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Investment Analysis for Intelligent Investors

October 26, 2007

El Nino Ventures Inc. (TSX.V: ELN, OTC.BB: ELNOF, FF: E7Q) – Initiating Coverage; Base Metals Explorer

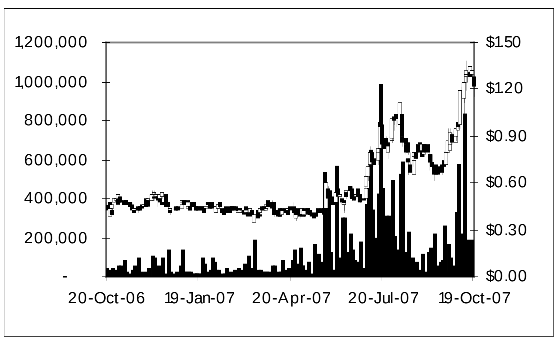
Sector/Industry: Junior Mining/Base Metals/Uranium

www.elninoventures.com

Market Data (as of October 23, 2007)

Current Price	C$1.15
Fair Value	C$0.96
Rating*	HOLD
Risk*	5 (Highly Spec)
52 Week Range	C$0.34 – C$1.39
Shares O/S	34,620,829
Market Cap	C$39.81 mm
Current Yield	N/A
P/E	N/A
P/B	6.85
YoY Return	167.4%
YoY TSXV	22.6%

*see back of report for rating and risk definitions



Investment Highlights

- El Nino's strategy is to explore historic mining areas to identify new projects using modern exploration techniques.
- The company has a diverse focus on base metals and uranium projects around the world in various stages of exploration.
- The four areas of interest at this time are the Bathurst Zinc project in New Brunswick, the Bancroft Uranium project in Ontario, the DRC Copper project, and Ireland base metals claims.
- The Bathurst project is in its second year of a $10 million dollar exploration program, which was partially funded by the New Brunswick government. A 35,000 meter drilling program is ongoing.
- A 7,000 meter drilling program has begun at 4 priority anomalies in the DRC Copperbelt landholdings.
- We have initiated coverage at hold, as we believe the company is fairly valued at this time.

Risks

- Risks of investment in El Nino include the early stage nature of their properties, a lack of NI 43-101 compliant resource estimates, political stability in the DRC and the fluctuations in commodity prices.

Key Financial Data (FYE - January 31) (C $)	2006	2007	Q2-2008 6 mo
Cash	279,567	33,780	3,049,340
Working Capital	266,621	3,257,901	5,763,626
Equipment	186	44,709	44,709
Total Assets	284,220	3,439,941	5,874,835
Net Loss	(240,864)	(2,973,538)	(2,231,188)

El Nino Ventures Inc. is funding exploration to earn a 50% interest in the advanced stage Bathurst Zinc Project from Xstrata Zinc. The joint venture is exploring for a large VMS deposit to extend the mine life of Xstrata's Brunswick #12 Mine past 2010. El Nino is drilling their large landholdings in the DRC Copperbelt, and exploring for zinc and lead in Ireland.

Company Overview

El Nino's primary asset at this time is the Bathurst Zinc Property under option from Xstrata Zinc (LSE: XTA), who operates the Brunswick #12 Mine in the area. El Nino is Xstrata's joint venture partner to finance exploration for a large VMS orebody to extend the life of the Brunswick #12 Mine past 2010. Under this agreement, Xstrata minimizes risks by bringing in a partner to fund earlier stage exploration, and El Nino earns an interest in properties of merit within Xstrata's property package that are too small for Xstrata but are attractive for a junior resource company. Following the 2007-2008 work program, El Nino can carve out properties of merit to explore and earn up to 75% interest. The company is also exploring for copper in the DRC (Congo) Copperbelt and uranium in the Bancroft Mining Camp, Ontario.

Corporate History

El Nino Ventures graduated from the NEX Exchange to the Toronto Venture Exchange in September 2005. The company primarily explored the Bancroft Uranium Project in 2005. In May 2006, president Jean Luc Roy joined the company and brought his experience in exploration and development in Africa to the company. Subsequently, the company acquired an interest in the Bathurst Zinc Project and the DRC Copperbelt Project. They have optioned the Bancroft Uranium Project to CanAm Uranium (OTC: CAUI), who is funding exploration. They recently announced the acquisition of the Ireland zinc and lead claims.

Mining Outlook Canada

Canada is a mineral rich country and is considered one of the premier countries in the world for mineral exploration and production. The company has properties in New Brunswick and Ontario. According to the Fraser Institute Annual Survey of Mining Companies, a document that surveys mining companies regarding the attractiveness of mining investment by region, both provinces are in the top 20 based on the policy potential index (PPI). The PPI is a composite index that takes into account factors such as taxation, security, mineral potential, and regulations.

Mining Outlook DRC

The DRC is an incredibly mineral rich country and is believed to host 10% of the world's copper resources and 33% of the world's cobalt resources. The DRC has consistently rated poorly in the Fraser Institute Survey that ranks the favorability of mining and exploration projects by region. The DRC has a history of political instability, and is still transitioning towards a stable government. They held their first free election in 2006, and they have enacted a Mining Code. In 2007, the DRC government announced a review of all mining licenses granted during the six year conflict. They planned to revise or cancel any mining licenses that they feel were obtained under false pretenses. At least one company, Central African Mining & Exploration (CAMEC, LSE: CFM), has had its license revoked. This process has been delayed, fraught with conflict and quite controversial. Global Witness, a human rights group, believes that the review process lacks transparency and that its independence and quality may be compromised. El Nino's permits are owned by a Congolese company and appear to be free from conflict at this time. Additionally, El Nino's president is highly experienced in operating in the Congo.

