

The Haywood X-Report updates investors on global mineral exploration stocks. The investments mentioned in this report may be geologically conceptual in nature or involve resources where there is no feasibility study and as such are highly speculative. In compliance with regulations that govern disclosure and reporting in the Canadian mining industry, Haywood Securities does not publish valuations or financial models on early stage exploration. We emphasize that much of the performance of an illiquid junior mining stock depends on its capital structure; i.e., who owns how much, what the prices are, and when they can sell. We advise investors to thoroughly research a company's filings and be aware of the timing of pending dilutions (such as the expiry of in-the-money warrants). The best way to profit from junior mining stocks is to avoid rumours, invest in good management, and cover your costs at the first opportunity.

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Diamonds to Sparkle in 2006

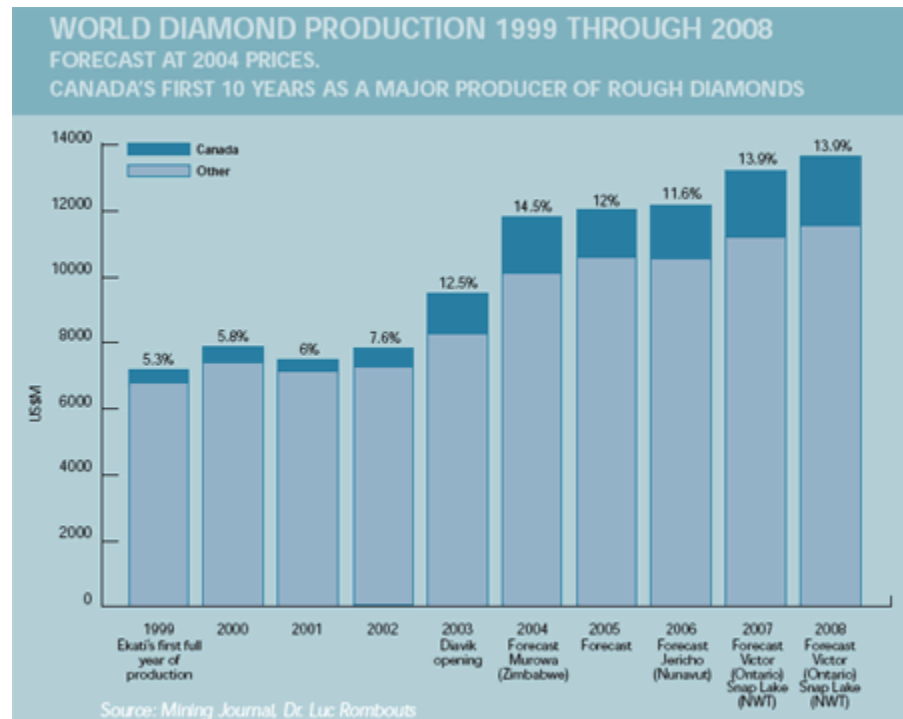
For investors with an eye for diamonds, recent announcements by De Beers and Aber suggest that 2006 could be the year that the junior diamond sector awakens from its arctic slumber. We see increasing awareness of a looming diamond shortage as the stimulus and one need only look at events of the last week for confirmation.

- December 2; Aber Diamond Corporation (ABZ-T) reported Q3/05 earnings, up 77% from the same quarter a year earlier driven by higher margins from mining operations and retail sales. Aber supplies rough diamonds to the global market through its 40% stake in the Diavik diamond mine in the Northwest Territories and holds a 51% interest in Harry Winston Inc., the posh retailer of diamond jewelry.
- November 30; De Beers agreed to settle four class-action lawsuits in the US for US\$250 million. The settlement, which ends 11-years of litigation and the majority of civil class actions filed against De Beers in the U.S., is widely seen as a move by De Beers to gain better access to the highly-lucrative jewelry retail market in the US.
- December 2; De Beers Canada Inc. has endorsed future development of the Guhcho Kué diamond deposit in the North West Territories with last Tuesday's announcement that it has filed an application with the Mackenzie Valley Land and Water Board for permits to construct and operate a diamond mine. The project, with annual production of 3 million carats over a 20-year mine life, is a joint venture between De Beers Canada (51%), Mountain Province Diamonds Inc. (MPV.T) (44.1%) and Camphor Ventures (CFV.V) (4.9%), is expected to cost \$825 million. With the announcement, De Beers has now committed to develop 3 diamond mines in Canada over the next 5-years, with more than \$2 billion towards development of the Snap Lake deposit in the Northwest Territories and the Victor deposit in northwestern Ontario.

