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## ***2005 Mineral Exploration Roundup and Resource Investment Conferences – Postmortem Comment***

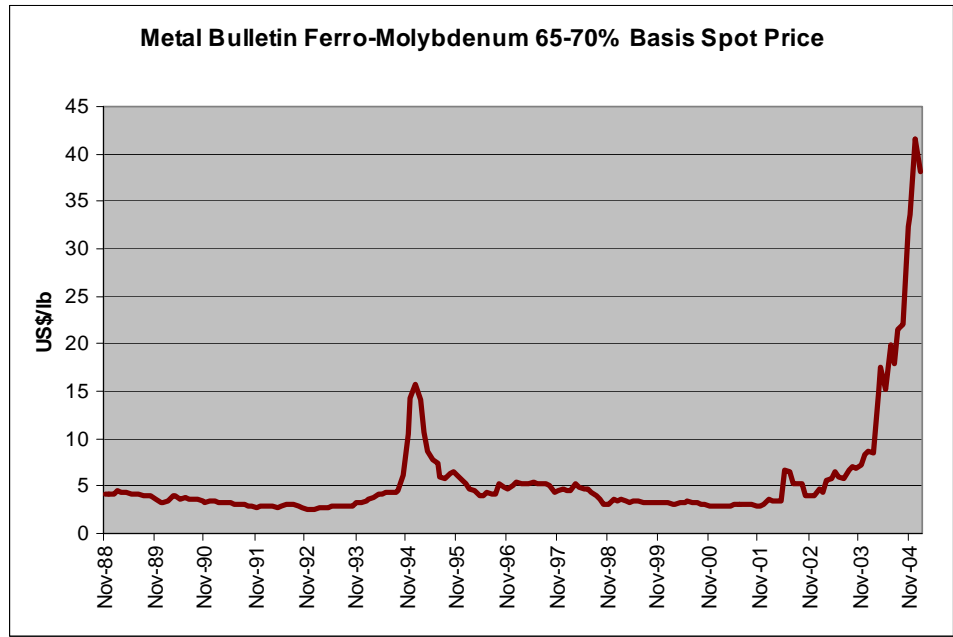
Last week, Vancouver was host to back-to-back resource conferences: the Resource Investment Conference on Sunday/Monday followed by the annual Mineral Exploration Roundup meeting, which ended on Thursday. Both events played host to record crowds of participants (6,000 and 5,200 respectively), and by all accounts, the audience was enthusiastic. While many delegates attended both meetings, we would estimate that the actual number was well in excess of 8,000, making this the second largest meeting of its kind in the world. Our takeaway theme from the two conferences is best described as the “Year of Recycled Projects”.

Uranium was a glowing topic at both venues, as was just about every other commodity—in keeping with the idea that we are into a super commodity cycle based on a fundamental shift in demand. Every week, we are seeing new additions to the uranium exploration industry, and the Resource Investment Conference provided delegates with a snapshot of the players. Still in its infancy, the uranium cycle remains in acquisition mode with what appears to be an endless supply of early stage projects with resources defined during the last uranium rush. (Some even come with feasibility-level studies.) Gary Delany, Director of Saskatchewan Industry and Resources, succinctly summarized the land-grab theme, when he commented last Thursday that at current rates, 2005 would be the third time that the Athabasca Basin will have been entirely staked. Other hotspots of activity include the Thelon and Hornby Bay Proterozoic-age basins in Canada's Arctic, and in situ leach (ISL) potential targets throughout the western United States and Labrador, where iron oxide copper gold (IOCG) targets are being reassessed as stand-alone uranium-hosted targets. We expect many more projects will surface in areas such as Namibia, Niger, Madagascar, and Mongolia (to name but a few) where substantial inventoried data are being dusted off at this moment.