Bathhurst Zinc Project

Property Overview: The 108,000 hectare Bathurst Zinc option comprises seven separate projects under option from Xstrata Zinc, who operates a mine in the area. Xstrata is the operator of exploration this year, and they are exploring for a large VMS deposit that could be processed at the Brunswick #12 Mine. The Brunswick #12 Mine's reserves are estimated to run out by 2010, and the New Brunswick government has committed $5 million to the ongoing exploration program to extend the life of the mine.

Ownership: El Nino has the option to earn up to 75% in Xstrata's exploration projects in the Bathurst Mining Camp. The company can earn 50 % over 2 years by expending $5 million. Upon the vesting of 50% interest, the company can carve out one or more project areas. They can increase their interest to 75% in each property area by expending $5 million over another five years. Xstrata has a back-in right to retain 50% by expending 2.5 times El Nino's expenditures. Upon backing into 50%, Xstrata can increase its interest to 70% by completing a feasibility study or expending $20 million on each project.

Historic Exploration/Production: This project is located within the Bathurst Mining Camp, where Xstrata Zinc operates the Brunswick #12 zinc, lead, silver, and copper mine. This mine has operated since 1964. It is the world's largest underground zinc mine, and is currently operating at 10,000 tonnes/day. The property package has been explored for many years, but it is believed the potential for a large, near surface deposit is low. The focus currently is on deposits at greater depth, where historic exploration may have missed significant potential. The property package has been extensively explored for over 40 years, including every variety of survey, drilling, prospecting, mapping, etc.

Before El Nino, Falconbridge had a 5 year, $25 million joint venture on the Bathurst Mining Camp with Slam Exploration (TSX.V: SXL). This option agreement was very similar to El Nino's agreement. This program was in its second year in December 2005 when Falconbridge terminated the joint venture option with Slam. According to Falconbridge, Slam did not meet its funding requirements. ELN entered into an agreement in May 2006, to continue the exploration program, and Xstrata acquired Falconbridge in November 2006.

In 2006, the company completed a $2.5 million dollar exploration program consisting mainly of ground Titan geophysics and diamond drilling. The Titan geophysical survey is a deeply penetrating survey designed to detect anomalies at up to 1.5 kilometers depth. VMS deposits are detected through geophysical surveys. The Titan survey focused on the Brunswick Horizon, which includes the Brunswick #12 Mine and Brunswick #6 Mine. There are a number of VMS deposits in the horizon, including Flat Landing Brook, Stratmat West, Mount Fronsac North and Camel Back.

The 2006 drilling program totaled 17,082 meters. The drilling program was split between the main part of the Bathurst Mining Camp where the producing mines are located, and the eastern part of the camp where the Brunswick Horizon is believed to extend below cover for 45 kilometers along strike. This drilling program was successful in identifying new VMS targets at depth along mineralized trends of known deposits. Drilling of the Titan 24 anomalies on strike with the Devil's Elbow, Gilmour South, Camel Back North, and Mount Fronsac North all intersected high grade VMS mineralization.

Accessibility and Infrastructure: The accessibility and infrastructure are excellent in the region due to its long operating history.

Geology and Mineralization: The Bathurst mining camp is a world-class mining district, with over 30 large VMS deposits and numerous smaller ones.

Current Status: Xstrata's exploration strategy has really focused on using new technology to notice what extensive historic exploration may have missed. Xstrata began a 25,000 meter drilling program in June 2007. This program is designed to test deeper targets delineated by the Titan 24 Deep Earth Imaging Program. The government of New Brunswick has committed $2.5 million towards this $5 million exploration program.

Resource Estimate: Historic exploration has delineated resource estimates on several projects on the property. They are summarized in the table below. The company has not delineated any NI 43-101 compliant resource estimates on the property package at this time.

MINERAL OCURRENCES WITH HISTORICAL RESOURCES ESTIMATES								
Name	URN	Date	Cu %	Pb %	Zn %	Ag g/t	Au g/t	tonnes
Flat Landing Brook	0046	1975	0.03	1.27	5.62	23		1,270,100
Devils Elbow	0285	1957	1.20					362,880
Louvicourt	0147	1964	0.42	1.23	1.00	91		136,000
Mount Fronsac North	1418	2006	0.14	2.18	7.65	40.3	0.40	1,260,000

Source: El Nino Ventures Inc.

DRC Copper Properties

Property Overview: The 35,200 hectare Congo landholdings cover prospective ground in the DRC Copperbelt. The company's president, Jean Luc Roy, is experienced in project development in the DRC through his work with First Quantum Minerals for five years. The company's objective is to discover a copper deposit and put it into production. Exploration to date has been successful in identifying new mineralized zones, but no drilling results have been announced.

Ownership: The company has an option to acquire a 70% interest in the land package from GCP Group Ltd, a private Congolese company. They have agreements in place to purchase 90% interest at a later date. El Nino purchased 70% interest for $250,000 USD and 300,000 shares initially. The company will pay $300,000 and 400,000 shares over a three year period from the date of the agreement. El Nino is funding all exploration work. A joint venture company, Infinity Resources SPRL., was created that is 70% owned by El Nino.

