Lawrence Roulston's

RESOURCE OPPORTUNITIES

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...Discovering value in natural resource stocks

Big Money Looking For Small Companies

Editorial

100 Issues!

This is the 100th issue of Resource Opportunities!

The first issue appeared in September 1998 and continued on a monthly basis until going to the twice monthly format in 2002.

I would like to mark this milestone by expressing my sincere gratitude to my subscribers, who have been so supportive.

Looking forward to the next 100 issues...

Lawrence Roulston

The gold price has been marching steadily higher, after touching a four-month low of $410 on February 9. That gain in bullion is coming in spite of developments in the United States that should be positive for the dollar, and therefore holding back the gold price.

There appears to be a growing awareness that the U.S. dollar will remain under pressure in the longer-term, in spite of bullish statements and economic tweaking from the U.S. Federal Reserve.

While gold remains front-and-center for many investors in the mining industry, investor interest in the other metals is soaring. Several of the companies that we have been following in Resource Opportunities have made big gains over the recent weeks. It is tempting to lock in some profits after a stock has had a big run. However, at this time, I would be a seller only to diversify: That is, to reallocate a portion of the capital to gain exposure to additional companies.

A great deal of new money is coming into the smaller companies in the mining sector. I suspect that some fund managers who made big profits in the oil industry are looking at another resource sector. In addition, some of the general funds are seeing that mining has been one of the top performing sectors and are beginning to get involved.

The mining majors have enjoyed nice gains in response to the moves in metal prices. As new money comes into the sector, the majors may now seem to be fully valued. Consequently, the new investment funds are cascading down to the smaller companies where there are still good valuations.

The big money investors have been committing money to the junior exploration companies for more than a year, but there are changes unfolding at the moment. Previously, the funds were primarily acquiring their posi-

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tions through private placements. Several billion dollars have been injected into the coffers of junior mining companies at a pace far greater than they can spend that new-found wealth.

With the juniors now beginning to turn down offers of private placement investments, those big-money investors are actually buying shares in the markets. It is interesting to see a company like CanAlaska Ventures (CVV-TSXV) that previously traded a few tens of thousands of shares a day suddenly having million share trading days.

I believe that we will see a strong flow of new money coming into the junior mining sector for some time yet. In fact, I believe that we are just at the beginning of what will be an exciting period in the mining industry.

This issue includes some new companies and a brief update of the platinum market. A uranium market update is in the works for an upcoming issue.

Platinum Market Update

The platinum price has shown remarkable resilience since it soared past the $800 mark late in 2003. The metal has traded mostly in the range of $800 to $900 an ounce, currently at $867 an ounce.

The platinum price more than doubled as growth in demand for the metal overwhelmed the ability of the mining industry to deliver supplies. Aggressive capital programs by the major producers have added new supplies to the market, but at a pace that barely maintains a balance in the market at a price above $800 an ounce.

Looking forward, demand is likely to remain strong. The single biggest market is the automotive industry, where platinum is an important constituent in automobile catalytic converters. Autocats actually use blends of platinum, palladium and rhodium, with the specific formulation depending on the circumstances.

Importantly, diesel engines require a high proportion of platinum. The high oil price is making fuel-efficient diesel engines more popular in automobiles in Europe, leading to higher demand for platinum from the European automotive industry. The outlook for overall strong worldwide automobile sales is supporting a forecast for continued growth in demand for platinum from the automotive sector.

The other major platinum market is in jewelry. While demand for platinum jewelry in other markets has stagnated due to the high metal price, the rapidly growing wealth in China has made that nation by far the largest consumer of platinum jewelry. Interestingly, the high price is increasing the prestige of platinum jewelry in the Chinese market, keeping demand strong, even in the face of the high price. With the Chinese economy continuing to grow at a torrid pace, forecasters see demand for platinum jewelry rising in China.

Platinum is also used in a myriad of other applications. In many of those uses it is irreplaceable. It is very important to note that, other than in jewelry, the value of platinum in a consumer product is insignificant in relation to the value of the finished product. As a result, demand in many applications is inelastic to the price. (That means that demand won't drop off with a higher price. For example, people won't stop buying cars because the cost of platinum goes from say, $60 per car to $70 or $80.)

Overall, platinum consumption is forecast to continue to grow.

Looking at the supply side: More than two-thirds of platinum production comes from the Bushveld Complex in South Africa. Decades of world-wide exploration have not turned up any big new deposits that have any hope of competing with South Africa's predominance in the market.

