

Report on Zinc Mining, Related Equilibrium in Pricing and Economic Incentive;

Abridged Version - November 23, 2007

Zinc Market Commentary on interim supply gap closure & related opportunity looking forward

By James O'Rourke, Mining Research Specialist

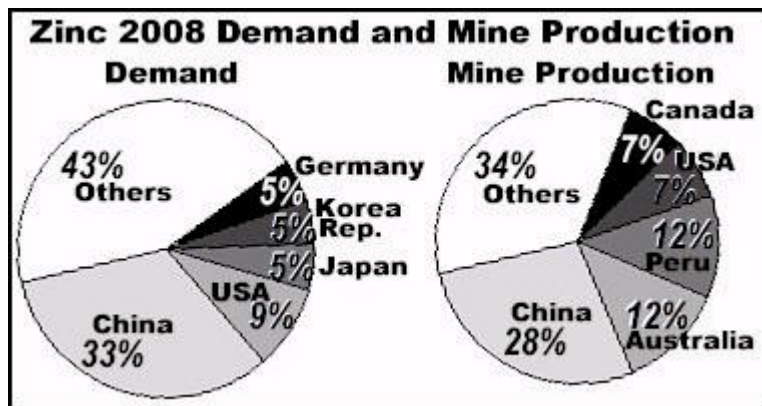
London Metal Exchange zinc stockpile inventories are off their critical low levels. The story taking shape in the market place is the strategic positioning of producers and near term producers looking to capitalize on global trends that are expected to cause critical shortfalls in production required to meet demand going forward. It is a general consensus among experts that a series of new global zinc mine production that is now beginning to come online are expected to narrow and subsequently close the supply gap for an interim period, and that interim period is not likely to last long before the supply gap re-emerges. There is some debate as to how long this "interim" period will last and what the effect will be on prices during this interim period, however it would seem there is plenty to be optimistic about for current and prospective zinc producers.



Lundin Mines (TSX:LUN [chart news](#)) President and CEO, Karl-Axel Waplan, was quoted in October 2007 expressing how Lundin Mines perceives "a long and steady increase in global demand for zinc, but do not see a corresponding increase in production". Their conviction is backed by the company's board of directors approving spending of \$287 million for a major expansion of the Nevers-Corvo mine in Portugal and the Zinkgruvan mine in Sweden.

"We are from a fundamental point of view very positive about copper and zinc, as well as nickel ... We based that on ... growth in demand stemming from growth in India, China, Brazil, Russia, the Middle East and many other countries. ... If you look historically, all the way back to when Europe and the U.S.A. were industrialized, or Eastern Europe after the Second World War, or Taiwan, you can see where the GDP per capita comes up to certain levels there is a mirrored increase in metal consumption per capita."

