

INITIATING COVERAGE

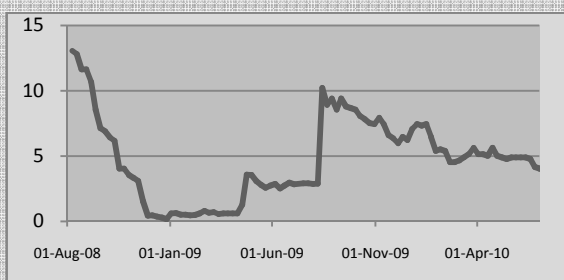
BUY

12th August 2010

Key Statistics

Code : AMC
 Listing : AIM
 Sector : Mining
 Market Cap : £10.80m
 Shares in issue : 211m
 Current Price : 5.12p
 2009-10 High/Low : 12.58p/2.66p

Stock Performance



Financials

\$'000	FY 07	FY 08	FY 09
Revenues	0	0	0
EBT	(1,985)	(2,302)	(1,761)

Source: 2009 & 2008 Annual reports

Company description

Amur Minerals has a 100% interest in the Kun-Manie exploration licence which covers a nickel-copper deposit located in the Amur Province which lies to the far east of the Russian Federation. A successful exploration strategy has given the Company a substantial JORC resource and reserve. Amur Minerals has a positive Pre-Feasibility Study and gained a Certificate of Discovery which is an intermediate stage to gaining a Mining Licence.

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Nickel sulphide project with scope for substantial upside for resource expansion

The current market capitalisation ignores the potential of Amur Minerals' 100% interest in the Kun-Manie nickel sulphide project which has a positive pre-feasibility study.

▪ Growing JORC resource

The Kun-Manie nickel sulphide project lies in the same province in Russia as the Pokrovskiy gold mine which is one of the key producing assets of Petropavlosk (was Peter Hambro Mining). Exploration efforts have been highly successful and Amur Minerals has a JORC resource estimate of 68.5 million tonnes (Mt) of 0.50% nickel and 0.14% copper which equates to 341,000 tonnes of ni and 95,500 tonnes of cu. There is plenty of scope to increase the resource as recent trenching and drilling has highlighted new prospective sites where the team may be able to show continuity between the three currently defined mineable areas to define a far larger project.

▪ First phase of Kun-Manie development shown to be economic

The Pre-Feasibility Study on the Kun-Manie nickel sulphide deposit by SRK Consulting indicated that the project would have a net present value of \$84m after tax using a 10% discount factor and an internal rate of return of 15.7%. It was proposed that four million tonnes of ore would be processed each year using open pit methods with a fairly low stripping ratio. This seems to have been a highly conservative study and inside we examine some of the key variables.

▪ Certificate of Discovery underpins the share price

Amur Minerals gained a Certificate of Discovery in April 2009 which is the intermediate stage to being awarded a Mining Licence. In order to encourage exploration in Russia, the government could compensate exploration companies that have gained a Certificate of Discovery but then subsequently fail to be issued with a Mining Licence. For nickel projects, this compensation runs at 140% of sunk costs.

▪ Decision on Mining Licence expected in 6 months

The management team has a track record of working their way through the Russia licensing system to gain valuable licences, permits and approvals. The board has reported that progress has been made towards gaining a Mining Licence and a decision is expected in the next 6 months. Given the scale of compensation available, it appears to us unlikely that the award of a Certificate of Discovery would not be followed by the granting of a Mining Licence.

▪ Few economic nickel sulphide discoveries

In recent decades there have been few economic nickel sulphide discoveries. To meet increasing demand lateritic nickel projects have been developed that require very expensive processing plants resulting in much higher costs of production. In the coming years the demand from the emerging countries, plus a return of positive growth from the developed world, is expected to increase stainless steel production (which uses 65% of nickel mined worldwide).

▪ Award of a Mining Licence should trigger further upside potential

Peer group analysis suggests that Amur Minerals could attract a valuation similar to nickel sulphide exploration companies such as Starfield Resources or Victory Nickel of around £19.8m to £20.8m. The Pre-Feasibility Study gave the project a NPV of \$84m which equates to 25.2p per share. This could be the target price when a Mining Licence is granted. It is good to see that Amur has just successfully raised £1.24m at 3.5p per share.

