RBC Capital Markets

EQUITY | RESEARCH

Sector Perform

Risk Qualifier:	Speculative
Industry:	Nickel
Exchange:	LN AIM
Symbol:	AMC LN
Price:	£0.245
12-Mth Price Target:	£0.29
Implied All-In Return:	18.3%
Dividend Per Share:	$0.00
Yield:	0
52-Week Range:	£0.325-£0.155
Shares Out. (MM):	101.3
Market Cap. (MM):	£24.8
Float (MM):	101.3
Value of Float (MM):	£24.3
Trailing 12-Month ROE:	0%
Book Value Per Share (Latest Qtr. End):	$0.10

Royal Bank of Canada Europe Limited

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May 8, 2007

This report is priced as of market close May 3, 2007 EST.

All values in U.S. dollars unless otherwise noted.

For Required Disclosures, please see page 15.

Amur Minerals Corporation

Nickel Option in Far East Russia

Valuation and Recommendation

We recently initiated coverage on Amur Minerals Corporation with a rating of Sector Perform, Speculative Risk. Our one-year price target of £0.29 is based on our NAV in May 2008 and some expansion of the multiple of in-situ resources at which Amur trades to reflect the prospect of additional resources (+20%) being added in 2007. The Speculative risk qualifier is based on the uncertainties regarding not only the size and cost of developing a likely mine in the Amur Province of far east Russia, where the company is developing its resource base, but also the timing and cost of infrastructure in the area. Because a mine is not expected to commence production before 2012, our valuation does not rely on current high nickel prices. Catalysts to a significant expansion in valuation and appreciation in the share price should be forthcoming in the next 12 to 18 months, including the development of a larger and better-quality resource statement, with more moving into the indicated and measured categories, and firmer costs for a mine and infrastructure. We believe Amur Minerals offers significant optionality not only to the long-term nickel price but also to the development of a larger, low-grade nickel resource on which to base a larger mine, which should boost value, as well as to potential corporate action.

Highlights

- **Kun-Manie to be a large, low-grade, low-cost deposit:** Amur Minerals' Kun-Manie Project in Amur Province is a large, low-grade nickel deposit that promises relatively low costs of extraction based on a modest strip ratio. As such, it is significantly leveraged not only to the size of a possible mine but also to the level of the nickel price.
- **Uncertainty over size, cost and infrastructure:** Amur is still in the process of proving a resource base. As such, the project is still beset by uncertainties regarding the size of the resource base, the cost of smelting on site and the ultimate cost of transport and power infrastructure essential to establishing a mine at Kun-Manie. Some of these uncertainties should be clarified in the next 12 to 18 months.
- **Upgrading deposit should boost valuation:** Expansion of the resource base in the next 12 months should not only add to the certainty of a mine at Kun-Manie but should also lead to an expansion in our NPV valuation as well as the multiple at which the shares trade relative to the company's NPV and to its in-ground value. The current EV to in-situ value multiple is a modest 0.5%.
- **Prospects beyond Kun-Manie:** Recent indications suggest areas of good prospectivity adjacent to Kun-Manie – Yan Hegd and Kustakskaya – which Amur should be targeting in the next field seasons. We have not put any value on these.
- **Fully funded for 2007 and 2008:** Funds raised in April (£2.8 million) mean that Amur is fully funded for this field season and into the next to continue drilling on Kun-Manie and Yan Hegd and initiate exploration on the newly acquired Kustakskaya. This adds more certainty to the development of a larger resource base.
- **Corporate action potential:** We have valued the company using RBC Capital Markets' long-term nickel price of $4.75/lb. The valuation is significantly leveraged to the nickel price assumption; at $6/lb, the May 2008 NPV would rise from £0.22/share to £1.52/share. With further resource definition and this leverage to the nickel price, Amur could become a target in a corporate action in a market where, as the Norilsk bid for LionOre shows, promising deposits or technologies are in demand.

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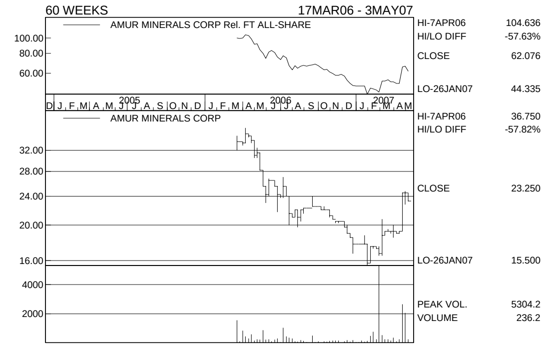
Estimate Snapshot

Price	0.245				
	EPS	**PE**	**CFPS**	**P/CF**	**EBITDA (MM)**
2006A	-0.02	-24.5	-0.01	-49.0	-1.5
2007E	-0.03	-16.3	-0.03	-16.3	-3.0
2008E	-0.02	-24.5	-0.02	-24.5	-3.0
2009E	-0.03	-16.3	-0.02	-24.5	-3.0

Amur Minerals Corporation

AIM: AMC



Source: Company reports and RBC Capital Markets estimates

Executive Summary

Amur Minerals is an AIM-listed company with a large, low-grade nickel/copper prospect in the far east of Russia in the Amur Province. The company has been drilling the Kun-Manie Project on the Krumkon Trend for the past three field seasons and has expanded its resource base each year; this year it targets boosting the resource base by a further 20%. In January this year, SRK Consulting produced a JORC-compliant measured, indicated and inferred resource statement for Amur Minerals of 53.3 million tonnes of ore containing 254,500 tonnes of nickel (grade 0.48%) and 73,000 tonnes of copper (grade 0.14%) – see Exhibit 1. Nearly 70% of the resources are in the measured and indicated categories. SRK put an "in the ground" valuation on the resource of $90–$110 million (£45–£55 million), which is equivalent to between £0.44 and £0.54 per share.

