



Sector: Mining

Location: Global

Date: February 26, 2007

Type: Sector report

The Nickel Sector

Metal and Equity Review



- We are initiating coverage on four companies, with Buy recommendations for Allegiance Mining and Mirabela Nickel, and Sell recommendations for Asian Mineral Resources and Braemore Resources.
- We are increasing the target price for Amur Minerals by 17% and maintaining our Buy recommendation.
- Our recommendations are biased toward pre-producers, where we believe the best value is offered, although leading producers LionOre Mining and Minara Resources should also be watched.
- The nickel market has been transformed by a period of high metal prices, strong stainless steel demand growth from emerging economies, together with technology developments which could release previously marginal resources.
- Although the nickel price may have become overheated, fundamentals will continue to support high average prices, providing equity investment opportunities.
- This document gives an overview of the global nickel industry covering basic geology, exploration, mining, processing, together with a review of supply/demand trends. The Company section focuses on nineteen junior to mid-cap nickel companies covering a broad spectrum of type, status and location.

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Executive Summary

Nickel deposits comprise two main sub-types: primary sulphide deposits and near-surface laterite deposits. Sulphide deposits form as nickel accumulates in layers within iron rich magmas. Laterites form from surface weathering where leaching has caused depletion of most elements but enrichment in the residual elements, including nickel. Sulphide deposits form the majority of world nickel production, but laterite deposits account for the majority of reserves.

Deposit size varies by type. Nickel sulphide deposits are typically smaller than laterite deposits. In general, economic grades of sulphides can vary from 0.5% to 7% with most sulphide deposits in the range 0.6% - 1.5% nickel. A small deposit may have as little as 5Mt of ore, while medium size deposits vary from 10Mt-80Mt of ore. Larger deposits are rare and are usually acquired by large-cap miners.

Nickel laterite deposits typically grade from 1.0% to 1.5%, and are much larger tonnage. Small deposits contain 5Mt-20Mt, medium size up to 100Mt. Large deposits between 100Mt and 200Mt are typically owned by the major miners, and some development resources extend up to 1,000Mt.

Ore processing from the two types of deposit is very different. Sulphides are usually concentrated on site to around 15%, with low capital costs, then transported to smelters. Nickel laterite is difficult to process, with the second generation of technology called high-pressure acid leach the most common method used to form concentrates on site. Capital costs can be extremely high, and time and cost overruns on these projects have been common. Some ores are amenable to lower cost atmospheric leaching. There is also a specialised market for nickel laterite products in the form of direct shipping ore to stainless steel blast furnaces and ferro-nickel smelters.

Demand/supply is currently finely balanced. Around 65% of nickel is used as an additive in the production of stainless steel, and over the last several years, strong Chinese growth has caused rapidly falling stockpiles and rising prices. As we go to print, prices have recorded new highs, with cash levels breaching US\$40,000/t and LME stocks at less than a day of world demand.

With record nickel prices, stainless steel scrap and nickel inventories are almost exhausted and new primary supply is not expected to meet demand growth. This has been exacerbated by substantial barriers to entry due to the increased size and scale of new generation laterite projects, complex technology and processes, longer lead times and more remote locations. With supply and demand so finely balanced, production slow-downs and stoppages from industrial disputes and technical issues normally have an immediate impact on the market.

Nickel companies are dominated by the five leading producers, Norilsk, CVRD, BHP Billiton, Xstrata and Jinchuan, which together account for over 60% of global production. The recent surge in nickel prices has been relatively short term but we believe there has been fundamental change in the market and that relatively high average prices will remain substantially above long term averages. There has been a sharp increase in exploration activity but there is limited production growth potential from new development and producing projects. We have selected 19 junior to mid-cap nickel companies for review in this document, and initiated coverage on five of them.

NICKEL SECTOR OVERVIEW

Basic Geology

Introduction

Nickel is extracted from two main ore types:

- primary sulphide deposits associated with mafic and ultramafic rocks
- near-surface laterite deposits formed over olivine-rich host rocks following intense weathering.

Although the majority of the world's known nickel resources are contained in laterites, production from sulphide ores has been dominant due to higher grades and ease of treatment in comparison to laterite.

Nickel is hosted in sulphide rich ores, with the dominant mineral being pentlandite. All ultramafic rocks have elevated nickel content when compared with the earth's crust. In certain situations, nickel can become enriched as immiscible sulphides scavenge the metal from the larger molten bodies to form the nickel ores. Typically this occurred either when the molten ultramafic rock erupted onto the earth's surface in what are called komatiite flows, or within large intrusive bodies of ultramafic magma, called layered intrusions. In both cases, subsequent erosion of the earth's surface exposed these deposits at surface- or near-surface levels.

Technological developments have enabled processing of nickel laterites ores in recent years, although they have been exploited in New Caledonia since the end of the nineteenth century. In near surface environments, normally in tropical or sub-tropical conditions, leaching leaves the residual laterite profile high in less mobile elements such as nickel, aluminium and iron. Where the original rock was an ultramafic with already high nickel concentrations, laterite deposits form, with garnierite and nickeliferous limonite the common ore minerals. The nickel forms in deposits on gentle crests, spurs and plateaus in humid tropical environments, or sometimes in dryer environments, such as Australia, where water circulation was restricted.

Commercial nickel grade of sulphide ores can range from around 0.5% up to 8.0%, while that of a laterite is typically from 1.0% - 2.0%, with the size of laterite deposits being the critical factor. The criteria for area selection, and technologies employed for exploration and then mining, varies according to the type of deposits being investigated. Therefore it is imperative to have an understanding of the geological setting.

Magmatic sulphide deposits

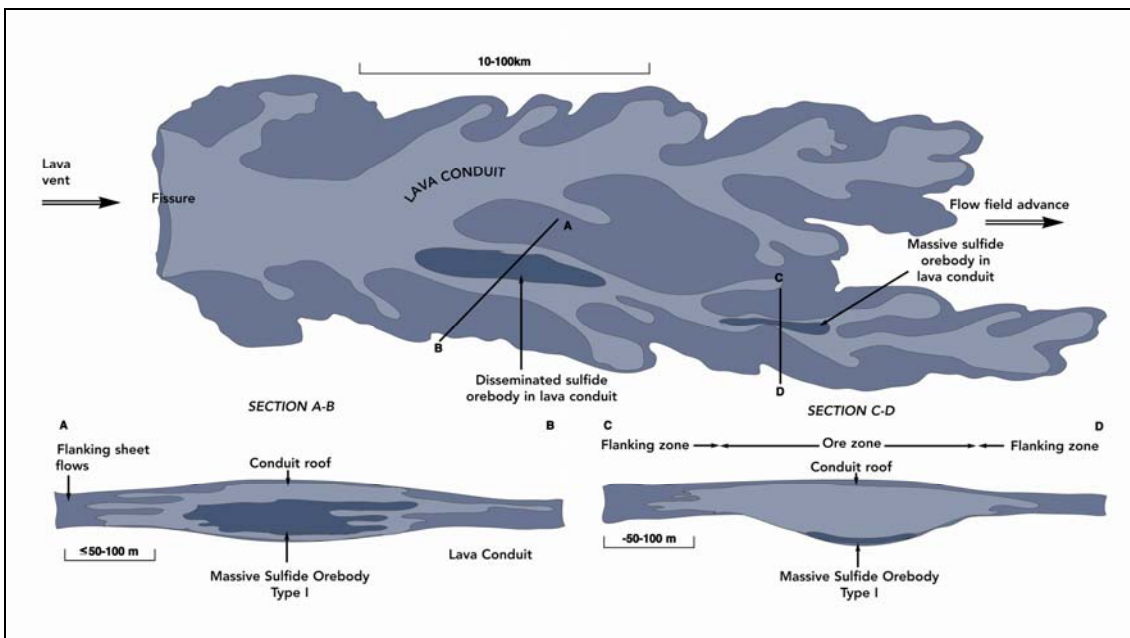
These are primary nickel deposits formed in magmatic plumbing systems by immiscible sulphide liquids concentrating nickel in molten magma layers or zones. These are restricted to iron-magnesium rich magma (ultra-mafic) host rocks, which historically either erupted on the earth's surface as a komatiite flow, or formed as layered mafic-ultramafic intrusions which never reached the surface.

Sulphide ores are traditionally treated by conventional crushing, grinding and floatation. The resultant concentrate is pyro-metallurgically processed by smelting in furnaces to produce a nickel matte which is dominantly nickel and iron with copper and cobalt.

Komatiites

Komatiites form from ultramafic (very magnesium-rich) lavas, which are, with very few exceptions, restricted to the first half of the earth's history and hence only occur on very old cratonic shields such as Canada, Russia, Africa and Australia. A global outpouring of komatiites around 2,700 million years ago hosts a significant proportion of the world's sulphide nickel resources. Komatiite lavas erupted at extremely high temperatures ($>1,600^{\circ}\text{C}$) which allowed them to erode rocks underlying the flow during eruption and, as they cooled, formed large quantities of olivine, an iron rich mineral. Within the Nickel sulphide deposits in komatiites, the immiscible sulphide melt scavenges nickel, copper and platinum group metals, from the silicate melt forming an "ore magma". Ore bodies formed where this ore magma pooled and solidified at the floor of the flowing lava. Ore zones thus commonly form on long narrow sub-horizontal zones (Exhibit 1).

Exhibit 1: Genesis of sulphide ores in komatiite lava flow

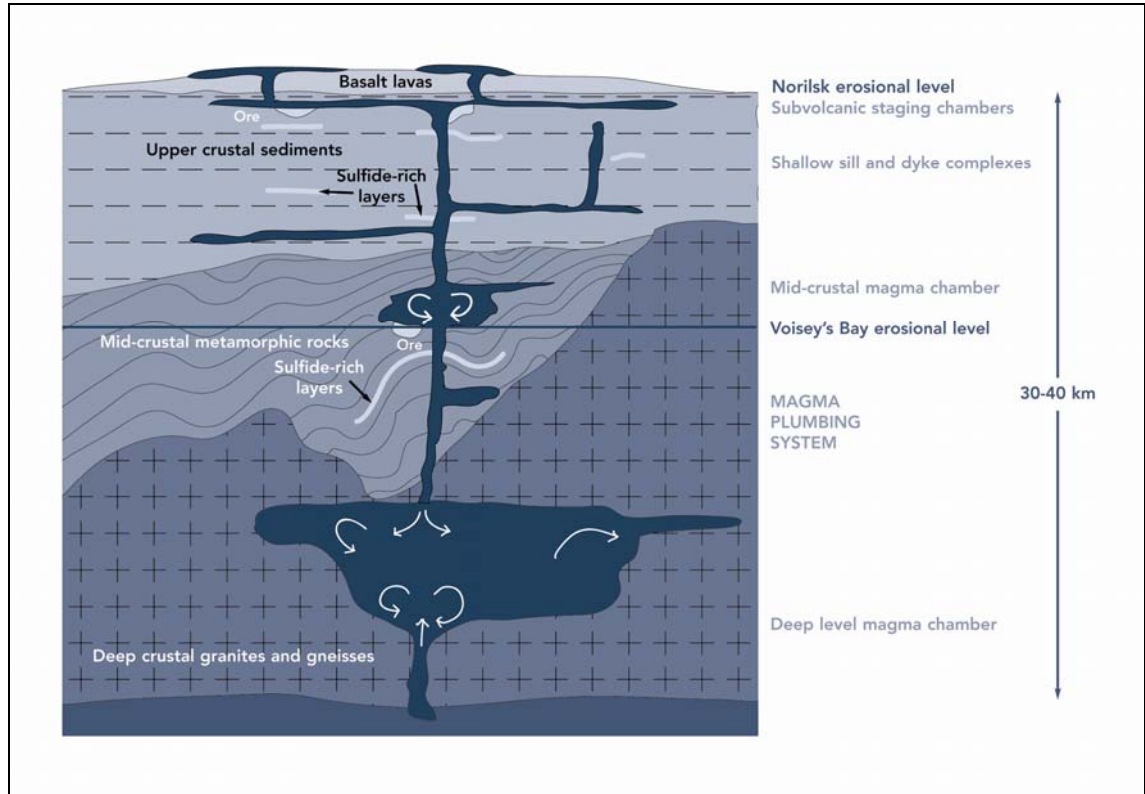


Source: CSIRO

Ultra-mafic intrusions

Ultra-mafic intrusions are large iron-magnesium rich magma bodies that typically exhibit a complex history of crystallisation, with periods of dormancy being interrupted by injections of fresh pulses of magma, followed by mixing and convective overturn. Although nickel-copper sulphides commonly crystallise from layered mafic-ultramafic intrusions, not all intrusions host deposits. Ore bearing intrusions can be found at either the crust level, or in deeply eroded terrains, where crustal magma chambers intruded into metamorphosed sedimentary rocks with sulphide rich bands (Exhibit 2). The Voisey's Bay deposit in Labrador, Canada, is an example of a magma body exposed through erosion. At higher crustal levels there can also be favourable conditions for ore formation, the best example of which is the Norilsk province in Russia, where rich ore bodies are hosted by small subvolcanic sills which fed overlying sequence of flood-basalt lava flows. Canada's Sudbury deposits are unique in that they formed from magnesium and iron poor magmas generated by very large melting of the crust during a large meteoritic impact.

Exhibit 2: Genesis of sulphide ores in mafic/ultramafic intrusions

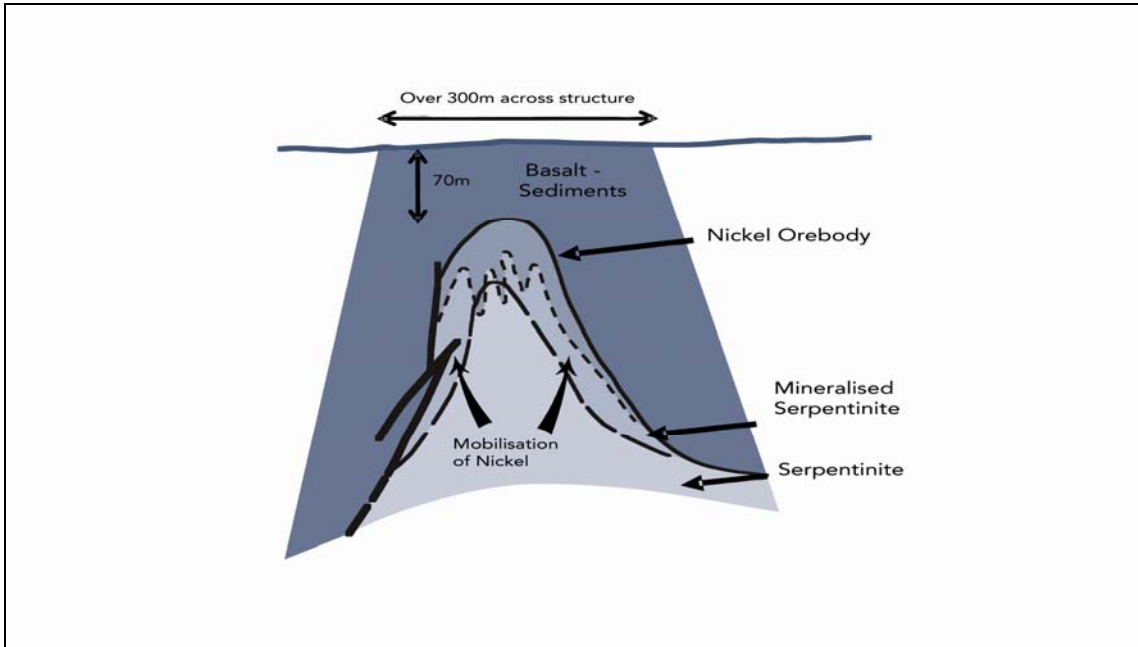


Source: CSIRO

Hydrothermal remobilisation

Hydrothermal remobilised nickel-sulphide deposits represent a relatively new sub-type of nickel sulphides deposit. Ore zones form as hydrothermal fluids pass through thick ultramafic sequences with pre-existing elevated, but not ore-grade, nickel concentrations. The hydrothermal fluids, which may result from nearby magmatic/granite intrusions, remobilise and concentrate the nickel into economic ore zones, typically at the edge of the ultramafic units. Hydrothermal deposits are typically low tonnage, an exception being the recently discovered Avebury deposit in Tasmania (Exhibit 3), the discovery of which may open up a new nickel province. Of particular importance, the ore zones form in vertical blocks, making mining of this style of deposit easier than for sub-horizontal loads in komatiites or ultramafic intrusions.

Exhibit 3: Schematic cross-section showing formation of hydrothermally remobilised nickel ore at the Avebury deposit in Tasmania

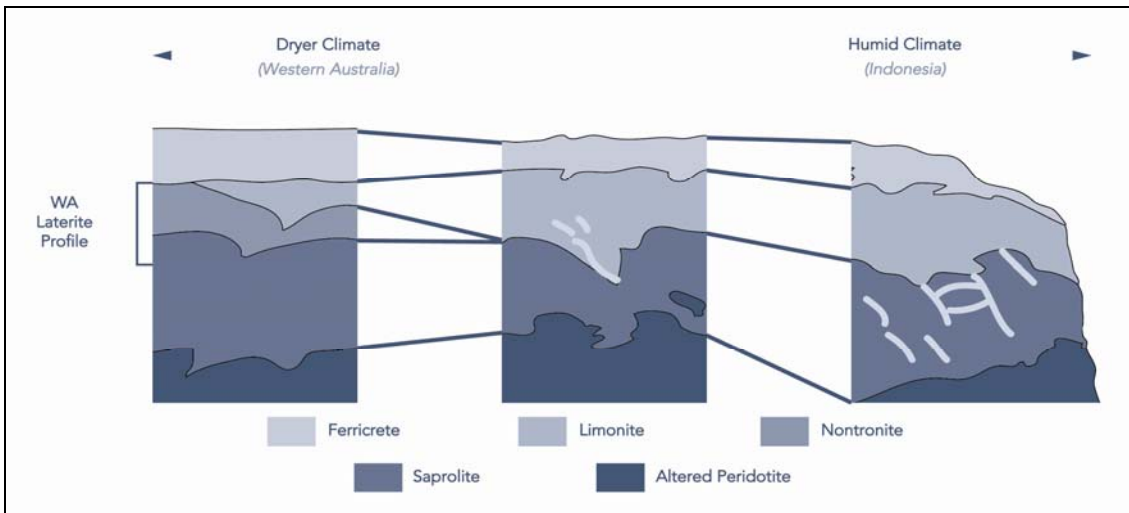


Source: Allegiance Mining

Laterite deposits

Around 70% of the world's land-based nickel resources are contained in laterites, although these currently only account for about 40% of production. These deposits are formed by the prolonged and pervasive weathering and leaching of ultramafic rocks in tropical to sub-tropical climates. Because nickel is less mobile than other metals, it forms residual high concentrations as other more mobile metals are leached down through the profile (Exhibit 4, Table 1). The resulting deposit is dependant on the nature of the global and local factors such as the type of parent rock, tectonic setting, topography, groundwater chemistry and drainage, but palaeo-climate is the key formation control on laterites.

Exhibit 4: Laterite profiles for both wet and dry laterites



Source: Inco

Table 1: Typical composition of nickel laterite ore sub-types

	%Ni	%Co	%Mg	%Fe	%Ni	%Co	%Mg	%Fe	%Ni	%Co	%Mg	%Fe
Ferricrete	0.2-0.5	0.02	0.6	35.0	0.2-0.5	0.02	0.6	>35.0	0.2-0.5	0.02	0.6	>35.0
Limonite	0.6-1.4	0.1-0.2	1.0-2.0	45.0	1.2-1.7	0.1-0.2	1.0-2.0	45.0	1.2-7.0	0.1-0.2	1.0-4.0	45.0
Nontronite	1.2	0.08	3.5	18.0	-	-	-	-	-	-	-	-
Saprolite	0.4	0.02	12.0	9.0	1.5-3.0	0.05-0.1	10.0-20.0	10.0-25.0	1.5-3.0	0.05-0.1	10.0-30.0	10.0-20.0

Source: Inco

Nickel laterites typically comprise an upper limonite zone and a lower saprolite zone, both of which need to be treated differently to efficiently recover the nickel due to the varying proportions of iron, magnesium and silica in each. In general, the limonite zone is higher in iron and lower in nickel, magnesium and silica than the saprolite zone below it, which is almost the inverse. Lateritic deposits can be subdivided according to whether the nickel is contained predominantly with silicate phases in the saprolite zone ('granieritic' deposits) or within oxides phases higher in the weathering profile ('limonitic' deposits). In each case, the nickel concentrations will vary according to zone (Table 2).

Nickel laterites deposits can occur in different mineralogical circumstances as:

- hydrous silicate deposits – e.g. New Caledonia
- clay silicate deposits – e.g. Murrin Murrin, Australia
- oxide deposits – e.g. Moa Bay, Cuba

Hydrous silicate deposits form in humid savannah-tropical rainforest areas with high annual temperatures and rainfall. Clay silicate deposits tend to form in humid savannah climates with poor drainage but are also associated with dryer climates. Oxide deposits form in savannah climates. Many of the deposits found in higher latitudes such as the Urals, Eastern Europe and Oregon, are older and likely to have formed when the continent was nearer the equator, and were then preserved.

Table 2: Mineral types found in different nickel laterite profiles

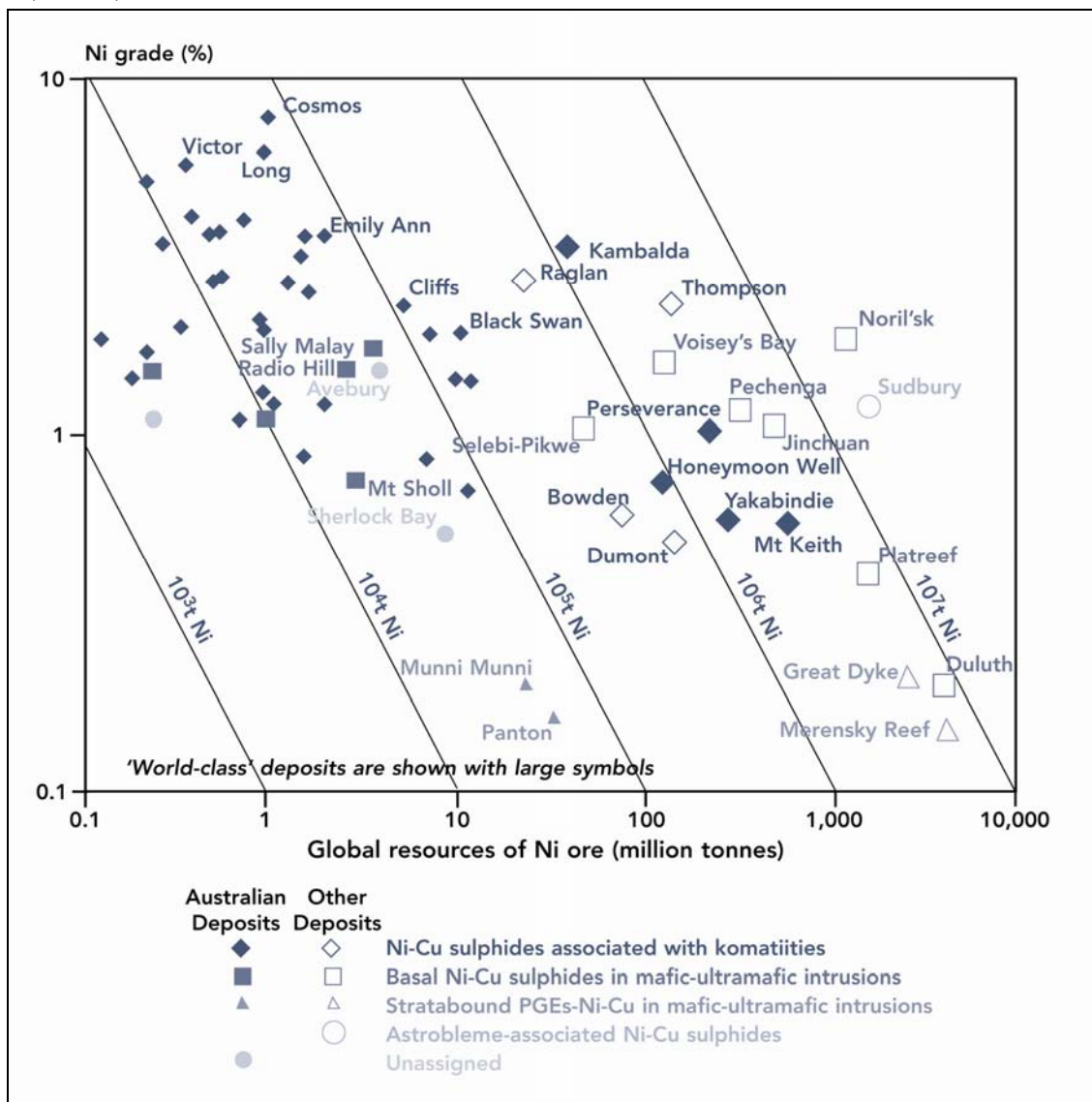
Type	Nickel Concentration	Cobalt Concentration	Processing
Limonite	1.00% - 1.70%	0.10% - 0.20%	Pressure acid leach & caron process
Nontronite	1.00% - 5.00%	0.05% - 0.10%	Pressure acid leach and smelting
Serpentine	1.50% - 10.00%	0.05% - 0.10%	Pyrometallurgical processes
Garnierite	10.00% - 20.00%	0.05% - 0.10%	Pyrometallurgical processes

Source: Inco

Global mining regions and key deposits

Three quarters of global nickel production comes from four regions; Russia, North America, Latin America and Australia. Currently, the nickel sulphide deposits at Norilsk (Russia) together with Sudbury and Voisey's Bay (Canada) dominate production (Exhibit 5).

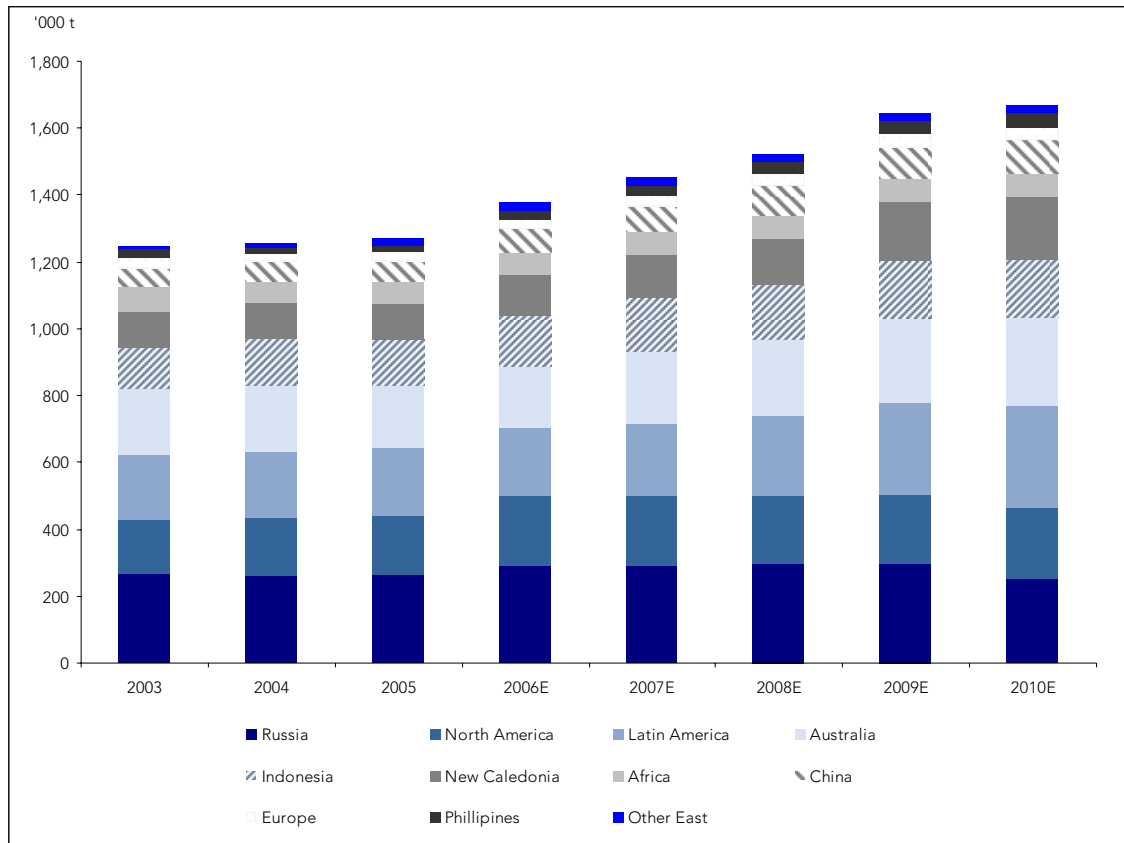
Exhibit 5: Logarithmic plot of nickel grade vs. global resources of nickel ore (reserve + resource in Mt) for the major sulphide deposits of the world



Source: CSIRO

As the laterite deposits of Latin America (e.g. Vermelho), Australia (e.g. Ravensthorpe), Indonesia (e.g. PT Inco) and New Caledonia (e.g. Goro) are developed, these regions are forecast to progressively represent an increasing proportion of production (Exhibit 6).

Exhibit 6: Nickel production by country from 2003 to 2010E



Source: Morgan Stanley, October 2006

Major Nickel Producers

The major nickel producers globally are summarised below in Table 3. Russian based Norilsk dominates the list, and accounts for around a fifth of all global production. This list is likely to change when CVRD brings the Vermelho and Onca Puma projects on line (combined 81tpa Ni).

Table 3: Finished nickel production by company (2006E)

Company	Locations	Tonnes (Ni)	Market share
Norilsk Nickel	Russia	244	18%
CVRD (incl. Inco)	Canada, UK, Japan, Indonesia	226	17%
BHP Billiton	Australia, Colombia	148	11%
Xstrata (incl. Falconbridge)	Canada, Dominican Republic	116	9%
Jinchuan	China	102	8%
Top 5	Top 5	836	62%
SLN/Eramet	New Caledonia	67	5%
Sumitomo	Japan	55	4%
OM Group	Finland	46	3%
Cubanique	Cuba	40	3%
Pacific	Japan	36	3%
Top 10	Top 10	1,080	80%

Source: CRU/Morgan Stanley

Mergers and acquisitions

In the last two years, the nickel mining sector has been dominated by a rush of acquisitions as the major producers have consolidated. The only large producer immune to recent changes has been the Russian giant Norilsk.

