

Eloro Resources Ltd. (TSX-V: ELO)

Canada

A Junior Mineral Exploration Company

Eloro Resources Ltd. (TSX-V: ELO) is a junior exploration company focused on the discovery and development of base metal, precious metal and uranium resources in the James Bay district of northern Quebec and the Timmins camp of northern Ontario. The company has a diversified portfolio of early-to-mid stage properties and targets various metals including zinc, gold, silver, copper, and uranium. Eloro controls 19 properties covering approximately 425 sq km in James Bay. Of these, 12 are mainly copper-gold, while 7 are uranium. The properties are concentrated in the Eastmain greenstone belt, the La Grande greenstone belt and the Rupert greenstone belt, all of which are important exploration and mining hubs in Quebec. In the Timmins camp, Eloro has interests in eight polymetallic properties and is currently focusing on the exploration of the zinc-silver-gold bearing Hurdman property. Rising metal prices have given a significant boost to mining activity in both the James Bay and Timmins camp regions. Eloro's strategy is to advance some of its James Bay properties to National Instrument (NI) 43-101 resource standards and rope in a major to develop them.

- Eloro's properties in the James Bay mining area are strategically important to the company. The James Bay district has recently generated a lot of interest after Goldcorp Inc. (TSX: G), the third-largest gold company in the world, acquired the Eleonore gold deposit from Virginia Mines Inc. (TSX: VGQ) for US\$420 million. The Eleonore deposit, with indicated gold resources of 1.83 million ounces (oz) grading 7.40 grams per ton (g/t) gold (Au), is the most significant gold discovery in the James Bay region. Eloro's copper-gold-silver properties namely Eastmain 1, Eastmain 2, Eastmain 3 and Delta are located on the same Eastmain greenstone belt that hosts the Eleonore deposit. This fact greatly enhances the value of Eloro's properties. Eloro is drilling these prospects to estimate National Instrument (NI) 43-101 compliant resources. The company plans to further develop these properties and may even advance them to production by partnering with a major.
- Eloro is simultaneously exploring the Hurdman zinc-silver property located in the Hurdman Township, Ontario, approximately 75 km north of Xstrata Plc's (LSE: XTA.L) Kidd Creek mining operations. Eloro explored for zinc and silver mineralization on the property that yielded average grades of 3.46% zinc (Zn) and 21.28 g/t silver (Ag). The Kidd Creek mine, with an estimated proven reserve of 14.29 million tons grading 5.64% Zn, 1.91% copper (Cu), and 62 g/t Ag, enhances the value of the property. The company plans to further develop and assess the resource potential of its property.
- Eloro has optioned out some of its other properties to third parties. This not only expedites activity at the properties but also helps the company to focus on its more advanced James Bay project together with the Hurdman property. Eloro optioned a 50% interest in the Lemoyne North, Horseshoe, Taïga and Taïga West gold properties to NFX Gold Inc. (TSX.V: NFX) in July 2007 for a work commitment of C\$3 million.
- The current momentum in base metal and precious prices is also expected to benefit Eloro. Zinc and copper are trading at a high level driven by strong demand from China and India. The trend is likely to continue in the near term until new production and smelting capacities come online. Moreover, gold which is used as a hedging tool against inflation and a weak dollar continues to command high value.



<http://www.elororesources.com>

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Price (C\$)	
10/12/2007	0.44
Price Target *	1.71
52 week high	1.05
52 week low	0.32

Shares Outstanding (millions)	
Basic Shares	46.05
Options & Warrants	9.24
Fully Diluted	55.29

Capitalization (C\$ millions)	
Current Market Cap	20.26
Target Market Cap *	78.77

Revenue (C\$ millions)	
2008E	-
2009E	-
2010E	-
2011E	-
2012E	-

* Our target price and target market cap are aiming at a 12 -18 month investment period. For details, please see financial forecasts and analysis.

Investment Summary

We are initiating coverage on Eloro Resources Ltd. (TSX-V: ELO) and expect the company's market cap to reach C\$78.77 million with a corresponding target stock price of C\$1.71 over a 12–18 month horizon. Our bullish view for Eloro Resources is well-supported by the multi-metal potential of the company's properties (located in attractive mining destinations) and the current uptrend in metal prices.

Eloro is a junior exploration and development company that holds a diversified portfolio of base metals as well as precious metals in Canada. The company's properties are concentrated in the James Bay district of northern Quebec and the Timmins camp of northern Ontario.

Eloro's James Bay property portfolio consists of 19 mineral properties covering 42,500 hectares in the highly prospective Eastmain and La Grande greenstone belts in northern Quebec. The two greenstone belts are emerging mining camps in Canada attracting several major and junior mining companies in the past 5-10 years. James Bay's attractiveness as a mining destination has increased among the mining community due to the acquisition of the Eleonore gold deposit by Goldcorp Inc. (TSX: G) for a huge sum of US\$420 million. The Eleonore deposit, originally discovered by Virginia Mines Inc. (TSX: VGQ), is a large gold resource 7.71 million tons grading 7.40 g/t Au (amounting to 1.83 million ounces of Au) in the indicated category. Continued exploration on the deposit is expected to further enhance resource potential. It is also considered the most significant gold discovery in the region so far. When a company as large as Goldcorp, the world's third-largest gold company, buys property proximal to Eloro's properties, quite naturally the value of the latter's assets would rise. Eloro's copper-gold-silver properties – Eastmain 1, Eastmain 2, Eastmain 3 and Delta are located on the same Eastmain greenstone belt, which hosts the Eleonore deposit. Eloro is currently focusing on estimating the National Instrument (NI) 43-101 compliant resource potential of each of these properties. This is expected to further enhance their significance. Therefore, it would not be surprising if Eloro partners with a major resource company to further advance its projects toward production. Eloro has been successful in exploring high-grade copper and silver mineralization on the Eastmain properties with average grades of 6% Cu and more than 61 g/t Ag from grab and rock samples.

Eloro's properties in Ontario are also strategically important for the company. The company's Hurdman zinc-silver property, located 120 km north of Timmins, covers an area of 6,624 hectares and is approximately 75 km north of Xstrata Plc's (LSE: XTA.L) Kidd Creek mining operations. Kidd Creek's proven reserves are estimated at 14.29 million tons grading 5.64% Zn, 1.91% Cu, and 62 g/t Ag. Eloro has been successful in exploring high-grade zinc and silver mineralization on the property with average grades of 3.46% Zn and 21.28 g/t Ag. The company plans to undertake further drilling and assess the property's full mineral potential.

In a move to expedite exploration at some of its other projects, Eloro optioned out these properties to third parties. This would not only enable the company to conserve capital but would also help it to more effectively focus on its more advanced projects. In June 2007, Eloro optioned a 50% interest in the Lemoyne North, Sakami East, Horseshoe and Taiga properties (located in Quebec) to NFX Gold Inc. (TSX.V: NFX) subject to a work commitment of C\$3 million by NFX Gold.

The rising prices of base metals, precious metals and uranium lead to a positive outlook for the stock. Over the last five years, the demand for base metals such as zinc and copper has increased led by emerging economies such as China and India. Zinc is currently trading at US\$1.40 a pound (lb) while copper is trading at US\$3.68/lb. In fact, prices for zinc, which is used to galvanize steel, increased more than four times since 2002. Prices for both the metals are expected to remain at that level until new production and smelting capacities come online. Furthermore, gold prices have been firming up since 2002, and have reached as high as \$755.00/oz. Gold prices are likely to remain strong on account of a weakening dollar and growing concerns over inflation.

Company Background & Business Strategy

Elores Resources Ltd. (TSX-V: ELO) is a Canada-based junior resource company. The company is headquartered in Toronto, Ontario, with the exploration office in Val-d'Or, Quebec. Elores focuses on discovering and developing precious and base metal resources. The company's property portfolio consists of zinc, gold, silver, copper and uranium and several other metals that are in high demand currently. Elores's operations are concentrated in the mining-friendly James Bay and Otish Basin districts of northern Quebec and the Timmins camp of northeastern Ontario.

Elores's flagship project is the James Bay property portfolio, which consists of 19 mineral properties spread over an area of 425 sq km in the highly prospective La Grande and Eastmain greenstone belts. Within the James Bay asset group, the company largely focuses on Eastmain and Delta gold, copper and silver properties. Elores's broad strategy is to assess the resource potential of these properties and bring them into production to capitalize on the strong gold and copper prices. The company is also interested in the Hurdman project near the Timmins mining camp. It consists of 28 mining claims covering 66 sq km in the Hurdman Township, Ontario. Furthermore, Elores's holdings in Timmins include units (collectively known as the McArthur Lake nickel property) in the McArthur and Bartlett Townships and some units in the Deloro Township. Elores concentrates on further exploring and developing these projects to determine their resource potential.

The company is led by Thomas Larsen who has significant experience in the investment industry and specializes in corporate finance and management consulting to junior companies. Other members of the management team also come with extensive experience in metal exploration, corporate and business development.

Some of the key features of Elores's strategy are given below.

