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July 2007

Mining Sector

Listing: TSX Venture (SWN.V)

Selwyn Resources Ltd

Zinc prices have risen strongly on supply imbalances - these are likely to remain. Selwyn Resources offers exposure to a potentially world-class zinc-lead project at its Selwyn Project.

Initiation Report

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Key Points

Zinc prices have been on the rise driven by supply imbalances and the consequent record low inventory levels. Zinc derives its value from its industrial uses and benefits from the construction boom in Asia as well as rising industrial output in the western world. Zinc also forms a part of the China story, as several outsourced industries in China consume the metal. Selwyn Resources has the potential to emerge as the developer of a large zinc-lead deposit.

4 July, 2007
Price: C$0.67

- ***Selwyn is focussed on the development of the deposit at Howard's Pass***, a large zinc prospect in the Yukon Territory of Canada. A drill programme is under way to intercept the high-grade underground resource at depth in Don and Don East zones in northwest part of the Don Valley. High-grade mineralisation occurs both above and below the Don Valley floor at several sites and the zones above, at XY and ANNIV Central, will be accessible with horizontal drifting.

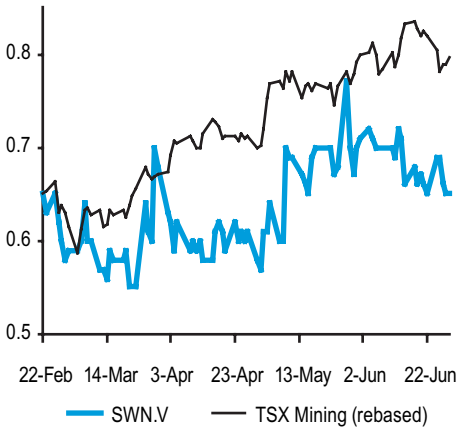
- ***In May 2007 the company was restructured into a single project company.*** The company now retains only the Selwyn project which embraces the development of the Howard's Pass deposit. The company's other assets were transfered to a new exploration company, Savant Explorations Ltd., with existing share holders retaining a stake in the new venture.

- ***In March 2006, a NI 43-101 compliant mineral resource estimate was completed*** on the Howard's Pass deposit. This further increases the confidence in the potential to develop the Howard Pass deposit into an economic mine.

- ***The asset restructuring sits well with Selwyn's corporate strategy*** as it helps its plans for development partnerships with other mining groups. The objective behind the segregation of prospects is to derive a better value for all the company's projects by marketing them individually. Thus, the promising Howard's Pass deposit would be an attractive target for a larger mining group with zinc interests; by contrast, projects involving other base metals or gold lend themselves to marketing to other counterparties.

- ***Strong zinc fundamentals strengthen Selwyn's investment*** case and underpin its valuations. Aided by the rising demand in all industrial nations as well as their suppliers in Asia, zinc prices have been on the rise since 2003. China alone consumes 25 percent of the world's zinc output with the annual demand growth rate at 7 percent - 8 percent. Zinc's main end-use sector is the metal galvanizing industry, which accounts for almost half the world's consumption. Low zinc inventory levels at the London Metal Exchange (LME) and continued demand growth are expected to keep zinc prices high.

Price chart (C$)



Value of equity

Expected Value	C$111.6m
Value per share	**C$0.92**
Optimistic Scenario	C$344.9m
Value per share	C$2.71

Company details

Quote	
Shares	
-TSX Venture	SWN.V
-Frankfurt	P3Z.F
-Pink Sheets	SWNLF.PK
Hi-Lo last 12-mos. (C$)	0.52 - 0.80
Shares issued (m)	120.7
Fully diluted (m)	141.1
Market Cap'n (C$m)	80.9
Website:	*www.selwynresources.com*
	www.savantexplorations.com

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Overview

A focused zinc play

Selwyn Resources Ltd. is a Canadian junior mining company listed on the Toronto Venture Exchange and is engaged in the exploration and development of zinc in the Yukon Territory. The company is focused on the development of its flagship Selwyn project; the Howard's Pass deposit in the Yukon.

Selwyn is now a pure zinc-lead story…

Selwyn completed the transfer of all its other exploration assets to a new company and will focus entirely on the development of the Selwyn project. Reflecting this change, the company has changed its name from Pacifica Resources Ltd. to Selwyn Resources Ltd. Production at the Selwyn project is expected to commence late in 2011, with a mine life that could span several decades, based on a full prove-up of existing resources.

…following the spin-off of its other projects

The company's other gold, silver, lead and copper projects, Yava, Tillex and Blue Moon in North America and Islena, Lucy, Gabriela and Cerro Ocre in Chile were transferred to Savant Explorations Ltd. This spin-off of the company's other prospects should realize better value all round.

Development through strategic partnerships

Selwyn's strategy is to develop its prospects both on its own and through joint-ventures or other partnerships. The company expects such partnerships to lead to a greater recognition of Selwyn's asset by the market, reducing the effects of dilution from future fund-raisings.

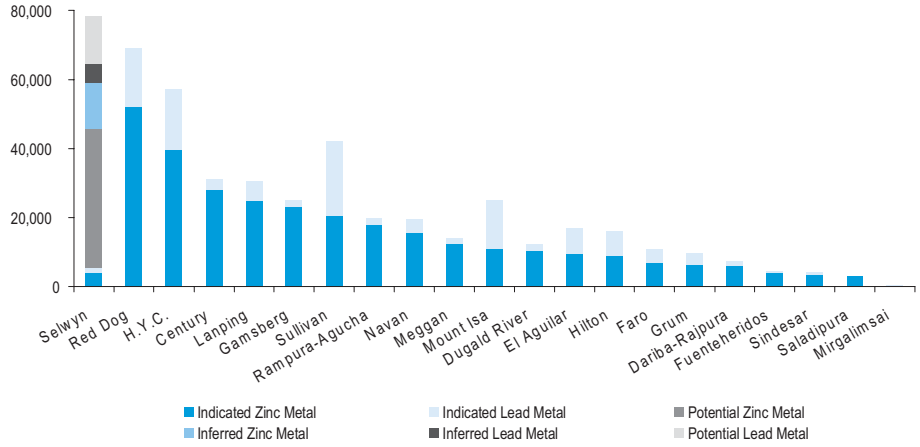
Selwyn Project has potential to be a large zinc-lead deposit

An NI 43-101 compliant resource estimate was completed for the Howard's Pass deposits in March 2006, based on Selwyn's 2005 summer drilling programme with an indicated resource of 33.5 million tonnes averaging grades of 5.5 percent zinc and 2.1 percent lead with an inferred resource of some 113 million tonnes of 5.4 percent zinc and 2.1 percent lead. After the 2006 drill programme this was further upgraded to an indicated mineral resource of 86.6 million tonnes (158 percent increase) grading 4.93 percent zinc and 1.73 percent lead containing 9,406 million pounds zinc and 3,293 million pounds lead. Inferred mineral resources have also increased over 90 percent to 215 million tonnes, grading 4.71 percent zinc and 1.48 percent lead containing 22,377 million pounds zinc and 7,025 million pounds lead. In addition, the mineral potential is estimated from the 3D block model to be at least 225 to 235 million tonnes grading from 4.0 percent to 5.0 percent zinc and 1.0 percent to 2.0 percent lead.

Rising zinc demand and high zinc prices strengthen Selwyn's investment case

Zinc prices have been on the rise since 2003, helped by rising demand for zinc from metal galvanizing, die-casting and chemicals. Demand from consuming countries remains high, with China-led Asia at the forefront. Increases in mine output have been hard to come by, due to capacity constraints and past under investment. As existing mines are hard-pressed to increase their production, the demand for new developments such as the Selwyn project is gaining ground. Strong zinc fundamentals make Selwyn a compelling investment.

World's largest zinc deposits



Selwyn in the context of the world's largest zinc deposits but note the large amount of resources in the inferred category and described as "mineral potential" – herein lies the opportunity.

Source: Geological Society of Canada

Valuation

Our valuation approach

We have valued Selwyn based on assessing the economic potential of the company's properties after accounting for: the likelihood that an economic resource will ultimately be proven; the likelihood that feasibility will be established (after considering metallurgical, social and permit issues etc) and the likely economics if actual mining were to occur (tax, operating costs etc).

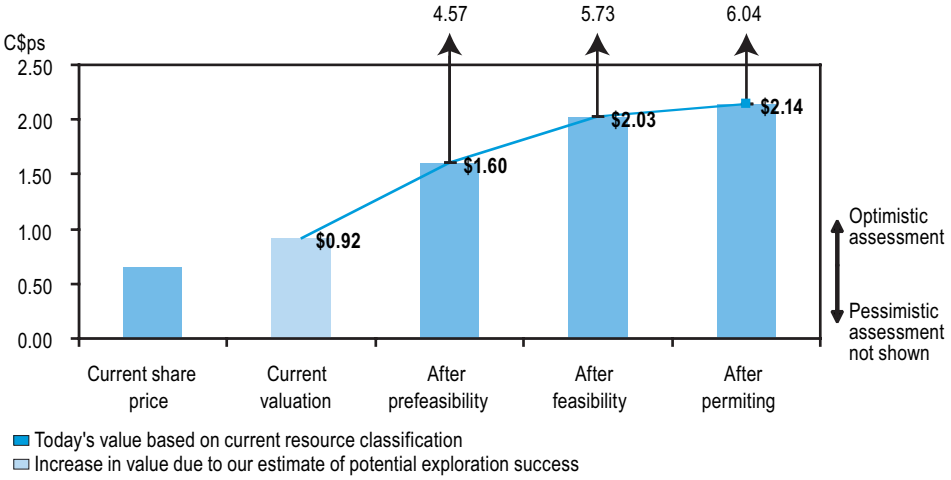
One of the key issues that must be considered in any mining analysis is the problem posed by the dependence of our assessment on commodity prices. This issue takes two forms – what will be the price environment when mining eventually occurs; and the operating dynamics in response to changing mining prices.

From a valuation perspective the aspect of operational dynamics that is of interest is the ability to "moth-ball" operations during periods when the commodity price is below the marginal cost of extraction. This creates what is frequently referred to as "optionality" - something that traditional NPV fails to capture. Intuitively this can most easily be understood by thinking of NPV as assuming that positive and negative deviations from our mid-case have a similar likelihood of occurring and hence balance each other– however, in mining, the downside is capped at the cost of "moth-balling" the site.

We capture these aspects by valuing each years' production as an option assuming that prices revert to mean over the long run – ie, the mine will only be operated if the commodity price is above the extraction cost. In essence, rather than valuing that years' production as we would in an NPV model as the discounted value of the cash-flow estimated using the mid-case for the commodity price we value the probability that the price is above the extraction cost.

In valuing the economic potential of resource projects we assume that while commodity prices are volatile they return to an inflation-adjusted, long-run mean. For example, in the case of zinc it has historically traded at approximately US$0.90/lb (in current dollars) with deviations from mean normally correcting over three years with a volatility of 18 percent.