- In March 2005 BHP Billiton acquired WMC Resources after a competitive bidding process with Xstrata
- June 2005 saw the merger of Falconbridge and Noranda
- In August 2006 Swiss based Xstrata successfully acquired Falconbridge in a deal worth CN\$22.5bn (c. US\$19bn) following an unsuccessful bid by Inco, backed by Phelps Dodge
- In January 2007 Brazil's CVRD acquired Inco for US\$19bn also following an unsuccessful bid from Phelps Dodge
- Freeport-McMoRan Cooper & Gold is in the process of buying Phelps Dodge in a US\$25bn deal

Following this reshuffle, it is rumoured that CVRD and Xstrata may pool their Sudbury operations to produce economies of scale.

The major producing companies

Norilsk Nickel

Russian Norilsk Nickel currently accounts for 18% of global nickel production, with proven and probable reserves of 478Mt @ 1.3% Ni. In addition, Norilsk Nickel is a significant platinum and copper producer, accounting for 12% and 3% of global output, respectively. In 2006, Norilsk spun-off its gold assets into subsidiary undertaking Polyus Gold. Domestically, Norilsk Nickel accounts for 4.3% of all Russian exports, making up almost 2% of the Russian GDP.

The majority of Norilsk's nickel reserves lie in the Talnakh ore field on the Taimyr Peninsula, south-western Siberia, where it operates several mines, processing plants and smelters. In total, seven deposits host c.318Mt of ore reserves at an average of 1.6% Ni. The Zhdanovskoye deposit on the Kola Peninsula hosts an additional 160Mt of ore at 0.7% Ni.

In 2006, Norilsk signed two important exploration JVs with BHP Billiton and Rio Tinto. In each case, a 50/50 JV was set up to explore within Russia, with Norilsk retaining a narrow majority share. The Rio Tinto, JV is focused on the SE Russian regions of East Siberia and the Far East, and the BHP Billiton target areas are Western Siberia and the NW of Russia.

CVRD

The acquisition of Inco makes Brazilian CVRD the world's second largest producer of nickel, with world-class assets in North America, Brazil and SE Asia. Historically CVRD's main income source was iron ore, with additional operations in copper, manganese, aluminium and kaolin. Following the Inco acquisition, CVRD's nickel mining and development operations include:

Producing:

- Sudbury, Ontario (100%): 2005 production 112,000t, P&P reserves 163Mt @ 1.2% Ni
- PT Inco, Indonesia (61%): 2005 production 58,000t, P&P reserves 90Mt @ 1.8% Ni
- Thompson, Manitoba (100%): 2005 production 44,000t, P&P reserves 25Mt @ 1.9% Ni
- Voisey's Bay, Canada (100%): 2005 production 12,000t, P&P reserves 32Mt @ 3.0% Ni

Development:

- Goro, New Caledonia (71%): P&P reserves 200Mt @ 1.6% Ni
- Vermelho, Brazil (100%): P&P reserves 220Mt @ 0.9% Ni
- Onca Puma, Brazil (100%): P&P reserves 110Mt @ 2.1% Ni

Inco has four refineries associated with the producing operations, as well as two refineries in the UK. Additionally, Inco has joint ventures in a variety of processing and refining plants in Japan, China, South Korea and Taiwan.

BHP Billiton

Formed by a merger between Australian miner BHP and British Billiton in 2001, BHP Billiton is currently a highly diversified miner, producing aluminium, diamonds, coal, petroleum, nickel, copper, lead, zinc and uranium.

As the world's third largest nickel producer, BHP Billiton's nickel assets include:

- Mt Keith, Australia (100%): P&P reserves of 243Mt @ 0.5% Ni
- Leinster, Australia (100%): P&P reserves of 189Mt @ 0.9% Ni
- Cerro Matoso, Columbia (99%): P&P reserves of 43Mt @ 2.3% Ni with integrated smelter

In addition, BHP Billiton has several specialised processing units:

- Yabulu, Queensland, Australia (100%): 32Mtpa Ni refinery processing 3rd party ores from New Caledonia, Indonesia and the Philippines
- Kalgoorlie, Australia (100%): Kambalda Nickel concentrator and smelter capable of producing 45Mtpa and 110Mtpa Ni, respectively
- Kwinana, Western Australia (100%): Nickel refinery producing 65,000t of LME metal briquettes annually

BHP Billiton is also developing the Ravensthorpe (100%) integrated mine and processing facility. With an ore reserve of 238Mt @ 0.7% Ni, it is set to produce 50,000tpa Ni and 1,400tpa Cu in concentrate which will be shipped to the BHP Billiton Yabulu refinery in Queensland. With issues common with the HPAL treatment of laterite ores, the project has been subject to delays, and costs have escalated from US\$1.4bn to US\$2.2bn and the start date moved from 2Q07 to 1Q08.

Xstrata

Xstrata is a globally diversified mining group headquartered in Switzerland. It is focused on base metals, maintaining a strong position in copper, coal, ferrochrome, nickel, vanadium and zinc, and is the fourth largest Nickel producer globally following the acquisition of Falconbridge. Xstrata undertakes both mining and refining.

Key assets include:

- Raglan, Quebec (100%): 2005 production 22,200t, P&P reserves of 14.8 Mt @ 2.8% Ni
- Sudbury deposits, Canada (100%): 2005 production 19,700t, P&P reserves of 8Mt @ 1.2% Ni
- Falcondo, Dominican Republic (100%): 2005 production 28,700t, P&P reserves of 54Mt @ 1.2% Ni

Xstrata also operates the Nikkelverk nickel and copper refinery in Sweden, which produced 84,900t of Ni in 2005, and the Koniambo laterite deposit in New Caledonia (49%), with reserves of 142 Mt @ 2.1% Ni.

Jinchuan Group

Based in Jinchang, in the Gansu Province of China, the Jinchuan Group is an integrated mining and processing company that produces nickel, copper, cobalt, rare and precious metals and also some chemical products such as sulphuric acid, caustic soda, liquid chlorine, hydrochloric acid and sodium sulfite. Jinchuan accounts for over 88% of total Chinese nickel output, with an annual production capacity of 60,000t of Ni.

Key producing assets are sulphide deposits in China with P&P reserves of 5.5Mt of Ni. However, processing facilities are fed not only by own-mined ore, but through a significant volume of imports and future supplies from Australian projects.

Mining and Processing

Mining methods

Nickel is mined by both underground and open cut methods. By virtue of their formation, laterite deposits typically form in near-surface locations that are amenable to open pit mining. Conversely, although the upper sections may be accessible for open-pit mining, sulphide deposits are more commonly extracted by underground mining methods.

Open cut mining for laterites.

If an ore-deposit is outcropping or occurs near surface, it can be extracted using the open cut methods. Resultant low operating costs can allow low-grade deposits to be economically viable. The topsoil and overburden are removed and stockpiled for later rehabilitation and, as the mine increases in depth, the walls of the excavation are left at an angle to avoid collapse. Open cut mines use large mobile machinery that enables high production rates. Large haul trucks carry the ore and waste to surface stockpiles. Rapid rates of mining in shallow weathered parts of the deposits slow down as the depths increase due to the increased hardness of the material. Nickel laterites are generally mined by surface operations up to 60m deep.

Underground mining for sulphide deposits.

Sulphide deposits extending to depth must be of higher grade to warrant the additional cost of underground mining. The most common methods of gaining access and extracting ore from underground are either by sinking a vertical shaft alongside the ore body or, by excavating a decline roadway tunnel that descends to points from which the ore can be extracted. Underground mining operations are more complex than open cuts with respect to access, ground support, ventilation, blasting and haulage. Access from the surface to underground ore bodies is either by vertical or inclined shafts, horizontal tunnels (called drives) or downward sloping or spiral tunnels (called declines). Equipment used underground is limited by the size of the shafts and tunnels. There are a variety of stoping (mining) methods depending on the nature and extent of the ore body.

Processing and refining

Sulphides and laterites have significantly different metallurgical properties, and are therefore processed using different techniques.

Sulphides

Sulphide ore is crushed, sorted via magnetic separators, further reduced in size and then mixed with water forming a 'slurry' that is fed into a rotating mill where it is ground into a fine pulp. The pulp is fed into floatation cells and agitated with chemical agents by compressed air and a propeller. Agitation causes bubbles to form and the chemical reactions cause the nickel sulphide particles to stick to the bubbles and float to the surface producing nickel froth. This froth is collected from the top of the cell and re-treated to increase the concentration each time. Over 90% of the nickel in the initial ore is recovered into a concentrate that usually contains around 10%-12% Ni which is filtered and dried prior to being sent to the smelters.

Unique metallurgical compositions of ores from some deposits, such as Avebury and Mt Keith in Australia, facilitate production of high grade concentrates (18%-20% Ni), effectively halving the cost of transport to smelter.

Smelting generally involves utilising heat to separate a nickel matte from the 'slag' which floats on top. The heavier nickel matte is separated, re-concentrated and the high grade matte is collected, dried and packaged for export or further refining. Nickel is produced in many forms including sheets, powders, pellets, and ingots. The high capital costs (US\$1bn) for new smelters, and environmental issues surrounding smelting, commonly discourage construction of these facilities.

An alternative to the above treatment methods is the recently developed Activox process, developed by a consortium including CVRD (Inco) and LionOre. Activox enables miners to process nickel concentrate directly to metal products without first having to smelt the concentrate. During this process a finely ground nickel-cobalt-copper concentrate is processed in a pressurised vessel where it produces an impure solution of nickel, cobalt and copper. This solution passes through a number of chemical purification steps ending with removal of impurities and separation of nickel, copper and cobalt. The nickel is recovered through electrolysis as high quality electronic nickel product suitable for market. The waste solids from the process are neutralised with lime for deposit in specially designed disposal facilities. It is more economical and environmentally friendly since the sulphur dioxide and dust emissions associated with a smelter are eliminated.

Laterites

Producing low-cost nickel has long been the realm of sulphide miners, but new hydrometallurgical processes, notably high pressure leaching of limonitic laterite ores with sulphuric acid, held out the prospect of revolutionising the nickel industry. Three greenfield high pressure acid leach (HPAL) plants in Western Australia (Murrin Murrin, Cawse and Bulong) were expected to change the shape of the industry cost curve. However, the autoclaves and associated equipment proved inadequate especially in coping with the high temperatures and pressures together with high acid strengths involved and fell well short of ramp-up schedules while costs blew out to challenge project economics.

There are three main treatment processes for nickel laterites:

1. Conventional smelting (pyrometallurgical)

This process is used for the high nickel, low iron saprolite ores, and involves furnace smelting to form an iron-nickel product typically with 20%-40% contained nickel. Further treatment can increase this to around 78% nickel. This technique is very simple and is used at the PT Inco mine in Indonesia, the Falcondo mine in Dominican Republic and the Cerro Matoso mine in Columbia.

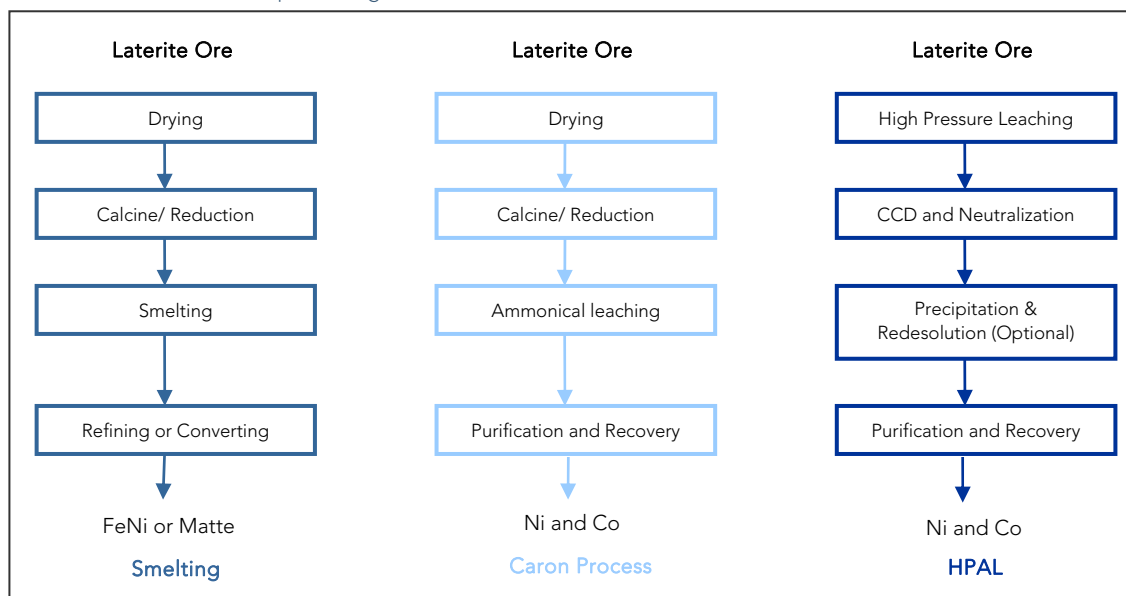
2. Reduction roast / ammonia leach processing (Caron Process)

The Caron process is used for those ores that have high iron and high magnesium content. The ore is roasted and then cooled in a non-oxidizing environment. The resulting material is leached with an ammonia solution and further treated to produce a nickel-rich product (75% nickel) which can then be refined to produce nickel metal and other by products. This process usually yields lower nickel recoveries than with other types of laterite ore processing, an example is BHP Billiton's Yabulu refinery in Queensland, Australia.

3. High pressure acid leaching (HPAL)

The HPAL process is used where there is high iron, limonitic ores with low magnesium and silica such as the dry laterites found in Australia. The process involves the dissolution of limonite ores in strong acid under high pressures and temperatures, which liberates the nickel and other metals in solution and allows concentration and processing to produce an intermediate nickel product to be further refined. Leaching occurs at 250°C -270°C, with high acid consumption. Existing operations include re-formatted plants at Murrin Murrin and Cawse (Australia), Moa Bay (Cuba) and Rio Tuba in the Philippines. Upcoming projects include Goro (New Caledonia) and Ravensthorpe (Australia).

Exhibit 7: Laterite nickel-ore processing methods



Source: Inco

In addition, several more low-tech leach processes are currently in development, in all cases these use considerable volume of acid: 500kg/t - 700 kg/t

A. Heap leach

Heap leach is a process currently in development that has been designed to process a range of ore types. The process is low-tech, with modest capital and operating costs. Ore is leached for between 150 and 700 days. The process uses a reductant for cobalt extraction. During downstream processing, iron is removed from goethite, jarosite and hematite, with the precipitate nickel forming as mixed sulphide or hydroxide.

Minara Resources is currently undertaking an R&D project at Murrin Murrin to allow nickel/cobalt heap leach, initially to process ore rejects (scats) to run in parallel with its HPAL operation. The process is ultimately expected to produce 4,500t of nickel and 300t of cobalt per year from stockpiled scats, with the first ore expected to be produced in 1H07. The other committed project is European Nickel's Caldag deposit in Turkey, which is currently under construction, and aims to produce 20,000t of nickel and 1,200,000t of cobalt a year by 2008.

B. Atmospheric leaching

An alternative lower cost method of processing ore is atmospheric leaching, where limonite ores are leached with the addition of sulphur dioxide for cobalt extraction, but has high acid usage. This process is in the early stages of development and is not currently used operationally.

C. Bioleaching

Low grade ores can also be treated through the environmentally safe hydrometallurgical process of bioleaching, a process currently undergoing successful trials at Radio Hill nickel mine (Titan Resources). Unlike other processes that release noxious sulphur gasses, all the sulphides are converted into water-soluble sulphates.

Production costs

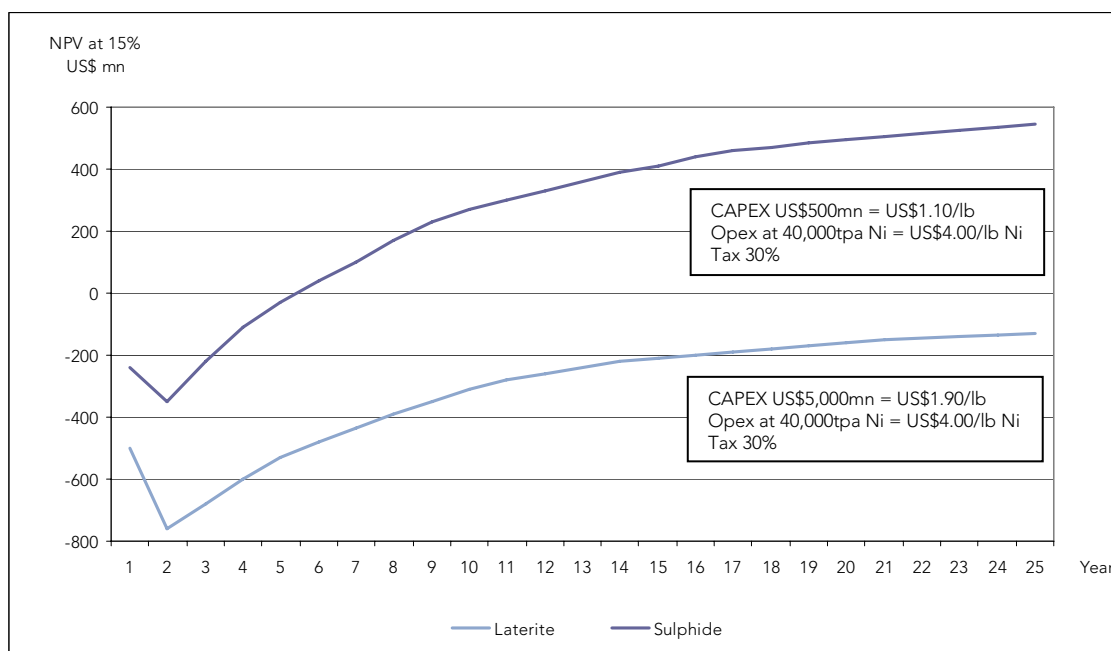
Laterite projects generally require at least 40,000t nickel per year capacity. Therefore to be commercially viable they require an 800,000t (c. £2bn) of nickel reserve for a mine life of twenty years (Exhibit 8). Laterite projects typically have high plant capital costs (Table 4) and the smelters have high energy costs. The economics of laterite projects are very sensitive to the feed grade to the plant.

Table 4: Typical operating and capital costs for different types of nickel laterite processes

\$US/lb Ni	Activox	HPAL	Atmospheric leaching	Heap Leach
Capex	11.12	17.00-22.00	13.00-16.00	8.00-12.00
Opex	2.60	1.50- 2.50	2.50	2.50

Source: Minara Resources, LionOre Mining, Implats

Exhibit 8: Nickel deposit capex and opex profiles for sulphide and laterite deposits



Source: Inco

The key difference between the processing of laterites and sulphide is that sulphide ores are more amenable to beneficiation, producing high-grade concentrates (10%-26% Ni). This permits the reduction in size of both the processing facilities and processing costs for sulphides (Table 5).

Table 5: The pros and cons of the economic factors affecting nickel sulphide and laterite deposits

	Nickel Sulphides	Nickel Laterites
Pros	<ul style="list-style-type: none"> -High by-product values (Cu, Co, PGM) -Well proven technology (lower risk) 	<ul style="list-style-type: none"> -Large reserves / resources in world -Potential for future brownfield expansion -Surface mining (low cost) -Potential for reducing processing costs (PAL, Hydromet)
Cons	<ul style="list-style-type: none"> -Scarcity of reserves / resources -High cost (underground mining) -SO₂ Production 	<ul style="list-style-type: none"> -High capital costs -High energy consumption -High reclamation costs -Waste disposal, tailings placement

Source: Inco

Supply and Demand

Around 65% of all nickel production is used for stainless steel production. Continued Chinese growth (3Q06 GDP up 10.4% y-o-y) has placed heavy demand on nickel for use in stainless steel, leading to record nickel prices and the longest bull market in the metal to date. China sustains a 23% CAGR in stainless steel demand which is expected to continue past 2011. Currently both nickel stocks and scrap levels are around historic lows and there are continuing difficulties in rapid development of nickel laterite deposits.

While a brief over-supply occurred in 1H06, prior to the rise in Chinese demand, it is clear that although new projects are coming online they replace depleting resources rather than accommodating increased or even sustained supply levels. It is expected that, whilst a number of projects are likely to come to production in 2007, there may still be a supply shortage to 2008, while long term supply remains closely balanced with demand (Table 6).

Table 6: World nickel supply and demand balances ('000t)

	2004	2005	2006E	2007E	2008E	2009E
Production	1,270	1,289	1,351	1,436	1,530	1,613
growth	-	1.5%	9.1%	5.3%	5.6%	4.6%
Consumption	1255	1,258	1,372	1,445	1,525	1,596
growth	-	0.2%	9.0%	5.3%	5.6%	4.6%
Total inventory*	15	31	-21	-8.7	4.7	17

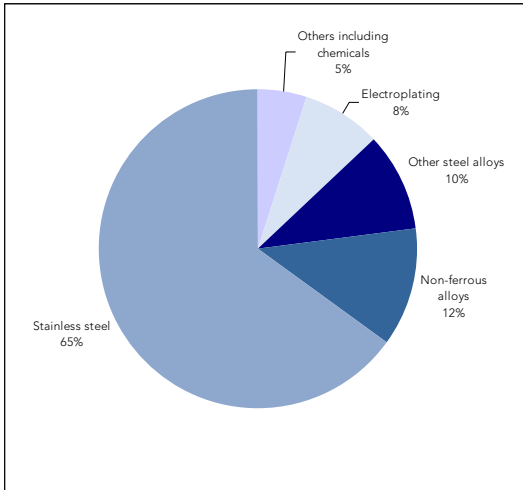
Source: Consensus - CRU, Macquarie, Brook Hunt

Demand

Nickel consumption is primarily driven by stainless steel products (Exhibit 9). Most stainless steels, which have a resistance to corrosion, are relatively inexpensive and recyclable, and require nickel as an essential component. Steel is a metal alloy of iron and carbon (between 0.02% and 1.70%). Carbon acts as a hardening agent, preventing dislocations in the iron crystal lattice. Stainless steel began development in the early 1900s, and there are now many varieties rated according to the alloy content, the most common additives being chrome, nickel and manganese. Austenitic stainless steels comprise over 70% of total stainless steel production, containing less than 0.15% carbon, and typically 18% chromium and 10% nickel.

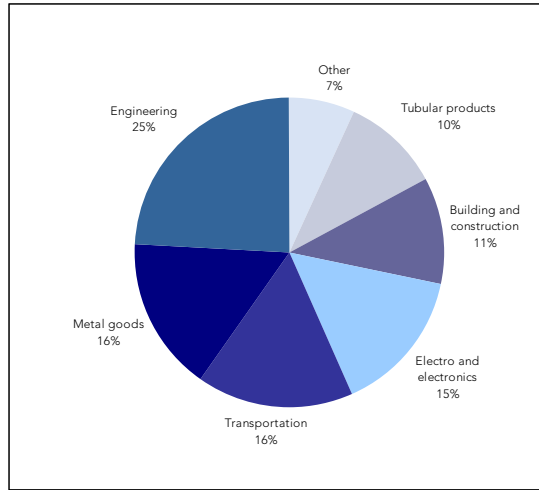
Nickel has played a central role in global industrial development, with demand growth closely correlated with OECD Industrial production from 1960 to 2004. With demand growth at approximately 4% per annum for the last seven years, nickel consumption has outpaced most other industrial metals. Two thirds of the world's primary nickel supply is consumed in the manufacturing of stainless steel. Nickel alloys, electroplating, chemicals, catalysts and batteries constitute the other end uses (see Exhibit 10 for breakdown). In 2005, nickel alloy demand increased by 10% y-o-y as aerospace, gas turbines and liquid natural gas applications offset a lower demand in Japanese electronic alloys.

Exhibit 9: Consumption and use of nickel



Source: LME

Exhibit 10: Consumption and use of stainless steel

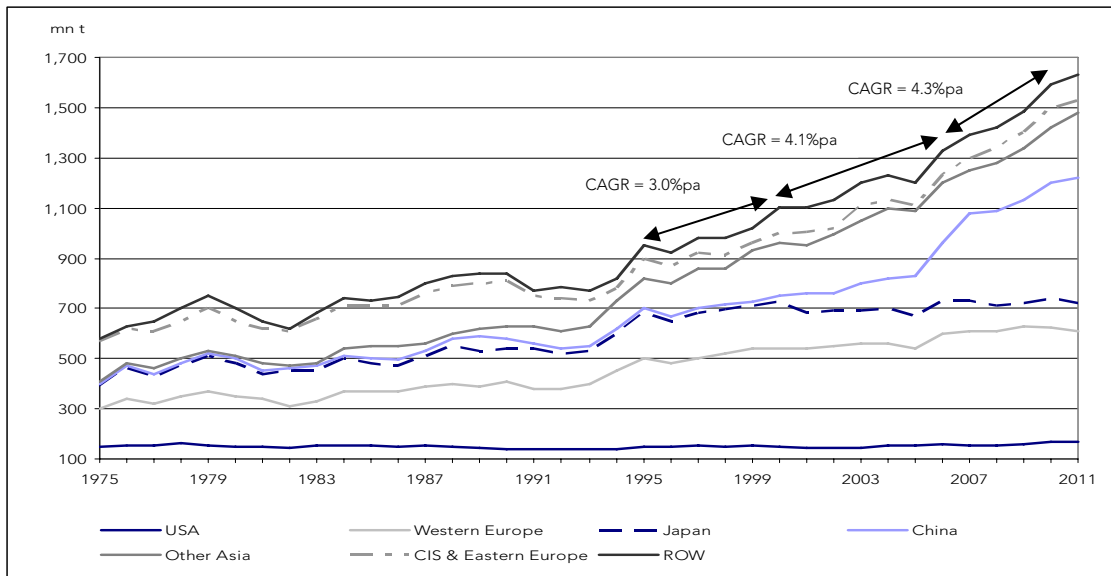


Source: LME

Consumption growth

Primary use of nickel within stainless steels as a percentage of nickel demand has risen from 34% in 1968 to 65% in 2006. In 2004, world primary refined nickel production totalled 1.29Mt, which is forecast to rise to 1.45Mt in 2007 (according to The International Nickel Study Group, INSG). World primary nickel consumption was 1.24Mt in 2004, which is forecast to increase to 1.45Mt in 2007 (INSG). Therefore, in 2007 the market is expected to be broadly balanced. Although stainless steel production grew by 7.0% from 2003 to 2005, a 7.7% fall on primary nickel supply meant that more scrap metal was recycled and created substitution as manganese and ferritic replacements were employed in more steels.

Exhibit 11: World consumption of primary nickel, 1975-2011



Source: CRU

Chinese markets

From the first half of 2005, China surpassed Japan as the largest nickel consumer (Table 7), accounting for 16% of global industrial demand. Between 2005 and 2011, 80% of nickel consumption growth is expected to be driven by China, where stainless capacity expected to increase by over 6Mt and account for 70% of the growth in world output in the next five years. The Chinese government is currently reviewing its policy of the appropriateness of weaker steels such as the 200 series (lower nickel content) versus the lasting financial benefit of higher nickel content stainless steels such as the 300 series with its stronger dependence on nickel prices. During 2005 the 200 stainless series imported into China stabilized as production declined by 4.3% in 2005 y-o-y.

Table 7: Global stainless steel demand continues to grow, with the strongest growth seen in China

	2005	2006E	2007E	2006E y-o-y		2007E y-o-y	
				Mt	%	Mt	%
China	315	356	399	41	13%	43	12%
C. and S. America	33	35	38	2	8%	3	9%
Middle East	35	38	41	3	8%	3	8%
Total world	1,013	1,087	1,150	74	7%	63	6%
Africa	22	24	25	2	8%	1	5%
CIS & Other Europe	73	76	79	3	5%	3	3%
Asia Pacific	240	249	254	9	4%	5	2%
NAFTA	136	143	145	7	5%	2	2%
EU (25)	160	167	169	7	4%	2	2%

Source: BHP Billiton, IISI

Asian markets

China is following the same stainless steel demand timeline as its peers. Japan, Korea and Taiwan all experienced between 300% and 500% growth in stainless steel consumption over a 15-year period from the point in the industrial cycle that China currently sits at. However, the difference with China in respect to its peers is its sheer size and strength of growth of economy. Around two thirds of China's nickel in stainless steel consumption is needed to meet domestic demand. This trend along with the Chinese government intention to grow GDP by 7.5% a year until 2020 implies that Chinese stainless demand could reach seven kilograms per capita or 10Mt by 2010. Importantly, India is expected to overtake China as the world's most populous nation by 2030 and with GDP growth expected to be strong it is forecast to become the 3rd largest economy after the USA and China. Hence India may become the next major demand growth driver following China.

Supply

Leading metal consultants CRU note that world production of stainless steel has grown from 5Mtpa in 1975 to 20Mtpa in 2000 and to 25Mtpa in 2005. By 2011, they expect demand to reach 35Mtpa. This latter growth estimate is almost entirely attributed to Chinese demand as off-take from other major consumers is expected to stabilise. This represents a predicted growth rate of 5% pa, with the conclusion being that over 320,000t of additional primary nickel supply will be required by 2011 over 2006 (Exhibit 12).

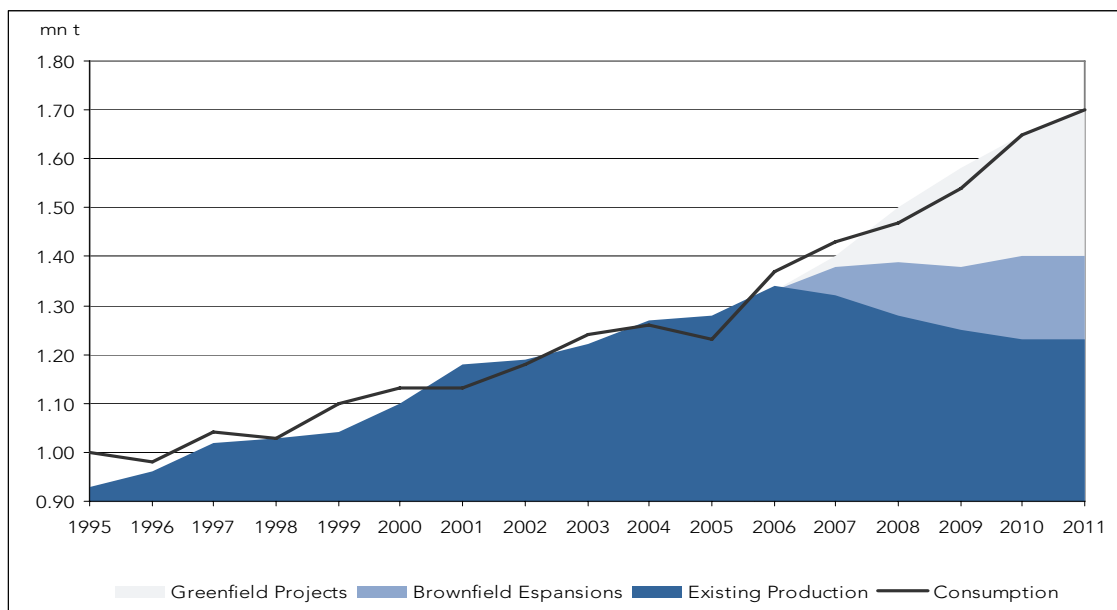
There are three key sources of supply:

- Primary production,
- Stainless steel scrap
- Nickel inventories

General market sentiment is that new supply is not expected to meet demand growth. This has been exasperated by substantial barriers to entry due to the increased size and scale of next generation projects, complex technology and processes, longer lead times and more remote locations. Nickel producers are operating at full capacity, with the top ten producers representing 62% of the market in 2005, compared with 43% in Cu and 47% in Zn. The largest five producers (in 2005) were Norilsk Nickel (19%), Inco (now part of CVRD, 17%), Falconbridge (now part of Xstrata, 9%), BHP Billiton (10%), and Jinchuan (7%).

