eResearch

Update Report **May 25, 2012**

ADEX MINING INC.

(TSX-V: ADE)

Recommendation
Speculative Buy

Risk
High

Price (May 24, 2012)
$0.075

52-Week Range
$0.24 - $0.055

Target Price
$0.40

Shares O/S
177.2 million

Market Cap
$13.3 million

Average Daily Volume
50-day: 83,300
200-day: 83,700

Year-End
December 31

Book Value Per Share
Dec. 2011: $0.10

Cash Per Share
Dec. 2011: $0.03

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UPFRONT

Significant changes last year have placed Adex on a firm path to achieving its goal of commencing production.

- Adex has a new controlling shareholder, Great Harvest Canadian Investment Company, which has access to substantial financial resources.
- The Company has received funding of $12 million and, under certain circumstances, could receive up to $69 million more from Great Harvest.
- Adex changed its operational focus to its tungsten mineralization, as there is strong Chinese demand for tungsten.

If a Definitive Feasibility Study ("DFS") of the Fire Tower Zone ("FTZ"), expected in early 2013, is positive, this should bring more funding from Great Harvest, and help Adex achieve its goal of bringing the FTZ project into production in 2015.

THE COMPANY

Adex Mining Inc. ("Adex" or the "Company") is engaged in the exploration and development of its Mount Pleasant mineral property in New Brunswick, specifically the tungsten-molybdenum-bismuth project (Fire Tower Zone) and the tin-indium-zinc project (North Zone).

RECOMMENDATION

We recommend the shares of Adex as a Speculative Buy for risk-tolerant investors. Our Target Price is $0.40 per share. The stock is currently selling below its Book Value, which makes for a compelling purchase argument.

TARGET PRICE

We have employed three valuation methods to arrive at the following intrinsic values for Adex (based on our expectation for the number of shares outstanding at the end of 2012 of 185.2 million):

- Market Capitalization-Resource Valuation: $0.11 per share;
- Property Ratio Valuation: $0.13 per share;
- Per Attributable Resource Valuation: $0.59 per share.

We believe that current market-based valuations of junior stocks are unfairly low and, thus, to determine Adex's overall Intrinsic Value, apply 20% weights to the results obtained under the first two methods, and a 60% weight to the result from the third method. This derives the Intrinsic Value of $0.40, and compares to our previous estimate of $0.65.

The difference between our new and previous Target Prices is that, this time, we are not applying any premium to the Intrinsic Value as we did previously. This reflects the more sombre mood in the market for commodities in general and for junior mining companies in particular. (For a full explanation of our valuation methodologies, see Valuation section on pages 8-11).

TIME HORIZON

We have chosen the end of 2012 as the Target Price horizon.

In 2013, an updated assessment will be required as certain milestones are achieved: (1) The Company should obtain a Definitive Feasibility Study ("DFS") for the Mount Pleasant's Fire Tower Zone in early 2013; (2) A positive and encouraging DFS should trigger the next phase of financing from Great Harvest, which could amount to up to $50 million in debt; and (3) After the debt financing, Great Harvest is entitled to purchase up to 60 million of Adex's shares from the Company. The price of this round of equity financing will depend on market conditions, and could become one of the critical factors for future share price performance.

INVESTMENT SUMMARY

- **Focus Shifts to the Fire Tower Zone:** While previously Adex had focused on the North Zone (NZ, Sn-In-Zn) of its Mount Pleasant property, the Company changed its focus, in February 2012, to the Fire Tower Zone (FTZ, W-Mo-Bi). The main reasons for the change were the strength of the Chinese demand for tungsten, and the fact that there is more and better information on the FTZ's geology and metallurgy. The Company intends to obtain the DFS for the FTZ in early 2013. The NPV in the DFS may be higher than in the FTZ's 2008 Scoping Study, due to the higher tungsten price.

- **Financing from Great Harvest:** The subsidiary of a Chinese shipping company, Great Harvest currently owns a controlling 45% interest in Adex. We expect that, after the delivery of the DFS and according to the Subscription Agreement, Great Harvest will secure around $10 million in debt financing and invest up to $4 million in equity in Adex in 2013. This financing should kick-start the development of the FTZ and help bring the mine into production, possibly in 2015.

- **Tungsten-Molybdenum-Bismuth Mineralization Should Grow:** The 2011 drilling program extended Mount Pleasant's W-Mo-Bi mineralization from mainly the FTZ to the NZ and Saddle Zone. We expect that the combined W-Mo-Bi mineralization on all three zones will be further explored and will obtain an upgraded NI 43-101 compliant resource estimate in 2013.

- **Further Exploration at the North Zone:** Despite the change in Adex's focus, Sn-Zn-In mineralization at the NZ is being further explored. The recent NI 43-101 resource estimate upgraded some of the Inferred tonnes to the Indicated category. Adex is currently working on the metallurgy of the resource.

STRATEGIC CORPORATE CHANGE OF CONTROL

Background

In May 2011, Great Harvest Canadian Investment Company ("Great Harvest") exercised in full its 40,000,000 Series A warrants for a total amount of $7,200,000 according to the 2010 Subscription Agreement with Adex Mining. As a result of the transaction, Great Harvest became the owner of 80 million common shares of Adex, or about 45.14% of the Company's shares outstanding.

