

DMC Mining Ltd. (ASX: DMM) – Initiating Coverage – Iron Ore Project in the Republic of Congo

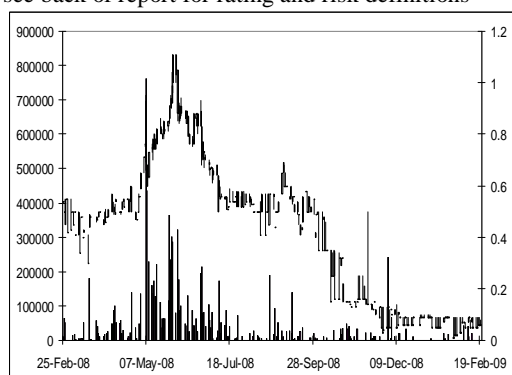
Sector/Industry: Junior Mining

www.dmcmining.com.au

Market Data (as of February 23, 2009)

Current Price	\$0.09
Fair Value	\$0.20
Rating*	BUY
Risk*	5 (Highly Spec)
52 Week Range	\$0.011 - \$1.105
Shares O/S	43.69 mm
Market Cap	\$3.93 mm
Current Yield	N/A
P/E (forward)	N/A
P/B	0.26
YoY Return	-84.5%
YoY S&P/ASX 300	-40.7%

*see back of report for rating and risk definitions



Investment Highlights

- DMC Mining has announced its initial JORC resource estimate for their Mayoko iron ore project of 33Mt hematite with exploration potential modeled at 110-135Mt of hematite and 750-800Mt of magnetite.
- The Mayoko property is located within 5kms of an existing railway line that accesses Point Noire, the largest deep water port in West Africa. Both rail and port have the capacity to support the company's planned production.
- Following the positive Scoping Study result, DMC Mining immediately commenced pre-feasibility assessment. The company has secured a \$2 million convertible note for its 2009 drilling program designed to infill drill the 33Mt Inferred Resource area, while also testing the 110-135Mt hematite and the 750-800Mt magnetite exploration target.
- The company plans a two-stage DSO development with an initial 3Mt/annum production, increasing to 11Mt/annum over four years. Capex is estimated at US\$198 million for 3Mt startup, and US\$486 million total for 11Mt/annum, as outlined in the GRD Minproc scoping study.
- At the end of December 2008, the company had \$2 million in cash, which the company expects to be sufficient to fund its drilling program in 2009.

Risks

- DMC is exposed to risks associated with a junior exploration company.
- The value of the company is dependent on the success of drilling, expansion, and determination of favorable resource estimates.

Key Financial Data (FYE - June 30)

(\$)	2007	2008
Cash	2,896,195	1,022,757
Working Capital	175,370	488,804
Mineral Prop. & Mine Dev.	19,545	14,778,166
Total Assets	3,005,337	15,971,997
Net Income	(16,455)	(1,302,671)
EPS	(0.00)	(0.05)

**Note - All figures are in Australian Dollars (A\$) unless specified otherwise*

DMC Mining is an Australian (Perth) based iron ore company focusing its exploration and development on its flagship property, the Mayoko Iron Ore Deposit, located in the Republic of Congo (ROC), West Africa.

**Company
Overview**

DMC Mining Ltd. is a junior mineral exploration company focusing on the acquisition, exploration, and development of mineral properties. The company does not have any producing mineral properties and its operations are exploratory searches for economic mineral deposits. DMC is primarily engaged in the development of its West African Mayoko Iron Ore property, in the Republic of Congo.

The Republic of The Congo is a single party dominant Republic based in West Africa, and should not be confused with the volatile Democratic Republic of Congo (DRC). Major oil multinationals such as TOTAL (NYSE: TOT) and Chevron (NYSE: CVX) have been operating in the ROC uninterrupted for approximately 30 years. The table below summarizes rankings in several categories put forth by The Belgian Export Credit Agency.

	Export Transactions			Direct Investments	
	Political Risk Short Term	Political Risk Medium/Long Terms	Commercial Risk	War Risk	Transfer Risk
Republic of Congo	4	7	C	4	7
South Africa	3	3	C	2	3
Democratic Republic of Congo	6	7	C	6	7

Compared to the Democratic Republic of Congo, a very high risk African country, and South Africa, a relatively stable African country, the Republic of Congo is in the middle of the road; risks are still inherent but should not prevent a company from investing. All categories are ranked out of 7.

**Corporate
History**

DMC Mining Limited was incorporated in August 2006, as a public company for the purposes of acquiring prospective exploration projects that are generally under-explored and/or under-valued. The company has worked to progress the Mayoko Iron Ore project quickly since acquiring it in November 2007; the release of an initial JORC Resource estimate came in May 2008, was followed closely by the completion of the scoping study in June 2008, and pre-feasibility assessment is currently underway. Management has indicated it would like to bring the project into production as soon as possible.