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1.0 Company Overview

1.1 Company Description

*Successful
exploration strategy
has led to the
discovery of
substantial reserves
of nickel and copper*

Amur Minerals has a 100% interest in the Kun-Manie exploration licence which covers a nickel-copper sulphide deposit situated in the Amur Province that lies in the far east of the Russian Federation. This project is located 700km north east of the capital Blagoveshchensk and 750km north of the border with China. In April 2004, Amur's wholly owned subsidiary ZAO Kun-Manie was granted a licence to explore the Kun-Manie licences for nickel as well as related metals that include copper, cobalt, platinum and palladium. A successful exploration strategy has led to the discovery of substantial reserves of nickel and copper with a well-designed programme that has involved extensive drilling and trenching on the property.

1.2 Organisational Structure

Amur Minerals was admitted to trading on London's AIM market in March 2006 raising gross proceeds of £4.6m at 33p, giving an initial market capitalisation of £29.97m. Since then the Company has raised a total of £3.9m at lower share prices. These fund raisings have included: a private placing in March 2007 raising £1.7m at 18.5p and £1.02m raised at 17p in July 2008. Last year, the Company took part in a £589,000 share exchange transaction with Grafton Resources Investments Ltd and a £120,000 placing with both transactions being carried out at 3.9p; which was followed by two placings in August for a combined £1.09m at 7p.

In July 2010, a £1.24m placing at 3.5p a share raised £1.24m as a result of which new institutional investor Lanstead Partner joined the shareholders' list with a holding of 8.6%. The money raised will fund the ongoing programme at Kun-Manie, the Company's main nickel exploration project.

1.2.1 Company History

Amur Minerals Corporation was incorporated in the British Virgin Islands in January 2004 under the name of Croesus Resources Group Limited. The Company was established to acquire, explore and develop mining projects in the far east of Russia. Whilst a private company, three fund raisings were supported by institutions and private investors where a total of \$7.8m was raised.

1.2.2 Board Members' Biographies

The board of Amur Minerals consists of professionals who not only have substantial experience in developing mining projects, mining finance and mining investment but also know how to get business done in Russia.

Robert Schafer- aged 56

Non-Executive Chairman

Robert has over thirty years' experience in the mineral industry and at present is working in the international sector with both major and junior mining companies. He is currently Vice-President, Business Development with Hunter Dickinson Inc., a global private natural resources corporation. During his career, Robert has worked internationally and has experience in the far east of Russia, South Africa, South America and Australia. His work has included the structuring and implementation of successful exploration strategies, project reviews and valuations which have led to acquisitions and the management of local and expatriate exploration teams operating in a wide variety of geological settings.

Robin Young- aged 56

Chief Executive Officer

Robin is a geologist and engineer who has worked extensively in the Commonwealth of Independent States (CIS). In all he has plus thirty years' experience in the mineral resources

industry which has included large projects in remote areas as well as significant work with junior companies. He has held positions of increasing responsibility within the exploration, development and production sectors. Since 1980, Robin has been involved in the international sector and was the Chief Executive Officer of two geological and mining consultancy companies. He has been the CEO of the Company since 2004. Robin is a licensed Professional Geologist and holds a Bachelor of Science degree in Geological Engineering.

Brian Savage- aged 50

Non-Executive Director

Brian is a founder of Frontier Mining Limited who has served on the board of that company since its formation in 1998 and was its CEO between 2001 and 2009. He joined the board of Amur as a Non-Executive Director in July 2010. Brian has more than twenty years' experience of the mining industry and has held senior level positions at the Bank of New York, Sharps Pixley and the Bank of Montreal. In 1996, he became the President of Earth Search Sciences Inc (ESSI), a remote sensing company with applications within the mining industry, and played a major role in the US Government-sponsored Remote Sensing Mission to Kazakhstan and formed several joint venture companies in that country. Brian left ESSI in 1998 and formed Frontier Mining Limited having acquired the relevant data and local rights to the ESSI findings. Brian has a BSc in Mining Engineering and an MSC in Mineral Economics from the Colorado School of Mines.