- Elores's properties are concentrated in geographic areas that have been historically productive and host large mining camps. The company's properties are surrounded by noted deposits or mines operated by larger players in the mining industry. This greatly adds to the value of the properties as it helps the prospects to attract the attention of the mining community. Moreover, the regions have good infrastructural facilities such as easy transportation, ore processing plants, power, water and labor.
- Elores's properties are located in Quebec and Ontario. Not only are both the regions renowned for their diverse mineral potential but are also marked with political stability and mining-friendly policies. Quebec, where the company's James Bay properties are located, is the only region in the world that offers a 42% cash rebate on exploration expenditure.
- Elores usually acquires early stage exploration properties that have received limited previous exploration. The company's strategy is to develop these properties to determine their resource potential and thereafter vend the property to a major to advance the project toward production. Elores also options out interest in some of its properties to third parties while retaining a significant stake with itself. This not only brings in additional expertise but also enables the company to conserve capital and minimize exploration costs.
- Elores is currently focusing on developing the James Bay properties (Eastmain Delta, Rupert South and Summit-Gabbre) that are in the early stage of exploration in Quebec. The company is in the process of determining National Instrument (NI) 43-101 compliant resource estimates on these properties. Furthermore, the current uptrend in metal prices (both precious and base metals) and uranium during the past five years makes the stock an attractive investment prospect.



Corporation Events and Actions

- October 3, 2007 – Eloro announced the appointments of Mr. Jeff Hussey, P. Geo., FGAC, as Vice-President, Exploration, and Mr. Martin Bourgoïn as Executive Vice-President.
- September 20, 2007 – Eloro retained the services of AGORACOM Investor Relations to provide online investor relations services and a social networking platform to its customers. The social networking platform could help Eloro increase its awareness among existing as well as potential small cap investors.
- August 20, 2007 – Eloro completed a non-brokered private placement with the issuance of 1.15 million flow-through units for proceeds of C\$750,750 or 65 cents per unit.
- July 16, 2007 – Eloro entered into an agreement with NFX Gold Inc. (TSX.V: NFX), optioning out a 50% interest in Eloro's Lemoyne North, Horseshoe, Taïga and Taïga West properties in the James Bay district for a consideration of C\$3 million in exploration related expenditures.
- July 05, 2007 – Eloro acquired a 100% interest in the Otish North and South uranium properties located in the Otish Basin uranium camp in Quebec. The acquisition is however subject to provincial government approval.
- June 15, 2007 – Eloro provided exploration update on the Lemoyne North, Sakami East, Taïga properties in the James Bay district.
- May 22, 2007 – Eloro acquired the McArthur Lake nickel property located in the McArthur and Bartlett Townships in Ontario.
- May 15, 2007 – Eloro completed the 3,462 meter / 25 hole drill campaign at its Hurdman property and reported high-grade zinc, silver and gold mineralization on the Hurdman Sulfide Zone (HSZ) within the property.
- April 24, 2007 – Eloro entered into an agreement with Icon Industries Limited (TSX.V: ICN) optioning out a 55% interest in its wholly-owned Lac Henry uranium property (located in the Otish Mountains, Quebec).
- February 27, 2007 – Pursuant to a financing with MineralFields Group, Eloro completed the issuance of 625,000 flow-through units for proceeds of C\$500,000 or 80 cents per unit.
- February 15, 2007 - Eloro announced assay results from the first two diamond holes drilled as part of the 3500-meter drilling campaign initiated in January 2007 at the Hurdman property.
- January 31, 2007 - Eloro signed an agreement with MineralFields Group for the non-brokered private placement of 625,000 flow-through units worth C\$500,000 or 80 cents per unit.
- January 24, 2007 – Eloro announced additional assay results of 10.9% Cu and 109.0 g/t Ag from the Delta property. This confirmed the high grade copper and silver values found from the initial sampling work in 2006.
- January 11, 2007 – Eloro announced the acquisition of a 100% interest in the Agate and Gurney properties located near the company's wholly-owned Hurdman project.
- December 07, 2006 – Eloro completed the previously announced private placement of 1.53 million flow-through units for proceeds of C\$1 million with MineralFields Group. Each unit consists of one common share and one purchase warrant.
- November 23, 2006 – Eloro entered into an agreement with Virginia Mines Inc. (TSX: VGQ) for the acquisition of a 50% interest in Virginia's La Grande North property in the James Bay district for a consideration of C\$1 million payable in the subsequent five years.
- November 07, 2006 – Eloro signed an agreement with MineralFields Group for the non-brokered private placement of 1.53 million flow-through units worth C\$1 million or 65 cents per unit.



- October 24, 2006 – Pursuant to the summer exploration program, Eloro identified a third polymetallic zone (consisting of copper, gold and silver) in the James Bay district on its wholly-owned Delta property within the Eastmain greenstone belt. The zone yielded grab samples of up to 13% Cu and 108 g/t Ag.
- October 23, 2006 – Eloro announced its listing of shares and trading on the Frankfurt Stock Exchange (FSE) under WKN 909833.
- October 18, 2006 – Pursuant to the summer exploration program, Eloro identified a second polymetallic (copper, silver) zone in the James Bay district at its wholly-owned Eastmain 1 property in the Eastmain greenstone belt. The zone yielded grab samples of up to 2.85% Cu and 14.8 g/t Ag.
- September 26, 2006 – Eloro appointed Kodiak International Inc. as its public relations office in Europe. This was done to facilitate the dual listing of the company's shares on the FSE and TSX Venture Exchange.
- September 12, 2006 – Pursuant to the summer exploration program initiated in July 2006, Eloro identified several polymetallic mineralized zones (consisting of gold, silver, copper, nickel, cobalt, platinum and palladium) on its wholly-owned Summit-Gabbre property located within the La Grande greenstone belt in the James Bay district. Grab samples from the various zones exhibit indicate significant mineralization.
- July 26, 2006 – Eloro received final approval from TSX Venture Exchange for the divestiture of its 13 mining claims (located along the Larder Lake Break in northeastern Ontario) to NFX Gold Inc. (TSX-V: NFX).
- July 24, 2006 – Eloro commenced a summer exploration program on the James Bay district and also completed an airborne geophysical survey over the Hurdman property in the Timmins district, Ontario.
- July 13, 2006 – Eloro acquired the Horseshoe property located in the La Grande greenstone belt in the James Bay district of Quebec.

Management

Board of Directors

Thomas Larsen, President and CEO

Mr. Thomas Larsen is the President and CEO of Eloro since 1997. He has more than 25 years of financial experience in the investment industry. He specializes in corporate finance and management consulting to junior companies. Mr. Larsen is also an officer and/or Director of several companies including NFX Gold Inc. (TSX.V: NFX), a gold exploration corporation. Over the past 25 years, he has helped several publicly traded exploration companies to raise funding in excess of C\$50 million.

Miles Nagamatsu, CFO

Mr. Nagamatsu is a Chartered Accountant with more than 25 years of experience in several fields such as accounting, finance, insolvency, credit, lending, and special loans management. Mr. Nagamatsu is the CFO of Eloro since 1997. He is also an officer and/or a Director of several public companies. In addition, Mr. Nagamatsu is the volunteer Treasurer, Director and Member of the Executive Committee of the Canadian Cystic Fibrosis Foundation – a charitable organization that raises \$10 million annually for funding research in cystic fibrosis treatment – since 1982.

Paul Ankcorn

Mr. Ankcorn is the President of Richmond Minerals Inc. (TSX.V: RMD) and Remington Resources Inc. Prior to this, he was President of Terex Resources Inc. He also served at Northfield Minerals Inc., first as Secretary and Treasurer from 1989 to 1996, and thereafter as Vice-President and President. His previous experience includes seven years in various accounting positions with Gulf Canada. He brings 17-years of corporate experience in both the public and private sector. In addition, he is a Director of Champion Minerals Inc., NFX Gold Inc. (TSX.V: NFX), Lakota Resources Inc. (TSX.V: LAK), Shield Gold Inc, and is the CFO of Cuervo Resources Inc. (CNQ: IRON).

Francis Sauve

Mr. Sauve is an entrepreneur and has run his own business for over 25 years. Over the past 15 years, Mr. Sauve has been, and is currently, a Director of a number of publicly traded resource exploration companies including Eloro (since 2002), NFX Gold Inc. (TSX.V-NFX) and Northfield Metals Inc.

Jean Lafleur

A geologist by profession, Mr. Lafleur comes with 25 years of experience in various capacities, both in Canada and internationally. He has been with a wide range of industry leading companies such as Newmont, Falconbridge, and Placer Dome. Mr. Lafleur is Director of Eloro since 2005. His experience in the mineral exploration field include company, project and property evaluations and audits, project planning and execution, supervision and management, and resource estimations. More recently, he worked with McWatters Mining Inc. (MWAMF), a Quebec-based junior exploration and mining company. Here, he was instrumental in the discovery of new ore reserves for the company's projects in the Val d'Or and Malartic mining camps. For the past two years, he has been a mineral exploration consultant (as President of PJLEXPL Mineral Exploration Inc.), leading teams in the search for gold, nickel and uranium. Furthermore, he is an executive and technical advisor in a number of junior exploration companies such as Crowflight Minerals (TSX.V: CML), Beartooth Platinum, Typhoon Exploration (TSX.V: BTP), American Bonanza Gold Corporation (TSX.V: BZA) and Orex Exploration (TSX.V: OX). Mr. Lafleur graduated from the University of Ottawa with a B.Sc. and a M.Sc. in Geology.