**Mayoko Iron
Ore Project**

Property Overview: In December 2007, it was announced that DMC Mining acquired 80% of the Mayoko Iron Ore Project in the Republic of Congo, approximately 300 km northeast of Pointe Noire on the west coast of Africa.

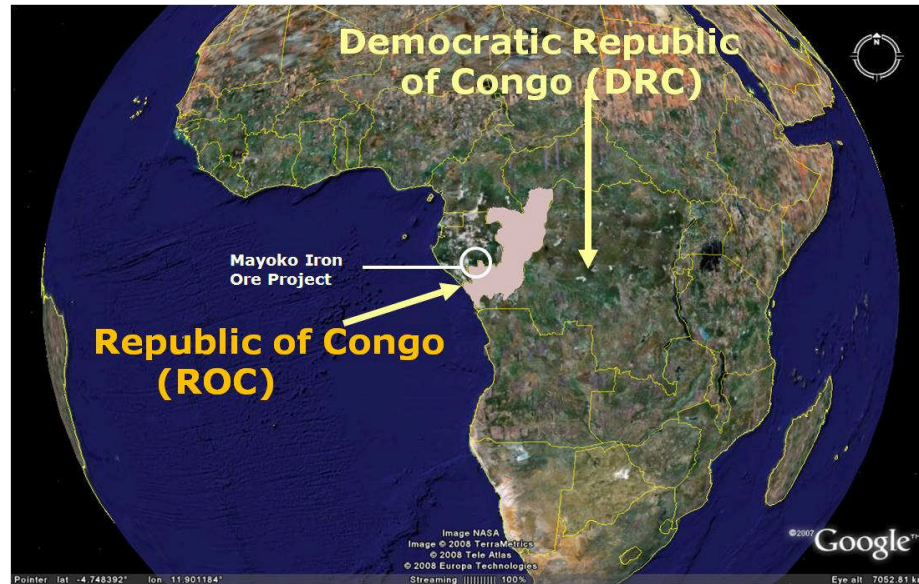


Figure 1: Mayoko Project location (Source: DMC Mining Ltd.)

The project covers 1,000 square km of the Precambrian Congo Craton in West Africa, an area which has \$6.2 billion of infrastructure committed by other parties in the region.

Historic Exploration/Production: No modern exploration has been carried out on the deposit. Over 40 drill holes, assays and chemical analysis were carried out by I.C.E.S. Geomin Bucharest (“ICES”) from 1974 to 1975. Further exploration was completed by the French company, Bureau De Recherches Geologique et Min.ieres (“BRGM”) during the 1980’s.

Accessibility and Infrastructure: The scoping study completed by GRD Minproc, conducted preliminary infrastructure assessments which included site visits to the Republic of Congo and discussions with the port, rail and power authorities.

Railway: The existing railway has been assessed by GRD Minproc, and in their opinion, can transport 11.0 mtpa (million tonnes per annum) of iron ore from Mayoko to Pointe Noire with minor upgrades. The existing railway is situated approximately 3 to 3.5 kilometers northeast of historical drill holes and current exploration target zones. GRD Minproc notes that a rail loop of approximately 5 km will be built for the 3Mt/a start up during Stage 1A construction. This will link into the northern rail line in the vicinity of Mayoko, and extend to the processing plant. Agreements will have to be pursued with the appropriate authorities regarding the shipping of ore.



Existing Bulk Haulage Rail (Source: DMC Mining Ltd.)

Roads: Based on our discussions with management, it was indicated that most of the roads in Pointe Noire are sealed. The minor roads are in poor to average condition. The main arterial roads are of reasonable quality, possibly due to the existing oil and gas industries interests.

Airstrip: There is an existing light aircraft airstrip close to the mine site. To bring the airstrip in to serviceable condition (as it is currently overgrown with vegetation) for light aircraft, it will need to be cleared and the dirt / gravel re-profiled for adequate drainage and approved for use by the Civil Aviation Authority. The existing gravel airstrip will be useful in the operational phases of the project.

Power: Management plans to complete the project in two stages. The first stage sees the development of the haematite process plant at site and the port facilities and rail yards at Pointe Noire. The more power intensive magnetite process (which was not subject to detailed assessment by the company) plant with milling, and the production of iron ore pellets, is developed in the second stage.

The mine will have to maintain an independent power supply. Discussion with management indicates the Mayoko site power requirement for the first stage haematite plant will be covered by a single 6 MW turbine generator fuelled by diesel. We expect this system will provide adequate power supply for the process plant (crushing, screening, rail loading systems and ancillary facilities), maintenance workshops, administration buildings, accommodation and bore fields. Regional diesel storage facilities are available at Mossenjo approximately 100km from the mine site.

Water: The project area is surrounded by numerous creeks and rivulets. Approximately 5 km to the west of Mayoko is the Lagesse River, a substantial water course. Water is locally available and is directly suitable for road watering or water treatment to produce a potable water supply.