Driving record earnings and development decisions are forecasts of increased demand for both rough and polished diamonds. It is estimated that global demand for high-end diamonds is not being met by current production and that a new mine the size of Ekati (5 million carats per annum) must be developed every two years to meet current demand. (De Beers recently announced the planned closure of three diamond mines in South Africa, further exacerbating the supply issue).

World natural diamond production for 2004 is estimated at 156 million carats with a value of US\$11.8 billion representing a 26% increase over 2003 production of US\$9.4 billion. The rise in sales is attributed to the removal from the world production mix of low quality Australian diamonds, with a low average price, as well as by producer price increases.

Diamond Production Forecast, sales US\$B



Source: Government of the North West Territories

About 20% of the volume of world production is gem quality, which will be polished and set into diamond jewellery, and 45% are near gem qualities which would have been graded as industrial 40 years ago, but are now polished by the vast, low cost, Indian cutting industry. The balance is of industrial quality. Although more than 90% of industrial diamonds are produced synthetically, there are still some industrial uses where natural stones are preferred.

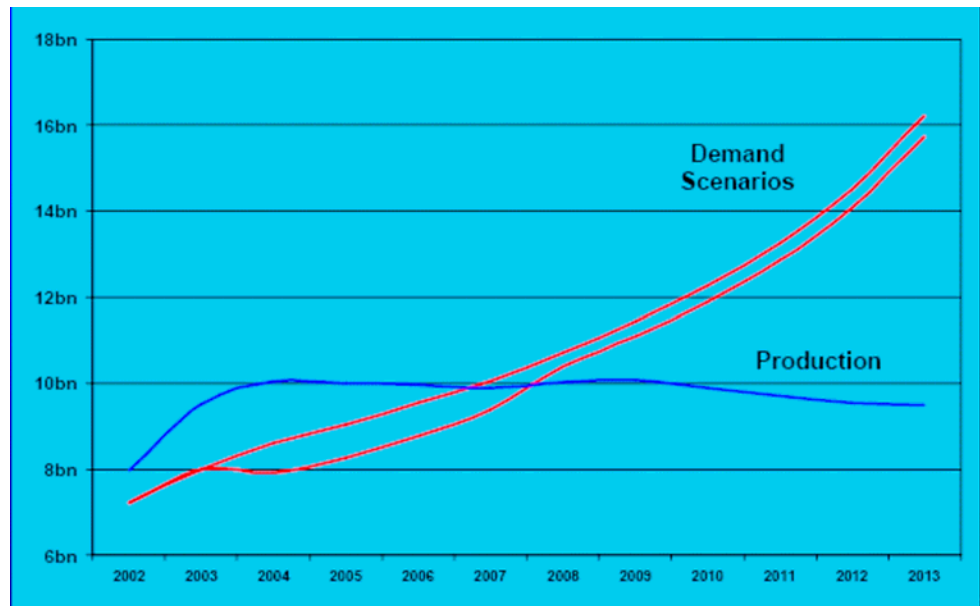
Demand

Diamond jewelry demand has continued to gain momentum with De Beers marketing arm, DTC estimating worldwide retail sales have risen to an estimated US\$61.5 billion, up 8.7% from 2003. Factoring in a lower US\$, the rise in retail sales accounted for a 7.2% increase in local currencies. Sales in the U.S., which

account for almost 50% of retail sales, grew by 8.2% to US\$31.5 billion in 2004. The largest increase in diamond sales was observed in the emerging economies of the Middle East. The Indian market was up by 19% and Turkey 25%. The Chinese market grew strongly and steadily by another 11%, following 8% in 2003. Here a new diamond tradition is emerging: the diamond wedding ring, which has achieved an acquisition rate of 51% for married couples in the top 25 cities.

Forecasts are that new demand from Asia and the Middle East, as with most commodities in the current super-cycle, will drive demand to exceed production as early as the end of 2006.

