting other metals. We have selected 13 companies which have a primary, if not exclusive, exposure to the lead and/or zinc market and have reviewed them accordingly. Our focus has been towards those companies listed on the AIM market, although some TSX and ASX-listed companies are also included.

Valuation Methodology

The companies covered in this report are summarily compared by their Enterprise Value (EV)/in-situ value ratio, expressed as a percentage, which permits a like-for-like valuation across various stages of development. The denominator in this ratio, the in-situ value, is the total US dollar value of *all* metal contained within the company's resource base (Measured, Indicated and Inferred). Since many companies in the sector are not solely focussed on lead-zinc and, in any case, most lead-zinc deposits are polymetallic in nature, this number will often contain a component value of other metals, e.g. gold. The various metal prices used in the calculation are shown in Table 5.

Table 5: Metal prices and exchange rates used in calculating zinc-equivalent metal content. All prices in US\$.

Zinc	\$2,000/t (\$0.90/lb)	Gold	\$600/oz	Fluorite	\$180/t
Lead	\$1,750/t (\$0.80/lb)	Silver	\$10/oz	Barite	\$25/t
Copper	\$6,000/t (\$2.75/lb)	Platinum	\$1,200/oz	AUD/USD	0.80
Molybdenum	\$55,000/t (\$25/lb)	Palladium	\$420/oz	CAD/USD	1.00
Nickel	\$17,500/t (\$8/lb)	Uranium U ₃ O ₈	\$150,000/t (\$70/lb)	GBP/USD	2.00
Cobalt	\$65,000/t (\$30/lb)				

Source: Fox-Davies Capital (note, these prices are not FDC's long-term price forecasts).

One issue with this approach is that the company may have assets for which there is no JORC or NI 43-101-compliant resource. The assets may, however, have some monetary value which can be reasonably and *conservatively* estimated. To use Angus & Ross as an example, we have included a value for their 81% interest in St Andrews Mining's gold projects in Brazil and also the highly prospective Motzfeldt tantalum project in Greenland.

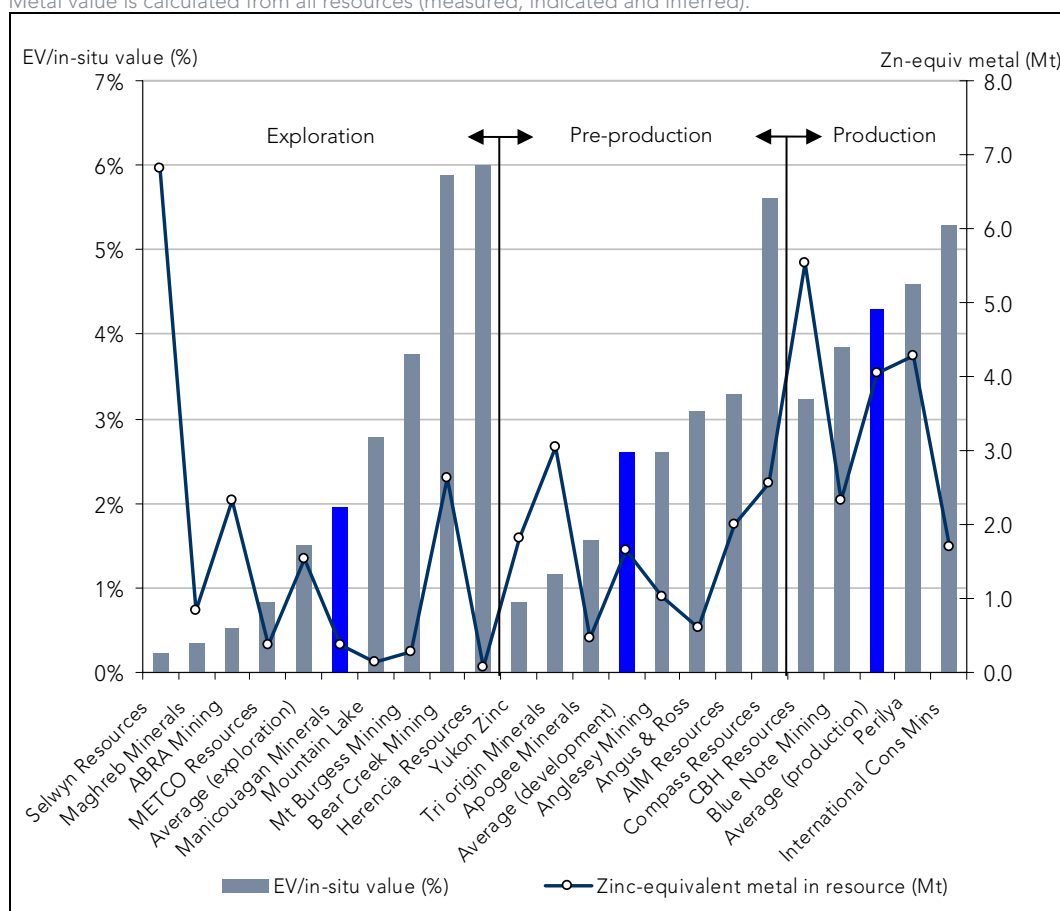
The total in-situ value allows us to back-calculate a zinc-equivalent tonnage for each company, i.e. to estimate a total *zinc-only* resource which would have the same monetary value. This is done simply by dividing the total dollar value by the zinc price from Table 5.

Recommendations

Exhibit 10 shows a comparative valuation of 19 lead-zinc focused companies including those covered in this report, with the exception of ZincOx. The companies are grouped into exploration, pre-production (i.e. feasibility or construction) and production-stage categories and are then ranked in order of EV/in-situ value with the 'cheapest' companies towards the left. There are several trends to note from this chart:

- As would be expected, **the size of the resource base broadly increases towards production.**
- **Larger deposits attract a higher valuation.** The market is rewarding those companies that are able to drill out a JORC compliant resource which allows suitable economies of scale to be determined during pre- and full-feasibility.
- **Companies are valued more highly as production is approached and attained.** Valuations have by far the widest range in the exploration category, from 0.2 to +10% EV/in-situ value. Note, Herencia is around 11% but has been capped at 6% for the sake of clarity in the chart – this obvious outlier was excluded from the exploration average calculation.
- **The lead-zinc sector trades at relatively low EV/in-situ value ratios.** Average figures around 3-4% for production and pre-production companies compare with the order of 20% for the nickel and gold sectors.

Exhibit 10: EV/in-situ metal value for a selection of lead-zinc focussed companies, including those covered in this report. Metal value is calculated from all resources (measured, indicated and inferred).



Source: Fox-Davies Capital, Bloomberg; ZincOx not included as the EV from recycling plants has no corresponding resource; International Cons. Minerals not included as no JORC resource available. Herencia not included in average calculation.

Exploration companies which are seen as statistical outliers to the general trends are:

- Selwyn Resources – This appears to be extremely undervalued in relation to its very large resource. The market does not appear to believe that it can be brought into production and the reasons are discussed in the relevant company page.
- Herencia Resources – which ‘suffers’ the opposite of Selwyn with its very high EV/in-situ percentage. This is undoubtedly a ‘base effect’ since the resource tonnage and the enterprise value are both low at this stage. We therefore suspect that the metric will come into line once further drilling and resource definition are undertaken in 2008.
- Bear Creek Mining – It may be that the polymetallic nature of the ore bodies is introducing a bias and certain companies are being valued on the basis of a metal other than lead or zinc. Bear Creek has substantial silver resources and the market may be ascribing a premium to the company on this basis.

There are several less tangible metrics that can control the valuation of mining companies, including the opportunity for increasing the size of the resource. However, this geological potential is difficult to measure objectively. While some deposits are closed on all sides, i.e. unlikely to increase in size, others remain open and also have potential for the discovery of satellite deposits. The ‘blue sky’ here offers an opportunity for the investor, but the associated level of risk is often hard to quantify. However, it should be borne in mind that it is for the very reason of addressing geological risk that exploration companies exist in the first place. This intangible element must, therefore, always be a consideration, particularly when assessing the relative merits of exploration companies.

In the following pages, with all the above in mind, we consider the 13 companies summarised below.

Table 6: Companies reviewed in this report.

Name	Market	Primary Location	Stage	Zn-equivalent in Resource (t)	EV (US\$M)	EV/ in-situ value
ABRA Mining	ASX	Australia	Exploration	2,337,000	\$24.5	0.6%
AIM Resources	AIM*	Burkina Faso	Pre-production	2,002,000	\$132	3.4%
Anglesey Mining	AIM	Wales	Pre-production	1,023,000	\$53.3	2.8%
Angus and Ross	AIM	Greenland	Pre-production	614,000	\$37.9	3.0%
Blue Note Mining	TSX	Canada	Production	2,331,000	\$124.5	3.0%
Drake Resources	ASX	Sweden	Exploration	n/a	\$18.1	n/a
Herencia Resources	AIM	Chile	Pre-production	80,000	\$17.8	5.5%
International Cons. Minerals	AIM	Peru	Production	1,732,000	\$183.5	n/a
Maghreb Minerals	AIM	Tunisia	Pre-feasibility	831,000	\$5.7	0.3%
Mount Burgess Minerals	ASX	Botswana	Exploration	281,000	\$21.1	3.8%
Neptune Minerals	AIM	S. Pacific	Exploration	n/a	\$29.7	n/a
Selwyn Resources	TSX-V	Canada	Pre-feasibility	6,805,000	\$29.1	0.2%
ZincOx	AIM	Yemen/USA	Pre-production	378,000	\$214.3	n/a**

Source: Fox-Davies Capital (note, these prices are not FDC’s long-term price forecasts).

*Primary listing is ASX. **EV from ZincOx’s recycling operations have no corresponding resource – their value is difficult to estimate.

ABRA Mining Ltd (AII AU)

Background

Abra Mining was listed on the ASX in 2005 and is focussed on the base metal Abra Project in Western Australia. The deposit was discovered in 1981 by Geopeko (later North Ltd) and, following their relinquishment of the licence in 1999, Abra Mining now holds a single 10 km² mining lease surrounded by a 180 km² exploration licence. The Company's stated objective is to properly assess the high grade mineralised bodies whilst simultaneously exploring the known exploration targets in the surrounding region.

The Company has negotiated a funding arrangement and strategic alliance with the Chinese investment group AP Energy Investments Ltd, who currently hold a 20% interest in Abra as a result of A\$4.68M of equity funding. A placement in November '07 with Excel Energy Investments Limited, an international investment Company managed by DBS Capital of Singapore, raised an additional A\$1.3M. As of 1st November the Company was holding A\$3.1M cash.

Key Assets

The Abra deposit is situated some 200 km north of Meekatharra in Western Australia. Base metal mineralisation with a high relative concentration of lead, silver and copper is found in SEDEX-style tabular and lens-shaped sulphide zones comparable in form to those seen at Mt Isa, MacArthur and Century. The company believes that, due to elevated iron-oxide levels, there may also be parallels with Olympic Dam and Ernest Henry. Drilling by Geopeko encountered high grades in holes over 1km apart below over 250m of cover and extending to at least 700m vertical depth. The results included intercepts of 92m grading 13.6% Pb and 26.9g/t Ag, 53m grading 1.05% Cu, 6m grading 6.9g/t Au and 68m grading 27% Ba.

The current geological interpretation is of a vertically-zoned deposit which is barium/lead/silver-rich at the top and grades down through a lead-rich zone into copper/gold mineralisation at depth. Abra Mining believe they have identified a further six new targets which warrant drilling and may develop the project area into a bona-fide mineral district. To date, they have undertaken preliminary drilling at five of these additional prospects: Abra North, Hyperion, Copper Chert, Rhea and Mulgul.

A scoping study has been completed based on a target annual production of 356,000 tonnes concentrate, which concluded that a minimum reserve of 75Mt at 4% lead would be required to support a sub-level caving operation with a 6Mt per annum throughput. This would provide a product with up to 65% lead in concentrate (based on 97% recovery) which would then be transported by rail or slurry pipe to Port Headland.

Elsewhere in the exploration licence, the Company has defined a number of targets based on identified magnetic, IP and gravity anomalies.

Comment

The parallels the Company has drawn with the giant deposits mentioned are not entirely unreasonable, although the project obviously still has a lot to prove in terms of bulk tonnage before they can be taken beyond the academic level. Nevertheless, as discussed in the geology section, SEDEX style deposits are usually laterally continuous over a wide area and we feel that a 75Mt reserve is well within reasonable expectation. The main aspect that concerns us is to do with infrastructure. The remote location and already high utilisation of rail lines by the iron ore industry may restrict the Company's options in getting the concentrate to port. The extent to which capex requirements can be kept under control will ultimately determine the fate of this project. We feel that the market will continue to undervalue this company until a full feasibility study is successfully complete.