Key Personnel - Management

Martin Bourgoin, P.Geo. Executive Vice President

Mr. Bourgoin P.Geo., has more than 21 years of experience in various leading companies such as Placer Dome Inc. (ASX: PDG) and Agnico Eagle Mines Ltd. (TSX: AEM.TO). His experience includes underground and open pit mine production, geostatistical ore reserve estimation, design and supervision of exploration programs. He is also involved in the preparation of National Instrument 43-101 compliant technical reports. He is the founder and President of MRB and Associates, a Val-d'Or, Quebec-based mining and exploration consulting firm. He also held the position of Chief Geologist at McWatters Mining Inc. (Sigma Mines division) where he played a leading role in the preliminary stages of defining a new geological model and gold reserves near-the surface.

Jeff Hussey, P. Geo. FGAC, Vice-President, Exploration

Mr. Hussey has 22 years of experience in international exploration and mining. He started his career as a Consulting Geologist for Jean Descarreaux in Québec's Abitibi Greenstone belt. During the 19 years he spent with Noranda and Falconbridge (now part of Xstrata Plc- XTA.L), Mr. Hussey held various exploration and production roles at Brunswick Mines. He was also Chief Geologist at Mines Gaspé, and Senior Geologist during the Antamina Mine startup in Peru. He was directly associated with the deep (1000m) North End Zone discovery at Brunswick and the Mt. Porphyre deposit pre-feasibility study at Mines Gaspé (1700m depth). Following Antamina, Mr. Hussey worked as Senior Scientist at the Noranda Technology Center's Mining Technical Group. Most recently, he was General Foreman, Open Pit Mines and Surface Projects, at Raglan Mines in northern Québec. His experience in exploration and mining will be beneficial for the evaluation and prioritization of Eloro's portfolio of properties.

Jorge Estepa, Vice-President, Secretary-Treasurer

Mr. Estepa, a University of Toronto graduate, has over 14 years of experience working with publicly traded companies. He has held various roles in the areas of investor relations, corporate administration and development. Mr. Estepa was appointed Vice-President and Secretary-Treasurer of Eloro Resources in 1997. Apart from his responsibilities at Eloro, Mr. Estepa is an officer with NFX Gold Inc. (TSX.V -NFX) and Forsys Metals Corp. (TSX- FSY).



Industry Overview

The metals and mining industry has been posting strong numbers for the past three to four years, contrary to the trend seen before 2002. In fact, it is not just the precious metals pack but also the base metals that have been moving quite strongly in line with the bull-run that started in 2002–03. Mining companies that were earlier struggling with problems of oversupply, increased stock level and falling prices have a lot more to cheer about following the positive change ushered in by the growth in the world economy. The global economic uptrend has largely been led by emerging economies such as China, India and other countries in the developing world. Consequently, the world GDP grew on average by 4.5% over the past three years.

ZINC

Zinc, the fourth most common metal in the world is present not only in rock and soil, but also in air, water and the biosphere. Plants, animals and humans contain zinc. However, the most common form of zinc available is sphalerite (ZnS), also referred as zinc blende.

Demand Supply Situation

Zinc consumption has grown dramatically over the past 50 years and continues to increase as world demand increases and as new avenues of utilization are discovered. This bluish-white metal is primarily used for galvanizing to protect steel from corrosion, for making brass and for the production of zinc base alloys for the die-casting industry. These first use suppliers then convert zinc into in a broad range of products. Major end-markets for zinc include the construction sector (45%) followed by transport (25%) and consumer goods & electrical appliances. On a geographical basis, as of 2006, China was the largest consumer of zinc (29%) followed by the US (11%).

Zinc has been following the global economic growth trend. Zinc consumption increased from a low of 9.84 million tons in 2003 to 11.05 million tons in 2006. It rose 4.6% year-on-year to 5.66 million tons in the first half of 2007. Zinc consumption has been increasing at a steady rate. China leads the pack with steady increase in zinc demand, dating back to 1980s. Thanks to booming demand from construction, automotives and home appliances, companies in China continue to add new galvanizing capacity. As a result, the country that was once a net exporter of refined zinc has turned into a net importer. Furthermore increased zinc usage in economies such as India, Brazil, Japan, Korea, Taiwan and Thailand is likely to further scale up demand in future.

Coming to supplies, approximately 70% of refined zinc comes from mined ores whereas the balance 30% is sourced from recycled or secondary zinc. With progress in the technology of zinc production and zinc recycling, the level of zinc recycling is increasing each year. Zinc is recycled at all stages of production and use – for instance, from scrap that arises during the production of galvanized steel sheets, during manufacturing and installation processes, and from end-of-life products.

Major suppliers of refined zinc include countries in the eastern bloc consisting of China and other erstwhile soviet nations (35%) followed by Europe (21%), Asia (18%) and North America. Zinc supplies that were running in surplus since 2001 witnessed a deficit of 157,000 tons in 2004, thanks to soaring demand and a lower rate of supply growth. The demand supply mismatch continued in 2005 with the supply deficit increasing to 560,000 tons when supplies actually fell by 0.7%. To survive the record low zinc prices in 2001-2003, several underground zinc mines (making up about 80% of world production) high graded their reserves which actually reduced underground development and hence cutoff substantial exploration activity. As a result, currently zinc reserves are being depleted faster than new production is coming on line; this is also due to a dearth of late-stage projects and time lag in bringing new reserves online. According to a recent study, mine closures are expected to remove 1.4 million tons of zinc production by 2011.

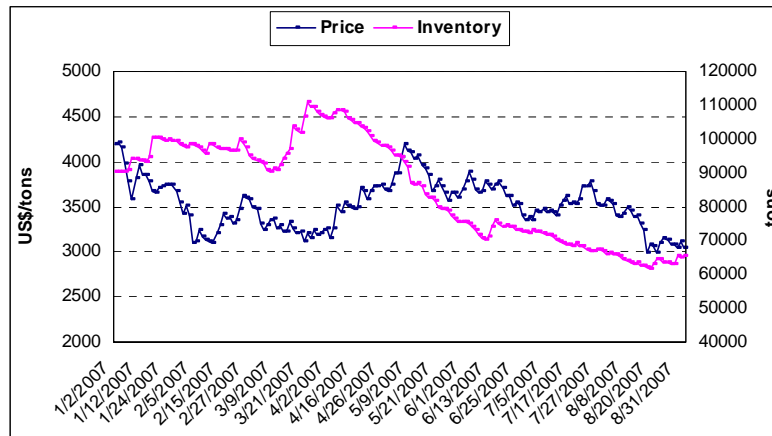
Although the demand-supply gap in 2004 and 2005 was bridged by existing zinc exchange inventories, the inventory levels hit a fresh low in 2006 and may be insufficient to meet the growing demand, going forward. According to the International Lead and Zinc Study Group (ILZSG), the global consumption of refined zinc is forecast to increase by 4% to 11.45 million tons in 2007 whereas production is slated to increase by 6.9% to 11.35 million tons. During the first six months of 2007, production of refined zinc was 5.65 million tons, nearly meeting demand.

Zinc has been among the strongest base metals so far and is expected to do well due to the lack of supply globally and relatively low price sensitivity to demand. The price of this metal quadrupled from US\$0.33/lb in 2002 to US\$1.40/lb at current levels. In the near term, production remains constrained due to a lack of adequate mine supply, and hence prices are likely to remain at strong levels on the back of demand growth and reported exchange inventories close to frictional levels. Mine production is set



to grow, but smelting capacity could become a constraint later in the decade. The only key remains China, where continued mine production growth (due to higher prices) could push the market back toward balance. The chart below shows zinc cash prices and LME inventories from the beginning of 2007.

Chart 1: Daily Zinc Cash Prices and Warehouse Stock position at LME



Source: London Metal Exchange (LME)

By 2010, production increases at existing operations and previously approved new projects is likely to contribute around 3 million tons of new supply, the key amongst them coming from San Cristobal and Cerro Lindo mines in Peru, and Mount Isa mine in Australia. This may ease off the supply situation; however demand factor from emerging economies will remain a vital factor in the price play of zinc.

COPPER

Copper, a reddish color metal, is one of the oldest metals known to mankind; it played a key role in the development of civilizations. Copper (singularly or in combination) has spectacular properties. It is highly ductile, malleable, a good conductor of thermal and electrical energy, and resists corrosion. Therefore, it is a major industrial metal, which ranks third after iron and aluminum in terms of quantity consumed.

The construction industry is one of the main consumers of copper, accounting for 37% of the global demand. It is followed by the electronics and electronic products (26%), transportation, industrial machinery, and consumer and general products industries. Copper is also widely used in non-electrical applications such as plumbing and roofing. Furthermore, when alloyed with zinc it turns into brass, which is used extensively in industrial and consumer applications. Today, the electrical uses of copper such as in power transmission and generation, building wiring, telecommunications, and in the manufacturing of electrical and electronic products, account for around three quarters of the total copper usage.

Demand-supply situation

The consumption of refined copper is classified into three primary semi-fabricated or first-use product groups – wire rods, copper alloy products, and copper products. The first-use products are subsequently utilized as components in the downstream production of end-use products. Wire rod (including scrap) accounts for 55% of the total copper consumption in the West, while copper products and copper alloys account for 28% and 17%, respectively.

