



BEACON ROCK RESEARCH

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MERCATOR MINERALS LTD. SPECIAL VIDEO REPORT

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Mercator Minerals Ltd. (TSX: ML, C\$11.30)

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Mercator Minerals' Annual Meeting and Tour of the Mineral Park Mine

We attended Mercator Minerals Ltd.'s (TSX: ML) annual meeting conducted at its wholly owned Mineral Park Mine (Figure 1) near Kingman, in northwest Arizona. Management reports that the first phase of the 50,000 tpd copper-molybdenum project is on time and on budget. They are scheduled to begin commissioning the milling operation in the next couple of months and anticipate reaching breakeven on an operating basis by the end of 2008. This report includes both our observations of Mercator and the Mineral Park Mine including both photographs and video.

Analyst Video Clips of Mineral Park Mine

Video Clip 1 - Ongoing Cathode Copper Production Page 2

<http://www.beaconrockresearch.com/ml/copper.htm>

Video Clip 2 - Project Panorama from Turquoise Hill Page 2

<http://www.beaconrockresearch.com/ml/turquoise.htm>

Video Clip 3 - Project Construction Overview from Ithaca Peak Page 3

<http://www.beaconrockresearch.com/ml/construction.htm>

Video Clip 4 - Project Construction Closeup from Mine Office Page 3

<http://www.beaconrockresearch.com/ml/office.htm>

A Complete Video of Project is Currently in Production

Please visit www.beaconrockresearch.com to be included in distribution



Figure 1 - Mineral Park Mine

Source: Analyst

Mercator is rapidly approaching completion of the first phase of their 50,000 tpd copper-molybdenum-silver milling facility at their Mineral Park Mine, near Kingman, Arizona. The first phase, processing 25,000 tpd of ore through the mill facility, will dramatically increase copper production in copper concentrates, and will allow Mercator to commence production of molybdenum and silver in concentrates. Mercator currently produces about one million pounds of copper cathode per month from leach, and its SX/EW facility is generating approximately US\$2.0 million free cash per month at current metal prices (Figure 2). **Video Clip 1** provides the viewer perspective from the front gate, the cathode copper ready for shipment, the SX/EW facility and the pregnant leach solution pond. Even though Mercator had ceased placing ore on the leach pad by the time of the annual meeting, copper will continue to be leached at a reduced rate. We anticipate that in the future Mercator may place lower grade copper ore on the pad that otherwise may not be processed to produce molybdenum and silver.

Exceptional Economics at Current Metal Prices

The Mineral Park Mine benefits from having produced copper and molybdenum in the past. Metallurgical risk is lessened due to earlier successful processing of ore. In addition, the project benefits from a low strip ratio of only 0.18 to one as ore is exposed at surface and the prior pit wall. At commodity prices of US\$1.40 per pound for copper, US\$7.50 per pound for molybdenum, and US\$7.50 per ounce for silver, the Mineral Park Mine has total estimated reserves and recoverable metal of over one billion pounds of copper, 260 million pounds of molybdenum, and 12 million ounces of silver, and an estimated mine life of 25 years. Copper and molybdenum production is unhedged, and silver production was recently sold for an up front cash payment of US\$42 million plus the lesser of US\$3.90 or spot market per ounce. The project is also not burdened by royalties. At current metal prices this may suggest a mine life of close to 60 years.

Their pre-feasibility study (including silver production), assuming metal prices of US\$1.53 copper, US\$10.13 molybdenum, and US\$7.50 silver, estimated an after-tax IRR of 51% and NPV of US\$426 million with 1.8 year payback of capital (annual production over the first 10 years is estimated to average 56.4 million pounds of copper, 10.3 million pounds of molybdenum and 600,000 ounces of silver). At our assumptions of long-term metal prices of US\$2.10 copper, US\$20 molybdenum, and US\$10 silver, the IRR is close to 93%. Management commented at the annual meeting that with the sale of silver production, having received the up front payment for silver, the IRR may increase by over 50%.

Video Clip 2 provides a panoramic of the Mineral Park Mine from Turquoise Hill looking north, providing the viewer perspective on the mining operation and immense scale of the project (Figure 3). Mining commences with drill holes in benches to plant explosives, and the broken ore is then removed and transported to the primary crusher at the base of the pit. The conveyors yet to be installed will transfer ore up the hill to the ore pile which will be transferred through the reclaim tunnels to the SAG and ball mills for additional crushing. The ore will pass to rougher flotation tanks and the MCC (Moly-Copper-Concentrate) building for separation. Video Clip 2 also pulls back to provide a wide panorama and then zooms in to the north end of the project, where waste rock is being cleared, demonstrating the size of the project. The operation observed in this video clip shows how ore will be mined at Turquoise Hill for processing through the first phase. Ore from the second phase will come from the north end of the pit.