1.2.3 Notable Shareholders

Notable shareholders (above 3%)

Name	% Holding
Capita IRG Trustees Nominees Ltd	39.8%
Lanstead Capital LP	8.1%
Capital IRG Trustees Nominees	7.5%
TD Waterhouse Nominees (Europe) Limited	6.6%
UBS AG	6.1%
Barclayshare Nominees Limited	5.5%
HSDL Nominees Limited	4.8%
Foxley Associates Limited	4.2%
Anturium Resources SA	3.3%
Polar Star Capital Limited	3.3%
National Republic Bank LLC	3.3%

Source: Argus Vickers

2.0 Kun-Manie Nickel Sulphide Project

2.1 Licences

Amur Minerals has interests in three properties:

- 1) Kun-Manie nickel copper sulphide deposit;
- 2) Kustak, a nickel, copper and molybdenum extension to the Kun-Manie licence;
- 3) Anadjakan, a copper gold exploration licence with the potential for copper porphyry.

Our report focuses on the 100%-owned Kun-Manie nickel copper flagship project on which the Company is concentrating its efforts.

The exploration licence at Kun-Manie covers an area of 950km² and was granted in April 2004 through to 31 December 2008 and was extended for a further two year period. This licence is due to expire again on 31 December 2010, but the team are in the process of applying for a further two year extension. Exploration work to date has uncovered three mining reserve areas, two of which are open along strike and at depth. The most recent exploration work has brought more evidence that the true limits of this mineralisation are yet to be discovered and it would seem that the resource base could be significantly increased as a result of further drilling.

2.2 Location

The project is fairly remote lying in the Amur Oblast, Amur Province, in the far east of the Russian Federation, 700km north east of the capital city of Blagoveshchensk. The nearest communities are Verkne-Ziesk and Bomnak that lie 275km to the north east. Bomnak is to be found north of the large reservoir above the Zeta hydroelectric dam whilst Verkne-Ziesk is situated on the Baikal-Amur Railroad. The Kun-Manie project lies in the same province in Russia as the Pokrovskiy gold mine which is one of the key producing assets of Petropavloskplc which was formerly known as Peter Hambro Mining.

2.3 Topography

The land covered by the licence area is mountainous with peaks rising to 1,400 to 1,600 metres above sea level (masl) with the valleys at 700 to 800 masl. The area is covered by pine forests and crossed by several rivers which flow into the Maya and Uda rivers.

2.4 Climate

Information from the Bomnak weather station which lies 200km from the site shows that temperatures only rise above freezing during the day in May to September hitting a peak of 18 degrees centigrade. Between November and February temperatures range between minus 51 and minus 20 degrees centigrade. Precipitation averages 1.5mm per day with 71% of this falling in the period from June to September. Permafrost is also present in the region.

2.5 Geology

Kun-Manie is to be found on the south eastern edge of the Aldan-Stanovoy shield of the Siberian platform which forms part of the 3,000km long Kalaro-Dzhugdzhur gabbro-anorthosite intrusive belt. The Kun-Manie massif is just a small part of this belt and is found at the major fault zone where the Kun-Manie and Maiskey faults meet. The licence area sits on the western edge of the massif which is made up of largely metagabbros and hosts a series of mafic and ultra mafic sills. Geologists believe that it is these sills which act as the primary host for syngenetic disseminated ores and veinlets enriched with nickel, copper, cobalt and the platinum group metals. Most of the sills that have been identified in field work have been found to be located in the Krumkon Trend which is a belt approximately 1 to 2 kilometres in width. The mineralisation dips into the hillside with the highest grades found

The limits of the mineralisation have yet to be discovered and it would seem that the resource base could be significantly increased with further drilling effort

around outcrops and the grade becoming lower as the mineralisation band becomes narrower the further it goes into the hillside.

Location of the Kun-Manie nickel sulphide project in Far East Russia



Source: Amur Minerals Corporation

2.6 The Early Days

In the mid-to-late 1940s a team of Soviet geologists carried out regional airborne geophysics and geochemical sampling but no further work was carried out as a result of the depressed Russian economy. In 1999, Falconbridge re-evaluated this regional data and ultimately embarked on a drilling programme on a 6km section of the Krumkon Trend. This programme consisted of 10 holes drilled to an average depth of 150m accompanied by excavation of 10 trenches for 485 metres. The holes were all drilled even though midway through the work, Falconbridge walked away from the project as the company was in the midst of a merger with Noranda and the Russian economy was bleak.