**ABRA Mining
All**

**Market: ASX
Share price: A\$0.31**

**Analysts: Peter Rose / Andy Davidson
20 December 2007**

Key Market Information		Fundraising	
Shares outstanding (M)	89.88	Dec '06 @ A\$0.25	A\$2.25M
Options and Warrants (M)	-	Nov '07 @ A\$0.3	A\$1.3M
Market capitalisation (A\$M)	27.86		
52-week high/low (A\$)	0.47/0.16		
Net cash (A\$M)	4.11		
Enterprise value (A\$M)	23.75		

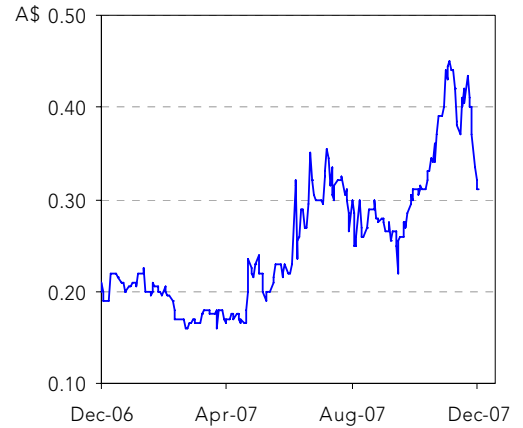
Company Information		Major Shareholders	
Lower Ground Floor, 57 Havelock Street		AP Energy Investments	21%
West Perth , West Australia 6005, Aust.		Mr John Mathias Clema	11%
+61 8 9226 0200		Portbeam Holdings	11%
http://www.abramining.com.au		Mr. Chong Wing So	10.8%

Resource	Mt	Zn(%)	Pb(%)	Ag(g/t)	Cu(%)	Au(g/t)
Indicated	-	-	-	-	-	-
Inferred	9.8	0	0.2	2	0.6	0.5
Total	9.8	0	0.2	2	0.6	0.5

Resource	Mt	Zn(%)	Pb(%)	Ag(g/t)	Cu(%)	Au(g/t)
Measured	-	-	-	-	-	-
Indicated	-	-	-	-	-	-
Inferred	50.3	0.2	4	10	0.1	0
Total	50.3	0.2	4	10	0	0

Production	Mt

Robert Anderson	Chairman	From 1987 until 1990 he was Chairman of the State Planning Appeal Tribunal. Appointed as a Justice of the Supreme Court of Western Australia in 1990.
Jeff Moore	Managing Director	Jeff is a Corporate Member of the Australasian Institute of Mining and Metallurgy and a Member of the Geological Society of Australia. Made Managing Director of New World Alloys Ltd in 1998 where he was responsible for developing and financing an innovative and globally competitive pyrometallurgical magnesium metals project.
Ken Street	Non-executive Director	Ken joined the WA Department of Minerals and Energy as 17 year old and had a highly successful career in the public service for 24 years, including 7 years as a Mining Registrar/Clerk of Courts.



Source: Bloomberg

Profit and Loss (A\$M)	2006	2007
Net revenue	0.33	0.18
Operating expenses	(1.67)	(1.83)
Other adjustments	-	-
Pre-tax profit	(1.33)	(1.65)
Income tax	-	-
Net profit (after minorities)	(1.33)	(1.83)

Balance Sheet (A\$M)	2006	2007
Cash	3.71	4.11
Other current assets	0.08	0.08
PP&E	0.15	0.46
Exploration costs carried forward	5.83	8.41
Total assets	9.81	13.07
Current Liabilities	0.35	0.53
Borrowings	0.01	0.04
Issued Capital	10.31	14.86
Profit/Loss	(1.63)	(3.28)
Reserves	0.79	0.92
Liabilities and Equity	9.81	13.07

Cash Flow (A\$M)	2007	2006
Receipts from operations	-	-
Interest received	0.3	0.19
Payments to Suppliers	(1.19)	(1.41)
Other adjustments	0.01	0.01
Net operating cash flow	(0.88)	(1.21)
PP&E Purchase	(0.08)	(0.11)
Exploration	(3.16)	(2.66)
Net Investing cash flow	(3.24)	(2.78)
Issue of Shares	0.06	4.68
Share issue costs	-	(0.29)
Repayment of Borrowings	(0.01)	(0.01)
Net Financial cash flow	0.05	4.38

AIM Resources (AIMR LN / AIM AU)

Background

AIM Resources is an African focused resource company. The company was established in 1985, listed on the ASX in 1987 and on the AIM market in 2005. Its focus is on zinc at Perkoa in Burkina Faso, iron oxide copper-gold at the Mumbwa project in Zambia and nickel-platinum at Mokopane in South Africa.

Key Assets

The key asset is the 100%-owned Perkoa VMS zinc project in Burkina Faso which has unusually high zinc and barium concentrations and relatively low levels of lead and copper. The project was acquired from Metorex and BHP Billiton in January 2005, and a bankable feasibility study was completed by the end of that year based on ore reserves of 6.3Mt grading 14.5% zinc (giving just over 900,000t contained zinc). Total resources are 6.7Mt at 16.4% zinc and 35.4g/t silver. The underground mine and mill are currently being constructed with a view to a 525kt pa throughput. The development of the box cut was completed in June 2007. With a zinc recovery of 92%, the mill will produce 132kt of concentrate grading 53% zinc with first shipment due in early 2009. The expected mine life is 12.5 years based on current reserves. Concentrates will be transported to the port by road transport to the railhead at Koudougou and then by rail through Cote D'Ivoire to Abidjan. A long term sales agreement has been announced with Votorantim Metais, zinc business unit. This agreement will provide a secure, long-term market for approximately one-third of the concentrate produced. This sales agreement is an ongoing contract that is built around an initial five year sales term. In addition, Letters of Intent have been signed with two other smelting groups.

The other area of interest for AIM resources is Zambia, where it is looking for iron oxide copper-gold deposits in the Mumbwa area, located approximately 240km west-northwest of the capital Lusaka. This is a joint venture with BHP Billiton, with AIM earning a 70% interest. Phase 1 drilling reported a 655.4m intersection grading 0.46% copper, although this did include some higher grade lengths and also some gold. The results of the phase 2 drilling program, entailing 10,000m of diamond core drilling in 15 holes, is not yet available.

AIM Resources also owns 100% of the Mokopane nickel-platinum project on the northern limb of the Bushveld Complex. These are new order mineral rights covering near surface mineralisation. Mineralisation occurs from surface to a vertical depth of over 200m, within the Platreef zone and is amenable to large scale open cut mining with a low strip ratio. Currently, there is a JORC compliant inferred resource of 39.7Mt grading 0.146% nickel, 0.085% copper, 0.22g/t platinum and 0.33g/t palladium. This resource is contained within the southwest mineralised area and there is significant exploration potential over four other mineralised areas which the Company plans to drill in 2008.

Comment

AIM Resources has secured renewal of two exploration permits covering 300km² adjacent to, and surrounding the Perkoa Zinc mine. There are 9 known electro-magnetic anomalies around Perkoa, and at least 6 of them show consistent resistivity and chargeability readings comparable with Perkoa. We would anticipate that, like many VMS deposits, several more low-tonnage ore lenses will be found and so, although the scale of the operation may be limited, we anticipate a long mine life. The company appears fully valued at present, based on our EV/in-situ value comparison.

AIM Resources
AIMR (LN) / AIM (AU)

Market: AIM / ASX
Share price: 6.13p

Analysts: Peter Rose / Andy Davidson
20 December 2007

Key Market Information		Fundraising	
Shares outstanding (M)	1,059	May '05 IPO@ £0.02	£0.14M
Options and warrants (M)	131.96	Mar '06 @ A\$9.5	A\$5.6M
Market capitalisation (£M)	64.91	Dec '06 @ A\$0.29	A\$23.75M
52-week high/low (p)	17.25/7.88	June '07 @ A\$0.31	A\$75M
Net cash (£M)	36.41		
Enterprise value (£M)	28.5		

Company Information		Major Shareholders	
Level 2, Suite 201, 80 William Street Sydney, New South Wales 2011, Aust. +61 2 9357 9000 http://www.aimresources.com.au		ANZ Nominees Limited	17.9%
		HSBC Custody Nominees Aus	8.9%
		National Nominees Ltd.	6.8%
		Citicorp Nominees Ltd.	5.5%

Reserve (Perkoa)	Mt	Zn (%)	Zn (t)
Proven	0.2	14.2	34000
Probable	6.0	14.5	874000
Total	6.3	14.5	908000

Resource (Mokopane)	Mt	Pt(g/t)	Pd(g/t)	Ni(%)	Cu(%)
Measured	-	-	-	-	-
Indicated	-	-	-	-	-
Inferred	39.7	0.22	0.33	0.146	0.085
Total	39.7	0.22	0.33	0.146	0.085

Production (,000t)	2008(e)	2009(e)	2010(e)	2011(e)
Zinc	52.4	69.9	69.9	69.9

Marc Flory	MD	Has 25 years experience in the financial markets and the mining industry, in South Africa and Australia. He has worked for Goldfields of SA and Citibank, as well as heading up Australia's first International Private Capital Fund.
Chris Brown	CFO	Has over 20 years experience in senior finance roles of public companies in Australia and New Zealand, including Chief Financial Officer/ Company Secretary for Sydney Gas Ltd and General Manager Accounting for AGL.
Victor Bradley	Chairman	A Chartered Accountant with 42 years in the mineral industry. Chairman of Yamana Gold Inc., he has a broad knowledge of and contacts in the mining sector.



Source: Bloomberg

Profit and Loss (A\$M)	2005	2006	2007
Total Revenue	0.28	0.39	0.71
Operating expenses	-	-	-
Pre-Tax Loss	(3.96)	(6.70)	(7.40)
Income tax	-	-	-
Net profit (after minorities)	(3.96)	(6.70)	(7.40)
Balance Sheet (A\$M)	2005	2006	2007
Cash	4.94	8.10	12.01
Other current assets	0.01	0.13	0.18
Total Current Assets	4.95	8.23	12.19
PP&E	0.14	0.13	0.05
Other Non-Current assets	6.55	7.12	28.09
Total non-current assets	6.69	7.254	28.14
Total Assets	11.63	15.48	40.33
Trade and other payables	0.65	0.54	6.87
Total Liabilities	0.65	0.54	6.87
Net Assets	10.99	14.94	33.47
Issued Capital	41.76	51.43	78.39
Reserves	-	0.97	(0.06)
Accumulated losses	(30.77)	(37.46)	(44.86)
Total Equity	10.99	14.94	33.47
Cash Flow (A\$M)	2005	2006	2007
Receipts from operations	-	-	-
Operations Activities	(3.73)	(6.86)	(0.98)
Net interest	0.24	0.28	0.68
Tax paid	-	-	-
Other adjustments	0.05	0.11	0.00
Net operating cash flow	(3.44)	(6.47)	(0.30)
Proceeds from investing	(6.58)	0.05	(22.48)
Proceeds from financing	(5.11)	(9.67)	(26.68)
Net increase in cash held	(4.91)	3.16	3.91
Cash and cash equivalents	9.85	4.94	8.10
Cash at end of year	4.94	12.01	

Anglesey Mining (AYM LN)

Background

Anglesey Mining was listed on the LSE main board in 1988, with a view to recommencing mining operations at the Parys Mountain deposits in North Wales and thus develop the first new metaliferrous mine in the UK for over 30 years. The Company's other main asset is the Labrador Iron Ore project in Canada. These assets were recently listed in Canada, with Anglesey maintaining a 50% interest and only receiving revenues from this operation through any dividends that might be paid.

Key Assets

The redevelopment of the Parys Mountain Mine languished due to the low metal prices that prevailed during the latter part of the 1990's and early 2000's. The problems were compounded by the depth of the Engine Room ore reserves, which need to be accessed by shaft. The strategic thinking on the project changed around 2004 when the White Rock resource was found, a shallower ore body than Engine Room although much smaller. A decline is currently being driven down to access the White Rock resources of around 2Mt grading 4% zinc, 2% lead and 0.3% copper with associated silver and gold. A recently completed independent scoping study has determined that it is a viable stand-alone operation and so the current plan is to use profits generated from this to fund the development of the Engine Room ore body. Consequently, the mill will commence processing around 200,000t a year and capacity will be expanded to around 400,000 tonnes per year in 2013 when mining of the Engine Room ore body is forecast to begin. The cash costs for the initial White Rock operation are estimated at £30.25 per tonne and the total capex, including the BFS, is £15M. Annual production of 6,000t of zinc and 3,000t of lead in concentrate over a 5-year production life is expected to fully expense construction and development down to 175m below surface. The resources outside White Rock (i.e. Engine zones and Carreg-y-doll zones) are significantly higher grade, with a total indicated and inferred 5.6Mt grading around 14% zinc equivalent.

In September '07, Anglesey announced a proposed IPO to fund its Labrador iron ore operations via a wholly-owned subsidiary Labrador Iron Mines Ltd (LIM). This resulted in funding of approximately £23 million at the current rate of exchange. Anglesey now holds 52.4% of the new company, Labrador Iron Mines Holdings Limited. At present, LIM holds a 77.5% interest in a joint venture on the Schefferville Project, which is based on historic resource estimates made by Rio Tinto's Iron Ore Company of Canada (IOCC), the original operator, of approximately 100Mt of direct shipping high-grade hematite lump and fine iron ore deposits. This resource is currently not compliant with the standards prescribed by Canadian NI 43-101. A drilling program of approximately C\$2M is planned with the objective of confirming the historical resource in accordance with such standards. A further C\$3.3M is budgeted for the completion of a feasibility study aimed at determining the possibility of producing 2Mt per annum of saleable product by mid 2009, with full production of 3.5Mt anticipated by 2010. Estimated initial capital expenditure to reach commercial production is approximately US\$30M.

Comment

The Parys Mountain project has been around for a long time which accounts for why Anglesey Mining is listed on the main board, rather than the AIM market. The discovery of the shallow White Rock resource and the improvement in metal prices has brought a totally new perspective to this project. Spinning off the iron ore project will give the market the opportunity to fairly value both the assets on their own merits.