The strong currency in South Africa has impacted on the profitability of platinum producers as it has on all mining companies. However, the

Platinum Price 2001-2005

situation is very different for platinum than for the gold mining industry in South Africa, which has been devastated by the strong rand. Presently, half of South Africa's gold mines are operating at or below the break-even level. Not surprisingly, investors have taken a negative outlook on the entire mining industry in South Africa.

Platinum is different than gold in that the majority of platinum comes from South Africa. Therefore, the metal price must remain high enough for producers to remain profitable. You see, if mines were to shut down, the reduced supply would impact on the overall market balance and drive the price up.

For example, in spite of the record strength in the rand, Anglo Platinum last year earned $392 million of net profit, 41% ahead of the prior year.

Furthermore, it is unlikely that the rand will remain as strong as it is indefinitely. The mining industry is one of the biggest employers in South Africa. With mines in the gold sector shutting down and workers being laid off, political pressure is building on the government to reduce the high interest rates that are contributing to the strength of the rand. It is practically inevitable that the rand will eventually move back toward its long-term average value.

This could be an good time to invest South African mining companies. The platinum companies look particularly favorable, because the platinum mining industry in effect has built-in protection against the strong rand. An easing in the value of the rand would add further value to those companies.

Company Updates

The following was released as an Interim Update on February 23, 2005

Anooraq Resources Corp
(ARQ-TSXV)

Anooraq is likely to attract a lot of investor interest over the coming weeks as several important developments unfold.

The company is again drilling on its Drenthe project, with the intent of elevating the deposit to a measured resource as a basis for a feasibility study planned for later this year. That platinum group metal-nickel-copper project is located on the Northern Limb of the Bushveld Complex in South Africa, the source of two thirds of the world's platinum.

An independent estimate of the resource on the Drenthe and Overysel North deposits was completed last fall, incorporating drilling through September 2004. Anooraq and Anglo Platinum pooled their adjacent interests in a deal that will see the ownership split according to the mineable ounces that come from each side.

The resource estimate showed an indicated resource containing 7.6 million ounces of PGM (roughly equal platinum and palladium) and a further 4.1 million ounces classed as inferred. The deposit also contains significant values of nickel and copper. An independent scoping study completed in 2003 was based on a deposit only one-third the size that has now been outlined, at about the same grade. That preliminary economic assessment estimated a value for the project of $144 million.

An update to the scoping study, incorporating the larger resource, is due within weeks. The updated study will almost certainly show a significant increase in the estimated net present value of the project.

First off, the larger deposit will allow for a larger operation, resulting in economies of scale. Secondly, the previous study anticipated that ore would be trucked to one of the Anglo facilities and treated on a tolling basis. The present study looks at treating the ore in an on-site mill, an approach that should be more profitable for the project.

Perhaps most importantly, the recent drilling has turned up a considerable amount of potentially economic material in the "hanging wall". It is worth a moment to understand that important development. You see, the mineralized zone dips gently to the west from where it comes to surface within a horizon known as the Platreef. The concept is to mine the deposit as an open pit, starting at surface and working to depth. The barren rock above the mineralized zone (that is, in the "hanging wall") would be stripped off to expose the deposit. Last year's drilling found another mineralized zone within the hanging wall.

The result is that part of the material that was previously considered waste may now be part of the ore deposit. In other words, that material has gone from a cost item to a potential revenue item. As a result, the upcoming scoping study will show a significantly lower stripping ratio, probably less than 2:1 in the early years of the project. That will result in a significant lowering of the mining cost as compared to the previous study.

Anglo Platinum's nearby Sandsloot mine has a higher grade than found at Drenthe, but faces a stripping ratio of 13 tonnes of waste to each tonne of ore. Even with that high stripping ratio, the operation makes money for Anglo.

When you add up all of the improvements from the previous study – a much larger operation, an on-site mill and a lower stripping ratio – the upcoming scoping study should show a greatly enhanced net present value compared to the previously estimated value of $144 million, perhaps a multiple of that number.

In short, the upcoming scoping study will likely indicate that Anooraq's interest in the Drenthe project is worth substantially more than the current market value of the company.

That is extremely significant in that Drenthe is of secondary importance relative to the company's huge Ga Phasha project, in which Anooraq holds a 50% interest.

The lack of apparent progress with regards to that 65 million ounce PGM deposit has weighed heavily on the Anooraq share price. Evidence that Ga Phasha is indeed moving forward could have a significant impact on the value of Anooraq.

The development schedule for the Ga Phasha project is in the hands of Anglo Platinum, which holds the other 50% interest. The major is well advanced on development of its adjacent Twickenham deposit. They have completed one decline into the ore body and are well advanced on a second decline. At present, the major is mining about 10,000 tonnes per month, which is being trucked to another of their operations where there is some excess mill capacity.