Port: Point Noire is a significant port servicing the Congo, Gabon, Central Africa, Cameroon, Chad and Angola. The port is currently approaching capacity, and shipping 11 Mt/a through existing port facilities is not feasible. However, authorities have indicated a site approximately 10 km north of the port is available and viable. New facilities at the site would include a wharf and spur line from the existing rail line.



Point Noire Port (Source: DMC Mining Ltd.)

In summary, the Mayoko property is well-situated to accessible infrastructure. We believe the presence of adequate railways, roads, water supply and ports is a great asset to the company, and contributes to the possibility of near-future development. Ultimately, this will save DMC capital costs, allowing for the allocation of funds to airstrip, power, and communication design.

Current Status: The Minproc study highlighted the following key findings:

- At a very early stage of development, preliminary economics are attractive and justify advancing the project to a more detailed level of assessment.
- Direct shipping ore (DSO) production of 3Mt per annum to commence first, and to increase the production to 11Mt per annum within 4 years.
- Existing rail infrastructure capable of transporting 11Mt per annum with minor upgrades.
- Capital expenditure estimate of US\$198 million for 3 Mt per annum DSO operation.
- Capital expenditure estimate of an additional US\$288 million (US\$486 million total) to achieve 11Mt per annum DSO operation.
- Operating cost estimate of US\$22/tonne for 11Mt per annum.

Furthermore, an exploration program aimed at defining additional DSO (direct shipping ore) tonnages includes the following: a gravity survey, pitting/trenching on selected targets, RC/diamond drilling and metallurgical and beneficiation testwork.

Both the gravity surveying and the pitting/trenching are targeted to commence in Q2 2009, with the intended 2,000m + RC and diamond drilling contract expected to commence at about the same time.

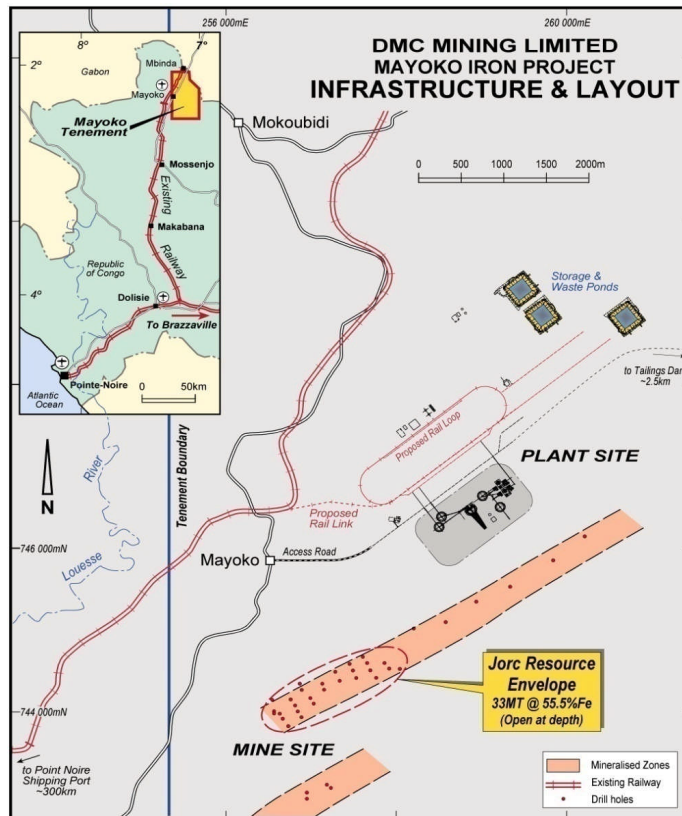


Figure 2: Mayoko Iron Ore Project Drill Hole Location (Source: DMC Mining Ltd.)

Resource Estimates: The Mayoko resource area has a lateral strike extent of 1,800m and a vertical extent of 170m. A total of 38 diamond holes and 16 small pits were located in the resource area. **The initial resource calculated comprises 33MT @ 55.5% Fe, 0.096% P, 10.4% SiO₂ and 3.8% Al₂O₅. The cut off grade was 50% Fe, and the average hole depth was 38m.** The following table summarizes The resource estimate modeled by Runge Limited for the 33 Mt hematite deposit:

Domain	Volume m ³	Tonnes	Fe %	Al ₂ O ₃ %	SiO ₂ %	P %
Iron Cap	380 000	1 330 000	62.17	1.10	5.93	0.09
In Situ	5 171 250	16 098 500	55.56	3.04	11.71	0.10
Detrital	5 587 500	15 645 000	54.90	4.91	9.45	0.09
Total / Average	11 138 750	33 073 500	55.51	3.85	10.41	0.09

Source: DMC Mining Ltd.

Ore Processing: Geological mapping indicates the resource potentially contains 110 to 135 Mt. However, the mine plan relates to the 33 Mt inferred resource. The preliminary mine design modeling based on a 55% Fe run-of mine product and 50% Fe cut-off grade indicates the deposit has a number of favorable mining characteristics. The key findings from the model are:

- Low average strip ratio of 0.51.
- High conversion rate with 96% of the resource falling within the optimized pit shell
- No pre-stripping is required.