Although the scrap nickel market is one of the key sources of nickel supply, it currently has limited capacity for providing new supplies in the short term and therefore is no longer able to buffer market demands. Scrap collections have been largely consumed during the multiple nickel price peaks over the last three years resulting in lower stocks. Stainless steel scrap availability tends to increase with any nickel price rise, but recycling has been enhanced by better scrap collections and preparation, along with the ability for stainless steel mills to efficiently use scrap. However, producers such as BHP Billiton believe we are coming to a stage where there is limited elasticity of supply with respect to the nickel prices, because scrap accumulated in prior years was utilized during a spike of high demand growth in the period 2004-2005.

Exhibit 12: World consumption and production of refined nickel, 1995-2011



Source: CRU

Long term supply

The long term supply outlook is less clear, as more problems can be expected for laterite ore processing. To date the success rate of laterite deposits has not been encouraging. Several have closed down, restructured or faced a number of issues affecting new laterite deposits including:

- Technological problems in developing economic processing techniques
- Remote location requiring a high investment in infrastructure
- Environmental concerns due to surface mining methods

As a result of these factors, capital expenditure costs for laterite operations have almost doubled (Table 8). These extra costs are the result of the larger plants and tailings facilities required for the beneficiation process. Some existing laterite projects are also suffering from significantly higher operating costs as smelters have very high energy requirements. Together with nickel price volatility, this can significantly impact the timing and cost of project completion.

Table 8: Nickel laterite actual vs. estimated costs

Project	Estimated capex	Actual capex
Goro (Inco)	US\$1.4bn	US\$1.9bn
Ravensthorpe (BHP)	US\$0.7bn	US\$2.2bn
Project	Estimated operating cost	Actual operating cost
Murrin Murrin (Minara Resources)	US\$2,425/t	US\$6,967/t
Bulong (Preston Resources)	US\$1,766/t	US\$7,937/t

Source: Company publications

Medium term supply

Overall supply growth in medium term is expected to come mainly from laterites. A list of upcoming mines is presented in (Table 9), with BHP Billiton's Ravensthorpe laterite project in Australia (c. 45,000tpa of capacity), CVRD's Goro laterite project in New Caledonia, (c. 60,000tpa of capacity), and CVRD's Vermelho laterite deposit in Brazil (c. 46,000tpa of capacity) expected to generate c.150,000t of nickel per annum, representing approximately a 10% increase to the current market if they attain these targets.

Currently, nickel laterite deposits represent 73% of the global nickel resources, but only 44% of production. A number of existing laterite producers have excellent brownfield projects to explore and develop, along with a number of projects that are developing infrastructure to allow a greater throughput for nickel. This is highly economical and aims to prevent a bottleneck in the nickel concentration process.

Table 9: Potential new nickel projects.

Deposit	tpa	Timing	Type
Sulphide deposits			
Greenfield Projects			
Avebury – Allegiance Mining	8,000	2007	Concentrate
Botswana Activox – LionOre Mining	23,000	2009/10	Metal
Enterprise – Albidon	8,000	2008	Concentrate
Flying Fox –Western Areas	12,000	2006/07	Concentrate
Nickel Rim South – Xstrata Nickel	12,000	2009	Concentrate
Total	63,000		Total
Brownfield Expansions			
East Alpha – Consolidated Minerals	5,000	2007	Concentrate
Jilin – Jilin Huarong	15,000	2008/09	Matte
Jinchang – Jinchuan	15,000	2007/08	Metal
Maggie Hays – LionOre Mining	6,000	2007	Concentrate
Miitel South – Mincor Resources	2,000	2007	Concentrate
Nkomati I – ARM/LionOre Mining	5,000	2007	Concentrate
Prospero – Jubilee Mines	8,000	2008	Concentrate
Raglan – Xstrata Nickel	5,000	2008	Concentrate
Taimyr & Kola – Norilsk Nickel	15,000	2010/11	Metal
Total	76,000		
Laterite Deposits			
Greenfield Projects			
Berong – Toledo Mining	10,000	2007	Ore production
Caldag – European Nickel	21,000	2007	Heap leach
Ferronickel – Int. Mining/Alferon	10,000	2008/09	Smelting to FeNi
Goro - Inco	60,000	2008	HPAL
Onca-Puma - CVRD	57,000	2008	Smelting to FeNi
Ravensthorpe – BHP Billiton	45,000	2008	HPAL
Vermelho - CVRD	46,000	2009	HPAL
Total	249,000		
Brownfield Expansions			
Moa Bay / Sherritt	16,000	2007	HPAL
PT Inco	19,000	2009	Smelting to matte
Rio Tuba II	10,000	2009	HPAL
Total	45,000		
Grand Total	433,000		

Source: Morgan Stanley, October 2006

Short term supply

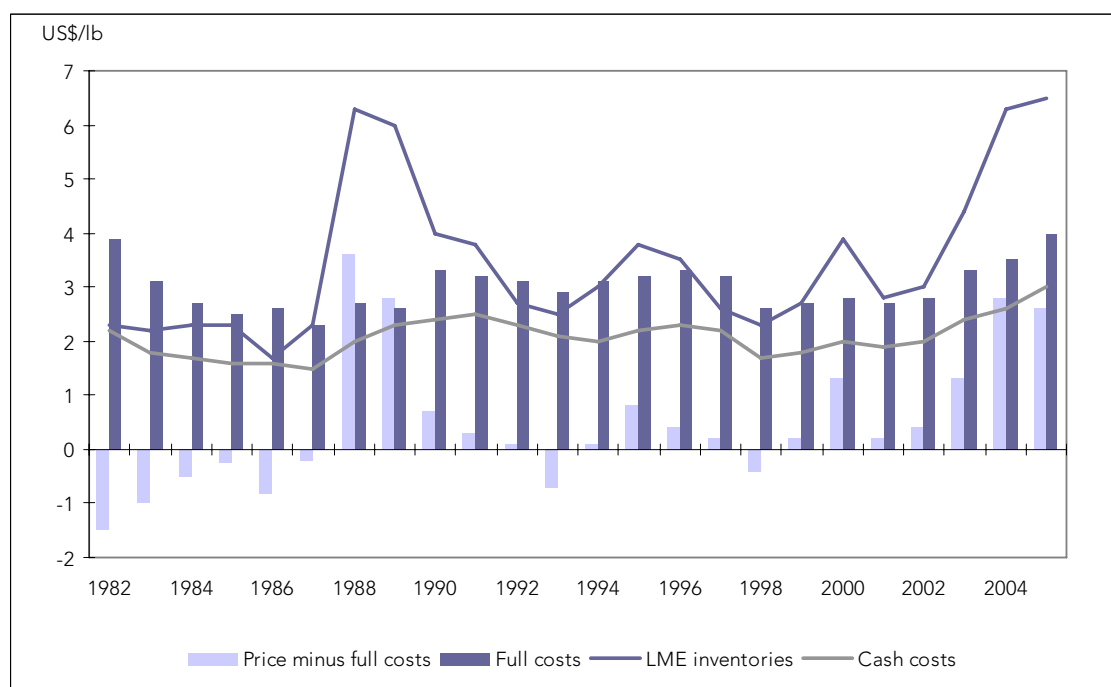
One of the key factors influencing the market is that replenishment rates of sulphide ores have lagged significantly behind the depletion rate. Nickel production from sulphide ores is expected to grow at a very slow rate, with Inco's Voisey's Bay project (2005) representing the only major new mine.

In the short term there is still a large dependence on nickel sulphide deposits to maintain a balanced market, with producing mines developing new brownfield areas and new production from CVRD's Voisey's Bay. There have also been a number of new supplies from laterites, but their success and frequency has been limited. In order to satisfy global demand growth a project the size of CVRD's Goro in New Caledonia (proven and probable nickel laterite reserves of 200Mt @ 1.6% Ni) is required every year, which is proving a major development challenge. There are a number of new projects that are currently investigating development, while other projects have uncertainties relating to their ability to be developed, and many of these potential deposits are highly sensitive to nickel price.

Market outlook

Rising costs of production are reducing the ability of producers to reclaim capital costs. Macquarie analysts estimate that full industry breakeven costs have increased by US\$2,888/t since 2004 to over US\$8,686/t (equivalent of cash costs of US\$6,613/t). Average profits over full costs are projected at US\$5,952/t in 2004 and 2005 (Exhibit 13). If the industry is to earn its cost of capital, something will have to compensate, either long term nickel prices need to sustain their high level, or costs will have to decrease. Given that there are no indications for a decrease in costs we think the most likely outcome is for a shift in long term nickel prices sustained high levels. Given the negative correlation of nickel prices with new capacity, it is imperative that new projects do come to production to prevent highly volatile prices that could drive consumers to other substitutes.

Exhibit 13: Relationship between costs and nickel price (costs exclude Norilsk Nickel)

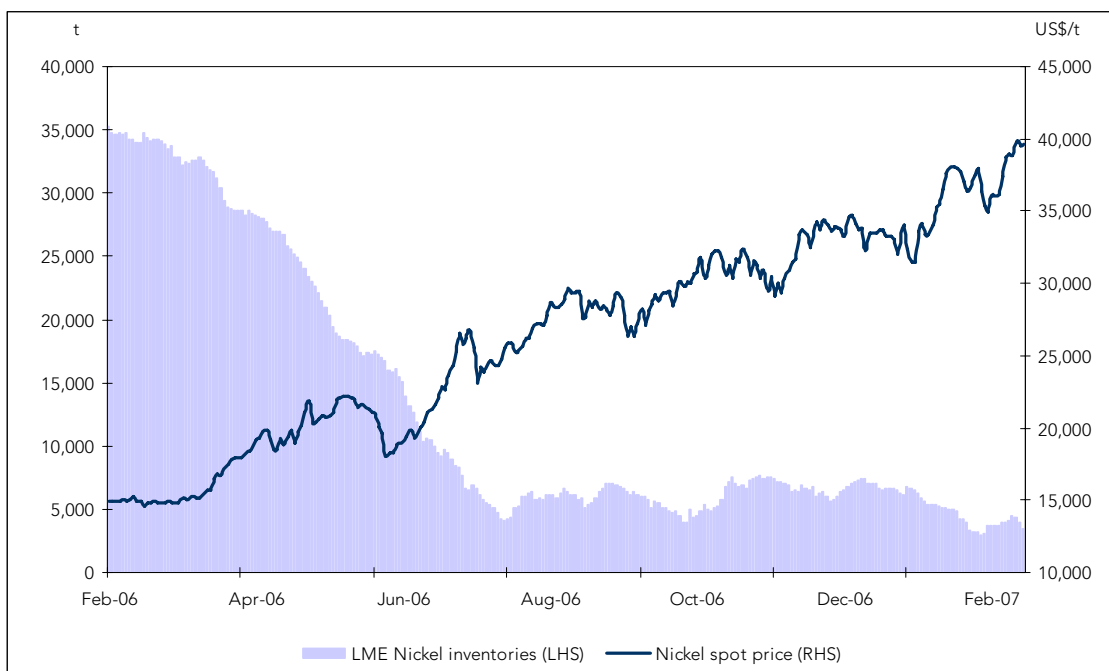


Source: Brook Hunt, LME September 2005

Nickel price outlook

Short to medium term performance is likely to remain volatile as technical support levels need to be established with general pressure on metal prices following the spectacular rises. However, we believe that long term trends should remain positive. Although the nickel price is highly sensitive to economic growth and industrial output, many other factors influence the price. Nickel has witnessed the biggest bull market since late 1980s and is currently at record highs driven by a Chinese demand boom and serious supply constraints that exasperated already low stock levels by historical standards (Exhibit 14). High prices have caused a certain amount of substitution but it is unlikely to be that significant as nickel represents a small proportion of most stainless steel products. There may be a trend towards some non-nickel steels where applicable.

Exhibit 14: Nickel price vs. LME inventory



Source: Bloomberg

Short term forecast

Short term prices are expected to remain volatile. While declining LME stockpiles buoy prices, high nickel prices can give rise to stainless steel de-stocking cycles. Currently, there is an expectation from analysts that stainless steel stocks may rise, with the incentive to de-stock coming in the seasonally weaker 3Q07. Merrill Lynch analysts suggest that stainless steel tends to be on a 1.5-2.0 year stocking / re-stocking cycle, and that it last de-stocked in 4Q05.

Medium term forecast

Most forecasters remain bullish on the medium term pricing of nickel, based in part on the continued delays that are plaguing new projects including Ravensthorpe, Vermelho and Koniambo. Also, despite the immediate negative effect of increasing Chinese steel output, this growth provides medium- to long term increases in nickel demand that will balance substitution.

Essentially, high prices have balanced an undersupplied market since 2004, and with no foreseeable demand downturn and continued delays to nickel laterite projects, forecasters expect no short-term relief from high prices.

Long term outlook

There is a consensus in opinion that the consumption of stainless steel is expected to continue to rapidly increase in industrialising countries such as China, India and Russia. This is expected to lead to a stronger demand-led environment against a backdrop of possible supply limitations and a low number of new nickel mines.

To meet expected demand in the period 2010 - 2015, some 300,000t of new capacity is estimated to be required (CRU). This assumes no supply disruptions due to technical problems or labour disputes and currently appears difficult to fill. Continued exploration success and rapid development of nickel resources is therefore required.

Price forecast

The Bloomberg consensus nickel price forecasts for 2007 is US\$28,310/t and US\$37,651/t for 2008, whilst commodity specialists such as Brook Hunt and CRU use a considerably lower long term averages. Because it is difficult to forecast beyond this period, we feel it is prudent to base our valuations on a conservative long-term forecast price of US\$15,000/t, which we used for valuing companies in this report. Importantly it should be noted that explorers are more likely to realise this lower price, while producers are of course exposed to the current high prices.

Summary

The spectacular rise in the nickel price from around US\$5,000/t in January 2006 to a recent cash-basis peak of over US\$40,000/t has been attributed to imbalance caused by slow growth in primary metal production and a rapid increase in demand growth. Production was affected by a combination of under-investment in exploration, disruptions in development and expansion programmes, due to labour disputes and technical problems, and the failure of much vaunted high pressure acid leach technology to achieve expected production targets. Demand growth has been well documented as the expansion of industrial activity in China has exceeded the most optimistic predictions, leading to inventory erosion and the consequent speculative activity and the involvement of hedge funds. The outlook assumes continued volatility and high average prices until supply/demand moves back into balance and inventories are restored to levels which removes the cash premium (backwardation).

COMPANIES SECTION

The Nickel Equity Sector

Nickel companies

The major producers (see page 10-12) dominate the nickel market globally. Because the price surge to record high levels has happened over the last 12 months, there are relatively few new small to mid-cap nickel producers, explorers and developers, although there are additional companies with a diversified commodity base. We have selected 19 companies that target nickel exclusively, and have reviewed them in the following section. Most nickel companies are listed on the AIM, TSX and ASX exchanges. While the retail base of the TSX and ASX offers liquidity, AIM is preferred by those moving toward, or in, production, with its access to a larger capital base of institutional investors.

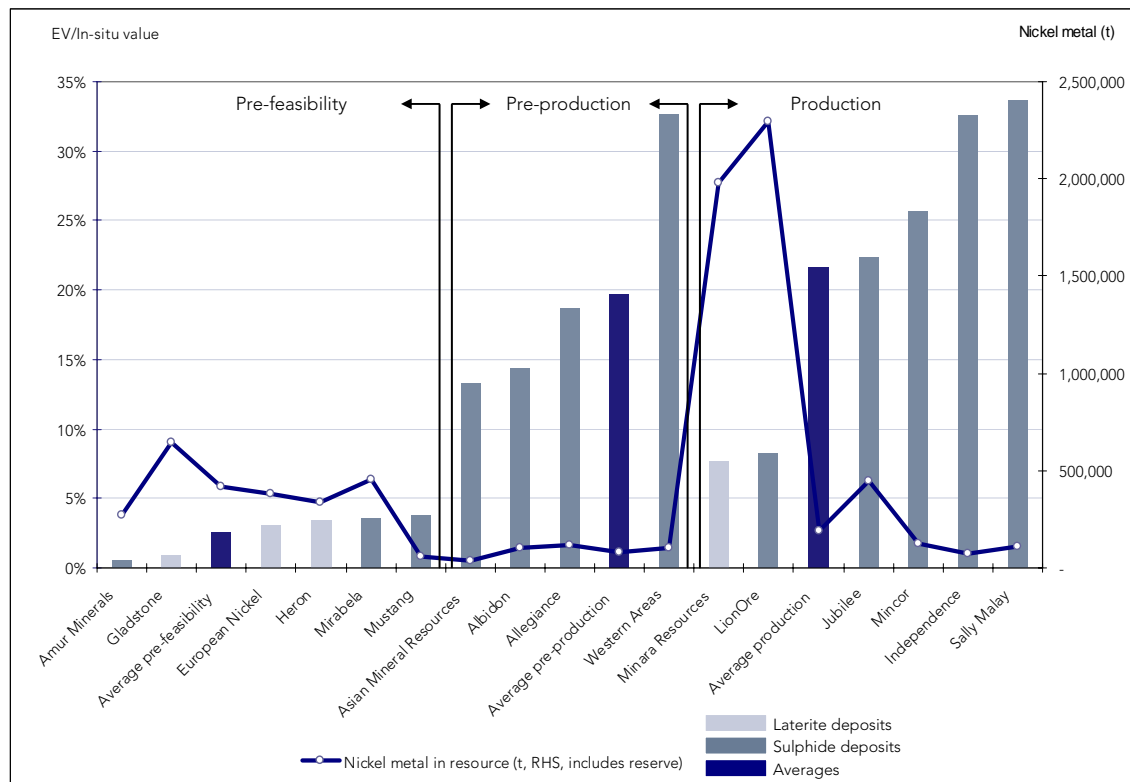
Valuation methodology

Valuations are based on an EV/in-situ metal ratio to allow like-for-like comparison of companies at a broad range of maturity. This ratio is calculated by dividing the enterprise value by the contained metal value using a nickel price of US\$15,000/t. For example, Allegiance has a contained nickel resource of 114,456t, valued at US\$1.7bn, with the EV of US\$329mn thus representing 19.2% of the contained metal. All share prices and exchange rates used are closing prices on February 22, 2007.

Recommendations

An EV/in-situ metal valuation is shown in Exhibit 15 for 17 selected companies with JORC resources, sub-divided into pre-feasibility, pre-production (post-BFS), and in-production categories, and then sorted by EV/in-situ value. As such, companies in each group are 'cheaper' to the left.

Exhibit 15: EV/in-situ metal value with nickel grade for the 17 companies with JORC compliant resource covered in this report. In-situ metal is both reserve (proven and probable) and resource (measured, inferred and indicated)



Source: Fox-Davies Capital; Braemore and Toledo do not have JORC compliant resources, US\$15,000/t nickel price used

There are several important trends to note:

- **Smaller deposits are valued at lower ratios than larger deposits.** This can particularly affect operating mines where it is only feasible to define JORC compliant resources ahead of production rather than try to drill out the entire resource potential at the outset.
- **Companies are valued more highly as production nears.** This is proportional to the reduction in risk as hurdles are overcome in the process of bringing the mine and plant online.
- Nickel laterite projects are nearly always valued less than sulphide projects. This is due to high capital cost of treatment plants and the history of cost and time overruns inherent to these projects lowering market confidence.
- Projects utilising new technologies, such as Activox by LionOre and HPAL in the case of Minara, have higher risk premiums placed on them by the market, as can be seen by the lower EV/in-situ ratios for these two companies. As confidence grows in these new technologies, we should see an increase in valuation, especially in the case of LionOre where there are no legacy concerns around nickel laterite processing.

There are also several less tangible metrics that can control the valuation of companies, including the opportunity for increasing resource which is difficult to measure. However, while some deposits are 'closed' on all sides, meaning they are unlikely to increase in size, others remain open and may have satellite and regional potential. This 'blue sky' can offer opportunity, but of course this comes at high risk. Location, particularly with regard to political and sovereign risks, is a subjective factor.

In this context, we consider the 19 companies reviewed below in Table 10. The recommendations refer to five selected companies which have been subjected to a more detailed valuation.

Table 10: Comments and recommendations for the 19 companies reviewed in this report

Name	Share Price	Recommendation	Target price	Comment
Albidon	A\$2.03			Fair value on early production and resource growth potential
Allegiance Mining	A\$0.68	Buy	A\$1.15	Local and regional potential are powerful factors
Amur Minerals	16.75p	Buy	49.00p	Undervalued on current resource, strong growth prospects
Asian Mineral R.	C\$1.40	Sell	C\$1.14	A foothold in Vietnam but small and limited growth potential
Braemore	6.12p	Sell	3.10p	Transparency required on resources and shareholdings
European Nickel	£0.49			Attractive if heap leach technology is proved on commercial scale
Gladstone Pacific Nickel	£1.79			Ambitious large project, but long term and high capital cost
Heron Resources	A\$1.30			Potential from heap leach and HPAL but await test results
Independence Group	A\$4.50			Production success to continue through exploration potential
Jubilee Mines	A\$16.84			Great discovery track record, strong following but not cheap
LionOre Mining	C\$15.20			A significant growth-orientated, geographically diversified, producer
Minara Resources	A\$6.55			Massive resource, needs further production growth scheduling
Mincor Resources	A\$3.09			Excellent track record but needs to increase resource base
Mirabela Nickel	A\$3.62	Buy	A\$4.78	Successful development project plus strong growth potential
Mustang Minerals	C\$0.63			Small but the Western Areas stake may indicate corporate plans
Sally Malay Mining	A\$3.90			Increasing nickel price leverage, debt and hedging reduced
Toledo Mining	£1.395			Massive non-JORC resource but profit potential appears good
Western Areas	A\$3.89			Production needs to mirror exploration and development success
Zambezi Nickel	4.50p			Needs to recover from exploration disappointments

Source: Fox-Davies Capital

We have confined our recommendations to pre-production companies which we feel are under-researched and warrant attention. Some producing companies (Independence Group, Jubilee Mines, Mincor Resources, Sally Malay Mining, and Western Areas) have exhibited outstanding development records which have been reflected in share price performance, which may be challenging to maintain. Specifically, leading producers LionOre Mining and Minara have excellent growth prospects, and established research coverage.

Summary of Reviewed Nickel Companies

Table 11: Reviewed Nickel Companies.

Name	Code	Market	EV (mn)	M&I + inferred	Type	Production Status	Target Prod'n	Location	EV/in-situ
Albidon	ALB AU	ASX*	£116.5	8.0Mt@1.26%	Sulphide	Pre-production	2008	Zambia	14.8%
Allegiance Mining	AGM AU	ASX	£168.6	10.0Mt@1.14%	Sulphide	Pre-production	2007	Australia	19.2%
Amur Minerals	AMC LN	AIM	£9.4	53.3Mt@0.48	Sulphide	Pre-feasibility	n/a	Russia	0.5%
Asian Mineral Res.	ASN CN	TSX	£39.9	1.34Mt@2.7%	Sulphide	Pre-feasibility	2007	Vietnam	13.1%
Braemore	BRR LN	AIM	£37.2	163Mt@0.3%**	Tailings	Pre-feasibility	n/a	Australia	1.5%
European Nickel	ENK LN	AIM	£94.3	33.5Mt@1.14%	Laterite	Pre-production	2007	Turkey	3.2%
Gladstone Pacific Nickel	GPN LN	AIM	£41.4	70.9Mt@0.91%	Sulphide	Pre-feasibility	2010	Australia	0.8%
Heron Resources	HRR AU	ASX	£90.7	41.4Mt@0.82%	Laterite	Pre-feasibility	2008	Australia	3.5%
Independence Group	IGO AU	ASX	£196.9	1.37Mt@5.6%	Sulphide	Production	n/a	Australia	33.5%
Jubilee Mines	JBM AU	ASX	£790.1	55.8Mt@0.8%	Sulphide	Production	n/a	Australia	23.1%
LionOre Mining	LIM CN	TSX*	£1,431.9	526Mt@0.43%	Sulphide	Production	n/a	Australia/Botswana	8.1%
Minara Resources	MRE AU	ASX	£1,197.5	200Mt@0.99%	Laterite	Production	n/a	Australia	7.9%
Mincor Resources	MCR AU	ASX	£226.9	2.01Mt@3.8%	Sulphide	Production	n/a	Australia	24.4%
Mirabela Nickel	MBN AU	ASX	£126.6	70.4Mt@0.61%	Sulphide	Pre-production	2009	Brazil	3.7%
Mustang Minerals	MUM CN	TSX	£17.1	9.1Mt@0.62%	Sulphide	Pre-feasibility	2008	Canada	3.8%
Toledo Mining	TMC LN	AIM	£30.9	350Mt@1.3%**	Laterite	Production	n/a	Philippines	n/a
Sally Malay Mining	SMY AU	ASX	£300.0	5.5Mt@1.96%	Sulphide	Production	n/a	Australia	34.8%
Western Areas	WSA AU	ASX	£270.0	3.08Mt@3.4%	Sulphide	Pre-production	2007	Australia	33.6%
Zambezi Nickel	ZNI LN	AIM	£0.41	n/a	Sulphide	Exploration	n/a	Zambia	n/a

*Primary exchange - more than one listing, see text below for details. **Non-JORC compliant resource.

Albidon Limited (ALB AU / ALD LN)

Background

Albidon is an Australian-based nickel and base metal explorer focused on Africa, formed in 2000, and admitted to AIM in 2004, but ASX is the primary exchange. Albidon is currently prioritising development of its 100% owned Munali nickel project in Zambia. It is also undertaking brownfield exploration in areas around Selebi-Phikwe nickel camp in Botswana, evaluating early-stage prospects and greenfield exploration in Malawi, Tanzania and Tunisia. Following completion of a BFS in July 2006, US\$35mn was raised in equity and there is a US\$60mn in debt facility and a US\$20mn loan facility to develop Munali, with first production planned for 1H08.

Key assets

The 100% owned Munali project contains the Enterprise nickel sulphide deposit, with a current resource of 8.0Mt @ 1.26% Ni, and 0.9g/t PGM for a total of 108,800 Ni metal. The deposit is hosted within a large mafic intrusive body, with 3-11m wide ore zones hosted within a steeply dipping 70-100m wide structure open at depth and potentially continuous. There are nearby possible extensions at the Voyager and NW targets. Bulk testing has been positive having produced 12%-15% Ni concentrates. Infrastructure surrounding the deposit is excellent, with sealed roads, rail siding and power-lines from a hydro-electric scheme all nearby. Proposed mining methods are cost effective, with the steep dip of the body facilitating a combination of up-hole benching and long hole open stoping. A life of mine off-take agreement was signed with China's Jinchuan Group including a US\$20mn subordinated loan, in January 2006. Construction commenced in September 2006. Capital expenditure estimates are US\$65mn including a 0.9Mtpa SAG mill and adjoining flotation facility.

Nearby exploration targets include the T1 and Chikani, on which soil sampling programmes are currently underway. Albidon also has a grass roots exploration including a JV with BHP Billiton in Tanzania, Lonmin in Zambia, and Zinifex in Tunisia.

A JV with African Energy Resources over Uranium and Coal targets in Zambia allows African Energy to complete a BFS for a 70% interest. The current uranium resource at the Njame prospect is 5.5Mt @ 400ppm U₃O₈. African Energy is also undertaking an airborne radiometric survey.

Summary

- Having recently completed project financing, Albidon is well advanced in developing the Munali nickel project to start production in 1H08. With reserves of 82,400t contained nickel it can support an annual production rate of some 8,500t Ni, 1,400t Cu, 400t Co and 15,000oz PGM in concentrate at average costs of around US\$2/lb Ni from mid-2008.
- Near-mine exploration is having some success, with recent discoveries offering potential tonnage upgrades. Joint ventures include a nearby uranium resource, and a regional exploration programme on Albidon tenements.

With production scheduled for 1H08 and low operating costs, Albidon is fairly valued based on current resources, exploration potential, a strong JV partner and institutional shareholder support. However, it also has uranium prospects as a sweetener.

ALBIDON LIMITED
ALD LN/ALB AU
Market: ASX
Share price: A\$2.03
Analyst: Julian Emery / Brock Salier
February 22, 2007

Key Market Information		Fundraising	
Shares outstanding (mn)	148.2	Oct '06 equity	A\$46.6mn
Market capitalization (A\$ mn)	301.0	Dec '06 debt	US\$20.0mn
52-week high/low	2.20 / 0.78	Jan '07 debt	US\$60.0mn
Net cash (A\$ mn)	12.2		
Options and warrants (mn)	4.9		
Enterprise value (A\$ mn)	288.8		

Company Information		Major Shareholders	
62, Colin Street, West Perth		African Lion	23%
WA, 6872, Australia		Management	22%
+618 9211 4600		Fidelity	10%
Web: www.albidon.com		Common Wealth Bank	8%

Reserve	Mt	Ni %	Ni (t)	Cu %	Cu (t)
Proven	-	-	-	-	-
Probable	6.7	1.23	82,410	0.17	11,700
Total	6.7	1.23	82,410	0.17	11,700

Resource	Mt	Ni %	Ni (t)	Cu %	Cu (t)
Measured	-	-	-	-	-
Indicated	6.9	1.24	85,210	-	-
Inferred	1.1	1.40	15,400	-	-
Total	8.0	1.26	100,610	0.1	8,000

Production	Ore	Ni grade	Ni metal	Costs
2008E	325,000t	1.1%	2,100t	US\$2.30/lb
2009E	900,000t	1.2%	8,500t	US\$2.07/lb
2010E	900,000t	1.3%	9,000t	US\$1.79/lb

Management		
Richard Potts	Chairman	Engineer, previously at Rio Tinto, Pasminco and Mt Isa Mines, with experience across exploration, mining and processing globally, with emphasis on Africa.
Dale Rogers	MD	Engineer, background in processing and smelting in gold and base metals industries at WMC's Kambalda, Kalgoorlie and Mt Keith operations.
Alasdair Cooke	Executive Director	Geologist, experience as independent consultant specialising in structural geology and resources studies. He previously worked with World Geoscience and BHP.
Donald Windrim	Executive Director	Geologist, prior roles at Elf Aquitaine and BHP, with focus on nickel and base metal prospectivity, exploration and reserve delineation in Africa and Australia.
Non-executive directors		Chris De Guingand, marketing and logistics consultant, Michael Brook, geologist; Craig Burton.