In keeping with the recycled theme, a number of molybdenum projects here in B.C. recently resurfaced: the Ajax property of Tenajon Resources Corp. (TJS-V) and the Yorke-Hardy deposit of Patent Enforcement and Royalties Ltd. (PAL-V). Considering that B.C. has numerous advanced-stage molybdenum projects that were well along in their evaluation in the 1960s and 1970s, the trend of what is old is new again has just commenced. Two other advanced-stage molybdenum projects of note include the Adanac in northern B.C., owned by Adanac Gold Corp. (AUA-V), and the MAX (formerly called Trout Lake) in southern B.C., owned by Roca Mines Inc. (ROK-V). Both projects are at an advanced stage, since they had previously completed feasibility studies. Another

company with a project of the same vintage is Candorado Operating Company Ltd. (CDO-V) with the Lucky Ship project near Houston in central B.C.

What's driving the renewed interest is illustrated in the following price chart:



Source: Bloomberg

If you ask how long these lofty molybdenum prices will last, our belief is that they likely have peaked—at least for now. Another key consideration is that many of these deposits have only one commodity (molybdenum) and thus are directly leveraged to the one commodity. Stay tuned, as the good ship moly is likely to fill up in the coming months as these projects garner more attention.

The other takeaway from the meeting is that exploration spending in B.C. is up, and this year, could top \$150 million—a far cry from only \$30 million in 2001. In fact, with B.C.'s new online staking feature (no more expensive helicopter-supported staking rushes here!), new claims staked this year will likely set a record. New claims staked are always indicative of future exploration expenditures, so that 2006 looks very positive. Now we are awaiting a discovery to create a liquidity event for all the junior explorers, allowing investors to roll over some of their risk portfolio.

## Capstone Gold Corp.<sup>1,2</sup> (CSG-T, \$1.02) Rating: Research Comment

### ***Deep Drilling at Cozamin Proves Potential at Depth***

Current Shares O/S: 37.7 million  
52-Week High/Low: \$1.20/\$0.415  
Cash (estimated): \$11.5 million

Fully Diluted: 56.5 million  
Adjusted Market Cap: \$27.0 million  
Per Share Fully Diluted: \$0.20

A positive start to the week was provided by the Capstone Gold Corp. (CSG-T) announcement of drill results for the Company's 90% owned Cozamin copper-silver-zinc project, located just north of the city of Zacatecas, Mexico. The Company released results for nine holes, five of which targeted the Mala Noche vein below the previously operated San Roberto mine and 250 metres downdip of previous drilling. Five of the six holes intercepted potentially economic grades, with hole 22 intercepting an area of complex faulting. Key intersections include 2.9 metres grading 2.5% copper, 91.6 g/t silver, and 1.4% zinc in hole 28, and 3.2 metres grading 5.5% copper, 158.9 g/t silver, and 1.1% zinc in hole 29. Hole 21 intercepted a zinc-rich portion of the vein, returning 5.9% zinc, 0.2% copper, and 11.1 g/t silver over 8.5 metres. Three widely spaced step-out holes up to 1.5 kilometres east of the San Roberto mine intercepted the zinc-rich upper portions of the Mala Noche vein, including 0.8 metres grading 9.4% zinc and 18.2 g/t silver in hole 24. Based on results from these holes, Capstone is confident that the copper-rich portions of the vein currently being explored in the San Roberto mine area will be encountered at depth.

With the results of both recent drilling and of more than 7,500 metres of drilling in 2004, Capstone has established a critical milestone towards a potential restart of mining operations at Cozamin. To clarify this potential, the Company has embarked on an ambitious agenda to expand the resource base over the historic resource and the delineation of reserves through the first half of 2005. Capstone has recently completed dewatering of the San Roberto mine and plans to begin underground development and a 15,000-metre infill-drill program to define the reserve/resource. The San Roberto mine contains a historic resource (not National Instrument 43-101 compliant) of 2.8 million tonnes grading 3.16% zinc, 0.95% copper, 0.88% lead, 85 g/t silver, and 0.5 g/t gold and a 750-tonne-per-day mill.