Amur is planning to spend a further $3.6 million on exploration this year, targeting an additional resource of at least 50,000 tonnes of contained nickel. While Amur Minerals has two other exploration licences adjacent to Kun-Manie, the focus in the next year should be to expand the resources of Kun-Manie and begin drilling on Yan Hegd and the newly acquired Kustakskaya (adjacent to Kun-Manie). There are also other targets on the Krumkon trend. The company raised £2.8 million through a share placing in April 2007, which should be sufficient to fully fund all exploration for 2007 and into 2008.

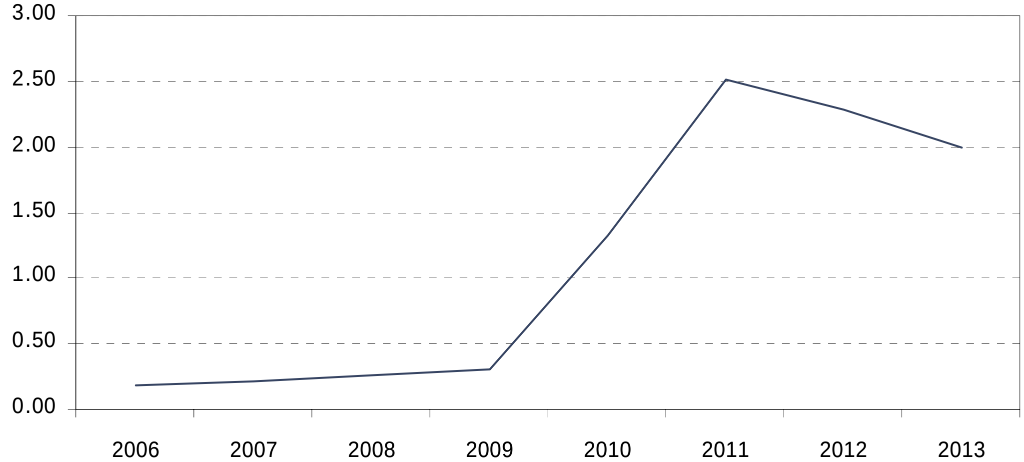
Exhibit 1: Kun-Manie Resource Statement

	Tonnes (MM)	Grade (%)	Tons Ni
Measured	3.7	0.61	22,700
Indicated	32.7	0.42	153,100
Inferred	16.9	0.47	78,700
Total	53.3	0.48	254,500

Source: Company reports

Key to the development of a mine on Kun-Manie, besides expanding and improving the quality of the resource, is the provision of infrastructure. There is no established road to Kun-Manie and all power has to be generated on site. Amur Minerals will need to construct a 300- to 350-kilometre road and either generate power on site or link to the national power grid. The costs of access and power will be key components of the capital cost of a mine.

Exhibit 2: Evolution of NAV



Source: Company reports and RBC Capital Markets estimates

While we believe the prospect of significantly upgrading the resources at Kun-Manie remains positive, the deposit is low grade, so the scale of mining and processing will be critical to returns from the project. On the existing resource base, we have modeled a notional mine using a long-term nickel price of $4.75/lb to come to a NPV of £0.11/share. However, as the resource base grows to meet management's 2007 target (boosting contained nickel by 50,000 tonnes), the NPV rises to £0.22/share in May 2008 and peaks at £2.51/share in 2012 (see Exhibit 2). The upside that could come from increased scale in the project and leverage to the nickel price is the key to setting our target price in 12 months' time and could be the trigger for Amur being a focus of corporate action, in our view.

Exhibit 3: NAV Based on 20% Higher Resource

Per share (£) at 20% higher throughput - 1,900t/yr Ni for 15 years

Disc rate (%)	2007	2008	2009	2010
8%	0.19	0.22	0.25	0.30
10%	0.01	0.03	0.05	0.08
12%	-0.12	-0.11	-0.11	-0.10

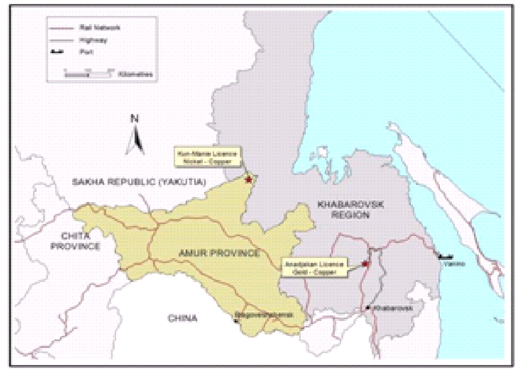
Source: RBC Capital Markets estimates

Our £0.29/share 12-month target price is based on our NAV of £0.22 in May 2008, with some allowance for an expansion of the firm's market value in relation to its resource base as additional resources are proved. We believe that the much of the risk with regard to the cost of infrastructure and the timing of a likely mine has been priced into the shares, given that Amur Minerals' enterprise value is only 0.5% of its in-situ value at the current nickel price, whereas other explorers, developers and producers are trading at enterprise value to in-situ value ratios ranging from 1.4% to 24%. Taking into account the residual risks over resource size and infrastructure, as well as political and licence risks, we rate Amur Minerals as Sector Perform, with a Speculative risk qualifier.