What Selwyn could be worth - now and in the future

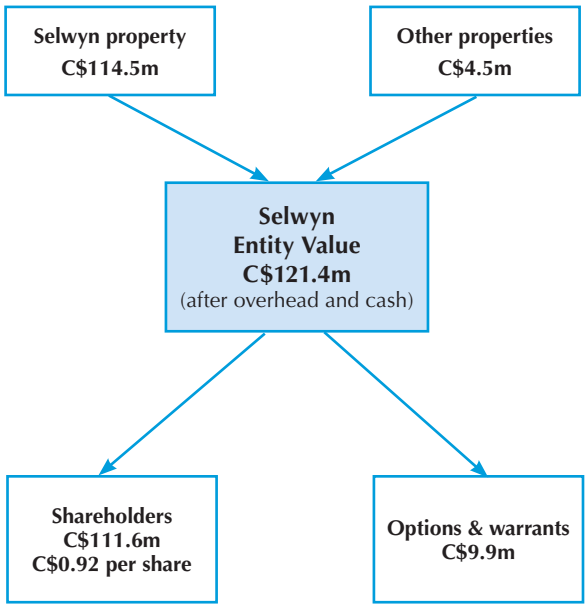


Source: Objective Capital

Valuation Summary (C$m)

	Scenario		
	Base	**Pessimistic**	**Optimistic**
Property portfolio			
- Selwyn	114.5	(23.6)	357.9
- other	4.5	4.5	4.5
Total	119.0	(19.1)	362.4
Less: overhead	15.1	15.1	15.1
Expected value of portfolio	104.0	(34.2)	347.4
Add: other investments	0.2	0.2	0.2
Add: starting cash + new funds	17.3	17.3	17.3
Total current value for firm	121.4	(16.7)	364.8
Less: bank & other debt	0.0	0.0	0.0
Total value to equity claims	121.4	(16.7)	364.8
Less: warrants and options	9.9	0.0	19.9
Ordinary equity holders	111.6	(16.7)	344.9
Value per share (C$)	**0.92**	**(0.14)**	**2.71**

Components of Selwyn Resource's Entity Value



Expected value of Selwyn

Scenario	Risked mineable resources (m tonnes)	Selwyn property value (C$m)	SWN Valuation (C$m)	Value per share (C$)
Base case outlook	**105.3**	**114.5**	**103.1**	**0.92**
Value for scenarios of further exploration success				
Full proved up	317.2	1211.4	1079.9	8.95
Optimistic outlook	152.1	357.9	327.5	2.71
Pessimistic outlook	66.5	-23.6	-16.7	-0.14
Value with no further exploration success				
Current resource estimate	45.4	-23.6	-16.7	-0.14

Notes:

- *'fully proven up' scenario assumes that current mineable resource estimates are upgraded to 'Proven and Probable' status*
- *for detailed assumptions see Selwyn property section p23*

Selwyn Valuation (C$m)

Scenarios for exploration success	**Base**	**Optimistic**	**Pessimistic**
Net value of production	**4051.4**	4051.4	4051.4
Expected mining success*	***31%***	*44%*	*20%*
Expected net value of production	**1,240.9**	1,774.7	790.8
Add: tax shield on depreciation charge	**187.1**	187.1	187.1
Less: development & operational capex	**1125.1**	1125.1	1125.1
Value of mining operations	**303.0**	836.8	0.0
Probability of reaching mine development	**46%**	*46%*	*46%*
Expected value of deposit	**138.2**	381.6	0.0
Less:			
- expect pre-development costs**	**7.0**	7.0	7.0
- further exploration costs ***	**16.7**	16.7	16.7
Expected value of project	**114.5**	357.9	(23.6)
effective risk haircut	***96%***	*88%*	*100%*
Ownership	***100%***	*100%*	*100%*
Selwyn's share	**114.5**	357.9	-23.6

* mining success incorporates our assumptions on ultimate exploration success and the portion of resource expected to be mined

** shown as expected value of being incurred after allowing for likelihood of reaching each development stage

*** present value

Sensitivity to market assumptions ...

Long run real zinc price (US$/lb)	0.80	0.85	**0.90**	0.95	1.00
Value (C$/share)	-0.14	0.35	**0.92**	1.66	2.39
Change in value (%)	*-115%*	*-62%*		*+80%*	*+159%*
Time for metal price to revert to mean (years)	1	2	**3**	4	5
Value (C$/share)	-0.14	0.70	**0.92**	1.12	1.35
Change in value (%)	*-115%*	*-24%*		*+21%*	*+46%*
Volatility of metal price (%)	*13%*	***18%***	*23%*	*28%*	*33%*
Value (C$/share)	0.80	**0.92**	1.09	1.30	1.55
Change in value (%)	*-13%*		*+18%*	*+40%*	*+68%*
Interest rate (%)	*4.4%*	*4.5%*	***4.6%***	*4.7%*	*4.8%*
Value (C$/share)	1.04	0.98	**0.92**	0.87	0.82
Change in value (%)	*+12%*	*+6%*		*-6%*	*-12%*

Sensitivity to project assumptions ...

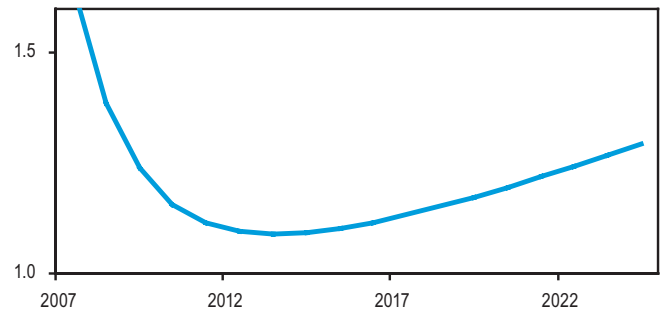
Change in recovery rates (%)	*-5%*	*-3%*	***+0%***	*+3%*	*+5%*
Value (C$/share)	0.08	0.49	**0.92**	1.41	1.89
Change in value (%)	*-92%*	*-47%*		*+53%*	*+105%*
Operating Costs (C$ per tonne)	19	**20**	21	22	23
Value (C$/share)	1.09	**0.92**	0.77	0.64	0.56
Change in value (%)	*+18%*	*+0%*		*-31%*	*-39%*
Increase in Capital Cost (%)	***+0%***	*+10%*	*+20%*	*+30%*	*+40%*
Value (C$/share)	**0.92**	0.61	0.28	-0.06	-0.14
Change in value (%)		*-34%*	*-70%*	*-106%*	*-115%*

Commodity assumptions

	Zinc	**Lead**
Long run level	0.90 US$/lb	0.53 US$/lb
Avg time to revert	3.3 years	4 years
Volatility	18%	21%
Inflationary price growth	2%	2%

Prices are mean reverting

Expected zinc price



Our key assumptions

Selwyn's key asset is the Selwyn project, our key assumptions for this property are:

- the property currently has an indicated resource of 86.6m tonnes, a further 215.5m inferred and an estimated 235.0m in mineral potential. Our analysis assumes that further exploration will convert a mineable resource of some 352.5m tonnes – or, after allowing for the confidence level of resource category, 105.3m tonnes on a risk adjusted basis.
- assuming exploration success we have modeled mining commencing in 2011 targeting an eventual 40,000 tpd capacity. Capex is anticipated to begin being incurred from 2008 with a total spend of approximately C$1,270m.
- we have assumed operating costs will start from C$20.00 per tonne and refining and shipping costs from C$50.00 per tonne in 2007 dollars, with annual escalations at a nominal rate of inflation thereafter. There is a 1 percent royalty and we have assumed a 35 percent corporate tax rate;
- although Selwyn has completed a preliminary assessment it has yet to complete exploration. Even if it does there is a chance that it will not be able to complete its pre-feasibility and feasibility studies. We have assumed a 50 percent and 80 percent probability of success at these stages.

Our results

After allowing for likely economics, exploration potential and development risk our analysis suggests an expected value of C$114.5m for the Selwyn property. After allowing for corporate overhead and outstanding warrants this values Selwyn's ordinary equity at C$111.6m, or C$0.92 per share compared to a current price of C$0.67.

Our analysis suggests that Selwyn's current value is entirely based on exploration potential and should there be no further exploration success then the current level of risked resource would not be enough to justify extraction. If all available resources were ultimately proven then the Selwyn property could yield up to C$8.95 per share. Our optimistic outlook for exploration success would suggest values as high as C$2.71 per share.

Benchmarks

The value offered by Selwyn compares well with its peers and more senior companies, pointing to the leveraged investment opportunity offered by a massive, but lower-grade base metal project. The current market value ascribed to the Selwyn project is far below that of other companies, but we believe this at least partially reflects the continuing risks associated with its development.

Currently, Selwyn's indicated and inferred resource of just over 300 million tonnes of ore translates to a gross metal content of 31.7 billion pounds of zinc and 10.3 billion pounds of lead, or an equivalent 17.2 million tonnes of zinc at current price differentials. Selwyn's current C$0.67 share price and 120 million shares outstanding yield a market capitalisation of C$80.9 million. This in turn yields a value of C$4.50 per tonne of zinc equivalent metal in the company's Selwyn resource.

For companies at comparable stages of development, their current market value yields values nearly an order of magnitude higher, averaging about C$30 per tonne of zinc equivalent. For companies currently in production, the value ascribed to a gross tonne of zinc equivalent metal rises further, to about C$300 per tonne. Of course, much of the value contained in the Selwyn project will go to covering capital and operating costs and the project would become uneconomic with a major downturn in the price of zinc, but the calculations point to the significant opportunities for investment gains with project advancement in a robust metals market.

The data set out in the chart below suggests the market's current assessment of the Selwyn project is conservative. This conservatism is highlighted by the comparison with Yukon Zinc Corp., a sister company of Selwyn. By its own estimation, Yukon Zinc had a challenging 2006. In May, a feasibility study suggested its Wolverine project was in difficulty, because of metal output and project economics, and this precipitated an erosion of the company's market capitalisation. A new study completed early this year is far more optimistic, but this news has yet to bring the company's share price back to its 2006 high. Based on the comparisons with Yukon Zinc and several other companies at comparable stages of development, we believe investors may be overly conservative when assessing the Selwyn economics.

Comparison with similiar companies

Company	Ticker	Mkt Cap (C$m)	M Tonnes Zinc Equiv	Market Cap. per tonne zinc equiv.
Selwyn Resources	**SWN.V**	$80.9	17.2	C$4.50
Western Keltic	**WKM.V**	$39.7	1.4	C$27.30
Tri Origin Expl.	**TOE.V**	$51.7	1.8	C$29.30
Yukon Zinc	**YZC.V**	$85.8	2.1	C$40.90
Breakwater Res.	**BWR.T**	$1006	3.5	C$285.00
Scorpio Mining	**SPM.T**	$161.0	0.5	C$342.00

Source: Objective Capital

Key Risks

Selwyn's projects are still at the development and exploration stage and much depends upon the resource potential of its properties and their drilling success. Management recognises the capital-intensive nature of some of its projects and consequently intends to develop them through partnerships. Its profitability and valuations would also depend on the prices of its prospected metals, some of which have already reached a peak and may weaken further.

Project Risks

Future profitability entirely depends on mining success: Exploration, development and production activities may be hampered by teething problems relating to technical and other operational issues, which may lead to lower than expected output and higher operating expenses.

Implementation ability: The ability of the company to develop its assets successfully depends on the availability of infrastructure. The company should be able to find workable solutions for any infrastructure issues at its Selwyn project.