Historic Exploration/Production: Mining activity is extensive in the region, and the DRC Copperbelt is considered one of the best new areas for copper exploration in the world. The company's properties border land held by Anvil Mining (TSX:AVM), Tiger Resources (LSE: TIR), BHP Billiton, First Quantum Minerals (TSX:FQM) and Gecamines.

Accessibility and Infrastructure: Mining and exploration activity in the area has improved accessibility and infrastructure. The company's properties are located several kilometers away from the main road between Lubumbashi and Likashi. According to management, power lines run near the property.

Geology and Mineralization: The company has delineated four copper anomalies that are a priority for exploration at this time. The four anomalies are large in size, and the first anomaly coincides with local artisinal copper mining activity. We believe this is a positive sign for potential copper mineralization at depth. The company has identified two near surface copper mineralized zones.

Current Status: An airborne geophysical and magnetic survey was flown in August 2007 to coordinate drilling targets with the results of remote sensing, ground prospecting and mapping. The company began a 7,000 meter RC drilling program using two drill rigs in early October 2007. This program has to be completed by the end of November to coincide with the beginning of the rainy season. This program will focus on the Zone 1 anomaly where a new copper zone was discovered through surface sampling and geophysical surveys. The company plans to drill 70 short, 100 meter holes over the next six weeks.

Resource Estimate: This property does not have any historic or NI 43-101 compliant resource estimates at this time.

Bancroft Uranium Project

Property Overview: The 3,492 hectare Bancroft Uranium Project is located within the historic Bancroft Mining District, where four uranium mines operated from 1956-1982. This project encompasses eight prospective property packages, which have seen considerable historic exploration.

Ownership: El Nino has optioned the Bancroft Uranium property to CanAm Uranium Corp (OTC.BB: CAUI), who will fund exploration. CanAm paid CDN$125,000 and 275,000 shares to El Nino. CanAm can earn 60% interest by spending CDN$1.0 million over the next two years. They can increase their interest to 80% by issuing a further 300,000 shares and spending an additional C$1.5 million.

El Nino is the operator for the first two years of the agreement. They will receive a management fee of 10% of exploration expenditures and cash payments of $40,000 in the first two years and $20,000 each year after.

Historic Exploration/Production: The Bancroft Mining Camp produced 14,862,653 lbs U_3O_8 from four individual mines between 1956-1982. The largest of the four, Faraday/Madawaska, produced 9.49 million pounds of U_3O_8 from 1957-1964 and again from 1976-1982. The average grade was 0.95% U_3O_8, which is a very high grade for uranium. The Bicroft Mine in Cardiff produced 4.45 million pounds from 1956-1963. The average grade was 1.72 lbs/ton. The Canadian Dyno Mine in Cardif produced 0.81 million pounds from 1958-1960. The average grade was 1.23 pounds/ton. The Greyhawk Mine in Faraday produced 0.11 million pounds in 1957. The average grade was 1.38 lbs/ton.

The company's 2005 work program included sampling, scintillometer surveying, and mapping the eight concession groups, while focusing on the Halo and Amalgamated Rare Earth projects that have historic resource estimates. The Canadian All Metals property, Silver Crater #2 Showing, and McLean-Hogan Property, were chosen as priorities for follow up due to their high grade sampling results.

Geology and Mineralization: The uranium mineralization is contained within pegmatic pyroxene-rich granite. Granite is the most common host rock for uranium globally, and is considered a favorable host rock in terms of mining and extraction.

Current Status: The $500,000 work program began in March 2007. This program consisted of 1,650 meters of diamond drilling to confirm historic drilling and bring historic resource estimates to NI 43-101 compliance. The drilling results were positive. The weighted average grade was 0.09% U_3O_8. The Halo drilling program was successful in intersecting uranium mineralization. We expect additional drilling results in the following months.

Resource Estimate: The Halo Project has a historic resource estimate of 472,000 tons grading 0.112% U_3O_8, calculated in 1957. The Amalgamated Rare Earth Property has a historic resource estimate of 292,444 tons grading 0.075% U_3O_8, also calculated in 1957.

Ireland Base Metals

Property Overview: The 42,800 hectare Ireland property is located in the Central Carboniferous Basin, one of Western Europe's primary sources of zinc and lead metal. Anglo American, Boliden Tara Mines Ltd, and Lundin Mining all operate zinc and lead mines in Ireland. Major mining companies exploring in Ireland include Xstrata Zinc and Teck Cominco.

Ownership: The company owns 100% interest in 11 prospecting licenses in the Republic of Ireland. No historic exploration information is available at this time.

Geology and Mineralization: Ireland is well known for Lower Carboniferous age, carbonate hosted zinc and lead mineralization. This mineralization is high grade, which provides favorable economics, and the carbonate host rock provides acid neutralizing potential. Acid generating tailings are often a concern with base metals mines.

Current Status: El Nino has engaged CSA Consultants, based in Dublin, Ireland, to evaluate historic exploration and recommend an exploration program. This study should be completed by December 1, 2007. Exploration is planned for early 2008.

Management

Jean Luc Roy, M.B.A, Chief Executive Officer and Director
Jean Luc Roy has over 20 years experience in the Mining Industry. The majority of Mr. Roy's experience has been in Africa for companies such as International Gold Resources, Ashanti Goldfields Inc., Semafo, and First Quantum Minerals. Mr. Roy has managed projects from exploration through to production in three different countries, and has extensive experience in negotiations at all levels. Mr. Roy, as Managing Director, played a crucial role in First Quantum Minerals' success in the Democratic Republic of Congo ("DRC"), by successfully placing a mining operation into production during a period of major unrest in the country. During Mr. Roy's tenure with First Quantum Minerals, the company went from a $250 million dollar market cap to a multi-billion dollar market capitalization. Mr. Roy was also instrumental in securing First Quantum Mineral's extensive land positions in the DRC.