Furthermore, latest geological modeling of the Mayoko Project has outlined an exploration target of 110MT-135MT hematite enrichment at 55–58%, and additionally, 750MT–800MT magnetite at 35-40%. Moreover, the deposit is open at depth and along strike.

The resource is classified as an Inferred Mineral Resource based on adequate drilling density to support the proposed geological model, define the grade and determine the volume of mineralization with sufficient confidence. Preliminary economic studies have been carried out by DMC Mining, including a scoping study recently completed by GRD Minproc. The scoping study has concluded that preliminary economics appear attractive and therefore justify advancing the project to a more detailed level of assessment.

The following tables summarize: the revenue projections at various commodity prices, capital expenditures, and operating costs:

Mayoko Revenue Projections at Various Iron Ore Prices								
	Production t/a	Grade % Fe	Current Spot Price		Long term high estimate		Long term low estimate	
			Sale Price US\$/ t Fe	Revenue US\$ M/yr	Sale Price US\$/ t Fe	Revenue US\$ M/yr	Sale Price US\$/ t Fe	Revenue US\$ M/yr
Haematite								
Lump	4,950,000	56%	180.00	\$499.0	56.25	\$155.9	31.05	\$86.1
Fines	6,050,000	56%	180.00	\$609.8	45.00	\$152.5	27.00	\$91.5
Total	11,000,000			\$1,108.8		\$308.4		\$177.5
Haematite								
Lump	1,350,000	56%	180.00	\$136.1	56.25	\$42.5	31.05	\$23.5
Fines	1,650,000	56%	180.00	\$166.3	45.00	\$41.6	27.00	\$24.9
Total	3,000,000			\$302.4		\$84.1		\$48.4
Magnetite								
Pellets	3,000,000	67%	180.00	\$361.8	74.25	\$149.2	37.80	\$76.0

Source: GRD Minproc

Haematite Plant Operating Costs			
	US\$ / t crushed		Total US\$ / yr
Mining			
Mine production	4.50		49,500,000
Blending / selective mining allowance	1.50		16,500,000
Total Mining		6.00	
Process Plant			
Labour	0.23		2,480,000
Power	0.27		2,952,000
Consumables	0.06		658,000
Maintenance	0.77		8,483,000
Administration	0.03		330,000
Total Process Plant		1.35	
Product Transport		14.40	158,400,000
Export Charges (port & royalties)		0.50	5,500,000
TOTAL OPERATING COST		22.25	244,803,000

Source: GRD Minproc

Development Timeline: The proposed project schedule of first operation of 11 Mt/a commencing within 4 years is heavily reliant on a streamlined progression from this Scoping Study through Pre-feasibility and Definitive (Bankable) Feasibility Studies, then into construction and commissioning. The project development schedule has placed the priority on the hematite plant development. The magnetite development is scheduled to run one step behind to ensure the project management resources are concentrated on expediting the design, engineering, procurement, construction and commissioning of the hematite plant. Continuity and flow of information from the study phases through design and into construction will allow production to commence as soon as possible.

As part of the pre-feasibility study, the company has secured a \$2 million convertible note with Dempsey Resources Pty Ltd to fully fund its 2009 drilling program. The company has commenced this program in January 2009, and is designed to infill drill the 33Mt Inferred Resource area, while also testing the 110-135Mt hematite and the 750 – 800Mt magnetite exploration target.

Geology and Mineralization: The Mayoko Iron Ore Project lies over the Precambrian Congo Craton of West Africa. The area consists of meta-sedimentary rocks that have been metamorphosed up to granulite facies (dated at around 2,540 million years old). The rocks of interest include:

- a) fresh ferruginous quartzites
- b) disaggregated altered ferruginous quartzites (eluvia)

- c) ferruginous crust (“Chapeau de Fer”)
- d) colluvia (materials accumulated at the base of a slope from the disaggregation of ferruginous quartzites)

Metallurgy: A Scoping Study completed by GRD Minproc assessed the ore quality and subsequent processing strategies of the Mayoko deposit. Specifically, the iron ore grade is lower than typical (by international standards) for direct shipped ores, and the impurity levels are higher than desired. Nevertheless, this is not a factor that would prevent Mayoko from production, as the ore may be amenable to upgrading by blending, selective mining or beneficiation during processing.

Ore processing will require both a hematite and magnetite plant. The hematite cap must be mined first to access the magnetite. The Minproc study proposes treating the hematite in a conventional two-stage crushing circuit to generate two products, lump and fines. The estimated total capital expenditure for the 11 Mt/a Stage 1B hematite plant is US\$486mm. This includes US\$428mm for direct and indirect costs, and an additional US\$58mm in provisional costs. The direct and indirect costs include a contingency provision, and are judged to have an accuracy of $\pm 30\%$.