Higher operating costs: In the face of rising energy and metal prices, operating expenses for exploration and development have been on the rise. Currently, there is not only a shortage of labour, geologists and other professionals, but also support services. Uncertainty surrounding capital expenditure and operating expenses, particularly in North America, could lead to cash flow difficulties and lower profitability, which may impair valuations.

Dependence on key personnel: Similar to many junior mining companies engaged in exploration, the success of Selwyn depends heavily on its management team. Continued availability of their services is not necessarily guaranteed and the loss of key personnel could lead to a perceived disruption of operations and poor exploration progress.

Environmental Risks

Environmental regulations: Stringent environmental regulations relating to mining, particularly in North America, could pose unforeseen operational challenges. While Selwyn has studiously followed necessary guidelines, adherence to increasingly strict environmental standards generally cause higher operating expenses.

Decommissioning costs: Strict environmental laws could also lead to higher decommissioning costs. Selwyn would need to satisfy more rigorous (and hence costly) environmental regulations that could be in place at the time of decommissioning its mines. Normally such decommissioning expenses are financed from the proceeds of production. Should decommissioning costs prove to be greater than available revenues from production (after allowing for operating costs), the company could face financial difficulties.

Market and Economic Risks

Market risk: Future profitability and valuations of Selwyn are heavily dependent on commodity prices. In addition to lower earnings, a steep price decline could affect the carrying value of its assets and its borrowing capacity.

Selwyn Resources Ltd

Selwyn Resources Ltd is a Canadian junior mining company listed on the Toronto Venture Exchange (TSX-V: SWN) since 2004. Selwyn's only project is the development of its flagship Howard's Pass deposits in the Yukon (Selwyn project). In May 2007, the company completed the transfer of its other projects in the Americas to a separate entity, Savant Explorations Ltd., which has its own independent president. The transfer provides Selwyn's existing shareholders with direct ownership in two focused companies.

The shares received for the transferred assets have been distributed to Selwyn shareholders through a plan of arrangement. On completion of the plan of arrangement, Selwyn retained an approximate 35 percent investment in Savant Explorations, as the company purchased 7.4 million units of the start-up company, for $2.69 million. The units consist of one common share and one-half warrant, exercisable at C$0.55 over a two-year period.

Historical background

Selwyn was formed in December 2004 following the reorganisation of Expatriate Resources Ltd (Expatriate) to consolidate the latter's non-core base metal properties into one entity. The company was subsequently listed on the Toronto Venture Exchange in 2005. Selwyn continued to add properties to its prospect portfolio and acquired a 100 percent interest in the Howard's Pass Joint Venture (JV) from its original owners, Placer Dome and Cygnus Mines Ltd. Properties in the Howard's Pass acquired from the JV were subsequently consolidated into the Selwyn project. Other projects include Yava (Nunavut, Canada), Blue Moon (California) and Islena (Chile). These projects have been transferred to a new company Savant Explorations Ltd in which Selwyn continues to own a large stake.

Corporate strategy

Selwyn's corporate strategy involves the development of its prospects through carefully designed drilling programmes both on its own and through JV or strategic partnerships. The company intends to seek strategic partnerships to help develop capital intensive projects and thereby retain financial and other resources to develop less capital intensive projects. Selwyn is also keen to prove up resources in order to increase the inherent value of its prospects.

Apart from the reduced resource commitment, such strategic partnerships would lead to a greater recognition of Selwyn's assets by the market. In addition, it would be a less dilutive mechanism to raise funds for the company's development endeavours. The company is willing to sell JV interests in projects provided they command a higher value.

This strategy characterises the changing landscape of the mining industry and the segregation of roles between explorers and producers in the sector. While larger companies focus on production, junior companies, such as Selwyn, undertake exploration. This contrasts with the sector's former character in which the integrated operations of large mining groups dominated. Larger players are now willing to accept the premiums attached to proved-up assets from juniors, in return for reducing their costs of resource deployment and risks of exploration. This strategy offers capital gains to investors at every stage from the resources prove-up process to the asset sale or an *en bloc* acquisition by a larger mining group.

Property outline

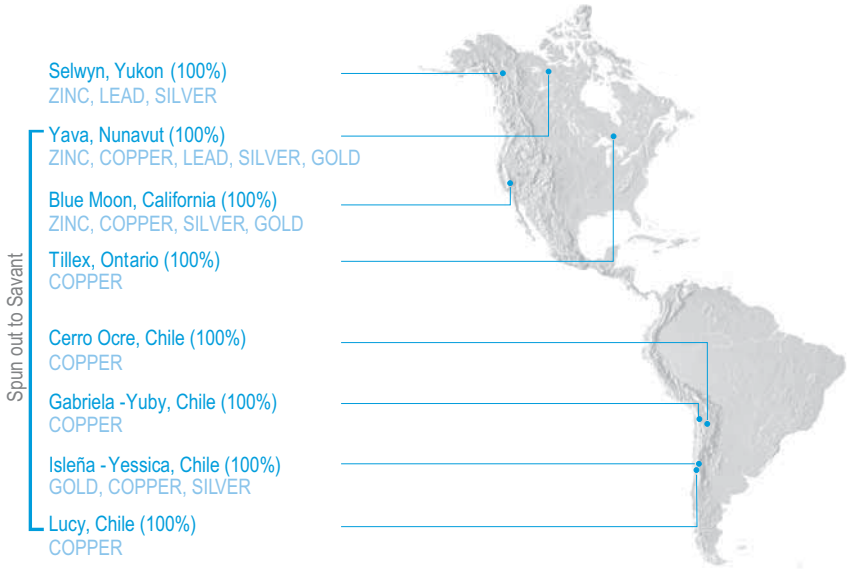
Selwyn's directly and indirectly held projects are located on two continents; North and South America. North American projects include Selwyn, Yava and Tillex in Canada and the Blue Moon project in California, USA. All South American projects, namely Cerro Ocre, Yuby-Gabriela, Lucy and Islena, are located in Chile.

Selwyn and Savant's properties

Name	Location	Prospective mineral
North America		
Selwyn Basin	Yukon Territory, Canada	Zinc, Lead, Silver
Yava*	Nunavut Territory, Canada	Zinc, Copper, Silver, Gold
Tillex*	Northern Ontario, Canada	Copper
Blue Moon*	California, USA	Zinc, Copper, Silver, Gold
South America		
Islena*	Northern Chile	Gold, Copper
Lucy*	Northern Chile	Copper
Yuby-Gabriela*	Northern Chile	Copper
Cerro Ocre*	Northern Chile	Copper, Gold

* These properties have been spun out to the new company Savant Explorations Ltd.

Location of Selwyn and Savant's projects



Source: Company

Property Summary

Selwyn Basin: Selwyn's flagship project which includes its acquired interests from the JV between Placer Dome and Cygnus Mines in the Howard's Pass district.

Selwyn recently transferred its interests in the following properties to Savant Explorations, in which it holds a significant investment:

North America

1. Yava: consists of one mining lease covering approximately 1,280 hectares and is 100 percent owned by Selwyn, subject to a 10 percent carried interest retained by the estate of S. M. Roscoe. The property hosts a partially defined polymetallic massive sulphide deposit.

2. Tillex: located 65 kilometres east of Timmins, it consists of 32 hectares of leasehold mineral rights. The copper deposit is hosted within a belt of mafic-felsic volcanics and sedimentary rocks of the Abitibi Greenstone Belt.

3. Blue Moon: located in Mariposa County in east central California. Previous exploration work by Colony Pacific Explorations Ltd and Westmin Resources has defined three steeply dipping and plunging lenses of massive sulphide base-and-precious-metal mineralisation.

South America

4. Islena: located within the graben of the Atacama Fault Zone, a major regional structure associated with several large copper deposits in the copper-iron belt of northern Chile. It consists of approximately 1,300 hectares of wholly-owned staked mineral claims.

5. Yuby-Gabriela: the Yuby property encompasses 1,906 hectares and is adjacent to the 1,605 hectare Gabriela property. Both properties are located at a modest elevation of 1,500 metres, 50 km west of Chile's largest copper mine, Chuquicamata, and cover a large porphyry copper system.

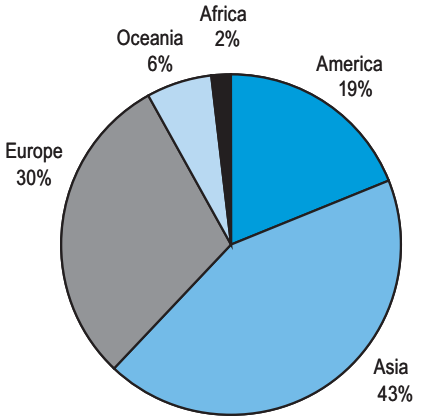
6. Cerro Ocre: located 30 km south of Yuby-Gabriela in the Central Porphyry Belt.

Operating Environment

Zinc industry outlook

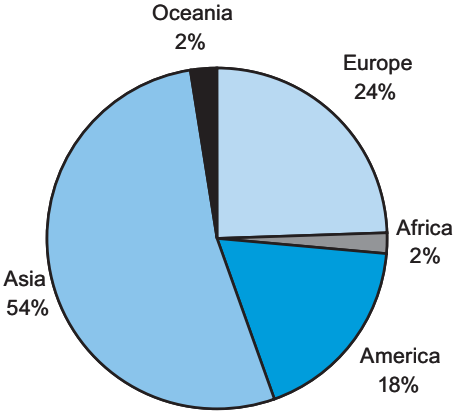
Selwyn's main exposure is to zinc through its North American properties, particularly the Selwyn Basin prospect. Zinc is commonly mined as a co-product with lead. Both metals have growing core markets for their consumption. Nearly half the world's annual zinc production comes from Asia and a fifth from the Americas. Asia has become the principal zinc consumer due to its large industrial base. China alone consumes 25 percent of the world's zinc output with a recent demand growth rate of more than 8 percent.

World zinc production



Source: London Metal Exchange

World zinc consumption



Source: International Lead and Zinc Study Group

Demand for zinc outstrips supply

Zinc prices have been on the rise since 2003 but markets really took-off from 2004 onwards. As zinc consumption outpaced supply, a global drawdown of inventory precipitated the current high-price environment. In the second half of 2005, the London Metal Exchange (LME) witnessed 200,000 tonnes of zinc inventory being drawn down. Demand from all zinc-consuming countries remains high, with China-led Asia at the forefront.

Globally, compound average demand growth for zinc between 2002 and 2006 has been 4.2 percent. Interestingly, while demand for zinc has fallen in Europe, America and Oceania (albeit marginally), the Asian region especially China, India and Korea has more than made up for it.

