



ABI.V (Toronto Venture Exchange)

Website: [www.abcourt.com](http://www.abcourt.com)

Investor Relations: Joe O'Brien

Telephone: 416.750.8041; [jobrien@abcourt.com](mailto:jobrien@abcourt.com)**Abcourt Mines Inc. Share and Resource Profile<sup>1</sup> :**

♦ Share Symbol: 'ABI' – Toronto Stock Exchange

♦ Total Silver Resources: 20,746,000 oz.

♦ Total Zinc Resources: 659,000,000 lbs.

♦ Shares (fully diluted) : 39,854,000

♦ Shares issued: 34,580,000

♦ **Silver Leverage** ( oz. Silver resource / Investment \$ )♦ **Zinc Leverage** ( lb. Zinc resource / Investment \$ )**2.3 Ounces Silver** per US \$1.00 Market Cap (@ \$US 0.23/share)**71.8 Lbs. Zinc** per US \$1.00 Market Cap (@ \$US 0.23/share)

♦ Former producing mine in Quebec, Canada with \$12 Million of capital infrastructure maintained for future production.

♦ Mine idle since 1990 due to low metals prices; Abcourt intends to return to production in 2006 as open pit operation.

**JensenStrategic – Research Report**[www.jensenstrategic.com](http://www.jensenstrategic.com) • PH 604.269.0380 • Vancouver, B.C.

## *The Case for Silver*

### Supply Limitations and Emergent Demand Underpin Strong Performance

*Silver's long history* as safe haven investment, as an inflation hedge, as jewelry, and a monetary metal is well known. Less commonly known is, at 42% of consumption, the robust use of silver as an industrial metal.

Over the past decade, an average annual deficit of 130 million oz.<sup>II</sup> of mine supply vs. silver demand has been met by government and investor dishoarding from shrinking stockpiles. These silver stockpiles, which peaked at 10 billion oz. in 1950, are now approaching depletion and investors are now net buyers of silver bullion contributing to strong supply and demand driven prospects for silver.

### Silver Demand:

Silver has exhibited stable and resilient demand even during the 2001 recession resulting from the dot.com stock market correction.

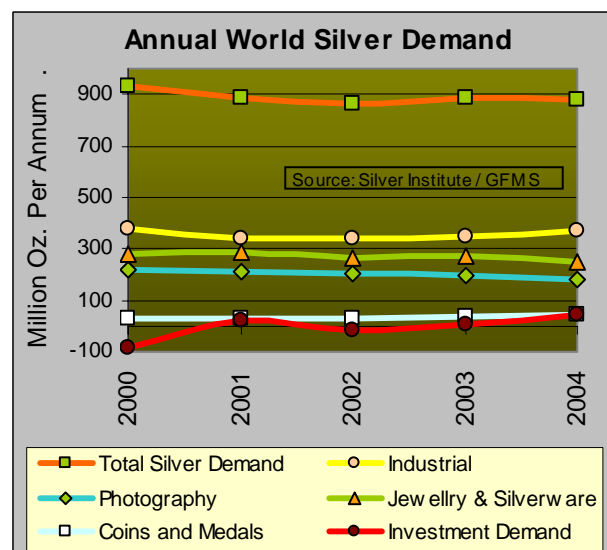
♦ **Industrial Demand:**

Silver's industrial demand arises from its unique physical and chemical properties which dictate that it cannot easily be replaced as an industrial metal:

- The highest thermal conductivity of all metals
- The highest electrical conductivity of all metals
- The highest reflectivity of all metals
- Unique chemical and anti-bacterial properties finding increasing applications in consumer products, medicines, and medical products

Industrial silver demand is relatively insensitive to price due to silver's unique properties and also because small amounts of silver are used in typical applications:

***The average price of silver increased by 54%<sup>III</sup> from 2001 to 2004 while industrial demand for silver still increased 9%<sup>IV</sup> during this period.***



**Silver's Demand Drivers 2004 \***

	Demand 2004 (Million Oz.)	% of 2004 Total Demand	Change vs. 2003 (Million Oz.)	Change (%)
Industrial	367	42%	17	5%
Photography	181	21%	-12	-6%
Jewelry / Silverware	248	28%	-27	-10%
Investment	43	5%	34	389%
Coins & Medals	41	5%	5	15%

**Total ( million Oz.)**                      **879**                      **17**

"World Silver Survey 2005", Completed by GFMS by for The Silver Institute

♦ **Jewelry:**

Silver Jewelry is a store of wealth for rural residents of India. In 2004, a poor monsoon and harvest impacted rural household income which combined with a 35% price rise in India led to a decline of Indian silver purchases<sup>viii</sup>. Excluding India, worldwide Silver Jewelry consumption increased 3% in 2004<sup>ix</sup>.