Share Price


Source: Bloomberg

Profit & Loss (A\$ '000)	2003	2004	2005	1H06
Net revenues	-	-	-	-
Operating expenses	(1,310)	(2,593)	(4,169)	(2,842)
Operating loss	(1,310)	(2,593)	(4,169)	(2,842)
Other adjustments	131	(6)	(23)	(27)
Net interest	118	274	310	179
Pre-tax loss	(1,061)	(2,325)	(3,882)	(2,690)
Income tax	-	-	-	-
Net loss	(1,061)	(2,325)	(3,882)	(2,690)
Balance Sheet (A\$ '000)	2003	2004	2005	1H06
Cash	961	9,883	10,594	12,228
Other current assets	96	1,062	1,637	6,613
PP&E	-	44	136	427
Exploration costs	(1,364)	(4,060)	(12,524)	(18,820)
Total assets	2,420	15,050	24,892	38,088
Liabilities	73	1,589	1,693	2,852
Share capital	3,266	16,251	29,868	44,350
Option premium reserve	-	245	624	916
Currency reserve	142	351	(25)	(73)
Accumulated loss	(1,061)	(3,386)	(7,268)	(9,958)
Liabilities ad Equity	2,420	15,050	24,892	38,088
Cash Flow (A\$ '000)	2003	2004	2005	1H06
Exploration expenditure	(1,061)	(3,871)	(9,384)	(6,906)
Admin expenditure	(1,244)	(430)	(852)	(1,261)
Employee expenditure	-	(354)	(762)	-
Net operating cash flow	(2,305)	(4,655)	(10,998)	(8,167)
PP&E purchase	-	(50)	(121)	(169)
Loans	-	-	(1,172)	-
Interest and repayments	-	261	634	400
Net investing cash flow	-	211	(659)	231
Issue of Share capital	3,266	14,734	12,759	9,769
Share issue costs	-	(1,406)	(673)	(52)
Net financing cash flow	3,266	13,328	12,086	9,717
Net change in cash flow	960	8,884	428	1,781

Allegiance Mining (AGM AU)

Background

Sydney-based Allegiance Mining was formed in 1997, initially targeting base metal exploration and development in Australia but the focus is on nickel sulphide deposits in Tasmania. This followed the discovery of the Avebury nickel deposit, in 1998. After proposing a new genetic model and in joint venture with Rio Tinto (2% net smelter royalty), Allegiance secured exploration tenements for what has potentially become a new nickel province. Development in ore commenced in January 2007, with first production scheduled for 4Q07.

Key assets

The Avebury nickel deposit is an ultramafic hosted sulphide deposit with a resource of 10Mt @ 1.14% Ni (114,000t Ni). Unlike most nickel sulphide deposits, ore zones formed from hydrothermal fluids moving through host rocks post-intrusion, rather than syn-mafic intrusion as for komatiite and layered-intrusive hosted ore bodies. The style of ore body means ore zones are sub-vertical and can be mined using 10-40m wide bulk mining stopes, indicating mining costs to US\$22/t, rather than the more common US\$60/t-US\$120/t for sub-horizontal ore bodies. Also, unique mineralogy enables high concentrate grades (over 20%), offering transport savings compared with other mines (8%-12%).

Successful trial mining was undertaken in 2006, and infrastructure is in place, including roads and water, cheap hydro power available. There is also very strong local government support. All long-lead items have been ordered including a 3.1MW ball-mill, expected to be delivered in mid-2007. Mine capacity is 1.5Mtpa, with the mill scheduled to operate at 0.9Mtpa and the ores expecting to provide c. 85% recovery from a flotation plant. An unhedged, US\$2.2bn, off-take agreement has been signed with Jinchuan to process the concentrate in China. Total start-up costs are A\$77mn. Allegiance financial models indicate an NPV of US\$207mn at nickel prices of \$US15,000/t using a 10% discount rate, offering a 45% IRR.

Exploration in the mining camp is extremely promising, with new discoveries at Saxon (8Mt @ 1.2% Ni), and Burbank (1Mt @ 0.6% Ni) although access is difficult because of thick rainforest. In February 2007 a new centre of mineralisation, the Bison Prospect was intersected 250m from Avebury. Additional exploration targets include Melba Flats, which hosts small near-surface deposits potentially suitable for feeding the Avebury mill, and several regional exploration tenements. Allegiance also has a 10% stake in the Nymagee gold and base-metal prospects in New South Wales, currently being explored by operator Triako.

We are initiating coverage of Allegiance Mining, with a BUY recommendation and a target price of A\$1.26/shr.

Pre-production feasibility studies undertaken on the Avebury deposit by Allegiance offer the potential to calculate future cash flows from the operation. However, these studies were last updated by the company in May 2006, and with capex increases, ongoing resource drilling and the rapid inflation in mining costs, we have opted for an EV/in-situ valuation. This also aids comparison with other companies reviewed in this report.

The sensitivity analysis below shows the implied Enterprise Value (Table 11) and share price (Table 12) of Allegiance at varying percentages of EV/in-situ value, and at different nickel prices ranging from the base price of US\$8,800/t. For example, at US\$15,000/t, 20% of the in-situ value of the initial resource is valued at US\$330.0mn or A\$0.70 per share.

**ALLEGIANCE MINING NL.
AGM AU**

**Market: ASX
Share price: A\$0.68**

**Analyst: Julian Emery / Brock Salier BUY
February 22, 2007 Target price: A\$1.26**

Key Market Information		Fundraising	
Shares outstanding (mn)	677.8	May & Dec '05	A\$16mn
Market capitalization (A\$ mn)	460.9	May '06 @ A\$0.31	A\$51mn
52-week high/low	0.725 / 0.19	Oct '06 @ A\$0.28	A\$7mn
Net cash (A\$ mn)	52.4	Jan '07 @ A\$0.53	A\$4mn
Options and warrants (mn)	17.8		
Enterprise value (A\$ mn)	418.0		

Company Information		Major Shareholders	
49/51 York Street		Lion Selection Group	7%
Sydney NSW 2000, Australia		Management	6%
+612 9397 7777		Sempra Metals	5%
Web: www.allegiance-mining.com.au			

Reserve	Mt	Ni	Ni (t)	Cu	Cu (t)
Proven	4.20	1.15%	48,000	-	-
Probable	0.20	1.34%	3,000	-	-
Total	4.40	1.16%	51,000	-	-

Resource	Mt	Ni	Ni (t)	Cu	Cu (t)
Measured	0.48	1.12%	5,376	-	-
Indicated	6.51	1.14%	74,214	-	-
Inferred	3.05	1.16%	35,380	-	-
Total	10.04	1.14%	114,000	-	-

Production	Ore	Ni grade	Ni metal	Costs
2008E	420,000t	1.4%	5,760t	A\$1.88/lb
2009E	900,000t	1.2%	8,460t	A\$2.19/lb
2010E	900,000t	1.2%	8,460t	A\$2.19/lb

Management		
Ian Levy	CEO	Geologist, formerly at Gympie Gold and Pancontinental Mining, undertaking business development, prior to which he worked at WMC for 12 years including Kambalda nickel.
Anthony Howland-Rose	Chairman	Geophysicist, recently director for geophysical company Scintrex, also directorships at Australia China Venture, Technomin and General Gold.
David Deitz	Executive Director	Accountant with 10 years experience in the mining industry. Also chairman of Australian gold and base metals explorer Gullewa.
Paul Richardson	General Manager	Processing engineer, extensive experience as mine manager in open pit and underground mines in both start-up and operation, as well as metallurgical experience.

Share price sensitivity (EV/in-situ value)	\$8,800	\$10,000	\$15,000	\$20,000	\$25,000
12.5%	0.32	0.35	0.48	0.60	0.73
15.0%	0.36	0.40	0.55	0.70	0.85
17.5%	0.41	0.45	0.63	0.80	0.98
20.0%	0.45	0.50	0.70	0.91	1.11
25.0%	0.54	0.60	0.85	1.11	1.36

Price Assumptions	Unit	2007E	2008E	2009E	2010E
Nickel	US\$ / t	15,000	15,000	15,000	15,000
Copper	US\$ / t	3,300	3,300	3,300	3,300
Exchange rate	A\$ / US\$	0.79	0.79	0.79	0.79

Share Price



Source: Bloomberg

Profit & Loss (A\$ '000)	2003	2004	2005	1H06
Net revenues	-	-	-	-
Operating expenses	(672)	(2,300)	(2,236)	(2,089)
Operating loss	(672)	(2,300)	(2,236)	(2,089)
Other adjustments	(512)	(168)	(287)	430
Net interest	51	216	278	308
Pre-tax loss	(1,133)	(2,252)	(2,246)	(1,351)
Income tax asset	-	466	545	414
Net loss	(1,133)	(1,786)	(1,701)	(937)

Balance Sheet (A\$ '000)	2003	2004	2005	1H06
Cash	7,393	2,484	7,903	52,442
Other current assets	214	705	4,796	7,915
PP&E	18	269	307	864
Exploration costs	5,683	15,430	25,304	34,217
Other non-current assets	524	2,372	2,825	3,587
Total assets	13,832	21,260	41,135	90,024
Liabilities	215	2,730	5,548	11,476
Share capital	34,939	39,588	50,982	110,322
Reserves	-	706	8,070	1,628
Accumulated loss	(21,321)	(21,764)	(23,465)	(24,402)
Liabilities ad Equity	13,832	21,260	41,135	99,024

Cash Flow (A\$ '000)	2003	2004	2005	1H06
Exploration expenditure	(827)	(9,746)	(9,875)	(6,554)
Operation payments	(855)	(1,014)	(2,609)	(1,649)
Other income	-	20	45	124
Net operating cash flow	(1,682)	(10,740)	(12,439)	(8,079)
PP&E purchase	(10)	(278)	(87)	(613)
Financial asset purchase	(245)	(229)	(250)	(183)
Net investing cash flow	(255)	(507)	(337)	(796)
Net interest	51	190	173	308
Issue of Share capital	8,628	4,724	15,653	51,200
Share issue costs	(28)	(75)	(435)	(3,096)
Issue of loans	-	1,500	2,802	5,000
Net financing cash flow	8,651	6,339	18,193	53,412
Net change in cash flow	6,714	(4,908)	5,419	44,539

With sulphide pre-producers varying in EV/in-situ from around 13% to over 30%, Allegiance's current multiple of 19.2% is fully valued. However, we have been able to visit the site and gain an appreciation of the regional and near-mine geological prospectivity, which is extremely promising. Allegiance management have reported a string of discovery holes over the last year, but to date have not undertaken systematic drilling on these targets, with development of Avebury being prioritised. As such, we believe significant resource upside exists, and show below a table of share price sensitivities to such an upside (Table 13).

We consider that management will be able to significantly increase the current resource of 10Mt, maintaining similar grades. As such, a reasonable medium term target is to double this resource to 20Mt, giving a share price of A\$1.15.

Table 11: Enterprise value sensitivities (US\$m) to EV/in-situ value and long term nickel price

	\$8,800	\$10,000	\$15,000	\$20,000	\$25,000	\$30,000	\$35,000
10.0%	96.8	110.0	165.0	220.0	275.0	330.0	385.0
12.5%	121.0	137.5	206.3	275.0	343.8	412.5	481.3
15.0%	145.2	165.0	247.5	330.0	412.5	495.0	577.5
17.5%	169.4	192.5	288.8	385.0	481.3	577.5	673.8
20.0%	193.6	220.0	330.0	440.0	550.0	660.0	770.0
25.0%	242.0	275.0	412.5	550.0	687.5	825.0	962.5

Source: Fox-Davies Capital, adjusted for in the money options and warrants

Table 12: Share price sensitivities (A\$) to EV/in-situ value and long term nickel price

	\$8,800	\$10,000	\$15,000	\$20,000	\$25,000	\$30,000	\$35,000
10.0%	0.27	0.30	0.40	0.50	0.60	0.70	0.80
12.5%	0.32	0.35	0.48	0.60	0.73	0.85	0.98
15.0%	0.36	0.40	0.55	0.70	0.85	1.01	1.16
17.5%	0.41	0.45	0.63	0.80	0.98	1.16	1.34
20.0%	0.45	0.50	0.70	0.91	1.11	1.31	1.51
25.0%	0.54	0.60	0.85	1.11	1.36	1.61	1.87

Source: Fox-Davies Capital, adjusted for in the money options and warrants

Table 13: Share price sensitivities to resource upside and LT nickel price at current Ev/in-situ of 19.2%

	\$8,800	\$10,000	\$15,000	\$20,000	\$25,000	\$30,000	\$35,000
100.0%	0.44	0.48	0.68	0.87	1.07	1.26	1.46
120.0%	0.51	0.56	0.80	1.03	1.26	1.50	1.73
150.0%	0.61	0.68	0.97	1.26	1.56	1.85	2.14
200.0%	0.78	0.87	1.26	1.65	2.04	2.43	2.82
300.0%	1.12	1.26	1.85	2.43	3.01	3.60	4.18
500.0%	1.81	2.04	3.01	3.99	4.96	5.93	6.91

Summary

- Allegiance is a nickel development and exploration company which is successfully bringing into production its key asset, Avebury. By applying a new genetic model, Allegiance appears to have defined and secured exploration tenements over, a new highly prospective nickel province in western Tasmania, Australia.
- Fox-Davies Capital visited the property in December 2006 and plans to prepare a full research report in due course.

The current share price has reflected the impressive track record to date of Allegiance's management to develop the Avebury deposit and appears fully valued on current resources. However, the key to Allegiance is the continued success of local and regional exploration and development potential which indicates the possibility of a nickel province resulting with a BUY recommendation and target price per share of A\$1.26.

Amur Minerals (AMC LN)

Background

Admitted to AIM in March 2006 with a £4.1mn placement, Amur Minerals is a nickel explorer and developer with assets in Russia's Far East, and operations conducted by 100% owned Russian subsidiary ZAO Kun-Manie. While exploring for both nickel and precious metals, Amur Minerals' core asset is the Kun-Manie nickel project, with a current measured and indicated resource of 53.3Mt @ 0.48% Ni and 0.14% Cu. The Kun-Manie project comprises a strike extensive trend containing nickel-hosting sills. Particular deposits include the pre-IPO identified resources at Vodorazdelny and Ikenskoie, and a new discovery at Maly Krumkon, all of which contain open-pit mineable reserves. In February 2007, Amur announced the acquisition of an additional licence adjacent to Kun Manie together with a new regional target, Yan Hegd, identified as a result of analysis of a substantial sampling programme co-incident with a large surface geophysical anomaly.

Key assets

The Kun-Manie nickel project is focused on the Krumkon Trend, an east-west running zone 2km wide, and extending for over 40km. Flat-lying nickeliferous 1m-25m thick mafic and ultramafic sills are common along the trend. The Central zone, a 6km long in the centre of the Trend, has been the objective of most exploration to date, hosting all resources identified so far.

Drilling of initial targets identified three mineralised zones, with Vodorazdelny Ikenskoie rapidly brought to JORC compliant inferred resource status by mid-2006. Following continued drilling along the Krumkon trend, an additional mineralised zone, Maly Krumkon, was also discovered. Focusing on open-pit mineable resources and rapid development drilling Amur Minerals has commissioned open-pit feasibility testing which release a JORC compliant resource with some 70% in the Measured & Indicated category. Based on 3% in-situ metal value, SRK has estimated an "in the ground" valuation of US\$90mn-US\$110mn, or 48.0p per share.

Currently 34km of the Maly Krumkon trend has not yet been systematically explored. In addition, mafic-ultramafic sills similar to those identified on the Maly Krumkon Trend have been identified north of the main zone. Given the previous success of the grass roots exploration drilling conducted every year, and the ability of management to rapidly bring new discoveries up to JORC compliant reserves, there is significant potential for future discoveries along strike in 2007. Additionally, the company owns the Anadjakan gold-copper exploration licence near the city of Elban, and is currently undertaking due diligence on pre-existing data. With the Maly Krumkon project having a well defined JORC compliant resource, but pre-BFS, an EV/ In-situ value has been used to value the company, with details shown in Table 13 and Table 14.

Sensitivity analysis shows the implied Enterprise Value of AMUR Minerals at varying percentages of EV/in-situ value, and at different nickel prices ranging from the base price of US\$8,800/t, used by SRK in the AIM IPO document to the current level of around US\$35,000/t. For example, US\$15,000/t nickel price, and 2% EV/in-situ gives an implied EV of US\$81.2m, equating to a share price of 49p, although in our research report from February 6, 2007 ('New discoveries and resource upgrades continue') we valued Amur Minerals at 42.0p using nickel price of US\$12,780/t.

We are maintaining our BUY recommendation and increasing the target price per share for Amur Minerals by 16.7% from 42.0p to 49.0p and.

Amur Minerals is currently trading at 0.45% of EV/in-situ value. There are several factors to take into consideration in the valuation. Specifically, it is important to weigh the high tonnage of the resource, the ability of management to consistently increase the quantity of the resource through new discoveries, and increase quality through infill drilling to JORC compliant standards against the remote location, political risk and low grade.

**AMUR MINERALS CORP
AMC LN**

**Market: AIM
Share price: 16.75p**

**Analyst: Julian Emery / Brock Salier
February 22, 2007
BUY
Target price: 49.0p**

Key Market Information		Fundraising	
Shares outstanding (mn)	86.2	2006 IPO @ 33p	£4.1mn
Market capitalization (£ mn)	14.4		
52-week high/low (p)	36.75 / 17.25		
Net cash (£ mn)	5.0		
Options @ 33p (mn)	7.0		
Enterprise value (£ mn)	9.4		

Company Information		Major Shareholders	
20 Voznesensky per, bldg 3	Moscow, 125009, Russia	RAB Special Sits.	12%
+7 495 629 4418	www.amurminerals.com	Foxley Associates	9%
		Anturium Res.	8%
		Polar Star	8%

Reserve	Mt	Ni	Ni (t)	Cu	Cu (t)
Proven	-	-	-	-	-
Probable	-	-	-	-	-
Total	-	-	-	-	-

Resource	Mt	Ni	Ni (t)	Cu	Cu (t)
Measured	3.7	0.61	22,700	0.16	5,800
Indicated	32.7	0.47	153,100	0.14	44,500
Inferred	16.9	0.47	78,700	0.13	22,700
Total	53.3	0.48	254,50	0.14	73,000

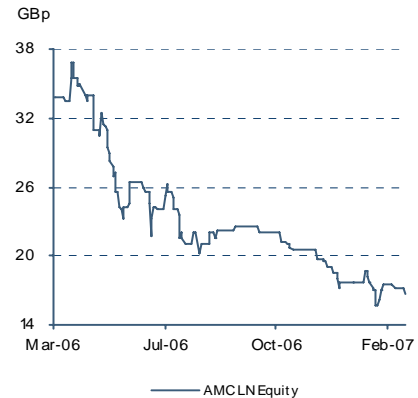
Production	Ore	Ni grade	Ni metal	Costs
2006	-	-	-	-
2007E	-	-	-	-
2008E	-	-	-	-

Management		
Robin Young	CEO	Geologist & Mining Engineer, over 30 years experience in the mineral resource sector from exploration through to production, previously CEO of two geology and mining consulting firms.
David Wood	CFO	Corporate financier, 16 years of experience, most recently in the CIS with Deloitte & Touche, where he led CIS management consulting and corporate finance practices.
Vladimir Prikhodko	MD Russia	Geologist, currently director of Amur Minerals' Russian subsidiary, previously Russian manager for two Canadian exploration companies.
Non-exec. directors		Robert Schafer (chairman), geologist; George Eccles, accountant; David Straker-Smith, investment banker.

Share price sensitivity (EV/in-situ value)	\$8,800	\$10,000	\$15,000	\$20,000	\$25,000
1.0%	0.17	0.19	0.27	0.35	0.41
1.5%	0.24	0.27	0.37	0.49	0.60
2.0%	0.31	0.35	0.49	0.63	0.78
5.0%	0.69	0.78	1.15	1.52	1.89
10.0%	1.35	1.52	2.26	3.01	3.75

Price Assumptions	Unit	2007E	2008E	2009E	2010E
Nickel	US\$ / t	15,000	15,000	15,000	15,000
Copper	US\$ / t	3,300	3,300	3,300	3,300
Exchange rate	US\$ / £	0.51	0.51	0.51	0.51

Share Price



Profit & Loss (£ '000)	2004*	2005	1H06
Net revenues	-	-	-
Operating expenses	(974)	(1,530)	(1,105)
Operating loss	(974)	(1,530)	(1,105)
Other adjustments	(3,082)	(37)	(84)
Net interest	1	9	41
Pre-tax loss	(4,055)	(1,557)	(1,147)
Income tax	-	-	-
Net loss	(4,055)	(1,557)	(1,147)

Balance Sheet (£ '000)	2004	2005	1H06
Cash	125	2,042	5,071
Other current assets	-	252	339
PP&E	12	11	16
Exploration costs	1,558	3,915	4,531
Total assets	1,695	6,220	9,957
Liabilities	3,656	1,710	96
Share capital	4	15	5,576
Share premium	2,089	10,108	10,424
Accumulated loss	(4,055)	(5,612)	(6,759)
Option reserve	-	-	621
Liabilities and Equity	1,695	6,220	9,957

Cash Flow (£ '000)	2004	2005	1H06
Exploration expenditure	(1,351)	(2,343)	(1,043)
Cash from operating activity	(637)	(1,169)	(1,412)
Net operating cash flow	(1,988)	(3,512)	(2,455)
PP&E purchase	(14)	(8)	(10)
Investment provision	-	-	(110)
Net investing cash flow	(14)	(8)	(120)
Net interest	1	9	42
Issue of Share capital	2,207	5,086	6,433
Prepaid share capital	-	459	(125)
Share issue costs	(81)	(117)	(746)
Net financing cash flow	2,127	5,437	5,604
Net change in cash flow	125	1,917	3,029

Taking the above into consideration, and the fact that the average pre-feasibility nickel developer is trading at 2.6% of EV/in-situ value, we believe that 2% is a fair valuation for Amur Minerals. Having visited the project, this is based on a better than average geological upside, and a lower than average value for location and political risk. Using a 2% EV/in-situ ratio gives a target price per share of 49.0p.

Table 14: Enterprise value sensitivities (US\$m) to EV/in-situ value and long term nickel price.

	\$8,800	\$10,000	\$15,000	\$20,000	\$25,000	\$30,000	\$35,000
0.5%	11.9	13.5	20.3	27.1	33.8	40.6	47.3
1.0%	23.8	27.1	40.6	54.1	67.6	81.2	94.7
1.5%	35.7	40.6	60.9	81.2	101.5	121.8	142.0
2.0%	47.6	54.1	81.2	108.2	135.3	162.3	189.4
5.0%	119.0	135.3	202.9	270.6	338.2	405.8	473.5
10.0%	238.1	270.6	405.8	541.1	676.4	811.7	947.0

Source: Fox-Davies Capital, adjusted for in the money options and warrants, adjusted for in the money options and warrants

Table 15: Share price sensitivities (US\$) to EV/in-situ value and long term nickel price.

	\$8,800	\$10,000	\$15,000	\$20,000	\$25,000	\$30,000	\$35,000
0.5%	0.10	0.11	0.15	0.19	0.23	0.27	0.31
1.0%	0.17	0.19	0.27	0.35	0.41	0.49	0.56
1.5%	0.24	0.27	0.37	0.49	0.60	0.71	0.82
2.0%	0.31	0.35	0.49	0.63	0.78	0.93	1.08
5.0%	0.69	0.78	1.15	1.52	1.89	2.26	2.63
10.0%	1.35	1.52	2.26	3.01	3.75	4.49	5.23

Source: Fox-Davies Capital, adjusted for in the money options and warrants

Summary

- Amur Minerals continues development of nickel resources in the Amur region of far-east Russia.
- The current JORC compliant resource stands at 53Mt @ 0.51% Ni equiv., comprising 254,000t Ni and 73,000t Cu, with ongoing infill drilling aiming to increase this reserve.
- There has been a significant extension to the tenements and several new targets are under investigation.

Amur Minerals' management continues to demonstrate ability to rapidly drive new discoveries through to JORC compliant reserves in highly prospective tenements. This should erode negative market sentiment due to the low grade, remote location and perceived Russian political risk. Amur Minerals is substantially undervalued on fundamental analysis. We believe resource growth will reach a level that will command attention from leading companies involved in the aggressive acquisition of resources to support required production growth. We are maintaining a BUY recommendation on Amur Minerals and increasing the target price per share from 42.0p to 49.0p.

Asian Mineral Resources (ASN CN)

Background

Formed in 1988, and operating in various entities based out of New Zealand and Canada, Asian Mineral Resources became independent of parent Spectrum Resources in 1999, and listed on the TSX Venture Exchange in April 2004. Asian Minerals is an exploration company focused on development of its 90% owned core asset, the Ban Phuc nickel sulphide project located 180km northwest of Hanoi in Vietnam.

Key assets

The Ban Phuc deposit is hosted within a large ultramafic sill, with internal layers containing low-grade nickel enriched zones. Additional massive sulphide mineralisation occurs in a major shear-controlled vein over 700m in length, and currently drilled to 450m depth. The current P&P reserve is 0.91Mt @ 2.4% Ni, with a M&I and inferred resource, including the reserve, of 1.34Mt @ 2.71% Ni. It is believed to be the only nickel deposit discovered in Vietnam to date.

A positive preliminary assessment was released for Ban Phuc in March 2005, followed by a DFS in November 2005. The company is now undergoing the process to receive Vietnamese Mineral Resource Evaluation Council approval. EIS approval was received in January 2007 and the mining licence is expected in 1Q07. Initial construction is planned to be underground, with a 200,000tpa mining rate and floatation processing plant. Start-up capital expenditure is US\$33.1mn. Total planned production is 4,000tpa Ni in concentrate, with good recovery of 85.6%, but low grade concentrate of 9.5% Ni. Infrastructure, including roads, water and power, is well advanced.

Ban Phuc remaining open along strike and at depth and the Company owns 150km² exploration licences and is primarily targeting near-mine and mining-camp scale targets. The Vietnamese tax regime is attractive to mine development as Asian Mineral Resources will be granted tax-free status for four years after capital recover, followed by a four year period of 7.5% tax, then 15% after that. This is balanced by a 3% government royalty on recovered metal.

We are initiating coverage of Asian Minerals, with a SELL recommendation and a target price of C\$1.14/share.

An EV/ In-situ value has been used to value the company, with details shown in Table 16 and Table 17. For example, using a nickel price of US\$15,000/t and valuing to company at 11% of in-situ metal equates to an EV of US\$65.4m, which is equivalent to a share price of C\$1.14.

Asian Mineral Resources is currently trading at 13.1% of EV/in-situ value at the current share price of C\$1.40; pre-producers vary from 13.1% to over 30%. Superficially this appears to be a well valued stock, although it is important to note that the current resource is on 39,645t contained nickel, compared to an average of over 85,000t for other nickel sulphide pre-producers. This has the effect of increasing the unit cost for production (through removal of any economies of scale), and increasing the discount on future cash flows by virtue of the extended mine life when only operating at the planned 200,000tpa.

Although this deposit represents an important foothold into Vietnam, there is currently no track record of additional discoveries by Asian Mining.

As the mining licence has not yet been granted, and construction has not yet started, we value Asian Mineral Resources at the low end of its pre-production peers, and believe 11% is a fair EV/in-situ multiple to use. Therefore we initiate coverage of Asia Minerals Resources with a SELL recommendation and a target price of C\$1.14 per share.