Further development of Twickenham has been put on hold, in part because of general capital constraints within the company. Even before Anooraq began the lengthy process of merging with the Black Economic Empowerment company that held the half interest in Ga Phasha, Anglo was considering the development of the two properties in concert.

There would be tremendous benefits to all concerned in having ore from the two adjacent properties processed through one large-scale processing plant. Anooraq and Anglo are continuing discussions aimed at a coordinated project development.

The Twickenham and Ga Phasha ore bodies are shallow, coming close to surface, allowing development through declines rather than shafts. As a result, the mining cost at Twickenham / Ga Phasha would be significantly lower than a traditional deep mine in South Africa that is accessed through a shaft.

I believe that Anglo would like to see the project move ahead quickly. First off, the company has fallen way behind on its originally-stated long term expansion plans, and the delays are impacting on its bottom line. The shortfall in supply is also impacting on the platinum market, which is facing a supply deficit. Anglo has always been conscious of keeping the platinum supply and demand in balance in order to maintain a stable long-term market.

Furthermore, Anglo is looking for ways to increase Black Economic Empowerment involvement in its operations in order to comply with South African guidelines. Development of Ga Phasha would help Anglo to meet those guidelines.

The bottom line for Anooraq is this: The Drenthe deposit on its own justifies a market value for the company higher than the current level. Ga Phasha, which is getting little recognition in the share price at present, may be much closer to moving ahead than investors generally believe.

Anooraq's share price has been under considerable pressure as some investors lost patience in the course of the long process to consummate the merger. I now anticipate that a new group of investors will soon begin to realize the enormous fundamental value in the company and begin to take advantage of the low share price.

Price February 23, 2005: C$1.32
Shares Outstanding: 148 million
Shares Fully Diluted: 156.1 million
Market Cap: C$195.4 million
Contact: Investor Relations
1-800-667-2114
www.anooraqresources.com

Price February 28, 2005: C$1.47

Knight Resources
(KNP-TSXV)

As investors begin to look forward to the summer exploration season on its Raglan nickel project, Knight's share price has taken a decided bounce. The shares began to slide late last summer when investors grew impatient waiting for drill results. When the numbers finally came out late in the year, they fell short of expectations, even if they were very positive on a geological basis.

The reality is, the drill results received so far on the West Raglan project are in line with early results from Falconbridge's Raglan Project, to the east along the same trend. The mine at Raglan is an important component in the impressive profits generated by the nickel major.

It is important to note that the Falconbridge mining project is actually made up of about 30 deposits, each ranging from 10,000 tonnes to 2 million tonnes.

Last year's results on the Knight project included numerous good hits. However, it seems that investors were hoping to see results that tie together to outline some size. So far, the results show the presence of several discrete bodies of mineralized material of a tenor comparable to the Falconbridge deposits. To the geological team, that is good news and is all they need to know for now. The geologists can look to the east where detailed drilling has delineated numerous smaller ore bodies that support a world-class mining operation.

Two senior exploration managers from Anglo American's North American exploration office accompanied Knight president Harvey Keats for a project update presentation in my office. The Anglo executives were very clear in their support for the project and for their junior company partner. Perhaps most importantly, they outlined improved sample handling procedures that should see a greatly expedited flow of assay results from this summer's program.

Harvey Keats, you may recall, together with exploration manager Kerry Sparkes, played leading roles in the delineation of the massive Voisey's Bay nickel deposit in Labrador. Inco bought the project in 1996 for C$4.4 billion. Knight's exploration team was the key reason for Anglo partnering with Knight to explore the West Raglan project.

Knight and Anglo will be starting a ground-based geophysical program this week. They have already brought supplies into the project base camp for the summer season, taking advantage of the snow to bring the materials in with snow-cats and sleds.

It will take about two months to complete the interpretation of the geophysical results. The company anticipates combining that information with the results from the past two seasons of work to locate the first 30 drill sites. Importantly, the partners plan to have assays from the first phase of drilling in time to design a second-stage drill program over the summer season.

Knight will complete its 49% earn-in after spending about C$2 million toward this year's program. After that point, Anglo will contribute its 51% share of the costs. Anglo contributes 20% of Knight's share of expenditures during the earn-in phase by way of private placements in Knight. The junior also gets a rebate from the Quebec government under an exploration incentive program that returns 50% of its exploration spending. The net result is that Knight will not need to raise much additional money to fund this year's program.