**Emergent Demand Drivers**

With strong fundamental demand, the price of silver is driven by marginal additional demand. Such increasing demand includes:

**1. Investment demand:**

- According to Johnson & Matthey: **"In our opinion, investor sales or purchases of silver will be the key driver of silver prices going forward."**<sup>x</sup>

Silver investment and Safe Haven demand typically increases with its price and economic volatility, respectively.

**2. Silver solder and brazing**

- The European Union (EU) law mandating lead-free solder and brazing will come into force July 1, 2006. Tin-silver-copper solder is the primary replacement. An estimated 37.5 million oz. of silver was used worldwide for solder and brazing in 2004.

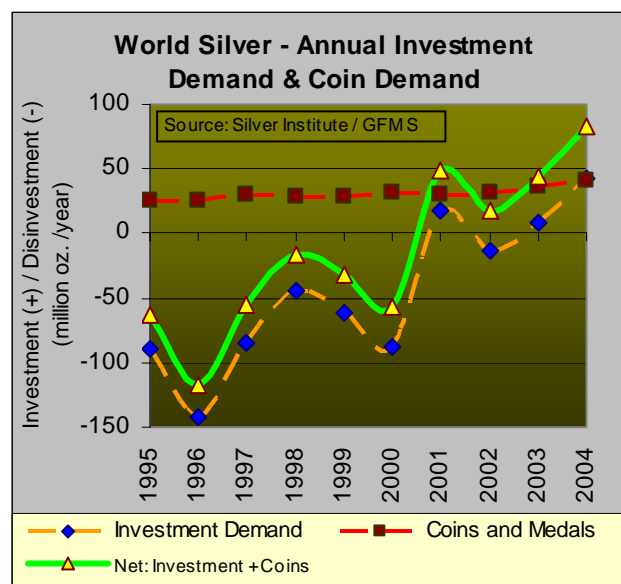
**3. Water Purification, Biocides, Medical Devices, Medicines**

- Silver's long history as an anti-bacterial and anti-microbial agent are being rediscovered seeing such diverse applications as: medical implants, use as a water purification agent, an anti-bacterial coating on consumer products such as kitchen appliances and cell phones, silver use in medicines and food supplements, etc.

♦ **Photography:**

The use of silver in Photography applications is projected to remain roughly constant over the next 5 years<sup>v</sup> as the digital camera sales growth rate has steadied in the West and also as China and emerging market countries continue strong demand for lower total-cost conventional film cameras.

Further, 85% of silver used in the photographic market is already recycled as scrap<sup>vi</sup> silver ( photo silver scrap comprises 70% of all recycled scrap )<sup>vii</sup> and printing of digital prints on photographic paper still uses silver-based halide materials. The 15% of photo silver consumption not recovered from recycled silver scrap (27 million oz. / year) represents a net demand from the total annual supply.

**World Silver Inventory and Annual Silver Supply:**♦ **Net World Silver Bullion Inventories Are Less Than 350 million oz. ( \$2.5 Billion @ \$7/oz. ) and Declining:**

In 1950, world silver Bullion Stockpiles were approximately 10 billion oz. World silver bullion stockpiles at the end of 2004 are estimated at 419 million oz. by CPM Group while Gold Fields Mineral Services (GFMS) estimates such stockpiles at 617 million oz.<sup>xi</sup> Liquidation of these shrinking stockpiles over the past six decades has diminished the price of silver and limited silver mining output.

