Update Report March 4, 2011

ADEX MINING INC.

($0.25; TSX-V: ADE)

Recommendation
Speculative Buy

Risk
High

Price (March 3, 2011)
$0.25

52-Week Range
$0.385 - $0.08

Target Price (12 Months)
$0.80

Shares O/S
136.5 million

Market Cap
$34.1 million

Average Daily Volume
50-day: 380,900
200-day: 205,300

Year-End
December 31

Salient Statistics

Book Value Per Share	$0.10
Price/Book Value	2.57x
Properties Per Share	$0.06
Monthly Burn 2010e	$98,200
Monthly Burn 2011e	$101,100

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Source: www.bigcharts.com

UPFRONT

- World's largest and highest-grade indium resource
- North America's largest tin resource; Adex is one of world's few tin miners
- Significant resources of molybdenum, tungsten, and zinc
- Metals are key ingredients in today's high-growth sectors: tin and indium in LCD screen technology; tungsten and molybdenum in automotive, petroleum, and nuclear industries
- New Brunswick is a mining-friendly jurisdiction
- Strategic geographic location: near sea-ports, all-weather property access; and excellent infrastructure (water, electricity, buildings, tailings pond)
- Developing new technology processes to extract concentrates and specialty metals from the Company's polymetallic ore deposits

RECOMMENDATION

We recommend the shares of Adex Mining Inc. ("Adex" or the "Company") as a Speculative Buy for risk-tolerant investors. Our 12 months' Target Price is $0.80 per share.

THE COMPANY

Adex Mining Inc., with its headquarters in Toronto, Ontario, is engaged in the exploration and development of its Mount Pleasant mineral property in New Brunswick, specifically the tin-indium-zinc project (North Zone); and the tungsten-molybdenum project (Fire Tower Zone).

TARGET PRICE

Based on our estimate of the number of shares to be outstanding over the next twelve months of 176.5 million, we obtained the following intrinsic values according to our four valuation methods:

- Market Capitalization-Resource Valuation: *$0.60 per share*;
- Property Ratio Valuation: *$0.52 per share*;
- Per Attributable Resource Valuation: *$0.68 per share*;
- DCF Valuation from the 2008 Scoping Study for the Fire Tower Zone (FTZ) and the 2010 Preliminary Assessment for the North Zone (NZ): *$0.79 per share*.

We use the average of the four results, $0.65, for Adex's overall Intrinsic Value. We add a 25% premium to reflect our view that the market will revalue Adex's stock as the Company executes its corporate strategy. This gives a Target Price of $0.80 per share, which provides considerable upside potential from current share prices. (See Valuation section on page 9.)

MOUNT PLEASANT PROPERTY

In 1995, Adex acquired 100% of the Mount Pleasant property, hosting 102 contiguous mining claims covering an area of 1,600 hectares. The Company holds surface rights on 405 hectares at Mount Pleasant, including the structures of the formerly-producing Mount Pleasant Mine. Capex of over $150 million were spent on the property in the past, where nearly one million tonnes of tungsten-molybdenum ore were milled in 1983-1985.

The two main zones at the Mount Pleasant property are:

(1) The North Zone, bearing tin-indium-zinc; and
(2) The Fire Tower Zone, bearing tungsten and molybdenum.

CORPORATE STRATEGY

- **North Zone DFS**: Adex is currently concentrating primarily on the NZ for several reasons: 1) capital costs of the FTZ are approximately $130 million vs $71 million for the NZ, making raising capital for initial startup easier; 2) tin prices have shown the best long-term strength while prices for molybdenum (FTZ's metal) remained weak. With $4.8 million in financing received from Hong Kong's Great Harvest in October 2010, the Company plans to finish a Definitive Feasibility Study for the NZ by October 2011.

- **North Zone Financing**: According to the subscription agreement, Great Harvest will provide Adex with between $65-$100 million in equity and debt financing, subject to the success of the DFS. Adex estimates the amount of capex necessary to bring the NZ into production at $71 million. Therefore, the agreement with Great Harvest provides Adex with a high probability to be able to start production at the NZ, most likely during 2013, and advance the development of the FTZ by the end of 2013.

- **Fire Tower Zone Next**: Adex's management plans to resume developing the FTZ after the NZ. In the best case scenario, metallurgy testing at the FTZ should start after completion of the DFS on the NZ in late 2011. With two years needed for a DFS and construction, production at the FTZ could start in 2015.

- **Advancing New Technologies**: Since early 2009, Adex has made progress in developing new technologies for converting the NZ's ore to specialty metals. SGS Lakefield Research (SGS Lakefield) is carrying out the tin, indium and zinc concentrate test project. Adex considers the production of metal products from concentrates as the most logical production scenario, contributing significant value added. A zinc/indium hydrometallurgical pilot test program conducted by Thibault & Associates (Thibault) has indicated that final marketable indium and zinc products can be obtained on-site. Thibault is now conducting a computer simulation of chloride leaching of zinc sulphide concentrate, which provides both time and cost savings as compared to sulfate leaching used by competitors. To test the pyrometallurgical options for the extraction of tin metal from tin concentrate, Xstrata Process Support has started a test work.

DEVELOPMENT OF THE NORTH ZONE

Financing from Great Harvest Secures a DFS for the North Zone

Since our last report dated February 2010, Adex has concentrated primarily on the North Zone of Mount Pleasant. This shift in the Company's focus was mainly due to the lower capex needed to bring the NZ into production ($71 million) than in the FTZ case (about $130 million). Long term strength of the price of tin, the NZ's leading metal, was also one of the reasons of the shift (see the Market Outlook section on page 6), while in 2010 the price of molybdenum, which is the FTZ metal, did not fully recover from its 2008 slump. Adex plans to carry out a Definitive Feasibility Study (DFS) for commercial development of the NZ by October 2011. The DFS should be completed within the planned time-frame since, in October 2010, Adex closed the first phase of the transactions contemplated by the subscription agreement with Hong Kong's Great Harvest. In the first phase, Great Harvest bought 40,000,000 units at a price of $0.12 per unit, with each unit consisting of one common share of Adex and one common share purchase warrant. As a result of the placement, Adex raised gross proceeds of $4.8 million, which should be more than enough to complete the DFS.

