

March 5, 2008

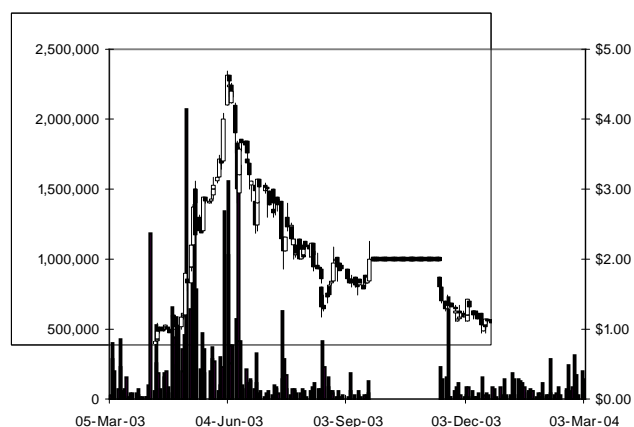
MBMI Resources Inc. (TSXV: MBR) – Negative Mining Sentiment in Palawan; Downgrading to HOLD

Sector/Industry: Junior Mining

www.mbmresources.com

Market Data (as of March 4, 2008)

Current Price	C\$0.77
Fair Value	C\$1.03
Rating*	HOLD (↓)
Risk*	5 (Highly Spec)
52 Week Range	C\$0.53 – C\$4.70
Shares O/S	79,217,784
Market Cap	C\$61.00 mm
Current Yield	N/A
P/E (forward)	N/A
P/B	3.64
YoY Return	11.6%
YoY TSX-V	-6.9%



About MBMI Resources Inc.

MBMI Resources is developing nickel laterite deposits in the Philippines for the purpose of producing direct shipping ore (DSO). Nickel laterite material can be extracted and shipped to end users in China, Korea, and Japan who process the material. MBMI is compensated for approximately 25% of the value of the nickel based on the London Metal Exchange Price. This process passes on metallurgical and processing risks to the end user. MBMI is currently developing the Alpha project and has completed one shipment in January 2008. The Alpha property is 100% owned by Narra Nickel Mining and Development corporation, in which MBMI holds a 60.4% effective interest (40% direct in the property and 20.4% indirect through a 34% ownership of Patricia Louise Mining and Development Corp). MBMI has the right to convert Palawan Alpha South Resource Development Corporation's 39.6% interest into a royalty, subject to government approval.

Monday, March 3, 2008

On Monday, March 3, the company's stock price fell approximately 15% based on a news article in the Philippine Daily Inquirer (inquirer.net) stating that MBMI's FTAA permit application had been "disqualified" by a panel from the Mines and Geosciences Bureau (MGB). As we previously reported, a Financial and Technical Assistance Agreement (FTAA) permit is essentially a full scale mining permit that allows for over 40% foreign ownership. According to the news article, the application was disqualified because MBMI, which is not registered in the Philippines, is controlling the local corporation. In the article, the panel is quoted as saying "It is clear that the Canadian stockholders are the ones in control of the (local) corporations, solely on the strength of their far more substantial financial investment in relation to that of the Filipino stockholders."

MBMI has not reported this news, and is quoted in the article as “dismiss(ing) the MGB ruling as part of a ploy of a rival company to take over their mining claims.” Another operating company in Palawan, Toledo Mining, has accused Redmont Consolidated Mines, a private non-operating company in the Philippines, of manufacturing discontent in an attempt to take over their mining claims. We believe this is negative news for the stock price. **However, we do question the credibility of this news source, as there is no record of such ruling to date, and we believe the company would be required to issue news to this effect if such a ruling had been made.** The company has indicated that they believe this article to be fraudulent and that the application is ongoing. There appears to be powerful and vindictive parties opposed to MBMI’s production plans, and there is strong anti-mining sentiment in Palawan as well. The company has tried to “fly under the radar” to avoid controversy, but we believe this has the potential to negatively impact MBMI’s operations.

Mining Sentiment in Palawan

Articles in the Filipino media have reported on significant negative mining sentiment in Palawan in the past two months. Non-governmental groups, environmental organizations, and the Catholic Church are calling for a complete mining ban in Palawan for a period of 25 years. The issue has been brought to the forefront recently due to corruption charges laid against Palawan governor Joel Reyes for “looking the other way” while Platinum Metals Corp.’s SSMP operations were shown to be illegal for over extraction. According to some articles, the Department of Environment and Natural Resources (DENR) is planning to remove the rights of granting SSMP permits, and ore transport permits, from local governors to federal regulation. We believe this has created a general air of uncertainty regarding permitting and extraction.

It does appear that existing operations would be grandfathered in, but opposition groups are calling for measures that we believe would severely limit MBMI’s ability to operate. They are also calling to prevent the renewal of SSMP permits and much stricter regulations regarding operations of SSMPs, including more stringent regulation of the 50,000 tonnes/year production cap, and no use of heavy equipment for extraction. We continue to believe that an FTAA or MPSA is crucial to the company’s future success. Failure to receive such permits may make MBMI Resources attractive to larger mining companies with FTAA or MPSAs in place.

Conclusions: Based on this news, and the uncertainty surrounding MBMI’s permit applications in the Philippines, we are downgrading MBMI Resources to HOLD. We will update our coverage and recommendation when more information becomes available regarding permitting status.

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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The distribution of FRC's ratings are as follows: BUY (79%), HOLD (9%), SELL (4%), SUSPEND (8%).

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