**Identifiable World Silver Bullion Inventories 2004\***

	2003 (Million Oz.)	2004 (Million Oz.)	Change vs. 2003 (Million Oz.)	Change (%)
European Dealers (est.)	335	332	-3	-1%
Comex (New York)	124	104	-20	-16%
Government	226	164	-62	-27%
Other Stocks (Tokyo)	17	17	0	0%

**Total ( Million Oz.)**                      **702**                      **617**                      **-85**                      **-12%**

"World Silver Survey 2005", Completed by GFMS by for The Silver Institute

GFMS gives silver borrowing at approximately 280 million oz. in 2004 and Johnson and Matthey identifies that deducting borrowed silver from world silver inventories leaves **net silver bullion inventories of approximately 340 million oz. (617 million oz. – 280 million oz.)**<sup>xii</sup>. **This net silver borrowing position similarly reduces CPM's world bullion inventory estimate to 139 million oz.**

**Of these net inventories, not all is available to market.** For example, of the 117 million oz. held at the US Comex Exchange in New York in September 2005, only 60 million oz. is categorized as "registered" or available for delivery<sup>xiii</sup>.

#### ♦ U.S. Silver Stockpile History:

**U.S. silver inventories have declined by 98%** from a peak 5.9 billion oz. in 1942<sup>xiv</sup> to 115 million oz. in 2004<sup>xv</sup>; not all is available to market. The U.S. mint is now an annual silver purchaser.

#### ♦ Decline in Government Silver Stockpiles:

The 27% decline in Government Sales of silver from 2003 is due to a 45% reduction in Chinese government sales which may indicate that Chinese stockpiles are approaching their limit<sup>xvi</sup>. China comprised 70% of Government Sales of silver in 2003<sup>xvii</sup>.

#### ♦ Private Coin Inventory Is Not Readily Available to Market:

It is estimated that world silver Coin Inventory at 490 million oz. however they also note that silver in private hands is "arguably less likely to enter the market"<sup>xviii</sup>. Holders of silver coins did not liquidate coins to supply the market in 1979 at average silver price of \$21.79<sup>xix</sup> (\$61.70 in 2005 dollars) and have thus shown not to represent a liquid supply of silver to market<sup>xx</sup>.

### Mine Production of Silver is Largely Inelastic

**70% of Mine Production of silver<sup>xxi</sup> is a byproduct of mining other metals; only 30% is mined from primary silver mines.**

Fully 58%<sup>xxii</sup> of Mine Production silver originates as a byproduct of base metal mining giving two impacts:

- **Mine Production supply of silver is therefore largely inelastic and cannot currently be economically increased by substantial amounts.** New silver mines take years to bring into production.
- An economic slowdown can lead to a constriction of silver supply to market if base metal mining declines<sup>xxiii</sup>.

<b>World Silver Supply 2004*</b>				
	Supply 2004 (Million Oz.)	% of 2004 Total Supply	Change vs. 2003 (Million Oz.)	Change (%)
Mine Production	634	72%	23	4%
Silver Scrap*	181	21%	-3	-1%
Net Gov Sales	62	7%	-27	-30%
Producer Hedging	2	0.2%	2	N/A
<b>Total (Million Oz.)</b>	<b>879</b>		<b>-4</b>	

\* 70% of scrap silver supply is from recycling of photographic films and papers  
 "World Silver Survey 2005", Completed by GFMS by The Silver Institute

#### ♦ Scrap Recovery Has Not Increased With Higher Silver Prices:

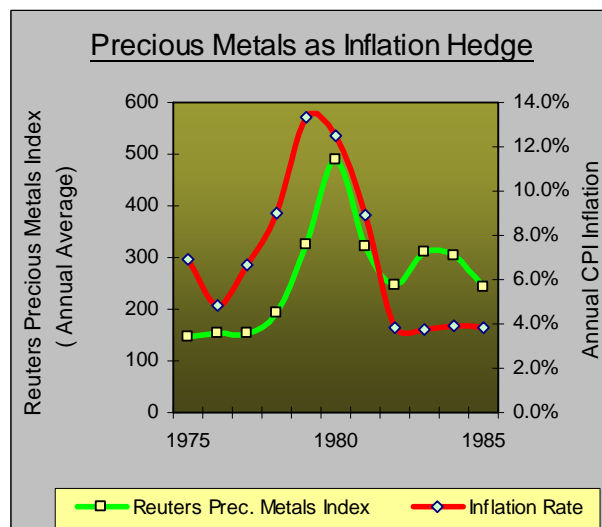
**In 2004, Silver Scrap recovery declined by 1% while the average price of silver increased 37%<sup>xxiv</sup>.** Most of silver scrap (70%) is recovered from photographic films and papers not old silver tableware or jewelry. Silver is a small component of the retail price of most western jewelry and art and therefore not a ready source of scrap.