The demand for copper more or less follows the global economic growth. From the lows of early 2000, the demand for refined copper increased at a CAGR of 2.5% to 16.6 million tons in 2005. Although demand grew sharply over 2002–04, it declined marginally by 0.8% in 2005 due to the fears of an economic slowdown in the US and low speculation activity following historically high prices. Nonetheless, the red metal was back in business in 2006 with the demand increasing 2.3% to 17.0 million tons, according to The International Copper Study Group (ICSG). For 2007, the world demand for refined copper is expected to increase to 17.88 million tons.

By geography, eastern European countries accounted for the highest consumption of copper in 2005, 4.9 million tons or 29%. Australia and Asia followed with a combined consumption of 28%, while Western Europe and North America accounted for

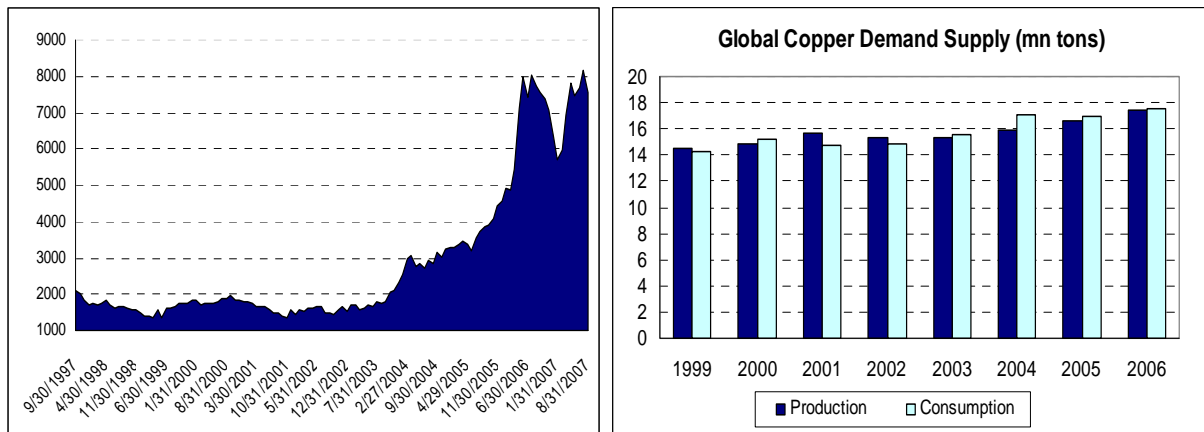


21% and 14.8%, respectively. China accounted for approximately 85% of the total increase in copper consumption during 2000–05.

Although the US, the second biggest consumer of copper is showing signs of weakening nevertheless demand in Asian economies, particularly China, is likely to remain the key growth driver of copper consumption worldwide. With the need for new power infrastructure growing in China, investments in power generation and transmission facility upgrades have increased significantly. Based on the current five-year plan, an incremental 215–245 gigawatt (GW) of generating capacity is expected to be installed by 2010. Added to that, continued robust growth in industrial production which came at 17.4% year-on-year in April 2007, may further drive copper demand. On top of that, huge economic activities currently being witnessed in the developing economies of India, Brazil and Russia may also trigger copper demand.

Coming to supplies, major reserves of copper, as reported by the US Geological Survey (USGS), occur in Chile in Latin America. At 150 million tons reported in 2006, Chile accounts for approximately 31.2% of the total reserves globally. The US and Indonesia, each accounting for around 7.3% of the total copper reserves, occupy the second position. Other countries with large copper reserves include Poland, Peru, Mexico and China. On a regional basis, Asia (accounting for 30% of total global supply) is the largest producer of refined copper; China alone accounts for 13% of the production from this region. Next is Latin America, which produces 25% of refined copper. It is followed by Western Europe and North America with shares of 11% and 12%, respectively.

Chart 2: (a) Copper Cash Prices (in US\$ per ton); (b) Global Copper Demand and Supply



Source: Brook Hunt, Bloomberg, LME

During the 1990s, the development of new copper mines was put on hold, while some smelting facilities were closed due to years of slow growth in demand, lower copper prices and high inventory levels. This resulted in supply deficit in all the years since 2003. The supply deficit, estimated at 0.26 million tons in 2003, increased to 1.08 million tons in 2004, before declining to 0.37 million tons in 2005 and 0.10 in 2006. In the first six months of 2007, supply deficit was 0.22 million tons. In 2007 and beyond, further supply additions are likely to take place following increased interest among mining companies to increase their exposure to copper. However factors such as frequent supply disruptions in key mining regions such as Peru, lag in bringing new mines into production and long term concern over dearth of new world class mines (large), may fail to meet any demand escalation in future. This can force the supply-demand balance to deficit again.

Although the demand-supply gap in 2005 was bridged by existing copper exchange inventories (both London Metal Exchange and New York Commodity Exchange), the inventory levels hit a fresh low in 2006 and may be insufficient in meeting the growing demand, going forward. Please note that copper is an internationally traded commodity on the London Metal Exchange (LME), New York Commodity Exchange (COMEX) and Shanghai Metal Exchange (SHME).

Copper prices have historically been cyclical and volatile on account of the demand and supply conditions and level of speculation in the market. The price of copper averaged over US\$1.00 per lb in the 1980s and 1990s and, with further ups and downs, reached US\$1.67 per lb in 2005. Prices scaled to a high of US\$3.38 per lb in 2006. Copper prices then fell to a low of US\$2.37 per lb. in February 2007 on reports of rising copper exchange inventory levels. It should be noted that copper inventories were at its lowest levels in the last seven years in 2006 and though inventory levels increased again at the end of 2006, it still remained near its historical low levels on an absolute basis. However, copper prices have rebounded on the back of increasing imports by China. Chinese imports of the metal increased by 110% to 1.11 million tons in the first seven months of 2007.

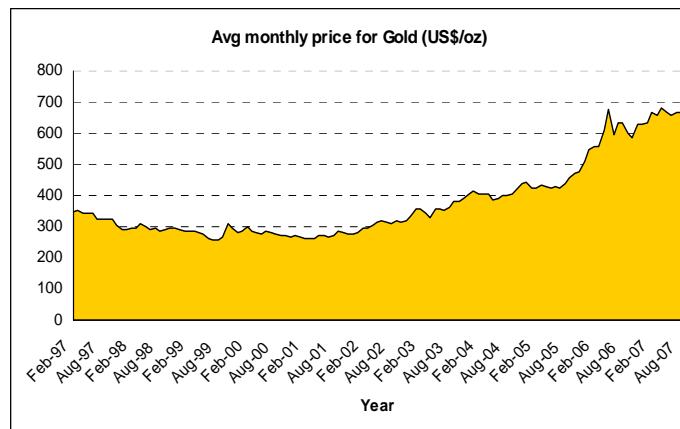


In future, we expect copper prices to remain robust in the near-to-medium term. Strong demand from emerging economies such as China and India are likely to push prices higher. In terms of supplies, although primary supply is expected to increase in future, frequent supply shocks in key producing regions are likely to keep the inventory levels well below their normalized levels, keeping copper market on an edge. In the long term, as the market reaches a demand-supply balance, copper price is expected to average around US\$2 a lb, which is still high historically.

GOLD

Gold prices are benefiting from the strong physical demand, particularly from India and the Middle East, and increasing investment demand due to higher inflation and weakening of the US dollar. In fact, the use of gold as an important investment tool is breaking new grounds. Bullion prices are also likely to be supported by supply constraints due to reduced exploration spending in the late 1990s, declining reserve grades, rising operating and finding & development (F&D) costs and increased de-hedging by mining companies. The average price of gold in 2006 was US\$603.77/oz, a whopping 35.8% more than US\$444.45/oz, the average of 2005. Gold averaged US\$666.84/oz in Q2 2007, representing a year-on-year increase of 6.23%.

Chart 3: Average Monthly Price of Gold 1997-2007*



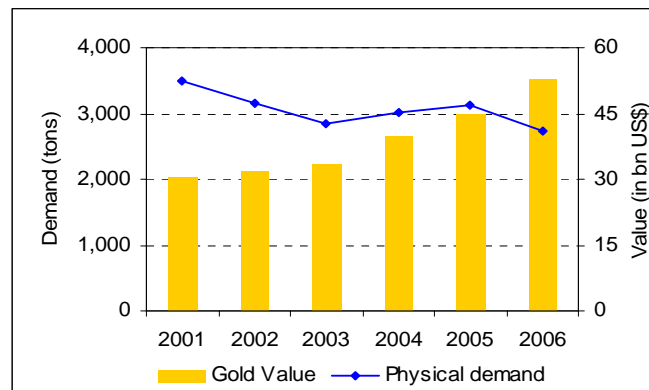
Source: www.gold.org, Average monthly price for 2007* is up to the month of August

Robust Physical Demand

Gold is mainly used in jewelry, dentistry, and in the industrial sector, particularly in electronics. The underlying physical demand for gold has remained robust for the past couple of years despite the substantial increase in bullion prices. The surprisingly robust demand for this yellow metal from the physical sector is primarily driven by the ever-increasing demand for jewelry and industrial fabrication.