NI 43-101 Technical Report to be Updated

The NZ contains a total NI 43-101 indicated and inferred resource of 18.5 million tonnes averaging 0.34% Sn, 70.6 g/t In and 0.80% Zn. In late 2010, Adex finished a 3,734 metres, 26 NQ hole diamond drilling program on the NZ designed to upgrade the Inferred portion of the resource estimate to the Indicated status, and to obtain roof pillar geotechnical information for the DFS. According to the Company's report, nearly all of the drill holes intersected significant grades and widths of Tin (Sn) - Indium (In) - Zinc (Zn) mineralization. The drilling program's results are now being compiled and incorporated into Adex's GEMCOM database of the NZ with the purpose of revising and upgrading an NI 43-101 compliant deposit model and resource estimate. The Company expects publish the new resource estimate by the end of March 2011.

A Positive DFS Should Secure Construction Funding

According to the Great Harvest subscription agreement, each common share purchase warrant entitles Great Harvest to buy one Adex common share at $0.18 per share prior to the 30th day following the delivery of the DFS on the NZ, but no later than October 19, 2011. The agreement also allows that Great Harvest provide or arrange for the provision to Adex of up to $50 million in debt facilities for the commercial development of the NZ if the results of the DFS are satisfactory to Great Harvest.

COMMENT: *Based on the available results of the 2010 Preliminary Assessment for the NZ, we believe it highly likely that the DFS will be positive and that Great Harvest will accept the DFS results. This would kick-start the production stage.*

Additional Funding

If Adex gets a minimum of $10 million of the debt within 180 days of the delivery of the DFS, Great Harvest will have the right to purchase, within 40 days of the debt becoming available for Adex, 1.2 common shares for each dollar of the debt made available to Adex within one year of the completion of the DFS. The exercise price per share will be equal to the weighted average price of Adex's shares on the TSX-V for the five trading days prior to the debt becoming available to Adex, less the maximum discount permitted by the TSX-V, which we estimate at 20%. The maximum number of common shares issuable at this phase is 60,000,000.

In the table below, we consider two different scenarios for the last phase (Phase 4):
(1) $0.05 per share as a minimum possible price; and
(2) $0.64 per share, which is our 12-months' Target Price of $0.80 discounted at 20%.

The resulting range of the total amount of financing, which Adex should receive from Great Harvest, is thus $65-100 million. Adex estimates the capex necessary to bring the NZ into production at $71 million.

COMMENT: *Therefore, we believe that the agreement with Great Harvest should provide Adex with sufficient funds to start production at the NZ, and also make an advance in the development of the FTZ.*

Great Harvest Financing Schedule

	Phase 1: placement Oct 20, 2010	Phase 2: share purchase warrants	Phase 3: debt financing	Phase 4: exercise of share purchase right	
				Scenario 1	**Scenario 2**
# of shares issued	40,000,000	40,000,000		60,000,000	60,000,000
Price per share	$0.12	$0.18		$0.05	$0.64
Amount of financing	$4,800,000	$7,200,000	$50,000,000	$3,000,000	$38,400,000
Total financing				$65,000,000	$100,400,000

Source: Company, eResearch estimates

Production at the NZ Should Start in 2013

In 2010 the Company published a Preliminary Assessment (PA) outlining the projected first ten years of the production of tin concentrate, zinc metal and indium sponge. With a capex of $71 million and a production rate of 850 tonnes per day the results yielded a pretax IRR of 29%. Contingent upon the success of the DFS, which should be finished by the end of 2011, Adex plans to build a mine, flotation, hydrometallurgical and pyrometallurgical facilities at the NZ. This should take about 12 months. Accordingly, production at the NZ could start in early 2013.

New Estimate Should Upgrade Resources

Adex's management expects that the new resource estimate for the NZ, which should be published by the end of March 2011, will upgrade the majority of the inferred reserves outlined below to indicated status. Within the 2009 resource estimate, the Company in the 2010 PA identified the mineable resources of 2.894 million tonnes due to their higher grade (see the table below). Management expects that this estimate will also be upgraded within the new resource estimate. These resources should get mined in the first 10 years of the future NZ mine's operations.

North Zone - Mineral Resource Estimate

	Tonnes	% Sn	g/t In	g/t In (Capped)	% Zn	% Cu	% Bi
2009 NI 43-101							
Indicated	**10,882,000**	**0.43**	**67.8**	**64.0**	**0.67**	**0.11**	**0.08**
Inferred	**7,603,000**	**0.22**	**74.6**	**72.3**	**0.99**	**0.09**	**0.05**
2010 Preliminary Assessment NI 43-101							
Indicated	**1,894,000**	**0.76**	**212**	**n/a**	**1.93**	**0.24**	**n/a**
Inferred	**1,000,000**	**0.74**	**154**	**n/a**	**1.82**	**0.22**	**n/a**

n/a = not analysed
Source: Company

Production Output

According to management's estimates, the mine at the NZ will extract approximately 3 million tonnes over ten years, and the majority of the remaining 15 million tonnes (from the total 18.5 million indicated and inferred resources in the 2009 resource estimate) will be mined over the next 15 years. Thus, the mine's life in the DFS is likely to be 25 years. The Company expects to mine 850 tonnes per day during the first ten years, and raise the output to 2,000-2,400 tpd in the next 15 years. Over the first ten-year stage, indium production at the NZ is planned at 40 tonnes per year, with 4,000 tpy of zinc metal. Adex plans to produce approximately 1,600 tpy of tin at the first stage, either as high purity metal or as metal contained in tin concentrate.