2.7 Exploration

Amur’s first season of exploration work was in 2004 when 15 holes were drilled totalling 2,014m and 15 trenches for a total of 579m were dug. This work discovered multiple nickel and copper anomalies spread throughout the licence area, but which were not associated with the Krumkon Trend. The programme of work in 2005 and 2006 confirmed continuity of mineralisation within Vodorazedelny and Ikenskoe deposits and identified a new zone named Falcon. In 2005, the team focused on areas that had already been drilled- namely 38 holes totalling 5,175m. In 2006 44 holes were drilled totalling 3,224m (included step-out drilling) and 20 trenches dug totalling 534m. Work in 2007 expanded the resource with a total of 5,500m of infill and step-out drilling which served to more than double the resources at the

MalyKrumkon deposit in the Kun-Manie licence taking the total to 26.3 million tonnes of ore with JORC Codes Indicated and Inferred categories with a grade of 0.52% nickel and 0.14% copper. At that stage, the global resource figure which covers all deposits (Measured, Indicated and Inferred) totalled 68.5Mt at 0.50% nickel and 0.14% copper.

2.8 Pre-Feasibility Study

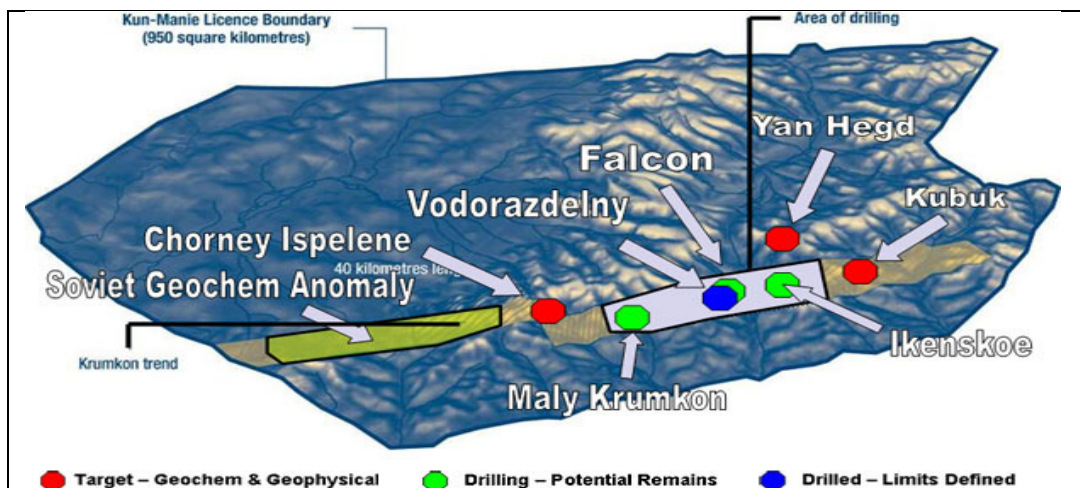
The first phase of the Kun-Manie development has been shown to be economic

The first phase of the Kun-Manie development has been shown to be potentially economic. In December 2007, the board announced the results of the Pre-Feasibility Study (PFS) on the Kun-Manie nickel sulphide deposit, prepared by well-respected international mining consultants SRK. This study contained projections that indicated that the project had a post tax net present value of \$84m using a 10% discount factor and an internal rate of return of 15.7%. The mine and plant would operate year round although seasonal roads would be used for eight months of the year to take the concentrate to the rail head and to ferry in supplies. It was proposed that four million tonnes of ore would be processed each year using open pit mining with a stripping ratio of between 2.9/1 to 1.0/1 - which is low on an international scale for a nickel sulphide project.

From the announced Measured and Indicated Resource figures SRK derived a Probable Ore Reserve of 31.5Mt with an average grade of 0.54% nickel and 0.15% copper. Over a ten year mine life, the study included a planned total production of 38.2Mt of ore at 0.54% nickel and 0.15% copper containing 210,000 tonnes of nickel and 59,000 tonnes of copper (with the excess coming from mining some of the Inferred Mineral Resources). A 76% metallurgical recovery was projected to yield a total of 159,000 tonnes of nickel and 43,000 tonnes of copper.