The magnetite plant provides the operation with longevity. The Minproc assessment concluded the required mills, magnetic separators and pelletising plant will be a natural add-on in later years. However, development of the magnetite will follow one step behind, and will be examined in greater detail in later studies.

Management

David Sumich: B.Bus (Hons) MAICD - Managing Director

David brings to DMC over 12 years of experience in the investment banking and corporate finance fields. He worked for Merrill Lynch during the early 90’s where he worked in the International Private Banking division and assisted many small companies through to ASX listing. David has worked in the Middle East including HSBC, advising many resource and energy corporations throughout the Middle East and Africa on project finance, mergers & acquisitions and financing solutions. David has also worked in Hong Kong for a venture capitalist and asset management firm and became a member of the Honk Kong Securities and Futures Commission. David is also the Chairman of ASX listed company, Globe Uranium Limited.

Kim Bischoff - Non Executive Director

Mr. Bischoff is an experienced Australian geologist with over 24 years experience in mineral exploration, project and business development, production and country management in Australia, Africa and South East Asia. He has held a variety of roles including Exploration Manager, Chief Mine Geologist and other senior positions for companies in Indonesia, East Africa, and Australia. He has managed exploration and development of gold, copper and iron deposits and has significant production experience in underground and open pit mining. His expertise lies in the geological and commercial assessment and progression of metalliferous exploration and mining projects, in building and managing project teams, in technical systems development, and in country management. Kim is currently employed as General Manager – Exploration for Cape Lambert Iron Ore Limited.

Bruce Franzen: B.Bus CPA F.Fin - Director

Bruce is a certified practicing accountant with over seventeen year’s local and international experience in the resources industry. An oil & gas specialist with broad skill sets based around commercial and financial administration, ERP systems, team leadership, project & JV management, contracts & procurement, taxation, corporate governance, and financial reporting. Bruce has substantial experience in financial control related to offshore oil & gas drilling, exploration, and development of large scale capital resource projects. Bruce has worked for large companies such as Woodside Energy Ltd, Inpex Ltd and Origin Energy Ltd.

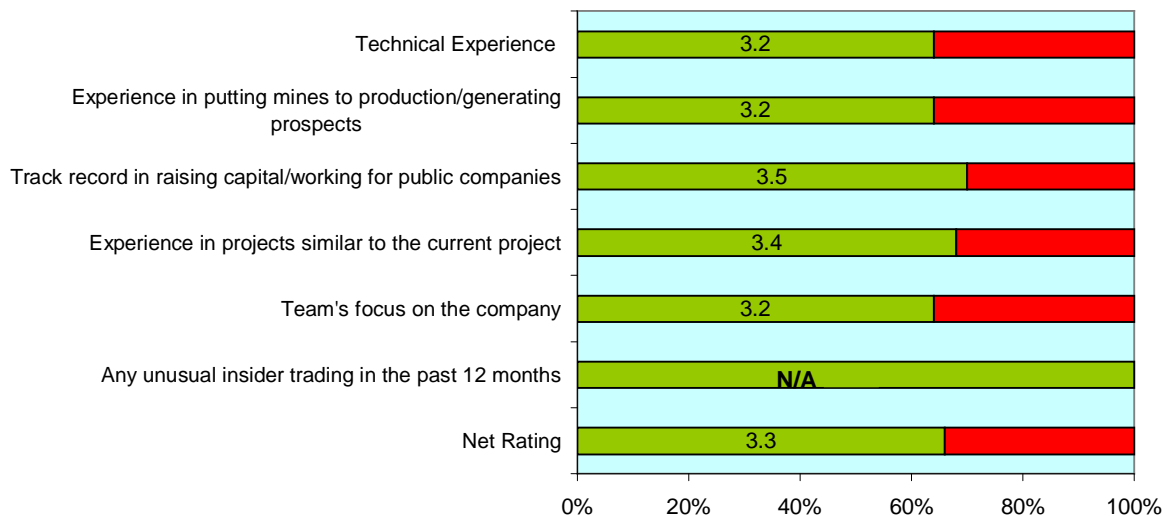
Aldo Di Dio: BE MAppSc GradDipBus FIEAust CPEng - Chief Executive Officer

DMC Mining Limited announced Mr Di Dio’s appointment in August 2008. With over 25 years experience in the resources industry both locally and internationally. Mr. Di Dio has held senior positions with BHP Billiton, Worley Parsons and GRD Minproc. Having outstanding commercial and technical capability, his resume includes working with organizations such as Rio Tinto and ALCOA, Fortescue Metals and with BHP Billiton. Mr Di Dio has extensive experience in the delivery of mineral and mineral processing projects from junior mining houses through to blue chip international organizations in the base metal and Iron ore commodities. Additionally Mr Di Dio has experience in the Oil and Gas, Power and Infrastructure sectors. This appointment brings vital industry experience, leadership and key Iron Ore expertise to DMC Mining Limited.