### **Inflation Hedging and Safe Haven Investment:**

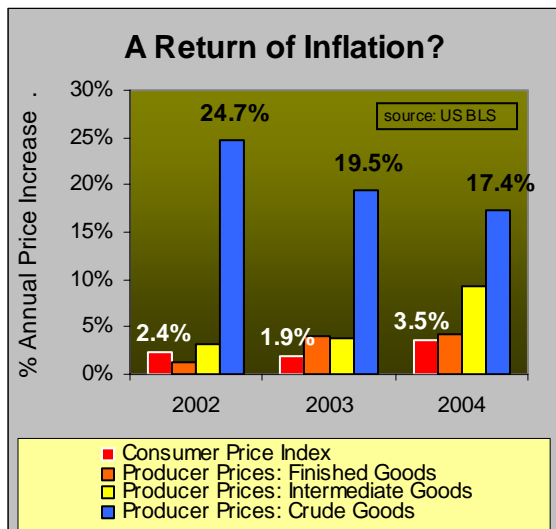
During past bouts of inflation, precious metals have served as an effective as an Anti-Inflation Hedge. They have also historically been seen as a Safe Haven Investments during periods of economic uncertainty.

Although the past decade has seen relatively tame inflation, **the CRB commodities index has increased 65% in the past 4 years** and the increase price of raw materials has started to influence the consumer price index.

**From 2002 to 2004, Crude Goods Costs in the Producer Price Index have increased in price 75% on a net basis (compounded).**



Continued pressure from wage and benefit costs as well as commodity prices will continue to apply inflationary pressure to the North American economy.



Even with a strong run-up in commodities prices over the past four years, the 17 components currently comprising the CRB commodities index remain near an historic low when adjusted for inflation:



Silver currently trades at a gold/silver price ratio per ounce of 60-to-1 compared to a low of approximately 15-to-1 achieved in both the late 1960s and the late 1970s. On an historical basis, silver traded on a constant 15-to-1 basis.

The dishoarding of 10 billion oz. of silver bullion reserves during the past 60 years has contributed to the current high ratio of the gold/silver price.

All precious metals (silver and gold) equities have a current market capitalization of approximately \$US 150 billion representing 1/500<sup>th</sup> of the World's combined Equity and Bond market capitalizations.

## Silver Investment Vehicles:

- ◆ Bullion: Bullion bars and coins including Canadian Silver 'Maple Leaf' bullion coins and US 'Silver Eagle' bullion coins.
- ◆ Old Silver Coins: Bulk purchase old silver coins which were formerly in circulation for their silver content.
- ◆ "Electronic Silver": Silver is purchased through a "pool" account and held remotely in exchange for electronic payment.
- ◆ Exchange Traded Funds: Purchase shares traded on stock exchanges from funds which purchase and hold silver bullion.
- ◆ Market Equities in Silver Producers
- ◆ Equities in Silver Exploration and Development Companies

This document compiled with information available in the public domain:

<sup>I</sup> Information Source: Abcourt Mines Inc., September 2005

<sup>II</sup> "Why You Should Stock Up on Silver", *MoneyWeek Magazine*, March 4, 2005, <http://www.moneyweek.com/article/653/investing/commodities/silver-briefing.html>

<sup>III</sup> Kitco average annual London silver price fix : [http://www.kitco.com/scripts/hist\\_charts/yearly\\_graphs.cgi](http://www.kitco.com/scripts/hist_charts/yearly_graphs.cgi)

<sup>IV</sup> "Demand and Supply in 2004", The Silver Institute, [www.silverinstitute.org/supply/index.php](http://www.silverinstitute.org/supply/index.php)

<sup>V</sup> Photofinishing News as quoted in "The Impact of the Silver ETF", Todd Stein and Steven McIntyre, *ETF Investor*, June 2005, [www.etfinvestor.com/2005/06/the\\_impact\\_of\\_t.html](http://www.etfinvestor.com/2005/06/the_impact_of_t.html)