Anglesey Mining plc
AYM

Market: AIM
Share price: 15.25p

Shares outstanding (M)	152.56	Apr '05 @£0.04	£0.46M
Options and warrants (M)	9.4	Feb '06 @ £0.12	£1.16M
Market capitalisation (£M)	23.27	May '06 @ £0.1475	£0.09M
52-week high/low (p)	28.25/8.25	July '07 @ £0.08	£1.1M
Net cash (£M)	0.034	Dec '07 IPO(LIM) @C\$4	£23M
Enterprise value (£M)	13.87		

Company Information		Major Shareholders	
Parys Mountain, Amlwch		Juno Limited	38%
Anglesey, LL68 9RE, Wales		Ambrian Capital plc.	11.1%
+44 1248 361333		Range Global Fund Ltd	8.2%
http://www.angleseymining.co.uk			

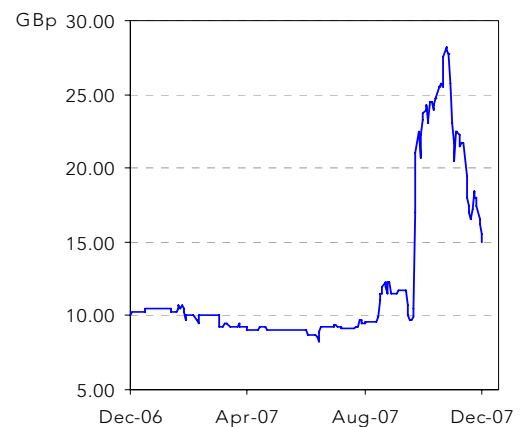
Parys Mountain	Mt	Zn(%)	Pb(%)	Cu (%)	Ag (g/t)	Au (g/t)
Indicated	2.25	6.72	3.43	1.43	78	0.66
Inferred	4.20	4.62	2.16	2.83	22	0.33
Total	6.45	5.35	2.6	2.34	41	0.45

Labrador Iron	Mt (Fe)
Measured	16.08
Indicated	41.63
Inferred	47.13
Total	104.84

Production (,000t)	2008(e)	2009(e)	2010(e)
Zinc (,000t)	-	7.1	7.1
Lead (,000t)	-	3.11	3.11
Copper (,000t)	-	0.01	0.01
Silver (,000oz)	-	190	190
Gold (,000oz)	-	2	2

John Kearney	Chairman	Irish, born 1951, chairman, is a mining executive with over 29 years experience in the mining industry. He is a director of several public resource companies. Those listed in the UK include Anglesey and Minco plc.
Ian Cuthbertson	Finance Director	British, born 1947, Ian is a chartered accountant. He has extensive experience in the international oilfield and construction industries and has been secretary of the company since its flotation in 1988.
Bill Hooley	Executive Director	Bill Hooley has extensive experience in Australia, the UK and North America in mineral project development and assessment. A graduate in Mining Engineering from Imperial college Royal school of Mines, he is a Fellow of the Australasian Institute of Mining and Metallurgy.

Analysts: Peter Rose / Andy Davidson
20 December 2007



Profit & Loss (£M)	2006	2007
Net revenue	-	-
Operating expenses	(0.24)	(0.39)
Other adjustments	(0.19)	7.20
Pre-tax profit/loss	(0.52)	6.76
Income tax	-	-
Net profit for year	(0.52)	6.76
Balance Sheet (£M)	2006	2007
Current Assets	1.21	0.05
Of Which Cash	1.20	0.03
Other non-current assets	5.87	13.96
Total Assets	7.08	14.01
Current liabilities	0.58	0.53
Other Non-Current liabilities	(1.34)	(1.41)
Total Liabilities	(2.01)	(2.03)
Net Assets	5.07	11.97
Share capital	6.89	6.90
Share premium	7.09	7.19
Retained losses	(9.06)	(2.30)
Liabilities and Equity	5.07	11.97
Cash Flow (£M)	2006	2007
Profit/loss from operations	(0.44)	6.81
Operations payments	(0.16)	(0.35)
Net interest	-	-0.01
Net operating cash flow	(0.60)	6.45
Investing Payments	(0.95)	(0.95)
Interest Received	0.02	0.02
Net investing cash flow	(0.93)	(0.93)
Proceeds from Shares	0.11	0.11
Net financial cash flow	5.63	5.63

Angus & Ross (AGU LN)

Background

Angus & Ross is a UK registered and AIM listed (since 2001) company with its main focus on the historic Black Angel zinc-lead mine and surrounding area in Western Greenland. In July '07 shareholders approved a two stage US\$30M debt financing package which will allow the company to progress with re-commissioning and target ore production in the second half of 2008. An initial feasibility study is due for completion in December '07 upon which the second tranche is contingent.

Key Assets

The Black Angel mine was operated by Cominco and later Boliden from 1973 to 1990 and produced approximately 12Mt ore grading approximately 12% zinc and 4% lead. Closure resulted from low metal prices and a lack of investment in reserve delineation. After acquiring its licence over the area, Angus & Ross commissioned an independent pre-feasibility report in 2005. The report estimated approximately 2.3Mt of JORC reserves grading over 9% zinc and around 3% lead, mainly relating to the pillars of the old workings, a significant number of which the company believes can be removed given adequate backfill. Following on from this year's 8000m drilling program, further resources have been defined in the satellite deposits of the South Lakes Area. These amount to an additional 2.4Mt (of which 1.9Mt is indicated) grading over 6% zinc and around 3% lead.

Whilst the feasibility study (FS), environmental impact assessment (EIA) and mining permits are being finalised, the company is pressing ahead with preparations for the commencement of mining operations in 2008 with the key priority being access to the workings. The mine is situated near the top of a very steeply-sided mountain and requires ore and personnel to be transported via cable car. A new 6-tonne capacity system is currently under construction. The life-of-mine plan has high grade ore (around 40% Zn/Pb combined) being shipped directly to a smelter until a pre-concentration facility is commissioned. The aim is to achieve this within one year from the start of mining. This plant will allow ore from the satellite deposits to be sufficiently upgraded prior to shipping. Further down the road, the company expects to have a full concentrator which will be able to produce concentrates grading 57% Zn and 70% Pb. The company is currently negotiating milling and longer term off-take agreements.

Elsewhere, the company has, through its 81%-owned subsidiary St Andrews Mining, a number of small exploration stage projects in Brazil. It also retains a 28.2% interest in Australian explorer Queensland Gold and Minerals.

We maintain our Buy recommendation for Angus & Ross, with a target price of £0.58/share.

We initiated coverage of Angus & Ross on 5th December 2007. We have modelled the Black Angel lead/zinc project on a DCF basis, and derived the target share price based on the NPV two accounting periods forward, with a negative NPV calculated for head office costs. The Black Angel mine has been modelled quarterly for the entire life of mine based on current ore resources, and a valuation calculated for the mine uses a discount rate of 10.0%. No valuation has been given to the satellite resources around the Black Angel Mine. We have ascribed market value to the 28.2% owned Queensland Gold & Minerals, have included a valuation for the 81% of Saint Andrews Mining and have added the net cash position as at September 30, 2008.

Comment

Angus & Ross have been busy this year with a successful drilling program and will undoubtedly follow this up with infill drilling to allow for detailed mine planning. Existing reserves are sufficient for a small-scale production to commence in the latter half of 2008. Securing debt in the current environment and with a full feasibility study yet to be published demonstrates the low risk profile of the project. We feel a re-rating of the stock will be well justified once the FS, EIA and permitting process are finalised and perhaps again when production is underway or there is a significant increase in ore reserves from further exploration.

**Angus & Ross
AGU**

**Market: AIM
Share price: 17.5p**

**Analyst: Peter Rose / Andy Davidson
20 December 2007**

**BUY
Target price: £0.58**

Key Market Information		Fundraising	
Shares outstanding (M)	141.38	Mar '06 @ £0.10	£3.3M
Options and warrants (M)	17.5	Aug '06 @ £0.20	£2.9M
Market capitalisation (£M)	24.74	Sept '06 @ £0.11	£0.02M
52-week high/low (p)	22.75/12.75	Nov '06 @ £0.09	£0.19M
Net cash/(debt) (£M)	3.96	Apr '07 @ £0.10	£0.04M
Enterprise value (£M)	20.78	July '07 @ £0.22	£0.48M

Company Information		Major Shareholders	
St. Chad's House, 59 Piercy End		Credit Suisse (UK) (RAB)	20.8%
Kirkbymoorside, Yorkshire, YO62 6DQ, UK		Bank of New York	5%
+44 1751 430 988		Barclayshare Nominees	5%
http://www.angusandross.com		Cabot GB Ltd.	4.6%

Reserve (Black Angel)	Tonnes (Mt)	Pb(%)	Zn(%)	Ag (g/t)
Proven	1.7	3.1	9.7	21
Probable	0.6	2.0	8.0	21
Total	2.3	2.8	9.2	21

Resource (Satellite dep.)	Tonnes (Mt)	Pb(%)	Zn(%)	Ag (g/t)
Glacier	Indicated 1.73	2.5	6.9	14.5
Nunngarat	Indicated 0.2	9	3.4	31
Ark	Inferred 0.49	4.5	1.9	9
	Inferred 0.49	4.7	2.2	20.4
Total	Indicated 1.92	3.2	6.5	16.1
	Inferred 0.49	2.2	4.7	20

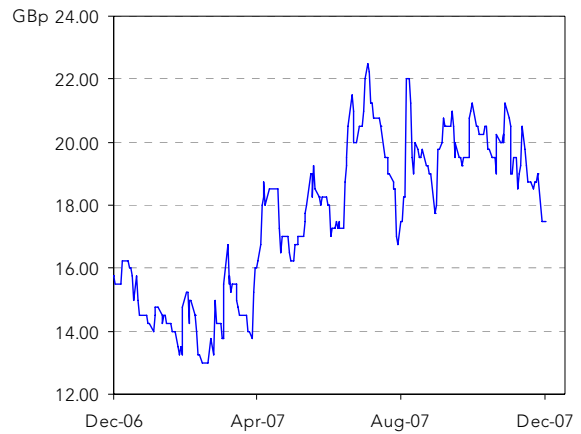
Production (,000t)	2008E	2009E
Lead	7.5	14.7
Zinc	22.5	44.4

Management		
Robin Andrews	Executive Chairman	Robin established Angus & Ross plc as a public company in 1999 and as Chairman oversaw its initial growth and listing on AIM. He became acting Chief Executive in 2002.
Nicolas Hall	CEO	Qualified chartered accountant, international experience of managing mining companies, (Rand London Ltd. in South Africa, Geevor Plc in the UK and PBS Coals Inc., in the USA)
Paul Williams	Finance Director	A graduate from Cambridge in French, German and Economics, Paul is a qualified Chartered Accountant. He trained with his family firm, moving upon qualification to Ernst & Young.
Andrew Zemek	COO	Andrew has over 25 years of experience in the metals and mining industry. He is a former chairman of the Association of Mining Analysts in London

EPS Sensitivity (per 10% change)	2009E	2010E
Lead	4.9%	4.6%
Zinc	11.9%	8.4%

Price Assumption	2007E	2008E	2009E	2010E
Lead US\$/t	2616	2974	2745	2304
Zinc US\$/t	3356	2368	2354	2060

Share Price



Source: Bloomberg

Profit & Loss (£M)	2006	2007	2008E	2009E
Net revenue	0.07	0.24	0.49	19.61
Operating expenses	(1.04)	(3.82)	(4.62)	(8.46)
Other adjustments	(1.23)	0.79	0.62	2.86
Pre-tax profit	(2.20)	(4.37)	(4.75)	8.29
Income tax	-	-	-	-
Net profit (after minorities)	(2.20)	(4.16)	(4.75)	8.29
Balance Sheet (£M)	2006	2007	2008E	2009E
Cash	1.01	3.96	2.93	9.29
Other current assets	0.18	0.4	0.1	0.1
PP&E	0.65	0.05	3.89	11.82
Investments	-	0.54	0.41	0.41
Other non-current assets	-	-	-	-
Total assets	1.84	4.95	7.33	21.62
Liabilities	0.37	0.56	7.02	13.92
Share capital	5.63	13.38	14.57	14.57
Reserves	-	0.56	0.03	0.03
Retained profits	(5.2)	(9.54)	(14.29)	(6.9)
Liabilities and Equity	0.8	4.96	0.39	21.62
Cash Flow (£M)	2006	2007	2008E	2009E
Receipts from operations	-	-	-	19.41
Operation payments	(0.44)	(3.82)	(4.62)	(8.46)
Net interest	0.07	0.23	0.23	0.2
Tax paid	-	-	-	-
Other adjustments	(0.66)	(0.08)	(0.49)	(1.21)
Net operating cash flow	(1.02)	(3.67)	(4.87)	9.94
PP&E purchase	(0.73)	0.02	(2.72)	(9.57)
Exploration expenses	-	-	-	-
Proceeds from divestments	0.9	0.38	-	-
Other Payments	-(0.01)	(0.73)	-	-
Net investing cash flow	0.16	(0.33)	(2.72)	(9.57)
Equity raised	0.9	6.04	1.1	-
Funds from borrowings	-	-	5	6
Repayment of borrowings	-	-	-	-
Net financing cash flow	0.9	5.98	6.1	6

Blue Note Mining Inc. (BN CN)

Background

Blue Note Mining was established in November 2004 as a wholly-owned subsidiary of Forest Gate Resources Inc. (FGT CN) with a view to take advantage of mining opportunities in Canada. In November 2005, Blue Note was spun out as a separate entity and commenced trading on the Toronto Stock Exchange. At the same time, in exchange for 0.1168 Blue Note shares for each Forest Gate shares, both the New Brunswick base metal properties and a Letter of Intent that was signed with Breakwater Resources Ltd were transferred to Blue Note. Under the terms of the LOI, Blue Note acquired the Caribou and Restigouche mines near Bathurst in New Brunswick, Canada in return for C\$7M of expenditure on environmental commitments and a C\$15 million convertible debenture. The five-year debenture is repayable in cash or in shares at maturity at Blue Note's option. Alternatively, the debenture can be converted in return for a direct 20% ownership of the mines, an option which must be exercised within one year from the commencement of commercial production. A royalty on zinc metal production is also payable in the event the price of zinc reaches US\$0.65 per pound or more. To date the company has raised approximately C\$140M, including C\$25M of debt, in order to re-establish operations at the Caribou and Restigouche mines. Rehabilitation commenced in September '06 and the first shipment of concentrate was made in August '07.