Management Rating

We believe that one of the most important aspects of a junior mining company is its management. Our management rating system is a quantitative way to rate management based on a number of factors, including technical experience, the ability to raise financing, and management’s time commitment to the company. **Our net rating for DMM is 3.3 out of 5.0, which we have rated average.**

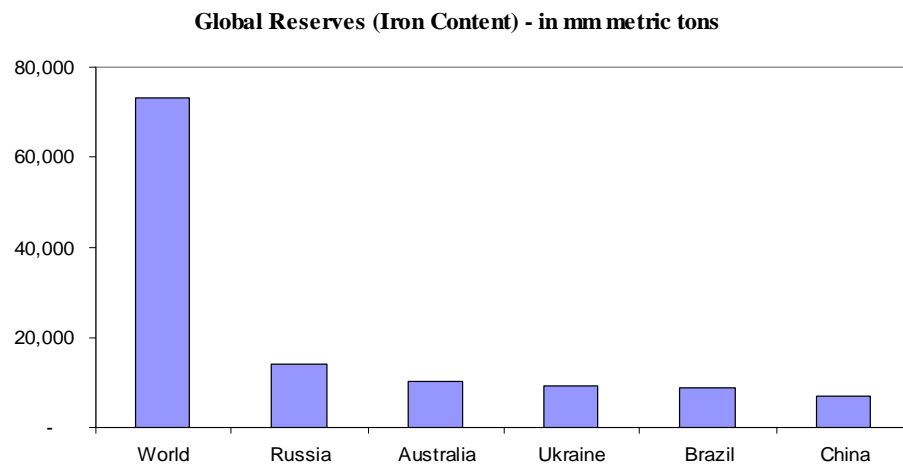
Management Rating



DMC Mining’s Board of Directors is made up of David Sumich, Aldo Di Dio, Kim Bischoff and Bruce Franzen. Two of the four directors, David Sumich and Aldo Di Dio, are related/non-independent directors.

Outlook on Iron Ore

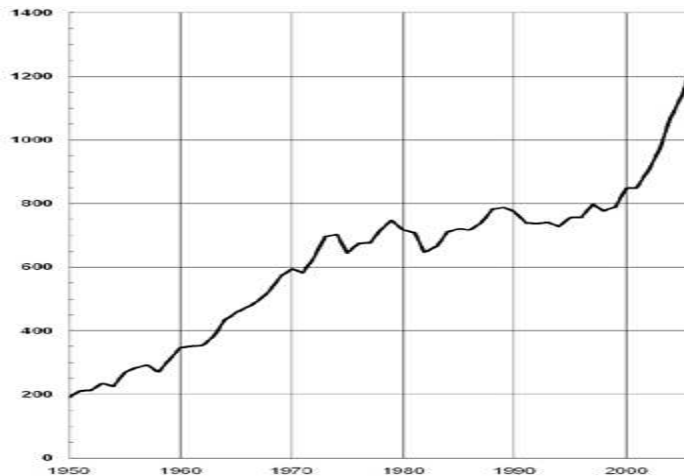
Supply and Demand: Iron ore is the source of primary iron for the world’s iron and steel industries. Demand for iron ore is highly dependent on global economic growth. Iron ore is very essential for steel production. About 98% of iron ore is used in steelmaking. In terms of supply, iron ore is mined in about 50 countries. According to the US Geological Survey, global resources are estimated to exceed 800 billion tons of crude iron ore containing more than 230 billion tons of iron. The following table shows the top 5 countries in terms of identified crude iron ore reserves. The top five producing countries accounted for about 82% of global production in 2007.



Source: EIA

Demand for steel and iron ore has increased considerably in recent years in light of strong global economic growth, particularly from China. According to the International Iron and Steel Institute (IISI), global crude steel production increased to meet increasing demand by a compounded annual growth rate (CAGR) of 5.1% during 1996 – 2006, from 0.76 billion metric tons to 1.24 billion metric tons. Steel production increased again to 1.35 billion metric tons in 2007. However, in light of the sharp slowdown in the global economy since the second half of 2008 (which has significantly undermined the demand for steel), production in 2008 is estimated to have dropped to 1.33 billion tons, or a 1.2% decrease from 2007. Q4 2008 saw a significant YOY decrease in production (with December 2008 recording a 24% decrease over the same period in 2007).

In 2008, steel production declined in most of the major steel producing countries and regions including the EU (-5.3%) and North America (-5.5%). However, steel production in China, despite a lower pace, still increased by 2.6% YOY to 502 million metric tons in 2008, the first country ever to produce more than 500 million metric tons in a year. Steel production in China has more than doubled within the past 6 years from 222 million metric tons in 2002. China’s share of world steel production grew to 38% of global production in 2008. The following table shows worldwide steel production growth since 1950.