Zinc metal production (in '000 tonnes)

	2002	2003	2004	2005	2006	CAGR - 4-year
Europe	2,904	2,744	2,720	2,559	2,525	*-3.44%*
Africa	147	197	260	274	275	*16.95%*
America	1,903	1,930	1,993	1,881	1,863	*-0.53%*
Asia	4,189	4,450	4,906	5,057	5,605	*7.55%*
Oceania	567	553	474	457	463	*-4.94%*
Total	9,710	9,874	10,353	10,229	10,731	*2.53%*

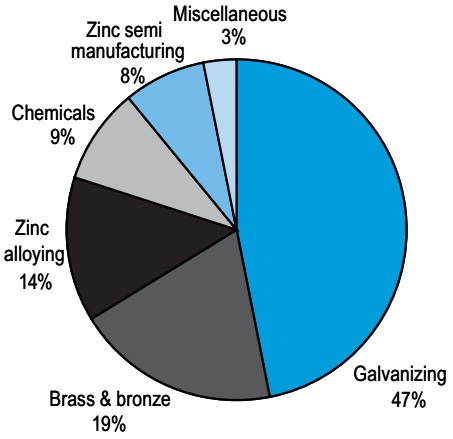
Zinc metal consumption (in '000 tonnes)

	2002	2003	2004	2005	2006	CAGR - 4 year
Europe	2,754	2,780	2,829	2,682	2,823	*0.62%*
Africa	188	173	194	204	202	*1.81%*
America	2,023	1,958	2,126	1,904	1,995	*-0.35%*
Asia	4,147	4,660	5,241	5,598	5,771	*8.61%*
Oceania	266	267	263	253	273	*0.65%*
Total	9,378	9,838	10,653	10,641	11,064	*4.22%*

Source: International Lead Zinc Study Group

For zinc, the main end-user market is the metal galvanising industry, which accounts for almost half global consumption. Zinc's electropositive nature enables metals to be readily galvanised, the process in which zinc is coated onto metals such as iron and steel to give added protection against corrosion to building structures, vehicles, machinery and household equipment. Close to four-fifths of zinc is consumed either directly as a metal (in the galvanising industry) or as an alloy metal to make bronze and brass, as zinc-based die-casting alloy and as rolled zinc. The remaining fifth is used as compounds in the chemical, rubber, paint and agricultural industries.

Zinc consumption by industry



Source: International Lead and Zinc Study Group

Supply-side deficit – mine output is not keeping pace with demand

As with many other base metals, zinc has supply-side constraints. Rasining mine production has proved to be increasingly difficult largely due to capacity constraints. In two of the top five producing countries, Canada and China, mine output has remained stagnant over the last couple of years, while the USA, Australia and Kazakhstan have managed a marginal increase. In 2005, global mine production of zinc reached 10.1 million tonnes compared to the global consumption of 10.6 million tonnes. The implied supply gap is expected to persist through 2007.

Zinc is a fragmented industry

The zinc mine market is highly fragmented with 266 operational mines. However, only 19 mines produce more than 100,000 tonnes of zinc and these produce almost half the world's output. Some large mines are expected to be hit by depletion and scarcity of reserves between 2010 and 2012. These include Brunswick in Canada (250,000 tonnes per annum), and Broken Hill (145,000 tonnes) and Golden Grove (135,000 tonnes) in Australia,

As existing mines are hard pressed to increase their output, demand for new developments such as Selwyn's Selwyn Project will gain ground. Should the company succeed in proving up its resources, it should easily attract a development partner to a form joint venture or for an out right sale.

World mine production, reserves and reserve base (in '000 tonnes)

	Mine Production			Reserves	Reserve Base
	2004	2005	2006		
US	739	748	725	30,000	90,000
Australia	1,300	1,330	1,400	33,000	80,000
Canada	790	755	725	11,000	31,000
China	2,300	2,450	2,500	33,000	92,000
Kazakhstan	360	400	450	30,000	35,000
Mexico	460	470	450	8,000	25,000
Peru	1,200	1,200	1,210	16,000	20,000
Other countries	2,400	2,400	2,500	59,000	87,000
World total	**9,600**	**9,800**	**10,000**	**220,000**	**460,000**

Source: US Geological Survey

Selwyn Project

Introduction

The company's main focus is the Selwyn project in the remote northwest of Canada. This is potentially a world-class zinc-lead deposit. What is most interesting from an investor perspective is that the project is at a pivotal stage in its evaluation. Zinc represents 80 percent of the contained metal value at Selwyn and therefore during times of surging zinc prices Selwyn could be viewed as a highly leveraged derivative on the metal price. Selwyn is 100 percent owned by Selwyn and represents the lion's share of the company's value. We believe Selwyn will be the making of the company if the potential of the project is realised.

The Selwyn project is located in a remote area and much of the very large resource inventory is inferred and at too low a grade for underground mining. However, given the scale of the project and an average 5:1 strip ratio across the deposits, Selwyn could develop into a major open-cast bulk mining project, making it one of the largest zinc-producing mines in the world in terms of tonnes of contained metal.

Selwyn is not a new discovery; the project has developed around the Howard's Pass project which was discovered by Placer Dome in 1972. Placer Dome decided not to pursue the Howard's Pass project after a preliminary assessment of an underground deposit at XY Central. Some reclamation work however has taken place in 1995, 1996 and 1998. What is new, however, is the zinc price, and its consequent impact on the economics of Selwyn. One-year LME zinc stocks are currently below 80,000 tonnes and the metal price, buoyed by growing demand and sticky mine supply, has recently resulted in a four-fold increase since mid 2005.

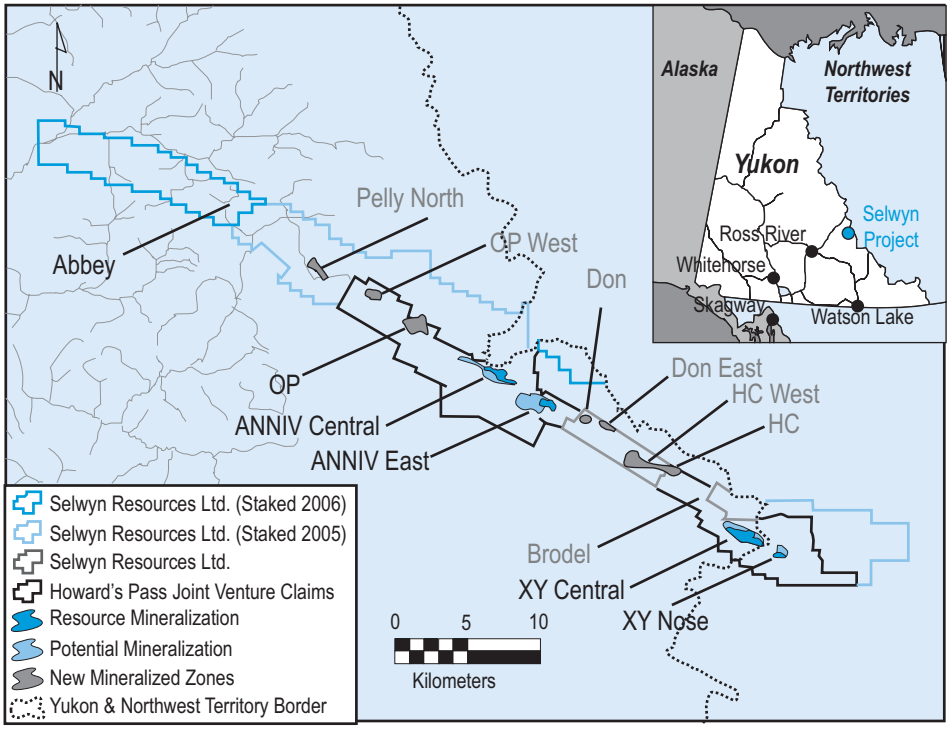
Key Project Milestones and Developments

- In April 2005, Selwyn entered into an option to acquire Howard's Pass JV lands from Placer and Cygnus. Since 1998 Selwyn's predecessors had held key ground adjacent the XY deposit and 8 km of the trend between Anniv and the XY deposits.
- Q1 2006 Independent Technical Report included an estimate of 33.5 million tonnes averaging grades of 5.5 percent Zinc and 2.1 percent Lead, with an inferred resource of some 113 million tonnes of 5.4 percent Zinc and 2.1 percent Lead compliant with NI 43-101.
- Independent Report completed on the project by Hill Street Capital in November 2006 – base-case 40kpd with key recommendations for a phased development.
- Seven new zones of mineralisation discovered during 2005 and 2006 drilling campaigns. A highlight of the 2006 drilling was the identification of higher-grade zones at depth in several zones, suggesting the presence of higher-grade mineralisation in the core of the regional structure.
- Dense Media Separation test work provides a potential avenue for upgrading run-of-mine mineralisation for mill processing.

- Q1 2007 release of updated NI 43-101 compliant resource estimate further increased the Howard's Pass deposits' resources to 86.6 million tonnes grading 4.93 percent zinc and 1.73 percent lead containing 9,406 million pounds zinc and 3,293 million pounds lead. Inferred mineral resources also increased over 90 percent to 215 million tonnes, grading 4.71 percent zinc and 1.48 percent lead containing 22,377 million pounds zinc and 7,025 million pounds lead.
- In Q1 2007, Selwyn extended limits of high-grade mineralisation at the XY target. The XY high-grade underground target has an indicated mineral resource of 7,394,860 tonnes grading 9.88 percent zinc and 4.32 percent lead containing 1,610 million pounds zinc and 703 million pounds lead. XY also has an inferred mineral resource of 1,856,500 tonnes grading 10.41 percent zinc and 3.71 percent lead containing 425 million pounds zinc and 151 million pounds lead. These are included within the indicated and inferred resources above.
- C$25 million exploration planned for 2007 involving a minimum 40,000 metres of diamond drilling and detailed environmental and engineering work.
- In March 2007, the company closed the private placement sale of flow-through shares to qualified purchasers. The final sale of C$7.06m exceeded the proposed offering by approximately C$1.06m.

Results of the aggressive 2006 summer drilling — 190 diamond drill holes for 41,000 metres, average 210 metres deep, of resource definition drilling on all mineralised zones between XY and ANNIV North including several new discoveries in Don Valley. A new mineral resource was completed in April 2007 indicating a large increase in mineral resources. The project is expected to take three to four years to advance to bankable feasibility study.

Project location map



Source: Company

Description of the Project

The Selwyn project is located about 500 km south of the Arctic Circle on the flanks of the Mackenzie Mountains, which straddle the border between the Yukon and Northwest Territories in Canada. It is about 350 km northeast of Whitehorse (population 23,000). The Howard's Pass joint venture consists of 420 mineral claims and two mining leases covering 96 sq km and Selwyn has staked an additional 936 mineral claims in Yukon and five claims in the northwest Territories, covering an additional 208 square kilometres. Elevation ranges between 1,125 metres in classic "U" shaped valleys to 2,035 metres on snow-capped peaks – most of the project area covers gently rolling hills with sparse outcrops above the tree line. Winters are harsh (-12°C to -40°C) and summers are cool (10°C to 30°C) with a field season from May to October. Snow accumulates to between two and three metres by spring before thawing in May.

Current access is by fixed-wing or helicopter to two airstrips within the project area. There is a winter road from one of the airstrips to Tungsten, Northwest Territories, a distance of 78 km but it is not currently operational.

Geology, Structure, Mineralisation and Metallurgy

The Howard's Pass property is located in the northeast trending Selwyn Basin. This is a sedimentary basin composed of mostly clastic rocks deposited over a prolonged period during the Ordovician and Silurian. The Active Member mudstones are the preferred host for the base metal mineralisation. The rocks of the Selwyn Basin were folded, faulted and metamorphosed during the Mesozoic resulting from the collision of a succession of exotic terrains with the North American continent.