The company has two series of warrants that mature over the next couple of months. Affiliate Donner minerals has 3.8 million warrants priced at C$0.15 good to March 25 that originated with the initial funding of Knight. Donner has just announced that it plans to sell 3.8 million shares currently held through arranged sales in order to exercise the warrants. Another 4 million warrants at C$0.15 and 5.7 million at C$0.25 good through May 12, will likely put a cap on the share price until they are of the way. Those warrants will provide some liquidity as the price moves above the exercise price. However, there is a great deal of interest in Knight and the balance of the warrants could also be taken up by investors interested in building a sizable position.

It is important to emphasize that Knight remains a drill-play speculation – but with favorable odds. Taking into account the results of the past two seasons and the geological talent involved in the project, Knight looks very attractive at this price level.

Price February 28th, 2005: C$0.23
Shares Outstanding: 58 million
Shares Fully Diluted: 82 million
Market Cap: C$13.3 million
Contact: Investor Relations
1-877-564-4485
www.knightresources.ca

Harmony Gold
(HMY-NYSE)

The legal wrangling continues with regard to Harmony's hostile takeover bid for its South African gold mining compatriot Gold Fields. The most recent development represents a setback for Harmony in that the Competition Tribunal in South Africa set a late date to hear the case. Obtaining the blessing of that panel was the final step needed by Harmony for its offer to become unconditional.

The Tribunal appears to be sidestepping their obligation to make a decision in this case, which has important political overtones, by scheduling the hearing to begin May 3. Harmony's extended offer will lapse on March 18. Harmony intends to request a second extension to its offer, but there is no assurance that the securities regulators will grant the request. Even if an extension is granted, the May 3 hearing start may not allow time for the panel to render a judgment before the expiry of the agreement to acquire a 20% stake in Gold Fields from Russian miner Noril'sk.

The slide in the share prices of the two companies seems to have reversed as an end to the uncertainty draws closer.

Price February 28th, 2005: $8.54
Shares Outstanding: 393 million
Market Cap: $3.4 billion
Contact: Investor Relations
+27(11) 684-0146
www.harmony.co.za

Northern Dynasty Minerals
(NDM-TSXV)

Northern Dynasty is within days of completing an updated resource estimate for its giant Pebble gold-copper deposit in Alaska. The results of that study will almost certainly improve on the previous estimate, encompassing an inferred resource of 2.7 billion tonnes containing 27 million ounces of gold and 16.5 billion pounds of copper. Northern Dynasty holds an 80% interest in the property hosting that deposit, with an agreement in the works that will take it to 100%.

Examining the results of the drilling from last summer, it is clear that the overall deposit size will be larger than the previous estimate, as the drilling pushed out the boundaries of the deposit laterally and to depth. Many of the holes also produced grades that were above the overall average grade determined previously, suggesting the potential to see a higher average grade on the larger deposit.

The most important results came on the eastern end of the deposit, where several holes cut impressive grades over long intervals, up to 1,537 feet. Some of the holes were still in potentially ore-grade material at the limit of the depth that could be reached by the drill rig. The grades were around 1% copper-equivalent, an impressive level over such great intervals.

The eastern zone mineralization begins at around 200 meters depth, similar to the Hugo Dummett deposit which represents an important part of the Turqoise Hill deposit of Ivanhoe. While the depth will present a challenge, the potentially large volume of material at a favorable grade represents an important discovery.

The grade of the material in the eastern zone seems to be increasing at depth and to the east, suggesting a mineralizing center in that direction. The implication is that there may be more material in the area. The company plans an extensive drilling program this summer to further test the eastern portion of the deposit.

An important aspect of last summer's drilling was to elevate the equivalent of 20 years of production into the measured and indicated categories. To that end, the company drilled off a substantial area at 80 meter centers. That area contains higher than average grade material located near surface. A quick inspection of the results indicates that the grades from the infill holes are in line with the more widely spaced holes. If the detailed calculations hold up that observation, then Northern Dynasty will have outlined enough favorable grade material for 20 years of operation for a world-class mine.

Any major looking at that situation would also see the potential to greatly extend the projected life of the project within the known deposit, with the potential for the eastern zone to turn up an important new deposit.

Furthermore, there is considerable potential in the exploration lands. A first pass drilling program over the exploration lands in 2003 turned up four new discoveries. However, once Northern Dynasty met its earn-in obligations on the exploration lands, it shifted the focus back to the Pebble resource without following up the new discoveries. As of last week, Northern Dynasty controls 80% of the exploration lands, with a deal in the works to acquire the balance of the interest.