Michael Philpot, B.Sc., MBA, Director
Mr. Philpot, BSc, MBA, has been a director of El Nino Ventures Inc. since April 2004. He currently holds an executive position and directorship with CORO Mining Corp., a private mining company, and from 1996 to February 2005 he held various executive positions with First Quantum Minerals Ltd., including Vice President, Administration and Corporate Secretary. He has been working in the mining industry since 1979, and has held various executive positions with several mining companies, including International CanAlaska Resources Ltd., from March 1995 to April 2000, International Freegold Mineral Development Inc., March 1995 to April 2000, Boron Chemicals International Ltd., from November 1993 to March 1995, CanPro Development Ltd., from July 1990 to July 1993, and Norgold Resources Ltd., from May 1986 to April 1991. Mr. Philpot obtained his BSc at the University of British Columbia in 1978 and his MBA from City University in 1985.

John Royall - Director
Mr. Royall, received a B.Sc. Honors. Leicester University, England in 1960 and a Diploma, University College, London University, England in 1961. He has over 30 years experience in mineral exploration in Canada, USA, Ireland, Chile, and Mexico including positions as Manager of Canadian Exploration for Union Carbide Exploration Corporation, and Director of Exploration, Precious Metal Union Carbide Exploration Corporation from 1977-1983 and General Manager Exploration and Development, Westfield Minerals Limited from 1983-1990. He is primarily concerned with advising on the acquisition of nickel and group metal mineral properties and liaising with the Company's technical team.

Morris Medd, Director
Mr. Medd has an extensive background spanning over 40 years of mine contracting and development. Most recently Mr. Medd was the President of the Redpath Group, a world leader in shaft sinking, underground mine development and contract mining.

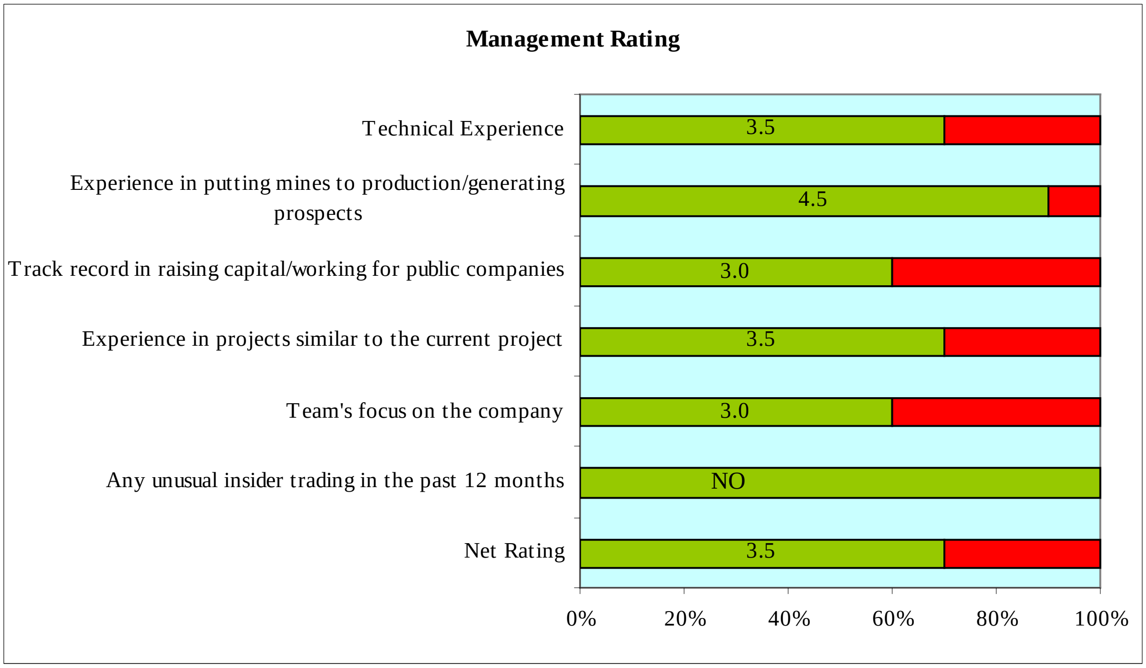
Mr. Medd started with the Redpath Group as a miner, and over his 30 years with the company gained a broad range of expertise through his escalating positions as project manager, group contract manager, Senior Vice President of Operations, and finally as President, a position he held for five years. Mr. Medd is also a former Director of the Ontario Mining Association, and is credited with the establishment of a number of new and innovative mine development techniques.

Gord Steblin, Chief Financial Officer
Mr. Steblin, B. Comm., CGA, is currently the Chief Financial Officer of Pacific North West Capital Corp., Freegold Ventures Limited, and CanAlaska Uranium Ltd. from October 1, 2002, and accountant thereof from 1995 to October 2002.

Taryn Downing, Corporate Secretary
Taryn Downing is an administrator with over 25 years experience in both the public and private sectors. Ms. Downing is currently Vice President of Administration and Corporate Secretary of El Nino Ventures Inc. (1999 to present); CanAlaska Uranium Ltd. (1995 to present), Freegold Ventures Limited (1995 to present); and Pacific North West Capital Corp. (1998 to present).