ASIAN MINERAL RESOURCES ASN CN		Market: TSX Share price: C\$1.40		Analyst: Julian Emery / Brock Salier February 22, 2007		SELL Target price: C\$1.14	
Key Market Information				Fundraising			
Shares outstanding (mn)	65.8	Nov '05 @ C\$0.40	C\$2.4mn				
Market capitalization (C\$ mn)	92.1	Nov '06 @ C\$0.75	C\$4.8mn				
52-week high/low	1.40/0.39						
Net cash (C\$ mn)	1.3						
Options (mn)	3.4						
Enterprise value (C\$ mn)	90.8						
Company Information		Major Shareholders					
#780, 144 Front Street West		Management		26%			
Toronto, Ontario M5J 2L7, Canada		Dragon Capital		15%			
+1 416 360 3412		Viet Government		10%			
Web: www.asianminres.com		Cambrian Mining		3%			
Reserve (attributable)	Mt	Ni	Ni (t)	Cu	Cu (t)		
Proven	0.41	2.5%	10,480	1.0%	4,270		
Probable	0.50	2.3%	11,340	1.0%	4,820		
Total	0.91	2.4%	21,820	1.0%	9,090		
Resource (attrib.)	Mt	Ni	Ni (t)	Cu	Cu (t)		
Measured	0.55	2.66%	14,570	1.09%	5,970		
Indicated	0.56	2.88%	16,110	1.16%	6,500		
Inferred	0.23	2.43%	5,630	1.16%	2,690		
Total	1.34	2.71%	36,310	1.13%	15,160		
Production (attrib)	Ore	Ni grade	Ni metal	Costs			
2008E onward	180,000t	2.5%	3,600t	US\$3.00			
Management							
Jim Askew	Chairman	Engineer, over 20 years as CEO for various Australian mining and mining finance companies. Recently at Golden Star Resources, Rayrock Resources, and Golden Shamrock.					
Robert Thomson	CEO	Engineer, 30 years of mining experience in start-up and operation, including GM of Kingsgate's Chatree mine in Thailand, and Oxiana's Sepon mine in Laos. Took over from David Woodhouse in November 2006.					
Harvey McKenzie	CFO	Accountant, over 35 years experience across mining, financial and IT sectors. Currently the audit committee director at Outlook Resources, and director of Manor Global.					
Non-exec. directors	Ian MacGregor, lawyer; Chris Castle, accountant						
Share price sensitivity (EV/in-situ value)							
	\$8,800	\$10,000	\$15,000	\$20,000	\$25,000		
8.0%	0.51	0.57	0.84	1.11	1.37		
10.0%	0.63	0.71	1.04	1.37	1.71		
11.0%	0.69	0.77	1.14	1.51	1.87		
12.0%	0.74	0.84	1.24	1.64	2.04		
15.0%	0.92	1.04	1.54	2.04	2.54		
Price Assumptions		Unit	2007E	2008E	2009E	2010E	
Nickel	US\$ / t	15,000	15,000	15,000	15,000		
Copper	US\$ / t	3,300	3,300	3,300	3,300		
Exchange rate	US\$ / A\$	0.79	0.79	0.79	0.79		
Share Price				Source: Bloomberg			
Profit & Loss (C\$ '000)							
	2003*	2004	2005	1H06			
Net revenues	-	-	-	-			
Operating expenses	(574)	(4,941)	(3,652)	(1,424)			
Operating loss	(574)	(4,941)	(3,652)	(1,424)			
Other adjustments	(44)	(288)	(306)	(362)			
Net interest	-	7	(120)	(56)			
Pre-tax loss	(618)	(5,222)	(4,078)	(1,842)			
Income tax	-	-	-	-			
Net loss	(618)	(5,222)	(4,078)	(1,842)			
*9 months to 31/12							
Balance Sheet (C\$ '000)							
	2003	2004	2005	1H06			
Cash	20	2,339	2,783	1,344			
Other current assets	57	169	246	270			
PP&E	13	131	224	199			
Other non-current assets	-	-	364	289			
Total assets	90	2,639	3,617	2,102			
Liabilities	260	424	4,076	4,032			
Share capital	3,849	11,205	13,593	13,799			
Other equity	-	252	632	796			
Deficit	(4,019)	(9,241)	(14,685)	(16,527)			
Liabilities and Equity	90	2,639	3,617	2,102			
Cash Flow (C\$ '000)							
	2003	2004	2005	1H06			
Net operating cash flow	(409)	(5,223)	(4,079)	(1,636)			
PP&E purchase	-	(130)	(79)	(17)			
Other investment cash flow	293	5	(216)	30			
Net investing cash flow	293	(126)	(295)	13			
Net interest	-	(27)	10	29			
Net issue of share capital	110	6,615	2,400	141			
Net convertible note	-	-	2,064	42			
Other financing cash flow	-	200	(12)	-			
Net financing cash flow	110	6,788	4,462	212			
Net change in cash flow	(5)	1,439	88	(1,411)			

EV/In-situ metal valuation

Table 16: Enterprise value sensitivities to EV/in-situ value and long term nickel price

	\$8,800	\$10,000	\$15,000	\$20,000	\$25,000	\$30,000	\$35,000
8.0%	27.9	31.7	47.6	63.4	79.3	95.1	111.0
10.0%	34.9	39.6	59.5	79.3	99.1	118.9	138.8
11.0%	38.4	43.6	65.4	87.2	109.0	130.8	152.6
12.0%	41.9	47.6	71.4	95.1	118.9	142.7	166.5
15.0%	52.3	59.5	89.2	118.9	148.7	178.4	208.1
20.0%	69.8	79.3	118.9	158.6	198.2	237.9	277.5

Source: Fox-Davies Capital, adjusted for in the money options and warrants

Table 17: Share price sensitivities to EV/in-situ value and long term nickel price

	\$8,800	\$10,000	\$15,000	\$20,000	\$25,000	\$30,000	\$35,000
8.0%	0.51	0.57	0.84	1.11	1.37	1.64	1.91
10.0%	0.63	0.71	1.04	1.37	1.71	2.04	2.37
11.0%	0.69	0.77	1.14	1.51	1.87	2.24	2.60
12.0%	0.74	0.84	1.24	1.64	2.04	2.44	2.84
15.0%	0.92	1.04	1.54	2.04	2.54	3.04	3.54
20.0%	1.21	1.37	2.04	2.70	3.37	4.04	4.70

Source: Fox-Davies Capital, adjusted for in the money options and warrants

Summary

- Asian Mineral Resources is a junior explorer and developer concentrating on bringing the Ban Phuc nickel sulphide deposit in Vietnam into production.
- The final hurdle is gaining a mining licence, for which three of the four application steps are now complete.
- Production is planned for 2008, with 200,000tpa mill throughput for 4,000tpa Ni. The deposit remains open along strike, and to depth, leaving open the potential for a resource upside.

Asian Mineral Resources represents a useful foothold in Vietnam, which has a favourable geological, commercial and tax environment. There is exploration potential but the small initial production target from a relatively modest resource indicates the share to be fully valued. Our recommendation is SELL with a target price of C\$1.14 per share.

Braemore Resources (BRR LN)

Background

Braemore Resources was admitted to AIM in Mar 2005, raising £1.0mn at 1p per share. It then purchased Western Consolidated Nickel (WCN) from Atomaer Holdings through a £4.2mn share placement. WCN has an agreement with BHP-Billiton for an exclusive right to process nickel sulphide tailings from the Leinster, Kambalda and Mt Keith deposits. Braemore has also acquired the South African metallurgical process developer Independence Platinum.

Key assets

The BHP Billiton tailings dumps from the Leinster, Mt Keith and Kambalda operations (ex-WMC) are the result of decades of mining from these leading Western Australian nickel operations. Grades are around 0.2%-0.4% Ni and Braemore has acquired the rights to process these and future tailings. A Definitive Feasibility Study of the Leinster tailings is due in mid-2007. It is planned to produce a high-grade (61%-65% Ni) intermediate product/ concentrate. Under the agreement, nickel concentrates will be sold at a discount to the prevailing LME price, and BHP Billiton also has the right to acquire a 50% interest in the tailings project.

Privately owned Atomaer is a 45% shareholder of Braemore. This interest will expand following production performance milestones which trigger option conversion to equity. Atomaer has designed several metallurgical patents for efficient low-cost atmospheric leaching of low nickel grade sulphides.

The first phase of tailings resource drilling was completed at the end of 2006. Independent consultant AMC identified a 163Mt non-JORC resource of 500,000t contained nickel, and a further c. 500,000t is expected to be contained in future mining tailings. Metallurgical testing is now underway, initially undertaken by Outokumpu in Finland to evaluate flotation testing to be carried out on a 300t sample in Perth, Australia. The potentially reclaimable resources are estimated as 40Mt @ 0.43% Ni (175,000t) at Leinster, 347Mt @ 0.18% Ni (621,000t) at Mt Keith and 29Mt @ 0.41% Ni (119,000t) at Kambalda.

In December 2006, Braemore acquired Independence Platinum in a deal worth £0.38mn. This is a private company which has an agreement with minerals R&D firm Mintek. It has a newly developed processing method to be used in a new independent base metals refinery for PGM concentrates in South Africa. Braemore raised £6mn through a share issue in January 2007 to undertake feasibility studies into development of these technologies.

We are initiating coverage of Braemore Resources with a SELL recommendation and a target price of 3.1p/shr.

An EV/ In-situ value has been used to value the company, with details shown in Table 17 and Table 18. It should be emphasised that this exercise is dealing with non-JORC compliant resources. For example, using a nickel price of US\$15,000/t, a 1% EV/in-situ valuation would equate to an enterprise value of US\$48.2mn, or equivalent share price of 3.1p.

There are several factors governing the valuation of Braemore. Firstly, the resource is not currently JORC compliant, reflecting the difficulties the company have had establishing reliable estimates of the nickel concentration in tailings. Secondly, there is a lack of transparency surrounding the corporate structure of the firm, and finally, like many tailings reprocessing ventures, the technology to be used remains untested on a commercial scale. The large number of options, including 300mn at 1p strike price, must also be considered.

BRAEMORE RESOURCES PLC
BRR LN

Market: AIM
Share price: 6.1p

Analyst: Julian Emery / Brock Salier **SELL**
February 22, 2007 **Target price: 3.1p**

Key Market Information		Fundraising	
Shares outstanding (mn)	671.5	2005 100mn @ 0.1p	
Market capitalization (£ mn)	41.1	2006 101mn @ 1p	£1.0mn
52-week high/low	11.0 / 5.0	Jul '06 42mn @ 10p	£4.2mn
Net cash (£ mn)	10	Jan '07 100mn @6p	£6.0mn
Options / performance shares (mn)	325.0		
Enterprise value (£ mn)	37.2		

Company Information		Major Shareholders	
94 Jermyn Street		Atomaer	45%
London, SW1Y 6JE, UK		Institutional	34%
+44 20 7766 7500			
www.braemoreresources.com.com			

Reserve	Mt	Ni	Ni (t)	Cu	Cu (t)
Proven	-	-	-	-	-
Probable	-	-	-	-	-
Total	-	-	-	-	-

Resource	Mt	Ni	Ni (t)	Cu	Cu (t)
Measured	-	-	-	-	-
Indicated	-	-	-	-	-
Inferred	-	-	-	-	-
Total	-	-	-	-	-

Production	Ore	Ni grade	Ni metal	Costs
2006	-	-	-	-
2007E	-	-	-	-
2008E	-	-	-	-

Management		
David Humann	Non-exec Chairman	Chartered Accountant Chairman of Atomaer Holdings, Mincor, Martix Metals, and a Director of McMahon Holdings.
Hamish Bohannon	CEO+MD	Engineer, most recently COO of IAMGold following its Gallery Gold Merger, where he was MD. Previously GM WMC Resources, and GM Iluka Resources.
Clayton Dodd	Director	Chartered Accountant, 20 years experience in finance and resources, previously MD of Australian Striker Resources, current chairman of Brinkley Mining; previously MD of Braemore and now represents the interest of Atomaer.
Non-exec. directors		Anthony Samaha (non-exec. FD), Christopher Lambert, investment banker; Michael Elias, geologist (non-exec technical director).

Share price sensitivity (EV/in-situ value)	US\$8,800	US\$10,000	US\$15,000	US\$20,000	US\$25,000
0.5%	1.44	1.59	2.23	2.87	2.66
0.8%	2.00	2.23	2.45	3.09	3.72
1.0%	2.56	2.87	3.09	3.94	4.78
2.0%	3.53	3.94	5.63	7.33	9.02
3.0%	5.02	5.63	8.17	10.72	13.26

Price Assumptions	Unit	2007E	2008E	2009E	2010E
Nickel	US\$ / t	15,000	15,000	15,000	15,000
Copper	US\$ / t	3,300	3,300	3,300	3,300
Exchange rate	US\$ / £	0.51	0.51	0.51	0.51

Share Price



— BRR LNEquity

Source: Bloomberg

Profit & Loss (£ '000)	2006
Net revenues	-
Operating expenses	(523)
Operating loss	(523)
Other adjustments	-
Net interest	172
Pre-tax loss	(351)
Income tax	-
Net loss	(351)

Balance Sheet* (£ '000)	2006
Cash	3,922
Other current assets	54
Tangible assets	10
Intangible assets	30,812*
Total assets	34,798
Liabilities	160
Share capital	848
Share premium	4,740
Merger reserve	29,395
Profit and loss account	(345)
Liabilities ad Equity	34,798

*Value of Western Consolidated Nickel tailings dump at acquisition

Cash Flow (£ '000)	2006
Net operating cash flow	(445)
PP&E purchase	(12)
Other investments	(862)
Net investing cash flow	(874)
Net issue of share capital	4,984
Acquisition of subsidiary	85
Interest received	172
Net financing cash flow	5,241
Net change in cash flow	3,922

We feel that whilst an EV/in-situ valuation can offer guidance on a target price, such a valuation has inherent issues given that most peers are grass roots explorers. As such, we suggest a 1% EV/in-situ metal would be fair given the large resource and ease of moving to production if technologically feasible balance against the technical difficulties of such a move. This equates to a target price of 3.1p.

EV/In-situ metal valuation

Table 18: Enterprise value sensitivities (US\$m) to EV/in-situ value and long term nickel price

	\$8,800	\$10,000	\$15,000	\$20,000	\$25,000	\$30,000	\$35,000
0.25%	7.1	8.0	12.0	16.1	20.1	24.1	28.1
0.50%	14.1	16.1	24.1	32.1	40.2	48.2	56.2
0.75%	21.2	24.1	36.1	48.2	60.2	72.3	84.3
1.0%	28.3	32.1	48.2	64.2	80.3	96.4	112.4
2.0%	56.5	64.2	96.4	128.5	160.6	192.7	224.8
3.0%	84.8	96.4	144.5	192.7	240.9	289.1	337.3

Source: Fox-Davies Capital, adjusted for in the money options and warrants

Table 19: Share price sensitivities (GBP) to EV/in-situ value and long term nickel price

	\$8,800	\$10,000	\$15,000	\$20,000	\$25,000	\$30,000	\$35,000
0.3%	0.88	0.96	1.27	1.59	1.91	2.23	2.55
0.5%	1.44	1.59	2.23	2.87	2.66	3.09	3.51
0.8%	2.00	2.23	2.45	3.09	3.72	4.36	4.99
1.0%	2.56	2.87	3.09	3.94	4.78	5.63	6.48
2.0%	3.53	3.94	5.63	7.33	9.02	10.72	12.41
3.0%	5.02	5.63	8.17	10.72	13.26	15.80	18.34

Source: Fox-Davies Capital, adjusted for in the money options and warrants

Summary

- Braemore proposes to reprocess a massive group of tailings from major nickel fields in Western Australia in partnership with its majority shareholder, the privately owned metallurgical process developer Atomaer.
- Braemore is initially undertaking resource estimation and metallurgical bulk testing on the tailings resource at Leinster. A pilot plant programme will be followed by feasibility studies and appropriate permitting applications.
- The acquisition of Independence Platinum is to develop patented nickel and PGM processing methods to be used in a new independent base metals refinery in South Africa.

Although this is potentially a large project, it is early stage. We are pleased to see the advent of a website but require further transparency with regard to the shareholder structure. We would prefer to await detailed feasibility studies, particularly to give confidence in resource quality and recoveries, required to build investor confidence. Our recommendation is SELL with a target price of 3.1p per share.

European Nickel (ENK LN)

Background

European Nickel was formed in 1999 to test low-cost acid heap technology on selected dry nickel laterites in the Balkans. Having tested a project in Albania, in 2002, European Nickel acquired the current core asset, the Caldag nickel laterite deposit in Turkey. The Company was admitted to AIM in March 2004. First production from Caldag is scheduled for early 2008, with full production in early 2009. The project currently has a JORC mineable reserve of 33.5Mt grading 1.14% Ni and 0.07% Co.

Key assets

The Caldag deposit is a nickel laterite. Unlike the heavily clay-impregnated 'equatorial' laterites found around the Pacific Ocean, Caldag and other nickel laterites in the Balkans, comprise harder 'rock' laterite, amenable to new heap leaching methods. Heap leaching capital costs are much lower than for more common laterite treatment processes, HPAL and ferronickel smelting.

Development of this heap leach process has been in conjunction with BHP Billiton, which has recently completed a 7-year extendable 100% off-take agreement and will supply sulphur to the project acid plant. Following successful trial production, where both nickel and cobalt recovery was over 75%, full feasibility was completed in November 2005. It is planned for 2.5Mtpa of ore to be mined annually, for production of 20,400tpa Ni and 1,200tpa Co contained in a mixed hydroxide concentrate.

The development costs of the project are estimated at US\$300mn, and with 60% of tenders currently fulfilled, appear to be achievable. Financing was finalised in September 2006, and is split between US\$175mn debt and US\$125mn equity. Construction began in late 2006, with road construction initiated and orders placed for long lead-time items. However, delays have been experienced following hold ups of a forestry licence to harvest on-site pine trees. The first heap leach stacks are targeted for July 2007 with production start-up scheduled in early 2008. Operating costs are expected to be low but may be inflated by the high consumption of acid, especially as an on-site acid plant will not be available until 3Q08 for full production in 2009.

In addition to self-processed ore, European Nickel is currently supplying 200,000t of Ni laterite ore to GMM SA Larco's ferronickel smelter in Greece, from September 2006 to end-2007. This will provide short term cash-flow. Regionally, European Nickel aims to explore and develop other nickel assets in the Balkans with similar mineralogy. Their key asset is currently being drilled in Albania, with other properties in Turkey and Serbia.

Summary

- European Nickel is an exploration and development company focused on utilising new sulphuric acid heap leach technologies to treat ore from the Caldag nickel laterite deposit in Turkey.
- Following successful trials, construction is now underway at the deposit, with mining planning to commence in 2007, and first nickel concentrate production in 2008. This is subject to the delivery of a forestry clearance licence.
- The Caldag deposit has proven and probable reserves of 33.5Mt @ 1.14% Ni and 0.07% Co, with production aiming to mine 2.5Mtpa for 21,400tpa Ni in concentrate.

The European Nickel market capitalisation is currently at a 50% discount to the Company's internally generated NPV, indicating the risk premium placed on the technology. However, with a strong partner in BHP Billiton, successful trial mining complete, European Nickel represents good value. The key is for the Caldag to avoid further delays and meet production and cost targets.

EUROPEAN NICKEL PLC ENK LN		Market: AIM Share price: 49p		Analyst: Julian Emery / Brock Salier February 22, 2007	
Key Market Information		Fundraising		Share Price	
Shares outstanding (mn)	371.1	Mar '06 5.7m @ 35p	£2mn	<p>Source: Bloomberg</p>	
Market capitalization (£ mn)	181.8	Jun '06 240m @ 35p	£84m		
52-week high/low (p)	50.0 / 27.25				
Net cash Jan '07 (£ mn)	61.0				
Options and warrants (mn)	19.1				
Enterprise value (£ mn)	94.3				
Company Information		Major Shareholders			
7 Stratton Street, London W1J 8LE, UK +44 20 7495 5055 Web: www.enickel.co.uk		Prudential JP Morgan Management Fidelity	11.5% 8.0% 7.3% 6.3%		
Reserve	Mt	Ni	Ni (t)	Cu	Cu (t)
Proven	1.9	1.08%	20,520	-	-
Probable	31.6	1.14%	360,240	-	-
Total	33.5	1.14%	380,760	-	-
Resource	Mt	Ni	Ni (t)	Cu	Cu (t)
Measured	-	-	-	-	-
Indicated	-	-	-	-	-
Inferred	-	-	-	-	-
Total	-	-	-	-	-
Production	Ore	Ni grade	Ni metal	Costs	
2006	-	-	-	-	
2007E	-	-	-	-	
2008E	-	-	-	-	
Management					
Simon Purkiss	Managing Director	Engineer, experience in base metals and PGMs at Impala Platinum Billiton and a Norilsk joint venture. Also a director of Pacific Ore and European Oil.			
Andrew Lindsay	Financial Director	Corporate financier, over 20 years experience in the mining industry in UK, South Africa, Chile and Australia, previously at Anglo American and Minorco.			
Non-executive directors		David Whitehead (non-exec. Chairman), geologist and executive; Sir David Logan, diplomat; Euan Worthington, geologist; Paul Lush, lawyer; Steve Roberts, accountant			
Profit & Loss (£ '000)		2003	2004	2005	2006
Net revenues		456	-	-	776
Operating expenses		(1,476)	(3,021)	(6,595)	(8,353)
Operating loss		(1,020)	(3,021)	(6,595)	(7,577)
Net interest		(9)	(1)	474	(1,490)
Pre-tax loss		(1,029)	(3,022)	(6,121)	(9,067)
Income tax		-	-	-	(10)
Net loss		(1,029)	(3,022)	(6,121)	9,078
Balance Sheet (£ '000)		2003	2004	2005	2006
Intangible assets		492	60	61	61
Tangible assets		5	15	13	26
Investments		63	2,110	1,074	5,029
Cash			11,968	16,516	87,551
Other current assets		10	102	85	2,182
Creditors		(1,571)	(2,158)	(2,385)	(948)
Net assets		(1,000)	12,097	15,363	93,902
Called up share capital		375	982	1,158	3,711
Share premium account		1,003	15,468	22,317	103,548
Profit and loss account		(2,378)	(4,353)	8,112	13,357
Shareholders' funds		(1,000)	12,097	15,363	93,902
Cash Flow (£ '000)		2003	2004	2005	2006
Operating cash flow		(332)	(3,318)	(7,200)	(6,446)
Investments		(9)	(1)	473	(1,490)
Tax		-	-	-	-
Capital expenditure		(498)	(2,425)	(1,213)	(3,560)
Acquisition/disposals		137	(294)	-	(135)
Cash before financing		(702)	(6,038)	(7,939)	(11,631)
Liquid resource mg'mt		-	(10,247)	5,288	(74,830)
Financing		660	16,484	7,216	81,926
Net change in cash		(42)	200	4,564	(4,535)

Gladstone Pacific Nickel (GPN LN)

Background

Admitted to AIM with a £11.0mn IPO in March 2005, Gladstone Pacific Nickel is an Australian mining development company presently undertaking a definitive feasibility study (DFS) for the Gladstone nickel project. The project, located in central Queensland, will be two tiered, comprising the 100% owned Marlborough nickel laterite deposit, an HPAL plant/refinery at a deepwater port. The plant will also treat feed from the abundant SW Pacific nickel laterite deposits of New Caledonia, Indonesia and the Philippines. The HPAL plant and smelter complex would be one of the largest of its type in the world.

Key assets

The Marlborough nickel laterite comprises five discrete deposits with a JORC compliant combined resource of 71Mt @ 0.9% Ni based on drilling undertaken in 2005 - 2006. Considerable upside exists on adjacent leases, with seven additional deposits identified by BHP and Inco between 1964 and 1973. The company is in the course of finalising arrangements over these leases. At the Marlborough site, an ore beneficiation site is planned, with a target output of 24Mdt of leach plant feed at 1.18% Ni.

This concentrate will be transported via a slurry pipeline to the Gladstone treatment facility. The nearby deepwater port has established infrastructure and several existing heavy industry and shipping facilities. HPAL trials were successful using blends of Marlborough ore and higher-grade Caledonian ores, and also indicate potential operation using sea water.

A staggered mill and processing output is planned for the project, with initial production of 30,000tpa Ni metal, followed by an expansion to 60,000tpa with an ultimate target of 120,000tpa, based on imported ore as the market dictates. A Heads of Agreement with Société des Mines de la Tontouta was signed in 2006 for the supply of 600,000 to 800,000 t of Ni and Co ore from New Caledonia, and includes the right to participate in the development of a new mine that will underwrite long-term offshore ore supply.

Gladstone Pacific Nickel has achieved several important milestones, including environmental planning, indigenous land owner agreements, infrastructure planning progressing, and nickel/cobalt metallurgical testing. However, the DFS is still underway and is not expected to be complete until mid-2007, with capex expected to rise significantly from previous estimates. The company's stated intent is to seek a JV partner or investor to take the project to construction and commissioning.

Summary

- Gladstone Pacific Nickel is committed to the development of the Marlborough nickel laterite project, and the adjacent facility comprising HPAL plant, smelter, storage facility and deep water port. The intention is to bring the mine into production and with the addition imported ore from the SW Pacific, build a facility capable of producing up to 120,000t of Ni metal a year – some 8%-10% of world production.
- The Marlborough deposit comprises a number of discrete nickel laterite zones, with JORC reserves of 71Mt @ 0.9% Ni.
- Several important planning, pre-feasibility and trial metallurgical studies are complete. However, there is a significant work still required. The next key milestone is publication of a DFS in mid-2008. Production is unlikely to be before 2010.

The complex project is ambitious but appears to have been well organised to date. However, the long lead time together with low confidence in cost escalation of HPAL treatment projects, may curb the market enthusiasm.

GLADSTONE PACIFIC NICKEL
GPN LN

Market: AIM
Share price: 179p

Analyst: Julian Emery / Brock Salier
February 22, 2007

Key Market Information		Fundraising	
Shares outstanding (mn)	30.0	Mar '05 9,2mn @ 120p	£11mn
Market capitalization (£ mn)	53.8		
52-week high/low (p)	195 / 93		
Net cash (A\$m)	12.4		
Options and warrants (mn)	1.1		
Enterprise value (£ mn)	41.4		

Company Information		Major Shareholders	
220 Adelaide Street, Brisbane, Queensland 4000, Australia +617 3211 8899 Web: www.gladstonepacific.com.au		Management	32%
		Belgrave Square	14%
		Robash	7%

Reserve	Mt	Ni	Ni (t)	Cu	Cu (t)
Proven	-	-	-	-	-
Probable	48.65	0.94%	457,310	-	-
Total	48.65	0.94%	457,310	-	-

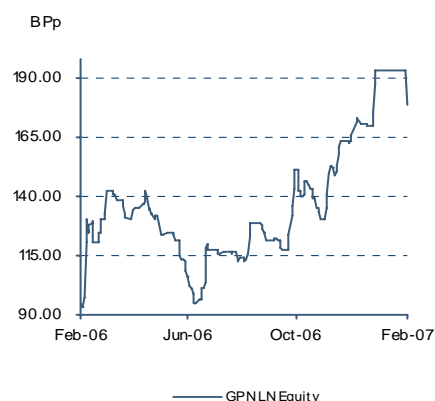
Resource	Mt	Ni	Ni (t)	Cu	Cu (t)
Measured	11.7	0.99%	115,830	-	-
Indicated	43.2	0.91%	393,120	-	-
Inferred	16.0	0.86%	137,600	-	-
Total	70.9	0.91%	646,550	-	-

Production	Ore	Ni grade	Ni metal	Costs
Phase 1 (2010E)	n/a	n/a	30,000t	US\$1.90/lb
Phase 2	n/a	n/a	60,000t	US\$1.70/lb

Management

Robert Pearce	Chairman	Accountant, original founder of the project in 2003. Previously the CEO of several listed gold resource companies in the 1980s, as well as Queensland Nickel.
John Downie	CEO	Engineer, recently Director of Mines at the CVRD/INCO Goro Nickel Project in New Caledonia.
Peter Matheson	Director	Engineer, over 40 years undertaking technical, operational and corporate management, extensive nickel laterite background, consulted to Goro and Murrin Murrin.
Gavin Becker	GM	Engineer/metallurgist, over 30 years experience with a focus on nickel and gold, including Bulong and Yabulu nickel laterite. Prior positions at Mintec and WMC.
Non-exec. directors		Peter Watson, lawyer; Andrew Daley, geologist; James Henderson, investment banker;

Share Price



Source: Bloomberg

Profit & Loss (A\$ '000)	2004	2005	2006
Revenue	-	-	-
Operating expenses	(281)	(580)	(1,858)
Operating loss	(281)	(580)	(1,858)
Other adjustments	-	28	4,529
Net interest	(284)	(70)	1,212
Pre-tax loss	(565)	(622)	3,883
Income tax	-	182	(1,249)
Net loss	(565)	(441)	2,635

Balance Sheet (A\$ '000)	2004	2005	2006
Cash	60	27,193	12,383
Other current assets	7	1,312	7,411
PP&E	-	89	142
Capitalised exploration	8,193	9,980	22,539
Other non-current assets	139	1,962	4,739
Current liabilities	(7,643)	(1,370)	(1,650)
Non-current liabilities	(1,320)	(3,997)	(7,742)
Net assets (liabilities)	563	35,169	37,822
Contributed equity	1	38,143	38,160
Accumulated losses	(565)	(2,974)	(339)
Total equity	563	35,169	37,822

Cash Flow (A\$ '000)	2004	2005	2006
Exploration and evaluation	(147)	(1,167)	(12,335)
Other operating cash flow	(318)	112	(735)
Net operating cash flow	(465)	(1,055)	(13,070)
PP&E	-	(93)	(87)
Investments	28	(789)	5,347
Net investing cash flow	28	(881)	5,260
Net issue of share capital	1	37,287	-
Borrowings (re)payment	158	(7,384)	-
Interest and borrowing costs	2	(495)	-
(Re)payment from directors	338	(338)	-
Net financing cash flow	497	29,070	-
Net change in cash flow	60	28,393	4,612

Heron Resources (HRR AU)

Background

Heron was originally admitted to ASX in 1996 and is now developing a portfolio of nickel laterite properties in Western Australia. Involvement in the 2001 attempt to purchase the Cawse nickel project resulted in OMG becoming a shareholder in Heron. In April 2004, Heron purchased the mineral rights at the Bulong nickel laterite project one of the largest of the proposed High Pressure Acid Leach (HPAL) projects with resources in the region of 900Mt @ 0.7% Ni. Heron has since shed non-core assets (nickel sulphide, iron ore, base metals, gold and uranium) to concentrate on laterite projects. Current production targets are 10,000tpa contained nickel at the 100% owned Jump-up Dam Project and 40,000tpa at Bulong, which was renamed the Kalgoorlie Nickel Project (KNP). In April 2005 BHP Billiton purchased a 10% interest in Heron at A\$0.35/sh from OMG and later that month Inco agreed a farm-in and joint venture with Heron to earn a 60% interest in KNP, provide funding and take a 10% interest in new Heron shares at A\$0.75/share.

Key assets

Jump-Up Dam Project (100%)

Heron is developing an acid heap leach operations at selected nickel laterite resources. Jump-Up Dam, located near Yerilla, 150km North East of Kalgoorlie, is the first prospect where column test leaching results indicate the resource is amenable to acid heap leaching with 60% metal recovery. Drilling identified three mineralised zones, with an average grade of around 1% Ni, and additional high grade areas. The current inferred mineral resource estimate is 41.4Mt @ 0.82% Ni at 0.5% cut-off. An infill drilling programme is underway, and a scoping study should be completed in February 2007 with a view to developing a 5,000tpa Ni production project by mid-2008 and 10,000tpa by early 2009. and infill drilling is ongoing with a view to further upgrading this resource. Metallurgical tests continue on bulk samples from large diameter drilling.

Kalgoorlie Nickel Project – KNP- (100% - 40%)

Inco (now part of CVRD) is to fund the A\$90mn Bankable Feasibility Study (BFS) and secure project funding to earn a 60% interest. Inco will also lend Heron equity funds above 4.5% of total equity. The original inferred resource of 890Mt @ 0.7% Ni and in July 2006 the JV announced a non-JORC 130Mt @ 1.5% resource allowing for sorting siliceous ore. Inco regards KNP "as one of the better undeveloped nickel laterites but requires further core drilling interpretation to resolve geological issues". These requirements are largely related to the high level of structural control in Kalgoorlie dry laterites which can have a significant impact on the distribution of high grade nickel within the laterite profile. Further drilling is underway and batch high pressure leach test work will commence in 2Q07. The resource drill out and plant design is to be completed by January 2009 and BFS by July 2011, with production slated for 2013. The capital cost will be around US\$1.5bn. There is excellent infrastructure available and the target is to produce a 50,000tpa Ni (20,000tpa attributable to Heron), in intermediate product by pressure and atmospheric leaching.

Summary

- Heron Resources controls a massive laterite resource base and has interests in two potential production dry laterite nickel projects in Western Australia.
- Both operations depend on treatment techniques which are largely in the development phase but the risks are mitigated by successful testing at Jump-Up Dam together with JVs with majors.
- Heron has strong management and powerful shareholders in CVRD and Billiton and projects are well positioned to deliver production targets.

When compared to size of Heron's resource, the market rating appears to reflect the high risk that the market places on early-stage nickel laterite producers. However, heap leaching tests have been positive and there is technical support from partner CVRD, and BHPB also a major shareholder. Heron will certainly be a stock to watch if they can negotiate the pit falls of new technologies on both projects. There current uncertainties regarding access to a proportion of the KNP properties do not appear to be immediate problem.