COMMENT: *A look at Great Harvest is important because of Adex's recent change of strategy, and of the prospects of receiving additional financing from Great Harvest: debt (up to $50 million) and equity (around $19 million), for a possible total of around $69 million.*

Adex's Subscription Agreement with Great Harvest, dated August 2010, stated that Great Harvest is an investment holding company, based in Hong Kong and controlled by Mr. Yan Kim Po and his wife, Ms. Lam Kwan. Mr. Yan is said to be an experienced entrepreneur principally engaged in the mineral resource development, mineral trading, and marine transportation industries. He is currently a fellow member of the Hong Kong Institute of Directors and the chairman of the Hong Kong Energy and Minerals United Association. Ms. Lam is experienced in the marine transportation industry and is one of the co-founders of the Great Harvest Maeta Group Holdings Limited ("the Group"), which is principally engaged in the chartering of its own vessels. Among the four vessels registered under the Group's name are two panamax dry bulk vessels and one capesize dry bulk vessel.

Adex's documentation in October 2010 regarding the first round of financings of the Subscription Agreement said that the Group is well financed and should be able to assist Adex in accessing technologies for the enhanced recovery of metals, especially tin and tungsten. The document said that the Group has a metals and concentrate trading division which could assist with the sale of the metal products from Mount Pleasant.

According to the Group's reports, in the last three years, it has experienced pressures from the challenging dry bulk freight market with depressed freight rates. As a result, the Group's revenues dropped from US$52 million in 2009 to US$31 million in 2011. In the six months ended September 30, 2011, the revenue was down 17% year/year to US$14 million. The Group's MD&A says that, in a bid to consolidate and expand its scope of business, the Group intends to identify new development opportunities and/or expand its business by considering expansion into, in particular, the upstream business, apart from the shipping business.

COMMENT: *The Group's involvement in the mining exploration business, with regards to Adex, fits into this framework of development. The Group management's knowledge of the upstream markets, such as the mining industry and its customers, should help it make a valuable contribution to Adex's development and future sales.*

We believe Great Harvest has the ability to deliver up to $20 million in equity and secure up to $50 million in debt for Adex. In the last two years, Great Harvest has invested $12 million in Adex, which may have come from the Group. Despite the decline in its revenues, the Group has a sound financial position. Its Debt/Capital Ratio, at the end of September 2011, was at a healthy 31%, while its Cashflow/Debt Ratio in 2011 was at an acceptable 31%. In 2011, the Group raised US$26 million in bank loans. Whether the funds for Adex will come from the Group or other sources is hard to predict. However, apparently, Great Harvest has access to some form of financing.

Financing

The exercise of 40 million warrants by Great Harvest in May 2011 was the second phase of the transactions contemplated by the Subscription Agreement with Adex Mining (see the table below). Including the first phase, the total amount of financing from Great Harvest became $12 million.

According to the Subscription Agreement, Great Harvest should provide or arrange for the provision to Adex of up to $50 million in debt for the development of the Mount Pleasant property if the planned DFS's results are satisfactory to Great Harvest. If Adex receives 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 calculation of the amount of financing, we use the following range for being Adex's possible share price:

(1) $0.05 per share as a minimum possible price; and
(2) $0.32 per share, which is our Target Price discounted by 20%.

COMMENT: *We reiterate our expectation that Adex will obtain at least $10 million of the total $50 million debt financing. Given the amount of debt financing at $10 million and our range of the stock's market price after the debt financing at $0.05-$0.32, the total amount of financing the Company would get from Great Harvest is $23 million to $26 million (Table 2). If the debt financing reaches its ceiling, $50 million, the total amount is in the range of $65 million to $81 million (Table 1).*

The remaining equity part of the financing, which could amount to up to 60 million shares, could dilute the minority stakes if the price of the financing is low, i.e., below the current Book Value of $0.10 per share. However, we expect that the financing will not reach its ceiling, at least not in 2013. The shaky markets for commodities and junior mining stocks will likely deter Great Harvest from securing $50 million in debt and investing around $19 million in equity in Adex. We consider the debt financing of $10 million and the corresponding issue of 12 million shares (most likely, for $3.9 million, Table 2) as the most likely scenario for 2013. This financing should be enough to start the development stage at the FTZ.

Given the expected number of shares at around 185 million by that time, even if the price of financing is low, the issue of 12 million shares would not likely be critical for minority shareholders.

Table 1: Great Harvest Financing Schedule, Maximum Debt Financing

	Phase 1: Placement, Oct. 2010	Phase 2: Warrants, May 2011	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	$0.32
Amount of financing	$4,800,000	$7,200,000	$50,000,000	$3,000,000	$19,324,332
Total financing	$4,800,000	$12,000,000	$62,000,000	$65,000,000	$81,324,332

Source: Company, eResearch estimates

Table 2: Great Harvest Financing Schedule, Realistic Debt Financing

	Phase 1: Placement, Oct. 2010	Phase 2: Warrants, May 2011	Phase 3: debt financing	Phase 4: exercise of share purchase right	
				Scenario 1	**Scenario 2**
# of shares issued	40,000,000	40,000,000		12,000,000	12,000,000
Price per share	$0.12	$0.18		$0.05	$0.32
Amount of financing	$4,800,000	$7,200,000	$10,000,000	$600,000	$3,864,866
Total financing	$4,800,000	$12,000,000	$22,000,000	$22,600,000	$25,864,866

Source: Company, eResearch estimates

STRATEGIC OPERATIONS CHANGE

New Strategy for Mount Pleasant

Following the arrival of Great Harvest as Adex's major shareholder and the change of management in 2011, the Company in February 2012 announced the change in its strategy for the Mount Pleasant property. The new strategy focuses on the Fire Tower Zone (FTZ), with plans to bring it to production in early 2015.