Key Assets

The Caribou Mine is located 50 km west of Bathurst, New Brunswick and is a long-hole stoping underground operation with full development to 300m depth. The Restigouche Mine site is located 30 km further west and includes an open pit mine with reserves to support an underground operation. The ore bodies form two of the 45 known hybrid VMS/SEDEX deposits of the Bathurst Mining Camp (see geology section). The plant is located at the Caribou site, with approximately 45% of the total feed coming from Restigouche. This proportion will decline as the open pit reserves become depleted.

Total reserves currently stand at 4.92Mt grading 6.6% zinc, 3.45% lead, 0.34% copper and 86 g/t silver. An additional inferred resource at depth at the Caribou Mine gives an additional 3.94Mt grading 7.36% zinc, 3.59% lead, 0.28% copper and 107g/t silver. Based on forecast annual production rates of 55,000t zinc and 23,000t lead, the reserves support a 5 year mine life. This increases to 9 years if the inferred resources are included and so the company is focussing exploration efforts on their conversion to reserves by year-end '08.

Historically, these deposits have suffered from high costs due to the fine-grained nature of the ore and associated poor recoveries, especially of the lead. This rendered the mine sub-economic in the low commodity price environment of the late 90's. The company's belief in the subsequent commodity boom has certainly paid dividends, but equally important is the application of modern processing technology. The IsaMill, developed in the late 90's by engineers at the Mount Isa mine in Australia, has been applied in order to grind ore to very fine average particle sizes. The interior of the IsaMill is divided by discs into a series of compartments, which slows the movement of slurry through it, providing a longer residence time and hence a finer overall crush. In this way, significantly less of the fine fraction is lost by 'flushing' through the mill early in the grinding process.

Comment

The Caribou and Restigouche operations are within the top quartile of the industry operating cost-curve and, since they comprise the company's core asset, this makes Blue Note Mining's share price particularly sensitive to the lead and zinc price. However, the management has successfully turned around an operation with a reputation for difficult processing into a soon-to-be profitable asset. We expect that, once positive cash flow is achieved, Blue Note will be active in the market with respect to potential future deals and/or acquisitions.

Blue Note Mining BN

Market: TSX
Share Price: C\$0.32

Analyst: Peter Rose / Andy Davidson
20 December 2007

Key Market Information	Fundraising		
Shares outstanding (M)	362.84	9 Nov '07 @ C\$0.56	C\$40.04M
Options and warrants (M)	71.26		
Market capitalisation (C\$M)	116.1		
52-week high/low (C\$)	0.77/0.32		
Net cash (C\$M)	(51.98)		
Enterprise value (C\$M)	64.12		

Company Information	Major Shareholders
9361 Route 180, P.O. Box 26, Bathurst New Brunswick, Canada, E2A 3Z1 +1 514 486 3095 http://www.bluenotemining.ca	

Reserve Restigouche	Mt	Zn(%)	Pb(%)	Ag(g/t)	Cu(%)
Proven	0.84	6.48	4.98	113	0.34
Probable	0.50	6.61	5.17	77	0.34
Total	1.33	6.3	5.05	100	0.34

Reserve Caribou	Mt	Zn(%)	Pb(%)	Ag(g/t)	Cu(%)
Proven	2.50	6.75	3.04	84	0.33
Probable	1.10	6.29	2.44	75	0.33
Total	3.60	6.61	2.86	81	0.33

Resource Caribou	Mt	Zn(%)	Pb(%)	Ag (g/t)	Cu(%)
Inferred	3.94	7.36	3.59	107	0.28

Production (t)	2007E	2008E	2009E	2010E
Zinc	9,000	55,000	55,000	55,000
Lead	7,000	24,000	20,000	20,000

Management		
Michael Judson	President and CEO	Mr. Judson has 20 years of experience owning and operating private companies, with 10 years of mining finance experience with public companies. Mr. Judson is the founder of Blue Note Mining.
John Martin	COO	Mr. Martin has 30 years of experience with Noranda. He was the General Manager of the Heath Steele mine in 1989 and of the Brunswick mine in 1995. He joined Breakwater as General Manager of the Caribou mine in 1999.
Peter Watson	Chairman	Mr. Watson has extensive experience in corporate governance, having held the positions of chairman, president and/or CEO in publicly traded, private and not-for-profit organisations



Source: Bloomberg

Profit & Loss (C\$M)	2005	2006
Total Revenue	0.00	1.54
Operating expenses	(0.39)	(7.05)
Pre-Tax Loss	(0.39)	(5.51)
Income tax	-	-
Net profit (after minorities)	(0.39)	(5.51)
Balance Sheet (C\$M)	2005	2006
Cash	0.81	1.49
Short-term investments	0.60	45.08
Other current assets	0.75	2.75
Total Current Assets	2.16	49.32
PP&E	0.74	45.64
Other non-current assets	0.46	11.14
Total Assets	3.36	106.10
Current liabilities	1.09	12.02
Non-current liabilities	-	19.65
Share capital	2.48	66.63
Accumulated losses	(0.39)	(5.91)
Other Adjustments	0.18	13.71
Total Equity	106.10	3.36
Cash flow (C\$M)	2005	2006
Operations Activities	(0.39)	(5.51)
Stock-based compensation	-	3.39
Other adjustments	0.09	4.51
Net operating cash flow	(0.3)	3.09
PP&E	(0.01)	(0.76)
Exploration	(0.00)	(15.21)
Investments	(0.60)	(44.48)
Other Adjustments	(1.00)	(9.72)
Net investing cash flow	(1.61)	(70.07)
Issue of Equity	1.92	68.54
Loans and other costs	0.80	(0.88)
Net Financing activities	2.72	67.66

Drake Resources Ltd (DRK AU)

Background

Drake Resources Limited is listed on the Australian Stock Exchange on 31 March 2005. Their main activities are through its Alliance with Zinifex Ltd, the global zinc, lead and silver mining company, with Drake managing the project generation and acquisition programme. Under the terms of the Heads of Agreement, the Alliance will be funded jointly with cash and in-kind contributions. Drake will identify and present opportunities to the Alliance for consideration. Projects accepted by Zinifex will progress as Zinifex-Drake Joint Ventures, initially sole-funded by Zinifex, and Drake has the right to participate in these JVs with a minority (30% or 10%) participating interest or to retain a free-carried 1.5% net smelter return royalty. Any project identified by the Alliance but not accepted by Zinifex can be taken up by Drake. The Alliance started in September 2006 with an initial budget of \$640,000 and the parties have approved a new budget of a further \$1M for the period from September '07 to June '08, funded by cash and in kind contributions from each company in the same proportions as the initial budget. The Alliance is building a substantial portfolio of properties in Scandinavia and the Eastern Goldfields and Southern Cross regions of Western Australia (including Mt Palmer, Lake Rebecca and Heron Well), as well as assessing opportunities in Canada and South Africa.

Key Assets

With the funding, Drake has generated fourteen projects as Drake-Zinifex exploration JVs to date. In August '07, the Alliance was granted an exploration licence covering the historic Falun copper mine. The mine closed in 1992, after operating for 1,300 years. In the 1980's annual production from the mine was approximately 200,000t of ore at an average grade of 6% Zn, 2%Pb and 0.5% Cu. The area has had very little exploration beyond the immediate vicinity of the mine and virtually none using modern exploration methods or technology. Geological insight and understanding of the styles of mineralisation has advanced since the mine closure and the area is considered prospective for massive sulphides, disseminated sulphides and gold bearing quartz veins.

At the same time the Alliance was granted a 39.5km² exploration licence covering the Skommer zinc prospect in the Norrbotten district of northern Sweden, within a geological region known as the Rappen Basin. Zinc prospects were identified during previous exploration from 1960-1990, but many were left untested. During the period 1998-2003 companies including Rio Tinto and BHP explored the Rappen Basin for gold-copper deposits, but they did not investigate the many zinc occurrences.

In November '07 the Alliance applied for four further exploration licences surrounding the historic Bersbo copper mine in Sweden. The Alliance now has 28km of strike of the prospective Bersbo volcanic belt under permit or application. There has been no reported exploration here.

In Australia Drake is exploring the Mount Carrington gold-silver resource. This is considered by some to be best silver deposit in Australia, currently having a JORC-compliant resource of 5.0Moz in total.

Comment

The search goes on, with new areas being assessed in South Africa and Canada. Whilst the company model is perceived as sound – with Sweden being seen as politically stable, having the right geology and a long history of mining – we believe that Drake may be attempting too much by seeking exploration tenements in further countries. The company needs to start adding value to its properties through focused exploration and generation of drill targets.

**Drake Resources Ltd
DRK**

**Market: ASX
Share price: A\$0.22**

**Analyst: Peter Rose / Andy Davidson
20 December 2007**

Shares outstanding (M)	36.15
Options and warrants (M)	9.54
Market capitalisation (A\$M)	7.77
52-week high/low (A\$)	0.34/0.12
Net cash (A\$M)	0.36
Enterprise value (A\$M)	7.41

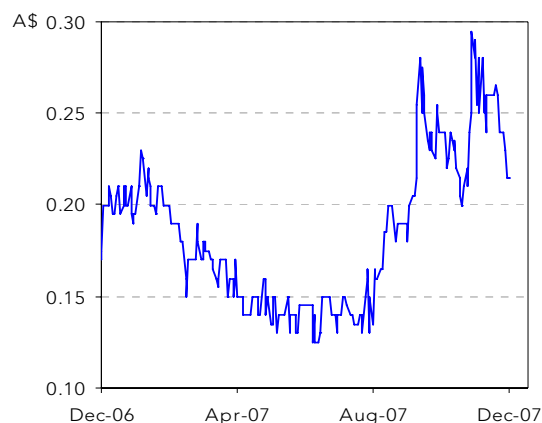
Company Information		Major Shareholders		
Unit 6, 34 York Street, North Perth		Almamater Pty		6.2%
West Australia 6006		Pinewood Asset		5.6%
+61 8 9228 0703		Mr. William Brooks		4.5%
http://www.drakeresources.com		Pinewood Asset		3.3%

Reserve	Mt	Zn(%)	Au (g/t)	Ag (g/t)	Cu (%)	Pb (%)
Proven	-	-	-	-	-	-
Probable	-	-	-	-	-	-
Total	-	-	-	-	-	-

Resource	Mt
Measured	-
Indicated	-
Inferred	-
Total	-

Production	Mt
-	-
-	-

Brett Fraser	Non-Exec Chairman	Brett Fraser has been working in the Investment Banking and Finance industries for 20 years. This has involved serving as a director on public and private companies across a range of industries.
Bob Beeson	MD	A professional geologist, Dr Beeson has over 30 years of global experience in base and precious minerals exploration. He has held senior management roles in exploration and business development with large and small companies.
Jay Stephenson	Non-Exec Director	Jay Stephenson is a qualified accountant and for the past 10 years he has served either as Chief Financial Officer, Director or Company Secretary for various listed and unlisted entities in manufacturing, wine, hotels and property



Source: Bloomberg

Profit & Loss (A\$M)	2006	2007
Total Revenue	0.89	0.06
Operating expenses	(1.05)	(0.86)
Pre-Tax Loss	(0.16)	(0.81)
Income tax	-	-
Net profit (after minorities)	(0.16)	(0.81)
Balance Sheet (A\$M)	2006	2007
Cash	0.98	0.36
Other current assets	0.03	0.08
Total Current Assets	1.01	0.43
PP&E	0.03	0.03
Financial Assets	0.85	0.82
Other Non-Current assets	2.88	2.34
Total non-current assets	2.88	3.19
Total Assets	3.89	3.62
Issued Capital	4.02	4.25
Reserves	0.13	0.39
Accumulated losses	(0.34)	(1.15)
Total Equity	3.81	3.5
Cash Flow (A\$M)	2006	2007
Receipts from operations	-	-
Operations Activities	(1.33)	(0.83)
Net interest	0.08	0.03
Net operating cash flow	(1.25)	(0.79)
PP&E	(0.00)	(0.02)
Exploration	0.02	-
Investments	(0.03)	0.03
Net investing cash flow	(0.06)	0.009

Herencia Resources (HER LN)

Background

Herencia Resources plc was admitted to AIM in 2005 following its acquisition of Tarapaca Resources (Bermuda) Ltd from the AIM/ASX listed Mineral Securities Limited ("Minsec"). It has consequently focussed its exploration activities on base and precious metals in Chile. Minsec has retained an approximately 46% interest in Herencia.

Key Assets

Herencia has directed the bulk of its resources on the Paguanta zinc-lead-silver project in the northern part of the main Chilean porphyry copper belt, home to a number of world-class deposits. The Company has recently completed a second drilling program on the property and has identified three parallel mineralised vein sets: the Cathedral, Central and Camp Veins. The veins are sub-vertical and believed to be part of a low pH/relatively high temperature epithermal system (low sulphidation). There is likely a structural control on the mineralisation. The company has put together a JORC-compliant inferred resource of 2.51Mt grading 4.1% zinc, 77g/t silver and 1.3% lead, using a zinc cut-off of 2%. The ore bodies outcrop on the side of the hill and are thus amenable to open-pit mining with the possibility remaining open for underground access via drives into the lower portions of the hill. All three veins are currently open along-strike in both directions and down-dip.