Quoted Source: Karl-Axel Waplan CEO/Pres. Lundin Mines

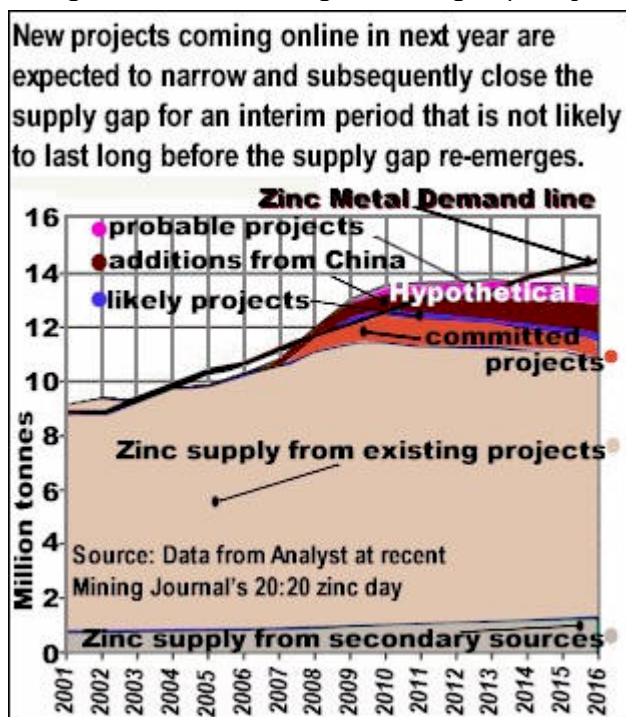


Global demand for zinc has been growing at an average of around 5%, approximately 55,000 tons of new material annually, for the past several years. Madison Avenue Research Group's estimate of global demand and production is echoed by the International Lead and Zinc Study Group (ILZSG) which released figures in an October press release; Global demand for refined zinc will likely rise by 3% this year to 11.38 million metric tons and climb to 11.96 million next year and that demand growth will be due principally to expected further robust growth in China (the largest consumer of metals) of 8.8% in 2007

and 12.1 in 2008. Global zinc mine production is expected to grow by 7.4% to 11.18 million metric tons in 2007 and 9.5% in 2008. Forecasts supplied by the group's members suggest that there will be a deficit of 47,000 metric tons in the world market for refined zinc this year, but a surplus of just under one quarter of a million metric tons for 2008.

In mid October Teck Cominco (NYSE: TCK [chart news](#)) experts forecast that the zinc market will remain in

balance this year with a small surplus for 2008 to be supported by low inventory. Teck Cominco officials noted a 161% increase in the demand for zinc concentrates this year as of August 2007, underpinned by 67% growth in Chinese galvanizing capacity.



Looking forward, naturally China is zinc's key to future price strength. China has maintained a significant zinc demand growth rate, has become a massive importer, and also has most of the spare smelting capacity. New global production set to come online over the next couple years will readily be absorbed within in short time. Metal consultancy experts referenced for this report believe zinc demand will grow by 4 million tonnes in the decade from 2000-2010 (equivalent to 3.8% per annum) and then by the same amount in absolute terms (4.1 million tonnes) in the ten years to 2020 with some 70% - 85% of the growth coming from china and India. On the supply side existing mines and secondary sources will be insufficient, on their own, to meet demand "over time" - this "time" is likely to arrive sooner than later.

If all new mines, expansions, and reactivations that are in the pipeline over the next couple years come online as planned then collectively they will indeed add significantly to the zinc supply over the next three years. However the market is susceptible to production disruption, one major mine such as coming offline for more than a month could cause global prices to push up.

Certainly by mid 2010, the markets are expected to see what one base metals expert was quoted as saying *"a significant supply shortfall ... and a sustained period of high prices is likely ... How large the supply deficit is will be determined by the ability of smaller companies to finance new mines."* Additionally, there are a number of the world's larger zinc operations expected to go off line in the 2009-2012 period and if they stop producing on schedule, there will be a large void in the zinc market to make up. Zinifex's Century mine, the third-largest zinc mine in the world, according to the Company's web site is set to be mined out for ~2015.

The Economics Provide the Incentive: High zinc prices have led to a significant increase in production this year; ILZSG numbrs show that production from January to July is 9% up on the equivalent period last year. Recent new production is largely attributable to **1)** the new San Cristobal mine in Bolivia, a project jointly operated by Apex Silver Mines (AMEX: SIL [chart news](#)) and Sumitomo Corporation and **2)** the Cerro Lindo mine in Peru operated by Compania Minera Milpo. As well there have been numerous restarts of former high cost operations and a myriad of very small mines in China. An expansion project by Hindustan Zinc will account for a large percentage of anticipated supply increase in the next 18 months.

Zinc mines previously thought to be closed are seeing new life as reactivations of these mines are justified by the economics; examples include **1)** Breakwater Resources (TSX-V: BWR [chart news](#)) Langlois mine in Quebec, **2)** HudBay Minerals (TSX: HBM [chart news](#)) Balmat mine in New York state, **3)** Xstrata (LSE: XTA [chart news](#)) & Teck Cominco's Australian Lennard Shelf project, and **4)** a handful of mines in Tennessee that were acquired by Strategic Resource Acquisition Corporation (TSX: SRZ [chart news](#)).