COMMENT: *This was a reversal of the Company's strategy which had previously concentrated on the North Zone (NZ). The decision to move forward with the FTZ development was based on a better understanding of the FTZ's geology and metallurgy, as the project has already been in production (Billiton milled 990,200 tonnes of tungsten ore at the project in 1983-1985). We believe that the decision was also based on the strong demand for tungsten from China (see our Metal Prices Update on pages 6-8).*

Feasibility Study for the FTZ

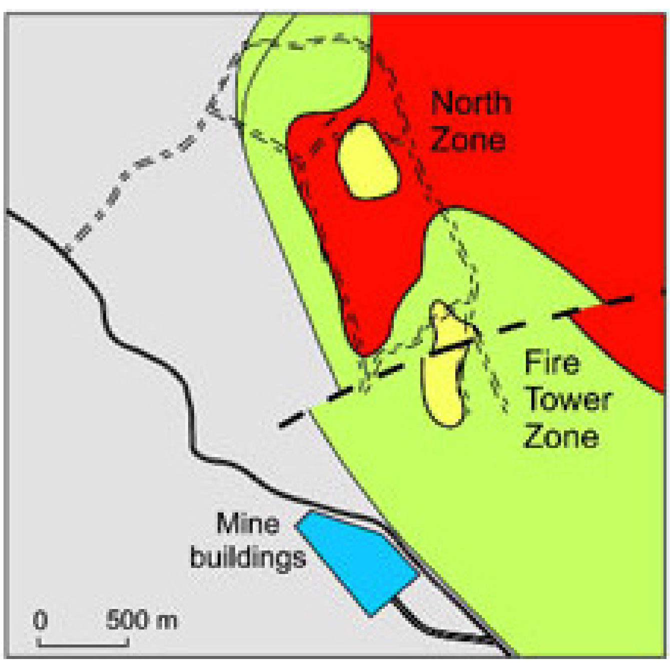
On the road to production at the FTZ, Adex Mining plans to obtain a Definitive Feasibility Study for the zone in early 2013. Adex has already begun metallurgical feasibility testing, which will be included in the Study. The testing is scheduled for completion in Q3/2012.

COMMENT: *We expect that stronger tungsten prices (see the tungsten price discussion on pages 7-8) will raise the FTZ's potential investment returns in the DFS as compared to the 2008 Scoping Study's indicators. The DFS is critically important for the Company as it should trigger further financing from Great Harvest (see pages 3-4).*

Potentially Bigger WO_3/MoS_2/Bi Resource

The 2011 diamond drilling program (17 holes, 7,000 metres) at the Mount Pleasant property, the results of which were announced in late January 2012, discovered new high-grade intercepts of tungsten (WO_3), molybdenum (MoS_2) and bismuth (Bi) at both the North Zone and the Saddle Zone (SZ) (see the map below, the SZ is located between the NZ and FTZ). As a reminder, the NZ's key metals remain tin, zinc, and indium.

Map 1: Composition of the Mount Pleasant Property



Source: Company

On the NZ, known WO_3/MoS_2/Bi mineralized bodies were extended to the east and southeast. On the SZ, the high-grade intervals could be continuous with similar mineralization on the adjacent FTZ. The grades were comparable to the FTZ grades, with the highlights being: 30 metres of 0.47% WO_3, 0.28% MoS_2, and 0.21% Bi in Hole AM-11-04 (NZ); and 30 metres of 0.40% WO_3, 0.19% MoS_2, and 0.20% Bi in Hole AM-11-17a (SZ).

COMMENT: *The drilling showed that the WO_3/MoS_2/Bi resource of the FTZ may be complemented by the North Zone and Saddle Zone's mineralization. It is possible that this mineralization can be accessed underground from the FTZ mine, which Adex plans to bring to production in 2015. Within its new strategy, Adex plans to amalgamate the WO_3/MoS_2/Bi mineralization of the NZ and SZ with the FTZ's mineralization. We expect that Adex will carry out follow-up drilling of the WO_3/MoS_2/Bi mineralization on all three zones, likely in spring 2013. The new larger WO_3/MoS_2/Bi mineralization, which encompasses FTZ, NZ and SZ, should become a basis for a new NI 43-101 resource estimate, which should be obtained in 2013.*

NEW NORTH ZONE RESOURCE ESTIMATE

In parallel with the pursuit of the new strategy, which focuses on the WO_3/MoS_2/Bi mineralization around FTZ, Adex has been investing in further exploration of the NZ. In March 2012, Adex reported an updated NI 43-101 mineral resource estimate for the NZ. The estimate includes 12,400,000 Indicated tonnes averaging 0.38% Sn, 0.86% Zn, and 64 parts per million (ppm) In (see the table below). This represents a 14% increase in Indicated tonnes, using a cut-off grade 64% higher than in the 2009 resource estimate.