Management Rating

We believe that the most important aspect 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. We also analyzed trading records to identify for evidence of unusual trading by management. **Our net rating for El Nino is 3.5, which we have rated above average.** El Nino's management team and board of directors are composed of highly qualified mining professionals with many years of industry experience in mining, metallurgy, engineering, and project management. Notably, the company's new president, Jean Luc Roy, brings technical and operating experience in the DRC. This has allowed the company to establish a presence there.



Strength of Board

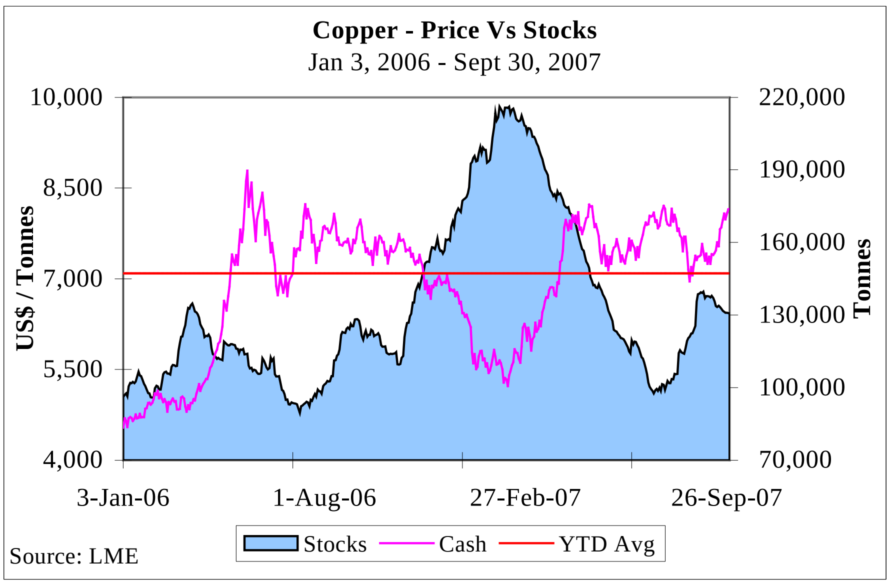
The Toronto Stock Exchange recommends that the Board of Directors of every company include independent or unrelated directors who are free of any relationship or business that could materially interfere with the director's ability to act in the best interest of the company. An unrelated/independent director can be a shareholder. We rate the strength of board based on information available from the company's annual "Management Information Circular" to ensure that the company has an independent Board of Directors, Audit Committee, and Compensation Board. This report also identifies any non-arms length transactions and management's compensation.

El Nino's Board of Directors is made up of four individuals: Jean Luc Roy, Michael Philpot, John Royall, and Morris Medd. Jean Luc Roy is a related/non-independent director. Bernard Barlin and Morris Medd do not hold shares in the company. As there have been recent board changes, we cannot determine the composition of the Audit Committee, Compensation Committee, and Corporate Governance Committee.

Outlook for Copper

Copper is one of the most widely used metals in the world. About 50% of the world's copper production is used in electrical wires and cables. The construction and automobile sectors are other major markets for copper.

Price and Inventory Levels: Like most other commodities, copper prices have been highly volatile since the beginning of 2006. Copper prices ranged between US$2.06/lb and US$3.99/lb in 2006. As of October 19, 2007, copper was trading at US$3.60/lb. Current prices represent a YOY increase of 3.7%. As shown in the chart below, current prices are well above the average price of US$3.21/lb since the beginning of 2006.



We believe the drop in inventory levels (as shown in the chart above) was one of the major catalysts for the price increase since early 2007. Although copper stocks are up 15.5% YOY, they have declined considerably from their highs in early 2007. As of September 28, 2007, LME stocks were 130,675 tonnes, which reflects an increase of 35.9% since the beginning of 2006.

Fundamentals: Supply and Demand

The table below shows the historical supply and demand of refined copper, along with the International Copper Study Group's (ICSG) forecasts for 2007.

World Refined Copper Production and Consumption ('1000T)

	2000	2001	2002	2003	2004	2005	2006	2007E
Refined Production (S&P)	14,772	15,594	15,269	15,224	15,869	16,541	17,384	18,059
Increase (YOY)		**5.6%**	**-2.1%**	**-0.3%**	**4.2%**	**4.2%**	**5.1%**	**3.9%**
Refined Usage	15,133	14,903	15,157	15,667	16,785	16,648	17,022	17,884
Increase (YOY)		**-1.5%**	**1.7%**	**3.4%**	**7.1%**	**-0.8%**	**2.2%**	**5.1%**

Source: ICSG

According to ICSG's forecasts (October 2006), production is expected to increase at 3.9% YOY, while consumption is expected to grow at 5.1% YOY in 2007. There were supply deficits during 2003-05 (as shown in the chart above), as growth in consumption was higher than production during 2002-04. However, 2006 ended up in a production surplus, as production growth was higher than consumption. The surplus, however, is expected to decline in 2007, due to higher consumption growth.

Positive short-term outlook: We believe that strong copper demand from China and India, slightly offset by lower demand from the U.S., will support growth in consumption and a decline in the production surplus in 2007.