There was a 10-year production hiatus during a low-price era from 1995 - 2005, up to a few years ago zinc prices were closer to US\$0.40/lb and there was little interest. Yukon Zinc's (TSX: YZC [chart news](#)) CFO Bob McKnight was quoted in October as speaking highly favourably of the current climate *"Now, the financial community is able look at prices going forward more than two years, and see buyers committing to pay US\$1.25/lb." ... "Moreover, higher costs to develop new mines means that the market price of the metal should remain stronger than it was just two years ago" ... "You can sell it forward for a number of years at a pretty good price. The market is pretty thin but you can do it." ... "That's very helpful for us who are trying to use bank debt, and the banks are looking to lock in metal prices and protect their investment."*

Consumption forecast and insight going forward several years was articulated in a detailed 12 page November 2007 Canaccord zinc analyst report. The report pointed to China's rampant growing industrial production and that with such a large regional user growing so quickly, it should not be surprising that trend global consumption growth could be moving to a higher level. The Canaccord analyst has the aforementioned "interim supply gap closure (zinc surplus)" expected to last until 2011 and may possibly be moved forward as early as 2009 depending on mine production growth falling in china. Looking forward several years ahead, there is big growth in demand and a lack of production there to meet it. Zinc mining is

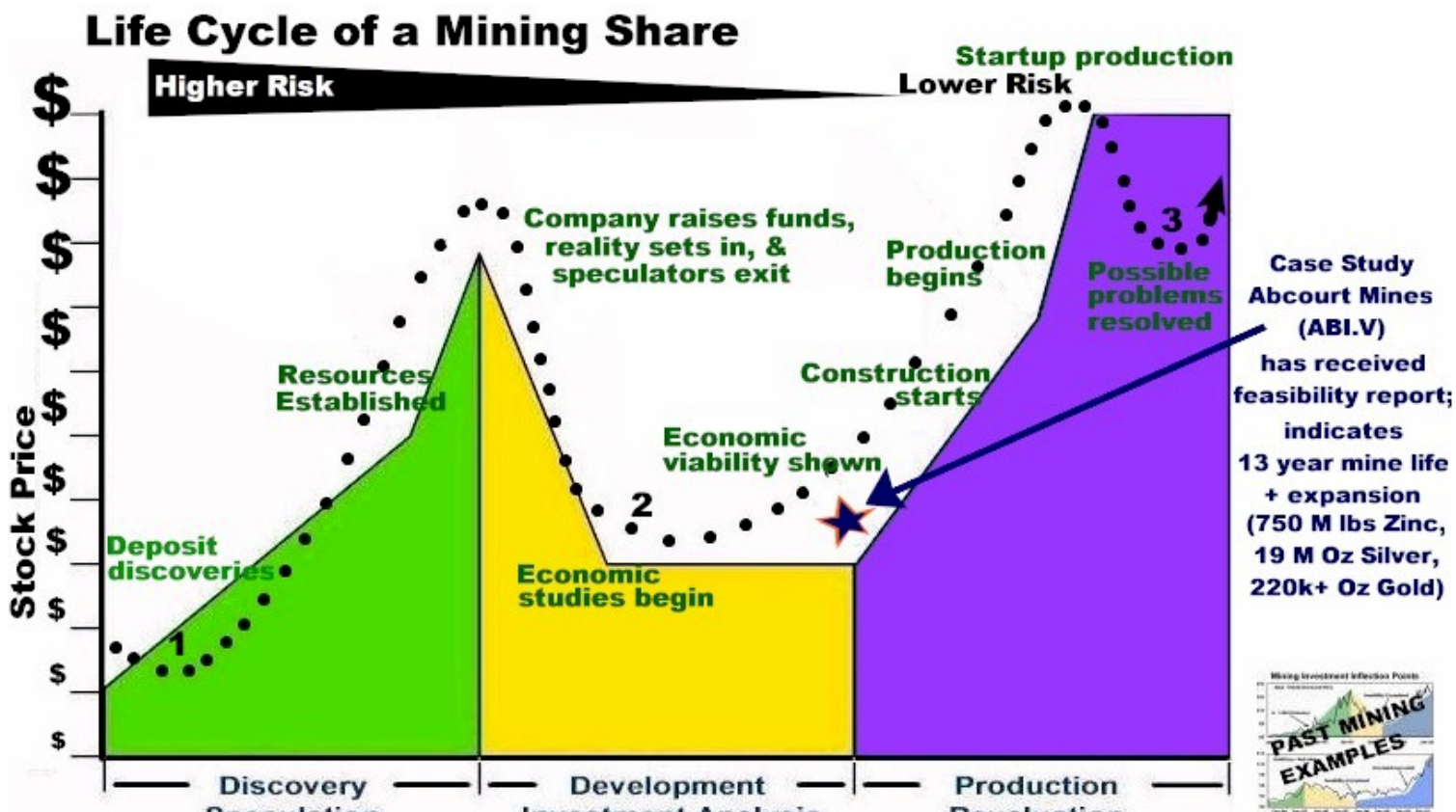
highly profitable with current prices, cash operating cost charts available through CHR Metals demonstrate profitability well above the cash operating costs of even the highest cost mines. It is clear that zinc mining companies have the potential to make significant profits even if zinc prices retract as credits from other metals found in harmony with zinc such as silver and lead will greatly assist the bottom line when accounted for.