Diamond Statistics



Source: WWW International Diamond Consultants

Diamond Prices Continue To Rise

There is no authoritative general index for rough diamond prices and estimates of pricing are based on anecdotal information. Over the last 10 years diamond prices were relatively stable or have declined as in 2002 when prices fell 15-20% due to excess supply of rough diamonds in the market. Rough diamond prices reversed in 2003 as stockpile were depleted, providing the catalyst for a 10% increase in 2003 and 14% in 2004.

Depending on the source, demand for rough diamonds is expected to increase annually by 7% rising from the current US\$11.4 billion to US\$16 to 18 billion by 2012. In contrast, rough diamond production is anticipated remain flat with annual sales estimates of between US\$9.5 to US\$13 billion.

Where Are The Juniors?

With most junior diamond explorers trading near 52-week lows, diamond commodity fundamentals have yet to translate into the sector. The current low share price of junior diamond explores is compounded by a lack of sector news that traditionally builds from early in the new year into the second quarter.

Selected Junior Diamond Explorers

Company	Symbol	Share Price \$	52-Week		% Chg. 52-wk High	3-Month Vol. Ave.	Shares O/S M	Market Cap. \$M
			High	Low				
Ashton Mining	ACA-T	1.10	1.79	0.87	(79.3)	51,674	77.0	84.7
Stornoway Diamond	SWY-T	0.83	2.04	0.80	(151.3)	134,875	80.4	66.7
Diamondex Resources	DSP-V	0.60	1.01	0.59	(69.5)	52,738	78.2	46.9
Vaaldiam Resources	VAA-V	0.61	0.89	0.35	(80.0)	31,982	62.9	38.3
Diamonds North	DDN-V	0.82	1.18	0.60	(60.0)	56,551	34.5	28.3
Metalex	MTX-V	0.64	2.15	0.55	(274.5)	20,039	33.5	21.4
Contact Diamond	CO-T	0.49	0.95	0.27	(170.4)	20,320	35.1	17.2
Superior Diamonds	SUP-V	0.41	0.50	0.34	(28.4)	8,449	33.7	13.7
Shear Minerals	SRM-V	0.26	0.65	0.24	(164.6)	104,292	56.1	14.3
Indicator Minerals	IME-V	0.25	0.40	0.20	(77.5)	60,952	37.4	9.2
Trigon Exploration	TEL-V	0.20	0.45	0.15	(170.0)	25,086	29.7	5.8
Hudson Resources	HUD-V	0.43	0.80	0.27	(137.0)	36,544	14.2	6.1

Companies highlighted are profiled in this report.

Source: Bloomberg

Discovery Lift

Over the last 12 months, two Canadian juniors, Shore Gold and Mountain Province, have moved from the ranks of junior explorer to emerging producers. Tahera Diamond is scheduled to begin commercial production at their Jericho mine in Nunavut in 2006. Annual production is estimated at 0.5 million carats over the current 9-year mine life.

The Majors and Emerging Diamond Companies

Company	Symbol	Status	Share Price \$	52-Week		3-Month Vol. Ave.	Shares O/S M	Market Cap. \$M
				High	Low			
Aber Diamond	ABZ-T	Producer/Retail	42.75	45.65	31.50	124,398	58.0	2,479.1
Tahera Diamond	TAH-T	Development	0.58	0.61	0.36	3,175,244	720.2	417.7
Mountain Province	MPV-T	Production Decision	3.42	3.73	1.60	37,124	52.8	180.5
Shore Gold	SGF-T	Prefeasibility	7.29	7.75	2.55	729,803	170.2	1,240.4

Companies highlighted are profiled in this report.

Source: Bloomberg

Investment Strategy

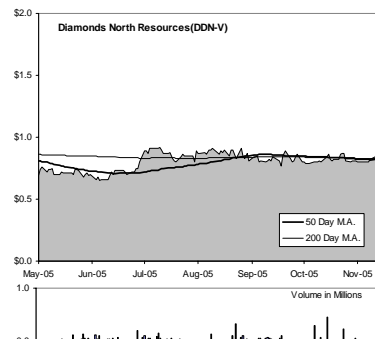
For risk-tolerant investors, we recommend investment in a basket of junior diamond explorers. As a corner-stone to this strategy, we recommend accumulating positions in Diamonds North and Stornoway Diamonds currently rated Sector Outperform (Speculative). For investors seeking further exposure, we recommend investigating those companies listed, but not under coverage.