The zinc-lead deposits discovered to date within the Howard's Pass property are all within the Active Member of the Howard's Pass Formation. The unit varies considerably in thickness and there are nine sub-units within the Active Member comprised of one or more combinations of the following facies which appear to be cyclical in nature: light grey limestones, graded limestones, dark to medium grey calcareous mudstones, thin-bedded calcareous mudstones, cherty mudstones, whitish-grey zinc-lead mudstones (sulphidite) and grey cherts. Slumping of the Active Member before the sediments were lithified adds to the complexity.

Placer Dome based their modelling of the Howard's Pass deposits on the Tom and Jason deposits found by Hudson Bay Mining and Smelting and Cominco in the 1950s where mineralisation is hosted in younger rocks of Devonian-Mississippian age, which have recognisable feeders and are concentrated in sub-basins. What makes Selwyn different is that mineralisation, visually and in grade, is remarkably similar across the deposits. The uniformity in the hanging wall and foot wall sequences along some 40 km of strike implies a single-basin model.

Numerous significant post-mineralisation tears or strike-slip faults were detected as a result of drilling in 2006; these shuffle blocks of the host stratigraphy and offset the mineralisation. Recognition of these tear faults enabled the discovery of the HC Zone and subsequently the HC West and Don East Zones in Don Valley.

An explorer faces plusses and minuses by reason of the dislocations along the Howard's Pass mega fault. This uplifts and exposes the XY deposits and exhumes and exposes the prospective Don Valley syncline. On the other hand, it limits the ANNIV deposit to the north and cuts the Howard's Pass Formation close to the surface. This gives rise to costly deep drilling to prove continuation of zinc-lead mineralisation between the deposits. The mega fault also truncates the OP deposit to the northeast.

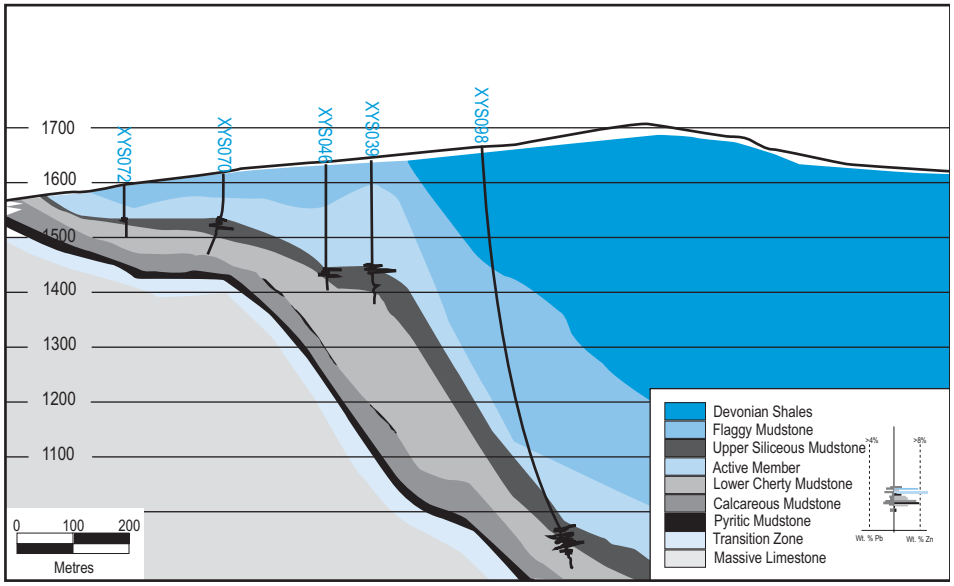
The economic mineralisation consists of fine-grained banded sphalerite and galena with minor pyrite. Potential ore grade mineralisation is confined to thin-bedded mudstones, "rhythmite" or "sulphidite" horizons. Mineralised mudstones have grades from 4 percent to 25 percent zinc plus lead over a minimum of 1.5 metres, rhythmite grades are similar and the sulphidites, as the name suggests, contain a high amount of sphalerite and galena with less than 5 percent pyrite. Generally, the mineralised strata are 20 to 30 metres thick.

Historically, there were two main deposit complexes within the Howard's Pass property: the ANNIV deposits and the XY deposits which are 22 km apart. The XY deposits are on the southwest limb of a major regional synclinal structure whereas the ANNIV and Don Valley zones are on the northeast limb of the fold. The XY deposit consists of the Northeast, Nose, Central, and West zones and, most importantly, the size and grade is quite variable from zone to zone. At the Central zone the average depth to mineralisation is 180 metres with a strike length of 2.4 km and width varying from 150 to 600 metres. The XY Central Zone contains a high-grade resource of over 9.2 million tonnes, grading approximately 10 percent zinc and 4.2 percent lead. This zone is open along strike and down-dip and should be amenable to underground mining. The XY Central deposit is a prime target for defining higher-grade mineral resources that Selwyn plans to integrate into a revised mining plan later this year.

The East Zone lies between the Central and Nose Zones at XY and has a strike of 900 metres varying in width from 90 to 180 metres. The western side of this zone contains a potential open-pit resource. Two major longitudinal faults cut the East Zone and significantly disrupt the trend of the Active Member host.

Before Selwyn's involvement in the project in 2005, the West Zone's "inferred resources" along the strike from the Central Zone had only one drill-hole intercept through the targeted Active Member. The single-drill intersection was through 27.4 metres of the Active Member and a 3.3 metre section graded 6.3 percent Zinc and 1.9 percent Lead. Also, prior to any Selwyn drilling, the Brodel Zone, about four km northwest of the Central Zone, appeared to be low-grade and thin, based on only two drill holes, one of which had intersected 32.6 metres of the Active Member within which a mineralised section averaged grades of 3.2 percent Zinc and 0.8 percent Lead over 13.7 metres. It was concluded at the time that better grades might exist further south but faulting chopped up the mineralised horizon. The Nose Zone, as the name suggests, is located at the closure of a northwest plunging syncline.

XY Zone geological cross section (+/- 50 metres) looking Northwest @ 330 azimuth



Source: Company

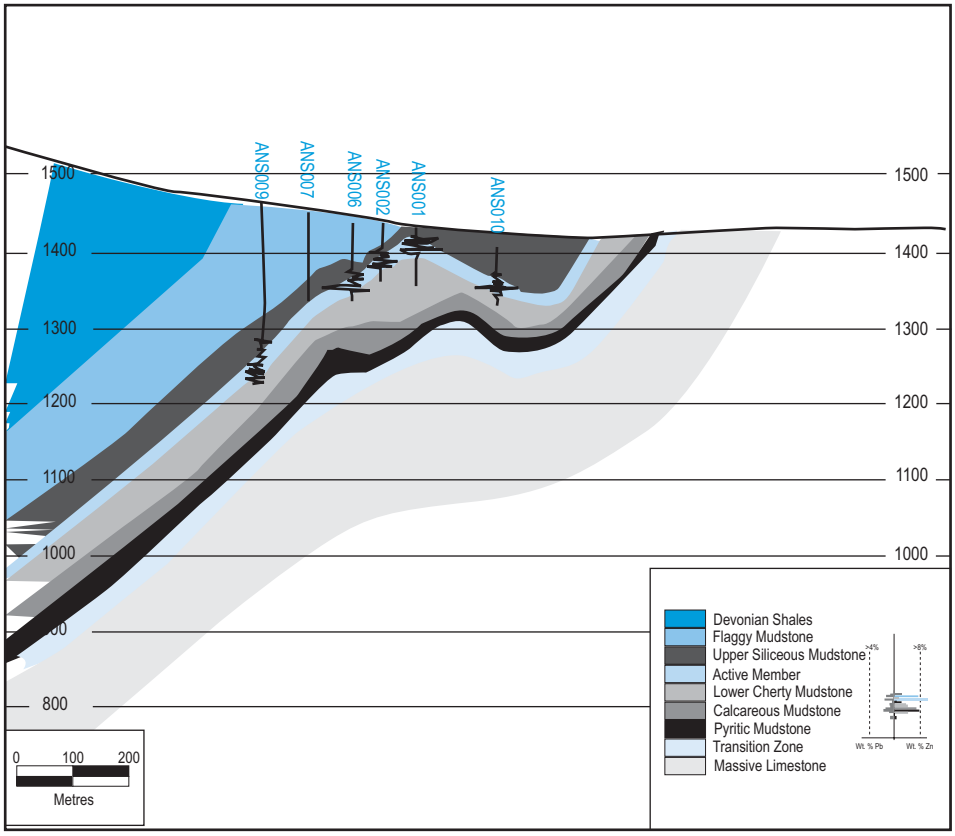
The ANNIV deposit is divided into West, Central and East zones, all on the northeast limb of the regional synclinal structure. The average depth of mineralisation at ANNIV Central is 100 to 150 metres and has been tested to a depth of 460 metres. Mineralisation, which dips to the southwest, becomes steeper dipping deeper at depth, again limiting open-pit potential. The West Zone is also steeply dipping. The East Zone is within a major syncline complex, which is truncated to the north by a major tear fault. The thickness of the Active Member and, more importantly, the average grade of the mineralisation tends to decrease to the northwest.

Drilling at depth in the ANNIV Central deposit has intersected higher-grade mineralisation, including an 8.7-metre zone that graded 10.54 percent combined zinc and lead.

In 2005 and 2006, the company discovered the Brodel, Don, Don East, HC and HC West zones in Don Valley, which separates the XY and ANNIV deposit areas. These new discoveries span a nine-kilometre-long new mineralised zone with potential for more than 100 million tonnes of new surface mineralisation.

Drilling at depth in the Don and Don East deposits has also intersected higher-grade mineralisation. For example, an 18.27-metre zone graded 8.94 percent zinc and 3.1 percent lead, including a 2.7-metre interval with 24.21 percent zinc and 10.61 percent lead. Similar higher-grade mineralisation has also been intersected in Don East, 2,000 metres to the southwest. A current drill programme is confirming the continuity of this mineralisation.

Anniv Central Zone geological cross section (+/- 60 metres) looking Northwest @ 330 azimuth



Source: Company

History

Placer Dome discovered the Howard's Pass zinc-lead deposits in 1972 by follow-up evaluation of stream sediment geochemical anomalies. Placer Dome and Cygnus Mines (US Steel) are believed to have spent some US$20 million on the exploration of the Howard's Pass JV lands from 1972 to 1981. Placer drilled 210 diamond holes at the surface and 35 holes underground for a total of 35,640 metres. US Steel formed a JV with Placer in 1975 and by 1977 a preliminary indicated resource had been delineated at XY Central and by the following year a large lower-grade deposit was outlined at the ANNIV East Zone. By 1982, Placer was evaluating the viability of an underground operation at the XY deposit and additional flotation test work was completed. By 1983, bench scale and pilot-plant test work was completed. The Howard's Pass project was re-evaluated in 1995 and the study included evaluation of open-pitting the XY East Zone but the decision was not made to move to production. Placer's economic evaluation generated a reserve of 8.1 million tonnes averaging grades of 10.6 percent Zinc, 5.5 percent Lead at a 10 percent Zinc plus Lead cut-off for underground mining. The open-pit potential was based on a resource of 14.8 million tonnes averaging grades of 5.6 percent Zinc and 2.3 percent Lead at a cut off of 4 percent Zinc plus Lead (rule of thumb) with 40 degrees pit walls and a 5:1 strip.