DEVELOPMENT OF THE FIRE TOWER ZONE

Fire Tower Zone Should Follow the North Zone

Adex currently plans to resume developing the Fire Tower Zone after the North Zone is further advanced. The best case scenario is that metallurgical test-work at the FTZ starts upon the completion of a DFS on the NZ in late 2011. Assuming two years for a DFS and construction, production at the FTZ should start in 2015.

Hydrometalluriigical Test-work

In 2010, Adex engaged SGS to test the hydrometallurgical treatment of molybdenum concentrate from the FTZ. SGS performed a scoping level investigation of a hydrometallurgical flowsheet that is designed to produce high-grade ammonium molybdate at the FTZ. Results from test work should lead to an upgrade of the conceptual framework related to the production of tungsten and molybdenum products at the FTZ as described in the 2008 FTZ Scoping Study completed by Aker Metals.

NEW TECHNOLOGY: CONVERTING ORE TO CONCENTRATE AND SPECIALTY METALS

Concentrate Project Underway

In 2010-early 2011, Adex made progress in developing technologies for the processing of ore to be mined at the NZ. The Company’s tin-indium-zinc concentrate test project is being carried out by SGS Lakefield to evaluate the production of tin concentrate and zinc-indium concentrate from the NZ for sale or use in planned hydrometallurgical or pyrometallurgical processes.

Testing To Date

SGS Lakefield has, so far, tested two ore samples at the NZ: (1) freshly drilled 2008 drill core; and (2) 100 tonnes of resource which had been left from development operations in 1965. Some 50 bench scale and locked cycle tests and more than 110 hours of piloting consumed over 60 tonnes of NZ resource material. Data collected from the program were used to a) develop a flowsheet for the production of zinc/indium and tin concentrates, and b) meet technical requirements for sizing equipment to be used in the projected DFS. A second round of locked cycle testing is underway at SGS Lakefield to confirm flowsheet parameters and to optimize concentrate grades and metal recoveries.

Focus on Metal Products with High Grades

Supported by Great Harvest, Adex is focused on the production of metal products as opposed to the production of metal concentrates, as planned in the 2010 PA for the NZ. Adex believes that the potential production of zinc, indium, and tin metals, as final saleable products, could have a significant positive impact on the economics of a mining operation at the NZ. Production of metal products will be an option for consideration within the future DFS on the NZ.

In particular, a zinc/indium hydrometallurgical pilot test program, which had a first pilot run in December 2010 at the facilities of Thibault, indicated that indium and zinc could be finished to final marketable metal products on-site. Indium sponge metal grading 96.25% indium from cementation, and zinc metal grading 98.89% zinc from electrowinning, were produced during the program. Adex believes that the grades could be increased to 99.995%; however, indium and zinc are marketable even at the achieved grades.

Optimizing the Hydrometalluriigical Process

In addition to the pilot testing, computer simulation of the technology is in progress by Thibault to optimize operating and plant design parameters for the hydrometallurgical flowsheet. The process involves chloride leaching of zinc sulphide concentrate containing around 4,500 ppm indium, and recovering indium and zinc through solvent extraction and solution purification operations. Thibault’s process, which is 100%-owned by

Adex, presents potential cost advantages. The chlorine-based leach process requires less time and involves less cost compared to the sulfate-based leach process used by global competitors. The process requires small premises, just 200 sq m., and is environmentally friendly as FeCl will be recycled through the plant's system.

Xstrata Involvement
To test the pyrometallurgical options for the extraction of tin metal from tin concentrate to be produced at the NZ, Adex has engaged Xstrata Process Support ("XPS") of Sudbury, Ontario. In January 2011, XPS started test work to produce 98% crude tin from tin concentrate through smelting. First results of the testing should come in April 2011 and should contain: (a) thermo-chemical modeling of the tin smelting process and the determination of preliminary operating parameters; (b) crucible testing of NZ concentrate for the tin smelting process; and (c) a conceptual flowsheet. In the second stage of the test work, XPS will evaluate the economics of the tin metal production process.

MARKET OUTLOOK

Demand for the Company's products will be driven by the uses of the metals:

- **Tin:** Used in the soldering of electronics, coating of other metals, and in alloys.
- **Indium**: Increasing use for flat-screen TVs and computing devices, and thin-film solar panels;
- **Zinc**: Strong demand from the auto sector in China;
- **Molybdenum**: Increase in the use of advanced steels for automotive, drilling exploration, nuclear power generation, and oil refining; and
- **Tungsten**: Lead replacement in ammunition and can be substitute for chrome-plating.

Tin: Since the beginning of 2010, of the NZ's three metals, the price of tin has risen the most (see below). Tin's price on the LME has increased by 108% to around US$31.25/kg, while zinc has risen by 20% to around US$2.50/kg, and indium has been flat at around US$560-$600/kg.

Source: MetalPrices.com

Tin's price has also risen the most over the last five years, up by around 350% since early 2006 :

Source: MetalPrices.com

The reason for the growth has been tight supply, as the LME tin inventory has been fluctuating around 14,000 tonnes over the last five years (see below).

Source: MetalPrices.com

Concerns over the future supply of the metal have also been fuelling the price growth as tin projects have dried up in the North America. According to usgs.com, Asia and Latin America account for more than 85% of global tin reserves.