Herencia has fulfilled its US\$2m expenditure obligation on the property and has thus recently taken a 70% interest in the project. There are no further earn-in possibilities in the current agreement, but it is possible that the local JV partner could dilute its interest should it decide not to meet its obligations for future expenditure.

Going forward, Herencia plans to undertake geophysical surveys and a 10,000m RC/diamond drilling program, which will aim to both extend and infill/upgrade the current resource. A scoping study will also be carried out and, together with an updated resource model, should allow for a decision by the third quarter 2008 on whether funding for a full bankable feasibility study is justified.

The company also has a 100% interest in a project in the productive La Serena copper belt in central Chile, where it believes it has potential for porphyry-style copper-gold mineralisation beneath a leached iron oxide rich cap. It has indicated the possibility of drilling this prospect next year, should resources permit.

Comment

Herencia has achieved a great deal in a relatively short space of time which is undoubtedly greatly aided by the focus of its management team and the continued backing it enjoys from the Minsec alliance. We believe that, despite still being in the relatively early stages of exploration development, the Paguanta project is a promising asset and shows good potential to develop into a significant deposit. We look forward to a positive news flow during 2008.

Herencia Resources HER

Market: AIM
Share price: £0.015

Analyst: Peter Rose / Andy Davidson
20 December 2007

Key Market Information		Fundraising
Shares outstanding (M)	384.07	
Options and warrants (M)	20.3	
Market capitalisation (£M)	5.76	
52-week high/low (p)	0.021/0.01	
Net cash (£M)	0.99	
Enterprise value (£M)	575.12	

Company Information		Major Shareholders	
Level 22, 77 St. George's Tce	Perth, West Australia, 6000, Australia	Mineral Securities Ltd.	39.8%
+61 8 9325 8888	http://www.herenciaresources.com	Australian Heritage Group	9.8%
		Pershing Keen Nominees	6.8%
		Pershing Keen Nominees	6.6%

Reserve	Mt	Zn(%)	Au (g/t)	Ag (g/t)	Cu (%)	Pb (%)
Proven						
Probable						

Total

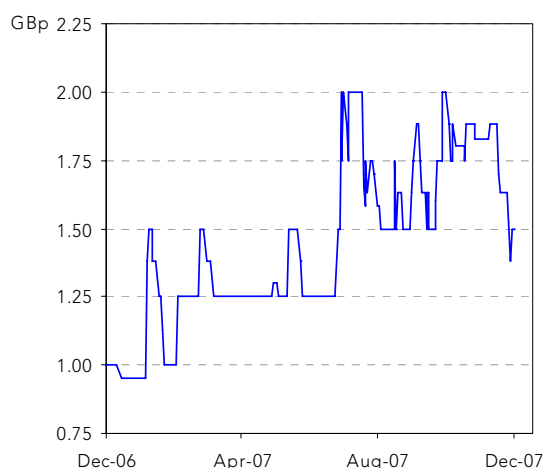
Resource	Mt	Zn(%)	Ag (g/t)	Pb(%)
Measured				
Indicated				
Inferred				

Total

Production	Mt

Michael Bohm	Executive Director	Michael Bohm is a mining engineer having extensive experience in operations management, evaluation and project development in Australia, Northern Europe, SE Asia and North America.
John Moore	Non-Executive Chairman	John has had a distinguished career in Australian politics; he was the Minister for Defence, the Minister for Industry, Science & Tourism and Vice President of the Executive Council.
John Russell	Non-Executive Director	John Russell has over 30 years experience in Investment Banking. He was a member of the Australian Stock Exchange and a partner in Bain & Company.

Share Price



Source: Bloomberg

Profit & Loss (A\$M) 2006

Net revenue	-
Operating expenses	(0.51)
Other adjustments	0.02
Pre-tax profit	(0.49)
Income tax	-
Net profit (after minorities)	(0.49)

Balance Sheet (A\$M) 2006

Cash	0.16
Other current assets	0.04
PP&E	0.03
Other non-current assets	0.89
Total assets	1.12
Liabilities	0.04
Share capital	0.20
Reserves	0.08
Retained profits	(0.49)
Liabilities and Equity	1.12

Cash Flow (A\$M) 2006

Receipts from operations	-
Operation payments	(0.50)
Net interest	0.02
Tax paid	-
Net operating cash flow	(0.48)
PP&E purchase	(0.03)
Exploration expenses	(0.39)
Other payments	-
Net investing cash flow	(0.42)
Equity raised	0.55
Share issue costs	(0.07)
Net financing cash flow	0.48

International Consolidated Minerals Inc.(ICMI LN)

Background

International Consolidated Minerals (ICM) was formed in September 2005 and listed on the AIM market on 13 September 2007, through a reverse takeover of Platinum Diversified Mining Inc. The RTO raised US\$40M in cash, almost \$30M of which was in the form of convertible debt (held by PDM shareholders). After the retirement of all old debt, the company was left with US\$21.7M cash.

ICM wholly owns ICM Pachapaqui S.A.C., a Peruvian subsidiary which in turn owns 100% ownership of 32 mining concessions and one beneficiation concession centred on the Pachapaqui Mine. The mining concessions cover approximately 2,105 hectares, while the beneficiation concession covers approximately 65 hectares. Located on the concessions, and included in the assets, is an existing mine and concentrator which needs rehabilitation. This was constructed in the early 1980's and operated continuously for 13 years until 1995, when the project changed ownership and operated at a reduced rate of 50tpd intermittently under a care and maintenance programme. Since the acquisition of Pachapaqui Mine in February 2006 ICM has suspended operations in order to commence an upgrading process, which has already started, using funds raised principally from institutional investors. Upgrade designs are underway, some of the major equipment and supplies have been bought and other equipment sourced, and contract mine development is in progress.

Key Assets

ICM's key asset is the Pachapaqui Mine and surrounding concessions, which make up a polymetallic mining project in Peru with mineral ore reserves of high silver grade as well as economic grades of lead, zinc and copper. The concessions are located within the Central Mineral Belt of the Peruvian Andes, covering an area known as the Pachapaqui Mining District at the southern end of the Cordillera Blanca, which is 240km north of Lima and 50km east of the Pacific coast. The Pachapaqui Mine is on the southern edge of the District, 22km north of the town of Chiquian.

Currently there are 4Mt of proven and probable ore reserves and a further 3.4Mt of resources. Little exploration over the area was conducted by previous owners and ICM have been carrying out a drilling campaign this year.

There are four established independent underground mining areas within the concessions, each with its own ore zones, allowing for flexibility and little interference from each operation on the other. Each area has surface adits at roughly 50m vertical intervals that connect from the access road to the underground workings. The Pachapaqui Mine has been worked by trackless underground equipment, performing trackless mining methods, mainly shrinkage stoping, with ore being transported to surface by trucks and scoop-trams via the adits. The mineral ore was then hauled by trucks to the concentrator, located approximately seven kilometres southwest of the mining areas, for processing into three mineral concentrates.

The current upgrades to the operation, based on existing reserves and resources, will support a planned 1500tpd milling operation, which is only one approval away from being fully permitted (all approvals for an 800tpd operation have been granted). However, in early November, ICM announced that its initial drilling campaign had indicated at least 15Mt of in-situ mineralisation at grades consistent with the current ore reserves. The Company is therefore reviewing the possibility of a 3 to 4,000tpd milling operation.

Comment

The operation stands to benefit greatly from the polymetallic nature of the ore and the ownership of two hydro plants that will supply most of its power demands. Furthermore, we feel that there is significant exploration potential to extend known mineralisation and, if the operation is expanded beyond 3,000tpd we anticipate substantial economies of scale.

**International Consolidated Minerals
ICMI** **Market: AIM**
Share price: US\$5.75

Analysts: Peter Rose / Andy Davidson
20 December 2007

Key Market Information		Fundraising	
Shares outstanding (M)	42.2	Sept '07 @ RTO	US\$10.3M
Options and warrants (M)	10.6		
Market capitalisation (US\$M)	242.5		
52-week high/low (\$)	7.75/5.75		
Est. net cash (\$M)	21.7		
Enterprise value (\$M)	20.47		

Company Information		Major Shareholders	
One St. Paul's Churchyard, London		Gregory Smith	18.1%
EC4M 85H		MGSSA	15.0%
www.platinumdiversified.com		Plat. Partners Value Arbitrage	14.4%
		Marvin Pelley	7.7%

Reserve	Mt	Ag (oz/t)	Pb(%)	Zn(%)	Cu(%)
Proven & Probable	4.0	5.64	2.62	4.34	0.73

Resource					
M, I & Inferred	7.4	5.89	3.00	4.80	0.68

Production	2006	2007E	2008E	2009E

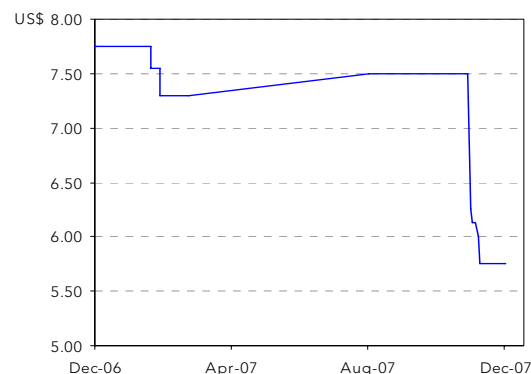
Management

Gregory Smith Executive Chairman and CEO
Mr. Smith is Chairman of PetroLatina Energy Plc, an AIM listed oil and gas exploration company with an initial focus on Latin America. Before establishing ICM, he was the managing partner in TVL, a company that specialises in raising venture capital for the energy and mining sector.

Marvin Pelley President and COO
Mr. Pelley has a wide breadth of senior management and executive experience, having been associated with underground and open pit mines across Canada; hydro development in Canada and the Philippines; government and community development engineering and construction services; and mining contracting and consulting services between 1999 and 2005.

Howard Crosby Vice President
Mr. Crosby has more than 25 years of mining industry experience. Since September 1989, he has been the President of Crosby Enterprises, Inc.

Share Price



Source: Bloomberg

Profit & Loss (US\$M)

Revenue
Operating expenses
Depreciation
Other adjustments
Pre-tax profit / (loss)
Income tax
Net profit/ (loss)

Balance Sheet (US\$M)

Cash
Other current assets
PP&E
Exploration costs
Other fixed assets
Total assets
Liabilities
Share capital
Retained profits
Reserves
Liabilities and Equity

Cash Flow (US\$M)

Receipts from operations
Operating payments
Net interests
Other adjustments
Net operating cash flow
PP&E purchase
Divestments
Other investing cash flow
Net investing cash flow
Equity raised
Funds from borrowings
Borrowings repayments
Other financing
Net financing cash flow
Net change in cash held
Cash held end of period

Maghreb Minerals (MMS LN)

Background

Maghreb Minerals plc ("Maghreb") is a junior exploration company quoted on AIM in London, UK, focused on North Africa, principally Tunisia. Maghreb is exploring for zinc-lead-silver-barite and fluorite deposits in the Mejerda Zone of northern Tunisia. The Company holds seven exploration permits in areas of known zinc-lead mineralisation including sites of past production. These are Djebel Fej Lahdoum, Djebba, Djebel Goraa, Bou Jabeur, Ouled Moussa, Koudiat Loutia and Lorbeus. In addition, the Company has four exploration permits in the Zaghuan fluorite district. These are Zriba-Guebli (including the historic fluorite mine of Zriba), Kohol, Mesella and Sidi at Taia, covering an area of known fluorite, lead and zinc mineralisation and prior mining operations.

Key Assets

Bou Jabeur is a past producing mine with a current resource of 5.1Mt grading 3.76% zinc and 1.38% lead. The ore body also grades 33.2% barite and 9.3% fluorspar. A second drilling programme is about to commence which will test possible extensions to the known lead-zinc mineralisation. This follows the completion in October 2007 of a 10 hole programme around the mine to determine the reliability of previous government Office National des Mines (ONM) drilling. Re-analysis of the ONM core pulps has returned zinc grades 33-43% higher and fluorite grades 11-29% lower than the original analysis which was carried out in the Bou Jabeur mine laboratory, which was not accredited. These grades will be taken into consideration in the next resource estimation (currently being prepared). Exploration drilling in the area has found mineable widths of high grade zinc mineralisation near the Algerian border and a few kilometres to the east is a 100% owned gravity target called Ouled Moussa EL.

At the Fej Lahdoum mine area, Maghreb has a joint venture and is earning a 90% interest by spending US\$0.9m over two years. The Fej Lahdoum mine produced 150tpd up until September 2005. At the Dar N'Hal Nord and Sud deposits there are known resources more than 1.5Mt grading in excess of 12% combined lead and zinc. Drilling between the two ore zones and at depth is expected to increase this. The nearby Bou Grine mill, with a capacity of between 1,000 and 2,000tpd is currently on care and maintenance. When it was fully operational, the Fej Lahdoum mine provided 15% of the mill feed with ore transported via rail. There is therefore an opportunity for Maghreb to either get ore toll-milled or to purchase the mill outright.

The Zaghuan Fluorite exploration permit covers the Zriba mine, which produced 4Mt of ore grading 25% CaF₂ and 1% Pb & Zn between 1967 and 1992. The current resource is estimated at 4Mt grading around 25% CaF₂. Recent fluorspar prices have remained strong, being between US\$230 and US\$240/t compared to US\$180/t in 2005.

At Djebba, previous work by the ONM in the 1980s and by the Canadian Group SIDAM-Minorex in 1987-1989, resulted in a positive feasibility study for an open pit at Djebba based on a resource estimate of 2.7Mt grading 6.14% Zn and 3.34% Pb within which there was an open pit reserve estimate of 800,000t grading 6.59% Zn and 4.09% Pb. Although some follow-up drilling has been undertaken here, the Company has to date focused activity on the other licences.