Table 3: North Zone Mineral Resources

Resource Category	Tonnage (MT)	Sn Grade, Cut (%)	Zn Grade, Cut (%)	In Grade, Cut (ppm)
Indicated	12.4	0.38	0.86	64
Inferred	2.8	0.30	1.13	70

Source: Company

Contained metal in the Indicated category within the new estimate is 47,000,000 kilograms of Sn, 107,000,000 kg of Zn, and 789,000 kg of In (see the table below). When compared to the 2009 resource estimate, contained Sn is about the same, but contained Zn and In increased, respectively, by 34,000,000 kg and 100,000 kg. The updated resource estimate also includes 2,800,000 Inferred tonnes averaging 0.30% Sn, 1.13% Zn, and 70 ppm In. Contained Inferred metal is 8,600,000 kg Sn, 32,000,000 kg Zn, and 198,000 kg In.

Table 4: North Zone Contained Metal

Resource Category	Contained Sn (Kg)	Contained Zn (Kg)	Contained In (Kg)
Indicated	47,000,000	107,000,000	789,000
Inferred	8,600,000	32,000,000	198,000

Source: Company

COMMENT: *The most significant achievement of the NZ's updated resource estimate is the upgrade of a portion of the previously Inferred tonnes into the Indicated category. Adex is also making progress in terms of the zone's metallurgy. The Company admits that further testing is required to better understand how to handle the metallurgy of the NZ resource.*

METAL PRICES UPDATE

Tin: Over the past year, the tin price has weakened. However, it has stayed above the life-of-mine price of US$14.77/kg (see the chart below), which was used in the NZ Preliminary Assessment. In late May 2012, tin traded at around $19.50/kg, while in our March 2011 *Update Report* we made a forecast that the tin price will remain above the US$14.77/kg level, on average, over the next ten years. We reiterate this forecast and choose US$18.37/kg, which is used to estimate a combined Gross Metal Value in the 2012 NZ resource estimate, for valuation purposes. This price level is conservative, being in line with the one-year low that tin reached in September 2011 on the back of weak demand from Europe during the height of the European debt crisis.

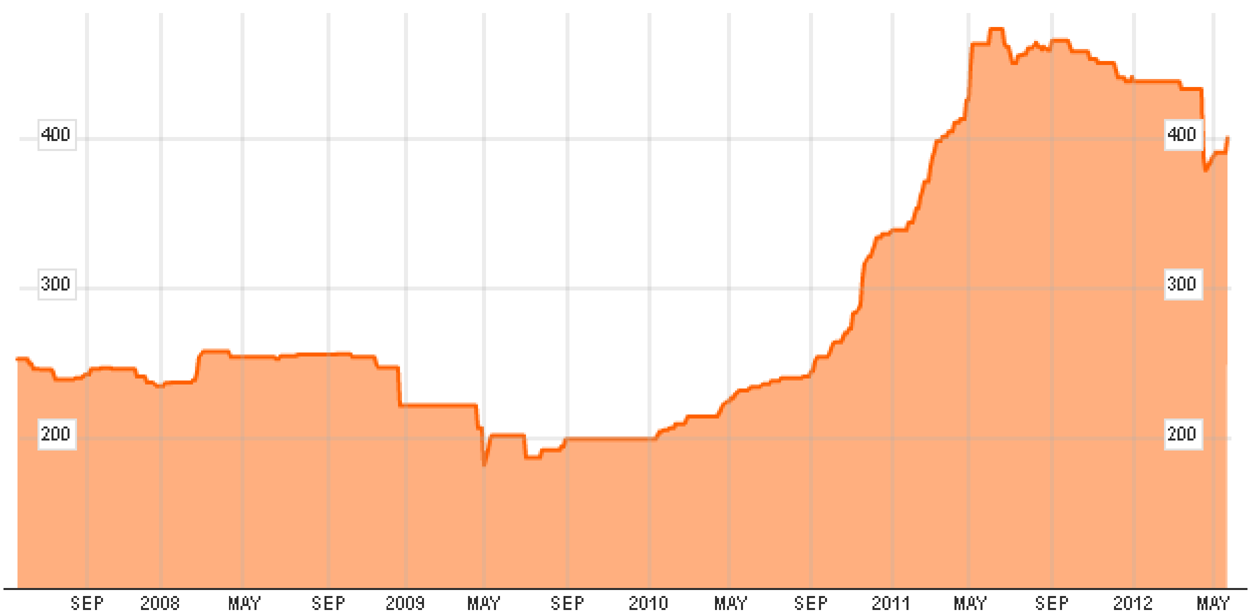
Zinc: The price of zinc has dropped from about $2.40/kg a year ago to around $1.90/kg (see the chart below). The decline was due to slower growth in the global automotive industry, which showed zinc's susceptibility to the macroeconomic environment. According to the forecast improvement in the global macroeconomic situation in the long run, we expect that the zinc price will rise, and we reiterate our long-term price forecast of $2.45/kg. For comparison, the 2012 NZ resource estimate uses a price of $2.92/kg.