1. Diamonds North (DDN-V) – Sector Outperform (Speculative)
2. Stornoway Diamond Corp. (SWY-T) – Sector Outperform (Speculative)
3. Ashton Mining of Canada (ACA-T) – Research Comment
4. Hudson Resources Inc. (HUD-V) – Research Comment
5. Diamondex Resources Ltd. (DSP-V) – Research Comment
6. Mountain Province Diamonds Inc. (MPV-V) – Research Comment
7. Indicator Minerals Inc. (IME-V) – Research Comment

Diamonds North Resources Ltd. ^{1,6} (DDN-V, \$0.82)

**SECTOR OUTPERFORM
(SPECULATIVE)**

Price Performance



Source: Bloomberg

Current Shares O/S: 34.5 million
52-Week High/Low: \$1.18/\$0.60
Cash (estimated): \$2.2 million

Fully Diluted: 42.7 million
Enterprise Value: \$26.1 million
Per Share Fully Diluted: \$0.05

Leverage Through Joint Venture

Diamonds North has made significant headway in achieving its primary objective to position itself through joint venture and discovery as a significant stakeholder in an operating Canadian diamond mine. To this end, it has assembled one of the largest diversified and prospective land positions (27 million acres) for diamond exploration in Canada and is the only diamond explorer partnered with three majors. We anticipate significant news flow to commence shortly from this year's work.

Two JV companies, BHP Billiton Diamonds Inc. and Kennecott Exploration Inc. own directly or indirectly Canada's two diamond mines, Ekati and Diavik. The third JV partner is Teck Cominco Ltd. (TEK.B-T). We see this as an effective asset and risk management model, enabling the company to retain significant ownership in prospective development stage projects, whilst exploring and developing less advanced diamond exploration plays.

Projects that present Diamonds North with the best near-term potential for a significant diamond discovery are those that are drill ready, namely Kidme, Araq, and Amaruk. These could proceed to the mini bulk sampling stage of exploration, should results be positive as have the Blue Ice and Washburn properties.

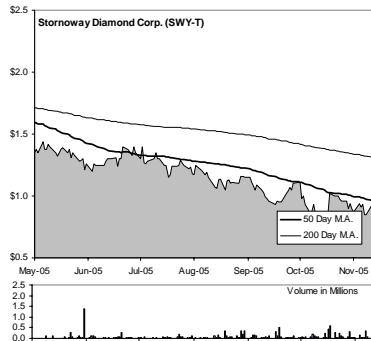
Early stage projects that are owned 100% by DDN or those governed by joint venture agreements, namely Banks Island and Wellington, offer considerable exploration merit. Diamonds North plans to spend similar expenditures to 2005 in 2006, namely C\$2 million for exploration out of a total exploration budget of C\$11 million, the balance being funded by partners.

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Stornoway Diamond Corp. ^{1,2,6} (SWY-T, \$0.83)

**SECTOR OUTPERFORM
(SPECULATIVE)**

Price Performance



Source: Bloomberg

Current Shares O/S: 80.4 million
52-Week High/Low: \$2.04/\$0.80
Cash (estimated): \$27.8 million

Fully Diluted: 87.4 million
Enterprise Value: \$42.1 million
Per Share Fully Diluted: \$0.32

Diamonds from Canada to Botswana

Stornoway’s Canadian properties encompass over 23 million acres in the eastern and western arctic with 18 joint ventures including BHP Billiton Diamonds, Strongbow Exploration Inc (SBW-V), Shear Minerals (SRM-V), Hunter Exploration Group and Ashton Mining of Canada Inc (ACA-T). Stornoway has been involved in the discovery of 61 kimberlites since 2002 of which more than one third have proven diamondiferous. Stornoway’s recent Botswana exploration initiative is governed by a 50/50 joint venture with Motapa Diamonds Inc. (MTP.V)

Stornoway is exploring close to 9 million acres on the Melville Peninsula in eastern Nunavut. On the Aviat property, a joint venture with BHP Billiton Diamonds (20%) and the Hunter Exploration Group (10%) have discovered nine diamondiferous kimberlites to date. A two tonne sample has been taken from each of the AV6, 7 and 8 kimberlites, with results expected in Q106. The Wales property, a joint venture with Strongbow and BHP Billiton, located south of Aviat and north of BHP Billiton Diamonds’ Qilalugaq property is host to ten kimberlites. Geochemical and diamond analysis results on nine kimberlites are expected by year-end that will determine future plans.