Comment

Maghreb has a strong focus on drilling at the moment and it is targeting better than 10Mt of resource. We feel that there is significant upside at Bou Jabeur with regards to tonnage potential at depth and along strike. With a mill available, good infrastructure, including rail, water, power and concentrate handing facilities plus a history of producing good quality concentrate, Maghreb is hoping to capitalise on the fact that there has been little modern exploration conducted in Tunisia and any discovery should be able to be fast tracked into production.

Maghreb Minerals MMS

Market: AIM
Share price: 5.5p

Analyst: Peter Rose / Andy Davidson
20 December 2007

Key Market Information		Fundraising	
Shares outstanding (M)	87.58	Dec '04 IPO@ 15p	£2.6M
Options and warrants (M)	-	Jul '06 @ 8p	£0.9M
Market capitalization (£M)	4.82	Jun '07 @ 7p	£2.6M
52-week high/low (p)	18.5/5	Jul '07 @ 7p	£0.2M
Net cash (£M)	1.95		
Enterprise value (£M)	2.87		

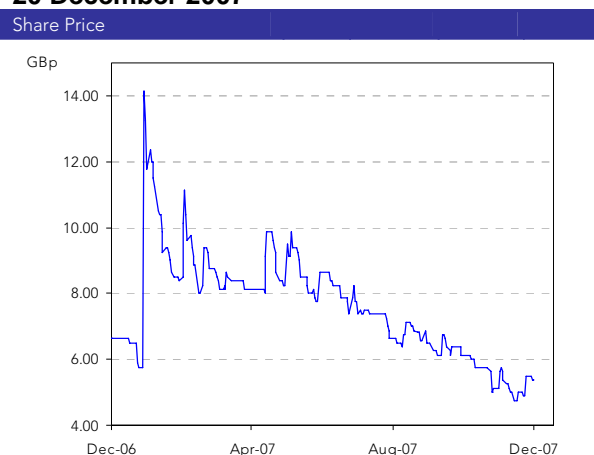
Company Information		Major Shareholders	
Maghreb Minerals, Suite 107, 1st Floor 75 Cannon Street, London EC4N 5BN +44 20 7556 0944 http://www.maghrebminerals.co.uk			

Resource Fej-Lahdoum	Mt	Zn (%)	Pb (%)
Proven	-	-	-
Probable	2.7	6.14	3.43
Total	2.7	6.14	3.43

Resource Bou Jabeur	Mt	Zn (%)	Pb (%)
Measured	-	-	-
Indicated	-	-	-
Inferred	5.1	3.76	1.38
Total	5.1	3.76	1.38

Production	Mt
2006A	
2007E	
2008E	

Management		
Gordon Riddler	Exec Chairman	Gordon Riddler has been engaged in exploration, mining and project evaluation for 40 years. He has held senior posts with Gold Fields Limited and Rio Tinto plc.
Robyn Storer	Non-Executive Director	An experienced exploration geologist, Ms. Storer has spent 12 years working as an equity and debt research analyst covering metals and mining industry.
Richard Collier	Finance Director	Mr Collier is a Chartered Accountant with ten years' experience at N M Rothschild & Sons Ltd in corporate finance and equity capital markets, covering clients which included Anglo American plc, De Beers Consolidated Mines Ltd, Iscor and Newmont.



Profit & Loss (£M)	2006	2007
Net revenue	-	-
Operating expenses	(1.23)	(1.71)
Other adjustments	0.04	0.03
Pre-tax profit	(1.18)	(1.68)
Income tax	-	-
Net profit (after minorities)	(1.18)	(1.68)

Balance Sheet (£M)	2006	2007
Cash	0.56	1.95
Other current assets	0.04	0.74
PP&E	0.18	0.16
Other non-current assets	0.08	0.08
Total assets	0.6	2.69
Liabilities	(0.06)	(0.16)
Share capital	0.24	0.53
Reserves	-	0.17
Retained profits	(2.50)	(4.18)
Liabilities and Equity	(0.87)	(2.93)

Cash Flow (£M)	2006	2007
Operation payments	(1.21)	(2.06)
Tax paid	-	-
Net operating cash flow	(1.21)	(2.06)
PP&E purchase	(0.03)	(0.05)
Exploration expenses	-	-
Interest received	0.04	0.03
Net investing cash flow	0.07	(0.23)
Proceeds on issue of share capital	-	3.47
Net financing cash flow	-	3.47

Mount Burgess Mining (MTB AU)

Background

Mount Burgess Mining NL is a junior exploration company, with its head office in Perth, Australia and listed on the ASX since 1985. Its current focus is on diamonds in Namibia and base metals in Botswana.

Key Assets

Its key assets are the Kihabe project in Botswana and the Tsumkwe diamond and base metal project in Namibia, both of which are located adjacent to each other along the border between the two countries. In 2007, the real focus has been the 100% owned Kihabe project.

The prospecting licence at Kihabe covers a fault-bounded Proterozoic-aged carbonate sub basin where potential exists for sediment-hosted base and precious metals deposits and also uranium in the form of carnotite. The main target is a lead-zinc-silver resource with significant copper and vanadium credits and an initial JORC compliant resource of 11Mt at 2.55% zinc equivalent, with 95% of this in the indicated category. However, the original RC drilling has subsequently been shown to have given unreliable assay results, a fact put down to poor sample preparation procedures. Currently twinning of the RC holes with diamond holes are giving results almost 100% higher than the originals. These results also indicated significant potential for extensions to the resource. The current geological interpretation suggests that known mineralisation is on the southern limb of a fold structure and the total potential strike length could be 8.5km. Geochemical anomalies are not seen in the soils further along strike, although this is possibly due to the presence of calcrete which may be masking.

There are four other anomalies surrounding the Kihabe resource, all within a distance of 15km. Recent assay results from the gossan zone have returned values ranging 8-21% zinc, 4-7.5% lead and 2.5-20oz/t of silver. The extent of this gossan is currently unknown as it lies beneath a layer of Kalahari sand, but further work will be conducted in the area now that the source of the anomaly has been discovered. It is planned to drill this gossan in the current drilling program. The anomalies to the north east and south east of the Kihabe resource are both prospective for copper.

The Company is currently undertaking metallurgical test work which will be followed by initial pit design leading into a pre-feasibility study.

The Tsumkwe exploration area is prospective for both diamonds and base metals. It is effectively the continuation of the Kihabe lease on the Namibian side of the border.

Comment

Despite the high in-situ value of the metal at Kihabe, and the relative closeness of the Tsumkwe lead smelter, we believe that Mount Burgess needs to find considerably more ore, or alternatively, higher grades. The gossan zone gives hope that this will be achieved, as does the potential for significant strike extension to the main deposit along the inferred fold structure.

Mt. Burgess Mining MTB

Market: ASX
Share price: A\$0.09

Analyst: Peter Rose / Andy Davidson
20 December 2007

Key Market Information		Fundraising	
Shares outstanding (M)	267.3	Aug '06 @ A\$0.08	A\$0.6M
Options (M)	9.2	Sept '06 @ A\$0.06	A\$0.6M
Market capitalisation (A\$M)	24	Nov '06 @ A\$0.07	A\$1.0M
52-week high/low (A\$)	0.125/0.062	Feb '07 @ A\$0.07	A\$1.0M
Net cash (A\$M)	1.02	May '07 @ A\$0.08	A\$1.3M
Enterprise value (A\$M)	23.03	Oct '07 @ A\$0.075	A\$1.2M

Company Information		Major Shareholders	
Level 4, 109 St. George's Terrace Perth, Western Australia, 6000, Australia +61 8 9322 6311 http://www.mountburgess.com		Citicorp Nominees	20.5%
		Directors and Associates	12.2%
		National Nominees	8%
		ANZ Nominees	6.3%

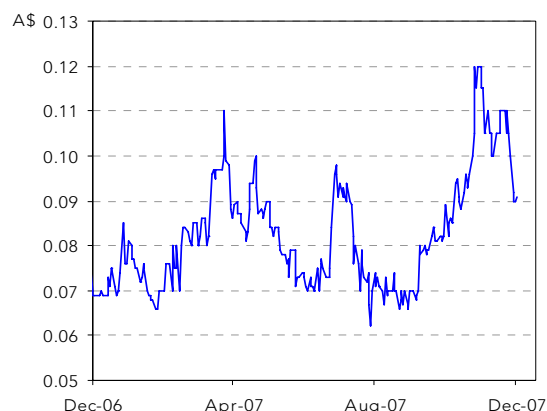
Reserve	Mt	Au (g/t)	Au (oz)		
Proven	-	-	-	-	-
Probable	-	-	-	-	-
Total	-	-	-	-	-

Resource (0.5g/t)	Mt	Au (g/t)	Au (Moz)	Zn (%)	Zn (t)
Measured	-	-	-	-	-
Indicated	9.61	1.95	-	0.6	-
Inferred	14.00	1.40	-	0.3	-
Total	23.61	1.60	1.21	0.4	94,000

Production	Mt	Au (g/t)	Au (oz)	Zn (%)	Zn (t)
2009E	1.5	1.6	75,000	-	-
2010E	1.5	1.6	75,000	-	-
2011	1.5	1.6	75,000	-	-

Management		
Nigel Forrester	Chairman and MD	Mr Forrester is a Fellow of the Institute of Chartered Accountants in England and Wales and also a Fellow of the Institute of Chartered Accountants in Australia. He has been involved in the exploration and mining industry over the past twenty six years.
Godfrey Taylor	Non-Executive Director	Mr Taylor, who was appointed to the Board on 2 July 1999, graduated in law from the University of Western Australia in 1968 and was admitted to practice in 1970. He has been practising law for about 30 years and specialises in commercial and corporate law.
Ronald O'Regan	Non-Executive Director	Mr O'Regan was appointed to the Board on 31 July 2000. Having established a career in stock broking, he joined Astaire & Partners, a firm of London stockbrokers in 1968. He became a member of the London Stock Exchange in the 1970s and was appointed to the Board of Astaire & Partners in 1987.

Share Price



Source: Bloomberg

Profit and Loss (A\$M)	2005	2006	2007
Net revenue	-	0.02	0.02
Operating expenses	(1.19)	(1.14)	(4.25)
Other adjustments	0.02	(0.00)	0.02
Pre-tax profit	(1.17)	(1.12)	(4.21)
Income tax	-	-	-
Net profit (after minorities)	(1.17)	(1.12)	(4.21)
Balance Sheet (A\$M)	2005	2006	2007
Cash	0.54	0.34	1.02
Other current assets	0.04	0.04	0.08
PP&E	0.08	0.08	0.16
Exploration Interests	11.44	12.89	12.28
Total assets	12.11	13.34	13.54
Liabilities	0.19	0.16	0.11
Borrowings	-	0.00	-
Reserves	0.11	0.28	0.34
Retained profits	(18.38)	(19.50)	(23.72)
Issued Capital	30.11	32.40	36.80
Liabilities and Equity	11.84	13.17	13.42
Cash Flow (A\$M)	2005	2006	2007
Operation payments	(0.84)	(0.78)	(1.16)
Interest received	0.01	0.02	0.02
Tax paid	-	-	-
Other adjustments	(0.00)	(0.00)	(0.00)
Net operating cash flow	(0.83)	(0.77)	(1.14)
PP&E purchase	(0.04)	(0.02)	(0.14)
Other adjustments	(1.64)	(1.68)	(2.47)
Exploration expenses	0.03	-	-
Net Investing cash flow	(1.65)	(1.71)	(2.58)
Proceeds from issues of equity securities	2.99	2.41	4.54
Share issue costs	(0.06)	(0.13)	(0.13)
Repayment of lease liabilities	0.01	(0.03)	(0.01)
Net Financial cash flow	2.92	2.26	4.4

Neptune Minerals (NPM LN)

Background

Neptune is an explorer and developer of seafloor massive sulphide (SMS) deposits, having licences totalling around 280,000km² and a further 434,000km² pending in the territorial waters of New Zealand, PNG, Vanuatu, Micronesia, Japan, the Mariana Islands and Italy. The Company was established in 1999 and was listed on the AIM market in October 2005, following a fund-raising of £9.3M. It has only one sizeable direct competitor, Nautilus Minerals, which gives the company significant first-mover advantage in this new field of mining. Newmont Mining have taken a significant interest in Neptune, having subscribed to a 10.85% holding through a £2.5M investment in June 2007. It is the Company's stated aim to be trial mining by 2010.

Key Assets

SMS deposits are the recently formed sulphide-rich mineralised bodies found near volcanic centres along mid-oceanic ridges and within island-arc/back-arc basins. They are the modern-day equivalent of volcanogenic massive sulphide (VMS) deposits and contain high grades of copper, zinc, lead, gold and silver. The commercial exploitation of these deposits is still in the early stages as new technologies are developed and adapted from related industries, such as offshore oil and gas and marine diamond mining.

It is currently believed that sufficient advances have been made to allow mining in waters up to a depth of 2.5km. However, the Company is initially focussing on exploration within the shallower waters of the EEZ (Exclusive Economic Zone) of New Zealand, which also offers the benefits of a stable government with a mining-friendly legislation and a well established offshore oil and gas industry. An exploration program, Kermadec 05, undertook a drilling program with 23 holes drilled up to 14m depth. Although the steep sides of the location implied a sub-economic tonnage, the aggregate grades from a number of smoker chimney samples were very encouraging, with 11.2g/t gold, 122g/t silver, 8.1% copper, 5% zinc and 0.5% lead. Initial metallurgical testing determined that standard techniques would likely give sufficient recoveries. A subsequent program, Kermadec 07, was carried out between May and August 2007 through a specialist contractor who provided a deepwater geotechnical survey vessel fitted with a dedicated remotely operated vehicle (ROV) rated to 3,000 metres water depth. The program comprised high resolution acoustic and geophysical mapping of multiple SMS targets followed by sampling by the ROV using various recovery techniques – including a world first of collecting SMS sediment samples with suction pumps adapted from the offshore petroleum industry. The program was successful in discovering two new hydrothermally inactive SMS zones over which the company now plans to lodge its first mining licence application.