On February 18, the company announced a C$30.8 million financing (priced at C$4.25 per unit), coming from several large investors. The funds will be used to continue the work supporting a feasibility study and to continue drilling the deposit, with an emphasis on the eastern zone. Last week, Northern Dynasty announced that Teck Cominco had agreed to convert its half interest in the exploration lands into shares in the company in accordance with the terms of the deal concluded in 2001. The major had already given up its interest in the resource lands for shares under the agreement entered into with Cominco before that company was merged with Teck.

That original deal left the major with a 50% interest in the exploration lands and the obligation to provide half of the funding with Northern Dynasty as operator. In essence, Teck Cominco has converted its interest in the exploration lands for a larger stake in the Pebble deposit by exchanging that interest for shares. The 20% interest that was retained by Hunter Dickinson Inc. when they vended the project to Northern Dynasty will also soon be exchanged for shares. The valuation is to be determined after the new resource calculation is available.

Northern Dynasty has one of the largest and most attractive undeveloped gold-copper deposits available anywhere. The completion of the updated resource estimate, which will incorporate a substantial volume of measured and indicated resource, should attract a considerable amount of investor interest to the company.

Price February 28th, 2005: C$4.96
Shares Outstanding: 47.7 million
Shares Fully Diluted: 55.3 million
Market Cap: C$236.6 million
Contact: Investor Relations
1-800-667-2114
www.northerndynastyminerals.com

SKN Resources
(SRL-TSXV)

SKN has commenced test mining of the silver ore on its Ying Silver project in China. This test mining will evaluate various mining methods in order to maximize recovery and minimize dilution of the high-grade silver-lead ore.

This year, SKN expects to produce 20,000 tonnes of high grade ore from underground. An additional 10,000 tonnes of ore-grade material is expected to be produced from exploration tunneling.

The company is reaping a substantial financial reward from that test-mining exercise, as it is shipping high-grade silver ore directly to a nearby smelter. By the end of January, SKN had sold 267 tonnes of silver ore with an average grade of 58.3% lead and 2,262 g/t silver. The material being mined by SKN can have a value as high as $1,000 per tonne, depending on the amount of dilution from barren rock.

An additional 3,230 tonnes of diluted lower grade ore was processed at a nearby flotation mill. From this, 445 tonnes of silver-lead concentrate were produced with grades of 8.96% lead and 448 g/t silver with lead and silver recoveries of 95.3% and 90.2%, respectively. The revenue generated from all of this production (61,457 oz. silver and 432 tonnes of lead) has covered all of the tunneling and underground expenses to date.

The test mining exercise, with offsite processing, already suggests the economic viability of the Ying silver project. With a mining cost of about $30 per tonne, milling cost of $17 per tonne and shipping costs of about $5 per tonne, the Ying project is looking very lucrative.

SKN has now contracted to develop an on-site mill with a 75 tonne-per-day capacity to serve during the test mining phase. The company anticipates scaling up the production level once the testing is completed.

SKN has budgeted $5 million for exploration and development work this year. On top of the test mining, the junior intends to sink three additional shafts, develop 13 kilometers of tunnels, and drill 10,000 meters from underground to delineate the ore zones. The tunnels will initially be used for exploration, but could then be used for production purposes.

The company recently completed a C$1.5 million financing and plans to fund the rest of this year's exploration program through the revenue it generates from test mining the deposit.

The company has already estimated a very significant silver deposit, an indicated resource of 15 million ounces and an inferred resource of 115 million ounces – from only six veins. So far, 40 veins have been identified on the property, suggesting the potential to greatly expand on the number of ounces as exploration progresses.

It is only a matter of time until more investors recognize that SKN has joined the ranks of the silver companies.

Price February 28th, 2005: C$ 1.90
Shares Outstanding:36.3 million
Market Cap: C$ 69 million
Contact: Investor Relations
604-669-9397
www.sknresources.com

Brief Updates

Genco (GGC-TSXV; C$0.78) Genco is presently producing gold and silver, albeit on a modest scale, from its La Guitarra mine in Mexico. The mine is currently producing at a rate of nearly 1 million ounces of silver equivalent per year, at a break-even level on operating costs.

The company intends to build production through expansion of output at its current mine and through development of four advanced stage exploration projects currently in hand. The company is also on the lookout for the acquisition of other producing assets and development projects. The company has just announced another financing of C$4.3 million at C$0.80 to provide funding to advance its projects.

Wheaton River Minerals / Goldcorp (WRM-TSX; C$4.19/ G-TSX; C$16.53) As of February 18, Goldcorp had acquired 70% of the outstanding Wheaton River shares, with the intention of acquiring all the shares and merging the two companies. The combined company is projected to produce 1.1 million ounces of gold this year, at a cash cost of only $55 per ounce, making it by far the world's lowest cost million-ounce-plus gold producer. Production is projected to reach 1.5 million ounces next year as development projects come on stream.