According to the World Gold Council (WGC), global jewelry consumption was 2,707.2 tons in 2005. Demand for jewelry dropped 15.8% to 2,279.1 tons in 2006 as higher volatility in gold prices in the first eight months of the year deterred consumers from making purchases in countries such as Asia (excluding Japan) and the Middle East. Nevertheless, once volatility subsided in late August, demand improved mid-September onward. For the first half of 2007, jewelry consumption increased 22.4% year-on-year to 1237.0 tons on the back of increased demand from key gold markets—India, China, and the Middle East—and normal price volatility. Demand in China was boosted in 2007 by the “Year of the Golden Pig” which the Chinese believe to be an auspicious time to purchase gold. India, the largest gold consuming nation, bought 387.0 tons of gold in H1 2007 (521.5 tons in 2006). It was followed by the Middle East and Greater China with 171.4 tons and 167.1 tons respectively. In value terms, jewelry consumption at US\$44.2 billion in 2006 was 14.4% higher than the US\$38.7 billion consumption in 2005. For the first half of 2007, consumption increased 36.2% year-on-year to US\$26.2 billion.

In 2006, the demand for gold in dental and industrial fabrications reached a new record of 452.0 tons. This was largely due to the vibrant demand in the electronics sector (9% rise to 304.4 tons), attributable to the increasing popularity of consumer goods containing electronic circuitry. Strong growth in global GDP, particularly in East Asia (including Japan) reflecting its strong manufacturing base, and to a lesser extent in the US, also contributed to the growth in demand in 2006. The electronics sector maintained the pace of growth in 2007 with gold demand increasing 2.3% year-on-year to 155.6 tons in the first half of the year.

Chart 4: Gold Demand Trends (in volume and value)

Source: www.gold.org, Khandaker Research

Besides robust fabrication demand, de-hedging activities by gold producers also affected the demand/supply equation of the yellow metal. Hedging by gold producers is generally classified as a source of supply. If companies decide to close out hedges before they are due, they often end up buying gold from the open market and then use that to deliver into the hedges, adding to the demand. According to the Gold Field Mineral Services (GFMS), at 369 tons, de-hedging by gold producers was significantly higher in 2006 and continued in 2007 with net producer hedging standing at 162 tons at the end of the second quarter.

Significant investment demand

Gold is increasingly favored as an important investment tool. During 2006, the investment demand for gold grew substantially by 47.3% to US\$12.5 billion from US\$8.5 a year ago. Although this trend slightly reversed in the first half of 2007 (as demand for jewelry accounted for most of the supply) the near term outlook remains robust. The historically close inverse relationship between gold prices and the US dollar is one of the main drivers stimulating investment demand for gold. Investors use gold to hedge against any decline in the value of the US dollar. As the dollar continues to weaken against major currencies over concerns related to burgeoning deficits, inflationary pressure and expectations of a soft landing of the economy, the demand for bullion is expected to rise higher. Prevailing political uncertainties and threats of terrorism also add to the investment demand for gold. No wonder, the central banks of most countries continue to maintain gold reserves for the purpose of economic security. According to the WGC, the official gold holdings of all the central banks across the world stood at an astounding 30,374 tons in Q2 2007. The increasing inclination of institutional investors toward investing in commodities coupled with the rising popularity of gold ETFs is contributing to the investment demand.

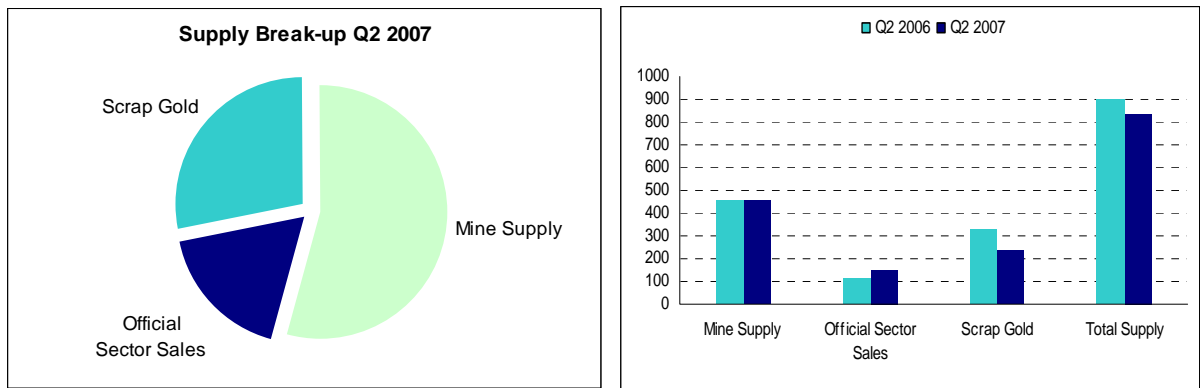
Another key point that warrants attention is China's over US\$1 trillion-plus foreign exchange reserves. The world's largest emerging economy has gold reserves of only 600 tons, which according to a latest release by the WGC, represents a mere 1.1% of the country's total foreign reserve. In contrast, most European nations hold about 15% of total reserves in gold. The depreciation of the US dollar has resulted in the devaluation of China's foreign currency reserve. As a result, the country is planning to adopt a foreign reserve diversification strategy – swapping dollars for gold. In addition, China recently passed a legislation allowing its four major commercial banks to sell gold bars to their customers in the near future.

Supply constraints expected to keep prices up

The three main sources of gold are mines (primary supply), official sector sales and recycled metal. Secondary supply of gold from central banks (official sector sales) and scrap accounts for a smaller proportion of total annual supply. Weak gold prices during the 1980s and 1990s led to a slowdown in exploration by gold producers. This is because companies usually cut down on fresh investments in discovery and exploration during such testing times. During this phase, several mines were closed due to abysmally low margins that rendered projects uneconomical.



Chart 5: Supply Break-up (in tons)



Source: World Gold Council

Eventually, in 2006, the global production of gold from mines declined 2.9% to 2,475 tons—the second-lowest in 10 years after 2004—compared to the demand of approximately 3,362 tons. However, mine production in Q2 2007 was 3.2% higher than that in Q2 2006 due to the increased supply from China and Indonesia which offset the reduced output from the Yanacocha mine in Peru. We must note that it is difficult for gold producers to substantially increase production, since increasing the supply of gold is a costly and lengthy process unlike other commodities.

Official sector sales were up 17.4% in H1 2007 compared to the year-ago period, driven by heavy selling from certain signatories to the Washington Central Bank Gold Agreement (CBGA 2), including Spain, European Bank, Switzerland, and France. According to the WGC, official sales up to August 9, 2007, amounted to about 400 tons, the annual limit being 500 tons which ends in September 26, 2007. These sales offset the reduced scrap sales which decreased by 90 tons or 27.5% year-on-year in Q2 2007 due to a decline in the quantity of jewelry sold back.

Increased consolidation activity

The current momentum in the metal business has boosted consolidation as reflected in the completion of a number of mega deals in 2006. In the copper industry, Freeport McMoRan Copper & Gold Inc (FCX: NYSE) paid US\$25.9 billion to acquire Phelps Dodge Corp., creating the world's largest publicly traded copper producer. Phelps Dodge's operations span the globe and the company is currently working on an US\$850-million expansion project at its Cerro Verde mine in Peru. Recently, Lundin Mining Corp. (LMC: AMEX; LUN: TSX), a miner of metals in Europe, agreed to acquire Tenke Mining Corp. for about US\$1.26 billion. Tenke Mining owns about a quarter of the Tenke Fungurume copper and cobalt deposits in the Democratic Republic of Congo (DRC).

In October 2006, Inco Limited was acquired in an all-cash deal by Companhia Vale do Rio Doce (RIO: NYSE) for US\$19.4 billion. The acquisition propelled Companhia Vale do Rio Doce (CVRD) to the fourth largest mining company (by way of revenue and market capitalization) and the world's largest nickel producer. In the race to acquire Inco, CVRD beat Teck Cominco Limited (TCK: NYSE, TCK.A and TCK.B: TSX) which had earlier attempted a hostile takeover of Inco in May 2006 for US\$16 billion. Interestingly, Phelps Dodge was also in the race to acquire Inco and had made a combined offer of US\$40 billion for acquiring Inco and Falconbridge. However, the offer was withdrawn because of the failure of the Inco-Falconbridge merger. Xstrata Plc (XTA: LON), which already owned a 20% share in Falconbridge, acquired the remaining 80% in late August 2006 at a price of C\$62.50 per share.

Coming to gold, in September 2006, Goldcorp Inc. (GG: NYSE) – the third-largest gold producer in North America – agreed to buy Glamis Gold for about US\$8.6 billion. The deal is expected to create one of the world's largest producers of gold. In November 2006, IAMGOLD Corporation (IAG: NYSE), the world's tenth-largest gold miner, acquired Cambior Inc. in a C\$3 billion transaction. This made IAG a leading mid-tier gold producer with operations, development projects and exploration activities throughout the American and African continents.