COMMENT: *Adex promises to become the only North American tin producer, and this could cause competition for investing in the project among strategic investors that may need to secure a source of supply.*

COMMENT: *We believe that the a base case life-of-mine tin price of C$16.25/kg (US$14.77/kg), which was used for the purpose of the NZ Preliminary Assessment (PA), could be exceeded, on average, over the next ten years. On the background of the limited global supply, the demand for tin in electronic applications remains strong as up to 55% of tin globally goes into solder. The demand for tin in new electrical and electronic applications is likely to grow, such as in a tin-niobium alloy that is superconductive at low temperatures.*

Zinc: The price scenarios for zinc from the PA should hold. The global supply/demand balance for zinc has been less favorable for the metal's price than in tin's case, which is shown by the growing LME's inventories (see the chart below).

Source: MetalPrices.com

At the same time, we are optimistic that zinc's price forecast used in the PA will hold true. Specifically, the PA used C$2.70/kg (US$2.45/kg) as the base case price for the life-of-mine. Zinc's price is currently at about the same level, and we expect that strong demand for galvanized steel from Asia's automotive sector will prevent the price from going below this level, on average, over the next ten years.

Indium: Indium is the most IT industry-related of the three NZ metals, and has had the worst price performance over the past five years, since many companies in the industry have been delaying new projects due to the recent global economic difficulties. At the same time, indium looks to have the most promising future prospects demand-wise. Indium's application in flat-panel displays used in mobile phones, computers and televisions should secure stable demand, while its applications in the next generation of photovoltaic cells and hydrogen promise growth on the back of the economic recovery.

COMMENT: *Indium's current price is in line with the base case life-of-mine price in the PA (CDN$640/kg or US$582/kg). We expect that the average price of indium over the next ten years will exceed this level.*

COMMENT: *As Adex has one of the world's largest indium resources (1,244 tonnes I+I), strategic investors, such as Intel, may well become interested in Adex in order to secure supply, as in tin's case. Great Harvest, being a global resource development group, has already shown a strong commitment to participate in Adex's development. We believe that other strategic investors could express interest in Adex in the future.*

VALUATION

The derivation of our Target Price for Adex over the next twelve months is based on four valuation methodologies, as presented below.

(1) Market Capitalization-Resource Valuation

For the purpose of this valuation method, we use the market capitalization-to-resource ratio (MC/MTU (metric tonne units)) which indicates the relationship of the Company's market capitalization to its estimated tonnage of tungsten and tungsten equivalent (underground); our valuation does not take into account the production cost per unit, which differs amongst the peer companies.

For consistency, we use the same peer companies as we did in our Initiating and Update reports. The only exception is that we have excluded Strategic Metals, which has become an outlier as its MC/MTU ratio at the current 50-day average price exceeds $15.50.

TABLE 1: Market Capitalization and Resources Data

Stock Price is 50-day average

Company	Stock Symbol	Stock Price	Shares O/S (M)	Market Cap (M)	Tungsten MTU (M)(*)	Market Cap/MTU
Adex Mining (FTZ - tungsten-moly)					9.75	
Adex Mining (NZ - tin-indium-zinc)					11.59	
Total Adex	ADE	$0.21	136.5	$28.0	21.34	$1.31
Geodex Minerals	GXM	$0.22	106.5	$23.3	20.13	$1.16
Largo Resources	LGO	$0.41	305.5	$125.2	23.33	$5.37
North American Tungsten	NAT	$0.49	213.8	$104.8	37.85	$2.77
Playfair Mining	PLY	$0.23	77.6	$17.9	3.72	$4.79
Peer Average						$3.52

(*) Tungsten and tungsten equivalent; Tungsten is in MTU (metric tonne units); 1 tonne = 100 MTU

Source: Company and *e* Research

(a) Comparison Analysis

- Since our last Update Report on Adex in February 2010, the MC/MTU for Adex rose 112% from $0.59 to $1.31, while the average MC/MTU for the four peers went up by 115% to $3.52. (Playfair Mining, with a small resource, somewhat skews this average to the upside.) Thus, the relative discount of Adex to the peers on MC/MTU stayed approximately the same;
- Currently, except for North American Tungsten, none of the peer companies is in production;
- Adex's recent progress with its drilling program, which should go into a new resource estimate and a DFS for the NZ plus the strong probability for financing from Great Harvest, should catch investor attention, and lead to a narrowing of Adex's MC/MTU with those of its peers.

(b) Sensitivity Analysis

The following table takes different MC/MTU values for Adex over the ensuing 12 months when, according to our expectations, Adex's number of shares will be 176.5 million.

Market Capitalization (MC) per MTU	MC/MTU	Value ($ millions)	Value/Share
Scenario 1	$2.00	$42.68	$0.24
Scenario 2	$3.00	$64.02	$0.36
Scenario 3 (peer average)	$3.52	$75.15	$0.43
Scenario 4	$4.00	$85.36	$0.48
Scenario 5	$5.00	$106.70	$0.60
Scenario 6	$6.00	$128.04	$0.73

Source: *e* Research

- According to our sensitivity analysis, Adex's value per share ranges from $0.24 per share at $2.00 per MTU, to $0.73 per share at $6.00 per MTU;
- At the peer average MC/MTU, the value per share is $0.43;
- In our opinion, given our positive outlook for Adex over the ensuing 12 months, an appropriate MC/MTU ratio to calculate Adex's intrinsic value using this valuation method is $5.00, which equates to $0.60;
- In about two years, after all four stages of financing from Great Harvest, when Adex is about to start production at the NZ and has a DFS for the FTZ, the Company should deserve a higher MC/MTU ratio than the current peer average. As a benchmark, for this scenario, we take Largo Resources' MC/MTU level at its historic high, $7.20. On a fully diluted basis, with the number of Adex's shares at 236.5 million (according to the subscription agreement with Great Harvest), this target ratio level yields a $0.65 per share intrinsic value. In those circumstances, Adex might trade even higher, with its progress in identifying economically recoverable resources and commencement of production at the NZ. Additionally, Adex will be equity financing to fund development of the FTZ;
- Investors should also take into account that Adex's resource estimate might rise as the Company is currently upgrading the NZ resource estimate. This may also raise the stock's market price in the future.