SRK suggested mining the ore from three ore bodies by open pit methods at Voderazdelny, Ikenskoe and Maly Krumkon. The mining plan involved production commencing at Voderazdelny which possessed 5.3Mt ore and 2.6Mt of waste giving a low strip ratio of 0.5 with relatively high grade material of 0.73% nickel and 0.20% copper. Once that has been mined, production would then switch to Ikenskoe which lies 300m lower in a valley south east of Voderazdelny. At Ikenskoe, 15.4Mt of ore and 42.5Mt of waste are proposed to be mined with a strip ratio of 2.7 where the material is 0.51% nickel and 0.14% copper. Finally in year six, Maly Krumkon would be open pit mined where the mineralisation outcrops in the valley giving access to a deposit that dips into the hillside. The strip ratio here is 3.6 with 17.5Mt mineable reserves of 0.50% nickel and 0.15% copper and 63.2Mt of waste.

Location of the Vodorazdelny, Ikenskoe and MalyKrumkon ore bodies



Source: Amur Minerals Corporation

The initial capital expenditure was estimated at \$331m which included the road to the site, necessary structures, processing plant, tailings dam, mining vehicles, development work and a transport fleet. The seasonal road to the site was the largest cost and estimated at \$139m. Additionally \$66m of sustaining capital expenditure was estimated over the ten year life of the mine to replace vehicles and increase the size of the tailing pond.

Sensitivity analysis shows that each dollar increase in the price of nickel adds more than \$100m to the NPV.

The PFS calculated that the total operating cost to produce a tonne of concentrate delivered to the nearest rail head was \$16.63, with the combined cost per tonne for rail transports and smelter charges estimated at \$6.33 per ore tonne. The overall cost of producing a pound of nickel was estimated to be \$2.51, a figure which includes mining, processing, administration and transport costs. No contribution from the sale of the by-products of cobalt, platinum and palladium was factored into these calculations and the NPV was calculated using a nickel price of \$7.50 per pound or \$16,530 per tonne. Sensitivity analysis showed that each dollar increase in the nickel price adds more than \$100m to the NPV.

2.9 Growing Resource Base

Scope to increase the resource base dramatically..... mineralisation extends both South and East from Ikenskoe

Since the publication of the PFS, further exploration has suggested that there is scope to increase the resource base dramatically, if continuity between the three distinct mineable areas that have already been defined can be maintained. In July 2008, nickel grades up to 0.98% and 0.24% copper over 5.7 metres were reported from three holes drilled along the western extension of the previously drilled Ikenskoe ore body, showing that the limits of the mineralisation had not yet been found. In August 2009, Amur submitted its updated reserve estimate for its Maly Krumkon deposit to GKZ (the State Committee on Reserves) for review and approval taking an important step towards gaining a Mining Licence for the three deposits located within the Kun-Manie nickel copper exploration licence. The Maly Krumkon reserve was put at 12.9 Mt of ore with grades of 0.63% nickel and 0.18% copper and classified as C1 and C2 for all three deposits under the Russian reserve system. (In broad terms the Russian C1 and C2 categories approximate with Proven and Probable reserves under the JORC classification). The global C1 and C2 for all three deposits was put at 31.7 Mt of ore with an average predicted diluted grade under Russian regulatory standards of 0.64% nickel and 0.18% copper. Approval was granted in October 2009 which included by product content totalling 3,960 tonnes of cobalt, 189,400 ounces of platinum and 213,800 ounces of palladium.

Further expansion of the resource potential in the Kun-Manie project was announced in April 2010 as work on sampling outcrops led to the discovery of the Gorney Target, a geochemical anomaly that lies between two of the existing identified potential pit areas. Two wild cat holes drilled along the strike 4km to the east of the MalyKrumkov resource intersected potentially economic grades of mineralisation within a 15m to 30m thick websterite sill. On 14th June 2010 the Company announced news of a nickel sulphide discovery south of the Ikenskoe, which is the largest of the three drilled deposits within the exploration licence. This latter discovery was made while cutting an access road and seems to confirm that the mineralisation extends both south and east from Ikenskoe which would make this deposit substantially larger than currently stated. Samples from the road cut have been sent to be assayed.

Amur has gained a Certificate of Discovery which is an intermediate stage to obtaining a Mining Licence

Russian legislative frame work

The board of Amur has shown that they are able to negotiate their way through the mining licensing system to gain valuable licences, permits and approvals. The Company secured a five year exploration licence which expired on 31 December 2008 and then gained an extension for a further two year period. There is no limit on the number of extensions that may be granted on a exploration licence and the board is confident that the Company will receive a further two year extension.

In the summer of 2009 Amur gained a Certificate of Discovery - which is the intermediate stage to obtaining a Mining Licence and at which stage the Company needed to have a positive feasibility study.