Corporate Structure and Strategy

Amur Minerals was admitted to London's AIM market in March 2006, raising £4.1 million in an IPO. The company's major asset is an exploration licence over 950 square kilometres of a large, low-grade disseminated nickel-copper-PGM deposit in the Kun-Manie Project in the Amur Province in far eastern Russia (Exhibit 4). Kun-Manie has six identified areas of interest: Vodorazdelny, Ikenskoe, Maly Krumkon, Falcon, Chornie Ispelene and Kubuk, which are located along the Krumkon Trend. More recently, the Yan Hegd area northeast of the trend was added to the company's exploration portfolio.

Exhibit 4: Russia and Amur Province



Source: Company reports

The company maintains an office in Khabarovsk as well as in Blagoveshchensk, the capital of Amur Province, and Moscow. The company's operating office in Khabarovsk is in the building housing the local Institute of Tectonics and Geophysics of the Russian Academy of Sciences, which also provides Amur with data and geological expertise.

In August 2006, Amur was awarded the Anadjakan gold-copper project exploration licence covering 250 square kilometres for a period of five years. The Anadjakan licence is in Khabarovsk Krai and is readily accessed by maintained roads. In February 2007, Amur paid $240,000 in an auction for the rights to explore the Kustakskaya Project, an area of 1,034 square kilometres, for nickel-copper-PGM, thus doubling its land holding. Kustakskaya is nearly contiguous with Kun-Manie but is located to the east in the Khabarovsk region. Management believes the area to be geologically similar to Kun-Manie, and exploration should start there in 2008. Registration of a 25-year licence is taking place at present.

In April 2007, Amur Minerals raised £2.8 million in a share issue. The funds will be used to continue drilling on Kun-Manie and also to advance work on Yan Hegd and to initiate drilling on Kuistakskaya. These funds should mean that the company should not need to come to market again in the next 12 months, during which time further resource delineation should be completed.

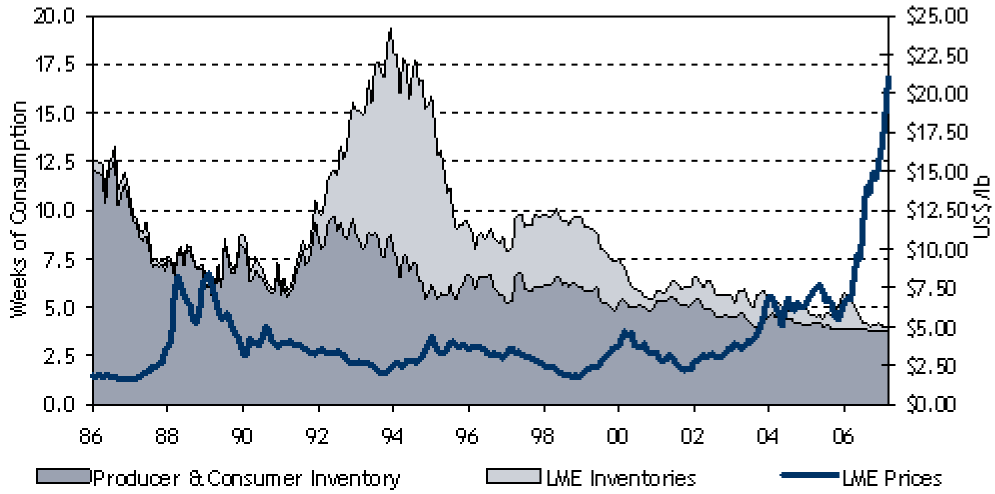
The Kun-Manie licence was issued in April 2004 and is valid until December 31, 2008. If economic mineralization is defined and the discovery is reported and approved by the Ministry of Natural Resources, the licence is convertible to a mining licence. The licence does not stipulate expenditure but insisted on:

- Commencement of field exploration by August 2004 (work began in June 2004);
- Completion of airborne geophysics (completed 2004);
- Geological mapping, geophysical surveys, drilling and trenching (carried out in 2004, 2005 and 2006 and resumed in 2007);
- Preparation of annual reports on work completed;
- Derivation of a Russian C2 resource by December 2008; and
- An outline for a bankable study on the nickel-copper mineralization by December 2008.

Amur has met all but the final two of these conditions so far, and management is confident that they these will be completed within the allotted time.