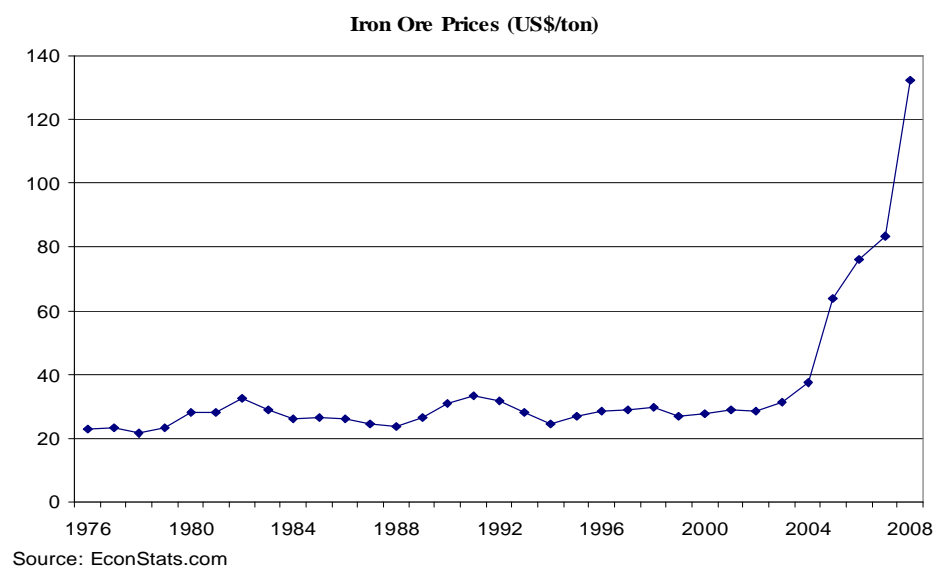
World Crude Steel Production (in million metric tons)**Average growth rates
(% per annum)**

Years	Growth
2005-06	9.0%
2000-05	6.1%
1995-00	2.3%
1990-95	-0.5%
1985-90	1.5%
1980-85	0.1%
1975-80	2.2%
1970-75	1.6%

Source: IISI

MEPS (an independent supplier of steel market information) forecasts world steel production to further decrease to 1.29 billion metric tons in 2009, with decreasing output from most regions of the world, except China (production in China is expected to increase slightly to 505 million metric tons). At this time, we believe the global economy will remain weak, and therefore, the demand for steel, particularly from automobile and housing industries, will remain weak in 2009. However, we note that the stimulus packages from governments around the world, which include investment in large infrastructure projects, could result in increased demand for steel in the longer term, and as the world economy recovers.

Price Outlook: Iron ore prices are primarily set by the top three iron ore producers, namely CVRD (NYSE: RIO), Rio Tinto Ltd. (NYSE: RTP) and BHP Billiton Ltd (NYSE: BHP), after negotiations with steel producers in China, Japan and Europe. Iron ore trades at different prices depending on Fe contents, ranging from fines (the most heavily-traded), lump ore (consists of golfball sized and higher iron content than fines), and pellets (semi-refined iron ore). The higher the Fe contents, the higher the price is. The price of fines (shown in the following chart) has increased from an average of US\$27.6/metric ton in 2000 to US\$83.4/metric ton in 2007, with spot prices reaching over US\$190/metric ton in early 2008. The price of fines dropped to about US\$77/metric ton in December 2008, in light of the slowing economy and the undermined demand outlook for steel in the short term.



In the short term, we expect prices to further soften considering the global recession, and the slowdown in emerging countries. However, in the longer term, we believe supply/demand fundamentals are strong enough for iron ore price to stay above historical averages due to:

- Strong growth in global iron ore demand led by production growth in the global steel industry. Our long term economic growth outlook for the BRIC countries (Brazil, Russia, India, and China) remains positive, which supports production growth in the steel industry.
- Rising iron ore production costs due to depleting higher-quality Chinese iron-ore resources, and increasing production from small, low-grade underground mines.

We have used a long-term price of US\$41/metric ton (average price during 1990 – 2007) in our valuation models.

Financials

At the end of December 2008, the company had \$2 million in cash. The following table shows the company's cash and liquidity position at the end FY2008 (end of June 2008).

(in \$)	2007	2008
Cash	2,896,195	1,022,757
Working Capital	175,370	488,804
Current Ratio	1.1	1.8
LT Debt / Assets	-	-
Burn Rate / Month	n.a.	(188,994)
Cash from financing activities	2,899,853	413,426

We estimate the company increased its burn rate to \$0.33 million per month for the 3 months ended December 2008, from \$0.19 million per month in FY2008 (12 month period ended June 2008). DMM reported a net loss of \$1.30 million (EPS: -\$0.046) in FY2008, compared to a net loss of \$0.02 million (EPS: -\$0.00) in FY2007.

Stock Options and Warrants: At the end of June 2008, the company had 24.56 million stock options outstanding with exercise prices ranging from \$0.20 to \$0.65, and maturity periods between June 2009 and August 2011. None of the stock options are currently in the money. The company does not have any outstanding warrants.