Since May 2008, nickel properties have been classified as strategic assets which carry their own special regulations and Mining Licences for such projects need to be vetted not just by the GKZ but also by the country's anti-monopoly body, FSB (formerly the KGB) and the Department of Defence. Additional regulations for strategic assets include the need for government approval or the filing of a subsequent notification of a change in management and ownership. These regulations have not been in place for very long and the board has noted that there is a degree of uncertainty in how these regulations are to be interpreted.

The board has commented that it has made significant progress towards obtaining a Mining Licence and a decision is expected within 6-12 months from submission of its application which was undertaken in January of this year. Mining Licence applications are sent to Rosnedra where a panel of experts check and review the application and determine whether the final licence should be awarded. If the project is awarded the mining licence and it is financed in Russia, the Mining Licence is judged to be sufficient; the company can advance the project in a timely manner. However if Amur seeks to raise the necessary funds internationally to put the mine into production, then a Bankable Feasibility Study will be needed, which appears to take 1-2 years to produce given the amount of detail required. The Kun-Manie nickel sulphide project has all the makings of becoming a large undertaking for a small company and the likelihood is that once Amur Minerals is able to start to prove that additional continuity exists between the three JORC resources areas the scale of such a project may attract the attention of a joint venture partner that has access to the level of funds necessary to make the most of the opportunity.

2.10 Key Milestones to Date

Amur Minerals' key milestones to date are outlined below:

Year	Month	Event
2006	December	SRK Consulting's resource update for Kun-Manie
2007	January	Kun-Manie valuation stands at \$100m based on SRK's resources update
2007	April	Placing to raise £2.79m at 18p per share
2007	August	Publishing of its complete drill hole data set to December 2006
2007	November	Maly Krumkon (Kun-Manie) resource estimate increased by 140% compared to prior year
2008	February	Placing to raise £2.59m at 37p per share
2008	April	Russian State Committee on Reserves (GKZ) approves first series of filings which allows the submission of reserve estimates by Amur Minerals
2008	July	Placing to raise £1.02m at 17p per share
2008	December	First two-year licence extension granted
2009	April	Certificate of discovery issued for the Kun-Manie project Placing to raise £180,000 at 3p per share
2009	August	Placing to raise £592,550 at 7p per share
2009	October	Russian Authorities approve the Reserve Estimate for MalyKrumkon (Kun-Manie)
2010	January	Application for Kun-Manie mining licence submitted, with results expected within 12 months
2010	June	Additional mineralisation identified during road-cut at Kun-Manie, suggesting potential expansion
2010	July	Application for a 2 year extension of the Kun-Manie exploration licence filed. Placing to raise £1.24m at 3.5p per share.

Source: Amur Minerals Corporation

2.11 Goals for 2010/2011

With efforts currently focussed on the Kun-Manie project, there are a number of potential events over the next twelve months that have been identified and outlined below:

Event:
Application of exploration licence extension for the Kun-Manie project
Completion of exploration licence extension
Update of drill data sets- high definition
Upgrade on resource classifications using data acquired post SRK study- Maly Krumkon, Vodorazdelny, Ikenkoe
Update open pit optimizations, individually for MalyKrumkon, Vodorazdelny, Ikenkoe
Optimise an integrated production for all three schedules combined
Additional metallurgical work to be conducted
Assessment results of scoping study for alternative metallurgical plant designs
Update cash flow model using new Russian profit tax schedule
Updates on mining licence as available
Results from exploration programme available

Source: Amur Minerals Corporation

3.0 The JORC Resource

In-situ geological resource estimate

Ore body	Tonnage (Mt)	Nickel (%)	Copper (%)
IKENSKOE			
Measured	3.7	0.61	0.16
Indicated	26.8	0.42	0.12
Sub-total	30.5	0.44	0.13
Inferred	5.9	0.49	0.13
Total Ikenkoe	36.4	0.45	0.13
MALY KRUMKON			
Indicated	15.0	0.49	0.13
Inferred	11.2	0.56	0.16
Total	26.2	0.52	0.14
VODORAZDELNY			
Indicated	5.9	0.71	0.20
TOTAL RESOURCE			
Total Measured	3.7	0.61	0.16
Total Indicated	47.7	0.48	0.13
Total Inferred	17.1	0.54	0.15
Grand Total	68.5	0.50	0.14

Source: SRK Consulting, 2007

4.0 Nickel

4.1 Uses

The overall market for nickel appears attractive. Around 65% of world nickel production goes into stainless steel. A further 20% is used in steel and non-ferrous alloys that are manufactured for highly specialised industrial, aerospace or military applications, and a growing 5-7% in Nickel Metal Hydride (NiMH) which is used in storage cells for electric cars.

