



X-Report

January 21, 2004

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This issue: bcMetals Corp. (C-T), Exeter Resource Corporation (XRC-V), Geologix Explorations Inc. (GIX-V), Stornoway Diamond Corporation (SWY-V)

bcMetals Corp. (C-T; \$1.40)^{1,2,5} Updated Resource at Red Chris

Recommendation: SECTOR OUTPERFORM (SPECULATIVE)

Current Shares O/S: 20.2 million Fully Diluted: 38.9 million

Close: \$1.40 Market Cap: \$54.5 million

Cash (estimated): C\$5.0 million Per Share Fully Diluted: \$0.13

Debt: C\$0.0 million

On Sunday bcMetals released an updated resource estimate for its 100% owned Red Chris porphyry copper-gold deposit located in British Columbia. The update, prepared by Giroux Consultants Ltd. is based on data from the recently completed 16,591-metre, 49-hole in-fill diamond drilling program in the East and Main Zones and updating of the geological model. The in-fill program was designed to target higher-grade zones that would be mined in the initial years of production. Mineralization from the East Zone to the Far West Zone has now been drilled out on 25-metre centres and covers a strike length of approximately 2.6 km in a generally NE-SW orientation. Mineralization within all zones remains open to the east and to the west. The new estimate has increased the measured and indicated resource tonnage by approximately 30% (at a 0.30% copper cut-off grade) with copper and gold grades remaining basically unchanged. At this cut-off grade, Red Chris contains 2.4 billion pounds of copper and 2.8 million ounces of gold in the measured and indicated category. The inferred resource contains a further 1.6 billion pounds of copper and 2.1 million ounces of gold. Included within the new inferred resources is an estimate of the gold and copper mineralization contained within two satellite deposits, called the Gully and Far West Zones, located approximately 500 to 1,500 metres west of the Main Zone mineralization. At a 0.2% Cu cut-off grade, this resource is estimated at 116 million tonnes grading 0.32% copper and 0.30 g/t gold.

Updated Measured and Indicated Resource

Copper Cut-off Grade (%)	Tonnage (millions)	Copper Grade (%)	Gold Grade (g/t)
0.2	438.2	0.36	0.29
0.3	235.8	0.46	0.37
0.4	115.8	0.58	0.47
0.5	60.1	0.70	0.59

Updated Inferred Resource

Copper Cut-off Grade (%)	Tonnage (millions)	Copper Grade (%)	Gold Grade (g/t)
0.2	391.8	0.31	0.29
0.3	196.9	0.38	0.34
0.4	58.4	0.47	0.37
0.5	14.0	0.56	0.41

Previous Measured and Indicated Resource (August 2003)

Copper Cut-off Grade (%)	Tonnage (millions)	Copper Grade (%)	Gold Grade (g/t)
0.2	429.7	0.34	0.33
0.3	177.3	0.46	0.44
0.4	73.4	0.63	0.62
0.5	49.3	0.73	0.71

Previous Inferred Resource (August 2003)

Copper Cut-off Grade (%)	Tonnage (millions)	Copper Grade (%)	Gold Grade (g/t)
0.2	86.8	0.43	0.33
0.3	63.3	0.50	0.38
0.4	45.5	0.55	0.43
0.5	28.2	0.61	0.50



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bcMetals has selected AMEC E&C Services Ltd. of Vancouver to undertake the Red Chris feasibility study, which is expected to be complete in Q3. We expect this feasibility will evaluate a larger operation – possibly in the 40-50,000 tonne-per-day range for the Red Chris deposit, given the significant improvement in copper prices since the scoping study was completed. An initial scoping study for Red Chris completed by bcMetals in early 2003 envisioned a 25,000 tonne per day operation producing 119 million pounds of copper (92% recovery) and 116,000 ounces of gold (73% recovery) annually over a 10-year mine life from two adjacent open pits. Preliminary production costs were estimated at less than US\$0.10 per pound of copper (inclusive of gold credits) based on US\$0.75 per pound copper and US\$310 per ounce gold price assumptions. Construction was planned to begin in early 2005 followed by production start-up during the fourth quarter of 2006. Red Chris is well situated within ~20 kilometres of a major highway and is close to hydro and the deep-sea port of Stewart which would be used for concentrate shipping.

bcMetals is the 100% owner and the operator of the Red Chris property. In September, the Company announced that it had entered into an Option Agreement with Teck Cominco to acquire Teck's 20% interest in the Red Chris property for C\$0.3 million cash plus 1.5 million bcMetals shares and 1.5 million warrants to buy shares of bcMetals at up to a 150% market premium over a 3 year term. The agreement is subject to American Bullion's 30% reversionary interest, which becomes effective after bcMetals has recovered 100% of its capital expenditures from production cash flow.