Very significantly, the new Goldcorp will have more than $700 million of liquid assets (cash, gold bullion and marketable securities). With an acquisitive management team and that massive treasure chest to provide financial clout, this company could grow quickly.

Ian Telfer, who built Wheaton River to its present state from a standing start in 2001, will be the president of the combined company. Robert McEwen, who has done a masterful job of building shareholder value in Goldcorp, will be the chairman of the new Goldcorp.

In my opinion, the new Goldcorp is the most interesting of the larger gold producers, with the potential to add substantial shareholder value in the near term.

The following was released as an Interim Update on February 22, 2005

Bell Resources
(BL-TSXV)

Bell Resources is a mineral exploration company with several projects in Canada and the United States. The main focus is the past producing Granduc copper mine in northwestern British Columbia.

The Granduc mine was operated for 16 years by major mining companies. Less than half of the originally defined deposit had been extracted when the mine was shut down by low metal prices. Even more significantly, geological work since the mine closed points to the potential for substantial extensions to the ore deposit that was outlined in the 1960's.

Bell is led by Glen Zinn, an experienced mining executive who was formerly vice president corporate development and exploration for Hecla Mining Company. Dr. Paul McGuigan, who led the geological team on the Granduc mine for Esso Resources, one of the major company operators, is Bell's geological consultant on the project.

The Granduc mine was developed by Newmont in 1968. Esso Resources (a unit of Exxon) bought the mine from Newmont in 1979 and operated it until 1984, when the mine was closed due to the low copper price at that time.

Esso subsequently withdrew completely from mining and reclaimed the site. Bell bought the property last November for C$34,000 and 1.1 million shares, leaving the vendor with a 2% royalty.

The historic resource on the property was estimated at 29 million tonnes grading 1.83% copper. (Note: Those historic figures may not have been determined in accordance with current standards and should not be relied upon.) Just over half of the historically defined deposit was mined during the 16 year production history. Much of the old access road is still in place and useable and the whole road could be rehabilitated and upgraded to provide ready access to the site. The project is located only 40 kilometers by road from the deep water port of Stewart.

Work is well underway on assembling and reassessing the historic data. Over the past couple of decades, several studies have been carried out on the property. Those studies, along with general advances in the understanding of this type of deposit, have opened up new approaches to further exploration of the project.

Bell's exploration approach will be aimed at defining large volumes of higher grade material. At least five targets have been identified for follow-up over the summer field season. Historic drill holes in some of those targets intercepted good values, in some cases in excess of 3% copper, but were not followed up before the mine closed.

A geological team, under the direction of Dr. McGuigan, is working through a detailed assessment of the project in preparation for a drilling program planned for this summer. Building on the wealth of historical information, prospects are good that drilling will extend the previously known mineralization and/or turn up new zones of mineralization.

Roughly 14 million tonnes of material that was defined by the previous operators remains in place and provides an attractive starting point to build a major company-sized deposit. Considering that it is road accessible and not far from a port, the Granduc project could look very appealing to a big copper producing company.

Bell holds several other assets which also have good potential. The Copper Ace project is located just north of Taseko's Gibraltar Mine in central BC. Surface samples produced some highly encouraging results, in some areas in excess of 1% copper, although drilling has not yet turned up significant zones.

Bell is earning an interest in a big property position in the Fox River area of northern Manitoba, an area with potential for both diamonds and nickel-platinum group metal deposits. Earlier this month, the company optioned a 75% interest in a property in Michigan. Copper-nickel-cobalt-PGM mineralization was found on that property, which is located near a big discovery made by Kennecott.

While those other projects are interesting, the company will be devoting most of its efforts to Granduc. It requires some time with the geological consultant to appreciate the enormous potential in the Granduc project. So far, not many other people have taken the time. The Granduc project will likely become better understood as the company concludes a formal report and moves toward the start of a drilling program.

Price February 22, 2005: C$ 0.25
Shares Outstanding: 27.2 million
Shares Fully Diluted: 33.5 million
Market Cap: C$6.8 million
Contact: Dwayne Diehl
(604) 669-1484
www.bellresources.com

Price February 28, 2005: C$0.29

Initiating Coverage

Elgin Resources
(ELR-TSX)

Elgin is in the process of merging with Jonpol to create a company with substantial platinum interests and near-term production potential.