Indium: After its high at $850/kg in the summer 2011, the indium price has fallen to around $575/kg currently (see the chart below) as inventory grew, although the use of indium in LCD displays has remained strong. This price level was prevalent in 2007-2008 and in 2010 - H1/2011. Using this historical background and, given that indium promises to find growing use in Light Emitting Diodes, high-speed semiconductors and the next generation of thin-film solar panels, we consider it reasonable to use $600/kg as an indium price for our valuation purposes. This is in line with the price used in the 2012 resource estimate for NZ.

Chart 1: Tin, Zinc and Indium Prices

Tungsten: The FTZ Scoping Study by AkerSolutions, completed in late 2008, used a tungsten price of US$215/mtu WO_3 (Ammonium Paratungstate or APT) for the financial analysis. This level was the average for 2009. Since then, the price has grown more than 100% to around $400/mtu currently (see the chart below).

Chart 2: Tungsten APT European in 2008-2012, US$/MTU



Source: Bloomberg

Roskill, the resource consulting company, considers the outlook for tungsten to be positive, as it expects that global demand will rise by around 6% annually in 2012-2016 due to strong demand from China. Much of China's demand for tungsten should come from the country's military applications, which should withstand likely future negative economic developments in the country. Other uses, such as tools used in drilling and steel manufacturing due to the metal's high density, hardness and melting point, make tungsten an important metal with no or few substitutes. According to Swiss Metal Assets, tungsten's new growth applications include nickel-tungsten alloys which can substitute for gold-nickel plating. The importance of tungsten is attested to by the classification, by the EU, of the metal as critical, i.e., having significant economic importance.

On the supply side, positive forecasts look justified, taking into account that the British Geological Survey (BGS) named tungsten as a metal facing high supply risks. These risks are confirmed by the current dispute between the United States, the EU, and Japan on the one side, and China on the other, about China's export restraints on tungsten. China currently produces 85% of global tungsten, which shows the extent of the problem for tungsten users in other countries.

Roskill expects that very few of the significant new tungsten projects will deliver any substantial tonnages of tungsten, and that the market will be relying on existing producers to cope with any growth in demand at least until 2013. Due to tightening in the tungsten supply, the price of the metal has performed better than the prices of many other commodities, especially during the current sell-off. The tungsten APT current price, in the region of $400/mtu, is off last year's historic highs but almost double 2009 levels (see Chart 2 above).

Roskill forecasts that prices will ease in 2013-2015 as the bulk of planned new tungsten capacity is expected to enter the market. Any delays in the launching of these projects should support market prices. For valuation purposes, we still use $350/mtu as the APT price, a 12% discount to the current market price.

VALUATION

Our Target Price for Adex is based on three valuation methodologies, as presented below. Our approach to the timing of the Target Price reflects the significant changes the Company is expected to experience in 2013. In early 2013, Adex should obtain a DFS for its key Fire Tower Zone, which could be a milestone for the Company as it plans to bring the FTZ into production in 2015.

Following the DFS, Adex should obtain around $10 million in debt financing from, or with the help of, Great Harvest.

COMMENT: *Great Harvest will likely only advance the debt funds if: (1) the DFS is positive; (2) there is a reasonable expectation that the FTZ will be put into production, as planned, in 2015; and (3) there is demand (maybe in the form of off-take agreements) for the Adex output.*

COMMENT: *The financing could have a significant effect on the Company's prospects. The price and volume of the equity financing by Great Harvest, which should follow the debt financing transaction, will depend on the exact amount of the debt financing and the stock price at the time. Such significant developments in 2013 will likely prompt the need to revisit the Company's valuation next year and, as a consequence, the forecasted time period for our Target Price is the end of 2012.*

(1) Market Capitalization-Resource Valuation

In this method, we use the MC/mtu (metric tonne units) of APT multiple, which indicates the relationship of the Company's market capitalization (based on 50-day average stock prices) to its estimated tonnage of tungsten equivalent (underground). As peers, we use companies exploring primarily for tungsten.

Table 5: Market Capitalization to Resource

Company	Stock Symbol	Stock Price	Shares O/S (M)	Market Cap (M)	Tungsten MTU (M)(*)	Market Cap/MTU
Adex Mining (FTZ - tungsten-moly)					7.51	
Adex Mining (NZ - tin-indium-zinc)					5.58	
Total Adex	ADE	$0.08	185.2	$14.7	13.09	$1.12
Geodex Minerals	GXM	$0.08	113.7	$8.8	8.99	$0.98
Northcliff Resources	NCF	$0.55	61.4	$33.8	20.99	$1.61
Playfair Mining	PLY	$0.04	123.1	$4.8	4.83	$0.99
Sultan Minerals	SUL	$0.03	134.7	$4.6	5.00	$0.92
Peer Average						$1.13

Source: Company and *e*Research

The MC/mtu for Adex mirrors the average of the peers. Northcliff Resources has the highest multiple, at $1.61. We believe that Adex should trade closer to Northcliff Resources, since Northcliff Resources is the closest to Adex in terms of resource size.