4.2 Historic Trend

The increasing affluence of the Chinese leading to a substantial increase in demand for consumer electrical products (which use a lot of stainless steel) led to the LME nickel price more than doubling to over \$52,000 a tonne in the year to May 2007. However by the end of 2008, the price had fallen below the \$10,000 mark as demand dropped. Despite the recent downturn in the nickel price there are strong prospects for the metal from stainless steel manufacturers as the ongoing industrialisation of China continues. China's demand for nickel has grown from just 4% of world consumption in 1995 to close on 30% in 2008.

4.3 Price Forecasts

In "Nickel: Market Outlook to 2014" published in January 2010 by Roskill Information Services, a leading provider of information on the international metals and minerals markets, it is suggested that the demand from the emerging markets along with the return of positive growth in the developed countries will lead to increases in stainless steel production in 2010 and 2011; and forecast that nickel consumption would rise by 7% in this year. This study pointed out that beyond 2011, new supplies of nickel will be necessary to meet what their analysts predict will be increasing demand. Roskill's forecast was for an annual average price of \$20,000 per tonne with higher prices in 2011 and 2012. Overall their analysts predict an average price of \$22,000 per tonne between 2010 and 2012. Currently the nickel price stands at \$9 per pound equating to \$19,800 per tonne. In late May 2010, the President of China's Baosteel's Stainless Steel Business Unit, Lou Dingbo, commented that nickel demand is expected to rise by 5% in 2010 due to China's stainless steel consumption.

4.4 Lateritic Nickel

Due to the shortage of discoveries of economic nickel sulphide deposits, many of the new nickel projects to come on stream are mining nickel laterite ore. The costs of lateritic nickel projects are substantially higher than those for nickel sulphides as the processing technology requires high temperatures and pressures to extract the metal in the mill and so processing plants are very expensive. Additionally, the technology appears to still be in development. The leading technology for processing lateritic nickel ore is probably high pressure acid leaching (HPAL) which requires a vastly expensive plant using stainless steel to cope with the highly corrosive hot acid used in the process. The way forward for nickel laterite projects seems to be to team up with a technology partner that is developing the necessary science.

Demand from the emerging countries plus a return of positive growth in the developed world is expected to lead to increases in stainless steel production in 2010 and 2011

5.0 Financial Results

Amur Minerals is an exploration company generating no revenue and has needed to come to the City at regular intervals to raise funds to pay for its programme of work on the ground in Russia. Final results for the 12 months to 31 December 2009 showed that total administration costs were reduced by 30% to \$1.637m including \$0.240m of costs from the impairment of capitalised exploration costs (2008: nil). At the end of the period, the Company had cash and cash equivalent of \$997,000. In addition there was \$691,000 of investments that were available for sale which refers to the holding in Grafton Resources Investments Ltd which were acquired at \$38.42 per share. As at 30 April 2010, the net asset value of Grafton Resources Investments Ltd stood at \$41.92 per share.

Financials

Year ended 31 December '000\$	2009	2008	2007
Other administrative expenses	(1,397)	(2,352)	(2,121)
Impairment of capitalised exploration costs	(240)	-	-
Total administrative expenses	(1,637)	(2,352)	(2,121)
Loss from operations	(1,637)	(2,352)	(2,121)
Finance income	-	50	136
Finance expense	(179)	-	-
Gain on sale of property plant & equipment	55	-	-
Loss before tax	(1,761)	(2,302)	(1,985)
Taxation	-	-	-
Loss for the year	(1,761)	(2,302)	(1,985)
Loss per share	\$(0.01)	\$(0.02)	\$(0.02)

Source: Amur Minerals Corporation

6.0 Valuation

Valuing exploration companies is far from being an exact science. The focus in this report has been to highlight the Company's highly creditable achievements and in this section we attempt to give an idea of the range of valuations that the Company could attract in the future. Our chosen approaches have been to look at:

- Amur Minerals' peer group for an indication of the value of the Company; and
- The PFS that provides a highly detailed investigation of the cost base, reserves, metallurgy and infrastructure necessary to put a 4 Mt a year project into production.