The 7 million acre - Churchill project, a joint venture with Shear Minerals and BHP Billiton, hosts 41 kimberlites, 16 of which have proven diamondiferous. Two kimberlites occur on the 514,000 acre Churchill West project, one being diamondiferous. This project is a joint venture with International Samuel Exploration Corporation (SAZ-V) (47% interest), Shear Minerals (27%), BHP Billiton Diamonds (7.5%), and Stornoway (18.5%). Shear is the operator of the project.

In Botswana, the world's richest diamond producing country, Stornoway, with 50% joint venture partner Motapa Diamonds Inc, has recently completed a Falcon™ gravity survey on the 5.4 million acre Sua Pan property. Final results from the survey are anticipated before year-end and will be used to generate potential drill targets for 2006.

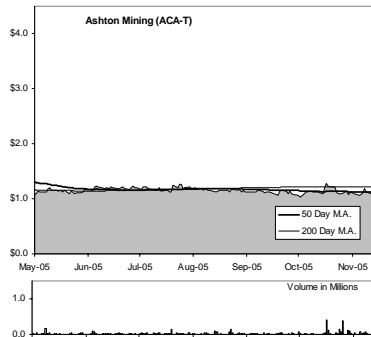
Stornoway’s exploration budget plans for 2006 are expected to be similar to those for 2005, namely C\$15 million for exploration, out of a total exploration budget of C\$22 million. Considerable news will flow into the market in the coming months from this year’s work program.

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Ashton Mining of Canada Ltd. (ACA-T-V, \$1.10)

RESEARCH COMMENT

Price Performance



Source: Bloomberg

Current Shares O/S: 77 million
 52-Week High/Low: \$1.79/\$0.87
 Cash (estimated): \$8.0 million

Fully Diluted: 87.3 million
 Enterprise Value: \$76.7million
 Per Share Fully Diluted: \$0.09

Foxtrot Calls: Care to Dance?

Ashton’s exploration activities during 2005 have centered on their Foxtrot property in the Otish Mountains region of north-central Quebec, which is governed by a 50/50 joint venture with SOQUEM INC. The Foxtrot property hosts nine known diamondiferous kimberlitic bodies.

The joint venture collected more than 600 tonnes of material from Renard 2, 3, 4, and 65 during 2004 and subsequently recovered 459 carats of diamonds valued at US\$88 per carat. Preliminary modeling (non-43-101 compliant) suggests that Renard 2, 3, 4, and 9 contain an estimated 23.2 to 27.5 million tonnes of kimberlitic material hosting approximately 18.6 and 22.0 million carats of diamonds. During this past summer, the joint venture expanded the potential of Renard 10 by further drilling and by the analysis of additional samples by caustic dissolution.

Plans are being made to collect a much larger bulk sample to recover a minimum of 5,000 carats in preparation of a pre-feasibility study. A combination of trenching, reverse circulation drilling and underground mining methods will be used and material will be processed through a dense media separation plant on site. In addition to the Renard kimberlites, kimberlitic dyke discoveries have been made, including those associated with the Lynx Anomaly. Mini-bulk samples were taken during the summer from the newly discovered Hibou dyke (10 tonnes) and the Lynx dyke system (30 tonnes); results are pending.

Additional work planned for 2006 will include further assessment of the Lynx and Hibou dyke systems, each of which is strategically located near the Renard bodies. The joint venture also plans to continue to focus on unexplained indicator mineral anomalies and kimberlitic boulder occurrences and as well as testing geophysical targets to identify new kimberlitic bodies.

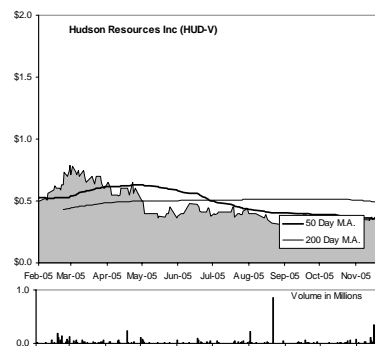
The Foxtrot project is moving towards key milestone that could see it develop into Canada’s next feasibility level project that could bring much renewed attention to Ashton.