Properties

Eloros' entire asset portfolio is located in Canada, particularly Ontario and Quebec. Although Eloro is currently focusing on the exploration of copper, gold and silver, it is also conducting explorations for zinc and uranium simultaneously. The company's exploration properties are located in the James Bay area, Quebec and proximal to the Timmins mining camp in Ontario, the hub of metals mining in Canada. Eloro is currently concentrating on developing the wholly-owned James Bay properties (Eastmain, Delta, Rupert South) in Quebec and the Hurdman project in Ontario. Most of Eloro's properties are in the early stages of exploration. Quebec is well-known for its diversified mineralization potential and hosts numerous world-class deposits and mines. Ontario is also a leading producer of minerals. Most mines in Ontario are located in the Timmins, Hemlo and Red Lake areas and produce gold worth about US\$1 billion annually.

Picture 1: Eloro Property Holdings



Source: Company

Quebec Exploration Portfolio

James Bay – Copper, Gold, Uranium Projects

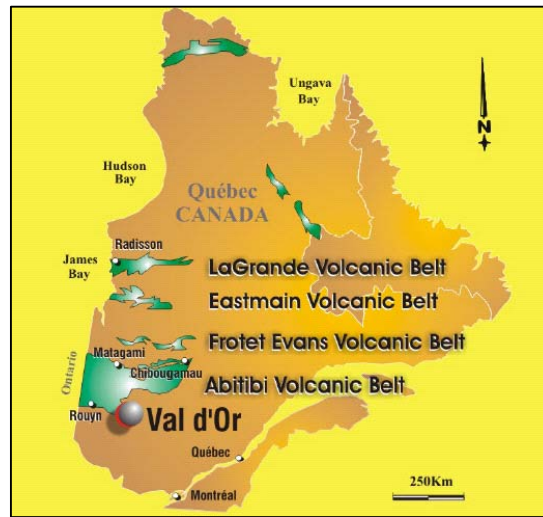
Eloro holds base metal, precious metals and uranium projects in the James Bay area of northern Quebec. The company's wholly-owned James Bay asset portfolio consists of 19 mineral properties. These are spread over 42,500 hectares (425 sq km) in the highly prospective Eastmain and La Grande greenstone belts in northern Quebec. The properties are of strategic significance as they are located near the Eleonore gold deposit which has an indicated gold resource of 7.71 million tons grading 7.40 grams per ton (g/t) and an inferred resource of 4.06 million tons grading 7.12 g/t gold. The area has recently gained a lot of significance following the acquisition of the Eleonore deposit by Goldcorp Inc. (TSX: G) for US\$420 million. Eleonore was previously owned by Virginia Mines Inc.'s (TSX: VGQ). Goldcorp, which is rapidly expanding its gold mining activities, is expected to commence production from the orebody in 2010. Ongoing exploration at the deposit is expected to further increase the resource potential of the Eleonore deposit. This makes Eloro's copper-gold properties in the Eastmain greenstone belt, namely Eastmain 1, Eastmain 2, Eastmain 3, and Delta, strategically important for the company.

Eloro is currently in the process of compiling previous exploration data on all properties on James Bay. We have made an attempt to discuss some of the major projects that the company plans to focus on in the near term.

Eastmain Projects

Eloro's primary focus in the James Bay asset portfolio is the Eastmain 1, Eastmain 2, Eastmain 3, and Delta properties. Eloro purchased the properties in February 2006. This excludes Eastmain 3, which was purchased in October 2005. The Eastmain 1 and 2 properties cover an area of 26.5 sq km. After acquiring the properties, Eloro undertook a two-phase exploration program that entailed the compilation of initial data and geophysical studies. Fieldwork conducted on Eastmain 1 in 2006 helped Eloro identify a semi-massive chalcopyrite-pyrite mineralization with significant grab samples such as 2.85% copper (Cu) and 0.4 g/t silver (Ag), 2.09% Cu and 14.8 g/t Ag, 1.59% Cu and 10.5 g/t Ag. In contrast, historical exploration on the Eastmain property yielded values of 176.61 g/t Au, 28.3 g/t Ag, and 1395 parts per million (ppm) zinc (Zn) from surface grab samples. This indicates the property's significant mineral (copper, gold and silver) potential. Later, in March 2007, the company completed an airborne helicopter magnetic and VLF-EM survey. Furthermore, it expects to commence drilling in October 2007.

Picture 2: James Bay Location Map



Source: Company

Eastmain 3 is an approximately 3000-hectare property, which apart from hosting copper, gold, and silver also has molybdenum potential. Drill results have obtained values of 0.63% molybdenum over 0.3m, 0.66% molybdenum over 0.3m, 1800 ppm bismuth over 1.0m, and 2500 ppm Cu over 0.5m.

The Delta property is located approximately 40 km west of Eastmain Resources Inc's (TSX: ER) Clearwater deposit. The Clearwater deposit has indicated resources of 1,029,332 tons grading 9.46 g/t Au (or 0.28 oz of Au per ton) and inferred resources of 3,049,660 tons grading 6.90 g/t Au (0.20 oz of Au per ton). During August and September 2006, Eloro accomplished a field prospecting, mapping and sampling program at the Delta property. In March 2007, the company commenced the line cutting of a 100 meter line-grid. This returned surface grab samples in the 1–7% Cu and 10–90 g/t Ag range. The prospecting unearthed a felsic volcanic sequence, including agglomerates, lapilli tuff and feldspar porphyry—all prospective horizons, especially when associated to a cherty iron formation and tight folding that can spatially concentrate ore. Encouraged with the results, Eloro completed a 1155-km airborne magnetic and electromagnetic survey over the entire length of the Delta property. Furthermore, the company plans to commence a 3500-meter drilling program on the property soon.

Rupert North Project

The company's wholly-owned Rupert North thorium (ThO₂) uranium (U₃O₈) property, located in NTS 33014, consists of 10 cells (30 claims totaling 510 hectares). Previous exploration conducted by the company on the Rupert North property yielded a rock sample result of 1,189 ppm ThO₂ and 565 ppm U₃O₈ (Source: MNRQ Files GM34175 - Société de développement de la Baie-James 1978). No new exploration has been carried out so far.

Rupert South Project

The company's wholly-owned Rupert South copper silver property consists of 10 cells (30 claims totaling 510 hectares). Recently, the property returned assay results of 6.02% Cu, 3.24% Cu and 1.88% Cu. In June 2007, Eloro also completed a surface diamond drilling program for 15 surface holes totaling 1600 meters, the assay results for which are yet to be obtained.

Summit-Gabbre Project

In June 2005, Eloro acquired a 100% interest in the Summit-Gabbre property situated in the La Grande greenstone belt in the James Bay mining district. The property is adjacent to the Virginia Mines' Summit property. It comprises a number of polymetallic mineralized zones that contain copper, gold, silver, nickel, cobalt, platinum and palladium.

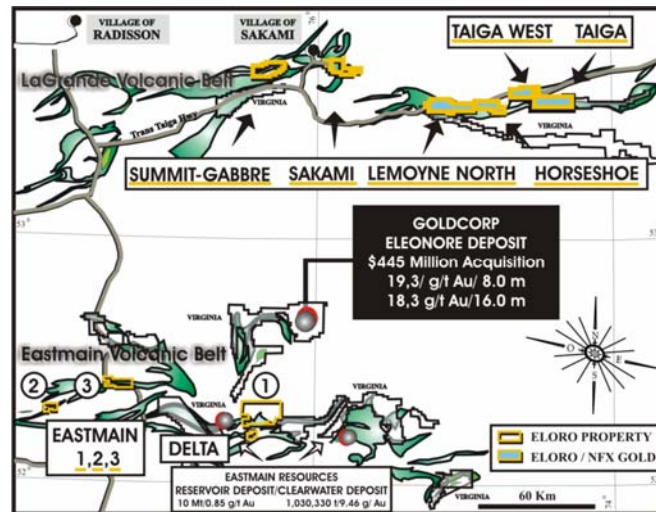
After the acquisition of the Summit Gabbre property, the company compiled previous exploration data and outlined several priority targets for field investigation. During July 2006, Eloro carried out reconnaissance work on the property. This helped it to identify a series of sulfide zones, containing disseminated and semi-massive to massive chalcopyrite-pyrite-pyrrhotite stringers and veins. This encouraged the company to add 71 new claims, which increased the size of the property from 10.7 to 47 sq km. Eloro expects to conduct further investigation into the property's higher grade mineralization.



Lemoyne North Project

The Lemoyne North gold copper property consists of 231 claims totaling 3927 hectares in NTS 33G. The property is located near the Trans Taiga highway and is accessible for winter diamond drilling. It is adjacent to Virginia Mines' Poste Lemoyne property that hosts a mineral resource base of 203,483 tons at 14.50 g/t Au. The Poste Lemoyne extension property lies along the Trans-Taiga road in the La Grande Sud mineralized corridor and contains resources measured and inferred totaling 203,483 tons grading 14.5 g/t Au (as published in NI 43-101 dated April 8, 2003).

Picture 3: James Bay Properties



Source: Company

Taiga/Taiga West Project

The Taiga Copper gold property is located in the La Grande Archean volcano sedimentary belt. This indicates a favorable geological environment for base metal and gold mineralization. The property is immediately west and adjacent to Virginia Mines Inc.'s Lac Corvet/Island Lake gold property, which is also located on the same volcano sedimentary belt. Virginia Mines Inc.'s Poste Lemoyne project is situated 50 km to the west of the Taiga property.