Figure 2, Video Clip 1 - Cathode Copper Production
Source: Analyst



Figure 3, Video Clip 2 - Mineral Park Mine Panorama from Turquoise Hill (looking north)
Source: Analyst

Construction Progresses “On Time and On Budget”

Mercator CEO and President Mike Surratt reported at the meeting that the project is on time and on budget. This may be attributed to Mr. Surratt assembling a construction team which had worked together building large mines in Nevada. They also acquired equipment early in the metals cycle. All of the equipment at the mine is owned by Mercator. Except for the SAG mills and tower crane, all of the equipment and rolling stock is new. The project also benefited from being a brown-field project and having excellent infrastructure and access to labor. While locating skilled labor has been a challenge, Mr. Surratt credited his team with acting as the general contractor for advancing the project on time and on budget. Both phases of the project appear well conceived and upon completion of the first phase, as much as 40% of the work for the second phase should be completed. We believe this may essentially reduce much of the risk in the ground and laying foundations which may lead to delays and cost overruns. In addition, having sold the silver production in advance, Mercator has significant financial flexibility to order critical items for the second phase ahead of schedule.

Video Clip 3 is from the remains of Ithaca Peak, the unmineralized core of the deposit at Mineral Park, and is an ideal location for a centralized processing facility (Figure 4). The video clip provides a view of the intakes for the reclaim tunnels where ore will be conveyed to the SAG and ball mills. The six-story mine office is located to the right of the ball mill. The first series of rough flotation cells are located in front of the MCC building. The video clip then provides a view of the existing leach pad and location for the primary crusher for the second phase. The second phase will include locating a second ball mill on the left and additional series of rough flotation cells between the initial set of cells and the MCC building.

Video Clip 4 provides a closer view of construction from the vantage of the sixth floor of the mine office building (Figure 5). This video clip demonstrates the importance of the tower crane, which will be relied upon from construction and over the life of the mine. The climate allows for the facility to be operated in the open with only the mine office and MCC building enclosed. The tower crane is seen operated by the crane operator by remote control from the ground. This allows for safer and more effective operation. Similar to Video Clip 2 and Video Clip 3, this video clip provides a close view of the reclaim tunnels, conveyor, SAG and ball mills, rough flotation cells and MCC building. This video clip also shows the thickener tanks, leach pad and site for primary crusher for the second phase.

It is impressive that the first phase cost only US\$127 million, considering that many construction projects have been delayed or exceeded budgets. The Mineral Park Mine is on time and on budget. Including the second phase, the entire project is expected to come in under US\$200 million, with the second phase moving to production in one year. We were impressed that there was ample space to stage additional construction, and with the potential to recalculate the resource at higher prices, the opportunity for considering a third phase exists.



Figure 4, Video Clip 3 - Mineral Park Mine Construction Overview from Ithaca Peak (looking south to west)

Source: Analyst



Figure 5, Video Clip 4 - Mineral Park Mine Construction From Mine Office (looking east to south)

Source: Analyst

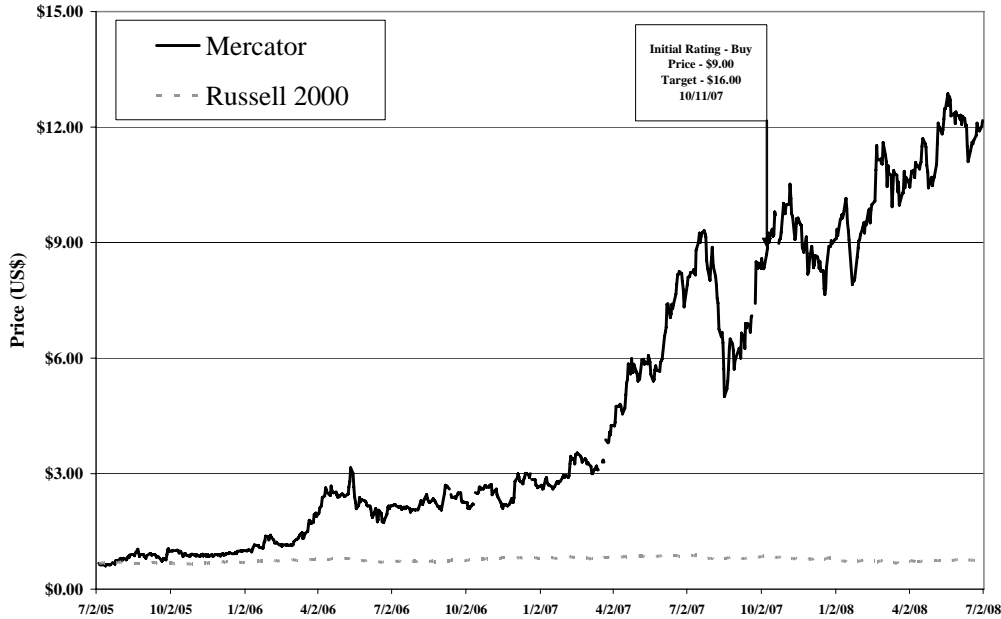


Figure 6, Analyst on Ithaca Peak at the Mineral Park Mine
Source: Mercator

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