

DMC Mining Ltd

DMM

Wednesday, 14 May 2008

Emerging West African iron ore project

Recommendation Speculative Buy

Overview

DMM has announced an initial resource estimate for its Mayoko (80%) iron ore project in the Republic of The Congo. The resource, based on 26 historical diamond drill holes, totals 33 million tonnes averaging 55.5% Fe, 0.1% P, 10.4% SiO₂ and 3.8% Al₂O₅. Geological modelling of the project has outlined a target of 110 to 135 million tonnes of hematite enrichment at 55 to 58% Fe and 750 to 800 million tonnes at 35 to 45% Fe. Of the 26 holes comprising the resource estimate, 25 ended in elevated iron grades and therefore portions of the deposit are considered to be open at depth. DMM conducted the resource estimate following acquisition of an 80% interest in the project in December 2007. The project covers 1,000 sq km.

A scoping study is currently underway by GRD Minproc and covers capital cost estimates, including mining, processing and infrastructure, operating cost and an assessment of mining, processing and transport options. The study is due for completion in May 2008 and is based on production of up to 11 million tonnes per year of hematite.

The Mayoko project lies over the Precambrian Congo Craton of West Africa. The area consists of meta-sedimentary rocks that have been metamorphosed up to granulite facies and are around 2,540 million years old. Enrichment of iron occurs within deeply weathered iron-rich metamorphic rocks, that have been termed "Chapeau de Fer" or hats of iron.

The Republic of The Congo is a stable, single party dominant republic and should not be confused with the Democratic Republic of Congo which lies to the south and east. Major oil multinationals such as TOTAL and Chevron Texaco have been operating in the republic uninterrupted for approximately 30 years.

The project is close to a heavy haulage rail line that was constructed around 45 years ago primarily for the transport of manganese ore to the deep water port at Pointe Noire about 300 km to the south southwest. A recent review by an independent senior project engineer concluded that a new siding will be required to connect to the existing railway approximately 5 to 10 km south of Mayoko and that additional sidings and loops will be required to ensure expedient transport to the coast.

The project will have to maintain its own power supply as the local power station has limited capacity and there are no other overhead transmission lines in the vicinity of the project area. In terms of water supply, the Lagesse River, a substantial water course, is located 5 km to the west of the project.

DMM intends to conduct a gravity survey in June 2008 to be followed in July by in excess of 20,000 metres of drilling in order to delineate further hematite resources at the project. The exploration program will also include pitting and trenching. At a shareholders meeting scheduled for 15 May, 2008 the company will seek approval for the issue of up to 20 million shares in order to raise funds for further exploration and evaluation of the Mayoko project. In addition approval will be sought for the issue of up to 11.83 million shares and 11 million options to various parties in connection with the acquisition of the Mayoko project.

Impact

In a rapidly evolving project the results of GRD Minproc's scoping study into the Mayoko iron ore project, expected to be delivered later this month, are eagerly awaited. DMM has emerged with an 80% interest in a hematite plus potential magnetite iron ore project in the relatively risk free Republic of The Congo. A rail line to a deep water port is at its doorstep.

Snapshot

Last Price	\$0.78
Market Cap (m)	\$28.0
52 Week High	\$1.18
52 Week Low	\$0.1793
Sector	Metals & Mining

Investment Fundamentals

Cash reserves	\$1.0 million
Shares on issue	35.9* million
Options on issue	24*m listed 20 cent options 3*m unlisted options
Directors	David Sumich (Executive) Bruce Franzen (Non-exec) William Witham (Technical)

Major shareholders	Ekul Nominees 22.62% *subject to shareholder approval
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Price Chart

Business Description

DMM is a mineral exploration company that holds an 80% interest in the Mayoko iron ore project in the Republic of The Congo.

Analyst: Paul Gooday

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Prepared by Paul Gooday

INTERSUISSE LIMITED ABN 14 002 918 247, AFSL 246827

Market Participant: Australian Security Exchange Ltd

Melbourne Office:
Level 37, 530 Collins Street,
Melbourne, Vic, Australia 3000
Telephone: (+613) 9629 8288
Facsimile: (+613) 9629 8882
Email: suisse@intersuisse.com.au

Sydney Office:
Level 7, 5 Elizabeth Street,
Sydney, NSW, Australia 2000
Telephone: (+612) 9233 2100
Facsimile: (+612) 9233 2117
Email: sydney@intersuisse.com.au

Internet: : <http://www.intersuisse.com.au>