The combined company will have in excess of 12 million ounces of platinum group metals to its credit, all in the measured and indicated resource category. Most importantly, both of the main deposits that will initially be held by the new company are presently headed toward early development.

Both of Elgin's projects are on the Eastern Limb of the Bushveld Complex in South Africa. The Bushveld is the world's most important source of platinum, producing two thirds of the world's supply of the precious metal.

The Elgin deposits have grades and other attributes comparable to nearby profitable operating mines. They have the added benefit of being located at a shallow depth, with plans to begin mining one of the deposits as an open pit. By taking advantage of nearby infrastructure, Elgin can develop the mines quickly and at modest capital costs.

Long term readers of Resource Opportunities may remember a similar story: Aquarius Platinum (AQP on the Australian exchange) soared five-fold in value after it was introduced here as they brought their Kroondal platinum deposit to production. Like the Elgin projects, Kroondal is located in the Bushveld Complex and was acquired from a platinum major.

Elgin and Jonpol began independently seeking platinum development opportunities in the Bushveld. After they both negotiated agreements to acquire interests in the Spitzkop deposit, they quickly recognized the synergy to be realized by joining forces.

The deals that the two companies have on the two properties and the merger are complex and not scheduled to complete until early April. However, I believe they are far enough along, and have enough support, that the completion risk is minimal.

The merger will effectively see Jonpol rolled into Elgin on the basis of four Jonpol shares for one share of the new company. The company will be renamed Eastern Platinum Ltd.

The new Elgin will have an impressive management team and financial capabilities. Elgin is led by Ian Rozier, a highly regarded and successful mining executive. Ian is a geologist by background and formerly worked with Gold Fields, the big South African gold miner. Jonpol is closely linked to Endeavour Financial, a highly successful investment banking firm.

Elgin's opportunity to acquire the property interests results from the restructuring of the South African mining industry. For decades, mineral lands in that country were in the hands of a few large mining companies. In order to encourage further development of the mining industry, the government mandated that the majors present development plans for their undeveloped mineral rights, or risk losing those rights. (It is worth noting that practically every other government in the world (including Canada and the United States) place similar requirements on holders of mineral lands that prevent the ground being tied up if there is no activity.)

Impala Platinum, the world's number two platinum producer, cut a deal that sees it receive cash and shares for its interest in Spitzkop, a property that was at risk of being lost. Furthermore, development of that project could provide additional concentrate supply for Impala's vast metallurgical complex in South Africa, providing another reason for Impala wanting the project to be developed.

Elgin is already well advanced on a pre-feasibility study on its 75% held, 2-million ounce Mareesburg deposit. The concept is to mine the deposit using contract miners, beginning at surface with an open pit mine, with the ore transported to a nearby plant for processing. By using contract miners and without the need to construct a mill, Mareesburg could be developed at a modest capital cost and be in production as soon as next year.

Elgin recently reported an updated resource estimate for its 87% held Spitzkop project, showing a measured resource of 9 million ounces of platinum group metals (in the ratio of 3 platinum to 2 palladium) within the UG2 Reef. The second reef on the property, the Marensky Reef, hosts an indicated resource containing 3.7 million ounces, albeit at a lower grade, which may not be economic in the near-term.

The company intends to begin work on a feasibility study immediately after completion of the merger. In view of the work already completed on the Elgin project and mining operations on similar deposits nearby, that study should be straight-forward and advance quickly. The concept is to access the shallow high-grade UG2 Reef by way of a decline. Without the expense and long development time required to sink a shaft, Spitzkop could proceed quickly to production.

In addition to the two advanced stage projects currently in hand, the company has a couple of earlier stage projects and is on the lookout for additional projects.

Elgin has C$17 million of cash and Jonpol will bring a further C$25 million to the new company.

With the two advanced stage projects already in hand, East Plats will be well on its way to becoming a significant player in the platinum industry immediately upon completion of the merger. This quiet period pending the completion of the restructuring is an ideal time to build a position.

Price February 28, 2005: C$ 1.52
Shares Outstanding: 37 million
Shares Fully Diluted: 58.7 million
Market Cap: C$ 56.2 million
Contact: Investor Relations
604-685-6851
www.elginresources.com

Initiating Coverage

North American Gold
(NAU-TSXV)

North American Gold has a strong management and geological team and an extensive portfolio of gold exploration projects in Sweden and Finland. The company has become one of the most active explorers in that region, which has tremendous potential but which has not yet received a great deal of attention in recent times. Sweden is the largest gold producer in Europe and also hosts several large base metal deposits. NAU is headed by Buck Morrow, a mining engineer who has been involved in the exploration and development of six mines. The director and management team includes several highly respected explorationists with impressive records of success including Simon Ridgway.