(2) Property Ratio Valuation Method

(a) Methodology

This method determines an appropriate valuation for the shares of Adex based on:

- Current and expected market value of the Company over the next 12 months;
- Book value of the mineral properties of the Company compared to those of its peers;
- Expected capital expenditures for the Company for the next 12 months; and
- Expected number of shares to be issued to finance this capital expenditure program.

Table 2: Property Ratio Valuation Method

(C$1 = US$1.00)	Adex Mining Ltd. ADE: TSX-V	Geodex Minerals Ltd. GXM:TSX-V	Largo Resources Ltd. LGO: TSX-V	North American Tungsten Corp. NTC: TSX-V	Playfair Mining Ltd. PLY: TSX-V
Financial Statement Date:	September-10	December-10	September-10	September-10	November-10
Corporate:					
Share Price (50-day Average)	C$ 0.21	C$ 0.22	C$ 0.41	C$ 0.49	C$ 0.23
52-Week High-Low	$0.385 - $0.08	$0.33 - $0.055	$0.58 - $0.14	$0.62 - $0.145	$0.32 - $0.06
Shares O/S	136,526,026	106,503,682	305,468,425	213,823,058	77,611,361
Market Cap	C$ 27,987,835	C$ 23,281,705	C$ 125,242,054	C$ 104,773,298	C$ 17,850,613
Mineral Properties:					
Book Value (Cost) (1)	C$ 7,676,776	C$ 23,081,935	C$ 61,196,532	C$ 17,551,000	C$ 10,135,708
Market Value	C$ 25,851,171	C$ 22,005,254	C$ 122,610,715	C$ 66,867,298	C$ 15,412,528
Difference	C$ 18,174,395	-C$ 1,076,681	C$ 61,414,183	C$ 49,316,298	C$ 5,276,820
Property Ratio	3.37	0.95	2.00	3.81	1.52
Average Ratio (Peers)	2.07				
Selected Ratio	6.00				
Adjusted Book Value (Cost)(1)	C$ 15,136,776				
Common Equity (Per Statements)	C$ 16,493,148				
Adjusted Common Equity (Selected Ratio)(2)	C$ 92,177,028				
Equity Per Share (Per Statements)	C$ 0.12				
Adjusted Equity Per Share (Selected Ratio)(3)	C$ 0.52				

Note 1: Adjusted Book Value is Book Value adjusted for expected capital raise over the next 12 months
Note 2: Adjusted Common Equity is adjusted for additional estimated equity issued to finance $2.15M capex over the next 12 months.
Note 3: Adjusted Equity Per Share is based on shares O/S at February 10, 2011, plus estimated new shares to be issued within 12 months, for a total of 176.5 million shares.
Source: *e* Research

(b) Analysis

The Property Valuation approach is based upon an analysis of the Property Ratio, which measures the premium the market currently places on a company's mineral properties. All else being equal, a higher premium indicates the market is anticipating greater future value from the assets in the ground, while a lower premium may represent an undervalued asset. Our analysis utilizes the latest available financial statements for the respective companies.

In the table above, we estimate the value of Adex's mineral property portfolio 12 months forward by adding the anticipated capital expenditures for the forecast period to the existing mineral property value. Then we apply, to the Adjusted Book Value of the mineral property, the selected Mineral Property Ratio, as determined by analyzing and comparing the relative merits of the peer companies with the subject company.

The Property Ratio for the peer group is an average of 2.07x, while Adex's Property Ratio is 3.37x.

Provided the Company's corporate strategy is successfully executed, with a positive DFS and the securing of full funding from Great Harvest for bringing the NZ into production, we believe the Company's Property Ratio should rise substantially. We are increasing this parameter substantially from its current level, to 6.00x, to give an Intrinsic Value under this methodology of $0.52 per share.

(3) Per Attributable Resource Method

Our matrix below sets out the following:

(1) A range of values for the price of tungsten, in the ground, from US$3.50/MTU (1% of the current market tungsten price of US$350/MTU) to US$21/MTU (6% of the price); and
(2) A size of deposit ranging from 4,286,034 MTU (20% of tungsten equivalent in Adex's two projects) to 21,340,169 MTU (100%).

To calculate the fair value of the properties, we chose conservative assumptions of the in-ground price of tungsten at US$14/MTU (4% of the current tungsten price) and a 8.54 MTU deposit (40% of tungsten equivalent in Adex's two projects). Under these assumptions, the intrinsic value for the two properties comes to $199.5 million, or $0.68 per share with a number of shares at 176.5 million.

Table 3: Matrix of Values Per Attributable Resource

Per Attributable Tungsten Resource mtu (in-the-ground)						
Price of tungsten, US$ (in-the-ground)	$3.50	$7.00	$10.50	$14.00	$17.50	$21.00
Market Cap (C$ @C$1.00=US$1.00)						
Using 4.27 MTU M Resource	$14,938,118	$29,876,237	$44,814,355	$59,752,473	$74,690,592	$89,628,710
Using 8.54 MTU M Resource	$29,876,237	$59,752,473	$89,628,710	$119,504,947	$149,381,184	$179,257,420
Using 12.8 MTU M Resource	$44,814,355	$89,628,710	$134,443,065	$179,257,420	$224,071,775	$268,886,131
Using 17.1 MTU M Resource	$59,752,473	$119,504,947	$179,257,420	$239,009,894	$298,762,367	$358,514,841
Using 21.3 MTU M Resource	$74,690,592	$149,381,184	$224,071,775	$298,762,367	$373,452,959	$448,143,551
Value Per Share (176.5 M shares)						
Using 4.27 MTU M Resource	$0.08	$0.17	$0.25	$0.34	$0.42	$0.51
Using 8.54 MTU M Resource	$0.17	$0.34	$0.51	$0.68	$0.85	$1.02
Using 12.8 MTU M Resource	$0.25	$0.51	$0.76	$1.02	$1.27	$1.52
Using 17.1 MTU M Resource	$0.34	$0.68	$1.02	$1.35	$1.69	$2.03
Using 21.3 MTU M Resource	$0.42	$0.85	$1.27	$1.69	$2.12	$2.54
Source: eResearch						