The shares of bcMetals remain undervalued in our opinion. The Company is a new emerging copper story with an excellent advanced stage copper project having little geologic risk and valuation upside in an improving copper market.

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Exeter Resource Corporation (XRC-V; \$1.08)^{1,2}

Exeter signs deal with AngloGold Ltd. to explore highly prospective and underexplored land package in Southern Argentina

Recommendation: INITIATING COVERAGE – SECTOR OUTPERFORM (SPECULATIVE)

Current Shares O/S: 12.6 million Fully Diluted: 18.5 million
 Close: \$1.08 Market Cap: \$19.9 million
 Cash (estimated): \$4.2 million Per Share Fully Diluted: \$0.23

We are introducing Exeter Resource Corporation (XRC-V) which earlier this week announced that it has reached a deal with Cerro Vanguardia S.A. (CVSA), owned 92.5% by AngloGold Ltd. and 7.5% by Fomicruz S.A. (a Santa Cruz provincial mining company), to explore and develop almost 40 properties in 4 project areas within the Patagonia region of southern Argentina. The four project areas include: Cerro Moro (13 properties) in northeastern Santa Cruz, Other Santa Cruz (5 properties), Chubut province (14 properties), and Rio Negro province (7 properties). CVSA was one of the first companies to initiate exploration in the Patagonia Region in the early 1990s and acquired the majority of the properties as gold targets with geological characteristics analogous to the then recently discovered Cerro Vanguardia epithermal vein deposit which is now in operation (9.1 Mt of 10 g/t gold). Exeter believes that the early stage at which these projects were acquired gives them significant advantage relative to other junior exploration companies seeking entry into the Patagonia region.

The most advanced project area in the portfolio is the Cerro Moro project, which contains numerous epithermal vein occurrences varying from 240 to 1,250 metres in strike and hosted within Jurassic-age felsic volcanic rocks. Most of these vein occurrences are located within an area 10 by 2.5 kilometres, and 11 have undergone reconnaissance drilling with 2 to 3 holes each. Significant drill intercepts include 1.9 metres of 15.6 g/t gold and 880 g/t silver from Filon Nini, 10.2 metres of 8.8 g/t gold and 21 g/t silver at Filon Deborah, and 6 metres of 6.2 g/t gold and 96 g/t silver at the Filon Michelle prospects.

Properties in the other three project areas are at an earlier stage, and our intention here is not to describe each in detail, but rather to point out that they contain equally attractive sample results. Key targets include Zona Rica, where surface sampling has returned 21 metres of 3.4 g/t gold, and drill results at La Calandria cut 23 metres of 1.8 g/t gold, including 2 metres of 17.3 g/t gold, both of which are located elsewhere in Santa Cruz province.

The deal provides Exeter with the right to acquire 100% interest in the properties by spending US\$3 million over five years. Once Exeter has spent US\$3 million and drilled 10,000 metres on any of the four project areas, CVSA has a back-in right to 60% in that project by paying the Company 2.5 times its expenditures on the project and by carrying the project to completion



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of a positive feasibility study. CVSA may earn an additional 10% by financing Exeter's share of mine development, which will be reimbursed to CVSA at an agreed-upon rate. If CVSA does not elect to back-in, its interest will revert to a 2% net smelter return for that project.

Exeter also has 100% interest in the La Cabeza epithermal gold project, also in Argentina, which contains a gold resource of 700,000 ounces gold. The bulk of the resource is near surface and could potentially be mined by open-pit methods. The Company is planning a 2,500-metre drill program to provide further data for engineering and to drill test additional targets on the project. Exeter has acquired a solid portfolio of projects through the CVSA deal and has an advanced exploration project at La Cabeza moving towards prefeasibility that has the potential to be a low-cost producer. The Company has over \$4 million in cash, which is sufficient to address its exploration requirements over the next 12 months. With a market capitalization around \$20 million, we see significant upside potential as the Company moves forward on La Cabeza and its recently acquired exploration portfolio.

We are introducing Exeter Resource Corporation (XRC-V) with a SECTOR OUTPERFORM (SPECULATIVE) rating.