To ensure a smooth transition from exploration to development, Capstone announced Monday that it has acquired an engineering team when most companies are struggling to locate even a single mine engineer. The team is headed up by John Wright, co-founder, Director, and Chief Operating Officer of Pan American Silver Corporation (PAA-T), and includes key personnel involved in the development of Pan American's La Colorada mine. Mr. Wright has joined the Capstone Advisory Board and will guide development of Cozamin through to planned production. Although the development plan has yet to be finalized, we see the addition of John Wright and his team as a strong endorsement of Cozamin and cannot help but wonder what other projects may be in the pipeline.

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## Soho Resources Corp.<sup>1,2,6</sup> (SOH-V, \$0.48) Rating: Research Comment

### *Initial Drill Results Underscore Potential at Tahuehueto*

Current Shares O/S: 40.1 million  
52-Week High/Low: \$0.50/\$0.08  
Cash (estimated): \$0.3 million

Fully Diluted: 48.0 million  
Adjusted Market Cap: \$19.0 million  
Per Share Fully Diluted: \$0.01

The theme of positive exploration results continued through the week with the Soho Resources Corp. (SOH-V) release of results from the first hole drilled at the Company's 100% owned Tahuehueto project in the State of Durango, Mexico. The first hole, drilled within the El Creston zone, returned 8.8 g/t gold, 67.5 g/t silver, 10.46% zinc, and 3.56% lead over 10.6 metres (8 metres true width) of massive sulphide vein. Surrounding the massive sulphide vein, the hole encountered disseminated mineralization, with the entire mineralized interval grading 4.4 g/t gold, 38.7 g/t silver, 5.37% zinc, and 2.03% lead over 17 metres true width. Although the hole was drilled with a reverse-circulation drill, results indicated grades comparable to underground sampling and better than anticipated widths.

Soho is now testing the true potential at Tahuehueto and is currently drilling several blind induced-polarization anomalies along trend and to the southwest of the El Creston zone. As of last week, the Company had completed two holes in one of several IP targets that will be tested by the 20-hole program. The Company plans to release results in batches of four holes, with results in two to three weeks. Any positive drill results could validate the exploration model, which will lead to a rapid re-evaluation of the potential at Tahuehueto.

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## **Ashton Mining of Canada Inc. (ACA-T, \$1.16)**

### **Rating: Research Comment**

#### ***Renard 3 Kimberlite Results Glitter***

Current Shares O/S: 76.6 million	Fully Diluted: 87.2 million
52-Week High/Low: \$2.06/\$0.87	Adjusted Market Cap: \$73.9 million
Cash (estimated): \$15.0 million	Per Share Fully Diluted: \$0.17

During last week's round of conferences, Ashton Mining of Canada Inc. (ACA-T) sparked with the release of results from a 146-tonne sample processed from the Renard 3 kimberlite body on the Foxtrot project in north-central Quebec. The sample was collected during 2004 exploration from large-diameter reverse-circulation drilling and processed by dense media separation (DMS), yielding 184 carats of diamonds or an estimated 126 carats per hundred tonnes (cpht). Combined with previous results, the Renard 3 body now averages 124 cpht based on a combined 165-tonne sample weight.

Key to future valuation of the Renard 3 body, the 146-tonne sample contained a significant population of larger stones, with 10 diamonds weighing above 1 carat. The three largest stones recovered included a 4.3-carat clear colourless octahedral, followed by a 2.7 carat clear colourless tetrahexahedroidal and a 2.29 carat clear colourless octahedral. We see the apparent gem quality of these larger stones as positively affecting future valuation of the Renard 3 body.