(4) Discounted Cash Flow (DCF) Valuation

(a) Fire Tower Zone

The October 2008 Aker Solutions' Scoping Study for the FTZ property had the following NPV assumptions:

- Indicated resources at 13.489 million tonnes, grading 0.33% WO_3 and 0.2% MoS_2; Inferred resources at 841,700 tonnes, grading 0.26% WO_3 and 0.21% MoS_2;
- Underground mine to be capable of producing 840,000 t/a at a rate of 2,000 t/d;
- Revenues at C$1.16 billion over 13 years;
- US$215 per MTU WO_3;
- US$23.17 per lb MoS_2;
- Discount rate of 8%.

The resulting after-tax NPV came up to C$83.7 million. While the assumptions may well change in the planned future DFS for the FTZ property, we consider these assumptions and the resultant NPV usable for valuation purposes.

The future DFS may produce an even higher NPV for the FTZ, as the tungsten price used here is lower than the current price of US$350/MTU, which we use for the purposes of the per attributable resource valuation method. The future NPV estimate will also depend on the molybdenum price assumption which, in the scoping study, is 32% higher than the current market price of US$17.50/lb. At the same time, we are optimistic about the molybdenum market and expect that the molybdenum price will be higher, on average, in the next 10-15 years than the current price.

(b) North Zone

The January 2010 Preliminary Assessment for the NZ indicates two viable production options for the NZ: (a) production of tin concentrate and zinc-indium concentrate; and (b) production of tin concentrate, zinc metal, and indium sponge, as shown in the following table:

	Option A	**Option B**
Project life	10 years	10 Years
Pre-production capital	$41.17 million	$71.10 million
Production rate (tonnes per day)	850	850
Pre-production capital	$41.17 million	$71.10 million
After-tax IRR	18.00%	22.55%
After-tax NPV discounted at 8%	$18.06 million	$47.18 million
Pay-back Period	4.43 years	5.55 years

Source: Company

For valuation purposes, we take the NPV from option B, since the PA considers it to be the most viable. At the same time, Adex is now considering an option of producing tin metal, which may raise the North Zone's NPV in the planned DFS. We also expect that the tin price of C$16.25/kg used in the NPV model for the NZ will be exceeded on average over the next ten years as the metal's current market price is above C$32/kg. This may lead to higher project's NPV in the DFS.

(c) Combined Estimated Fair Value for the Two Properties

The combined NPV results from the Aker Solutions Scoping Study and the Preliminary Assessment gives an intrinsic value of $138.7 million, or $0.79 per share with the number of shares at 176.5 million.

(5) Target Price Calculation

From the four valuation methods used, we obtained the following intrinsic values based on a fully diluted number of shares outstanding of 176.5 million, which we expect Adex will have in 12 months time in order to equity finance its planned capex program:

- Market Capitalization-Resource Valuation: $0.60 per share;
- Property Ratio Valuation: $0.52 per share;
- Per Attributable Resource Valuation: $0.68 per share; and
- Discounted Cash Flow Valuation: $0.79 per share.

From these valuation methodologies, we take the average of the four results, to derive our overall Intrinsic Value of $0.65 per share.

We believe a premium should be ascribed to the calculation of the Intrinsic Value to reflect the many positive developments that will accrue to Adex for the ensuing year and which are not factored into the above calculations. (See #6 on the next page.)

(6) Further Stock Potential

We believe that, after the Company's next 12 months' activities, further upside may come from the factors listed below. At the same time, investors should take into account share dilution according to the subscription agreement with Great Harvest.

- In about two years, when production at the NZ starts and a DFS for the FTZ is completed, Adex may trade at a higher MC/MTU ratio than the current peer average, as most of its current peers are not in production;
- Adex's resource estimate might rise as the Company is currently upgrading the NZ resource estimate. This may also raise the stock's price according to the MC/MTU valuation;
- The future DFS may produce an even higher NPV for the FTZ, as the tungsten price used in the Scoping Study in 2008 is lower than the current price of US$350/MTU;
- Adex is currently considering an option of producing tin metal as opposed to producing tin concentrate used in the Preliminary Assessment for the North Zone, which may raise the NZ's NPV in the planned DFS;
- In the planned DFS for the NZ, the tin price may exceed C$16.25/kg (currently C$32.3/kg), while the indium price may exceed C$640/kg (currently C$650/kg), which are used in the NPV model for the NZ in the 2010 Preliminary Assessment. These factors also provide opportunities for the NPV in the DFS to be higher.

From all of this, we have chosen a range for the premium to be added to the Intrinsic Value:
At a 25% premium, the augmented value equates (rounded) to $0.80 per share.
At a 50% premium, the augmented value equates (rounded) to $1.00 per share.

We are taking the 25% premium as the basis for our 12 months' price objective, which gives us a Target Price for the shares of Adex of $0.80.

RISKS AND RATING

We rate the stock a Speculative Buy.

The Company's risks stem from:

- **Commodity Markets**: Adex's future cash flows depend on the trends in tin, zinc, indium, tungsten and molybdenum prices;
- **Junior Mining Exploration Companies**: There is an inherent risk associated with the nature of the early-stage mining exploration and development business, particularly with a company's ability to raise fresh capital in the absence of a revenue stream.
- **DFS Risk**: There are risks for the success of the DFS on the North Zone, which is a condition for further financing from Great Harvest.

