

April 28, 2008

*A clarion is a medieval trumpet that had clear, shrill tones. Trumpets were often used to get people's attention when making announcements. We are using "clarion" in the context of making announcements, as well as being thought-provoking when sharing our information and opinions with those people who are interested in new investment ideas.*

### **for your Information**

eResearch is pleased to announce that it now offers to its clients corporate communications services and investor relations services, which will be provided by Mr. Brian Hemming. Mr. Hemming has more than 30 years' experience in this field. After starting with Hill and Knowlton in Australia in 1976, he headed up Hill & Knowlton's Canadian operations from 1984 until its merger with a public affairs group in 1989.

After co-founding Fundamental Communications in 1996, Mr. Hemming went on to set up Hemming Associates in 1999.

eResearch will benefit from Brian's experience in providing specialized counseling in all aspects of investor relations, including continuous disclosure, special situations such as takeovers and restructurings, and initial public offering road shows.

Call us now to discover what we can do for you.

## **Topic: Coal**

Investors have been benefiting from the significant supply disruptions that have been occurring around the world. The shares of coal companies in the last four weeks have shown remarkable increases. And higher stock prices seem inevitable.

The economic rise of the emerging nations has caused an enormous increase in demand for almost all commodities, including coal. As a result, the United States, which is reputed to have about 25% of the world's coal reserves, is seeing its coal exports rise at a time when its domestic demand is also increasing but, at the same time, is being restrained by environmental concerns that have caused many proposed coal-fired electricity plants to be shelved.

Not so in China, where it continues to build coal-fired power plants at an alarming rate that threatens its status as a coal exporter. Vietnam has banned the export of coal. South Africa and Indonesia have cut back because of increasing domestic demand and local power shortages. The flooding in Australia has curtailed exports and led to port congestion. Germany suffered an earthquake which closed a major mine. Coal demand in India is soaring, which is resulting in huge coal plants being built. Russia is using more coal to make natural gas available for export.

But it is China where the problems remain big time. The majority of China's energy is generated by coal-fired power plants, and it has been reported that China's reserves are dwindling to precarious levels. Could that lead to a shortfall in electricity-generating capacity and cause power shortages and brown-outs during the Summer Olympics?

Coal is a cheap and abundant source of fuel for utilities. It is used to produce approximately half of the electric power in the U.S. Utilities buy coal on long-term fixed contracts. As those expire, renewal will be at much higher prices. This only means one thing: consumers face sharply escalating electricity prices in 2009-2011.

*Bob Weir*

Bob Weir, B.Sc., B.Comm.,  
CFA Director of Research

## Quick Facts



**Closing Price  
(April 25/08):**  
**\$0.32**

**52-Week High-Low:**  
**\$0.335 - \$0.115**

**Target Price:**  
**1-Year: \$0.70**  
**3-Year: \$1.65**

**Average Daily Volume:**  
**20-day: 301,500**  
**150-day: 438,000**

**Fiscal Year-End:**  
**December 31**

**Symbol:**  
**TSX: ZMR**

## Stock of the Week

### Zaruma Resources Inc. (TSX: ZMR)

Zaruma is an advanced-stage exploration company, with copper and gold properties located in Mexico and a gold property in Venezuela. The copper project, known as Luz del Cobre, is nearing production, with start-up planned for January 2009.

The estimated capital cost to bring Luz del Cobre into production is \$30 million. Zaruma, by our estimate, has approximately \$1.1 million in cash, and that is after taking into account expected revenue from exercise of warrants and options that expire in 2008 (all are in-the-money at present) and after deducting expected "burn" over the next six months.

Although a significant amount of the capital cost is covered through an agreement with world-renowned Glencore International AG of Switzerland, we expect that Zaruma will need to revisit the capital markets for additional funds before year-end.

Glencore is one of the world's largest suppliers of commodities and raw materials, and is amongst the world's largest privately-held companies. Glencore holds a 5% equity interest in Zaruma and, obviously, is a strategic backer of the Company.

Provided Luz del Cobre comes into production as planned, the Company should generate substantial cash flow which can be used to further exploration efforts on other properties. However, the volatile nature of copper and gold prices presents commodity price risk since Zaruma does not have a hedge program for its production. Delays in start-up of the copper project could have a negative impact.

Our one-year Target Price is \$0.70 and the three-year price objective is \$1.65. Since issuance of our Initiating Report on February 27 when the stock was \$0.19, the shares have performed well, and on good volume.

In addition to this week's video, see also our CEO video interview of March 17 on the Zaruma Home Page.

### [Stock of the Week Video Link](#)



New Research Material  
for the week ending  
April 25, 2008:

1. Initiating Reports

[Homeland Energy Group Ltd](#)

04/21/08

2. Update Reports/Analyst Commentaries/Bulletins

[Integrated Asset Management Corp](#)

04/21/08

[Oracle Energy Corp](#)

04/21/08

[Royal Roads Corp](#)

04/21/08

[Bellhaven Copper & Gold Inc](#)

04/22/08

[Wescan Goldfields Inc](#)

04/23/08

[AGF Management Ltd](#)

04/22/08

[Skyline Gold Corp.](#)

04/23/08

[Radisson Mining Resources](#)

04/25/08

[Sego Resources Inc](#)

04/25/08

3. Analyst Articles

None

## Performance

### A. 6 Month

The following comments were made on March 31, 2008: eResearch published four Initiating Reports, and four Update Reports in October 2007. The performance of both the TSX and the TSX Venture Exchange has not been good over the last six months, with the TSX down 7% and the TSX Venture down 18%. None of our October Recommendations reached our twelve-month Target Price during this six-month period. **Sirios Resources** was the best performer, reaching 67% of its objective, but its share price gain was only 17%. **Andean American Mining**, after it resumed trading after a two-month halt, achieved 51% of our Target Price, but rose only 28%. Generally, it has been tough sledding for the resource stocks, particularly the junior mining companies. However, some of the companies listed in the table below are not from the resource sector. Their respective performance was equally unexciting. **Gatorz Inc.** and **Victhom Human Bionics** were each up a third but only got to 40%-45% of our respective Target Prices. **Cannasat Therapeutics** is a thinly-traded stock. **Bio-Extraction** doubled in February going from \$0.25 to \$0.50 on good volume, but the stock has come off this past month. **EXMIN Resources** has been disappointing.