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Hudson Resources Inc. (HUD-V, \$0.43)

RESEARCH COMMENT

Price Performance



Source: Bloomberg

Current Shares O/S: 14.1 million
 52-Week High/Low: \$0.80/\$0.27
 Cash (estimated): \$0.7million

Fully Diluted: 17.1 million
 Enterprise Value: \$5.4 million
 Per Share Fully Diluted: \$0.04

Hudson testing new frontiers

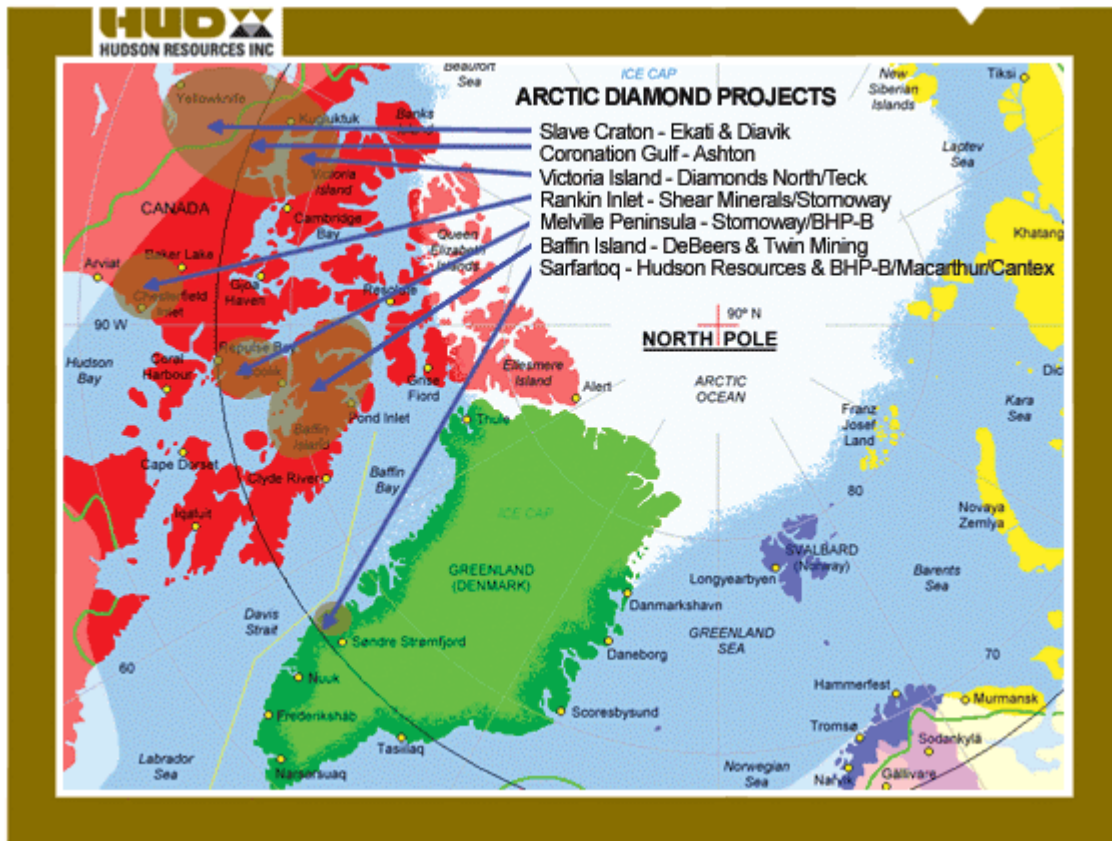
Hudson Resources is focused on diamond exploration in the Sarfartoq region, near Kangerlussuaq, western Greenland.

Exploration during 2003 through to 2004 focused on the collection and analysis of kimberlite rock taken from a variety of locations which yielded micro-diamonds. Select samples were also subjected to microprobe analyses. A Mag-EM geophysical survey was conducted in 2004 and followed in early 2005 by ground-based magnetic, electromagnetic surveys and drilling.

In late 2004-early 2005, a 25-hole 2,000 metre drill program tested the Spider Lake anomaly, an EM anomaly associated with diamondiferous kimberlite dikes, and the Garnet Lake area in close proximity to the Garnet Lake sub-outcrop. Kimberlite was discovered at Spider Lake but was not diamondiferous. However, drilling at Garnet Lake proved to contain diamonds and the geochemistry between the core samples and the Garnet Lake sample proved to be similar.