However, with a high probability of Adex receiving financing from Great Harvest, the Company bears lower risks as compared to many other mining exploration companies that do not have secured funding sources and must constantly revisit the capital markets, which can be uncertain.

FINANCIAL REVIEW AND OUTLOOK

Financial Year End

December 31

Revenues

The Company currently generates no revenues.

Cash Burn Rate

The monthly cash burn rate (Admin&Gen Expenses) fluctuated around the $70,000 mark in 2008-2010. In the 12 months ending September 30, 2010, it grew by 12% from $65,473 in 2009 to $73,657, while in 2008 it was $78,558 per month.

The monthly site maintenance burn rate went down from $41,883 in 2008 to $31,771 in 2009 and $22,142 in the 12 months ending September 30, 2010.

We estimate that, in 2010, the monthly corporate overhead and site maintenance cash burn rate rose to $75,500 and $22,700 respectively and, in total, amounted to $98,200 monthly and $1.18 million annually. We expect that, in 2011, these amounts will rise slightly to around $101,000 and $1.21 million respectively.

Cash

As a result of the October 2010 share placement, we estimate that Adex's cash position at the end of 2010 reached $4.85 million. This amount is sufficient to cover 49 months of operating cash burn, excluding capital expenditures. Including our estimate for Adex's 2011 capex (see below), the Company's current cash should be sufficient for 27 months. Thus, Adex is currently quite liquid.

Capital Expenditures for Exploration

We estimate the Company's capital expenditures program for 2010-11 at $3.6 million, with the uses being partly as follows:

- $1,500,000 for the DFS of the North Zone;
- $500,000 for continuation of the tin, indium, and zinc concentrate test project carried out by SGS Lakefield Research Limited;
- $900,000 for drilling program; and
- $150,000 for the second stage of the tin metal production process design done by XPS.

Financing

According to the subscription agreement signed in August 2010, Great Harvest should exercise its 40 million share purchase warrants by October 19, 2011, which would bring Adex $7.2 million in gross proceeds. After that, Adex should receive up to $50 million in debt financing in late 2011-2012 from or arranged by Great Harvest. By the end of 2012, Great Harvest is likely to exercise its share purchase rights and bring $3-$38 million, depending on the market share price, in equity financing.

The total amount of financing, according to the agreement, should reach $65-100 million. We expect that the construction of the mine and other production facilities in the NZ should take up to $71 million. Thus, Adex is likely to have enough cash to start production at the NZ and start developing the FTZ until the cash from the NZ project starts flowing in.

SELECTED FINANCIAL INFORMATION

(C$)	Year End	Year End	Year End	12 months		
Statement of Income (Loss)	**Dec 31 2007**	**Dec 31 2008**	**Dec 31 2009**	**Sep. 2010**	**2010E**	**2011E**
Revenues	0	0	0	0	0	0
Administrative & General	(1,194,426)	(942,696)	(785,677)	(883,881)	(905,978)	(933,157)
Depreciation	(3,107)	(1,176)	(3,035)	(3,166)	(3,245)	(3,343)
Mineral Property Expenses	(360,363)	(502,592)	(381,249)	(265,706)	(272,349)	(280,519)
Stock-based Compensation	(678,355)	(532,152)	(234,801)	(206,409)	(211,569)	(217,916)
Interest Income	139,683	128,097	4,910	(16,802)	(17,138)	(17,652)
Interest Expense	(157,205)	0	0	0	0	-
Non-cash items adjustments	1,005,000	0	292,378	292,378	298,226	304,190
Net Income/(Loss)	**(1,248,773)**	**(1,850,519)**	**(1,107,474)**	**(1,083,586)**	**(1,112,054)**	**(1,148,397)**
Total Shares Outstanding	74,659,015	88,117,361	96,526,026	96,526,026	136,526,026	176,526,026
Weighted Average Shares Outstanding	49,546,058	84,579,008	88,117,361	96,526,026	104,526,026	140,526,026
Earnings (Loss) Per Share	($0.03)	($0.02)	($0.01)	($0.01)	($0.01)	($0.01)
Cash Flow Statement						
Net Income (Loss)	(1,248,773)	(1,850,519)	(1,107,474)	(1,083,586)	(1,112,054)	(1,148,397)
All Non-Cash Items	(273,530)	541,232	(30,447)	(42,336)	(83,411)	(82,931)
Cash Flow from Operations	(1,522,303)	(1,309,287)	(1,137,921)	(1,125,922)	(1,195,465)	(1,231,329)
Capital Expenditures (Properties)	(252,081)	(4,793,190)	(912,939)	(1,436,195)	(1,450,557)	(2,150,000)
Other Investing Items	(178,087)	(41,154)	(67,371)	(67,525)	(68,200)	(75,000)
Free Cash Flow	(1,952,471)	(6,143,631)	(2,118,231)	(2,629,642)	(2,714,222)	(3,456,329)
Working Capital Changes	(1,212,187)	96,277	106,411	356,135	359,696	323,727
Cash Flow before Financing	(3,164,658)	(6,047,354)	(2,011,820)	(2,273,507)	(2,354,526)	(3,132,602)
Equity Financing	11,683,678	1,345,745	905,606	905,606	4,464,000	6,696,000
Debt Financing	-	-	(10,484)	(27,560)	(27,836)	(28,114)
Change in Cash	**8,519,020**	**(4,701,609)**	**(1,116,698)**	**(1,395,461)**	**2,081,639**	**3,535,284**
Cash, Beginning of the Period	66,410	8,585,430	3,883,821	2,267,835	2,767,123	4,848,762
Cash, End of the Period	8,585,430	3,883,821	2,767,123	872,374	4,848,762	8,384,046
Balance Sheet As At:	**Dec. 31**	**Dec. 31**	**Dec. 31**	**Sep. 30**	**Dec. 31**	**Dec. 31**
(C$)	**2007**	**2008**	**2009**	**2009**	**2010E**	**2011E**
Cash	8,585,430	3,883,821	2,767,123	872,374	4,848,762	8,384,046
Other Current Assets	316,044	280,984	153,700	380,063	383,864	364,670
Mining Properties	815,551	5,608,741	6,521,680	7,676,776	7,972,237	10,122,237
Capital Assets + Reclamation Bonds	704,829	736,633	852,356	884,227	893,069	803,762
Total Assets	**10,421,854**	**10,510,179**	**10,294,859**	**9,813,440**	**14,097,932**	**19,674,716**
Short-term Debt	-	-	22,970	26,297	26,823	30,264
Current Liabilities	255,805	316,753	295,880	732,370	763,123	788,312
Long-Term Debt	-	-	42,028	21,625	22,058	22,609
Shareholders' Equity	10,166,049	10,193,426	9,933,981	9,033,148	13,285,928	18,833,530
Total Liabilities & Equity	**10,421,854**	**10,510,179**	**10,294,859**	**9,813,440**	**14,097,932**	**19,674,716**
Book Value (S.E.) Per Share	$0.14	$0.12	$0.10	$0.09	$0.10	$0.11