Sakami East Project

The Sakami East copper silver property consists of 64 cells (192 claims) that cover a total area of 3264 hectares. Some of the previous exploration work conducted on property returned rock samples with mineralization as high as 14.6% Cu and 111.0 g/t Ag (Source: MNRQ Files: GM 55906 Noranda Exploration, 1997, GM 54440 Mines d'or Virginia, 1996 GM 55563 Ressources sirios 1996). No new exploration has been carried out till date.

In July 2007, Eoro entered into an agreement with NFX Gold Inc. (TSX.V: NFX). Under the deal, NFX has the option to earn a 50% interest in Eoro's Lemoyne North project, Sakami East, Taiga/Taiga West, and Horseshoe properties, subject to a work commitment of C\$3 million on or before July 15, 2011.

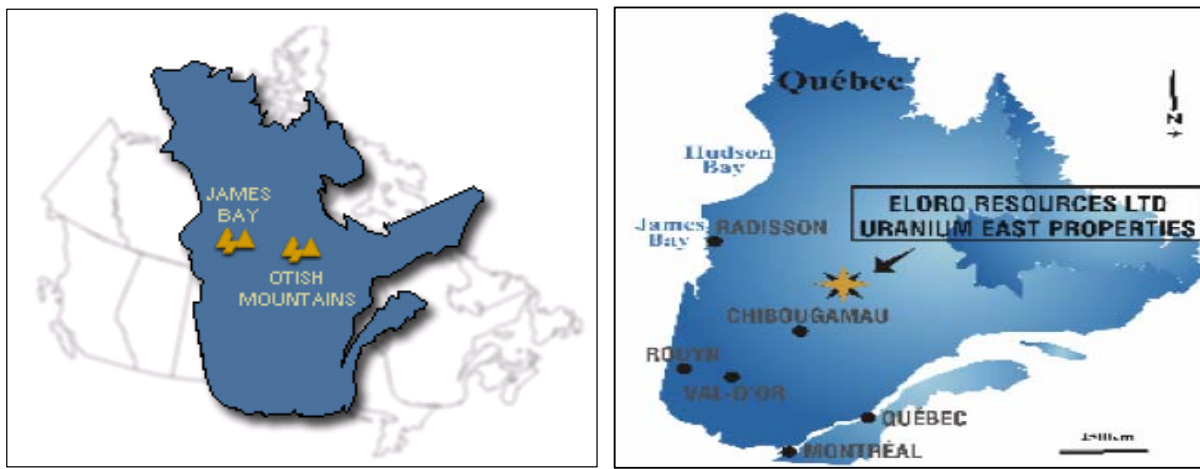
James Bay Uranium Properties

Eoro's uranium land package comprises 100% owned 10 non-contiguous properties spread over 62 sq km in the James Bay area and 68.7 sq km in the Otish Mountains in Quebec, subject to provincial government approval. Eoro has six properties in the Rupert River and La Grande River sectors in James Bay. The properties include Maguy, Gaval, Meech, Zone 99 and Zone 90. All the properties contain uranium and have returned significant uranium grades, the highest value being 1.31%, which occurs as disseminations within pegmatite sills. Underlying granites in the region offer potential for classic unconformity-type uranium mineralization both below and above the unconformity surface.

Otish Mountains Uranium Properties

Eloro's Otish Mountains properties consist of four claim blocks covering 68.7 sq km in the Otish Basin uranium camp, approximately 330 km N-NE of Chibougamau, Quebec. These properties lie within a 20 km radius of Strateco Resources Inc.'s (TSX: RSC) Matoush uranium discovery. It is worth mentioning here that Strateco has recently announced high-grade uranium exploration results related to the Matoush deposit. Eloro acquired 100% interest in two claim blocks – the Otish North (35.3 sq km) and Otish South (26.1 sq km) – in July 2007. The main reason behind the acquisition is that these properties are similar to the Matoush uranium deposit and the Athabasca Basin in Saskatchewan in terms of unconformity-type uranium mineralization. It should also be noted that the Athabasca Basin accounts for more than 30% of the total uranium production worldwide and contains 15% of the world's uranium reserves. The geological similarity indicates the significant uranium potential of the Otish Mountains. The increasing uranium mining in the area also substantiates the view. Large uranium players such as Cameco Corporation (TSX: CCO), and Areva (EPA: CEI) are actively conducting explorations in the region. Eloro plans to undertake an airborne radiometric, magnetic and EM survey that would be followed by ground prospecting, mapping and assaying of the properties.

Picture 4: Eloro's Uranium Holdings



Source: Company

The other two claim blocks are the wholly-owned 307-hectare Lac Henry uranium property, located about 6 km SE of Barou Lake, and the 424-hectare Lac Mills uranium property located along the Tichegami. On April 24, 2007, Eloro entered into an agreement with Icon Industries Limited (TSX.V: ICN), under which Icon can earn a 55% interest in the Lac Henry property subject to a work commitment of C\$1 million. Eloro would retain a 2% net smelter returns royalty on the property; Icon can purchase 1.0% of royalty for C\$1 million.

Ontario Exploration Properties

Hurdman Property – Zinc, Silver Potential

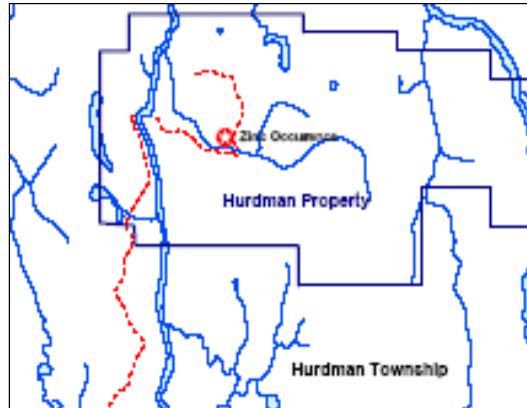
Eloro's property holdings in Ontario are situated in the Timmins mining camp. This is one of the most prominent mining destinations in Canada. They are situated in close proximity to each other and are hosted within the Abitibi greenstone belt. All projects in northeastern Ontario, which is politically stable and rich in infrastructure, are easily accessible.

The Hurdman property consists of 28 mining claims covering 6624 hectares (66 sq km) in the Hurdman Township, Ontario. The property is located approximately 120 km north of the city of Timmins and approximately 75 km north of Xstrata Plc's (LSE: XTA.L) Kidd Creek mining operations. It is accessible from the Trans Canada Highway Number 11. Eloro acquired a 100% interest in the Hurdman property in 2004 from Don Mc Holdings Ltd. and 2060014 Ontario Inc. The two previous owners continue to retain a 1% perpetual production royalty (PPR) on metal production from the property.

Exploration was undertaken on the Hurdman project during 1960 to 1998. It primarily comprised geophysical surveys and diamond drilling activity, with more than 73 diamond holes drilled. The magnetic and electromagnetic surveys conducted then intersected sub-economic zinc and silver values over widths varying from 0.5–30 meters. The main area of zinc occurrence is

the Hurdman Sulphide Zone (HSZ). Subsequent to the purchase of the property in 2004, Eloro appointed geological consultant, MRB & Associates, to computerize the historical work done and complete a NI 43-101 technical report. MRB recommended a two-phase exploration program that consists of an airborne magnetic survey and extensive drilling on the HSZ. The exploration program would help Eloro to further a scoping study.

Picture 5: Hurdman Location Map



Source: Company

Eloro conducted a drilling program on the Hurdman property in 2005, targeting the HSZ. Three holes were drilled that confirmed the presence of zinc and silver mineralization. Furthermore in 2006, the company conducted an airborne geophysical survey and a 1400-meter/ 12-hole drill program which intersected high-grade zinc and silver mineralization over an east-west strike length of approximately 100 meters in the HSZ. The assay results included grades of 4.21% Zn and 8.72 g/t Ag over 9.10 meters and 3.70% Zn and 7.71 g/t Ag over 11.6 meters. The program also helped identify five clusters of geophysical anomalies in the western half of the property. Encouraged with these results, Eloro initiated a 3,500-meter/ 25-hole drill program in January 2007 to follow up on the previous work and assess the property's full zinc and silver potential. The drilling program aimed at delineating the lateral extensions of the HSZ to the east, west and at depth. This program was also successful in intersecting good grade samples, some of which are mentioned in Table 1 below.