Recent Financing: In December 2008, the company completed a \$2 million secured convertible note with Dempsey Resources Pty Ltd to fund its 2009 drilling program. Under the terms of the agreement, Dempsey has the right to convert the note into ordinary shares of DMC before the repayment date of December 10, 2009, subject to approval by DMC shareholders. The convertible note bears interest of 12% per annum. DMC has also agreed to issue Dempsey 5 million options at \$0.15 with a maturity date of June 30, 2010. In addition, under the agreement, Dempsey will nominate a non-executive director to the board of DMC.

Conclusion: At the end of December 2008, the company had \$2 million in cash, which the company expects to be enough to fully fund its 2009 drilling program.

Valuation

The recently completed scoping study did not provide a Net Present Value (NPV) estimate for the Mayoko project. Our Discounted Cash Flow (DCF) model shows that the company cannot go into production solely based on the current resource estimate of 33Mt hematite. Therefore, we have decided to value the company only based on the current resource estimate using a comparables valuation model, and note that the company has estimated an exploration potential of 110-135Mt of hematite and 750-800Mt of magnetite,

In our comparables valuation model, we valued the company based on the average ratio of enterprise value (EV) to resource estimates of its peers. Our model valued the company at \$0.20 per share based on an average EV/resource ratio of \$1.20/tonne Fe.

Company	Symbol	Price	Enterprise Value (EV)	Resource (Fe in tonnes)	EV / Resource
1 DMC Mining Ltd.	ASX: DMM	\$0.42	\$18,181,329	7,343,640	\$2.48
2 IronClad Mining Ltd.	ASX: IFE	\$0.55	\$16,857,698	10,180,000	\$1.66
3 BC Iron Ltd.	ASX: BCI	\$0.81	\$42,831,143	41,855,700	\$1.02
4 Aurox Resources Ltd.	ASX: AXO	\$0.51	\$95,621,456	166,560,000	\$0.57
5 Sphere Investments Ltd.	ASX: SPH	\$1.55	\$207,680,744	788,573,000	\$0.26
Average					1.20
Fair value per share					\$0.20

* Share prices are 1-year averages

* Resources = Measured and Indicated + 50% Inferred/Historic Resource Estimates

Conclusions & Rating

Based on the average share price in the past 12 months, DMC shares (average price of \$0.42 per share in the past 12 months) seemed to have traded at a premium (\$2.48/tonne Fe) to its peers, which we believe is attributable to the company's large resource exploration potential. However, note that the current share price of \$0.09 is well below the 12 month average price of \$0.42 per share. **Therefore, based on our valuation and analysis on the company, we initiate coverage on DMC Mining with a BUY rating and a fair value estimate of \$0.20 per share.**

Risks The following risks, though not exhaustive, may cause our estimates to differ from actual results:

- The company does not currently have any operating mines.
- The success of drilling, project studies, and project development are important long-term success factors for the company.
- The value of the company depends on commodity prices, especially iron ore prices.
- The company is subject to delays that are affecting the entire mining industry.
- Access to capital and share dilution risks.

We rate the company a RISK of 5 (Highly Speculative).

Fundamental Research Corp. Equity Rating Scale:

Buy – Annual expected rate of return exceeds 12% or the expected return is commensurate with risk

Hold – Annual expected rate of return is between 5% and 12%

Sell – Annual expected rate of return is below 5% or the expected return is not commensurate with risk

Suspended or Rating N/A— Coverage and ratings suspended until more information can be obtained from the company regarding recent events.

Fundamental Research Corp. Risk Rating Scale:

1 (Low Risk) - The company operates in an industry where it has a strong position (for example a monopoly, high market share etc.) or operates in a regulated industry. The future outlook is stable or positive for the industry. The company generates positive free cash flow and has a history of profitability. The capital structure is conservative with little or no debt.

2 (Below Average Risk) - The company operates in an industry where the fundamentals and outlook are positive. The industry and company are relatively less sensitive to systematic risk than companies with a Risk Rating of 3. The company has a history of profitability and has demonstrated its ability to generate positive free cash flows (though current free cash flow may be negative due to capital investment). The company's capital structure is conservative with little to modest use of debt.

3 (Average Risk) - The company operates in an industry that has average sensitivity to systematic risk. The industry may be cyclical. Profits and cash flow are sensitive to economic factors although the company has demonstrated its ability to generate positive earnings and cash flow. Debt use is in line with industry averages, and coverage ratios are sufficient.

4 (Speculative) - The company has little or no history of generating earnings or cash flow. Debt use is higher. These companies may be in start-up mode or in a turnaround situation. These companies should be considered speculative.

5 (Highly Speculative) - The company has no history of generating earnings or cash flow. They may operate in a new industry with new, and unproven products. Products may be at the development stage, testing, or seeking regulatory approval. These companies may run into liquidity issues, and may rely on external funding. These stocks are considered highly speculative.

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