Elsewhere, Neptune is targeting prospective seamounts and other structural features that surround, and are submerged parts of, the island groups comprising the Tabar-Feni Arc in Papua New Guinea. Numerous epithermal gold occurrences are known on these islands, including the Ladolam Deposit on Lihir Island and the Simberi gold deposit in the Tabar Island Group. It is also actively pursuing the acquisition of new licences. Going forward, the Company is considering a joint venture proposal, named Project Trident, which will undertake a program of continuous exploration in a dedicated sampling and surveying vessel across Neptune's tenements, with initial focus on New Zealand.

Comment

Neptune is an interesting play within a new frontier for the mining industry. SMS deposits have been studied for many years but are now gaining interest in an economic sense due to the recent strength in commodity prices and technological advances. There are many challenges ahead, both on the engineering and environmental fronts, but the backing of a major mining house, the on-going formation of alliances with technical partners and the recent decision to apply for its first mining licence, suggests the Company is well positioned to face them.

Neptune Minerals NPM

Market: AIM
Share price: 30p

Analyst: Peter Rose / Andy Davidson
20 December 2007

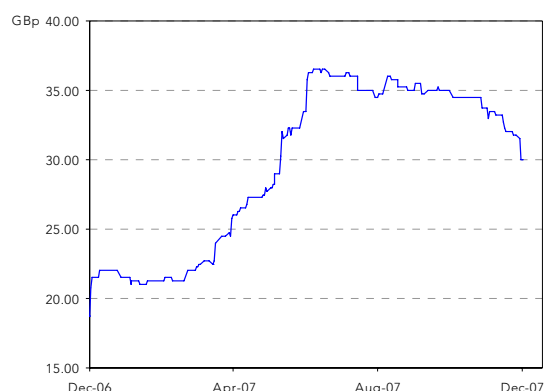
Key Market Information	Fundraising
Shares outstanding (M)	65.4
Options (M)	37.2
Market capitalisation (£M)	19.62
52-week high/low (p)	36.5/18.75
Net cash (£M)	5.9
Enterprise value (£M)	13.7

Company Information	Major Shareholders
56 Alfred Street, Milsons Point	Chetwynd Nominees 17.9%
New South Wales 2061, Australia	Ismacate Pty Ltd 12.8%
+61 2 9957 5244	Newmont Mineral Holding 10.8%
info@nepmins.com	Credit Suisse (UK) 9.3%

Management

Peter Vanderspuy	Non-Exec Chairman	Peter was elected Chairman in June 2005. Peter has more than 40 years' international experience in exploration and mining. He was the founding CEO and Chairman of Delta Gold, which became one of the leading Australian gold mining companies.
Simon McDonald	MD and CEO	Simon founded Neptune in 1999 and has over 20 years' experience as a minerals and petroleum exploration geologist. Simon has worked as a consultant in a number of regions including the South West Pacific, South East Asia and Africa.
John Feenan	Director and COO	John has over 20 years' international experience in the oil and gas industry. He worked in exploration for Amoco, prior to its takeover by BP, and spent 10 years with Woodside Petroleum Ltd in a range of management positions.

Share Price



Source: Bloomberg

Profit and Loss (£M)	2006	2007
Total Revenue	-	-
Operating expenses	(1.94)	(0.88)
Other adjustments	0.18	0.23
Pre-Tax Loss	(1.76)	(0.65)
Income tax	-	-
Net profit (after minorities)	(1.76)	(0.65)
Balance Sheet (£M)	2006	2007
Cash	5.20	5.93
Other current assets	0.10	0.14
Total Current Assets	5.21	6.07
PP&E	0.02	0.02
Intangible Assets	2.36	4.34
Total Assets	7.67	10.42
Current Liabilities	0.15	1.04
Share capital	0.29	0.32
Share premium	8.79	11.12
Reserves	0.39	0.39
Accumulated losses	(1.95)	(2.46)
Total Equity and Liabilities	7.68	10.42
Cash Flow (£M)	2006	2007
Receipts from operations	-	-
Operations Activities	(1.94)	(0.88)
Other Adjustments	0.32	0.67
Net operating cash flow	(1.62)	(0.2)
PP&E	0.02	0.01
Intangibles	(2.36)	(1.58)
Net investing cash flow	(2.38)	(1.59)
Shares Issued	10.15	2.53
Issue costs	(1.07)	(0.17)
Interest received	0.18	0.23
Net financing cash flow	9.26	2.59

Selwyn Resources Ltd (SWN CN)

Background

Canadian listed Selwyn Resources Ltd is the successor to Pacifica Resources Ltd (which underwent a reorganization of its assets in June 2007) and whose core asset is the Selwyn Project in the Howard's Pass zinc-lead district, eastern Yukon – currently the largest undeveloped zinc-lead deposit in the world. In May 2005, Pacifica/Selwyn announced a Letter of Intent to acquire 100% interest in the Howard's Pass JV properties from Placer Dome Ltd (whose interest was subsequently transferred to Terrane Metals Corp) and Cygnus Mines Ltd (a wholly owned subsidiary of US Steel Corporation). The agreement includes payments to the JV participants of \$10M over 7 years, a 1% net smelter royalty and a 20% net profit royalty (capped at \$10M). In addition, Selwyn has nearly 18,000 hectares of wholly owned claims. In total Selwyn control over 65km of favourable strata in this renowned zinc-lead district. All of Pacifica's assets outside of the Selwyn District were transferred to Savant Explorations Ltd. Selwyn Resources retains a 36.5% shareholding in Savant with a warrant to increase this further.

Key Assets

The Selwyn Project straddles the Yukon/Northwest Territories border, with more than 90 percent of the licence in the Yukon. It consists over 9500 hectares of mineral claims, referred to as the Howard's Pass JV. The initial discovery of Howard's Pass was made in 1972 by Placer Development Corporation. The deposit belongs to the SEDEX class, which accounts for its extensive lateral continuity. All known mineralization occurs within a specific stratigraphic unit referred to as the Active Member which has been followed for more than 40km and wherever located contains significant zinc-lead mineralization. Approximately \$25M was spent on exploration on the Selwyn Project in 2005 and 2006 resulting in discovery of seven new mineralized zones that confirm one continuous deposit having a length of at least 38km. 191 drill holes were completed in 2007 resulting in a significant expansion of resources. Total NI 43-101 resources currently stand at 86.6Mt at 4.93% zinc and 1.73% lead indicated and 215.4Mt at 4.71% zinc and 1.48% lead inferred. The total metal content is 14.42Mt zinc and 4.69Mt lead.

Selwyn commissioned a "Preliminary Assessment Report" plan in early '07 with an assumed mining rate of 20,000 tonnes per day, premised on open-pit mineable resources as they stood at March 2006. However, this plan is somewhat out of date and the final plan will probably involve a higher rate of production, although limitations to expansion may be dictated by power line and railway constraints. Application of a Dense Media Separator was found to improve the run-of-mine grade from 6.8% to 10.7% zinc-lead combined. Estimated recoveries of 90% in the DMS plant and 83% zinc and 75% lead in the flotation circuit gave a forecast annual production of 278,000t zinc and 93,000t lead in concentrate. Total capex was estimated at C\$880M.

Selwyn commenced a \$25M exploration program in '07, consisting of at least 40,000m of diamond drilling and continued engineering and environmental studies in preparation for pre-feasibility and permit application. Updated mineral resources and reserves are expected to allow a hybrid mine plan that includes both open pit and underground mining.

Comment

This very large deposit continues to grow thanks to an aggressive drilling campaign. However, the market is clearly discounting Selwyn (see Valuation Overview) on an EV/resource tonne basis due to concerns over the remote location and the potential for significantly higher capex requirements. Recent developments at the nearby Galore Creek project (Teck Cominco/ Novagold) suggest these concerns may be justified. The company is no doubt expecting this year's drilling program to allow a mine plan which delivers higher grades earlier in the mine life. Patience will be required by shareholders in the expectation that this project will advance and re-rate accordingly. In the meantime, the share price continues to exhibit a very high sensitivity to the lead and zinc price.

Selwyn Resources Ltd
SWN

Market: TSX-V
Share price: C\$0.23

Analyst: Peter Rose / Andy Davidson
20 December 2007

Key Market Information		Fundraising	
Shares outstanding (M)	143.7	Oct '05 @ C\$0.2	C\$1.7M
Options (M)	26	Mar '06 @ C\$0.7	C\$8.1M
Market capitalisation (C\$M)	33.1	Oct '06 @ C\$0.7	C\$8.0M
52-week high/low (C\$)	0.98/0.23	Mar '07 @ C\$0.75	C\$7.1M
Net cash (C\$M)	10.4	Aug '07 @ C\$0.65	C\$10.1M
Enterprise value (C\$M)	22.7	Oct '07 @ C\$0.7	C\$3.2M

Company Information		Major Shareholders	
Suite 701 - 475 Howe Street, Vancouver		RAB Capital	14.3%
British Columbia V6C 2B3, Canada		Mavrix	12.6%
+1 604 682 5474		Geologic	10%
http://www.selwynresources.com		Norrep	6.5%

Reserve	Mt				
Proven	-	-	-	-	-
Probable	-	-	-	-	-
Total	-	-	-	-	-

Resource (0.5g/t)	Mt	Pb (%)	Pb (Mt)	Zn (%)	Zn (Mt)
Measured	-	-	-	-	-
Indicated	86.6	1.73	0.55	4.93	1.56
Inferred	215.4	1.48	1.160	4.71	3.7
Total	302	1.61	1.710	4.82	5.26
Production	Mt	Au (g/t)	Au (oz)	Zn (%)	Zn (t)
2009E				-	-
2010E				-	-
2011				-	-

Management		
Harlan Meade	CEO and Director	A Director of the predecessor company Expatriate Resources Ltd. since December 1995, is a geologist and has been President and CEO of the Company since May 1998.
David Kwong	CFO	Joined the predecessor company in February 2006. Mr. Kwong is a member of the Canadian Institute of Chartered Accountants and the Illinois Certified Public Accountants Society with experience in management, corporate finance and information technology.
Wade Nesmith	Chairman	Is a graduate of Osgoode Hall Law School and has had a prestigious legal career with Lang Michener and the British Columbia Securities Commission, as well as the Alberta and Ontario Attorneys General's offices.



Profit and Loss (C\$M)	2004	2005	2006
Total Revenue	(0.05)	0.89	0.06
Operating expenses	(0.24)	(1.05)	(0.86)
Other adjustments	(0.29)	-	-
Pre-Tax Loss	-	(0.16)	(0.81)
Income tax	(0.29)	-	-
Net profit (after minorities)	-	(0.16)	(0.81)

Balance Sheet (C\$M)	2004	2005	2006
Cash	2.26	2.59	10.35
Other current assets	0.09	0.12	0.87
Total Current Assets	2.35	2.71	11.21
PP&E	-	0.06	1.07
Deferred property costs	1.34	5.45	23.97
Total Assets	3.69	8.22	36.26
Current Liabilities	0.03	0.13	0.81
Non-Current Liabilities	-	0.51	0.31
Issued Capital	3.56	8.87	35.52
Reserves	0.26	0.81	2.80
Accumulated losses	(0.29)	(2.10)	(3.18)
Total Equity	3.69	8.22	36.26

Cash Flow (C\$M)	2004	2005	2006
Receipts from operations	-	-	-
Operations Activities	(0.29)	(1.80)	(1.08)
Other Adjustments	0.26	1.29	0.33
Charges	-	0.02	(0.24)
Net operating cash flow	(0.03)	(0.50)	(0.99)
PP&E	-	(0.07)	(1.14)
Exploration	-	0.05	0.17
Deferred property costs	(0.00)	(5.06)	(18.52)
Cash Subsidiary	0.01	-	-
Net investing cash flow	0.01	(5.08)	(19.50)
Shares Issued	2.22	3.88	30.19
Issue costs	(0.07)	(0.70)	(1.95)
Warrants for cash	-	2.73	-
Net financing cash flow	2.29	5.91	28.24

ZincOx Resources plc (ZOX LN)

Background

ZincOx is a British company, formed in 1997 and listed on the AIM market. It was set up to identify and develop zinc oxide deposits. By this, it means non-sulphide zinc minerals. ZincOx's strategy is to re-assess known oxide deposits of zinc located throughout the world, rather than carry out high-risk and expensive early stage exploration. Over its first five years, the company investigated all the major zinc oxide deposits and as a result there are now five key assets held. These are the Jabali and Shaimerden zinc oxide mines (in Yemen and Kazakhstan respectively) and the Big River Zinc, Ohio and Aliaga zinc recycling operations.

Key Assets

The Jabali zinc deposit, located 110km northeast of San'a, Yemen, contains a geological resource (per JORC) of 12.6Mt grading 8.9% zinc, 1.2% lead and 68g/t silver. There is potential to increase the size of the resource as the ore body is open on two sides. An updated feasibility study, completed in early 2007, showed that \$186M was required to finance the development of the mine until it turns cash flow positive in the first half of 2009. Mining will be open pit, with a 2:1 waste to ore ratio. The ore will be treated by means of a proprietary hydrometallurgical process, which has been tested in a pilot plant operated by CTP, an independent Belgian metallurgical laboratory and has shown an expected 77% zinc recovery. The plant is designed to produce approximately 70,000 tonnes per year of high quality zinc oxide, containing 80% zinc (56,000 tonnes contained zinc). Marketing studies and test work carried out by ZincOx indicate that the final product should be of a quality suitable for direct marketing to zinc oxide consumers in Europe, the Far East and America.