Recent results include significant diamond recoveries from four locations, two from the Garnet Lake area and two taken 12 km to the north east of Garnet Lake. Sampling of core from Garnet Lake area revealed a diamond measuring 2.60 X 2.30 X 2.26 mm, the largest stone so far discovered in Greenland. Also, new diamondiferous samples from either side of Garnet Lake have extended the potential north-south strike of the body to over 900 m. Recent sampling has also led to the discovery of a new region to the north east of Garnet Lake. Hudson plans to conduct a seismic survey over the Garnet Lake region as a means of imaging the dyke. More airborne geophysics is anticipated.

Western Greenland has historically produced some of the best indicator mineral chemistry indicating the presence of diamonds – the general frustration for many of the previous explorers has been that no diamondiferous kimberlites have been discovered despite the presence of numerous kimberlites. Hudson may well be on track to make significant progress towards a new benchmark for this well known area.



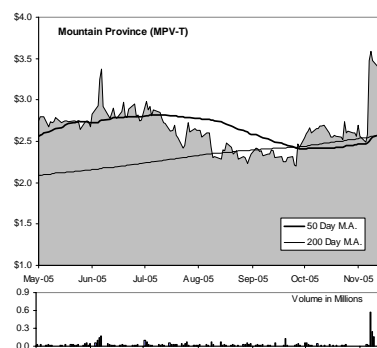
Source: Hudson Resources

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Mountain Province Diamonds Inc. (MPV-T, \$3.42)

RESEARCH COMMENT

Price Performance



Source: Bloomberg

Current Shares O/S: 52.8 million
52-Week High/Low: \$3.73/\$1.60
Cash (estimated): \$0.9 million

Fully Diluted: 53.0 million
Enterprise Value: \$179.7 million
Per Share Fully Diluted: \$0.01

44.1% Interest in Gahcho Kué – De Beers’ 3rd Diamond Mine in Canada

The long road from discovery through to development took a significant step forward for Mountain Province Diamonds Inc. (MPV-T) last Tuesday when De Beers Canada Inc. announced that it plans to commit to the development of the Gahcho Kué diamond deposit. Gahcho Kué is a joint venture with De Beers Canada (51%) as operator, and Camphor Ventures (4.9%) with Mountain Province (44.1%) owning the remaining interest.

The Gahcho Kué project is located on Kennady Lake in the N.W.T., 300 kilometres northeast of Yellowknife and 90 kilometres east of Snap Lake where De Beers first diamond mine in Canada is already under construction. Capital costs to develop Gahcho Kué are in the range of C\$825 million and the project is anticipated to have a twenty year mine life based on the 46.5 million carat resource outlined within the 5034, Hearne and Tuzo deposits. At peak production, the mine is expected to produce 3 million carats annually. The Gahcho Kué deposit grades are considered low grade compared to the Diavik and Ekati operations, however the projects proximity to Snap Lake will enable De Beers to realize cost efficiencies that are unavailable to a stand-alone operation.

Gahcho Kué Resource

Pipe	Resource Category	Tonnes (000)	Carats M	Grade (cpht) ¹	Average Value (US\$/ct) ²
5034	Indicated	8.715	13.943	160	82
	Inferred	4.921	8.366	170	90
Hearne	Indicated	5.678	9.676	170	70
	Inferred	1.546	2.373	153	70
Tuzo	Inferred	10.55	12.152	115	57
Total	Indicated	14.393	23.619	164	77
	Inferred	17.017	22.891	135	70

¹ Resource cut-off is 1.5mm

² Average value is based on June 2005 Price Book estimate

Source: Mountain Province

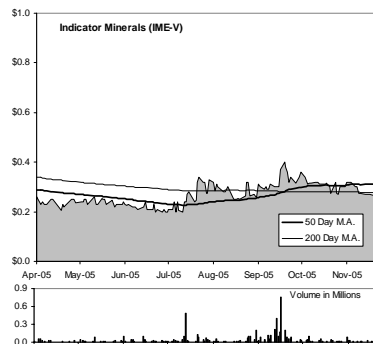
With De Beers submitting an application to the Mackenzie Valley Land and Water Board for the permits necessary to construct and operate a mine, it will likely be a few years before approval is granted. Irrespective of the time frame towards development, last weeks decision vaulted Mountain Province to the forefront of junior diamond explorers and the news sent shares of the Company up 35% to the current \$3.50 range. Under the joint venture Mountain Province can either elect to fund its portion of development costs or be carried through to production and dilute to 36%.