Strong demand from China and India: The demand for copper in China, the world's biggest consumer of copper, has been the biggest driver of the metal's price since the beginning of 2006. The Chinese economy grew at 10.7% (the fastest in more than a decade) in 2006. In 2006, China accounted for 22% of global copper consumption. Goldman Sachs forecasts demand for the metal in China to increase by 13% in 2007. Another major driver of demand has been the rapid growth in India. According to Credit Suisse, India's economy is expected to grow at 8% - 10% per year over the next 5 years. Although India accounts for only 3% of total global consumption, we believe, demand growth in India will become more significant in the copper market, as their share of global consumption rises.

Slowdown in the U.S. Housing sector: According to the Copper Development Association, 40% of the metal's application is in the construction industry. The U.S. housing industry underwent a major slowdown in 2007, and is not expected to improve before the end of 2008. According to Standard Chartered Bank, the U.S. accounts for 13% of global copper demand, which means the U.S. housing industry only accounts for 5.2% of global demand.

Therefore, our outlook on short-term copper prices is positive, based on strong demand growth in China and India, slightly offset by a decline in demand in the U.S.

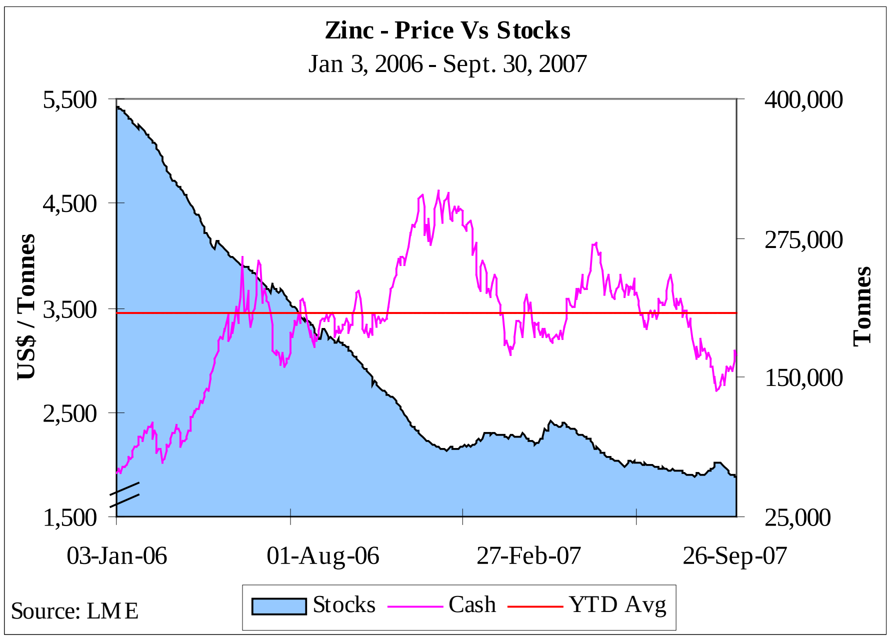
Long-term prices could soften based on a projected decline in global demand and increasing supply: According to the IMF, global GDP growth is expected to decline to 4.9% in 2008, compared to 5.4% in 2006. We believe demand for most of the base metals will soften as global economic growth declines in the longer-term.

Global copper production growth has stayed above 4% YOY since 2004. High copper prices in 2006, resulted in a significant increase in spending on exploration projects. According to the Metals Economics Group, spending on exploration increased by 47%, to $7.13 billion in 2006 (forth consecutive yearly increase), the highest since the Metal Economic's study began in 1989. We believe that as long as exploration spending and copper prices stay high, growth in production capacity will remain higher than consumption in the long-term.

Forecasts: We believe that growth in the Chinese and Indian economies will keep copper prices high in the short-term. The strong demand from China will more than offset the decline in U.S. demand for copper. Over the longer-term, based on softening global economic growth, we expect copper prices to also soften due to reduced demand for the metal for use in cars, appliances and homes. However, we believe that global economic growth rate forecasts are high enough to support above average historic prices for copper. The average forecasts for copper prices are $3.30/lb in 2007, and $3.00/lb in 2008, which are significantly higher than historic averages.