The Shaimerden zinc oxide deposit was actually sold in 2003 to Kazzinc who acquired a 95% interest in the project for \$7.5m in cash and a deferred payment spread over the first four years of operation. The mine commenced production in September 2006 and the first deferred payment amounted to \$9.04M.

Big River Zinc in Sauget, Illinois is an old zinc refinery that ZincOx plans to develop into a state of the art zinc recycling facility. It was acquired from Korea Zinc in June 2006. The Company plans to build a new leach and purification plant based on the treatment of an oxide concentrate, the product of the Ohio and Aliaga Recycling Projects and eventually to produce 90,000tpa of zinc.

At the Ohio recycling plant, ZincOx is planning to treat electric arc furnace dust using a rotary hearth furnace for the production of an impure zinc concentrate and pig iron. It is expected that the plant will produce 200,000tpa of EAFD containing 45,000tpa of contained zinc commencing in the third quarter of 2008. This technology not only maximises the revenue from the metals recovered but produces no residue or effluent.

The Aliaga project is similar to the Ohio project using the same technology but located in Turkey. Turkey generates over 200,000tpa of electric arc flue dust from the recycling of galvanised steel scrap. The dust contains between 15% and 35% zinc and 20 to 32% iron. Production is forecast to commence in mid 2008.

Comment

ZincOx is a zinc company with a difference, operating on a totally different philosophy. It is concentrating on zinc oxides to produce zinc metal and so avoids many of the environmental problems experienced by people taking the more traditional route.

ZincOx Resources ZOX

Market: AIM
Share price: 262p

Analyst: Peter Rose / Andy Davidson
20 December 2007

Key Market Information		Fundraising	
Shares outstanding (M)	49	Dec '01 IPO@ £1.20	£3.0M
Options (M)	6.7	Feb '05 @ £1.00	£4.4M
Market capitalisation (£M)	128.3	Jun '06 @ £2.05	£14.9M
52-week high/low (p)	437/246.5		
Net cash (£M)	23.2		
Enterprise value (£M)	105.2		

Company Information		Major Shareholders	
Knightway House, Park Street Surrey, GU19 5AQ, United Kingdom +44 1276 450100 http://www.zincox.com		Teck Cominco	11.3%
		Hoegh Capital Partners	9.2%
		Sisu Capital	8.6%
		M & G Securities	6.7%

Reserve	Mt	Zn (%)	Pb (%)
Proven	-	-	-
Probable	-	-	-
Total	-	-	-

Resource (0.5g/t)	Mt	Zn (%)	Pb (%)	Ag (g/t)
Measured	-	-	-	-
Indicated	-	-	-	-
Inferred	12.6	8.9	1.2	68
Total	12.6	8.9	1.2	68

Production	Mt	Zn Grade (%)
Ohio, 2008E	0.07	68
Aliaga, 2008E	0.09	53
Big River, 2008E	0.09	99.995
Jabali, 2008E	0.07	80

Management		
Andrew Woolett	Chairman	Chairman, with responsibility for strategy, new business, and investor relations. Andrew is a geologist with over 25 years of international experience in mineral exploration and development. He began his career with RTZ in Saudi Arabia and then worked in Greenland for the EU.
Michael Foster	Managing Director	Managing Director, with responsibility for implementing strategy. Michael is the former managing director of Reunion Mining PLC. A graduate geologist, he has over 30 years' experience in the mining industry.
Simon Hall	Finance Director	Finance Director, responsible for all financial matters across the group. Simon is a Chartered Accountant and engineer with 15 years' experience of business development across a range of sectors.

Share Price



Source: Bloomberg

Profit and Loss (£M)	2005	2006
Net revenue	-	0.17
Operating expenses	(1.03)	(5.17)
Other adjustments	-	(0.53)
Profits on sale of fixed assets	(0.03)	8.34
Interest	0.23	0.75
Pre-tax profit	(0.84)	3.60
Income tax	0.01	0.01
Equity minority interest	-	0.05
Net profit (after minorities)	(0.85)	3.64
Balance Sheet (£M)	2005	2006
Cash	3.94	23.18
Other current assets	0.37	11.08
Non-current assets	6.87	19.35
Total assets	10.73	48.20
Called up share capital	7.24	12.11
Share Premium	8.56	37.25
Reserves	(1.00)	(1.11)
Retained profits	(4.06)	0.001
Liabilities and Equity	10.73	48.2
Cash Flow (£M)	2005	2006
Receipts from operations	-	-
Operation payments	(0.82)	(6.44)
Interest received	0.23	0.75
Tax paid	-	-
Other adjustments	-	(0.00)
Net operating cash flow	(0.59)	(5.69)
Purchase of Assets	(2.53)	(7.06)
Sale of Investments	0.16	0.22
Net Investing cash flow	(2.69)	(7.28)
Issue of Shares	4.99	34.81
Share issue costs	(0.28)	(1.26)
Net Financial cash flow	4.70	33.55

Glossary

AIM	Alternative Investment Market
ASX	Australian Stock Exchange
Ag	silver
Au	gold
BFS	bankable feasibility study
bn	billion
CIS	Commonwealth of Independent States
Co	cobalt
Cu	copper
DFS	definitive feasibility study
fd	fully diluted
g/t	gram per tonne
gm	gram
grade	concentration of gold, typically measured in grams per ton
IPO	Initial Public Offering
JORC	The Australasian Joint Ore Reserves Committee (The Code for Reporting of Mineral Resources and Ore Reserves)
JV	joint venture
km	kilometre
kt	thousand tonnes
ktpa	thousand tonnes per year
lb	pound
LME	London Metal Exchange
m	metre
M	million
Mg	magnesium
M&I	measured and indicated
Moz	million ounces
Mt	million tonnes
Ni	nickel
oz	ounce
pa	per annum
Pb	lead
Pd	palladium
PGE	Platinum Group Equivalent
PGM	Platinum Group Metals
P&P	proven and probable
ppm	part per million
Pt	platinum
Q	quarter
SG	Specific Gravity
tpa	tonnes per year
TSX	Toronto Stock Exchange
TSX-V	TSX Venture Exchange
u/g	under ground
y-o-y	year-on-year
Zn	zinc

Research Disclosure

Peter Rose – Head of Mining Research

Peter Rose has 20 years experience in equities as a resources analyst, most recently having spent 11 years with Deutsche Bank in Australia. Prior to this he spent three years with Prudential Bache and five years with James Capel. Peter's industry experience includes 16 years as a metallurgist, three years with De Beers in South Africa, and eight years in the uranium industry, five of which were spent at the Ranger Uranium mine. Peter has a Bachelor of Science in Applied Mineral Science from Leeds University UK, and a Bachelor of Commerce from the University of South Africa. Peter is a member of the Institute of Mining & Metallurgy and a chartered engineer.

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Andy Davidson – Mining Analyst

Andy has had over 7 years experience as a geologist in the mining industry. He worked for Ashanti Goldfields on the exploration and development of Geita, one of the largest new gold mines in Africa of recent years. He was also involved in projects in other parts of Africa and Mongolia. Prior to joining Fox-Davies Capital, Andrew enjoyed a successful 4-year period of self-employment as a commodity-focused analyst and trader. He holds a Bachelor of Science in Geology with First Class Honours from the University of Southampton and also a Master of Science/DIC from Imperial College London in Mineral Project Appraisal.

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Ian joined Fox-Davies Capital in November 2007. He holds a BA in Archaeology from University College London, having graduated in September 2007.

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Research disclosure as of 20 December 2007

Company: Angus & Ross, International Consolidated Minerals, Neptune Minerals - Disclosure: 1,2,8,9

Company: ABRA Mining, AIM Resources, Anglesey Mining, Blue Note Mining, Drake Resources, Herencia Resources, Maghreb Minerals, Mount Burgess Minerals, Selwyn Resources, ZincOx – Disclosure: 9

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The Investment Analyst who is responsible for the preparation of this Investment Research has received (or will receive) compensation linked to the general profits of Fox-Davies Capital Limited.

Research recommendations

Fox-Davies Capital uses a three-tier recommendation system for stocks under coverage: Buy, Hold or Sell.

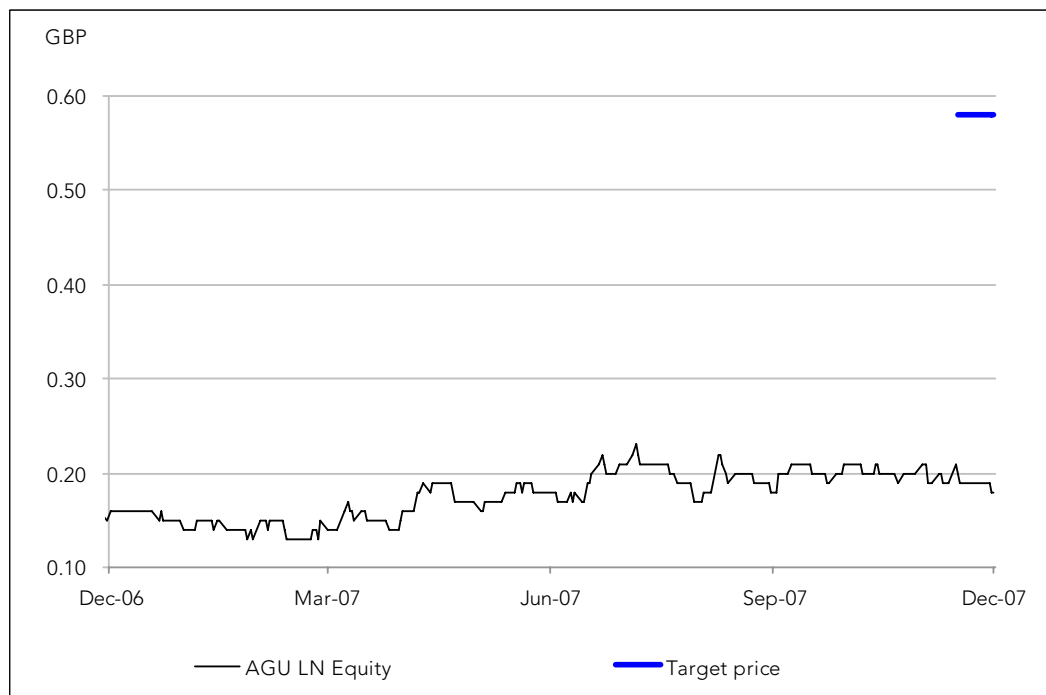
Buy recommendation means that expected total return of at least 15% is expected over 12 months between current and analysts' target price.

Hold recommendation means that expected total return of between 15% and zero is expected over 12 months between current and analysts' target price.

Sell recommendation means that expected total return expected over 12 months between current and analysts' target price is negative.

Disclosure chart

Exhibit 11: Angus & Ross share price.



Source: Bloomberg, FDC

Angus & Ross Recommendation Summary

Date	Recommendation	Target Price (£)
5 December 2007	BUY	£0.58

About Fox-Davies Capital

Fox-Davies Capital Limited (FDC) has been advising and raising funds for the natural resource sector since February 2001. The firm specialises in assisting international resource companies gain access to the UK, European and North American capital markets and has a substantial background in emerging markets particularly in Africa, Asia, Russia and the CIS, raising over US\$100M in 2006.

FDC enjoys a successful track record in advising and undertaking fundraising transactions for its clients from private equity to IPO and secondary offerings and works with over 350 specialised institutional resource and emerging markets funds worldwide.

FDC provides professional advice based on effective analysis and research to assist its corporate clients in presenting their proposals to the investment community. Our strength lies in the oil & gas and mining sectors where as a company we have advised clients on AIM and ASX. Our mining company clients include Amur Minerals (AIM), Copper Resources (AIM), Diamonex (ASX), Discovery Metals (AIM/ASX), EMED Mining (AIM), Kryso Resources (AIM), Siberian Diamonds (private), and Tsar Emeralds (private).

FDC is authorised and regulated by the Financial Services Authority (FSA) and is a member firm of the London Stock Exchange (LSE).

Fox-Davies Capital Mining Coverage

Mining companies covered by Fox-Davies Capital as of 20th December 2007:

Company	Ticker	Recommendation	Date	Target Price	Current Price
Mining					
African Mining	AFD LN	HOLD	29.06.07	£1.10	£0.94
Allegiance Mining	AGM AU	BUY	09.05.07	A\$1.40	A\$0.98
Amur Minerals	AMC LN	BUY	13.12.07	£0.49	£0.19
Angus & Ross	AGU LN	BUY	5.12.07	£0.58	£0.18
Asian Mineral Resources	ASN CN	SELL	26.02.07	C\$1.18	C\$1.69
Baobab Resources	BAO LN	BUY	17.12.07	£0.18	£0.13
Celtic Resources	CER LN	N/A	N/A	N/A	£2.85
Diamonex	DON AU	BUY	17.04.07	£0.41	£0.16
Discovery Metals	DME LN	BUY	10.12.07	£0.63	£0.26
EMED Mining	EMED LN	BUY	31.10.07	£0.83	£0.19
Hambledon Mining	HMB LN	BUY	30.11.07	£0.25	£0.19
Highland Gold	HGM LN	HOLD	04.12.07	£1.73	£1.70
Kryso Resources	KYS LN	BUY	11.12.07	£0.42	£0.14
Mirabela Nickel	MBN AU	BUY	16.07.07	A\$7.49	A\$6.44
Van Dieman Mines	VDM LN	BUY	20.10.07	£0.21	£0.15



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