The following table takes different MC/mtu values for Adex. At Northcliff's $1.61 per mtu, Adex's Intrinsic Value is $0.11 per share.

Table 6: Intrinsic Value Scenarios

	MC/MTU	Value ($ millions)	Value/Share
Current	$1.12	$14.67	$0.08
At peer average MC/mtu	$1.13	$14.73	$0.08
At Northcliff Resources MC/mtu	$1.61	$21.06	$0.11

Source: *e*Research

(2) Property Ratio Valuation Method

Table 7: Property Ratio Valuation

	Adex Mining ADE: TSX-V	Geodex Minerals GXM:TSX-V	Northcliff Resources NCF: TSX	Sultan Minerals SUL: TSX-V	Playfair Mining Ltd. PLY: TSX-V
Financial Statement Date:	September-11	December-11	January-12	September-11	November-11
Corporate:					
Share Price (50-day Average)	C$ 0.08	C$ 0.08	C$ 0.55	C$ 0.03	C$ 0.04
52-Week High-Low	$0.385 - $0.08	$0.33 - $0.055	$0.58 - $0.14	$0.62 - $0.145	$0.32 - $0.06
Shares O/S	177,211,441	113,703,682	61,395,545	134,659,418	123,113,892
Market Cap	C$ 14,035,146	C$ 8,823,406	C$ 33,767,550	C$ 4,618,818	C$ 4,776,819
Mineral Properties:					
Book Value (Cost) (1)	C$ 9,308,381	C$ 1,804,362	C$ 17,729,449	C$ 9,457,138	C$ 12,882,971
Market Value	C$ 5,071,844	C$ 8,823,406	C$ 30,836,990	C$ 4,425,462	C$ 4,341,026
Difference	-C$ 4,236,537	C$ 7,019,044	C$ 13,107,541	-C$ 5,031,676	-C$ 8,541,945
Property Ratio	0.54	4.89	1.74	0.47	0.34
Average Ratio (Peers)	1.86				
Selected Ratio	1.74				
Adjusted Book Value (Cost)(1)	C$ 12,482,831				
Common Equity (Per Statements)	C$ 15,274,626				
Adjusted Common Equity (Selected Ratio)(2)	C$ 24,503,295				
Equity Per Share (Per Statements)	C$ 0.09				
Adjusted Equity Per Share (Selected Ratio)(3)	C$ 0.13				

Note 1: Adjusted Book Value is Book Value adjusted for expected $1.15 million of capex over the next 12 months.
Note 2: Adjusted Common Equity is adjusted for additional estimated $1.24 million of equity issued over the next 12 months.
Note 3: Adjusted Equity Per Share is based on estimated shares O/S at December 31, 2012 of 185.2 million shares.
Source: *e* Research

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 at the end of 2012 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.

Just like in the MC/mtu valuation method, we use Northcliff's Property Ratio, 1.74x, as a target level for Adex. We believe that this level will be appropriate for Adex in early 2013 when the Company should obtain its DFS. At this Property Ratio, Adex's Intrinsic Value is $0.13 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 our forecast tungsten price of US$350/mtu) to US$21/mtu (6% of the price); and
(2) A size of deposit ranging from 2.62 million mtu (20% of tungsten equivalent in Adex's two projects) to 13.1 million 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 7.85 mtu deposit (60% of tungsten equivalent in Adex's two projects). These assumptions remain practically the same as in our previous Update Report on Adex (March 4, 2011). Under these assumptions, the Intrinsic Value for the two properties comes to $109.9 million, or $0.59 per share, with the number of shares at 185.2 million.

Table 8: 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 2.62 MTU M Resource	$9,161,983	$18,323,966	$27,485,949	$36,647,932	$45,809,915	$54,971,898
Using 5.24 MTU M Resource	$18,323,966	$36,647,932	$54,971,898	$73,295,864	$91,619,830	$109,943,796
Using 7.85 MTU M Resource	$27,485,949	$54,971,898	$82,457,847	$109,943,796	$137,429,746	$164,915,695
Using 10.5 MTU M Resource	$36,647,932	$73,295,864	$109,943,796	$146,591,729	$183,239,661	$219,887,593
Using 13.1 MTU M Resource	$45,809,915	$91,619,830	$137,429,746	$183,239,661	$229,049,576	$274,859,491
Value Per Share (181.2 M shares)						
Using 2.62 MTU M Resource	$0.05	$0.10	$0.15	$0.20	$0.25	$0.30
Using 5.24 MTU M Resource	$0.10	$0.20	$0.30	$0.40	$0.49	$0.59
Using 7.85 MTU M Resource	$0.15	$0.30	$0.45	$0.59	$0.74	$0.89
Using 10.5 MTU M Resource	$0.20	$0.40	$0.59	$0.79	$0.99	$1.19
Using 13.1 MTU M Resource	$0.25	$0.49	$0.74	$0.99	$1.24	$1.48
Source: eResearch						

(4) Target Price Calculation

From the three valuation methods used, we obtained the following Intrinsic Values based on a diluted number of shares outstanding of 185.2 million, which we expect Adex will have at the end of 2012:

- Market Capitalization-Resource Valuation: $0.11 per share;
- Property Ratio Valuation: $0.13 per share;
- Per Attributable Resource Valuation: $0.59 per share.