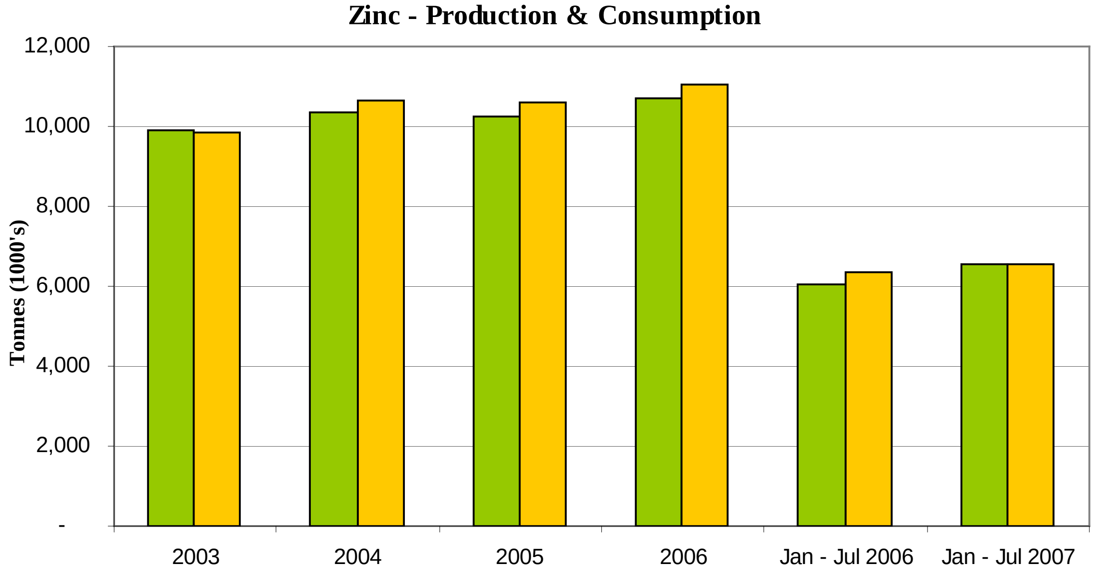
Outlook for Zinc

Zinc is primarily used to galvanize steel (used extensively in construction and engineering) and in zinc die-casting. About 47% of zinc is used for galvanizing. More than half of the world's zinc output is used to rustproof steel for the construction and auto industries. As of October 12, 2007, zinc was trading at $1.40/lb, which represented a YOY decrease of 19% and YTD decrease of 29%. Like other base metals, zinc prices were also highly volatile in 2006. Prices have ranged between $0.87/lb and $2.10/lb since the beginning of 2006. The chart below shows zinc prices since January 2006.



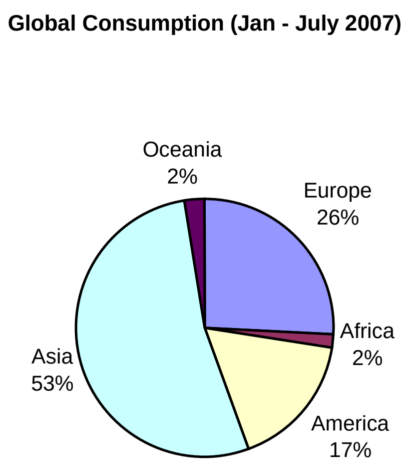
Low inventory levels: The surge in prices since the beginning of 2006 was due to a drastic fall in LME inventory levels and a corresponding increase in global demand for zinc. As shown in the chart, inventory levels have decreased considerably since the beginning of 2006. LME stocks as of September 28, 2007, were 60,850 tonnes, which reflects a decline of 85% since the beginning of 2006. Current inventory levels are expected to satisfy global demand for only 2-3 days.

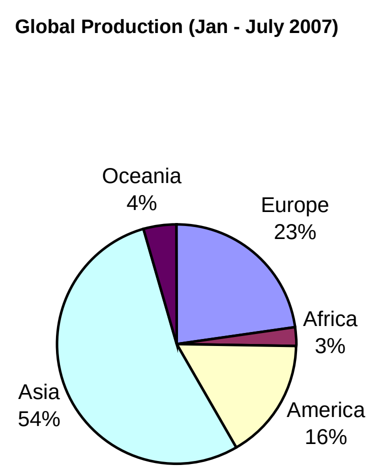
Supply and Demand: The chart below shows that global zinc consumption has been higher than production since 2004.



Source: ILZSG

According to the International Lead and Zinc study group (ILZSG), as global consumption of zinc increased by 3.1% YOY during the first six months of FY2007, global production rose by 8.30% YOY. The charts below show the distribution of global production and consumption in the first six months of FY2007. As shown in the charts, Asia, which accounted for 54% of global production and 53% of global consumption, was the top consumer and producer in the world.





Source: ILZSG

Rising demand could hold prices high in the short-term: Zinc stock levels have gone down, primarily, due to the increasing demand for the metal in galvanized steel production. According to the Beijing Antaike Information Development Co., the demand for zinc in China, the world's biggest consumer of the metal, may rise 56% by 2010. China's zinc demand is expected to increase by 6.9% in 2007 (ILZSG). We expect stronger demand for zinc in the short-term, due to increasing demand from the Chinese, Japanese and Korean steel sectors. However, due to the forecasted slower global economic growth, we expect demand growth for zinc, like all other base metals, will soften in the long-term.

Forecasts: We believe growth in short-term demand will keep prices high throughout 2007, and 2008, but the forecasted decline in long-term demand growth could soften prices beyond 2008. Zinc prices ranged between $0.40/lb - $0.60lb during 1998-2004. Although zinc prices are expected to soften from current price levels, we believe that long-term fundamentals (supply and demand) are strong enough to support zinc prices above their historic range. The average price forecast for zinc is $1.54/lb in 2007, and $1.40/lb in 2008.

Financials

In Q2-2007 (ended July 2007), the company recorded a net loss of $2.23 million, compared to a net loss of $0.45 million in the comparable period in the previous year. Unlike other junior mining companies, ELN records exploration costs in the income statement. Net losses increased YOY in Q2-2007, as exploration costs increased, from $0.02 million to $1.79 million.

The table below shows the company's cash and liquidity position.

FYE - January 31	2006	2007	Q2-2008
Cash	279,567	33,780	3,049,340
Working Capital	$266,621	$3,257,901	$5,763,626
LT Debts/ Assets		-	-
Burn Rate (incl exploration costs)	($21,370)	($509,165)	($249,176)
Cash from financing activities	$422,550	$5,864,197	$4,505,613

At the end of Q2-2007, the company had cash and working capital of $3.05 and $5.77 million, respectively, compared to $0.03 million and $3.26 million, at the end of FY2006.

Recent Financings: Since the end of Q2-2007, the company raised $5.30 million through a brokered private placement, by issuing 5.89 million units at a unit price of $0.90. Each unit consists of one common share and one half of one common share purchase warrant.