Previous work in the area, including airborne geophysics, geological and geochemical mapping, was carried out by the former Soviet State agencies after World War II. Between 1999 and 2002, Falconbridge reviewed the Soviet work and completed additional trenching and drilling, including 10 holes totaling 1,501 metres of diamond core and nine trenches over 400 metres, before relinquishing its licence. At the time, nickel was trading at $2/lb, compared with $23/lb at present, and copper was below $1/lb, compared with $3.40/lb now.

Exhibit 5: Nickel Price ($/t)



Source: RBC Capital Markets

To date, including the work carried out by Falconbridge, some 100 holes totaling 12,000 metres have been drilled on Kun-Manie. Amur has engaged Dalgeophysica, a state-owned Russian company with its head office in Khabarovsk, to handle the drilling under the guidance of Amur's geological team, headed by CEO Robin Young and Dr. Vladimir Prikhodko. Dalgeophysica also handles the drilling programs of Peter Hambro Mining (gold in far eastern Russia) and Aricom (iron ore and ilmenite in eastern Russia).

The contract with Dalgeophysica includes around 5,500 metres of drilling this year at a cost of some $3.5 million. Mobilization to the site began in March by a combination of helicopter and road-based equipment. All required materials were on site by mid-April using the ice roads. The contract that Amur has with Dalgeophysica covers all support and supplies, including 60 tonnes of diesel for this season. Because of the nature of the terrain and the weather, Amur Minerals has chosen to drill the Kun-Manie Project from May through September. (Access to the Kun-Manie Project is an important issue that we will examine later.)

Exhibit 6: Amur Resource Statement

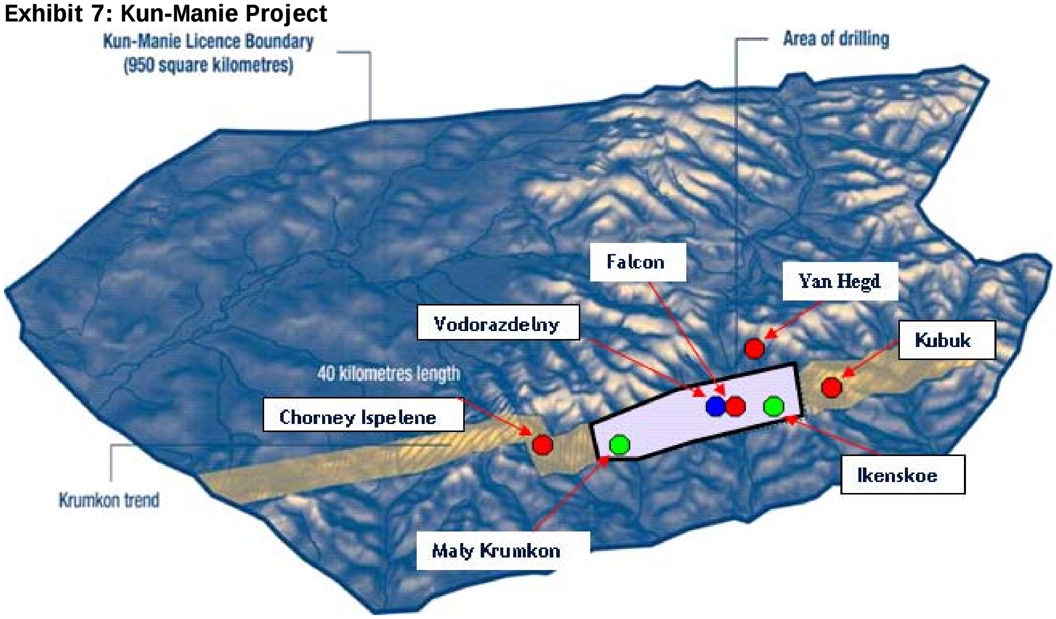
Resources	Tonnes (MM)	Ni (%)	Ni (t)	Cu (%)	Cu (t)
Vodorazhdelny					
Indicated	5.9	0.71	41,800	0.20	11,800
Ikenskoe					
Measured	3.7	0.61	22,700	0.16	5,800
Indicated	26.8	0.42	111,300	0.12	32,700
Sub total	30.5	0.44	134,000	0.13	38,500
Inferred	5.9	0.49	28,700	0.13	7,500
Total Ikenskoe	36.4	0.45	162,700	0.13	46,000
Maly Krumkon					
Inferred	11	0.45	50,000	0.14	15,200
Amur Total	**53.3**	**0.48**	**254,500**	**0.14**	**73,000**

Source: Company reports

Amur's work over the past three field seasons has absorbed some $6.3 million in exploration spending, focused on three areas on the Krumkon Trend: Vodorazhdelny, Maly Krumkon and Ikenskoe (see Exhibit 7). Additional limited work has identified Chorney Ispelene and Kubuk. All of these deposits are located within the primary exploration target identified as the Krumkon Trend. The most recent work has been on identifying a new area of mineralisation, Yan Hegd, to the northeast of the Krumkon Trend. The company also has other areas on the Krumkon Trend on its drilling schedule once work on the existing targets is completed.