MANAGEMENT

J. Errol Farr, CMA: *President and CEO, Director*
Errol Farr has over 15 years of experience in finance, accounting and operations with publicly-listed junior mining companies. He has been involved with Adex Mining since its acquisition of Mount Pleasant in 1995.

Victor Hendricken, BA, MA: *Operations Manager*
Victor Hendricken has over 25 years of direct experience in the operation of mine and milling plants, including General Foreman at the Mount Pleasant Mine. He is also was a technical consultant for the Beaver Brook Antimony Mine in Newfoundland.

J. Dean Thibault, P. Eng, MSc: *Senior Consultant – Metallurgical, Environmental and Planning*
Dean Thibault has worked or consulted for BHP, Gulf Canada, the Inco Smelter Division, Iron Ore of Canada, Syncrude, Rio Tinto and Tiberon Resources. His expertise includes development of mineral extraction flowsheets and environmental management plans, as well as design and construction of metallurgical facilities.

William B. Burton, BSc. (Hon) Geology: *Technical Advisor and Director*
William B. Burton is the founder of Adex (1993) and was CEO from 1994 to 1998. He is currently also a Director of Erdene Gold Inc.

William C. Burton, BBA, CA: *CFO*
Willliam C. Burton has extensive public company accounting and audit experience. He is also CFO of MagIndustries Corp. His previous work was Audit Manager with Deloitte & Touche LLP.

CORPORATE INFORMATION

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CORPORATE PICTURES

Aerial View: Mount Pleasant Mine

Mine Site: Tailings Pond (in the foreground)

Conveyor and Coarse Ore Storage Building

ANALYST CERTIFICATION

Each Research Analyst who was involved in the preparation of this Research Report hereby certifies that:

(1) the views, opinions, and recommendations expressed in this Research Report reflect accurately the Research Analyst's personal views concerning any and all securities and issuers that are discussed herein and are the subject matter of this Research Report; and

(2) the fees, earnings, or compensation, in any form, payable to the Research Analyst, is not and will not, directly or indirectly, be related to the specific views, opinions, and recommendations expressed by the Research Analyst in this Research Report.

***e*Research Analysts on this Report:**

Yuri Belinsky, B.A. (Economics), M.A.: Yuri Belinsky has extensive experience in Canadian and emerging markets research, with emphasis on mining and oil & gas companies. He had a successful track record in the capital markets industry in Ukraine, progressing from an analyst to the head of research for a team of 12 analysts. He also has experience as a portfolio manager. Mr. Belinsky has a B.A. in Economics and two M.A. degrees, in Public Administration and Social Research and Evaluation.

Bob Weir, B. Comm, B.Sc., CFA: Bob Weir has 43 years of investment research and analytical experience in both the equity and fixed-income sectors, and in the commercial real estate industry. He joined *e*Research in 2004 and has been its President, CEO, and Managing Director, Research Services since May 2005. Prior to joining *e*Research, Mr. Weir was at Dominion Bond Rating Service (DBRS), latterly as Executive Vice-President responsible for supervising the firm's 34 analysts and conducting the day-to-day management affairs of the company.

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George Cargill
Graham Wilson

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Buy:	Expected total return within the next 12 months is between 10% and 40%.
Speculative Buy:	Expected total return within the next 12 months is substantial, but Risk is High (see below).
Hold:	Expected total return within the next 12 months is between 0% and 10%.
Sell:	Expected total return within the next 12 months is negative.

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A company may have some, but not necessarily all, of the following characteristics of a specific risk rating to qualify for that rating:

High Risk: *Financial* - Little or no revenue and earnings, limited financial history, weak balance sheet, negative free cash flows, poor working capital solvency, no dividends.
Operational - Weak competitive market position, early stage of development, unproven operating plan, high cost structure, industry consolidating, business model/technology unproven or out-of-date.

Medium Risk: *Financial* - Several years of revenue and positive earnings, balance sheet in line with industry average, positive free cash flow, adequate working capital solvency, may or may not pay a dividend.
Operational - Competitive market position and cost structure, industry stable, business model/technology is well established and consistent with current state of industry.

Low Risk: *Financial* - Strong revenue growth and earnings over several years, stronger than average balance sheet, strong positive free cash flows, above average working capital solvency, company may pay (and stock may yield) substantial dividends or company may actively buy back stock.
Operational - Dominant player in its market, below average cost structure, company may be a consolidator, company may have a leading market/technology position.

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