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Geologix Explorations Inc. (GIX-V; \$1.80)^{1,2,6}

Surface sampling continues to expand gold mineralization at Cerro Calorco

Recommendation: INITIATING COVERAGE – SECTOR OUTPERFORM (SPECULATIVE)

Current Shares O/S: 14.0 million Fully Diluted: 15.5 million

Close: \$1.80 Market Cap: \$28.0 million

Cash (estimated): \$2.0 million Per Share Fully Diluted: \$0.14

On Tuesday, Geologix (GIX-V) released more surface-sample results from its Cerro Calorco project in northern Peru. Results have increased the prospective ground hosting gold mineralization to a general area measuring 2,000 by 1,400 metres that remains open to expansion to the north and south. Within this area, the Company has defined nine specific targets of highly anomalous gold mineralization based on a combination of structural and stratigraphic controls. The largest of these new target areas measures 450 x 150 metres and averages 2.0 g/t gold based on 17 samples.

As mapping and sampling advance, the Company is beginning to develop a geological model for the project that we believe is exhibiting similarities to Barrick Gold Corporation's (ABX-T) newly discovered Alto Chicama project (9.57M oz. gold) 20 kilometres southeast. Exploration over the last several months has discovered three distinct styles of gold mineralization:

- gold mineralization hosted within brecciated middle Chimu member quartzites (South Zone)
- structurally controlled zones of gold mineralization hosted within upper Chimu rocks and stratigraphically above gold zones hosted within middle Chimu quartzites
- diatrema-like breccia bodies also hosted within upper Chimu rocks and stratigraphically above middle Chimu quartzites.

Surface exploration continues and is targeting the northward and southward extensions of the mineralized trend where the Company has identified additional exposures of brecciated middle Chimu quartzites, for which surface samples are expected shortly. In addition, the Company is completing ground geophysics over currently defined zones to enhance drill targeting. Surface exploration is anticipated to finish by early February, with drilling beginning in March.

Exploration at Cerro Calorco is demonstrating potential for several different styles of mineralization, the most attractive of which is the potential for stratigraphically controlled gold mineralization hosted by middle Chimu quartzites similar to the Alto Chicama deposit. We are confident that ongoing work will further expand the area of known gold mineralization on the project in advance of drilling. Geologix has also assembled a large number of claims in southern Peru (the Puno project) that are at a very early reconnaissance stage, any one of which could deliver significant added value in the future.



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We believe that Geologix Explorations Inc. (GIX-V) is demonstrating significant exploration potential at Cerro Calorco and are initiating a rating of SECTOR OUTPERFORM (SPECULATIVE) on the Company.

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Stornoway Diamond Corporation (SWY-V; \$2.30) ^{1,2,6}

Recommendation: SECTOR OUTPERFORM (SPECULATIVE)

Current Shares O/S: 57 million Fully Diluted: 66.3 million
Close: \$2.30 Market Cap: \$152.5 million
Cash (estimated): \$14 million Per Share Fully Diluted: \$0.21

Stornoway has been trading higher in the last few days on no recent news (it hit a new high of \$2.43 on January 19) as the market waits and anticipates more positive results from the Aviat project located on the Melville Peninsula in Nunavut. Typical of diamond explorers, meaningful news from early stage exploration work tends to be either about geophysics or summaries of geochemical work. In the case of Stornoway, however, interest has been driven by the very early discovery of the AV-1 kimberlite occurrence and the very significant diamond counts (and diamond distributions) from early samples that were subsequently confirmed by the early drill results late last year.

About the only significant news yet to come from Aviat are the results from the 8-tonne mini-bulk sample taken from the surface of AV-1. Perhaps more important, though, will be the results from this past summer's regional work in defining new targets. Stornoway spent approximately \$5 million on the Aviat project last year, the majority of it on airborne geophysical surveys (55,000 line kilometres) and till sampling (2,300+ samples) in conjunction with the work on the two kimberlites (AV-1 and AV-2). Preliminary indications from the regional work are that several areas are likely to be followed up this year. If the rate of discovery is anything like that of Shear Minerals Ltd. on its Churchill project to the south, then Stornoway should be in a good position to discover new occurrences this year. On the Churchill project, Shear (with partners BHP-Billiton (14%) and Stornoway (35%)) was very successful in discovering new kimberlite targets, but in the absence of detailed kimberlite-indicator sampling, the occurrences were either barren, or had low diamond counts. Nevertheless, the success rate of new discoveries was quite remarkable.

Stornoway is well positioned as the dominant landholder in the eastern Arctic with a 70% interest in more than 7 million acres of property in the Melville Peninsula (with joint venture partners BHP-Billiton (20%) and Hunter Exploration Group (10%)). Stornoway also has a 35% interest in the Churchill project. Outside of the eastern Arctic, the Company has varying interests in the Coronation Gulf area and 100% interests on Victoria Island and Quebec.

We are reiterating our SECTOR OUTPERFORM (SPECULATIVE) rating on Stornoway Diamond Corporation (SWY-V).

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Haywood Securities Inc.

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