SRK Consulting has prepared a JORC-compliant resource statement from work to date on Vodorazhdelny, Ikenskoe and Maly Krumkon, which details a measured, indicated and inferred resource of 53.3 million tonnes of ore containing 254,500 tonnes of nickel and 73,000 tonnes of copper (Exhibit 6). SRK puts a value on the "in-ground" resource of $90–$110 million ($45m to £55m), based on prices of $5.80/lb for nickel ($12,783/t) and $1.40/lb for copper ($3,085/t). This contrasts with a valuation of $60–$80 million a year earlier and reflects the discovery of an inferred resource of 11 million tonnes at Maly Krumkon, as well as increased drill density at Vodorazhdelny and Ikenskoe. SRK is in the process of conducting a pre-feasibility study on Kun-Manie. So far, only Vodorazdelny and Ikenskoe form the entire measured and indicated resources for Amur.

Exhibit 7: Kun-Manie Project



Source: Company reports

Amur is planning to spend a further $3.6 million on exploration this field season to build on this resource statement, aiming for conversion of indicated resources to the "measured" category. The focus will remain on Vodorazhdelny, Ikenskoe and Maly Krumkon, but management also expects to conduct further work on Yan Hegd following the discovery of a new area of mineralization in February and to begin work on Kustakskaya. We met with Dalgeophysica in Khabarovsk during March. The company confirmed that it has contracted to provide Amur with two rigs for the current field season. The first rig is about to begin in-fill drilling on Vodorazdelny and Ikenskoe to build the resource base, while the second rig will be deployed on Maly Krumkon to provide additional resources in the inferred category.

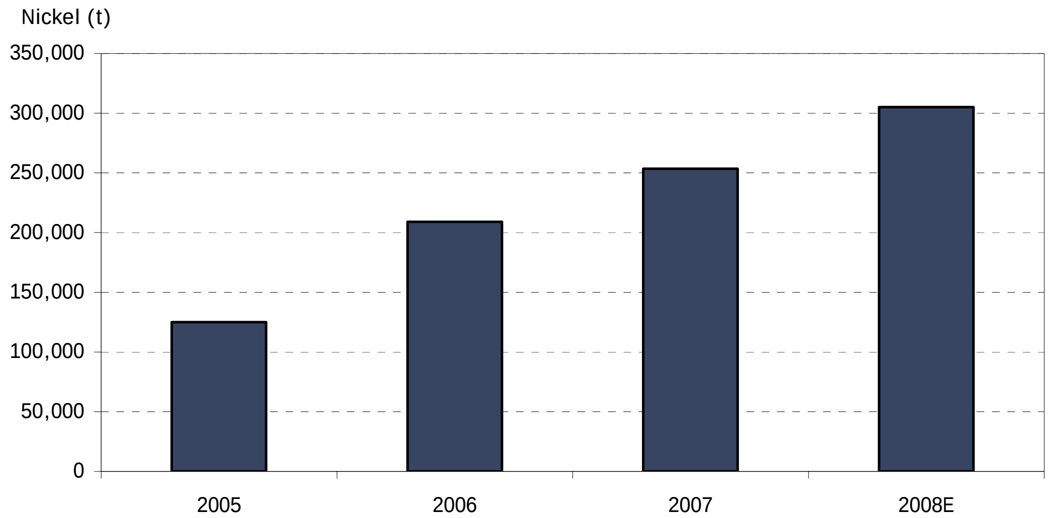
Exhibit 8: Kun-Manie Resource Statement

	Tonnes (MM)	Grade (%)	Tons Ni
Measured	3.7	0.61	22,700
Indicated	32.7	0.42	153,100
Inferred	16.9	0.47	78,700
Total	53.3	0.48	254,500

Source: Company reports

Management's aim this field season is to boost the resource of contained nickel by more than 50,000 tonnes and to move some of the existing resource into the measured category. Exhibit 9 shows the growth in resources over the past three field seasons, as well as management's budget for the present season, which would be reported in early 2008.

Exhibit 9: Growing the Resources



Source: Company reports and RBC Capital Markets estimates

Infrastructure for Mining

While the resource base is building, many of the challenges facing Amur Minerals centre on the infrastructure in the area. Kun-Manie is remote, with no formal road access, and the railway line is distant. In addition, there is no grid power on site. For the exploration crews, access is via a winter road, and in summer there is a prospect of using barges to mobilize equipment and supplies. This is not a cost-effective long-term solution for a mine. Nor is diesel-generated power ideal for a low-grade deposit, particularly if on-site smelting takes place. Hence infrastructure costs will be a key component for the viability of a mine.

Initial hopes were that a state and central government-funded railway line to the Elgin coalfield in southern Sakha would provide Amur with the prospect of creating a rail link to the Pacific coast. However, interest in the coalfield, which could produce more than 20 million tonnes per annum of coal, has stalled because of the cost of the railway link from Sakha to the national network running eastward to the port of Vanino, as well as due to negotiations over ownership. While a railway link from Elgin may become a reality in time, the current impasse suggests that Amur Minerals will need an alternate route to get supplies into a mine and transport the product to port. Hence management is examining the feasibility of building a 300- to 350-kilometre road, which initial estimates suggest would cost in the region of $145 million. Completing road construction (we have factored $145 million into our capital costs) will become critical toward the end of C2008 in order to meet the company's proposed timeline of bringing a mine into production in early 2012.