With release of the Renard 3 results, Ashton has clearly added a new facet to the potential at Foxtrot. Previous results from the Renard 65 (26 cpht), Renard 4 (45 cpht), and Renard 2 (88 cpht) bodies yielded sub-100 cpht DMS results. Given the relatively small footprint of the kimberlite bodies (< 1.5 hectares on surface), we have viewed the +100 cpht threshold as key to criteria for possible future development of the Renard cluster. With Renard 3 exceeding this valuation, and in light of the apparent high quality of the larger stones, we will monitor progress closely. The potential of Foxtrot as a small operation can be compared to the Tahera Diamond Corporation (TAH-T) future Jericho mine (2.6 million tonnes averaging 1.2 carats) in Nunavut, where plans are gearing up for preproduction.

Given Foxtrot's remote location and the current small size of kimberlite bodies, any new discoveries of additional high-value pipes could have a dramatic impact on the advancement of the Foxtrot projects. With Ashton and 50:50 joint-venture partner SOQUEM Inc. announcing a \$12 million exploration budget focusing on the discovery of new kimberlites, 2005 exploration on the Foxtrot property is poised to realize this objective. Exploration in 2005 will also focus on further Renard cluster delineation drilling, which will provide additional insight into the future economic potential.

With results from an additional 220 tonnes expected by the end of Q1/05, Ashton will initiate a preliminary estimate for the diamond value of the Renard bodies, results of which will be a key milestone for the project.

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## Messina Minerals Inc.<sup>1</sup> (MMI-V, \$1.58) **Rating: Research Comment**

### *Lure of Discovery at the Boomerang Project, Newfoundland*

Current Shares O/S: 20.0 million  
 52-Week High/Low: \$1.69/\$0.09  
 Cash (estimated): \$1.5 million

Fully Diluted: 26.0 million  
 Adjusted Market Cap: \$30.0 million  
 Per Share Fully Diluted: \$0.06

Arguably, one of the significant new discovery stories last week was the Messina Minerals Inc. (MMI-V) Boomerang project on the Tulks South property in central Newfoundland where drilling late in 2004 intercepted a 13.9-metre-long interval of massive sulphide mineralization grading 13.6% zinc, 4.0% lead, 0.7% copper, 102 g/t silver, and 1.0 g/t gold in hole GA04-11. The discovery was made on a two-hole program, with the second hole drilled 100 metres to the west intercepting 8.5 metres of massive pyrite mineralization anomalous in copper, lead, and zinc.

The Tulks South property has been the target of volcanogenic massive sulphide (VMS) exploration in the past with good reason. The project area lies within the southern half of the Tulks Volcanic Belt, host to significant volcanogenic massive sulphide deposits, including the former producing Buchans mines (production of 16.2 million tonnes at 14.51% zinc, 1.33% copper, 7.56 % lead, 126 g/t silver, and 1.37 g/t gold) located approximately 50 kilometres to the northeast of the project area. Previous exploration on the property has identified several large pyrite-dominated massive sulphide deposits, the largest of which is the A zone, which contains an estimated 6 million tonnes from surface to a depth of 300 metres. Stratigraphically above the A zone, past exploration has identified a smaller base-metal-rich zone, the B zone, with an estimated (not National Instrument 43-101 compliant) 230,000 tonnes grading 8.7% zinc, 0.66% copper, 1.2% lead, and 58.7 g/t silver.

Prior to Messina's discovery hole, more than half a dozen holes had targeted the Boomerang zone outlining anomalous VMS-style sulphide mineralization and footwall alteration to the east of hole GA04-11. The most significant intercept was drilled in 1997, with hole GA97-05 intersecting 3.6 metres containing 7.4% zinc, 2.3% lead, 0.45% copper, 76.5 g/t silver, and 0.67 g/t gold at 500 metres vertical depth. Based on current drilling, massive sulphide mineralization discovered in hole GA04-11 is open downdip and to the west.

Messina Minerals is currently mobilizing for a follow-up program at Boomerang, with drilling to resume shortly. With \$1.5 million in the treasury, Messina is sufficiently funded to begin to delineate the potential at Boomerang through the winter drilling season. Based on a review of the massive sulphide interval in hole GA04-11 during the Mineral Exploration Roundup, we anticipate the potential at Boomerang can be realized well in advance of assays, as the strong base-metal presence is obvious. Given the potential for a significant new discovery, we anticipate continued trading volatility leading up to and on release of results, with positive news driving the stock to new highs, and negative results leaving investors out in the cold.