Table 1: Assay Results from 2007 Drill Program

From (meters)	To (meters)	Interval (meters)	Zinc (%)	Silver (g/t)
65.7	68.9	3.2	2.45	5.11
95.8	98.6	2.8	5.35	7.13
63.7	69	5.3	2.36	5.68
77.8	83.8	6	3.38	8.67
89.1	102.2	13.1	3.23	40.56
110.8	112.7	1.9	0.14	46.89
71.6	91.55	19.95	1.45	5.92
88.65	91.55	2.9	3.63	9.23
76.15	91.15	15	1.69	8.53
85.25	91.15	5.9	3.26	9.17

Source: Company

The various drilling programs conducted by Eloro on the Hurdman property so far confirmed the presence of high grade zinc and silver with average grades of more than 2% Zn and 15 g/t Ag. In addition, gold mineralization associated with silicified zones and pegmatite veins was also found on the property. Gold mineralization is also present on the Hurdman Property. Diamond drilling work conducted on the property to date by Eloro has often intersected anomalous gold values in drill core. The gold mineralization is associated with silicified zones within the zinc-silver rich horizons and in pegmatite veins or dykes which are found to occur at the footwall of the zinc-silver Hurdman massive sulphide zone. The following table outlines the better gold grades obtained to date from the 2006 and 2007 diamond drilling work conducted by the Company on the Hurdman property:



Table 2: Significant Gold Grades from 2006 and 2007 Drill Campaigns

Hole ID	From (meters)	To (meters)	Interval (meters)	Gold (g/t)
ELO-07-02	79.25	80.05	0.80	1.63
	96.00	96.70	0.70	2.00
	99.9	100.65	0.75	1.25
	112.25	112.70	0.45	6.13
	112.25	112.70	0.45	6.13
ELO-06-03	83.00	83.40	0.40	5.10
ELO-06-04	66.65	68.80	2.15	0.88
	Including			
	68.25	68.80	0.55	1.32
ELO-06-06	60.90	61.35	0.45	1.31
	79.80	80.10	0.30	1.99
	74.90	75.35	0.45	1.95
ELO-06-07	75.35	76.20	0.85	1.18
	78.85	79.35	0.40	1.15
ELO-06-08	72.00	76.40	4.40	1.97
ELO-06-10	52.70	53.50	0.80	1.28
	42.95	44.60	2.15	1.73
	43.70	45.10	1.40	2.40
ELO-06-11	Including			
	43.70	44.15	0.45	5.97
	60.50	61.00	0.50	3.39
	64.30	65.80	1.50	1.17
ELO-06-12	39.20	41.35	2.15	1.37
	Including			
	39.20	39.80	0.60	2.05
ELO-06-12	40.50	41.35	0.85	2.00
	58.50	58.95	0.45	48.69

Source: Company

The Hurdman property is surrounded by some prominent mining projects. One such important project is the Xstrata's Kidd Creek mining operation which is located 75 kms south of the Hurdman property. Xstrata acquired the project with the acquisition of Falconbridge Ltd in 2006. The Kidd Creek zinc plant has an annual production capacity of 150,000 tons. The proven reserves at the Kidd Creek mine are estimated at 14.29 million tons grading 5.64% Zn, 1.91% Cu, and 62 g/t Ag, whereas probable reserves are estimated at 3.78 million tons grading 7.52% Zn, 1.35% Cu and 47 g/t Ag. The Kidd Creek Mine has been one of the largest polymetallic mines in Canada. Eloro's Hurdman property, along with the Agate and Gurney properties located nearby could become important for future mill feed at Kidd Creek if an orebody is delineated.

Timmins Area Claim Block

Eloro has seven other properties in the Timmins mining camp in Ontario. The Timmins camp is one of the famous gold mining districts in North America and has produced more than 70 million oz of gold since its discovery in the early 1900s. The company's properties in the Timmins mining camp are located near the Porcupine mine, which has produced more than 16 million oz of gold since 1910. The Porcupine mine is operated by a joint venture between Band-Ore Resources Ltd. and Goldcorp Inc. (TSX: G). In addition, Lake Shore Gold Corp. (TSX: LSG) operates the Timmins West gold property, which lies at the west end of the Timmins gold camp. The Timmins West gold property contains indicated resources of 3.3 million tons ore grading 12.29 g/t uncut Au (8.62 g/t cut) and inferred resources of 968,000 tons grading 5.79 g/t uncut (5.54 g/t cut) Au. Eloro is currently seeking strategic alliances to develop some of its gold properties.

Eloro's holdings in Timmins also include 50 units, collectively known as the McArthur Lake nickel property, in the McArthur and Bartlett Township and 21 units in the Deloro Township. Eloro acquired the McArthur Lake nickel property in May 2007. The property consists of 14 contiguous claims totaling approximately 30 sq km and is located 35 km south of Timmins and 2 km north of the Texmont nickel deposit. The Texmont property is a past producing nickel mine on the border of Bartlett and



Geikie Townships, both approximately 50 km south of Timmins. Historical resource estimates on the Texmont property denote between 2.99 and 3.80 million tons grading 0.92% to 1% nickel.

The McArthur Lake nickel property represents a magnetic continuity of the nickel-bearing lithologies found in the Texmont nickel property and other adjacent areas. Eoro is planning to initiate a geological model under Phase I of its exploration program during 2007 to determine the property's nickel potential.



Financial Forecast and Analysis

SUMMARY

We valued Eloro Resources Ltd. (TSX-V: ELO) using the Market Capitalization method. This returned a 12–18 month price target of C\$1.71, which is more than two times the current stock price of C\$0.44.

The valuation analysis for natural resource companies entails the estimation of recoverable resources and assigning a net value to them. However, Eloro is an early stage exploration company, which is still in the process of determining the resource potential of its projects. Hence, we first estimated the mineable resources related to the two main projects the company is currently focusing on. These are the James Bay properties (Eastmain 1, 2, 3 and Delta) and the Hurdman zinc property. We then calculated the resource potential of each project by benchmarking them with certain analogous properties located in their vicinity and on the average grades returned during exploration. Based on this, we found that the Hurdman zinc property is the largest one in Eloro’s asset portfolio.

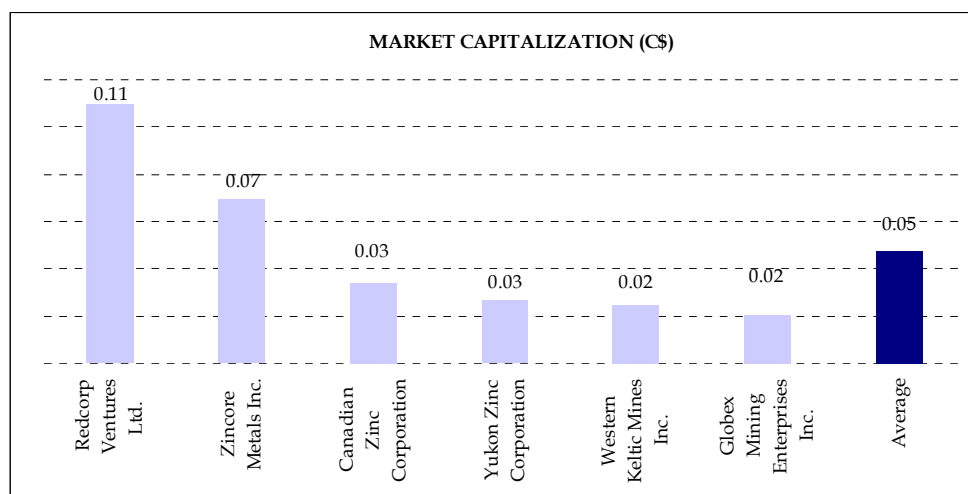
We benchmarked the James Bay properties with the Eleonore gold deposit owned by Goldcorp Inc. (TSX: G). The approximately 218-sq km Eleonore deposit has ore resources totaling 11.77 million tons. Using this ratio as a yardstick, we estimated the size of ore at the James Bay properties and discounted it by 90% to maintain a conservative approach. This method gave us an ore size of 159,792 tons.

We then assumed gold, silver, copper and zinc grades at the properties based on the results of the various sample surveys conducted by the company. We used a similar approach to estimate resources at the Hurdman zinc property. We benchmarked the property with the nearby Kidd Creek mine operated by Xstrata Plc (LSE: XTA.L). Hurdman’s ore size is estimated at 11.60 million tons.

Thereafter, we multiplied the ore size with the assumed metal grades to estimate the total resource potential of each project. We then compared the resources available from each project in value terms so as to find out the highest metal, which is zinc. Furthermore, we converted other metal resources to arrive at their zinc equivalent. This enabled us to calculate the total zinc potential of the properties (1.708 billion pounds).

To value Eloro, we used the market capitalization per pound method. For this, we first calculated the market cap per zinc pound of five other mining companies that have reported their measured, inferred or indicated resources and are more or less comparable to Eloro with regard to the next level of operations. Our analysis indicates that mining companies, on average, have a market capitalization of C\$0.05 per pound of zinc resource. By multiplying this with Eloro’s discounted estimated zinc resource, we derived a market capitalization of C\$78.77 million. Thereafter, we divided the market cap by the number of outstanding shares (46.04 million) to get a per share value of C\$1.71. However, Eloro’s current stock price of C\$0.44 is lesser than the actual value the stock commands as per our estimates. Therefore, based on the company’s plans to advance its attractive properties toward production, we expect the stock to see some significant appreciation in the next 12-18 months.

Chart 6 – Comparative Valuation



Source: Khandaker Research, Bloomberg



Conclusion

Eloro Resources Ltd. (TSX-V: ELO) is an attractive investment prospect for those keen on leveraging on the current momentum in the metal industry. The company's base and precious metal properties are located in strategic mining areas. Eloro is currently in the process of estimating resources at the James Bay and Hurdman properties. The company aims to partner or option out the properties to a major player and advance them toward production. Considering the attractive location of the assets and the strength in metal prices, it does not seem an uphill task for Eloro. This in turn indicates good opportunity for early investing in the stock. We expect Eloro's stock price to reach the targeted C\$1.71, at a corresponding market cap of C\$78.77 million, over the next 12–18 months.



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