<sup>VI</sup> "Silver – An Economic Geologists Perspective", Nigel H. Maund, July 24, 2004 [www.silverseek.com/CliveMaund/1090707381.php](http://www.silverseek.com/CliveMaund/1090707381.php)

<sup>VII</sup> "Silver – An Economic Geologists Perspective", Nigel H. Maund, July 24, 2004 [www.silverseek.com/CliveMaund/1090707381.php](http://www.silverseek.com/CliveMaund/1090707381.php)

<sup>VIII</sup> "JM&B Monthly Gold and Silver Report – May 2005", J. Fineron, [http://www.johnson-matthey.ch/download/200505\\_market\\_report.pdf](http://www.johnson-matthey.ch/download/200505_market_report.pdf)

<sup>IX</sup> "JM&B Monthly Gold and Silver Report – May 2005", J. Fineron, [http://www.johnson-matthey.ch/download/200505\\_market\\_report.pdf](http://www.johnson-matthey.ch/download/200505_market_report.pdf)

<sup>X</sup> "JM&B Monthly Gold and Silver Report – May 2004", J. Fineron, [http://www.johnson-matthey.ch/download/200405\\_market\\_report.pdf](http://www.johnson-matthey.ch/download/200405_market_report.pdf)

<sup>XI</sup> "World Silver Survey 2005", Completed by GFMS by for The Silver Institute <http://www.silverinstitute.org/supply/index.php#demand>

<sup>XII</sup> "JM&B Monthly Gold and Silver Report – May 2004", J. Fineron, [http://www.johnson-matthey.ch/download/200405\\_market\\_report.pdf](http://www.johnson-matthey.ch/download/200405_market_report.pdf)

<sup>XIII</sup> As of September 26, 2005 ref. [http://www.nymex.com/jsp/markets/sil\\_fut\\_wareho.jsp](http://www.nymex.com/jsp/markets/sil_fut_wareho.jsp) "Total Registered" category (i.e. available for delivery).

<sup>XIV</sup> National Bureau of Economic Research (NBER)

<sup>XV</sup> <http://minerals.usgs.gov/minerals/pubs/commodity/silver/silvemcs05.pdf>

<sup>XVI</sup> "Silver Investment Demand Surges in 2004", The Silver Institute, May 25, 2005, <http://www.silverinstitute.org/news/pr25may05.html>

<sup>XVII</sup> "Demand and Supply in 2004", The Silver Institute, [www.silverinstitute.org/supply/index.php](http://www.silverinstitute.org/supply/index.php)

<sup>XVIII</sup> "Demand and Supply in 2004", The Silver Institute, [www.silverinstitute.org/supply/index.php](http://www.silverinstitute.org/supply/index.php)

<sup>XIX</sup> Historical average silver prices: [www.kitco.com/scripts/hist\\_charts/yearly\\_graphs.cgi](http://www.kitco.com/scripts/hist_charts/yearly_graphs.cgi)

<sup>XX</sup> "2000 Results In 11<sup>th</sup> Consecutive Annual Silver Shortage", The Bull and Bear, Patrick A. Heller, [www.thebullandbear.com/resource/RI-archive/2001/0401-results.html](http://www.thebullandbear.com/resource/RI-archive/2001/0401-results.html)

<sup>XXI</sup> "Silver – An Economic Geologists Perspective", Nigel H. Maund, July 24, 2004 [www.silverseek.com/CliveMaund/1090707381.php](http://www.silverseek.com/CliveMaund/1090707381.php)

<sup>XXII</sup> "Silver's Near-Term Outlook", Resource Investor, Craig Stanley, August 10, 2005 [www.resourceinvestor.com](http://www.resourceinvestor.com)

<sup>XXIII</sup> "Where's the Silver?: A Review of the Silver Institute's World Silver Survey 2005", Franklin Sanders, July 6, 2005, [http://www.gold-eagle.com/editorials\\_05/sanders070605.html](http://www.gold-eagle.com/editorials_05/sanders070605.html)

<sup>XXIV</sup> Kitco average annual London silver price fix : [http://www.kitco.com/scripts/hist\\_charts/yearly\\_graphs.cgi](http://www.kitco.com/scripts/hist_charts/yearly_graphs.cgi)