Management is also examining the costs of bringing grid power to the site. Initial estimates suggest a cost of some $45 million. As with the road, timing is critical, which means that capital budgeting and environmental approvals need to be in place by the end of 2008. It is unknown to what extent the Amur Province would help in funding a road or power link, given that these would help open the northeast of the province to industries such as logging and other mining. We have not assumed any financial input from the state.

Exhibit 10: Timeline to a Mine

2007	Apr/May	-	Field Season begins
	June	-	Complete PFS
	July	-	Begin power and road access surveys and design
	Sept	-	Report to State Committee
	Oct/Nov	-	Begin detailed engineering for BFS
	Nov	-	Begin financing
	Dec	-	Apply for mining licence
2008	Jan	-	Apply for Power and Road right of way access
	July	-	Completed detailed engineering for Financing
	Dec	-	Grant of mining licence
2009	Jan	-	BFS and Financing completed
	Feb	-	Road and Power construction begins, long-lead items ordered
	Mar/Apr	-	Start mine construction
2011/ 12	Mar/Apr	-	Production start-up

Source: Company reports and RBC Capital Markets estimates

In Exhibit 10, we detail a likely timeline to the establishment of a mine at Kun-Manie. The next milestone will be the completion of the pre-feasibility study, due in June or July this year. Another essential step in the progress toward a mine is for Amur to complete a Russian reserve estimate in order to file for a "Certificate of Discovery" from the State Committee on Reserves (GKZ). To get this certificate, Amur may be required to provide more in-fill drilling to bolster the "reserve" base. Work during the current field season should provide this. After the grant of the Certificate of Discovery, the company has 90 days to apply for a 20- to 25-year mining licence, which can take up to 12 months to grant. In total, this process should take Amur to the end of 2008 or early 2009. This will allow the ordering of long lead-time items and construction of a mine should the pre-feasibility study indicate that the compilation of detailed engineering studies and a bankable feasibility study are warranted.

Valuation

In coming to a valuation for Amur Minerals, we have modeled a mine based on the present resource base being boosted this field season by a further 50,000 tonnes of contained nickel and 15,000 tones of contained copper. Now that Amur is fully funded for drilling in this field season and next, management's target of proving this additional resource of nickel and copper becomes far more likely. The basic assumptions in our model are shown in Exhibit 11. In modeling the mine, we have assumed that initial financing will be via some $200 million of equity, with debt ($155 million) being added in 2010 and 2011. Our reasoning is that as the company becomes equity funded, raising debt from either banks or suppliers should become easier.

Exhibit 11: Model Assumptions

Annual throughput - ore (t)	2400-4500
Mining cost ($/t)	1.65
Processing cost ($/t)	7.10
Plant recovery (%)	85%
Smelter recovery	85%
Mine & Plant capital ($m)	200
Smelter cost ($m)	95
Road ($m)	145
Grid power ($m)	45
Life of Mine (years)	15
Mining commences	2012
Long-term nickel price ($/lb)	4.75
Long-term copper price ($/lb)	1.15
Real discount rate (%)	8%

Source: Company reports and RBC Capital Markets estimates

Using these assumptions on the upgraded resource, we arrive at the valuation shown in Exhibit 12 below. The NPV in 12 months, which is the starting point for setting our target price, is the May 2008 NPV of £0.22/share.

Exhibit 12: Net Asset Value on Expanded Resource Base

Per share (£) at 20% higher throughput - 1,900t/yr Ni for 15 years

Disc rate (%)	2007	2008	2009	2010
8%	0.19	0.22	0.25	0.30
10%	0.01	0.03	0.05	0.08
12%	-0.12	-0.11	-0.11	-0.10

Source: Company reports and RBC Capital Markets estimates

The company's valuation is highly sensitive to the nickel price and our throughput assumptions. Exhibit 13 shows the impact on our valuation of various nickel prices, demonstrating the extreme sensitivity of a low-grade deposit to enhanced prices. In addition, extension of the resource base in the 2008 field season would further boost the valuation.

Exhibit 13: NAV (May 2008) Sensitivity (£) to Nickel Price

	Nickel price ($/t)			
Disc rate	12,000	15,000	20,000	Spot
8%	0.95	2.25	4.65	19.53
10%	0.64	1.72	3.71	15.30
12%	0.40	1.30	2.97	10.84

Source: Company reports and RBC Capital Markets estimates

We have also analyzed Amur in terms of its enterprise value versus in-situ resource in Exhibit 14. We believe what is clear from this exhibit is that the market is prepared to accord greater multiples to higher-grade deposits such as Albidon rather than Amur, where the grade, location and potential political risk render the project vulnerable to a weaker metal price.