In 2000, Copper Ridge Explorations optioned the project and drilled eight holes at ANNIV. Apparently Copper Ridge was forced to drop the option due to its partner's (BHP Billiton) proprietary bioleach process not working on the mineralisation from Howard's Pass because of lack of pyrite. Billiton's withdrawal compromised the ability of Copper Ridge to raise exploration funds.

The real price of zinc was undoubtedly a major factor governing the investment decisions of both Placer Dome and later Copper Ridge. With an average zinc price rebased to 100 on 1992 (averaging annual inflation at 2 percent), led to an index value of 85 in 1983 and around 75 in 1995 with a price surge in between of close to 150 in 1989: Placer's timing seems to be a little unfortunate. By 2000, when Copper Ridge was drilling at ANNIV, the zinc price was still around $1,100 per tonne or 76 on the 1992 index. The current zinc price is $3,875 per tonne (Index = 240 vs 1992); GFMS's average forecast price for 2007 is $2,800 or an index of 170.

On 28 April 2005, Selwyn entered into option to purchase the Howard's Pass Joint Venture ground with Placer Dome and Cygnus Mines. In terms of the zinc price, Selwyn's timing was inspired as it quadrupled over the next 18 months. Selwyn has an option to purchase a 100 percent interest in the project for a total payment of C$10 million over seven years. Required work commitments by Selwyn are C$3.5 million by the second anniversary of the deal. Other key elements of the deal include the granting of a 1 percent net smelter return to Howard's Pass Joint Venture and a 20 percent net profits royalty, which is indexed to the Consumer Price Index after seven years and capped at C$10 million. Since signing the agreement, Selwyn has spent approximately C$25 million on exploration and made C$1.5 million of the option payments.

Selwyn Drilling

During summer 2005, Selwyn drilled 53 diamond drill holes on the Howard's Pass property for a total of 8,654 metres and an average depth of some 160 metres. The twin objectives of the drilling programme were to confirm the Placer resource and to find additional resources. Two new areas of zinc-lead mineralisation were discovered at Brodel and Don within the Don Valley. The number of drill holes at each deposit were as follows: Anniv (22), Brodel (10), the new discovery at Don (8), XY (6), OP (4) and HP (3). The NI 43-101 compliant resource reported by Selwyn in Q1 2006 included this drilling.

Selwyn's 2006 drill programme was aggressive and involved 191 diamond drill holes for 41,000 metres of resource definition drilling on all mineralised zones between XY and ANNIV North to increase confidence in the resource base. It was this drill programme that led to the increase in indicated and inferred resources of the Howard's Pass Deposit.

Current Resources and Resource Model

Howard's Pass contained a historical (1983) "indicated resource" of 115 million tonnes averaging grades of 5.5 percent Zinc and 2 percent Lead between the three XY and two ANNIV deposits. The zinc grades of the five deposits were all very similar in the range of 4.8 percent and 5.7 percent. There was also an "inferred" category of resources totalling 367 million tonnes, averaging grades of 5 percent Zinc and 2 percent Lead. However, because these estimates pre-dated the more rigorous reporting code compliant with NI 43-101, later reviewers considered that the indicated resources should now be considered inferred and likewise the inferred as "mineral potential".

A NI 43-101 compliant resource estimate was completed in March 2006, integrating results from Selwyn's 2005 summer drilling programme. The 2006 drill programme further upgraded the Howard's Pass deposit to an indicated mineral resource of 86.6 million tonnes grading 4.93 percent zinc and 1.73 percent lead containing 9,406 million pounds zinc and 3,293 million pounds lead. Inferred mineral resources have also increased over 90 percent to 215 million tonnes, grading 4.71 percent zinc and 1.48 percent lead containing 22,377 million pounds zinc and 7,025 million pounds lead. In addition, the Mineral Potential is estimated from the 3D block model to be at least 225 to 235 million tonnes grading from 4.0 percent to 5.0 percent zinc and 1.0 percent to 2.0 percent lead.

Risked mineable resource assumptions

Reserves		**Probability**	**Tonnes** (m)
Proven		*90%*	0
Probable		*50%*	0
Total		***0%***	**0**
Resources	**Conversion**	**Probability**	**Tonnes** (m)
Measured	*75%*	*90%*	0
Indicated	*70%*	*50%*	86.6
Inferred	*70%*	*10%*	215.5
Hypothesised	*60%*	*0%*	235.0
Total	***66%***	***12%***	**537.1**
Mineable resource			**Tonnes** (m)
Mineable resource			**352.5**
Risked mineable resource			**Tonnes** (m)
Current classification			45.4
Scenarios for exploration success			
- base case			105.3
- optimistic case			152.1
- pessimistic case			66.5

Notes:

- *mineable resource have been estimated as reserves plus the portion of resources that would be expected to convert to reserves considering deposit type and likely grade variability*
- *risked mineable resource refers to the various classes of resource/reserve weighted by their assumed confidence level*

Source: Objective Capital

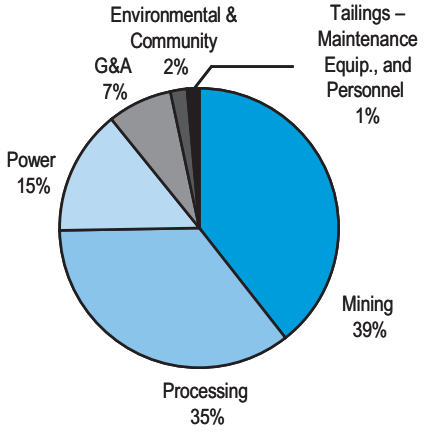
Preliminary Development Plan

Selwyn is currently at the preliminary assessment stage of three different production scenarios, all largely based on substantial inferred resources. Whether any of these scenarios are realised will depend on almost complete conversion of inferred to indicated resources at higher confidence levels and, finally, to proven and probable reserves which would determine the economic viability of extraction.

1) The 40,000 tonne-per-day scenario would require just 75 million tonnes of the 215 million tonnes of inferred resources to convert to a proven and probable reserve, which we believe is an attainable target.

2) The 20kpd scenario requires about 6.7 million tonnes per annum and 87 million tonnes over the life of mine, which is overly ambitious based on current resources but, at least at the front end, a more realistic option. This option uses the same four pits as for the first scenario but underground mining at XY is excluded and the "mineral potential" category is removed, resulting in a more realistic but still demanding resource inventory. The capex has been factored down using a rule of thumb for economies of scale and operating costs have been estimated on a revised mining schedule with the fixed-cost component factored in similar to the capital costs.

Base case operating costs



Source: Company

The 40kpd base case, based on an earlier resource inventory results in production cycles from XY, ANNIV Central and East and Brodel which are too short because new open-pit resources and expanded underground higher-grade resources expected from last summer's drilling were not factored into the mineable inventory.

3) Selwyn is therefore considering a more flexible third option: a hybrid of the 40kpd and 20kpd scenarios. In this scenario, production starts at the more realistic 20kpd and ramps up in stages to 40kpd as reserves are proved up and mine plans signed off.

Metallurgy and Mineral Processing

The mineral processing route is based on extensive historical metallurgical test work. Although this is carried out by reputable labs, the results are variable depending on sample source, grade and test protocols. The preliminary assessment has been based on a single bulk sample on which SGS conducted test work. It is unlikely that this sample is representative of different ore types, especially ore scheduled for the early years of the proposed operation. A new and expanded metallurgical test-work programme is required and is already in hand. A fine grind will be required for reasonable metal recoveries and this will drive up grinding costs. In addition any flow-sheet must deal effectively with carbonaceous material present in the mill feed. This will result in increasing costs by way of reagent consumption, some two thirds of total plant operating costs: Selwyn intends to examine a carbon pre-float to reduce reagent costs. Some of the carbonaceous material could be removed using dense media separation (DMS) technology which would remove barren shale (40 percent) and upgrade the mill feed from 40,000 tonnes per day of run-of-mine ore to 23,000 tonnes per day of mill feed. More test work is required to gauge the effectiveness of this application. The DMS circuit would reduce overall power requirements compared to a crush-grind-flotation plant and save capital.

Deposit Type, Adjacent Properties and Exploration Potential

Sedimentary exhalative deposits (SEDEX) form in oxygen-starved basins by the expulsion of metal rich fluids into brine pools before and during shale compaction. The sulphide minerals are galena and sphalerite, with the former less mobile and therefore more concentrated around vents resulting in core areas enriched in lead. Sulphides formed around black smokers would be modern analogues of these fossil mineralising systems. The formation of a SEDEX deposit requires the coincidence of several conditions: generation of a hydrothermal fluid containing metals; an oxygen-starved ambient environment to preserve metals as sulphide minerals on the sea floor; and feeder structure to provide a plumbing system to tap hydrothermal fluids at depth focusing the flow of mineralising fluids to the sea floor.

Metal zoning typically is a key factor in these deposits and contributes to higher-grade core zones. This appears the case at Howard's Pass. Within the potential of a huge resource grading nearly 5 percent zinc and 2 percent lead, there is the possibility of a significant tonnage containing higher-grade mineralisation. Drilling to date supports this expectation.

To date four main sedimentary exhalative base metal districts have been discovered within the region and some have been exploited. The Howard's Pass (XY and ANNIV deposits), McMillan Pass (Tom and Jason deposits) and Anvil District deposits (Faro, Grum, Dy and Swim deposits) near Faro and the Gataga District (Cirque and South Cirque deposits) in north-eastern British Columbia.

The Macmillan Pass SEDEX deposits of Tom and Jason are about 60 km northwest of Howard's Pass. As of 1986, the Jason deposit contained a "geological resource" of 14 million tonnes averaging grades of 7 percent Lead, 7 percent Zinc and 80 grams per tonne of silver. At the Tom deposit, mining reserves were reported at 9 million tonnes averaging grades of 7 percent Zinc, 6 percent Lead and 49 grams per tonne of silver.

In summer 2006, Selwyn's consultants began regional mapping of the project area to identify prospective stratigraphy away from known mineralised occurrences. Seven anomalous zinc-lead anomalies were identified by gridded (200m x 50m) soil geochemical sampling.

The OP exploration prospect had already been discovered by Placer in 1976 and its potential was based on surface exposures of whitish-grey zinc-lead mudstone and a single drill-hole intercept (5.1 percent combined zinc and lead over 4.7 metres). The style of mineralisation is similar to ANNIV, OP West and Pelly North and the stratigraphy within a monoclinal structure that dips 30 degrees to the southeast and steeper to 50 degrees further southwest and truncates to the northeast by a major bounding fault. The potential for mineralisation is open to the northwest and southeast.

Future Work Programme

In January 2007, a preliminary assessment of development alternatives and project economics indicated that the Selwyn Project has the potential to provide large operating cash flows and an attractive return on investment. The economic evaluation study was based on the resource inventory completed in February 2006 and indicated annual production of approximately 278,000 tonnes of zinc in concentrate and 93,000 tonnes of lead in concentrate. A new resource model for all of the various zones drilled in 2006 was released in April 2007. The economic evaluation will be updated with the April 2007 resource inventory and the 2007 drill results during the fall of 2007.

On the exploration front, Selwyn commenced a C$25-million programme in February that will include at least 40,000 metres of diamond drilling and extensive environmental and engineering studies. The drilling plan entails in-fill drilling to upgrade resources in the open pits targeted for initial development; and to determine the extent and continuity of high-grade mineralisation in the various zones over the 21 kilometres separating the XY and ANNIV Central zones. Drilling of these deeper targets has the potential to define substantial resources supporting early development of a bulk tonnage underground mine, complementing the open pit production, and providing a significant boost to overall planned production.