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Finding Value in Zinc Stocks through the Life Cycle of Mining Shares

Locating Undervalued Shares of Pre Production Zinc Miners with Resources - Case Study Abcourt Mines Inc. (TSXV-ABI)

Experienced resource investors generally agree that there are 3 key factors that precipitate valuation change in resource stock.... Increasing Reserves, Increasing Production, and Increasing Cash Flow. When a company makes a significant discovery there are various stages it goes through along with associated techniques as the company progresses. The share price of mining companies will often reflect the progress through the process as there are certain transitional inflection points in this model that investors may anticipate and capitalize upon.



The performance shown in this model is hypothetical and does not necessarily reflect the performance of any future activity in any particular stock

In general, there's three ways to profit based on the above cycles; **Point 1** - find a lucky junior exploration company that will make a discovery, **Point 2** - buy undervalued shares of stock with established resources for cheap and ride it to production, **Point 3** - pinpoint a troubled junior producer at the moment of an operational turnaround. The second approach is without doubt safer than the first and has more upside than the third approach given the project is economically viable and management is in place and willing to capitalize on the known potential.

Using the above model to gauge the positioning of a prospect is useful. Many stocks lose value in the period between when resources are known and feasibility studies are issued and acted upon, losing value mainly due to time, impatience, and money; cash required for preliminary economic and feasibility programs, at the time of zero cash flow and little or no substantive news. However, these quality companies are making progress behind the scenes. They are issuing technical reports, upgrading resources and piecing together various project development studies. The time is approaching for patient and shrewd investors to find exceptional value. Which brings us to our case study and its positioning in relation to the above model; Abcourt Mines Inc. (TSX Venture Exchange: ABI [chart news](#)) has affirmed to Madison Avenue Research Group its commitment to reopen their 100% owned Abcourt-Barvue Zinc-Silver mine and more.

Investment Valuation Alert/Special Situation Advisory: In light of the exceptional margins afforded producing zinc mines (many with accompanying metals as a bonus), investors would do well to look at **Abcourt Mines Inc.** (TSX Venture Exchange: ABI [chart news](#))(Pink Sheets: ABMBF). Abcourt Mines is a Silver-Zinc and Gold mining entity with in excess of 750 Million+ Pounds of Zinc and a 13 year mine life as identified in a recently optimized feasibility report. A recent [analysts report](#) released this October pegs a 100%+ near term upside valuation from numerous potential project scenarios/catalysts.