Exhibit 14: Enterprise Value vs. In-Situ Nickel Value (%)

Company	Mt	Ni %	Type	EV (US$mm)	EV / Ni lbs*
Albidon	8.0	1.14%	Sulphide	292	2287
European Nickel	33.3	1.13%	Laterite	275	730
FNX	18.4	0.91%	Sulphide	1944	8418
Heron Resources	41.4	0.82%	Laterite	162	476
Jubilee	55.8	0.83%	Sulphide	1610	2966
LionOre Mining	555.9	0.42%	Sulphide	4025	1542
Minara	321.0	0.99%	Laterite	3226	924
Mincor	2.0	3.80%	Sulphide	670	8386
Sally Malay	5.6	2.08%	Sulphide	726	6077
Sherritt International	21.3	1.19%	Laterite	2293	8928
Amur Minerals	53.3	0.48%	Sulphide	57	209

* Nickel equivalent lbs

Source: RBC Capital Markets estimates

In Exhibit 15, we show our NAV estimates for our companies under coverage and their price to NAV ratios (at an 8% real discount rate), which indicate the market's pricing of nickel producers and projects at a premium to our calculation of underlying value. Amur is trading at a discount to our NAV of £0.29 and a small premium of 11% to our May 2008 NPV. This low multiple reflects the uncertainties still in the project but also highlights the potential upside should management succeed in developing the resource as budgeted and establishing infrastructure for a mine.

Exhibit 15: Price vs. NAV of Nickel Shares (%)

Company	Ticker/ Exchange	5/03/2007 Current Price	NAV	Premium (Discount) NAV
Albidon	ALB/ASX	A$3.01	A$1.77	70.1%
FNX	FNX/TSX	C$29.15	C$18.89	54.3%
Jubilee	JBM/ASX	A$17.85	A$10.09	76.9%
LionOre Mining	LIM/TSX	C$23.75	C$14.09	68.6%
Minara	MRE/ASX	A$8.69	A$2.68	224.3%
Mincor	MCR/ASX	A$3.82	A$1.96	94.9%
Sally Malay	SMY/ASX	A$5.05	A$3.31	52.6%
Amur Minerals*	AMC/LN	£0.23	£0.29	-19.8%

* NPV at 8% real

Source: RBC Capital Markets estimates

As the resource statement is expanded and more of the resource is moved from the inferred to the indicated and measured categories, and as there is increased clarity about the establishment of infrastructure at Kun-Manie, we would expect Amur's shares to trade at a higher multiple of the in-ground value. The milestones we would look for to see a re-rating of the shares are:

- The SRK pre-feasibility study;
- Upgrading of the resource statement, including the movement of resources from inferred to indicated and from indicated to measured;
- Clarity on the cost of infrastructure, including road and grid power;
- The bankable feasibility study; and
- Granting of a mining licence.

We believe Amur Minerals offers significant optionality to a higher nickel price. It is developing a resource on a low-grade deposit, which, if infrastructure is established, could be exploited at a relatively low cost. Assuming the addition of a further 50,000 tonnes of contained nickel to the resource base this year, we believe the shares should start to capture a higher multiple of the company's resource base, moving from the present 0.5% EV/in-situ value to a figure closer to 0.8%–1%. This does not take into account any additional resources that might be added as Yan Hegd and Kustakskaya are drilled further. On the basis of our 12-month NPV of £0.22/share and a higher trading multiple of in-situ resources, we have established a target price of £0.29/share 12 months out, but with high dependence on nickel prices and additional announcements on resources and infrastructure developments.

Our Speculative risk qualifier on our Sector Perform recommendation reflects the still significant risks related to the costs and timing of development of infrastructure to gain access to Kun-Manie for a mine. In addition, the market value of a low-grade nickel deposit in a remote area of far eastern Russia should remain vulnerable to potential political risk in Russia and any weakness in the nickel price.

Price Target Impediments

Major risks to our target price are:

Nickel Price: A low-grade deposit only coming into production in five years is highly dependent on the long-term nickel price rather than current spot.

Size of Resource: The size of the resource base needs to be built up to provide sufficient scale to justify a low-grade deposit in a remote area of Russia where infrastructure is scarce.

Capital Cost and infrastructure: The cost of access and power infrastructure are critical components in the capital estimate.

Mining Licences and political risk: Granting of mining licences in Russia is complicated and lengthy.

Management and Directors

Chairman - Robert Schafer

Vice President of business development with Hunter Dickinson. Formerly CEO of two TVE junior exploration companies, Vice President of Kinross Gold (1996–2002 and held management positions with BHP World Minerals. Currently President of the Mining and Metallurgical Society of America.

Chief Executive Officer - Robin Young

A geological engineer with 30 years' experience in the industry. Has been CEO of Amur since 2004 and was previously CEO of two international geological and mining consultancies that advised on design and management of exploration programs as well as mine development and minerals resource appraisals. Previously was a Principal at Fluor Australia in its mining and metals division.

Chief Financial Officer - David Wood

Has been CFO since October 2004. Has 16 years of corporate finance experience, of which two-thirds was in the former Soviet Union. From 1996 to 2002, he was a consultant with Deloitte & Touche in the CIS, leading the management consultancy and corporate finance practices in Moscow and Almaty. Speaks fluent Russian.

Non-Executive Directors and Key Executive

Director – George Eccles: Non-executive chairman of Hambledon Mining.

Director – Richard Straker-Smith: A principal of Crossborder Capital and previously a director at Gerrard and National plc, as well as having being head of equity sales for East Europe and Middle Eastern equities at Baring Securities.