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**SECTOR OUTPERFORM** – Haywood’s top rating category. The analyst believes that the security will outperform its sector. Furthermore, the shares are forecast to provide attractive returns measured against alternative investments when considering risk profiles. The rating carries a minimum total return threshold of 15% for equities and 12% for trusts. The rating applies to companies that have tangible underlying assets that give a measure of support to the market valuation. The rating category considers both the absolute and relative values in assigning the highest rating on the security. **SECTOR OUTPERFORM (SPECULATIVE)** – Investment for risk accounts only. The security has strong upside although its risk profile leaves the potential for significant downside. Return expectations should generally exceed those of SECTOR OUTPERFORM to allow for the additional risk. Companies in this rating category carry greater financial and/or execution risk without tangible assets for underlying support. **SECTOR PERFORM** – The analyst believes that the security will trade with tight correlation to its underlying sector. Furthermore, the target price (together with any anticipated distributions) is at or above the market price, and forecast risk-adjusted returns are attractive relative to alternative investments. **SECTOR UNDERPERFORM** – Investors are advised to sell the security or hold alternative securities within the sector. Stocks in this category are expected to underperform relative to their sector. The category also represents stocks with unattractive forecast returns relative to alternative investments. **RESEARCH COMMENT** – An analyst comment about an issuer event that does not include a rating. **COVERAGE DROPPED** – Haywood Securities will no longer cover the issuer. Haywood will provide notice to clients whenever coverage of an issuer is discontinued. The termination of coverage will not occur unless clients have been provided with advice relating to positions they may still hold, such as a recommendation to sell their securities.

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**Forecast Risk: High** – Haywood forecasts are below guidance. The Company has a history of missing targets and/or Haywood expects guidance to be lowered. Limited hedging increases commodity leverage. Forecasts reflect higher commodity prices or production relative to guidance. **Moderate** – Haywood forecasts are generally in line with guidance. The Company has a history of meeting or exceeding guidance. Forecasts are consistent with current commodity pricing and production guidance. Hedging is in line with peers. **Low** – Haywood forecasts exceed guidance. The Company has a history of meeting or exceeding guidance. Forecasts allow for modestly lower commodity pricing or production levels. Commodity hedging lowers volatility relative to peers.

**Financial Risk: High** – The business plan is not fully funded, but requires debt and/or equity financing. The exploration program is funded for two years or less. This categorization does not predict whether the additional funds will be raised. **Moderate** – The development plan is fully funded, with the exploration program funded for three years or more. The Company’s debt is rated below investment grade. **Low** – The Company is fully funded. Its debt is rated investment grade and/or the Company has a history of profitability or dividend payments in each of the last three years.

**Valuation Risk: High** – The current valuation is at the high end of historic levels and/or at a premium to peers. The valuation reflects considerable exploration success and/or commodity appreciation. Where applicable, the current capitalization exceeds the DCF evaluation by more than 50%. **Moderate** – The current valuation is within historic ranges and generally consistent with peers. The valuation reflects reasonable exploration success and/or commodity appreciation. Where applicable, the current capitalization exceeds the DCF valuation by 15% to 50%. **Low** – The current valuation is at the low end of historic ranges and at a discount to peer valuations. The valuation reflects limited new exploration success and no commodity appreciation. Where applicable, the current capitalization exceeds the DCF valuation by less than 15% or falls below the current market value.

**Political Risk: High** – Currently no industry activity or infrastructure exists. Government opposition is significant. Obtaining permits is challenging. **Moderate** – Industry activity or infrastructure is minimal. Government at national, regional, and local levels is indifferent. Obtaining permits is relatively straightforward. **Low** – Industry activity and infrastructure exist. Government is supportive. Obtaining permits is facilitated.

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