To derive the stock's overall Intrinsic Value, we apply 20% weights to the first two market-based results and a 60% weight to the asset-based result due to the fact that the stock prices of junior miners remain depressed. As a result, the Intrinsic Value comes to $0.40 per share, down from our previous estimate of $0.65 per share.

A year ago, based on more buoyant stock market conditions, including for junior mining companies, we ascribed a premium to the stock's Intrinsic Value to determine our Target Price. This time, given more adverse investor sentiment, we are not applying any premium. Thus, our Target Price for Adex goes down from $0.80 (which included a 25% premium to the Intrinsic Value of $0.65) to $0.40.

(5) Further Upside Potential

When investor interest in the junior mining sector revives, Adex's stock price should react positively.

Further growth potential also stems from the fact that the combined NPV results from the FTZ Scoping Study and the NZ Preliminary Assessment amount to $138.7 million, or $0.75 per share. The FTZ mine's NPV alone is $0.45 per share. The new FTZ DFS should produce a higher NPV due to a higher price of tungsten that we expect will be used in the DFS: the 2008 Scoping Study used a price of $215/mtu, as compared to the current price of $400/mtu, and our selection of $350/mtu.

RISKS AND RATING

We rate the stock a Speculative Buy. The Company's risks stem from:

- **Junior Mining Exploration Companies:** There is an inherent risk associated with the nature of the early-stage mining exploration and development business.
- **DFS Risk:** There are risks for the success of the Definitive Feasibility Study, which is a condition for further financing from Great Harvest.
- **Dilution Risk:** At the last stage of financing, Great Harvest is expected to buy up to 60 million Adex shares, with the transaction price depending on the market price prior to the conclusion of the previous financing stage. A low stock price, which may be the result of different factors, would lead to significant dilution.
- **Commodity Markets:** Adex's future cash flows depend on the trends in tungsten, zinc, bismuth, tin, indium, and molybdenum prices. There is a risk that the Chinese economy will slow down its growth which, in turn, will weaken the demand for commodities and, in particular, metals for which Adex is exploring. For instance, China's industrial production grew by just 9.3% year-over-year in April 2012 while it rose by 13.5% year-over-year on average in 1990-2012. To a certain extent, this risk is mitigated by the fact that tungsten, which is the FTZ's key metal, should continue to be in strong demand from China due to its important role in different military applications that should withstand any potential economic slowdown.

FINANCIAL REVIEW AND OUTLOOK

Financial Year End: December 31

Cash Burn Rate: The monthly cash burn rate (Admin&Gen Expenses) grew from around $65,000 in 2009 to $102,000 in 2010 and $174,000 in 2011. The monthly site maintenance burn rate fluctuated between $22,500 and $36,000 in 2009-2011. The corporate overhead and site maintenance burn in annual terms rose from around $1.5 million in 2010 to $2.5 million in 2011. We expect that, in 2012, this amount will rise to around $2.6 million.

Capital Expenditures for Exploration: We estimate Adex's capex program for 2012 at $2.2 million, including $1.5 million for the DFS and related exploration, and $700,000 for continuation of the exploration of the NZ.

Cash and Financing: After a May 2011 warrants financing of $7.2 million, Adex's cash position at the end of 2012 was at $5.2 million; currently, it is around $4.5 million. Given Adex's current cash position and its expected operating and capital burn rate in 2012, we believe that the Company will need to raise about $1.2 million, most likely in equity capital. We assume that Adex will carry out the financing at around $0.15 per share, which translates into 8 million new shares, and bring the basic number of shares at the end of 2012 to 185.2 million.

Warrants and Options: All of Adex's options are currently out-of-the-money. Around 4.7 million options expire by August 2012 (most by the end of June) at strike prices ranging between $0.30 and $0.40. We do not anticipate any of these will be exercised in the remaining short time-frame.

Financial Statements: On the following page, we set out selected financial items for the Statement of Income/(Loss), the Statement of Cash Flow, and the Balance Sheet.