The qualified Analyst has identified Abcourt Mines Inc as significantly undervalued with its five 100% owned projects being heavily discounted at current share price valuation of under CDN\$0.50. The Abcourt-Barveau silver-zinc deposit alone has significant resources which the Company's independent feasibility report indicates as economically mineable with a 13 year mine life and this one project alone is significantly discounted with the market capitalization of Abcourt Mines Inc. under CDN\$20M; Abcourt has well in excess of a billion US dollars of zinc resources at current market prices. Abcourt Mines also has 19,644,354 ounces of silver at the Abcourt-Barvue project and 198,744 ounces of gold at it's Elder Gold Project.

The Analyst provides a compelling risk-reward picture for inventors as Abcourt is currently undervalued at between a mere \$0.01 - \$0.02 per Zn-equivalent lb found at the Abcourt-Barvue project alone, a level at the low end generally attributed to earlier stage exploration companies with resources. The currently share price is only attributing value to the in-ground zinc resources at the Abcourt-Barvue project - ignoring its large silver resources, other properties and the significant infrastructure the Company possesses from when it was a past producer at the silver-zinc operation and the Elder Gold mine sites.

Abcourt now has active programs at several base metal properties and a gold property, all located in Quebec's prolific Abitibi Greenstone Belt:

1. The Abcourt-Barvue Zinc-Silver property unifies two past producers with significant exploration/development work. It has been the subject of a recent optimized feasibility study on a >500 million lb. Zn, 13+ million ounce Ag orebody over a 13 year minelife. Additional inferred resources and clear exploration potential could result in a long life asset. Abcourt is continuing with a development program at Abcourt-Barvue (permitting, raising financing, etc.)

2. Elder Gold Property. Plans now are to re-open the 43-101 compliant 200,000+ ounce gold resource following a successful drill program completed in 2006. This project is a past producing gold mine with significant infrastructure in place including mill and equipment. A 16 level 2,500 foot shaft exists that is developed on 14 levels and open for expansion at depth.

3. The Jonpol Copper-Zinc-Silver property has known historical resources and short term exploration potential to add more. Jonpol also represents a historic target for a large massive sulphide deposit. A \$300,000, 2500 meter drill program is currently underway.