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Indicator Minerals Inc. ⁶ (IME-V, \$0.25)

RESEARCH COMMENT

Price Performance



Source: Bloomberg

Current Shares O/S: 36.8 million
 52-Week High/Low: \$0.40/\$0.20
 Cash (estimated): \$1.5 million

Fully Diluted: 55.3 million
 Enterprise Value: \$7.5 million
 Per Share Fully Diluted: \$0.03

Arctic and African Exposure

Management of Indicator Minerals has tasted discovery once before with Bruce Counts, President and CEO involved with the discovery of Ekati and David Kelsch, VP of Exploration, a member of the Diavik discovery team. The two teamed up in 2001 to form Indicator Minerals Inc. (IME-V) with the intention of repeating their earlier success.

Since the Company's listing in 2003, Indicator Minerals has assembled a portfolio of early stage exploration projects in the emerging Franklin Kimberlite District. Two of these projects, Darby (80% interest) and Barrow (80% interest) have been advanced through the targeting stage and Indicator plans an initial drill test in Q2/06.

A portfolio of earlier stage projects throughout the eastern arctic and into the arctic islands provides a pipeline of future drill targets. Project acquisition has been driven by Management's diamond expertise in concert with a joint venture with Hunter Exploration.

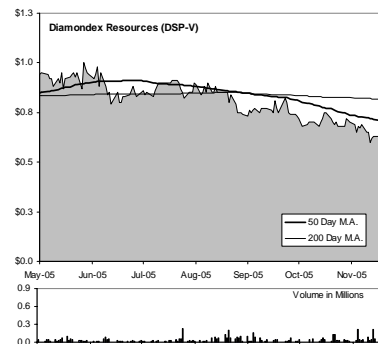
In Africa, Indicator Minerals has optioned the Lokgwabe project from Helio Resources Corp. (HRC-V) where it is earning an 80% interest in 750,000 acres of prospective diamond country in western Botswana. Indicator Minerals is planning to complete an airborne survey in December to compliment already convincing kimberlite indicator mineral geochemistry. Once results of the survey are evaluated, the Company plans a first pass drill test of priority targets through Q1/06.

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Diamondex Resources Ltd. (DSP-V, \$0.60)

RESEARCH COMMENT

Price Performance



Source: Bloomberg

Current Shares O/S: 78.2 million
 52-Week High/Low: \$1.01/\$0.59
 Cash (estimated): \$5.2 million

Fully Diluted: 91.4 million
 Enterprise Value: \$41.7 million
 Per Share Fully Diluted: \$0.06

Little News Flow Until Discovery Is Made

In the diamond industry, management’s track record is key. Diamondex Resources Ltd. (DSP-V) has the right pedigree as President Randy Turner and Director John MacDonald were integral in the discovery of the Snap Lake deposit and guided Windspear Diamonds Inc. through to its sale to De Beers Mining of Canada for C\$305 in 2000. As would be expected, Diamondex has assembled a strong technical team that has provided the engine for in-house generation and acquisition of prospective diamond territory totalling more that 11.3 million acres in 16 projects located throughout the Arctic, northern Quebec and Alberta.

The largest project held by Diamondex is the 6.2 million acre Lena West project (100%) where the company has over the past three years progressively refined targets in pursuit of a new discovery. Diamondex has identified several high priority targets and is planning a \$1 million drill program slated to commence in the New Year. Recently, Diamondex made a significant land acquisition in central Alberta in an option deal to earn 100% interest in approximately 2.5 million acres. The project called Pegasus is early stage with previous exploration by SandSwamp Exploration Ltd, one of the vendors, outlining several areas of anomalous concentrations of G10 garnets – a good start.

The Lena West and Pegasus projects exemplify the Diamondex model - to explore greenfield districts with potential for new discoveries. News flow from Diamondex will be in the form of routine project updates, preferring to focus on exploration. It is unlikely that the Company will stray from this modus operandi until discovery is made.

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Rating Structure

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.

Risk Profile Parameters – Mining and Minerals Sector

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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This report has been approved by HSUK for the purposes of section 21 of the UK's Financial Services and Markets Act 2000. If you wish to contact HSUK please email Bonnie Chang at bchang@haywood.com.

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