Selwyn is having success at outlining a higher-grade core zone and the company has a target of identifying a substantial amount of higher-grade material, with grades averaging between 8 percent and 10 percent zinc, and 3 percent to 4 percent lead.

Other Relevant Information

Mining permits must meet strict rules to mitigate damage to the environment and address First Nations' heritage and values. An emerging major risk in developing and operating mining projects in the west is the "social license" to mine. In some developing countries, the major risks are more likely to be related to political instability and security of tenure.

Social Licence

It is critical for mining companies to interlace their projects into the fabric of local communities. Selwyn has begun consultation with First Nations to ensure involvement at the start of development planning. Selwyn should benefit from the experience of its sister company, Yukon Zinc, which is developing the Wolverine underground zinc silver mine also in Yukon and provides a template for completion of a socioeconomic participation agreement with the Kaska and other First Nations. Good relations with local communities can never be taken for granted and must be constantly managed in a transparent manner. The risk related to the social license is low probability but has a potentially high impact.

Environment

Selwyn has started base-line studies of water, air, wildlife and vegetation. The environmental permitting process is expected to take three to four years. Initial studies show that the host rock lacks pyrite and therefore does not generate significant amounts of acid. This indicates that the project may be able to be developed with minimal environmental impact.

Infrastructure

Concentrate will have to be hauled over 1,000 km by road to the port of Stewart in British Columbia and this will add substantially to the initial capital cost of the project. Rail would incur higher costs, but reduce haulage costs by between 25 percent and 50 percent. A rail spur could link up with a possible new rail-line proposed by Alaska and the Yukon government to connect with the railway network in central British Columbia.

Power

Local utilities cannot supply the energy needs of the project. A coal power plant built by an independent power producer on a take-or-pay contract basis may be the preferred option, with coal back-hauled by the concentrate fleet. Local hydroelectric is also an attractive option. To minimise the time to production, the company's plan calls for Selwyn to start with more expensive diesel-generated power, switching to cheaper power as it becomes available.

Selwyn production plan

	Year ending December												
Proforma P&L (C$m)	**'07**	**'08**	**'09**	**'10**	**'11**	**'12**	**'13**	**'14**	**'15**	**'16**	**'17**	**'18**	**'19**
Gross revenues	**0.0**	**0.0**	**0.0**	**0.0**	**190.5**	**871.4**	**865.7**	**1363.4**	**1749.3**	**1770.6**	**1796.7**	**1826.5**	**1858.9**
Operating costs	0.0	0.0	0.0	0.0	127.8	563.1	576.9	928.9	1211.5	1241.6	1272.5	1304.1	1336.6
Operating profit	**0.0**	**0.0**	**0.0**	**0.0**	**62.7**	**308.3**	**288.8**	**434.5**	**537.8**	**529.0**	**524.3**	**522.4**	**522.3**
Depreciation	0.0	0.0	0.0	0.0	7.7	35.9	35.9	56.5	71.9	71.9	71.9	71.9	71.9
Administrative costs	0.0	0.0	0.0	0.0	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5
EBIT	**0.0**	**0.0**	**0.0**	**0.0**	**47.4**	**264.8**	**245.3**	**370.5**	**458.4**	**449.6**	**444.9**	**443.0**	**442.9**
Assumptions													
Capital costs (C$m)	0.0	50.0	350.0	650.0	20.0	50.0	150.0	20.0	20.0	20.0	20.0	20.0	20.0
Tonnes ore processed (millions)	0.0	0.0	0.0	0.0	1.5	7.0	7.0	11.0	14.0	14.0	14.0	14.0	14.0
Operating Costs (C$/t)					22.1	22.6	23.2	23.8	24.4	25.0	25.6	26.2	26.9
Refining and shipping costs (C$/t)					55.2	56.6	58.0	59.4	60.9	62.4	64.0	65.6	67.2

Other assumptions

- average grade: zinc 101.83 lb/t; lead 33.46 lb/t
- average recovery rate: zinc 83%; lead 70%
- all open pit

Source: Objective Capital

Project Opportunities/Issues/Risks

Opportunities

- Investor participation and a possible major revaluation of the company hinge on a major conversion in the short term of substantial inferred resource inventory at Selwyn to indicated.
- The project has the potential scale to attract a major and ultimate buy-out.
- Investing in Selwyn represents a highly leveraged option on the zinc price once there is greater certainty in the resource inventory.
- Spin off of non-core mineral assets in the Americas should create significant value.

Issues

- Project dependency on inferred resources.
- Achieving scale; volume underpins the economics of the deposit because of grade and remote location.
- Grade will require most of the ore to be mined from open pits, which have a greater impact on the environment.
- Estimates of operating costs, understandably at this stage, are not tightly constrained and may escalate in line with recent substantial increases experienced by the industry.

Risks

- Modelled zinc and lead prices may be over ambitious.
- Capital cost escalations relating to the cost of steel and operating costs relating to the price of coal. Cambridge Energy Research Associates recently estimated that the cost of large oil and gas projects has risen 53 per cent over the past few years across the industry because of tight labour and equipment supplies in the past two years – it is unlikely that difficult natural resource projects will be an exception.

Savant's Properties

In May 2007, Selwyn's other exploration projects were spun out into a separate exploration company, Savant Explorations Ltd. Savant has three properties in North America and four in South America.

The three exploration projects in North America are geographically dispersed in the continent. They can be characterised as brownfield explorations around small sub-economic deposits, one of which has been mined to a limited extent.

North America

The **Yava Project**, discovered in 1974, is a polymetallic volcanic-hosted massive sulphide deposit (VHMS) containing a small historical inferred resource of 1.25 million tonnes, averaging grades of 5 percent Zinc, 1 percent Copper, 1.6 percent Lead, 117 grams per tonne of silver and 0.3 grams per tonne of gold defined by five drill holes drilled in 1975 over a strike length of 140 metres and a depth of 110 metres. The deposit is 450km northeast of Yellowknife in Nunavut and geologically within the Slave Province. It is within the 100 percent-owned Yava mining lease, covering 12.8 sq km. There is a 10 percent free carried interest retained by the estate of S.M. Roscoe. The mineralisation is a mix of higher grade massive sulphide and lower grade copper rich stringer-zone material. The project had not been explored since 1976 until Selwyn recommenced exploration in 2004. Surface mapping has now helped understand the structural controls of the basin and has showed that base-metal mineralisation occurs in several stratigraphic horizons. The Slave Province has potentially many large deposits similar to Yava, such as Hackett (19.5 million tonnes 5 percent Zinc, 0.8 percent Lead, 0.4 percent Copper , 150 grams per tonne of silver and 0.5 grams per tonne of gold) and Izok (16.5 million tonnes 11 percent Zinc, 2 percent copper, 60 grams per tonne of silver). Electromagnetic surveys indicate the potential for additional mineralisation peripheral to the current resource, which may merit further investigation. Selwyn has staked additional claims covering targets defined during the 1970s.

Blue Moon is also a polymetallic massive sulphide deposit (VHMS). It was partly mined at shallower levels during the 1940s by Keystone Mines Inc. which extracted 55,656 tonnes grading 12.3 percent Zinc, 0.4 percent Copper, 0.5 percent Lead, 3.75 ounces per tonne of silver and 0.06 ounces per tonne of gold. The project is located 35 km east of Merced in Mariposa County, within the Foothills Massive Sulphide Belt of central California. Selwyn purchased a 100 percent interest in Westmin Resources Inc. in 2002 thereby acquiring the Blue Moon project. Exploration in the 1980s outlined three steeply dipping and plunging lenses averaging 5 metres in thickness. Westmin identified a small probable and possible reserve of 2.7 million tonnes grading 7.4 percent Zinc, 0.8 percent Copper, 0.4 percent Lead and 82 grams per tonne of Silver and 2 grams per tonne of gold as part of a scoping underground exploration and development study completed in 1989. Metallurgical studies indicate potentially economic metal recoveries, which would generate relatively high quality concentrates. The resources occur on two stratigraphic horizons and a third mineralised horizon has been identified indicating that mineralisation may be open at depth. A small amount of drilling has been conducted along the strike of the deposit to test for other mineral occurrences and geophysical anomalies extensive alteration and sulphide mineralisation which may indicate that other lenses could be found as exploration continues.

The **Tillex property** is located 65 km east of Timmins in the famous Abitibi Greenstone Belt in Northern Ontario and contains an historical resource of 1.4 million tonnes, averaging 1.6 percent copper based on 33 diamond holes completed between 1975 and 1976. The project has 32 hectares of leasehold mineral rights and has been extensively explored since discovery in 1974 by several companies. There has also been a recent increase in exploration activity in the area with a base-precious metal discovery only 20 km to the west. Near surface mineralisation may be mineable by open-pit methods; however, more definition drilling is required to prove continuity of the mineralisation. The mineralisation occurs as disseminations, stringers and conformable small bands of chalcopyrite and lesser bornite in argillite, tuff and pyroclastic volcanic rock, which are intruded by a barren diabase dyke. East of the dyke, minor copper mineralisation occurs in similar favourable strata extending to the northeast and only a few holes have tested for mineralisation at depth.

South America

Savant has the Isleña property and Lucy Claims within the coastal iron-oxide-copper-gold belt (IOCG) of Chile and the Yuby and Cerro Ocre projects within the Central Porphyry Belt of Chile.

The Isleña and Lucy Claims are 25 km southeast and 35 km east of the coastal city of Taltal. The **Isleña** property is in an area which has seen small-scale mining of copper, gold and silver for many years and is located along the Atacama Fault which is a major structure associated with several large copper deposits including Manto Verde with more than 100 million tonnes with averaging grading of 0.8 percent copper, Mantos Blancos with more than 500 million tonnes averaging 0.7 percent copper, and Candelaria with 430 million tonnes averaging 0.9 percent copper and gold as a byproduct. There is potential for significant copper-gold deposits given the historical mining in the area. The Union Mine recovered 84,097 tonnes of oxide ores with a recovered grade of 2.50 percent copper and 287 grams per tonne of silver during the period 1966 to 1982. Selwyn drilled 27 RC drill holes in 2004 and 9 in 2005, testing numerous targets, and concluded that the Union Mine structure has limited tonnage potential. Other targets remain to be tested.

The **Lucy Claims** cover an area of approximately 900 hectares surrounding the Silvita and Luzbel mine properties. The area hosts numerous copper-bearing tourmaline breccia bodies within granodioritic intrusive rocks. To date, previous exploration has consisted only of prospecting and chip sampling of known showings. Selwyn's exploration will focus on evaluating the potential of structural intersections within the covered areas on the south of the Lucy 3 and 4 claims. The property provides good potential for major oxide copper deposits.