Previous drilling on the Barsele project together with recent work by NAU suggest the presence of a half million ounces of gold, with considerable scope to increase that amount. (That figure is an estimate based on historic results.) Work is presently underway to develop a formal resource estimate.

The previous operator tested seven gold-in-soil geochemical anomalies by drilling. Sufficient drilling was conducted in three of the areas to outline mineralized zones.

The next round of drilling by NAU is intended to test for extensions to the presently outlined gold zones and to test other zones. The company believes that the area between previously drilled areas is prospective and that the other gold bearing areas that have been identified on the property also hold promise of turning up more ounces. In short, there is ample scope within the area of known gold mineralization to greatly expand the preliminary estimate.

NAU has an option to earn a 60% interest in the Barsele property and the adjacent Norra property, located immediately to the north. The properties were first explored in the early 1990's. Another company continued the work, but that company went bankrupt after the gold price collapsed in 1998. The properties then ended up in the hands of an Irish exploration company. With its focus on another project close to production, that company brought in NAU as a partner.

Building on the previous work, NAU's talented team applied some new geological thinking and recognized that the projects have considerable upside potential. The company has done enough drilling to demonstrate the validity of their ideas.

The Norra project, although only a few kilometers away from Barsele, is quite different in that it hosts a massive sulphide deposit containing high-grade values of lead-zinc-silver mineralization. The setting is similar to the Boliden deposit, which spawned the mining company of that name and has supported a mining operation for six decades.

Further drilling is required on Norra to determine the extent of the mineralized zones. The company plans a summer drilling program on both Barsele and Norra. The projects are well located for development, as they have ready road access and are close to power and other infrastructure.

There are mills nearby that could handle ore from the Norra base metal deposit. If drilling and further evaluations demonstrate the presence of a sizable deposit, the company could begin mining quickly and at a low capital cost, as no mill would be required.

The Barsele project could initially be developed as an open pit with gold recovered in a simple on-site plant. Further drilling and other testing over the coming months is intended to firm up that initial concept.

NAU holds several other projects in Sweden and Finland which are presently at an earlier stage but which also have considerable potential. NAU also holds projects in Nevada and Canada's Yukon territory.

Among those other projects is Pajala, located in northern Sweden. The target is an iron-oxide-copper-gold type deposit and is located in an area with well establish potential for such deposits. The project is being explored in association with Anglo American. To get a hint of the potential for this company, considered Lundin Mining (LUN-TSX). That company operates the 2,000 tonne per day Zinkruven zinc-lead-silver mine and holds 74% of North Atlantic Natural Resources. The latter company operates the Storliden copper-zinc mine, which is located close to NAU's Norra and Barsele projects. On the basis of those two projects and several exploration projects in Sweden, Lundin Mining has a market value of C$430 million.

NAU's share price began to sink after a round of mediocre drill results from Norra last fall, together with the realization that there would be no further drilling until the spring. The current share price represents an attractive value for a company that has such a strong management and geological team and several high-quality projects.

With a resource estimate expected shortly and plans already underway for spring drilling, interest will soon heat up again for this company.

Price February 28, 2005: C$ 0.26
Shares Outstanding: 16 million
Shares Fully Diluted: 21.8 million
Market Cap: C$ 4.16 million
Contact: Investor Relations
1-888-627-9378
www.northamgold.com

Investment Conferences

Here are the investment conferences at which I am presently scheduled to speak. I am always available at these events to meet one-on-one with subscribers, both at the booth, and at the subscriber-only sessions. I look forward to seeing you at one of these shows, and strongly encourage everybody to take advantage of the conferences coming in the next few months.

PDAC Convention
March 6-9, 2005
Toronto, ON
"The PDAC Convention has evolved into the premier event of its kind, bringing together the wide range of players involved in mineral exploration in all parts of the globe."
www.pdac.ca

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April 10-11, 2005
Calgary, AB
"Featuring an incredible line-up of speakers - covering all types of direct investments in Resource public companies - speculative investing, resource exploration, oil & gas, world outlook, investment strategies - and more!"
www.goldshow.ca

Insight Mining Forum
April 14-15, 2005
Vancouver, BC
"Attend this two day conference and ensure that your company develops the most effective business strategy that incorporates the latest legal, financial, and regulatory requirements in today's global market."
www.insightinfo.com

New York Gold and Precious Metals Investment Conference
May 23-24, 2005
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"At this public conference, private and professional investors meet with the world's top gold and precious metal producers. The industry's most important recent developments and opportunities are presented in this highly charged professional arena."
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