HERON RESOURCES LTD HRR AU

Market: ASX
Share price: A\$1.30

Analyst: Julian Emery / Brock Salier
February 22, 2007

Key Market Information		Fundraising	
Shares outstanding (mn)	180.0	Sep '01 10mn @ A\$0.30	A\$3mn
Market capitalization (\$A mn)	234.0	Sep '04 8mn @ A\$0.25	A\$2mn
52-week high/low (A\$)	1.35 / 0.435	Apr '05 16.5mn @ A\$0.75	A\$12.4mn
Net cash (A\$ mn)	9.2		
Options and warrants (mn)	12.1		
Enterprise value (A\$ mn)	224.8		

Company Information		Major Shareholders	
37 Ord Street, West Perth, WA 6005, Australia +618 9215 4444 Web: www.heronresources.com.au		Management	26%
		CVRD	10%
		BHP Billiton	10%

Reserve	Mt	Ni	Ni (t)	Cu	Cu (t)
Proven	-	-	-	-	-
Probable	-	-	-	-	-
Total	-	-	-	-	-

Resource	Mt	Ni	Ni (t)	Cu	Cu (t)
Measured	-	-	-	-	-
Indicated	-	-	-	-	-
Inferred	41.4	0.82	340,000	-	-
Total	41.4	0.82	340,000	-	-

Production	Ore	Ni grade	Ni metal	Costs
2009E	-	-	5,000t	-
2010E	-	-	7,000t	-
2011E	-	-	10,000t	-

Management		
Craig Readhead	Chairman	Lawyer, partner in law firm, has over 25 years' experience in legal and corporate advisory work specialising in the resources sector. He is a director of a number of public companies, involved in mining and exploration in Australia.
Matthew Longworth	COO	Geologist, 18 years' experience in several mining and exploration projects. He has held senior exploration management roles with major Australian gold companies and has a record of resource discovery and development.
Ian Buchhorn	Director	Mineral economist, over 30 years' experience as an economic geologist and Registered Mine Manager on mining and exploration projects in South Africa and Australia.
Non-exec directors		Allan Trench; Ken Hellsten; Stephen Dennis

Share Price



HRR AU Equity

Source: Bloomberg

Profit & Loss (A\$ '000)	2003	2004	2005	2006
Revenue	-	495	1,220	152
Operating expenses	(547)	(962)	(2,185)	(2,306)
Operating loss	(547)	(467)	(965)	(2,154)
Other adjustments	(36)	30	(38)	(34)
Net interest	57	72	196	609
Pre-tax loss	(526)	(365)	(807)	(1,579)
Income tax	-	-	-	-
Net loss	(526)	(365)	(807)	(1,579)

Balance Sheet (A\$ '000)	2003	2004	2005	2006
Cash	699	1,378	12,332	9,178
Other current assets	77	72	314	526
PP&E	49	55	51	43
Exploration costs	14,792	16,449	20,595	24,666
Other non-current assets	49	55	440	138
Liabilities	(401)	(598)	(401)	(1,127)
Net Assets	15,217	17,355	33,331	33,427
Contributed equity	24,771	27,267	43,780	45,180
Accumulated loss	(9,554)	(9,912)	(10,719)	(12,299)
Liabilities and equity	15,217	17,355	33,331	33,427

Cash Flow (A\$ '000)	2003	2004	2005	2006
Exploration expenditure	(1,772)	(1,799)	(4,262)	(3,673)
Payments to suppliers	(411)	(478)	(1,284)	(1,326)
Other operating cash flow	(32)	115	-	-
Net operating cash flow	(2,215)	(2,162)	(5,546)	(4,999)
PP&E purchase	-	(36)	(35)	(28)
Other investment cash flow	-	-	80	-
Net investing cash flow		36	45	(28)
Net interest	60	78	90	657
Issue of Share capital	522	2,651	16,791	1,217
Share issue costs	-	(20)	(406)	-
Loans and bonds	207	169	(20)	-
Net financing cash flow	789	2,878	16,455	1,874
Net change in cash flow	(1,427)	679	10,954	(3,153)

Independence Group (IGO AU)

Background

In September 2002, Independence Group acquired the Long Nickel Mine from WMC Resources for A\$15mn. The mine has been developed to try and define resources capable of supporting increasing production over a significant mine life. Profits have been used to fund acquisition and development of other projects that demonstrate significant economic potential. Independence has supported innovative exploration technology which has demonstrated significant success. The declared objective is to become a multi-commodity Australian mining company.

Key assets

Long Nickel Mine (100%). WMC had operated the mine for 21 years and had produced 203,184t Ni until closure in 1999, leaving a reserve base of 26,800t Ni. Independence re-commissioned the mine in October 2002 and currently has resources to treat 240,000tpa sulphide ore at around 3.7% Ni to produce 9,000tpa Ni until 2013 with obvious scope for further discoveries. The total reserve and resource is 1.37Mt @ 5.6% Ni. IGO has an off-take agreement with WMC (now part of BHP-Billiton) to deliver ore to The Kambalda Nickel plant for toll treatment.

Regional exploration. Annual budget of A\$6.0mn on a multi-commodity (nickel, gold, iron ore and base metals) focus. Key projects include:

- Duketon JV (70% earn-in), which shows potential for a disseminated nickel sulphide resource, best intersection 36m @ 0.65% Ni from 40m.
- Tropicana JV, with 30% free-carry to PFS with AngloGold. Resource drilling is in progress with some high grade intersections and gold mineralisation defined over 4km strike.

Other nickel projects on a 50%-70% earn-in include Lake Lefroy, Wiluna and Ravensthope, and Storbodsund in Sweden. Independence also has 100% interest in Cobar and Dalwallinu projects.

Equity Interests

Matrix Metals (19% value c. A\$10mn) - scheduled to produce at 5,500tpa Cu in 2007 increasing to 10,000tpa. Atlas Iron (0.7%+ royalty. Value c.A\$0.6mn) - an initial resource of 2.4Mt @ 57% Fe near Goldsworthy. Southstar Diamonds (50%) unlisted- exploration generated from the De Beers database.

Summary

- Independence has performed most impressively since acquiring the Long Nickel mine from WMC in September 2002. The mine was re-commissioned and quickly reached an optimum production rate of around 9,000tpa contained nickel in ore delivered to the nearby Kambalda Nickel plant.
- Importantly, a successful exploration programme is aimed to ensure longevity at the Long mine. Aided by a strong nickel price, the Company has generated a strong cash flow to fund other projects and pay dividends.
- The exploration programme has mainly involved joint ventures and the most successful to date has been the Tropicana Gold JV with AngloGold, whereby IGO has a 30% free-carry to PFS. The JV was awarded 'Explorer of the Year 2006' by Gold Mining Journal.

Independence has achieved a strong cash flow and rewarded shareholders with dividends. The impressive production and exploration success at the Long mine and needs to continue to replace resources. However there is a promising nickel exploration portfolio and the desire to diversify is fulfilled with equity and JV interests in copper production, plus a high quality gold project together with copper, iron ore and diamond prospects. Backed by a producing asset, there is lots of blue-sky.

**INDEPENDENCE GROUP
IGO AU**

**Market: ASX
Share price: A\$4.50**

**Analyst: Julian Emery / Brock Salier
February 22, 2007**

Key Market Information		Fundraising	
Shares outstanding (mn)	113.6	Aug '02 @ A\$0.34	A\$7mn
Market capitalization (A\$ mn)	511.1		
52-week high/low (A\$)	5.25 / 1.88		
Net cash Dec '06 (A\$ mn)	26.1		
Options and warrants (mn)	6.9		
Enterprise value (A\$ mn)	488.2		

Company Information		Major Shareholders	
72 Melville Parade,		Westpac nominees	9%
PO Box 893, Perth, WA 6951, Australia		JP Morgan nominees	9%
+618 9367 2755		ANZ nominees	7%
Web: www.igo.com.au		Management (fd)	8%

Reserve	Mt	Ni	Ni (t)	Cu	Cu (t)
Proven	0.24	4.5%	10,900	-	-
Probable	0.87	4.1%	35,900	-	-
Total	1.11	4.2%	46,800	-	-

Resource	Mt	Ni	Ni (t)	Cu	Cu (t)
Measured	0.27	7.1%	19,100	-	-
Indicated	0.97	5.3%	51,200	-	-
Inferred	0.13	4.9%	6,400	-	-
Total	1.37	5.6%	76,700	-	-

Production	Ore	Ni grade	Ni metal	Costs
2005/06	238,547t	3.7%	8,897t	A\$3.75/lb
2006/07E	250,000t	3.8%	9,200t	A\$4.2/lb

Management

Rod Marston	Chairman	Geologist, 35 years plus experience, previously at the Geological Survey of Western Australia, and had key role in discovery and development of Damang gold mine.
Chris Bonwick	MD	Geologist, 20 years in gold and nickel exploration and mining, previously held senior positions at WMC, Samantha Gold and Resolute Ltd, won Diggers & Dealers Discovery of the Year award in 1994.
Kelly Ross	Director	An accountant with over 20 years' experience in the mineral exploration and mining industry. She has been with Resolute Ltd, Murchison United, General Minerals Corp., and Ranger Minerals.
Non-exec. directors		John Christie, Oscar Aamodt

Share Price



IGO AU Equity

Source: Bloomberg

Profit & Loss (A\$ '000)	2003	2004	2005	2006
Revenue	24,649	67,223	86,603	113,404
Operating expenses	18,467	33,577	46,474	54,470
Operating profit	6,182	33,646	40,129	58,934
Other adjustments	(3,757)	(7,545)	(8,810)	(8,106)
Net interest	(1,042)	(1,309)	(761)	(444)
Pre-tax profit	1,383	24,792	30,558	50,384
Income tax	15	(7,457)	(9,655)	(15,398)
Profit	1,398	17,335	20,903	34,986

Balance Sheet (A\$ '000)	2003	2004	2005	2006
Cash	4,041	18,370	24,226	26,130
Other current assets	20,192	23,598	24,079	37,780
PP&E	8,608	8,252	6,451	6,773
Exploration costs	11,590	14,480	16,498	19,857
Other non-current assets	7,837	3,797	15,271	24,040
Liabilities	(39,992)	(37,659)	(36,886)	(66,651)
Net Assets	12,276	30,838	49,639	47,929
Contributed equity	12,549	13,777	20,367	23,076
Reserves	-	-	986	(18,291)
Retained earnings	6,205	17,061	28,286	43,144
Liabilities and equity	12,276	30,838	49,639	47,929

Cash Flow (A\$ '000)	2003	2004	2005	2006
Exploration and mining	(15,989)	(7,626)	(9,291)	(14,255)
Payments to suppliers	(12,969)	(29,947)	(40,397)	(45,607)
Other operating cash flow	19,213	58,954	79,917	75,633
Net operating cash flow	(9,745)	21,381	30,229	15,771
PP&E purchase	(5,177)	(3,319)	(2,944)	(1,678)
Other investment cash flow	(985)	515	(11,846)	(1,500)
Net investing cash flow	(6,162)	(2,804)	(14,790)	(3,178)
Net interest	(948)	(938)	1	328
Issue of Share capital	6,735	1,228	6,590	2,709
Payment of dividends	-	-	(8,653)	(7,772)
Loans and bonds	11,751	(4,538)	(7,521)	(5,954)
Net financing cash flow	17,538	(4,248)	(9,583)	(10,689)
Net change in cash flow	1,631	14,329	5,856	1,904

Jubilee Mines (JBM AU)

Background

The Company was originally founded in 1987 as a gold explorer in Western Australia. In 1997, management directed activities towards nickel and was rewarded with the discovery of the Cosmos high grade nickel sulphide deposit. The Cosmos open pit, with a resource 0.56Mt @ 8.2% Ni, started production in 1999. In 2002 Jubilee discovered the Cosmos Deeps which has a reserve 0.52Mt @ 7.2% Ni, with mine production started in 2003. Astute local ground acquisitions enabled Jubilee to continue its successful exploration programme, with potential for a larger scale nickel sulphide system. To date, the Company has identified in-situ resources in excess of 400,000t of nickel metal, and has the financial strength to develop regional opportunities.

Key assets

The Cosmos Nickel project is located in the Kathleen Valley, 40km north of Leinster, Western Australia, an area which has hosted several major nickel sulphide deposits. The Cosmos open pit operated from 2000 to 2003, treating 427,745t ore and producing 37,250t Ni. Cosmos Deeps, where ore is located some 500m below surface, was developed concurrently with this operation and came into production shortly before the pit was completed. Nickel concentrates from Cosmos are shipped from the port of Esperance to Inco in Canada for smelting and refining under an off-take agreement and sales carry now hedging.

Satellite deposits include: Prospero (0.2Mt @ 5.5%), discovered in 2004, 4.5km south of Cosmos, Alec Mairs (0.06Mt @ 12.9%), a target close to Cosmos and at a similar depth to Cosmos Deeps, Anomaly 1 (53Mt @ 0.62%), also close to Cosmos and potentially a low grade open pit target; Tapinas (0.14Mt @ 7.4%), 3.5km south of Cosmos and Sinclair (1.21Mt @ 2.8%), 100km south of Cosmos. Alec Mairs and Tapinas are coming into production in 2007. The total un-mined high-grade nickel inventory is currently 128,800t, with a measured, indicated and inferred resource of 56.6Mt @ 0.9% Ni for 515,260t of Ni.

Jubilee continues regional exploration for nickel sulphides in key project areas: the Cosmos region, the Emu Lake/Acra region, 70km North East of Kalgoorlie, the Bannockburn area, 90km south of Cosmos. It also has a portfolio of gold prospects. The exploration budget is A\$20.0mn for 1H06-2007 vs. A\$28mn for FY 2005-2006. Investments include Falcon Minerals, and Pioneer Nickel (17%).

Summary

- Jubilee Mines is still the 'special one' among the Australian nickel sulphide shares, discovering virgin high grade deposits and fast tracking them to production. This share has been an investors' dream with unhedged sales, and 800% return over 40 months and a strong dividend flow.
- The Cosmos discoveries were truly stellar events with a high grade open pit dovetailing production into a deep underground resource. Discoveries and resource definition in clearly selected areas have continued unabated and Jubilee is able to make ambitious production growth predications. Few will doubt Kerry Harmanis in his ability to successfully manage these targets.

With a fully producing operation in place and an outstanding track record of near-mine resource expansion, Jubilee may be fully priced on fundamentals, but it has delivered, and probably will continue to do so.

**Jubilee Mines
JBM AU**

**Market: ASX
Share price: A\$16.84**

**Analyst: Julian Emery / Brock Salier
February 22, 2007**

Key Market Information		Fundraising
Shares outstanding (mn)	129.7	
Market capitalization (A\$ mn)	2184.7	
52-week high/low	17.36 / 6.25	
Net cash Dec '06 (A\$ mn)	226.0	
Options and warrants (mn)	4.0	
Enterprise value (A\$m)	1958.6	

Company Information		Major Shareholders	
24 Outram Street, West Perth, WA 6005, Australia +618 9213 1588 Web:www.jubileemines.com.au		Kerry Harmanis Columbia Wagner Inco	18% 5% 5%

Reserve	Mt	Ni	Ni (t)	Cu	Cu (t)
Proven	0.29	5.9%	17,110	-	-
Probable	1.00	4.9%	49,000	-	-
Total	1.29	5.1%	66,110	-	-

Resource	Mt	Ni	Ni (t)	Cu	Cu (t)
Measured	14.05	1.0%	140,780	-	-
Indicated	28.44	0.7%	206,497	-	-
Inferred	13.27	1.2%	115,040	-	-
Total	55.76	0.8%	462,317	-	-

Production	Ore	Ni grade	Ni metal	Costs
2005/06	220,610t	5.4%	11,430t	A\$3.37/lb
2006/07E	220,000t	5.2%	10,000t	A\$4.20/lb
2008E	-	-	12,000t	-

Management		
Kerry Harmanis	Chairman	Lawyer, with 40 years plus mining industry experience. The Founder of Jubilee which he has guided for 20 years. He is also Chairman of Falcon Minerals Ltd.
G Letheridge	CFO	Accountant, over 20 years' commercial experience including management and board level positions, also a director of Falcon Minerals and Northern Star Resources.
Non-exec. directors		Alan Senior, consulting engineer; Phil Lockyear, mining engineer; Gary Pearce, corporate consultant.

Share Price



Source: Bloomberg

Profit & Loss (A\$ '000)	2004	2005	2006*	2007*
Revenue	235,371	237,085	293,727	244,854
Cost of sales	(89,871)	(100,786)	(110,946)	(67,015)
Operating loss	145,500	136,299	182,781	177,839
Other adjustments	(8,844)	(21,751)	(31,943)	(27,554)
Net interest	(593)	(318)	(224)	4,203
Pre-tax profit	136,063	114,230	150,614	154,488
Income tax	(40,922)	(38,910)	(47,251)	(46,887)
Profit	95,141	75,320	103,363	107,601

Balance Sheet (A\$ '000)	2004	2005	2006*	H1'07*
Cash	114,855	92,310	124,664	226,050
Other current assets	38,802	46,382	94,055	82,212
PP&E	9,631	6,494	5,609	5,864
Exploration and mining	59,043	72,412	79,602	98,653
Other non-current assets	1,667	13,719	9,218	11,959
Liabilities	(90,232)	(66,278)	(87,086)	(119,252)
Net Assets	133,766	165,039	226,062	305,486
Issued capital	35,251	48,543	53,403	57,566
Reserves	-	394	2,064	4,595
Retained earnings	98,515	116	171	243,325
Liabilities and equity	133,766	165,039	226,062	305,486

Cash Flow (A\$ '000)	2004	2005	2006*	H1'07*
Exploration and mining	(20,436)	(29,383)	(53,773)	(42,396)
Payments to suppliers	-	(84,093)	(84,398)	(52,885)
Other operating cash flow	152,394	161,731	216,143	227,220
Net operating cash flow	131,958	48,255	77,972	127,736
PP&E purchase	(4,318)	(15,552)	(5,250)	(2,011)
Other investment cash flow	3,209	6,000	-	(124,820)
Net investing cash flow	(1,109)	(9,552)	(5,250)	905
Net interest	836	4,557	3,736	4,203
Issue of Share capital	3,225	306	4,766	3,413
Payment of dividends	(49,951)	(56,867)	(48,870)	(34,871)
Loans	(6,959)	(9,244)	-	-
Net financing cash flow	(52,849)	(61,248)	(40,368)	(27,255)
Net change in cash flow	78,000	(22,545)	32,354	101,386

LionOre Mining (LIM CN/AU, LOR LN)

Background

LionOre Mining is a vertically integrated international nickel (plus copper, PGM and cobalt by-products) and gold producer headquartered in Toronto. It is listed in Toronto, London, Australia and Botswana. Operations are located in Western Australia, Botswana and South Africa. Annual attributable nickel output has grown from 2,000t to 30,000t since 2001. Gross mineral sales were some US\$0.52bn in 2005. Production is expected to rise to 50,000tpa in 2008 and 80,000tpa by 2012. LionOre has developed the Activox treatment system which replaces conventional smelting

Key assets

LionOre has a broad portfolio of producing and development assets. In total, the (P&P) current attributable reserve is 502,000t of Ni metal, while the M&I and inferred resource (including reserve) is 2,250,000t of Ni. Specific assets are detailed below.

Australia

Lake Johnston. Located some 550km east of Perth, WA, and incorporating the Maggie Hays and Emily Ann operations. Ore is treated at the 0.5Mtpa plant at Emily Ann (where mining has ceased) which is being expanded to 1.50Mtpa capacity as part of the Maggie Hays expansion programme. This US\$100mn programme should deliver around 14,000tpa of payable nickel in concentrate at a cost of less than US\$4/lb. Current attributable nickel production rate of 11,000tpa.

Black Swan (80%). Located some 600km east of Perth, WA, consists of the small high grade Silver Swan nickel sulphide mine and the Black Swan disseminated nickel deposit mined by open pit which is being expanded. The capacity of the flotation plant is being raised from 0.6Mtpa to 2.15Mtpa capacity at a cost of A\$60mn. This should deliver 13,000t in 2007 at a cash cost of A\$3.50/lb. Current attributable production rate 10,000tpa.

Honeymoon Well/Avalon. Base case to treat 11Mtpa at Honeymoon Well and process nickel metal at the Activox refinery facility at Avalon with 45,000tpa Ni production targeted at 45,000tpa by 2012.

Waterloo (100%). An underground nickel mine located in the Northeastern Goldfields, WA, delivering ore to the BHP Billiton concentrator at Leinster. Decline development at depth should raise current attributable nickel production rate from 500tpa to 4,400tpa in 2007.

Thunderbox. A gold mining operation acquired with the nickel assets and retained by LionOre. It is located in the north-eastern Goldfields, WA, 5km southeast of Waterloo. It has a 2.3Mtpa treatment facility and produces around 160,000oz Au pa at a cost of around US\$400/oz.

Botswana

Tati (85%). Located 35km east of Francistown, comprises the Phoenix open pit and the first operation to employ the Activox hydrometallurgical refining process. Also the Selkirk underground mine which has been on care and maintenance while a drilling programme establishes a new resource. The Selkirk BFS should be completed in 3Q07 and is expected to produce 20,000tpa Ni plus 20,000tpa Cu. Throughput at Phoenix is being increased from 3.5Mtpa to 5.0Mtpa feeding a conventional nickel sulphide concentrator. The C\$620mn Tati DMS/Activox Refinery complex is being phased in and will have a capacity of 12Mtpa throughput to provide feed for the full scale Activox refinery producing 22,000tpa Ni and 18,000tpa Cu by 2009 at C\$2.0/lb cash costs. The project is funded by a combination of debt, cash on hand and cash flow. Current attributable production rate 16,000tpa at cash costs of C\$2.60/lb.

**LionOre Mining
LIM CN / LOR LN**

**Market: TSX
Share price: C\$15.20**

**Analyst: Julian Emery/Brock Salier
February 22, 2007**

Key Market Information Fundraising

Shares outstanding (mn)	218.9
Market capitalization (C\$ mn)	3326.7
52-week high/low(C\$)	4.62 / 15.88
Net cash (C\$ mn)	280.4
Options and warrants (mn)	21.2
Enterprise value (C\$ mn)	3255.3

Company Information Major Shareholders

20 Toronto Street	CDP Capital	4.7%
Toronto, Ontario M5C 2B8, Canada		
+1 416 777 1985		
Web: www.lionore.com		

Reserve attributable Mt Ni Ni (t) Cu Cu (t)

Proven	1.5	1.28%	19,200	0.2%	3,000
Probable	105.7	0.46%	483,106	0.9%	94,000
Total	107.2	0.47%	502,306	0.9%	97,000

Resource attributable Mt Ni Ni (t) Cu Cu (t)

Measured	103	0.67%	669,200	-	-
Indicated	227	0.52%	1,172,448	0.1%	227,000
Inferred	196	0.24%	466,433	0.21%	425,515
Total	526	0.43%	2,248,081	0.12%	652,515

Production Ore Ni grade Ni metal Costs

2006E	-	-	30,375	US\$3.25/lb
2007E	-	-	40,000t	US\$3.52/lb
2012E	-	-	80,000t	-

Management

Donald Bailey	Chairman	Former vice-chairman, president and CEO at LionOre between 1998 and 2001. Prior to this he was CEO of Management Mining Services and deputy mining director at RTZ.
Colin Steyn	CEO	Director since 1998, formerly a director at metals and minerals marketing organisation Centachrome, and executive director for Rio Tinto's Zimbabwe metallurgy operations
Theodore Mayers	CFO	Accountant, director since 1997, before which he held several senior finance positions at Diversy Corporation
Non-exec. directors		Gilbert Playford (vice chairman); Alan Thompson; Peter Breese; Bryan Hyde

Share Price



Profit & Loss (US\$ '000) 2003 2004 2005 3Q06*

Revenue	292,924	519,511	403,844	695,694
Cost of sales	(108,266)	(336,542)	(228,560)	(329,973)
EBITDA	184,658	182,969	175,284	365,721
Other adjustments		(69,894)	(260,107)	(48,558)
Net interest	(6,184)	(4,812)	(7,637)	(9,432)
Pre-tax profit	84,238	108,263	(92,460)	307,731
Income tax	(26,812)	16,046	(30,113)	(84,439)
Profit	57,426	78,200	(76,414)	223,292

*9 months ended Sep 30

Balance Sheet (US\$ '000) 2003 2004 2005 3Q06

Cash	35,256	254,989	127,329	280,371
Other current assets	108,967	114,724	236,038	266,919
PP&E	299,641	407,101	284,395	419,371
Exploration and mining	163,951	456,493	394,835	351,603
Other non-current assets	16,414	34,272	27,851	32,544
Liabilities	(229,376)	(643,060)	(589,224)	(677,684)
Net Assets	394,853	624,519	481,224	673,124
Share capital	355,020	357,359	463,473	466,663
Other	66,583	215,710	42,715	8,133
Retained earnings	(26,750)	51,450	(24,964)	198,328
Liabilities and equity	394,853	624,519	481,224	673,124

Cash Flow (US\$ '000) 2003 2004 2005 3Q06

Net earnings	57,426	78,200	(76,414)	(99,921)
Other op. cash flow	12,822	83,457	238,957	336,882
Net operating cash flow	70,248	161,657	162,543	236,961
PP&E purchase	(19,717)	(51,723)	(45,876)	(94,189)
Other invest't cash flow	(11,183)	2,575	(300,293)	(101,031)
Net investing cash flow	(30,900)	(49,148)	(346,169)	(195,220)
Issue of Share capital	16,682	(1,545)	557	2,927
Other	3,276	(1,795)	(811)	(7,093)
Net borrowings	(45,888)	102,048	79,755	115,467
Net financing cash flow	(25,930)	98,708	79,501	111,301
Net cash flow change	13,418	219,733	(127,660)	153,042

South Africa

Nkomati (50%) is one of the world's lowest cost nickel mines. In fact the nickel costs are negative taking copper and precious metals into account. The mine exploits a massive sulphide resource with a lower-grade disseminated orebody. Current production rate: 2,500tpa at US\$2.70/lb. Further expansion to 24,000tpa is planned for 2011 using Activox. Ore resources 247Mt @ 0.38% Ni (942,254t) + 374,655t Cu + 7.63Moz PGM & Au. Reserves 138Mt @ 0.35% Ni (485,377t) + 193,783t Cu + 4.18Moz PGM & Au.

Summary

- LionOre Mining is primarily a nickel explorer and miner with considerable credits from copper, cobalt and precious metals. It has a single gold producing asset.
- Strong cash flow is generated from a suite of producing assets, while development is focused on three core deposits: Tati in Botswana, Nkomati in South Africa and Honeymoon Well in Australia. LionOre has a large, diversified resource base and is targeting 45,000tpa Ni production in 2007, building to 90,000tpa by 2012.
- Development of the new processing technology Activox, which processes nickel concentrate directly to metal products without first having to smelt the concentrate. This will potentially enable low-cost production to facilitate long term growth.
- A focus on brownfield exploration is supporting the stated strategy of replacing reserves into the future.

As substantial and efficient expanding nickel producer backed by large resources, LionOre is well placed given the prevailing high nickel prices. Investment in exploration and operational improvements will position the company well for the future.



Minara Resources (MRE AU)

Background

Minara Resources (previously known as Anaconda Nickel) has the Murrin Murrin nickel dry laterite project, near Leonora, in Western Australia. Murrin Murrin was the largest of the HPAL nickel projects which failed in the late 1990s due to cost overruns and technical issues. Anaconda had around A\$1.0bn in liabilities in 2002 and was restructured and recapitalised in 2003 with the support of Glencore International AG. A combination of trading profits and legal settlements with plant designers and constructors added the process and posted a maiden operating profit in 2H03 of A\$57.5mn on 15,793t Ni produced. The project is now a 60/40 joint venture with Glencore and is currently running at a 32,000tpa Ni production rate with a target of 40,000tpa and 2,500tpa Co from a project reserve of 145Mt @ 1.09% Ni (1.6Mt contained nickel), although as a JV Minara's attributable reserve is 87Mt @ 1.09% Ni. Design improvements have established a consistent production profile since 3Q05 and technical issues are declining. The company is also developing an experimental 200,000tpa of ore heap leach project on selected feed in parallel with the HPAL system.

Key assets

The Murrin Murrin ore reserve is split among four mining areas, developed to a 12.5m² RC drilling grid. The ore is free digging with blasting only required for waste removal. Optimum production is 52,000m³/day. The stockpile schedule allows three months drying to aid throughput density. The ultimate target is to construct a separate production stream to HPAL. The Minara heap leach is initially treating the oversize 'scats' from ore screening to prove the process and develop a full scale operation during 2007.

Summary

- The original Murrin Murrin HPAL project was a financial failure as the hardware of the plant fell short of the technology involving high pressures, high temperatures and acid concentrations.
- With the support of Glencore, the project was re-structured and re-financed and Minara has been able to solve inherited technical issues.
- The project has been in production for a few years and now appears to be operating at a steady state level. It is also testing potential for a parallel heap leach operation on a specific feed stock.

Minara is a substantial nickel producer in Australian terms. A laterite project, with the legacy of technical issues which appear to be largely overcome, there is a case for further production growth potential.