The **Yuby** property covers 19 sq km adjacent to the Gabriela property (16 sq km) about 50 km west of Chile's largest copper mine Chuquicamata. Westmin Resources discovered a large, mineralised porphyry copper system in 1977 at Yuby. Field studies have defined extensive silicification, phyllic, advanced argillic and propylitic alteration assemblages, as well as numerous tourmaline-bearing intrusive breccia bodies that expand over an area of at least 12 sq km. Depth of oxidation in the drill areas is generally quite shallow, indicating a sulphide copper-type target. Low-grade chalcopyrite-pyrite mineralisation is evident in numerous drill holes, with some holes having very anomalous gold values. Drilling in the Pinchazo zone has intersected 0.25 percent copper and 0.38 grams per tonne of gold over 44 metres. The sulphide mineralisation is hosted in Mesozoic volcanic rocks, which are intruded by Late Cretaceous or Paleocene porphyry intrusions. Drilling may have only intersected the upper part of a porphyry system which may be transitional to a high-sulphidation gold environment, which is characterised by enargite, and abundant pyrite. The prime exploration target area is located southeast of the Pinchazo drilling zone, coinciding with several untested TEM anomalies, which are located on the Gabriela property boundary. Continuing work will focus on further exploration of the extent and tenor of the porphyry mineralisation, lookng at defining high-grade breccia-style material.

The **Cerro Ocre** project is located 30 km south of Yuby-Gabriela. It is also located in the Central Porphyry Belt and occurs on a major northeast trending cross structure. The property corresponds with a prominent gossan zone associated with pyrite alteration in Cretaceous dacitic volcanic rocks. Tourmaline breccias display strong limonite-goethite zones associated with strong silicification and advanced argillic alteration. Recent drill holes and geochemical sampling suggest low-grade copper mineralisation with weak molybdenum, silver and gold values within the volcanic rocks. Additional work is warranted to explore the adjacent pediment covered areas.

Financials

Profit and Loss

Year ending December (C$m)	2006A	2007E	2008E	2009E	2010E	2011E	2012E
Revenues	**—**	**—**	**—**	**—**	**—**	**180.5**	**871.4**
COGS	—	—	—	—	—	(125.3)	(570.6)
Gross profits	—	—	—	—	—	55.2	300.8
Administrative Costs	(1.4)	(1.8)	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)
EBITDTA	**(1.4)**	**(1.8)**	**(2.0)**	**(2.0)**	**(2.0)**	**53.2**	**298.8**
Depreciation & amortisation	—	—	—	—	—	(7.7)	(35.9)
Writedowns and Minority interests	(1.4)	—	—	—	—	—	—
EBIT	(2.8)	(1.8)	(2.0)	(2.0)	(2.0)	45.4	262.8
Interest	0.5	0.5	0.9	1.5	(22.0)	(40.0)	(35.0)
EBT	(2.3)	(1.3)	(1.1)	(0.5)	(24.0)	5.4	227.8
Tax paid	1.2	1.4	2.0	—	—	(16.6)	(92.7)
Earnings	**(1.1)**	**0.1**	**0.9**	**(0.5)**	**(24.0)**	**(11.2)**	**135.1**
Dividends	—	—	(0.3)	—	—	—	—
Retained earnings	**(1.1)**	**0.1**	**0.6**	**(0.5)**	**(24.0)**	**(11.2)**	**135.1**

Cash flow statement

Year ending December (C$m)	2006A	2007E	2008E	2009E	2010E	2011E	2012E
EBIT	(2.8)	(1.8)	(2.0)	(2.0)	(2.0)	45.4	262.8
Depreciation	0.1	—	—	—	—	(7.7)	(35.9)
Gains & Writedowns	1.4	—	—	—	—	—	—
(Increase) decrease in inventory	0.5	(0.7)	—	—	—	—	—
Increase (decrease) in payables	(0.2)	0.3	—	—	—	8.7	12.4
Net cash from Ops	**(1.0)**	**(2.2)**	**(2.0)**	**(2.0)**	**(2.0)**	**46.4**	**239.3**
Tax paid	—	1.4	2.0	—	—	(16.6)	(92.7)
Dividends	—	—	(0.3)	—	—	—	—
Net interest recieved (paid)	—	0.5	0.9	1.5	(22.0)	(40.0)	(35.0)
New equity	28.2	25.0	100.0	150.0	200.0	—	—
New (deposits) borrowings	—	—	—	200.0	500.0	(60.0)	(70.0)
Capital expenditure	(19.5)	(11.4)	(50.0)	(350.0)	(650.0)	(20.0)	(50.0)
Net cash from financing	**8.7**	**15.5**	**52.6**	**1.5**	**28.0**	**(136.6)**	**(247.7)**
Net increase (decrease) in cash	**7.7**	**13.3**	**50.6**	**(0.5)**	**26.0**	**(90.2)**	**(8.4)**

Balance sheet

Year ending December (C$m)	2006A	2007E	2008E	2009E	2010E	2011E	2012E
Fixed assets at NAV	25.0	36.4	86.4	436.4	1,086.4	1,114.1	1,200.1
Cash	10.4	23.7	74.3	73.8	99.8	9.7	1.3
Receivables	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Inventory	—	0.7	0.7	0.7	0.7	0.7	0.7
Less Payables	(1.1)	(1.4)	(1.4)	(1.4)	(1.4)	(10.1)	(22.5)
Net current assets	**10.1**	**23.8**	**74.4**	**73.9**	**99.9**	**1.0**	**(19.8)**
Less loans	—	—	—	(200.0)	(700.0)	(640.0)	(570.0)
Capital employed	**35.1**	**60.2**	**160.8**	**310.3**	**486.3**	**475.2**	**610.3**
Represented by							
Share capital	35.5	60.5	160.5	310.5	510.5	510.5	510.5
Add retained profit							
Prior periods	—	(0.4)	(0.3)	0.3	(0.2)	(24.2)	(35.4)
This period	(0.4)	0.1	0.6	(0.5)	(24.0)	(11.2)	135.1
Shareholders' funds	**35.1**	**60.2**	**160.8**	**310.3**	**486.3**	**475.2**	**610.3**

* Our financial projections have been prepared assuming further equity and debt capital raisings. Were these not to occur, on our forecasts the company would incur a deficit on shareholders' funds.

Source: Objective Capital

Appendix: Management

Dr Harlan D. Meade, President, Chief Executive Officer and Director, a Director of the predecessor company Expatriate Resources Ltd since December 1995, a geologist and President and CEO of the company since May 1998. Previously, Dr Meade was Vice-President of Exploration and Environment of Westmin Resources Ltd from 1992 to 1997, continuing as Vice-President of that company through to February 1998. He played a major role in the exploration and/or development of several deposits currently being mined by Westmin's successor company. He was also instrumental in the discovery and exploration of the Wolverine Deposit. Dr Meade is a graduate of the University of British Columbia, University of Western Ontario and Simon Fraser University with degrees in Geology and Business Administration.

David Kwong, Chief Financial Officer
Mr. Kwong has a Bachelors of Commerce degree from the University of British Columbia and is a Chartered Accountant with considerable experience in financial, corporate and regulatory reporting within the exploration and mining industry. Previously he was Controller of the company. He brings extensive experience in financial reporting of TSX-V listed exploration and mine development companies.

Jason Dunning, Vice President Exploration, joined the predecessor company in April 2003. Mr Dunning is a graduate of Carleton (Hon. B.Sc. Geology 1994) and Laurentian (M.Sc. Geology 1998) universities and has a strong background in volcanogenic massive sulphide and other types of deposits. Prior to joining Expatriate, he was a Project Geologist for Hudson Bay Exploration and Development Co. Ltd, based in Flin Flon, Manitoba.

John J. O'Donnell, Manager of Exploration is a geologist with a B.Sc. from Brandon University and a member of the Association of Professional Engineers and Geoscientists of Manitoba and Saskatchewan. Before joining Selwyn in May 2005, he was Senior Mine Geologist for Hudson Bay Mining and Smelting. He has extensive experience in exploration and development of base metal deposits.

Barry Finlayson, Secretary, a barrister and solicitor with Lang Michener LLP in British Columbia, has practiced primarily in the field of securities law since 1975. Mr Finlayson has been the Secretary of Selwyn Resources since December 2006.

Justin Himmelright, Manager of Environment and Community Affairs, joined Selwyn in June 2006. Mr Himmelright has a strong background in project permitting, First Nations consultation, and regulatory affairs for industrial projects. He is a graduate of Simon Fraser University (B.Sc. Biology) and brings 11 years of environmental, mining, and exploration-related experience to Selwyn, including two years with Expatriate Resources Ltd (predecessor to Yukon Zinc Corporation). Prior to joining Selwyn, he was a Natural Resource Specialist, Environment & Social Issues Coordinator, and Aboriginal Relations Coordinator for BC Hydro. He was also a Project Manager and Biologist for Hallam Knight Piesold Ltd/ Knight Piesold LLC.

Jasmin TamDoo, Manager of Investor Communications, joined Selwyn in December 2004. Ms TamDoo is a graduate of University of British Columbia and has extensive public relations and in marketing experience within the health food and bottled beverage sectors.

Wade Nesmith, Chairman and Director is a graduate of Osgoode Hall Law School and has had a prestigious legal career with Lang Michener and the British Columbia Securities Commission, as well as the Alberta and Ontario Attorney Generals' offices. His law practice has generally focused on securities regulation and corporate governance. More recently he has undertaken commercial ventures with Nesmith Capital Corp. and Westport Innovations Inc. He is currently lead director of Silver Wheaton Corporation, NYSE and TSX listed issuer, and Nord Resources Corporation.

Brad Marchant, **Director** is President and Director of Bioteq Environmental Technologies Inc. which provides environmental solutions to mining companies. He has more than 25 years' experience in the mining and environmental industry with numerous technology and mining companies including Coastech Research Inc., Triton Mining Corporation, Placer Dome, Equity Silver Mines Ltd and Wabush Mines. While working in Placer Dome's development group, he undertook extensive metallurgical test work and pilot testing on ores from the Howard's Pass deposit.

Patrick Mars, **Director** is an independent consultant specialising in mine financing and analysis. He has more than 30 years' experience in the investment industry with extensive involvement in mining research, financing and advisory work.

Ken Thorsen, Director, joined Selwyn in November 2004. Mr Thorsen is a professional geologist (Geological, B.Sc., South Dakota Mines and Tech 1970). He is currently President of Thorsen Consulting and previously worked for many years with TeckCominco, including the positions of General Manager, Advanced Projects, Teck Corporation, December 1999 to December 2001.

Robert Yeoman, Director, a Director of the predecessor company, Expatriate Resources, since June 2000, is a business executive working in the resources sector. Mr Yeoman is Corporate Secretary for Vaaldiam Resources Ltd. Previous to his work with several junior resource companies, he had a successful career as Senior Vice-President of Corporate Development with Brascan Ltd.

We are pleased to bring you this report on **Selwyn Resources**.

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Gabriel Didham, CFA
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Sam Kiri, CFA
Sam has more than 13 years of international analytical research experience with a primary focus on resources and energy companies. He has previously served with Scotiabank and W.I. Carr in the Far East.

John Barry, EurGeol, M. Sc., MBA, P. Geo, M. Aus I.M.M
John has over 18 years experience in the exploration and mining industry in The Americas, Europe, Africa, Australia and South-East Asia. He is a professional member of the *European Federation of Geologists*, the *Institute of Geologists of Ireland* and the *AusIMM*.

Will Purcell
Will has been involved in the resource sector for 30 years in a variety of roles. Since the late 1990s, he has been active in assessed mineral resource investment projects. Will has a B. Math degree from the University of Waterloo in Ontario.

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