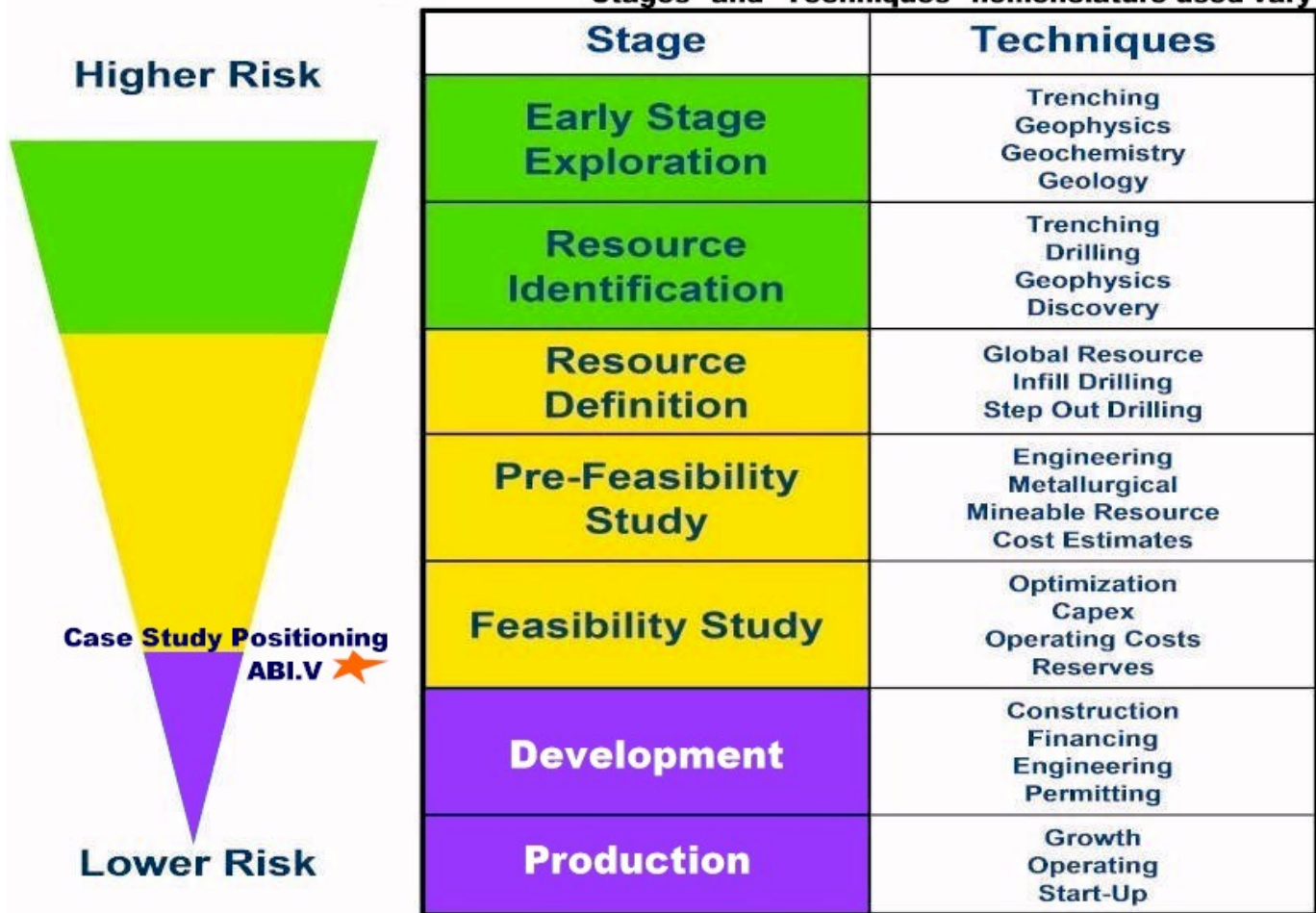
4. The Aldermac Zinc-Copper property, has known historical resources at the previous mine and undeveloped high grade discovery/resource in 1987/88. There is considerable valuable underground development, a \$300,000 exploration drill program is scheduled to commence January 2008.

ABI will reopen their 100% owned Abcourt-Barvue Zinc-Silver mine. Production was put on hold in 1990 when silver prices were falling and there was an anticipated drop in the price of zinc. The equipment was mothballed for a timely reemergence and it appears the necessary right determining steps and requirements are now in place for a highly profitable operation. A current review of **Abcourt Mines Inc.** is available at <http://miningmarketwatch.net/abi.htm> and a brief overview is made available below.

Abcourt Mines Inc. has 750 Million lbs Zinc, 19 Million Oz Silver, 220k+ Oz Gold (43-101 measured and indicated resources on most numbers), approximately 45 Million shares outstanding and is trading under a mere CDN\$0.50. ABI.V appears grossly undervalued with current disproportionate multiples as inherit resource and infrastructure value per share is well in excess of the current trading price. ([Short Cut to the full ABI Story](#)).

Stages & Techniques typified

"Stages" and "Techniques" nomenclature used vary



CASE STUDY: Abcourt Mines Inc. (TSX-V: ABI) offers insight and opportunity for investors on their reopening of their Abcourt-Barvue Silver-Zinc Mine.

Excerpt from Mining MarketWatch Review of Abcourt Mines Inc.