Director General ZAO Kun-Manie – Dr Vladimir Prikhodko: Formerly Russia regional manager for two Canadian exploration companies. Credited with the discovery of the first lamproite on the Amur Craton in far eastern Russia.

Shareholders

Exhibit 16: Amur Shareholders

Shareholders	%
Rab Special Situations	17.8
Foxley Associates	9.2
Anturium Resources	8.1
Resource Investment Group	8.1
Lesing Venco	5.0
Vostok Fund	4.0
East Capital Asset Management	4.0
Bordier & Cie	3.9
Anouska Trust	3.5
Rab Energy Fund	3.1
Iverta	3.1

Source: Company reports

Exhibit 17: Income Statement and Balance Sheet

Fiscal Year Ended Dec 31 (All US$ unless noted)

RATIO ANALYSIS		**FY2006A**	**FY2007E**	**FY2008E**	**FY2009E**
Shares outstanding	MM	93.3	105.3	125.2	125.2
Net Income	$MM	-1.5	-3.0	-3.0	-4.2
EPS	$/sh	-0.16	-0.29	-0.24	-0.33
P/E Multiple	x	n.m	n.m	n.m	n.m
Operating Cash Flow	$MM	-1.2	-3.0	-3.0	-3.0
CFPS before working cap.	$/sh	-0.01	-0.03	-0.02	-0.02
Price/CF	x	n.m	n.m	n.m	n.m
Dividends Per Share	$/sh	0	0	0	0
Dividend Yield*	%	0	0	0	0
LTD/(Total Cap)	%	0	0	0	0
INCOME STATEMENT		**FY2006A**	**FY2007E**	**FY2008E**	**FY2009E**
Sales Rev. incl. Royalties	$MM	0	0	0	0
Operating Costs	$MM	1.4	3.0	3.0	4.2
EBITDA	$MM	-1.5	-3.0	-3.0	-3.0
DD&A	$MM	0.0	0.0	0.0	1.2
EBIT	$MM	-1.5	-3.0	-3.0	-4.2
Interest Expense	$MM	0.1	0.0	0.0	0.0
EBT	$MM	-1.6	-3.0	-3.0	-4.2
Non-Recurring Items/Other	$MM	0.0	0.0	0.0	0.0
Taxes/Recovery	$MM	0.0	0.0	0.0	0.0
Net Income	$MM	-1.6	-3.0	-3.0	-4.2
Shares o/s	MM	93.3	105.3	125.2	125.2
EPS	$/sh	-0.02	-0.03	-0.02	-0.03
CASH FLOW		**FY2005A**	**FY2006E**	**FY2007E**	**FY2008E**
Cash Flows from Operating Activities					
Net Income	$MM	-1.6	-3.0	-3.0	-4.2
DD&A	$MM	0.0	0.0	0.0	1.2
Deferred Taxes	$MM	0.0	0.0	0.0	0.0
Non Recurring/Other	$MM	0.0	0.0	0.0	0.0
Working Cap. Changes	$MM	0.0	0.0	0.0	0.0
Net Operating cash flow		-1.6	-3.0	-3.0	-3.0
Cash Flows From Investing Actviites					
Capital Expenditure (net)	$MM	2.6	3.6	2.0	0.2
Acquis./Investments	$MM	0.0	0.0	0.0	0.0
Net Investing Cash Flow		2.6	3.6	2.0	0.2
Cash Flows From Financing Activities					
Equity Issues (net of costs)	$MM	5.5	5.0	14.5	2.3
Net Borrowings	$MM	0.0	0.0	0.0	0.0
Dividends Paid & Other	$MM	0.0	0.0	0.0	0.0
Net Financing Cash Flow	$MM	5.5	5.0	14.5	2.3
Net Change in Cash	$MM	6.5	5.6	13.5	-0.5
Cash at End of Year	$MM	3.0	1.4	10.9	8.4
BALANCE SHEET		**FY2005A**	**FY2006E**	**FY2007E**	**FY2008E**
Cash & Equivalents	$MM	3.0	1.4	10.9	8.4
Total Current Assets	$MM	3.1	1.5	11.0	8.5
PP&E & Mining Interests	$MM	0.0	0.0	0.0	-0.4
Capitalised exploration	$MM	6.3	9.4	11.4	12.4
Total Assets	$MM	9.3	10.9	22.4	20.5
Current Liabilities	$MM	0.0	0.0	0.0	0.0
Long Term Debt	$MM	0.0	0.0	0.0	0.0
Other Long Term Liabilities	$MM	0.0	0.0	0.0	0.0
Total Liabilities	$MM	0.0	0.0	0.0	0.0
S/Holder Equity	$MM	9.3	10.9	22.4	20.5
Total Liab. & S/Holder Equity	$MM	9.3	10.9	22.4	20.5
Working Capital	$MM	3.0	1.5	11.0	8.5

Source: Company reports and RBC Capital Markets estimates

Required Disclosures

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Top Pick (TP): Represents best in Outperform category; analyst's best ideas; expected to significantly outperform the sector over 12 months; provides best risk-reward ratio; approximately 10% of analyst's recommendations.

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RBC Capital Markets				
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SELL [U]	108	10.34	21	19.44

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