Company	Symbol	Report Type	Report Date	Report Price	Target Price	<Last 6 Months> High	<Last 6 Months> Low	% Gain to High	% of Target
Sirios Resources	SOI-V	U	2-Oct-07	\$0.24	\$0.30	\$0.28	\$0.16	17%	67%
Andean American Mining	AAG-V	U	31-Oct-07	\$0.71	\$1.10	\$0.91	\$0.50	28%	51%
Gatorz Inc.	GTZ.S-V	I	4-Oct-07	\$0.25	\$0.43	\$0.33	\$0.10	32%	44%
Victhom Human Bionics	VHB-X	I	19-Oct-07	\$0.165	\$0.30	\$0.22	\$0.105	33%	41%
Grandview Gold	GVX-X	I	17-Oct-07	\$0.76	\$1.35	\$0.98	\$0.36	29%	37%
Cannasat Therapeutics	CTH-V	U	3-Oct-07	\$0.20	\$0.35	\$0.24	\$0.155	20%	27%
Bio-Extraction Inc.	BXI-V	I	17-Oct-07	\$0.43	\$0.75	\$0.50	\$0.21	16%	22%
EXMIN Resources	EXM-V	U	17-Oct-07	\$0.40	\$0.90	\$0.48	\$0.235	20%	16%

I = Initiating Report; U = Update Report; C = Comment; X = TSX; V = TSX Venture

Note 1: Andean American Mining Target Price reduced from \$1.30 to \$1.10 with this report.

### B. 12 Month

The following comments were made on March 31, 2008: There were only three companies for which we issued reports in March 2007. **Midlands Minerals** rose the most, being up 43% to its high over the past year. It almost reached our twelve-month Target Price of \$0.45. We are still bullish on the Company's prospects. During PDAC, we had an opportunity to video interview Kim Harris, Midlands' CEO. You can view the video on our website. **Candorado Operating Company** has been struggling over the past six months, like so

## Video Library

[MacDonald Mines Exploration Ltd](#)

04/14/08

[Starfield Resources](#)

04/07/08

[IRI Separation Technologies](#)

(03/31/08)

[Maple Leaf Reforestation](#)

(03/24/08)

[Anglo Canadian Uranium Corp.](#) (03/17/08)

[Zaruma Resources](#)

(03/17/08)

[Midlands Minerals](#)

(03/17/08)

[Monument Mining](#)

(03/07/2008)

[Integrated Asset Management Corp.](#)

(03/07/2008)

(02/19/2008)

many junior mining companies. We will be having a fresh look at the Company when we do our Update Report shortly. **Metco Resources** has several joint venture projects with Breakwater Resources. Breakwater saw the inherent value in Metco that the market obviously did not and, accordingly, made an offer that Metco's Board of Directors endorsed. Metco shareholders are scheduled to vote on the offer on April 11, 2008. Metco management has recommended acceptance.

Company	Symbol	Report Type	Report Date	Report Price	Target Price	Last 12 Months High - Low	% Gain to High	% of Target
Midlands Minerals	MEX-V	I	5-Mar-07	\$0.30	\$0.45	\$0.43 \$0.215	43%	87%
Candorado Operating	CDO-V	I	30-Mar-07	\$0.40	\$0.55	\$0.46 \$0.105	15%	40%
Metco Resources	MKO-V	I	15-Mar-07	\$0.125	\$0.25	\$0.165 \$0.045	32%	32%

I = Initiating Report

Note 1: Midlands' Target Price raised to \$0.50 in September Update Report; maintained in Bulletin in Jan/2008.

Note 2: Candorado Target Price maintained in January 2008 Bulletin.

Note 3: Metco agreed to a take-over offer from Breakwater in early January 2008.

## Monthly Top Twenty

The top twenty downloads from [www.eresearch.ca](http://www.eresearch.ca) for March 2008:

1. The Clarion (413)
2. Zaruma Resources (160)
3. Hi Ho Silver Resources (116)
4. Minera Andes Inc. (101)
5. Maple Leaf Reforestation (98)
6. Corporate Brochure (76)
7. Augen Capital Corp. (65)
8. Richview Resources (52)
9. Zaruma Resources (51)
10. Integrated Asset Mgmt (49)
11. Article: Tomorrow (47)
12. 4-Week Performance (45)
13. Bank of Montreal (44)
14. Arsenal Energy Corp.(41)
15. Yukon-Nevada Gold Corp. (40)
16. FinMetal Mining (39)
17. Starfield Resources (37)
18. Monument Mining (32)
19. Yukon-Nevada Gold Corp (31)
20. Strata Oil & Gas(30)

## April Brainteaser

A large truck is crossing a bridge 1 mile long. The bridge can only hold 13,500 lbs, which is the exact weight of the truck. The truck makes it half way across the bridge and stops. A bird lands on the truck. Does the bridge collapse? Y/N? Give a reason. Reply to [bweir@eresearch.ca](mailto:bweir@eresearch.ca)