“The Easiest and Smartest Long Call of 2007; Abcourt Mines Inc. (TSXV: ABI)”
750 Million lbs Zinc, 21 Million Oz Silver, 220k Oz Gold

Abcourt Mines Inc. is a TSX Venture Exchange listed advanced stage development and exploration mining company (ticker symbol [ABI.V](#), also listed in Frankfurt and the US). Abcourt is extremely undervalued at its current market cap as they have the resources to put into production and are currently forging ahead with progress towards open-pitting the once producing Abcourt-Barvue Silver-Zinc Project back into production. Production was put on hold in 1990 when silver prices were falling and there was an anticipated drop in the price of zinc. The equipment was mothballed for a timely reemergence and it appears the necessary right determining steps and requirements are now in place for a highly profitable operation. The company is debt free and has managed to maintain and upgrade their properties, equipment, and resources during the hiatus all without diluting the share structure.

A recent analyst report (copy available here [PDF]) has identified Abcourt Mines Inc as significantly undervalued with five projects of significance in Northwestern Quebec and is heavily discounted at its current share price. The Abcourt-Barveau silver-zinc deposit alone has significant resources which the Company's independent feasibility report indicates as economically mineable. This one project alone is significantly discounted with the market capitalization of Abcourt Mines Inc. under CDN\$20M; Abcourt has well in excess of a billion US dollars of zinc resources at current market prices. Abcourt Mines also has 19,644,354 ounces of silvers at the Abcourt-Barvue project and 198,744 ounces of gold at it's Elder Gold Project. The Analyst report is recommended reading for astute investors as various methods of valuation are employed by the Analyst using different scenarios/catalysts and provides a compelling risk-reward picture for inventors. Abcourt Mines Inc. (ABI.V) appears grossly undervalued with current disproportionate multiples as inherit resource and infrastructure value per share is well in excess of the current trading price. ABI presents tremendous upside potential. The Analyst report provides insight about how ABI.V presents tremendous opportunity of doubling their current large resource base. Area miners such as

Agnico Eagle, IAMGold, Richmond, Breakwater and Xstrata share the same geological model and are currently mining at much greater depths than what Abcourt currently is at.

The Company has just optimized their feasibility report, improving upon their previous numbers; they managed to lower capitalization costs to reopen mine by approximately 35%, they managed to buy some key items and are draining main pit; Excerpt from August 9th, 2007 news release: "The procurement of mill equipment is progressing well. In addition to the compressors and water treatment plant already owned by Abcourt, two ball mills have recently been purchased and negotiations for the purchase of a crusher, conveyors, feeders, screens, flotation cells, tanks, filter, etc is well advanced. Abcourt Mines is moving forward in an aggressive manner in its quest to become a producer at its Abcourt-Barvue silver zinc open pit property".

Abcourt's other prize asset is their 100% interest in the past producing (1947 - 1966) Elder gold mine located 60 miles from their silver zinc project in Northwestern Quebec. Abcourt recently completed a 7000 meter, 40 hole drill program on this Elder gold property that will increase existing resources. Initial results are extremely encouraging. Similarly to the Abcourt-Barvue mine, Elder gold mine has a substantial amount of well maintained and upgraded infrastructure in place. The geological model the Company believes in for the Elder gold property, holds the potential for 1.5M tones of ore grading approx. 0.2 oz of gold per ton. The initial proceeds from the Abcourt-Barvue Zinc-Silver mine operation will finance the reopening of the Elder gold mine. Additionally Abcourt has exercised an Option to acquire 100% of the Aldermac deposit near Rouyn-Noranda, Quebec. The Aldermac is a past producing mine (1936-1943) and offers great potential for future exploration. ...[Full Copy from Source](#)

Notable Zinc Mining Participants

Explorers and producers that are charged with bringing zinc and accompanying metals to market now and in the future are offering equity investors the ability to capitalize on favorable zinc prices by acquiring their underlying security.