**MINARA RESOURCES
MRE AU**
**Market: ASX
Share price: A\$6.55**
**Analyst: Julian Emery / Brock Salier
February 22, 2007**

Key Market Information		Fundraising
Shares outstanding (mn)	465.1	
Market capitalization (A\$ mn)	3,046.3	
52-week high/low (A\$)	6.75 / 1.81	
Cash Dec '06 (A\$ mn)	111.6	
Options and warrants (mn)	0.2	
Enterprise value (A\$ mn)	2968.5	

Company Information		Major Shareholders	
30 The Esplanade		Glencore	51%
Perth, WA 6000		JP Morgan	9%
+618 9212 8400XX telephone		National	9%
Web: www.minara.com.au		Westpac	7%

Reserve attributable	Mt	Ni	Ni (t)	Cu	Cu (t)
Proven	38	1.12%	424,400	-	-
Probable	49	1.07%	524,940	-	-
Total	87	1.09%	949,340	-	-

Resource attributable	Mt	Ni	Ni (t)	Cu	Cu (t)
Measured	85	1.02%	867,000	-	-
Indicated	112	0.97%	1,086,400	-	-
Inferred	3	0.92%	27,600	-	-
Total	200	0.99%	1,981,000	-	-

Production	Ore	Ni grade	Ni metal	Costs
2005	3Mt	1.32%	28,240t	A\$3.98/lb
2006	3Mt	1.34%	31,524t	-
2008E	-	-	37,000t	-

Management		
James Campbell	Chairman	Formerly a director of Anglo American, De Beers, AngloGold and Amplats, he was also MD of the Anglo coal division, MD of De Beers Industrial Diamond division and, Chairman of Amcoal. He was appointed a Director in 1999 as a nominee for Anglo and became Chairman after leaving Anglo in 2001.
Peter Johnston	CEO/MD	Previously with WMC where he was Executive GM and at various times was responsible for the Nickel and Gold Operations, Olympic Dam, and Alcoa Australia. He is past President of the international Nickel Development Institute.
Non-exec. directors		Ivan Glasenberg and Willy Strothotte (Glencore nominees); John Morrison; Malcolm Macpherson

Share Price


Profit & Loss (A\$ '000)	2004	2005	1H06
Revenue	197,959	361,376	268,524
Cost of sales	(126,080)	(293,975)	(126,343)
EBITDA	84,006	92,481	142,181
Other adjustments	-	-	(30,677)
Net interest	2,986	1,925	(1,206)
Pre-tax profit	39,864	56,415	110,298
Income tax	3,101	(58)	(9,553)
Profit	42,965	56,357	100,745

Balance Sheet (A\$ '000)	2004	2005	1H06
Cash	103,213	72,022	111,603
Other current assets	112,707	116,975	162,573
PP&E	339,879	365,281	356,534
Mine assets	89,054	88,094	84,899
Other non-current assets	54,587	72,020	82,515
Liabilities	(200,929)	(217,301)	(224,531)
Net Assets	498,511	497,091	573,593
Contributed equity	771,938	773,467	773,467
Reserves & minority int.	(724)	(160)	(1,149)
Retained earnings	(272,703)	(276,216)	(198,725)
Liabilities and equity	498,511	497,091	573,593

Cash Flow (A\$ '000)	2004	2005	1H06
Receipts from customers	205,462	346,543	238,070
Payments to suppliers	(145,158)	(287,720)	(153,312)
Exploration costs	(8,680)	(5,781)	(409)
Net op. cash flow	51,624	53,042	84,349
PP&E purchase	(20,665)	(62,317)	-
Other investment cash flow	(46,013)	(40,718)	(102,434)
Net investing cash flow	(15,054)	(49,993)	(18,085)
Net interest	2,895	2,128	727
Issue of share capital	1,200	1,222	-
Other	6,644	8,744	(4,299)
Dividends + capital returns	(92,696)	(46,478)	(23,254)
Net financing cash flow	(81,957)	(34,384)	(26,826)
Net change in cash flow	(45,387)	(31,335)	39,438

Mincor Resources NL (MCR AU)

Background

Mincor Resources is an Australian listed nickel miner which began life as a West African gold explorer.

In 2000 Mincor formed an alliance with BHP to develop the Reko Diq copper project in Pakistan which was separately listed in October 2003 as Tethyan Copper and sold to Antofagasta/Barrick in April 2006, with Mincor's equity worth A\$15.7mn on a book value of A\$2.2mn.

Mincor's declared target is now to build a diversified production and development portfolio in Australia through expansion and acquisition. These are primarily nickel assets but there are also prospects in gold, copper, tungsten and zinc. Mincor has four producing nickel mines in the Kambalda area of Western Australia. Current nickel ore reserves of 1.67Mt @ 2.7% Ni (44,690t) plus resources of 2.0Mt @ 3.8% Ni (75,830t) and current annual throughput is 0.6Mtpa @ 2.9% Ni producing at the rate of 15,000tpa Ni in concentrate.

Key assets

The Miitel and Wannaway mines were acquired from WMC in 2001, and Mincor's own developments, are the Mariners and Redross mines. The ore is toll treated at BHP Billiton's plant and the concentrate is then sold for 65% of the metal value through a long term off-take agreement with BHP Billiton. The immediate target is to lift reserves to 105,000t (7-years' life). Costs are c. US\$8,500/t, and the 2006/07 exploration budget is A\$12mn. Three new mines are planned in the next 18 months.

Other recent deals include:

An earn-in and JV arrangement with Image Resources NL to spend A\$1.5mn for a 70% stake in ten Exploration Licences west of Mincor's current operations.

Acquisition of two historic nickel mines with 28,830t contained nickel resource, and surrounding exploration portfolio, from a private company Goldfields Mine Management for A\$30mn. The deal includes a royalty agreement to sole-fund expenditure on the Carnilya Hill tenements in which Mincor and View Resources will have 70%/30% contributing interests:

Exploration rights (for A\$2.0mn cash/equity) from Tectonic resources NL, and the right to earn an 80% interest by sole-funding A\$5mn exploration over 3-years at the Rav 8 nickel mine near Ravensthorpe, which closed in 2005.

Summary

- In recent years, Mincor has undoubtedly been one of the most successful entrepreneurial Australian mining companies.
- The Reko Diq copper project appeared to have a significant sovereign risk but Mincor management secured the asset, added value, gave shareholder return through a separate listing and a further boost when it was acquired by a major consortium.
- The growth and development of the nickel division has been impressive and the recent series of deals, funded out of cash flow, demonstrate the intention to continue to expand while taking full advantage of the prevailing high nickel prices.

Mincor has produced nearly 80,000t Ni, made A\$81mn profit and paid A\$21mn in dividends since 2001. It appears good value on earnings and growth potential but currently has modest reserves and resources.

MINCOR RESOURCES
MCR AU

Market: ASX
Share price: A\$3.09

Analyst: Julian Emery / Brock Salier
February 22, 2007

Key Market Information		Fundraising
Shares outstanding (mn)	195.5	None since 2002
Market capitalization (A\$ mn)	604.2	
52-week high/low (A\$)	3.12 / 0.64	
Net cash Feb '07 (A\$ mn)	45.1	
Options and warrants (mn)	6.15	
Enterprise value (A\$ mn)	562.4	

Company Information		Major Shareholders	
1 Havelock Street, West Perth, WA 6005, Australia +618 9321 7125 Web: www.mincor.com.au		Westpac National ANZ MIR Inv. Mgt	8.9% 7.0% 5.2% 6.1%

Reserve	Mt	Ni	Ni (t)	Cu	Cu (t)
Proven	0.67	2.8%	18,760		
Probable	1.00	2.6%	26,000		
Total	1.67	2.7%	44,760		

Resource	Mt	Ni	Ni (t)	Cu	Cu (t)
Measured	0.86	4.0%	34,400	%	
Indicated	0.93	3.8%	35,340	%	
Inferred	0.22	2.9%	6,380	%	
Total	2.01	3.8%	76,120	%	

Production	Ore	Ni grade	Ni metal	Costs
2005/06	540,897t	2.86%	13,500t	A\$5.11/lb
2006/07E	-	-	15,000t	-
2007/08E	-	-	-	-

Management		
David Human	Chairman	Chartered Accountant, formerly with Price Waterhouse where he was chairman of the Hong Kong/China division and a member of the World Executive Committee.
David Moore	MD	Geologist, formerly executive with Shell/Billiton and Iscor. He oversaw the transaction between Iscor and Africwest Gold which created the Company in 1999.
Jim Reeve	Director	Geologist, previously COO of Mincor, and formerly Chief Geologist at Olympic Dam and Manager of the WMC Nickel Business Unit.
Steve Cowie	COO	Geologist with extensive management experience in Australian mining projects, including Fimiston, Mt. Magnet, Kambalda, Leinster and Carosue Dam.
Non-exec. directors		Include Jack Gardner and Ian Burston, leading identities in the Australian mining sector

Share Price



Profit & Loss (A\$ '000)	2003	2004	2005	2006
Revenue	78,992	86,270	121,533	175,261
Cost of sales	(48,258)	(56,211)	(74,439)	(103,735)
EBITDA	30,734	30,059	47,094	71,526
Other adjustments	(14,268)	(12,597)	(17,711)	(30,231)
Net interest	(1,365)	(297)	290	699
Pre-tax profit	15,043	17,165	29,093	40,596
Income tax	(6,080)	(5,856)	(8,903)	(11,287)
Profit	9,021	11,309	20,190	29,309

Balance Sheet (A\$ '000)	2003	2004	2005	2006
Cash	19,085	9,176	18,205	45,135
Other current assets	19,662	20,407	35,581	55,360
PP&E	18,158	31,045	59,462	56,673
Exploration and mining	25,360	23,036	7,683	6,351
Other non-current assets	821	4,184	4,079	1,410
Liabilities	(34,494)	(37,062)	(59,769)	(93,807)
Net Assets	48,592	50,786	65,241	71,122
Contributed equity	22,473	27,227	27,313	27,313
Reserves	11,734	545	118	(18,789)
Retained profits	14,385	23,014	37,810	62,598
Liabilities and equity	48,592	50,786	65,241	71,122

Cash Flow (A\$ '000)	2003	2004	2005	2006
Receipts from customers	90,349	88,826	131,898	174,949
Payments to suppliers	(53,768)	(64,828)	(76,678)	(119,462)
Net operating cash flow	36,581	23,998	55,220	55,487
PP&E purchase	(6,278)	(8,600)	(21,347)	(28,282)
Other investment cash flow	(40,632)	(46,817)	(20,071)	8,067
Net investing cash flow	(10,329)	(31,419)	(41,418)	(20,215)
Issue of Share capital	369	1,200	86	-
Dividends	-	(2,680)	(4,859)	(7,786)
Net borrowings	(21,405)	(1,008)	-	(556)
Net financing cash flow	(21,036)	(2,488)	(4,773)	(8,342)
Net change in cash flow	5,216	(9,909)	9,029	26,930

Mirabela Nickel (MBN AU)

Background

Mirabela Nickel is an Australian listed company focused on the exploration and development in Brazil, with four 100% owned projects. The most advanced project is Santa Rita, which has a JORC M&I and inferred resource and a Bankable Feasibility Study and resource definition programme are underway. Mirabela is applying for a dual listing in Toronto.

Key assets

Santa Rita, located near Salvador in Brazil, is a disseminated nickel sulphide resource discovered in 2004. The JORC global indicated/inferred resource is 70Mt @ 0.61% Ni (430,000t) + 0.14% Cu + Co and PGM which is being upgraded by some highly promising infill drilling. This is a potential open pit resource of 56Mt (332,000t) at a strip ratios of 5.9. The property has excellent available infrastructure, including power and water and the port of Aruta (340km), which is equipped to handle storage and loading of concentrates. A scoping study based on a long term nickel price of US\$4/lb (US\$8820/t) showed a US\$215mn, 4.0Mtpa project producing 17,000tpa Ni in a 12% concentrate from a simple flotation circuit with 70% recovery. Commissioning could be achieved by 4Q08. Various off-take agreements are under negotiation. It has recently announced a new nickel sulphide discovery 2km northeast of Santa Rita. BFS is due in April 2007

Mirabela Saprolite: high grade saprolite with a JORC Indicated resource of 1.34Mt @ 2.3% Ni (30,790t) within a large low grade nickel laterite resource. Possibly a direct shipping ore amenable to ferronickel smelters.

Sao Francisco: nickel sulphide exploration project. Some 20,500ha of tenements covering a large ultramafic belt hosting at least five known nickel sulphide prospects. There is potential for near surface mineralisation over a 50km strike length and high grade massive sulphide at depth.
Araguacema: copper exploration project. The Company is seeking a JV partner to develop this project.

Exploration: Mirabela has a joint venture agreement whereby Inco may earn a 70% interest in new discoveries by completion of a BFS on >100,000t Ni reserves. This agreement excludes open-cut disseminated resources.

Enterprise Value and share price sensitivity figures are presented in Table 20 and Table 21, respectively. For Mirabela, at US\$15,000/t, 5% of the in-situ value of the inferred resource is valued at US\$336.9mn or A\$4.72 per share.

We are initiating coverage on Mirabela Nickel with a BUY recommendation and a target price of A\$4.72/share.

Mirabela is currently trading at 3.66% of EV/in-situ value, at the higher end of the pre-production peer group. In the case of Mirabella, it is important to note that the BFS is due in March 2007, and the quality of the resource is likely to lead to favourable economics. The average EV/in-situ value for post-BFS, pre-production developers reviewed here is 20.3%, although this is biased toward Western Areas.

As such, with progress to date indicating the likelihood of a BFS with strong economics, a valuation at the top end of its pre-production peer group is warranted. We believe a short term target of 5% is valid, equating to a share price of A\$4.72. On successful completion of BFS, depending on the results, a medium-term target EV/in-situ ratio of around 10% may be achievable (A\$9.32).

**MIRABELA NICKEL
MBN AU**
**Market: ASX
Share price: A\$3.62**
**Analyst: Julian Emery / Brock Salier
February 22, 2007 BUY
Target price: A\$4.72**

Key Market Information		Fundraising	
Shares outstanding (mn)	88.5	2Q06 @ A\$0.85	A\$5mn
Market capitalization (A\$m)	320.2	Aug '06 @ A\$1.25	A\$11mn
52-week high/low	4.29 / 0.82	Dec '06 @ A\$2.10	A\$26mn
Net cash Dec '06 (A\$ mn)	6.4		
Options and warrants (mn)	5.6		
Enterprise value (A\$ mn)	313.8		

Company Information		Major Shareholders	
11 Colin Street		Management	18%
West Perth, WA 6005		Dundee	12%
+618 9324 1177		Inco	10%
Web: www.mirabela.com.au		JP Morgan	7%

Reserve	Mt	Ni	Ni (t)	Cu	Cu (t)
Proven	-	-	-	-	-
Probable	-	-	-	-	-
Total	-	-	-	-	-

Resource	Mt	Ni	Ni (t)	Cu	Cu (t)
Measured	-	-	-	-	-
Indicated	52.4	0.62%	324,880	0.15%	78,600
Inferred	18.0	0.57%	102,600	0.14%	25,200
Total	70.4	0.61%	427,480	0.14%	103,800

Production	Ore	Ni grade	Ni metal	Costs
2009/10E	4,000,000t	-	17,000t	-

Management

Bill Clough	Chairman	Many years' experience in the mining sector with a recent focus on developing countries. He was a founder of Serabi Mining, the AIM listed gold producer in Brazil. He identified and negotiated the acquisition of the Mirabela Project.
Nick Poll	MD	Geologist with over ten years' experience in mining projects. He worked with WMC on the Kambalda nickel projects in Australia, resource projects in Brazil and managed gold exploration in French Guiana.
Craig Burton	Director	12 years' experience as an executive in project acquisition, financing and development in the resource industry and a founding shareholder of a number of companies.
David Chapman	Ops. Manager	Geologist, over 23 years' experience including as Exploration Manager for WMC in Brazil, Geology Manager for WMC's Nickel Division working on low-grade disseminated deposits like Santa Rita.

**Share price sensitivity
(EV/in-situ value)**

	\$8,800	\$10,000	\$15,000	\$20,000	\$25,000
3.0%	1.74	1.96	2.88	3.80	4.72
4.0%	2.28	2.57	3.80	5.03	6.25
5.0%	2.82	3.19	4.72	6.25	7.79
7.5%	4.17	4.72	7.02	9.32	11.62
10.0%	5.52	6.25	9.32	12.38	15.45

Price Assumptions	Unit	2007E	2008E	2009E	2010E
Nickel	US\$ / t	15,000	15,000	15,000	15,000
Copper	US\$ / t	3,300	3,300	3,300	3,300
Exchange rate	US\$ / A\$	0.79	0.79	0.79	0.79

Share Price


Profit & Loss (A\$ '000)	2005	2006
Revenue	-	-
Cost of sales	(681)	(1,052)
EBITDA	(681)	(1,052)
Other adjustments	(27)	(28)
Net interest	(86)	162
Pre-tax profit	(621)	(919)
Income tax	-	(7)
Profit	(621)	(926)

Balance Sheet (A\$ '000)	2005	2006
Cash	1,763	6,428
Other current assets	87	768
PP&E	119	287
Exploration and mining	4,556	13,494
Liabilities	(228)	(487)
Net Assets	6,296	20,489
Issued capital	6,447	20,063
Reserves	469	1,973
Accumulated loss	(621)	(1,547)
Liabilities and equity	6,296	20,489

Cash Flow (A\$ '000)	2005	2006
Receipts from customers	-	-
Payments to suppliers	(487)	(1,280)
Exploration	(4,179)	(7,632)
Net operating cash flow	(4,666)	(8,912)
PP&E purchase	(156)	(191)
Other investment cash flow	51	-
Net investing cash flow	(105)	(191)
Issue of Share capital	6,797	13,677
Share issue costs	(350)	(62)
Interest received	86	162
Net financing cash flow	6,533	13,777
Net change in cash flow	1,762	4,675

EV/In-situ metal valuation

Table 20: Enterprise value sensitivities (US\$m) to EV/in-situ value and long term nickel price

	\$8,800	\$10,000	\$15,000	\$20,000	\$25,000	\$30,000	\$35,000
1.0%	39.5	44.9	67.4	89.8	112.3	134.8	157.2
3.0%	118.6	134.8	202.1	269.5	336.9	404.3	471.7
4.0%	158.1	179.7	269.5	359.4	449.2	539.0	628.9
5.0%	197.6	224.6	336.9	449.2	561.5	673.8	786.1
7.5%	296.5	336.9	505.4	673.8	842.3	1,010.7	1,179.2
10.0%	395.3	449.2	673.8	898.4	1,123.0	1,347.6	1,572.2

Source: Fox-Davies Capital, adjusted for in the money options and warrants

Table 21: Share price sensitivities (A\$) to EV/in-situ value and long term nickel price

	\$8,800	\$10,000	\$15,000	\$20,000	\$25,000	\$30,000	\$35,000
1.0%	0.66	0.74	1.04	1.35	1.65	1.96	2.27
3.0%	1.74	1.96	2.88	3.80	4.72	5.64	6.56
4.0%	2.28	2.57	3.80	5.03	6.25	7.48	8.71
5.0%	2.82	3.19	4.72	6.25	7.79	9.32	10.85
7.5%	4.17	4.72	7.02	9.32	11.62	13.92	16.22
10.0%	5.52	6.25	9.32	12.38	15.45	18.52	21.58

Source: Fox-Davies Capital, adjusted for in the money options and warrants

Summary

- Mirabela has developed an important nickel project in Brazil, in a good location for infrastructure and development. It is applying a dual listing in Toronto reflecting a strong North American shareholder influence.
- Santa Rita is one of the most important greenfield nickel sulphide discoveries (430,000t Ni) and expected to be in production from 2009 at a rate of 17,000tpa contained nickel.
- The Company has important development projects and a joint venture with CVRD-Brazil on future exploration prospects.

Mirabela is considered to have an excellent portfolio of nickel projects in Brazil, experienced management, which has progressed the Santa Rita project in an impressive manner. Our recommendation is BUY with a target price of A\$4.72 per share.

Mustang Minerals Corp (MUM CN)

Background

Mustang Minerals is a nickel explorer and developer, currently focusing on bringing the Maskwa nickel-copper project in Manitoba, Canada, into production. The Company acquired the property in June 2004, the deposit was mined by Falconbridge between 1974 and 1976. The current resource is 5.3Mt @0.7% Ni and 0.15% Cu.

Key assets

The Maskwa ore body is composed of disseminated sulphides in the basal part of a one kilometre thick ultramafic sill. The mine has had several previous owners, with mining the 1970s having left an open pit which is now flooded. Additional exploration assets include the Dumbarton underground mine, previously mined by Falconbridge.

Results of a 43-101 compliant scoping study were released in January 2007, with the total indicated and inferred resource of 9.0Mt @ 0.62% Ni being entirely mineable by open pit. Mustang has indicated that it will be undertaking a feasibility study commencing in 2007, to target mine construction in 2008. Of specific note, Western Areas, the West Australian nickel miner, has acquired a 14% stake in Mustang Minerals for C\$3mn, with warrants for a further 6% for C\$2mn.

Planned production is based on capex of C\$65mn for plant and mining setup, followed by processing of 1Mtpa of ore at 0.62% Ni to produce of 4,700t Ni metal in concentrate. Using a nickel price of US\$15,000/t, financial models prepared as part of the 43-101 report suggest a projected pre-tax cash flow of C\$290mn over a nine year mine life, giving an NPV of C\$90mn at a 10% discount rate. Historically the ore has had metallurgical problems, with recovery of 75% assumed for this model, although recovery has proved good in tests, at 13%.

Other exploration projects in the area include the Bannockburn nickel project, located 100km from Timmins in Ontario, the East Bull Lake PGM property, 80km west of Sudbury, Ontario, and the River Valley PGM property under JV with Implats who can earn-in to 60% for C\$6mn exploration over five years.

Summary

- Focused on development of its core assets, the Maskwa nickel deposit, Mustang Minerals is a small exploration firm listed in Canada.
- Preliminary feasibility studies done as part of the Canadian 43-101 reporting indicate that the Maskwa deposit could sustain a nine year mine life based on an open pit mine with an initial start-up capex of C\$64.6mn.

Following a long period of exploration, Mustang Minerals is potentially on track to bring their first small deposit into production over the next several years but need to expedite the process to restore investors' confidence. Partnering with the Australian company, Western Areas is seen as a good first step.

Mustang Minerals Corp		Market: TSXV		Analyst: Julian Emery / Brock Salier	
MUM CN		Share price: C\$0.63		February 22, 2007	
Key Market Information		Fundraising			
Shares outstanding (mn)	62.6	2003		C\$6mn	
Market capitalization (C\$ mn)	39.5	2005		C\$6mn	
52-week high/low (C\$)	0.80 / 0.24	Dec '06 @ C\$0.35		C\$3mn	
Net cash (C\$ mn)	0.7				
Options and warrants (mn)	1.9				
Enterprise value (£ mn)	38.9				
Company Information		Major Shareholders			
#530, 65 Queen Street		Western Areas		15%	
Toronto, Ontario M5H 2M5, Canada					
+416 955 4773					
Web: www.mustangminerals.com					
Reserve	Mt	Ni	Ni (t)	Cu	Cu (t)
Proven	-	-	-	-	-
Probable	-	-	-	-	-
Total	-	-	-	-	-
Resource	Mt	Ni	Ni (t)	Cu	Cu (t)
Measured	-	-	-	-	-
Indicated	8.1	0.64%	51,840	0.13%	10,530
Inferred	1.0	0.46%	4,600	0.09%	900
Total	9.1	0.62%	56,440	0.12%	11,430
Production	Ore	Ni grade	Ni metal	Costs	
2008 onward	1,000,000t	0.62%	6,000t	US\$2.62/lb	
Management					
Robin Dunbar	President	Previously vice president at a Canadian chartered bank.			
Ernie Marcotte	Vice President	Background in metallurgical and mining operations, experience of plant design, commissioning and operations.			
Alex Falconer	CFO				
Directors		Kenneth Lapierre; Brian Barr; Thomas Meredith; Edward Munden; Gerald Harper.			
Share Price		<p>Source: Bloomberg</p>			
Profit & Loss (A\$ '000)		2003	2004	2005	3Q06*
Revenue		-	-	-	-
Cost of sales		(1,635)	(3,757)	(5,356)	(608)
EBITDA		(1,635)	(3,757)	(5,356)	(608)
Other adjustments		(347)	82	(19)	(144)
Net interest		(6)	(70)	(51)	37
Pre-tax profit		(1,988)	(3,745)	(5,426)	(716)
Tax asset		445	1,370	95	(480)
Loss for year		(6,396)	(2,375)	(5,330)	(236)
*9 months to Sep '06 unaudited					
Balance Sheet (A\$ '000)		2003	2004	2005	3Q06*
Cash		6,365	2,673	2,680	676
Other current assets		130	325	230	167
Mining interests		2,894	9,812	8,937	10,485
Other assets		44	20	28	22
Liabilities		(256)	(2,014)	(2,510)	(2,434)
Net Assets		9,177	10,816	9,365	8,916
Share capital		12,228	15,300	18,706	17,614
Options and warrants		3,344	4,007	3,487	3,488
Contributed surplus		-	279	1,272	1,272
Retained loss		(6,396)	(8,771)	(14,102)	(13,459)
Liabilities and equity		9,177	10,816	9,365	8,916
Cash Flow (A\$ '000)		2003	2004	2005	3Q06
Operating cash flow		(609)	(882)	(956)	(405)
Security disposal		126	59	140	48
Capital asset purchase		(11)	(7)	(31)	(2)
Net mining interests		(835)	(4,498)	(2,833)	(1,645)
Cash flow from investing		(720)	(4,446)	(2,724)	(1,599)
Issue of shares		4,276	1,446	3,717	-
Note payable		-	-	165	-
Issue of warrants		2,944	287	-	-
Equity unit issue cost		(877)	(97)	(195)	-
Net financing cash flow		6,343	1,636	3,687	-
Net change in cash flow		5,013	(3,692)	7	(2,004)

Sally Malay Mining (SMY LN)

Background

Sally Malay Mining was admitted to ASX in 2001, raising A\$3mn in the IPO to develop the Sally Malay Project, a nickel/copper/cobalt orebody, located in the East Kimberley region in Western Australia. The concentrate produced is under a life-of-mine concentrate sales agreement with a Chinese customer, Sino Nickel (a joint venture between China's largest nickel producer, Jinchuan and Sino Mining). In June 2004 Sally Malay acquired a 75% stake from WMC, in the Lanfranchi Project, near Kambalda, and is also in production.

Key assets

The Sally Malay Project is located 240km south of Kununurra in Western Australia. The deposit was discovered in the early 1970s. The orebody is a single lens massive sulphide deposit 250m x 40m with uniform mineralisation. It outcrops and the weathering is consistently shallow, down to 20m. There is also a 'Deeps' resource potential below a fault at 500m depth. Open pit mining operations commenced in March 2004 and ceased prematurely, due to a wall failure in early 2006, which accelerated the underground schedule. The 1.0Mtpa process plant was commissioned in August 2004 delivering a bulk concentrate, exclusively to China. Production is expected to rise from 7,500tpa Ni in concentrate in 2005/06 to 10,000tpa by 2007/08 supplemented by the 'Deeps' project and the Copernicus (60%) JV. In addition, there is a 50% earn-in to the Panton platinum group metals prospect with 10Mt @ 6g/t.

The Lanfranchi mine produced over 100,000t Ni in fifteen years of underground mining. The mine and associated tenements is a 75/25 JV project between Sally Malay and Donegal Resources, acquired for A\$26mn. It is located 42km south of Kambalda and comprises 50km² of highly prospective leases.

The company has seven projects, two of which are in operation. Production is scheduled to rise from 3,400tpa contained Ni in 2005/06 to 10,500tpa in 2007/08. In addition, the Deacon discovery in October 2006 and is shaping up to be a significant additional resource at Lanfranchi. The total resource (including reserve) is 5.5Mt@1.96% Ni.

Summary

- Sally Malay has got its timing just about right with a fast track lead time to coincide with the nickel price rise in spite of some problems. The two project areas provide output growth potential and project risk cover.
- Exploration success, particularly the recent Deacon's discovery at Lanfranchi, should ensure longevity and further potential production increases.
- The share may have underperformed its peer group due to a high level of debt and associated hedging, plus the early pit closure.

With debt and hedging are being rapidly eroded and a strong potential production growth profile, Sally Malay should exhibit which should boost earnings growth.

**SALLY MALAY MINING
SMY AU**

**Market: ASX
Share price: A\$3.90**

**Analyst: Julian Emery / Brock Salier
February 22, 2007**

Key Market Information		Fundraising	
Shares outstanding (mn)	183.0	Debt facility	A\$80mn
Market capitalization (A\$ mn)	726.4	May '06 @ A\$1.25	A\$20mn
52-week high/low (A\$)	3.98 / 0.82		
Net cash (A\$ mn)	30.6		
Options and warrants (mn)	8.5		
Enterprise value (A\$ mn)	743.7		

Company Information		Major Shareholders	
L22, 77 St George's Terrace, Perth, WA 6000 Postcode, Australia +618 9225 0999 Web: www.sallymalay.com		ANZ nominees	39%
		Westpac nominees	13%
		National nominees	9%
		Management	8%

Reserve	Mt	Ni	Ni (t)	Cu	Cu (t)
Proven	-	-	-	-	-
Probable	2.97	1.69%	50,190	0.54%	16,000
Total	2.97	1.69%	50190	0.54%	16,000

Resource	Mt	Ni	Ni (t)	Cu	Cu (t)
Measured	-	-	-	-	-
Indicated	4.06	2.06%	83,657	0.53%	21,800
Inferred	1.40	1.65%	23,142	0.40%	5,600
Total	5.46	1.96%	106,799	0.40%	22,196

Production	Ore	Ni grade	Ni metal	Costs
2006	760,163t	1.15%	9,459t	US\$4.97
2007E	-	-	12,500t	US\$5.50/lb-
2008E	-	-	17,500t	US\$5.50/lb-

Management		
Christopher de Guingand	Chairman	Held senior positions with CRA for over 13 years. He was marketing manager for Hamersley iron and commercial manager for the Greenvale Nickel project. He is currently a director of Albidon.
Peter Harold	MD	Process engineer, over 17 years' corporate experience in the minerals industry. He has been involved with the Cawse nickel laterite project, and the Silver Swan and Mt Keith nickel sulphide projects.
Non-exec director		Christopher Langdon (Corporate Financier); Robert Logan (Engineer); John Rowe (ex-LionOre)

Share Price



Profit & Loss (A\$ '000)	2003	2004	2005	2006
Revenue	399	726	139,058	242,321
Cost of sales	(1,277)	758	(77,632)	(166,15)
EBITDA	(878)	(1,484)	61,426	76,165
Other adjustments	(47)	(654)	(42,433)	(48,854)
Net interest	(368)	(571)	(4,174)	(4,210)
Pre-tax profit	(1,293)	(2,709)	14,819	23,101
Income tax	-	-	(4,553)	(7,179)
Profit	(1,293)	(2,709)	10,266	15,922

Balance Sheet (A\$ '000)	2003	2004	2005	2006
Cash	4,286	9,035	15,348	30,647
Other current assets	246	2,365	23,627	42,450
PP&E	450	53,506	64,251	63,693
Exploration and mining	8,630	13,448	43,705	51,890
Other non-current assets	-	697	14,266	26,791
Liabilities	(4,101)	(47,779)	(106,99)	(166,549)
Net Assets	9,511	31,272	54,199	48,922
Issued capital	11,398	35,868	47,778	68,546
Other contributed equity	-	-	-	-
Reserves	-	-	798	(33,514)
Retained earning	(1,887)	(4,596)	5,623	13,890
Total equity	9,511	31,272	54,199	48,922

Cash Flow (A\$ '000)	2003	2004	2005	2006
Receipts from customers	286	258	128,635	220,743
Payments to suppliers	(969)	(1,819)	(103,91)	(164,207)
Net operating cash flow	(683)	(1,561)	24,724	56,536
PP&E purchase	(394)	(37,745)	(8,266)	(14,093)
Exploration and development	(3,092)	(6,503)	(848)	(1,612)
Other investment cash flow	447	(1,548)	(57,606)	(82,630)
Net investing cash flow	(3,722)	(47,357)	(41,996)	(41,799)
Issue of share capital	6,575	23,623	12,035	21,702
Cost of capital raising	(150)	(657)	(400)	(1,100)
Borrowings and other	2,047	30,701	11,950	(19,907)
Net financing cash flow	8,472	53,667	23,585	695
Net change in cash flow	4,067	4,749	6,313	15,432

Toledo Mining (TMC LN)

Background

Toledo Mining Corporation was admitted to AIM in April 2004. It has a 56.1% interest in the 275Mt Berong Nickel laterite project, the balance being owned by Investika (IVK) 18.7% (plus 6.5% indirect interest) and Atlas Consolidated (ACMDC-Philippines SX). Toledo Mining has also a 52% interest in the 75Mt Celestial nickel laterite property. Both properties are located in Palawan Island, Philippines. Atlas originally started work in the 1970s but was unable to progress the project due to financial constraints. The initial target is to mine from a direct shipping laterite product to be sold FOB Philippines to nickel smelters in the South Eastern Asian region. Customer demand for laterite nickel is strong and negotiations are underway with Chinese and Japanese customers together with a possible long term contract for up to 50% of mine output with the BHP smelter in Queensland.