6.1 Peer Group Comparisons

Even though the stock market is not a perfect valuer of stocks, peer group comparisons provide a useful way to ascertain the value of companies. In our view the Company should attract a valuation at least similar to nickel sulphide exploration companies such as Starfield Resources or Victory Nickel of around £19.8m to £20.8m, although it seems that Amur Minerals may be closer to production than either of these competitors.

Nickel Sulphide Resources and Market Capitalisation

Company	Resource Contained nickel (t)	Market Capitalisation (£m)	Comments
Mirabella Nickel Limited	1,400,000	408.2	Brazil Producer Production being ramped up to full production of 4.6Mt pa @ 0.56% nickel
Victory Nickel Inc	397,000	20.8	Canada Exploration Ni grades 0.52% - 0.875%
Crowflight Minerals Inc	350,000	50.0	Canada Producer 2010 production target 342,000t pa @ 1.63% nickel to produce 5,547t pa nickel
Amur Minerals Corp	341,000	10.8	Russia Exploration PFS calculated on 4Mt pa @ 0.50% nickel
Starfield Resources Inc	300,000	19.8	Canada Exploration Ni grade 0.68%
Western Areas NL	215,000	502.4	Australia Producer 2010 production target 20,000t pa nickel suggesting 425,000t pa @ 4.7% nickel
Mincor Resources NL	154,000	231.4	Australia Producer 2010 production target 10,000t pa nickel suggesting 260,000t pa @ 3.8% nickel

Source: Hybridan

6.2 Critical examination of the Pre Feasibility Study (PFS)

The PFS appears to have incorporated a number of highly conservative assumptions. This study had originally been perceived as a Scoping Study in order to calculate how many of the types of deposits that the Company had encountered would be needed to justify the development of a low grade nickel sulphide project in such a remote area where the concentrate was being sent elsewhere for final processing. Certainly the study did answer the question about whether such a project could be profitable, but it does seem that some of the assumptions that formed the basis of NPV calculated may have been rather tough and that the NPV could be re-calculated to be substantially higher. Additionally, there seem to be a number of elements - such as metallurgical recovery rate, smelting cost, production schedule and grades - where better estimates may be available now.

We discuss the main areas below:

1. The PFS used a metallurgical recovery of 76%, although Russian experts have suggested that a figure of 86% would be more appropriate.
2. The contract terms for smelting the concentrate seem unduly tough with the Company only receiving 55% of the nickel and 45% of the copper from the concentrate. Added to which there was no payment in respect of the by-products and big cost penalties for MgO content. (One area of the metallurgical work that the directors will be investigating is the opportunity of building a Flash Smelter or arc furnace enabling the Company to save on smelter costs, penalty fees, transport costs and gain additional revenue from the by-products. Mirabella Nickel's Santa Rita nickel sulphide operation in Brazil has recently come into production and is a similar sized operation with a similar grade to that proposed in Amur's PFS and that Company's Flash Smelter had a capital cost of \$254m.
3. Although the design of the three pits at Vodorazdelny, Maly Krumkon and Ikenskoe were optimised, it appears as though the sequence of mining could be improved. A well-devised production schedule could allow the grade in the early years to be higher with any lower grade material under say 0.4% nickel being stockpiled for later processing with overburdened stripping delayed until later on in the life of the project.
4. Grades from the shallow trenches tend to give lower grades than those from the drill holes and the inclusion of those results in the reserve estimation probably served to reduce the overall grades of nickel and copper. These highlighted areas could lead to higher revenues and lower costs. Although energy costs have risen in the intervening two years, Kun-Manie is fortunate in that it will be able to access hydroelectricity. Infrastructure improvement in the area may allow for the high cost of the road to be reduced meaningfully.
5. The areas highlighted could lead to higher revenues and lower costs. Although energy costs have risen in the intervening two years, Kun-Manie is fortunate in that it will be able to access hydroelectricity. Infrastructure improvement in the area may allow for the high cost of the road to be meaningfully reduced.
6. The nickel price is also now higher at \$10 per pound than the \$7.50 figure used in the study.
7. Critically examining all the above factors allows us to accept the NPV of \$84m calculated in the PFS base case valuation could remain a creditable valuation for Amur Minerals.

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