Table 9: Selected Financial Information

(C$) **Statement of Income (Loss)**	**Year End Dec 31 2009**	**Year End Dec 31 2010**	**Year End Dec 31 2011**	**2012E**
Revenues	0	0	0	0
Administrative & General	(785,677)	(1,222,266)	(2,086,525)	(2,149,121)
Depreciation	(3,035)	(2,773)	(1,027)	(1,058)
Mineral Property Expenses	(381,249)	(270,030)	(430,244)	(443,151)
Stock-based Compensation	(234,801)	(191,907)	(229,846)	(236,741)
Interest Income	4,910	9,353	42,389	43,661
Income Tax	-	-	(71,332)	
Non-cash items adjustments	292,378	-	-	-
Net Income/(Loss)	**(1,107,474)**	**(1,677,623)**	**(2,776,585)**	**(2,786,411)**
Total Shares Outstanding	96,526,026	137,080,192	177,211,441	185,211,441
Weighted Average Shares Outstanding	88,117,361	128,367,557	162,246,554	181,211,441
Earnings (Loss) Per Share	($0.01)	($0.01)	($0.02)	($0.02)
Cash Flow Statement				
Net Income (Loss)	(1,107,474)	(1,677,623)	(2,776,585)	(2,786,411)
All Non-Cash Items	(30,447)	236,786	246,264	237,799
Cash Flow from Operations	(1,137,921)	(1,440,837)	(2,530,321)	(2,548,611)
Capital Expenditures (Properties)	(912,939)	(1,844,113)	(2,611,562)	(2,150,000)
Other Investing Items	(67,371)	(112,011)	(134,600)	(138,638)
Free Cash Flow	(2,118,231)	(3,396,961)	(5,276,483)	(4,837,249)
Working Capital Changes	106,411	(65,762)	187,213	168,492
Cash Flow before Financing	(2,011,820)	(3,462,723)	(5,089,270)	(4,668,758)
Equity Financing	905,606	4,416,762	6,611,750	1,200,000
Debt Financing	(10,484)	(22,969)	(24,628)	(24,874)
Change in Cash	**(1,116,699)**	**931,070**	**1,497,852**	**(3,493,632)**
Cash, Beginning of the Period	3,883,822	2,767,123	3,698,193	5,196,045
Cash, End of the Period	2,767,123	3,698,193	5,196,045	1,702,413
Balance Sheet As At: (C$)	**Dec. 31 2009**	**Dec. 31 2010**	**Dec. 31 2011**	**Dec. 31 2012E**
Cash	2,767,123	3,698,193	5,196,045	1,702,413
Other Current Assets	153,700	384,960	679,185	611,267
Mining Properties	6,521,680	8,365,792	10,332,831	12,482,831
Capital Assets + Reclamation Bonds	852,356	919,488	1,613,192	1,451,873
Total Assets	**10,294,859**	**13,368,433**	**17,821,253**	**16,248,383**
Short-term Debt	22,970	24,629	17,400	17,748
Current Liabilities	295,880	461,377	914,137	926,612
Long-Term Debt	42,028	17,400	28,679	29,396
Shareholders' Equity	9,933,981	12,865,027	16,861,037	15,274,626
Total Liabilities & Equity	**10,294,859**	**13,368,433**	**17,821,253**	**16,248,383**
Book Value (S.E.) Per Share	$0.10	$0.09	$0.10	$0.08

Source: *Company and eResearch* (*) E = Estimated by *e* Research

MANAGEMENT

Linda Lam Kwan: *Interim President and Chief Executive Officer, Director*
Linda Lam Kwan is the CEO, an Executive Director, and co-founder of Great Harvest Maeta Group Holdings Limited, a Hong Kong holding company for a group of companies engaged in the marine transportation sector. She is primarily responsible for the group's day-to-day management and overall business operations as well as its finance and administrative management. Ms. Lam is also a director of various private companies engaged in the trading and processing of mineral resources, investing in mineral resource companies and property investments. Ms. Lam also currently serves as the Director of Pok Oi Hospital and is a fellow of the Hong Kong Institute of Directors.

Patrick Merrin: *Chief Operating Officer*
Patrick Merrin holds a Bachelor's degree in Chemical Engineering from McGill University and a Master's degree in Business Administration from the University of Toronto's Rotman School of Business. He is a metals and mining executive with experience as a zinc and copper smelter process engineer, and senior plant metallurgist. His background includes management and executive-level positions with Xstrata Nickel and metals manufacturer Lucas Milhaupt (Handy & Harman), in both Canada and Europe. Mr. Merrin has also held senior mine foreman roles with Hudbay Minerals Inc.'s operations in Flin Flon, Manitoba, Canada.

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 C. Burton, BBA, CA: *CFO*
William 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.

Gustaaf Kooiman: *Consultant (Mine Geologist)*
Gustaaf Kooiman has been an exploration geologist for four decades, focusing on tin, tungsten, and rare metals. He worked as a geologist in Africa with Billiton throughout the 1970s. He became Billiton's chief mine geologist at Mount Pleasant in 1980 and, later, the project geologist for Lac-Billiton's Mount Pleasant tin project until 1988. He has since consulted for East Kemptville Tin Mine, Piskahegan Resources and, from 1995 onwards, for Adex.

CORPORATE INFORMATION

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ANALYST CERTIFICATION

The Research Analysts who were involved in the preparation of this Research Report hereby certify that:
(1) the views and opinions expressed herein accurately reflect the Research Analysts' personal views concerning any and all securities and issuers that are either discussed or are the subject matter of this Research Report; and
(2) The compensation received for the preparation of this report was not related, in any way, to the Research Analysts' views and opinions expressed herein.

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

Yuri Belinsky, B.A., M.A: Yuri Belinsky has extensive experience in equity research, with emphasis on mining and oil & gas companies. He had a successful track record in the capital markets 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 MA degrees, in Public Administration and in Social Research and Evaluation.

Bob Weir, B.Sc., B. Comm., CFA: Bob Weir has 45 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 Director of Research 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.

Analyst Affirmation: I, Yuri Belinsky, hereby state that, at the time of issuance of this research report, I do own shares of Adex Mining Inc.; and I, Bob Weir, hereby state that, at the time of issuance of this research report, I do not own, directly or indirectly, shares of Adex Mining Inc.

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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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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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