In late 2005, Toledo obtained a Temporary Exploration Permit (TEP), to allow sampling and ground penetrating radar surveys for resource confirmation and differential grade definition, and Free Prior and Informed Consent (FPIC) from the indigenous community. In November 2006, the project was granted priority development status and has been issued a one year renewable Special Mines Permit (SMP) by the Department of Natural Resources (DENR), which allows full scale commercial contract mining. This allows mining while a feasibility report is completed to comply with the Mineral Production Sharing Agreement (MPSA) application.

Key assets

The Berong laterites consist of a lower grade nickel, high iron content, limonite layer, which is suitable for specialist stainless steel blast furnaces, over a higher grade nickel saprolite layer which is a more suitable ferro-nickel smelter feed, sitting on ultramafic bedrock. The limonite may also be amenable to acid leaching.

Toledo has been able to make rapid progress with construction and associated infrastructure connected with metallurgical bulk sampling and the commercial mining area is being developed less than 12-months from initial test pitting and sampling. The laterites are free-digging material requiring no blasting and the major task is selective excavation prior to stockpiling and de-watering and preparing the suitable customer blend for shipping. Production is scheduled for an export target of 0.7Mwmt @ 1.85% Ni in 2007, 1.5Mwmt pa by 2008 and a target of 3Mwmt pa sold on the basis of FOB Philippines. Currently, a coastal stockpile of 100,000wmt has been accumulated and the first shipment of around 20,000wmt is being delivered. The operation is simple, requiring conventional mechanical extraction methods to the defined grade control, natural de-watering, blending and stockpiling for shipping FOB Philippines. A new coastal access road is under construction and initial barge loading facilities at the nearby wharf are expected to be switched to a conveyor, with direct loading to bulk carriers in mid-2007.

Summary

Toledo is well positioned to capture a specific demand for nickel laterite products in the form of direct shipping ore to stainless steel blast furnaces and ferro-nickel smelters. A JORC compliant ore reserve needs to be completed for a full mining permit and is scheduled by the Company for May 2007. This has not impeded the fast track of Berong to the commencement of mining to a lead time of less than 12-months.

Toledo is a special case as it does not require an on-site concentrator and is effectively in production without a JORC resource. This and the lack of an off-take agreement but this prevents us giving a share rating. We have little information on possible revenues but on a basis of US\$15/t operating costs and 15% nickel content payment, this would give a respectable US\$25/t margin on US\$15,000/t nickel.

**TOLEDO MINING CORP
TMC LN**

**Market: AIM
Share price: £1.395**

**Analyst: Julian Emery / Brock Salier
February 22, 2007**

Key Market Information		Fundraising	
Shares outstanding (mn)	27.9	Mar '06 @ £1.08	£8.5mn
Market capitalization (£ mn)	38.9		
52-week high/low (p)	143 / 100		
Net cash (£ mn)	8.0		
Options and warrants (mn)	undisclosed		
Enterprise value (£ mn)	30.9		

Company Information		Major Shareholders	
11 Albemarle Street		Framlington	14.7%
London W1S 4HH, UK		Investika	11.6%
+44 20 7514 1480XX telephone		RAB Capital	21.4%
Web: www.toledomining.com		Fidelity	6.7%

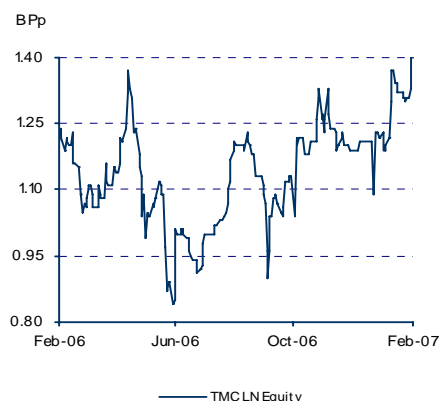
Reserve	Mt	Ni	Ni (t)	Cu	Cu (t)
Proven	-	-	-	-	-
Probable	-	-	-	-	-
Total	-	-	-	-	-

Resource	Mt	Ni	Ni (t)	Cu	Cu (t)
Measured	-	-	-	-	-
Indicated	-	-	-	-	-
Inferred	-	-	-	-	-
Total	-	-	-	-	-

Production	Ore	Ni grade	Ni metal	Costs
2006	-	-	-	-
2007E	1,000,000t	1.8%	12,000	-
2008E	1,500,000t	1.8%	18,000	-

Management		
Chris Kyriakou	Chairman	Lawyer, continuously involved in the mining industry since 1979, with extensive experience in Australia, Canada, Africa and Mexico. He has been responsible for the development of a number of mines and has been an executive director of a number of mining companies.
George Bujtor	MD	George has over 25 years' experience in the mining industry including as MD two Rio Tinto Departments, Base Metals Development and External Affairs, Energy and Environment. He was also CEO of Aldoga Aluminium Smelter Pty Ltd and co-led the A\$1.5bn Comalco Alumina Refinery Project.
Bob Cleary	Director	Bob is a Chemical engineer and has 18 years mining industry experience. Most recently he was MD of Energy Resources of Australia for Rio Tinto and North.
Roger Shakesby	Director	Roger is a Geologist. He was Exploration Manager for Gold Fields in Australia, Philippines, Indonesia and Papua New Guinea and Exploration General Manager for Renison Goldfields.

Share Price



Source: Bloomberg

Profit & Loss (A\$ '000)	2005*	2006	1H07**
Revenue	18	187	47
Cost of sales	(1,200)	(1,018)	(430)
Operating loss	(1,182)	(831)	(383)
Other adjustments	670	350	-
Net interest	45	135	146
Pre-tax profit	(467)	(346)	(237)
Income tax	-	-	-
Loss	(467)	(346)	(237)

*13 months to 31/03/05 **6 month to 30/09/06 unaudited

Balance Sheet (A\$ '000)	2005*	2006	1H07**
Cash	4,029	2,673	8,007
Other current assets	545	839	3,170
Tangible + intangible assets	2,891	108	1,334
Investments	272	10,466	11,002
Long term debtors	-	38	38
Liabilities	(121)	(1,517)	(1,289)
Net Assets	7,616	12,609	22,262
Share capital	689	899	1,377
Share premium account	7,394	12,524	21,936
Profit and loss account	(467)	(813)	(1,051)
Shareholders funds	7,616	12,609	22,262

Cash Flow (A\$ '000)	2005*	2006	1H07**
Operating cash flow	(671)	(413)	(2,451)
Intangible fixed assets	(3,133)	(50)	(1,238)
Fixed assets	(22)	(66)	(4)
Cash flow from investing	(3,155)	(116)	(1,242)
Interest	45	108	82
Borrowings	(270)	270	(535)
Investments + associates	(2)	(6,370)	-
Issue of share capital	8,082	5,340	9,890
Net financing cash flow	7,855	(652)	9,437
Net change in cash flow	4,029	(1,181)	5,755

Western Areas (WSA AU)

Background

Western Areas was founded in 2000, and in April 2002, acquired the Forrestania Nickel project, 400km east of Perth, from Outokumpu which had produced 28,500t of contained nickel between 1992 and 1999 and had ceased mining operations with the site in the process of rehabilitation. There remained three nickel sulphide deposits with resources totalling 55,000t contained nickel. WSA intended to restore nickel production at a target rate of 4,000tpa. However, in October 2003, an intersection of 21m @ 7.8% Ni was recorded from a drill hole at an abandoned satellite pit called Flying Fox. Flying Fox quickly became the prime prospect, already with resources of 90,000t contained nickel. The declared resource target is a 165,000t Ni to support 10,000tpa Ni production. A sulphide treatment plant has been purchased and will be re-located on site in 2007. In the meantime, under an off-take agreement with LionOre, ore can be treated at the Emily Ann plant, 90km from site. In December 2006 Western Areas acquired a 14% interest in the Canadian nickel company, Mustang Minerals Corp. with attached warrants that on exercise will increase that interest to 19.9%. In December 2006 the existing A\$80m debt facility was re-financed without requiring additional hedging

Key assets

Flying Fox. The drill programme has to date defined resources at Flying Fox in six zones designated T0 to T5, according to depth. T1 has already been accessed by the decline while T5 hosts the largest and richest block. Stage one is to develop the T1 deposit, which has a probable reserve of 15,000t contained nickel grading at 4.8%, and first mine production is due to commence in 2H07 at a rate of 6,000tpa of nickel in concentrate. The BFS stage two expansion evaluated the T5 deposit with a probable reserve of 47,500tpa and development into T5 is to commence in late 2007. A mining rate of over 200,000tpa would produce up to 13,000tpa of contained nickel.

Diggers South was the first target of the original plan for Forrestania and is located 40km south of Flying Fox. It has an indicated/inferred resource of 31,200t @ 1.5% Ni, with a PFS targeted for completion in 1Q07. Recent drilling has recorded high grade massive sulphide intersections below this resource.

Western Areas has an annual exploration budget of some A\$12mn. Among the prime targets is Flying Fox Deeps, below the current resource base, which has already recorded intersections of 16m @ 9.7% Ni, 22m @ 5.7% and 13m @ 9.2%. There are also priority drill targets outside Flying Fox. In total, Western Areas has 3.08Mt @ 3.4% Ni.

Summary

- Western Areas has made an impressive impact on the nickel sector since the Flying Fox discovery fulfilled the best potential of Forrestania Project much sooner than the envisaged.
- Subsequent exploration has increased resources at a rapid rate with over 120,000t contained metal and a production target of over 10,000tpa contained nickel boosted by initial development in ore showing grades of 8%.

Western Areas has delivered on a project that had been let go by Outokumpu for non-commercial motives. The work has been based on a systematic assessment of the database and core sheds. However, luck plays a part and the unlocking of Flying Fox has rewarded diligence. The market has reflected success but there is probably more to come.

**WESTERN AREAS NL
WSA AU/CN**
**Market: ASX
Share price: A\$3.89**
**Analyst: Julian Emery / Brock Salier
February 22, 2007**

Key Market Information		Fundraising	
Shares outstanding (mn)	166.1	Dec '05 @ C\$133	C\$20mn
Market capitalization (A\$ mn)	646.3	Oct '06 @ A\$2.60	A\$46mn
52-week high/low (A\$)	4.13 / 3.42	Dec '06 @ C\$3.0	C\$24mn
Net cash (A\$ mn)	2.5		
Options and warrants (mn)	3.49		
Enterprise value (A\$mn)	674.7		

Company Information		Major Shareholders	
11 Ventnor Avenue		Terry Streeter	20.7%
West Perth WA 6005, Australia		Commonwealth Bank	7.8%
+618 9486 7855		Northmead Holdings	6.5%
Web: www.westernareas.com.au		MLIM-Blackrock	6.1%

Reserve	Mt	Ni	Ni (t)	Cu	Cu (t)
Proven	-	-	-	-	-
Probable	1.17	5.6%	65,200	-	-
Total	1.17	5.6%	65,200	-	-

Resource	Mt	Ni	Ni (t)	Cu	Cu (t)
Measured	-	-	-	-	-
Indicated	2.36	3.5%	82,600	-	-
Inferred	0.72	2.9%	20,700	-	-
Total	3.08	3.4%	103,300	-	-

Production	Ore	Ni grade	Ni metal	Costs
2007/08E	100,000t	7%	6,000t	-
2008/09E	150,000t	7%	10,000t	-
2009/10E	200,000t	7%	13,500t	-

Management

David Cooper	Chairman	Independent, non-executive, accountant with over 20 years' experience in taxation and business administration.
Julian Hanna	MD	A geologist with 30 years' experience in exploration and mine development and has been involved with the discovery and development of several gold and base metal deposits. He is also a director of Fox Resources and Mustang Minerals Corp.
Craig Oliver	Finance Director	A Chartered Accountant with more than 15 years' experience in senior roles in publicly listed mining companies.
Dan Lougher	GM	A Mining Engineer with over 20 years' experience in all facets of resource and mining project exploration, feasibility, development and operational activities.
Non-exec. directors		Terry Streeter; Robin Dunbar.

Share Price


Profit & Loss (A\$ '000)	2004	2005	2006
Revenue	95	302	790
Employee expenses	(389)	(1,449)	(1,637)
Finance costs	(27)	(85)	(90)
Exploration expenditure	(1,330)	(1,258)	(2,964)
Administration expenses	(1,840)	(1,822)	(2,825)
Lost before tax	(3,491)	(4,312)	(6,726)
Income tax	-	1,127	1,890
Profit	(3,491)	(3,185)	(4,836)

Balance Sheet (A\$ '000)	2004	2005	2006
Cash	5,010	3,003	2,496
Other current assets	525	599	1,089
PP&E	507	4,587	14,313
Exploration and mining	23,910	36,709	47,058
Other non-current assets	-	15,143	42,756
Liabilities	(6,355)	(16,534)	(54,614)
Net Assets	23,597	43,507	53,098
Issued capital	28,168	49,325	78,511
Reserves	57	679	(14,080)
Accumulated losses	(4,628)	(6,497)	(11,333)
Total equity	23,597	43,507	53,098

Cash Flow (A\$ '000)	2004	2005	2006
Receipts from customers	1,633	106	236
Payments to suppliers	(1,422)	(2,573)	(3,347)
Net operating cash flow	211	(2,467)	(3,111)
PP&E purchase	(441)	(4,026)	9,224
Exploration and development	(13,153)	(23,729)	(35,824)
Other investment cash flow	(453)	2,959	(16,885)
Net investing cash flow	(13,836)	(27,263)	(46,596)
Issue of share capital	15,118	20,336	31,460
Borrowings	3,000	9,469	20,092
Other	(480)	25,718	44,244
Net financing cash flow	17,638	28,260	49,200
Net change in cash flow	4,013	(1,470)	(507)

Zambezi Nickel (ZNI LN)

Background

Zambezi Nickel was formed in late 2005 after AIM listed copper and gold exploration and development company Zambezi Resources separated its non-core nickel assets. At the time of formation the principal assets were the Mitaba and Paulwi projects in Zambia. Aggressive exploration of the Mitaba project led to the downgrading of the resource, and the company is now focusing on regional exploration.

Key assets

The Mitaba project is a layered intrusive body, in which nickel rich horizons had been identified. After initially encouraging surface sampling, with results of 10m-90m @ 1%-2% Ni from surface samples, a 4,500m drill programme commenced with IPO funding. While targeting a 4Q06 JORC resource, disappointing drill results led to the abandonment of this target.

The Paulwi project is dominated by a large ultramafic intrusion. Initial airborne geophysical surveying proved unsuccessful in identifying massive sulphide bodies near surface. Grass roots exploration is now continuing on the prospects in the hopes of identifying disseminated sulphide deposits at the base of the intrusion.

Other grass roots projects exist in Mozambique, where stream sediment sampling is underway over geophysical anomalies.

Summary

- Created as a spin-off from diversified explorer parent Zambezi Resources, the company holds exploration rights over two early stage nickel projects.
- Initially encouraging surface sampling results from the primary project, Mitaba, proved disappointing, with an extensive drilling programme failing to identify any significant zones containing more than 0.3% Ni.

As Zambezi Nickel's share price flounders at around 15% of 12 month highs, the failure of Mitaba highlights the risk inherent to a pre-drilling early stage exploration project. Given the high nickel prices and associated premiums on prospective exploration licences, Zambezi Nickel needs a cash and asset injection to survive.

**Zambezi Nickel
ZNI LN**

**Market: AIM
Share price: 4.5p**

**Analyst: Julian Emery / Brock Salier
February 22, 2007**

Key Market Information	Fundraising		
Shares outstanding (mn)	166.1	Aug '05 @ £0.073	£1.16mn
Market capitalization (£ mn)	1.5	Oct '05 @ £0.01	£1.6mn
52-week high/low (p)	2.5-6.53		
Net cash Sep '06 (£ mn)	1.2		
Options and warrants (mn)	4.7		
Enterprise value (£ mn)	0.4		

Company Information	Major Shareholders	
17 Ord Street	Zambezi Resources	47%
West Perth WA 6005	Credit Suisse UK	14%
Ph. +61 8 9216 9000	BBHISL	5%
Web: www.zambezinickel.com	Minsec	4.5%

Reserve	Mt	Ni	Ni (t)	Cu	Cu (t)
Proven	-	-	-	-	-
Probable	-	-	-	-	-
Total	-	-	-	-	-

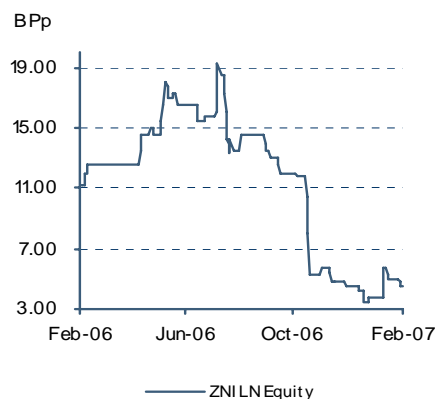
Resource	Mt	Ni	Ni (t)	Cu	Cu (t)
Measured	-	-	-	-	-
Indicated	-	-	-	-	-
Inferred	-	-	-	-	-
Total	-	-	-	-	-

Production	Ore	Ni grade	Ni metal	Costs
2006	-	-	-	-
2007E	-	-	-	-
2008E	-	-	-	-

Management

Stewart Taylor	CFO	Accountant, over 20 years experience, with a broad base in the resources, construction and retail industries. Previously at Boral Construction, Forsyth, and Myers Stores.
Jeremy Wrathall	Chairman	Non-exec, engineer, experience in gold and base metal mines prior to 13 years as an investment analyst. Previously at Bain & Co, Warburg Dillon Read, Deutsche Bank.
Non-exec directors		Geoffrey Johnson, geologist; Hakainde Kichilema, commercial; Julian Ford, commercial.

Share Price



Source: Bloomberg

Profit & Loss (£ '000)	2006
Revenue	14
Expenses	(149)
Group operating loss	(135)
Tax	-
Loss after tax	(135)

Balance Sheet (£ '000)	2006
Cash	1,157
Other current assets	12
PP&E	3
Mineral interests	1,162
Total Assets	2,334
Liabilities	(23,691)
Issued capital	335
Reserves	2,097
Accumulated loss	(135)
Liabilities and equity	(21,394)

Cash Flow (£ '000)	2006
Payments to suppliers	(113)
Net operating cash flow	(113)
Payments for mineral interests	(183)
PP&E purchase	(4)
Net investing cash flow	(187)
Issue of Share capital	1,461
Loan repayment	(18)
Net financing cash flow	1,443
Net change in cash flow	1,157

Glossary

200 Series	Alloy developed to conserve nickel as compared to the 300 Series by replacing nickel with manganese at a ratio of 2% manganese per per cent of nickel replaced	LME	London Metal Exchange
300 Series	One of the most widely used stainless steel alloys; grades of stainless have chromium (c.18%–30%) and nickel (c. 6%–20%) as their major alloying additions	m	metre
A\$	Australian Dollar	mn	million
AIM	Alternative Investment Market	MEG	Metals Economics Group
ASX	Australian Stock Exchange	Mg	magnesium
Au	gold	M&I	measured and indicated
BFS	bankable feasibility study	Moz	million ounces
bn	billion	msh	million shares
C\$	Canadian Dollar	Mt	million tonnes
CAGR	Compounded Annual Growth Rate	NAFTA	North American Free Trade Agreement
CIS	Commonwealth of Independent States	Ni	nickel
CRU	Independent industry analysts	NI 43-101	National Instrument 43-101 is a rule developed by the Canadian Securities Administration that govern how issuers disclose technical information about mineral projects to the public, based on advice by a “qualified person”.
CSIRO	Australia’s Commonwealth Scientific and Industrial Research Organisation	OECD	Organisation for Economic Co-operation and Development
Co	cobalt	oz	ounce
Cu	copper	pa	per annum
DFS	definitive feasibility study	Pd	palladium
fd	fully diluted	PGE	Platinum Group Equivalent
Fe	iron	PGM	Platinum Group Metals
FY	Financial Year	P&P	proven and probable
g/t	gram per tonne	ppm	part per million
GBP	GB pounds	Pt	platinum
GDP	Gross Domestic Product	Q	quarter
gm	gram	q.v.	quod vide – which see
grade	concentration of nickel, typically measured in %	q-o-q	quarter on quarter
H	half	SG	Specific Gravity
ha	hectare	sh	share
INSG	International Nickel Study Group	SRK	SRK Consulting – an independent engineers’ and scientists’ consultancy
IPO	Initial Public Offering	t	tonnes
JORC	The Code for Reporting of Mineral Resources and Ore Reserves by the Australasian Joint Ore Reserves Committee (JORC)	tpa	tonnes per year
JV	joint venture	tpm	tonnes per month
km	kilometre	TSX	Toronto Stock Exchange
kt	thousand tonnes	u/g	under ground
ktpa	thousand tonnes per year	U	uranium
lb	pound	U ₃ O ₈	uranium oxide
		US\$	US Dollar
		wt	wet tonne
		y-o-y	year-on-year
		Zn	zinc

Research Disclosures

Julian Emery – Mining Analyst

Julian has a wealth of experience of the natural resources sector globally and of the AIM. Trained as a mining engineer, Julian developed his extensive career in the analysis and research of mining companies with Selection Trust, Societe Generale, T.C. Coombs, Joseph Sebag, DWA and VSA Resources. He is a Fellow of the Securities Institute, an Associate of the Society of Investment Professionals and a past president of the Association of Mining Analysts.

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Research disclosure as of February 26, 2007

Company: Amur Minerals Corporation

Disclosure: 1, 2, 3, 8, 9

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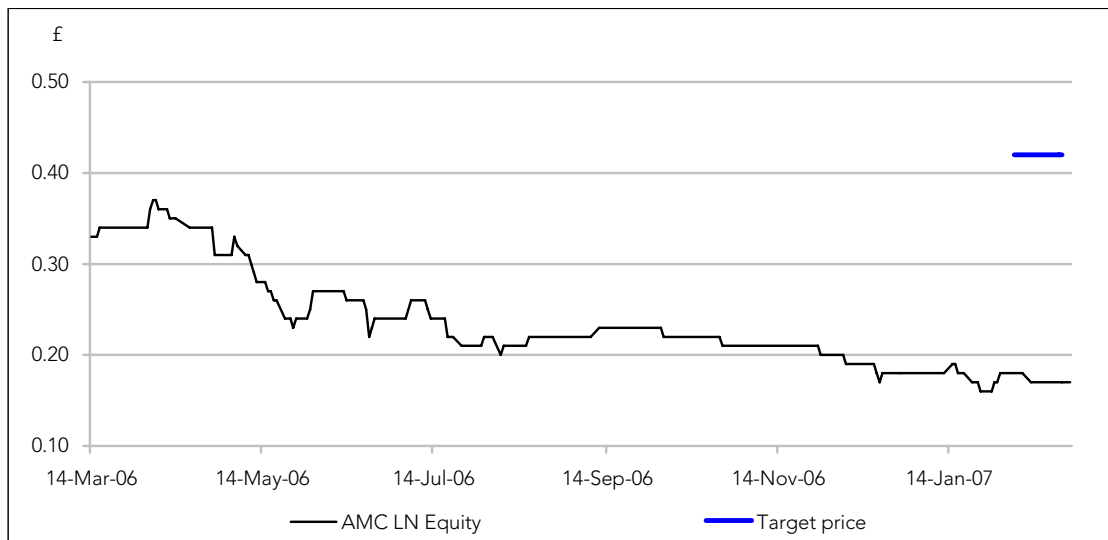
Buy recommendation means that expected total return of at least 15% is expected over 12 months between current and analysts' target price.

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 charts

Exhibit 16: Amur Minerals share price

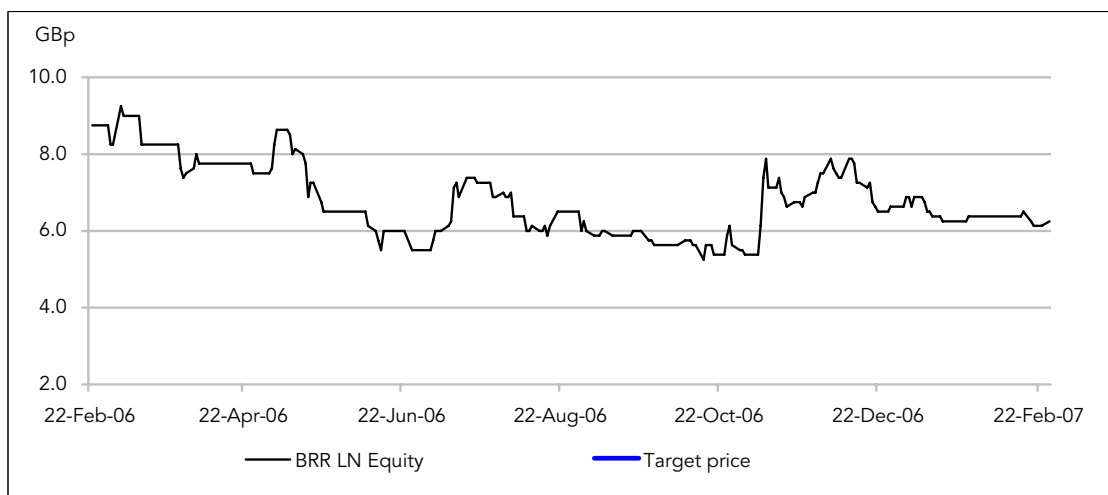


Source: Bloomberg, FDC

AMC Recommendation Summary

Date	Recommendation	Target Price (£)
Feb 6, 2007	Initiate at Buy	0.42
Feb 26, 2007	Target price increased	0.49

Exhibit 17: Braemore Resources share price

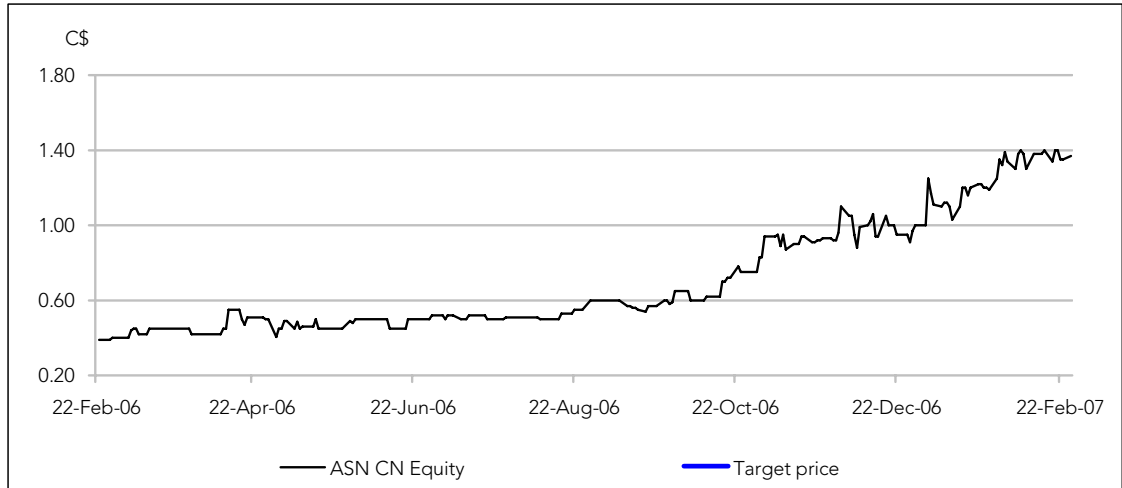


Source: Bloomberg, FDC

BRR Recommendation Summary

Date	Recommendation	Target Price (p)
Feb 26, 2007	Initiate at Sell	3.1

Exhibit 18: Asian Minerals Resources



Source: Bloomberg, FDC

ASN Recommendation Summary

Date	Recommendation	Target Price (C\$)
Feb 26, 2007	Initiate at Sell	1.18

Exhibit 19: Allegiance Mining

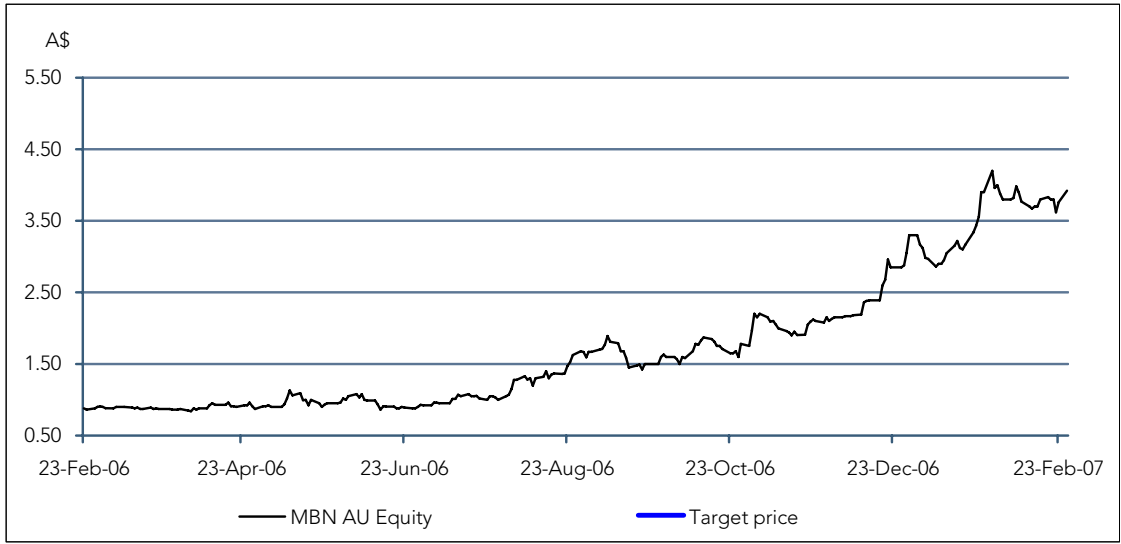


Source: Bloomberg, FDC

AGM Recommendation Summary

Date	Recommendation	Target Price (A\$)
Feb 26, 2007	Initiate at Buy	1.15

Exhibit 20: Mirabela Nickel share price



Source: Bloomberg, FDC

MBN Recommendation Summary

Date	Recommendation	Target Price (A\$)
Feb 26, 2007	Initiate at Buy	4.78

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The Nickel Sector

Metal and Equity Review



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