Stock Options and Warrants: The company had 3.34 million stock options outstanding at the end of Q2-2007, with a weighted average exercise price of $0.53 per share. All the options are currently 'in-the-money'. The company also had 11.36 million warrants outstanding (all of them are currently 'in-the-money'), with exercise prices ranging between $0.33 and $1.00. The company issued an additional 2.94 million warrants (exercise price of $1.40 per share) in relation to the recently completed private placement.

Conclusion: We expect the company to spend $4 million for the rest of the year. We believe the company has sufficient access to capital for the next six months. The company will have to go back to market to raise additional capital by mid 2008.

Valuation

Since the DRC Copper properties are in very early stages, we believe the value of the company at this time should come from the Bathhurst Zinc Project and the Bancroft Uranium Project. Based on our valuation on the Bathhurst Zinc Project and the Bancroft Uranium Project, we obtained a fair value of $0.96 on the company. A summary of our valuation on the company is shown below.

Valuation Summary	Value	Value per share
Bathhurst Zinc Project	$31,578,810	$0.77
Bancroft Uranium Project	$2,438,003	$0.06
Working Capital	$5,763,626	$0.14
Debt	-	-
Net Value	**$39,780,439**	**$0.96**

(Net value per share may not add up due to rounding)

DCF Valuation Summary - Bathhurst Zinc Project	
Ownership	75%
Resource (tonnes)	1,135,868
Cu - Grade (%)	0.23%
Zn - Grade (%)	5.58%
Pb - Grade (%)	1.49%
Ag - Grade (g/t)	30.49
Recovery - Cu	70%
Recovery - Zn	85%
Recovery - Pb	70%
Recovery - Ag	60%
Long-Term Copper Price (in US$/lb)	$2.25
Long-Term Zinc Price (in US$/lb)	$1.20
Long-Term Lead Price (in US$/lb)	$1.00
Long-Term Silver Price (in US$/oz)	$11.00
Operating Costs ($/t)	$60.0
Capital Costs (in $mm)*	30.00
Production Commencement	2012
Mill Processing (tpd)	10,000
Mine Life (in years)	0.4
Discount Rate	11.6%
NPV	$31,578,810
No. of Shares (diluted)	41,261,818
Value per share	**$0.77**

* Cost to increase ownership to 75% and put the project into production

We used the following assumptions in the model:

- Ownership: We have assumed that El Nino will exercise their option to earn a 75% interest in all four projects that have historic resource estimates. Since the historic resource estimates on these projects are relatively small, we do not expect Xstrata will exercise its option to increase their ownership in these four projects.
- We have only used 50% of the historic resource estimate in our valuation model, for conservatism.

All other inputs and assumptions used in the model are presented in the above table. **Based on our DCF model, we valued the Bathhurst Zinc Project at $31.58 million, or $0.77 per share.**

We valued the Bancroft Uranium Project using a relative analysis as shown below.

	Company	Symbol	Price	Enterprise Value	EV/Resource*
1	Pitchstone Exploration Ltd.	PXP	$2.78	$71,819,625	17.52
2	Triex Minerals Corp	TXM	$3.36	$46,030,915	11.23
3	Santoy Resources	SAN	$0.55	$30,576,339	5.86
4	Terra Ventures Inc.	TAS	$0.46	$8,323,484	1.45
5	Pele Mountain Resources	GEM	$0.60	$38,576,583	0.91
					7.39
	Total Historic Resource Estimate of the Bancroft Uranium Project (in lbs)				1,648,998
	Fair value of the Bancroft Uranium Project				**$2,438,003**
	Fair value per share				**$0.06**
	(based on the historic resource estimate of the Halo and the Amalgamated Rare Earth projects)				

* The ratio was based on all of measured and indicated, and half of historic resource estimates

We valued the Bancroft Uranium project based on the average ratio of Enterprise Value (EV) to resources of peer companies. The combined historic resource estimate of the Halo and the Amalgamated Rare Earth projects is 1.65 million lbs of uranium. Our fair value estimate on the Bancroft Uranium project, based on the average EV/Resource ratio of 7.39, is $2.44 million, or $0.06 per share (assuming El Nino's ownership of 20%).

Adding the company's working capital to our valuation on the Bathhurst Zinc Project and the Bancroft Uranium Project, we estimate the fair value of El Nino is $39.78 million, or $0.96 per share.

Note that our valuation does not account for the company's upside potential. As it is too early, we have not valued two aspects.

1. If Xstrata starts producing from any project other than the four with historic resource estimates, El Nino will have 25% interest in a producing project. As it is too early to determine whether Xstrata will produce from this project or not, we have not valued El Nino's interest in such a case.
2. We have also not valued the DRC Copper properties as they are in very early stages. Positive progress on these projects will bring considerable upside to our fair value estimate.

Conclusions & Rating

The company is actively involved in four early to mid stage exploration projects diversified by region and commodity. The company has established themselves with a good management team and the ability to generate interesting prospects with good upside potential. Although we believe these projects all have upside potential, we believe the market may have overpriced the assets, as they are all in relatively early stages. We do not believe the current share price is a buy opportunity at this time, but a change in fundamentals or a decrease in the share price may represent a buying opportunity.

Therefore, based on our valuation models and analysis of the company's projects, we initiate coverage on El Nino with a HOLD rating (Risk 5: Highly Speculative), and a fair value estimate of $0.96 per share.

Risks

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

- The company has not defined any NI 43-101 compliant resource estimates and does not currently have any operating mines.
- The success of drilling, expansion and determination of favorable resource estimates are important long-term success factors for the company.
- The value of the company depends on commodity prices.

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%
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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.

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