Producing zinc mines that were able to hang in there through the bear market are able to bring their zinc to market at exceptional margins now. Resilient zinc miners that were making profits at \$0.35/lb zinc and that are leveraged to the price action of their underlying metal are able to achieve handsome profits in today's environment.

We have catalogued all notable companies with current or soon producing zinc mines. The associated links in the full version of this report have expanded profiles on each company:

[ABCOURT MINES INC.](#),
[AGNICO-EAGLE MINES LIMITED](#),
[ANGLO AMERICAN PLC](#),
[APOLLO GOLD CORPORATION](#),
[BARRICK GOLD CORPORATION](#),
[BHP BILLITON](#),
[BOLIDEN AB \(PUBL\)](#),
[BREAKWATER RESOURCES LTD.](#),
[CALLINAN MINES LTD.](#),
[CAPSTONE MINING CORP.](#),
[CASTROVIRREYNA COMPANIA MINERA S.A.](#),
[CBH RESOURCES LIMITED](#),
CIA. MINERA CAUDALOSA S.A.,
[COEUR D ALENE MINES CORP.](#),
[COMPANIA DE MINAS BUENAVENTURA S.A.A.](#),
[COMPANIA MINERA ANTAMINA S.A.](#),
COMPANIA MINERA ARGENTUM S.A.,
[COMPANIA MINERA ATACOCOA S.A.](#),
COMPANIA MINERA CONDESA S.A.,
COMPANIA MINERA CONDESTABLE S.A.A.,
[COMPANIA MINERA MILPO S.A.](#),
[COMPANIA MINERA RAURA S.A.](#),

[COMPANIA MINERA SAN IGNACIO DEMOROCOCHA S.A.](#),
COMPANIA MINERA SANTA LUISA S.A.,
[DIA BRAS EXPLORATION INC.](#),
[DOE RUN COMPANY](#),
[ECU SILVER MINING INC.](#),
EMPRESA MINERA LOS QUENUALES S.A.,
[EUROPEAN GOLDFIELDS LIMITED](#),
[EXXARO RESOURCES LIMITED](#),
[GOLDCORP INC.](#),
[GREAT PANTHER RESOURCES LIMITED](#),
[GRIFFIN MINING LTD](#),
[GRUPO BACIS, S.A. DE C.V.](#),
[GRUPO MEXICO S.A.B. DE C.V.](#),
[HECLA MINING CO](#),
[HUBBAY MINERALS INC.](#),
[IMPACT SILVER CORP.](#),
[INDUSTRIAS PENOLES S.A. DE C.V.](#),
[INMET MINING CORPORATION](#),
[KAGARA ZINC LTD](#),
[KAZAKHMYS PLC](#),
LP HOLDING S.A.,
[LUNDIN MINING CORPORATION](#),

[METALINE CONTACT MINES](#),
MINAS ARIRAHUA S.A. (MINARSA),
[NEW OROPERU RESOURCES INC.](#),
[OXIANA LIMITED](#),
[PAN AMERICAN SILVER CORP.](#),
[PAN AMERICAN SILVER S.A.C. MINA QUIRUVILCA](#),
[PERILYA LTD](#),
[PERU COPPER INC.](#),
PERUBAR S.A.,
[PLATA PANAMERICANA S.A DE C.V.](#),
[RIO TINTO](#),
[ROYALCO RESOURCES LIMITED](#),
[SILVERCORP METALS INC.](#),
SOCIEDAD CONTRACTUAL MINERA EL TOQUI,
[SOCIEDAD MINERA CORONA S.A.](#),
SOCIEDAD MINERA EL BROCAL S.A.A.,
[SOUTHERN COPPER CORP.](#),
[TECK COMINCO LIMITED](#),
[VEDANTA RESOURCES PLC](#),
[VOLCAN COMPANIA MINERA S.A.A.](#),
[XSTRATA PLC](#),
[ZINIFEX LIMITED](#)

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