

23rd July 2008

Minerva Resources Plc – Speculative buy at 2.75p with a target price of 7.2p

AIM listed gold and platinum exploration company, Minerva Resources was formed on the 9th July 2007 through the reverse takeover of Palladex Plc by the Ambrian Capital owned Golden Prospect Mining Company Ltd. GPMC's exploration and mining assets were combined with Palladex's exploration and geotechnical services, and under the stewardship of ex Ambrian Capital executive Terry Ward, Minerva Resources was born. The company owns a portfolio of assets in Ethiopia, Kyrgyzstan and Sierra Leone. In Ethiopia, the company holds five prospects – four of which are gold plays and the fifth being a platinum prospect. Tulu Kapi is the most advanced of the gold prospects, while Guji, Gudeya-Guji, and Dina are in the very early stages of exploration. 51% owned Yubdo is the company's platinum play and while still at the drilling stage of exploration, a pilot gravity recovery plant is operational on site producing around 250 ounces of platinum per annum through a small but profitable process.

Key Data

EPIC	MVA
Share Price	2.75p
Spread	2.5p – 3p
Total no of shares	111.7 million (4.3 million options)
Market Cap	£3.1 million
12 Month Range	2.75p – 7.75p
Net Cash	£0.6 million
Market	AIM
Website	www.minervaresources.com
Sector	Mining
Contact	Terry Ward, Managing Director Tel: +44 (0)20 7379 5012

In Kyrgyzstan, Minerva Resources has retained its ownership of Palladex Geotechservice LLC after recently divesting its exploration asset Palladex KR LLC. Palladex Geotechservice is a technical services contractor with five drill rigs and the associated support vehicles and logistics. Offering contract drilling, geological and engineering services, Palladex Geotechservice uses a combination of Canadian, Russian and Chinese equipment to service exploration projects throughout the Former Soviet Union. It provides a useful source of cashflow for the company.

Minerva Resources' 3 assets in Sierra Leone, although representing 24.5%, 50% and 80% Minerva Resources interests, are currently peripheral to the company's main operations and are being operated and managed by its joint venture partners. The company is happy with the current situation as its priorities currently lie in Ethiopia.

As the asset list above suggests, Minerva Resources is opportunistic and holds no country bias. Our valuation of Minerva Resources is based on the value of resources for Tulu Kapi and Yubdo, exploration expenditure for Guji, Gudeya-Guji and Dina and an earnings multiple for Palladex Geotechservices in Kyrgyzstan. We have not included any value for Minerva Resources' portfolio interests in Sierra Leone, although these holdings could offer additional upside. We have applied a secondary risk

weighting of 20% to capture country / exchange rate / financial risk which although vague is conservative. We believe the market will respond positively to Minerva Resources' scheduled resource definition initiatives at Tulu Kapi and Yubdo, but based on the available information we set a target price of 7.2p and at 2.75p we continue to recommend the stock as a **speculative buy**.



Forecast Table

Year to 30th Sep	Sales (£ Million)	Pre-tax Profit (£ Million)	Earnings Per Share (p)	Price Earnings Ratio	Dividends Per Share (p)	Dividend Yield (%)
2006A	0	(0.7)	(1.92)	NA	0	0.0
2007A	0.3	(0.3)	(0.32)	NA	0	0.0
2008E	0.5	(0.4)	(0.36)	NA	0	0.0
2009E	0.7	(0.5)	(0.45)	NA	0	0.0

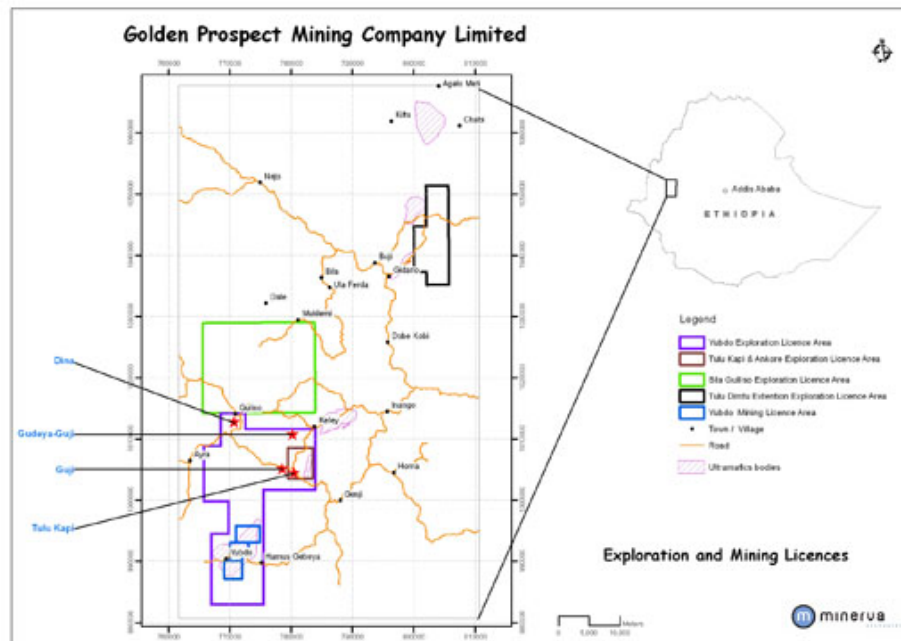
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Operations

Ethiopia

Minerva Resources' Ethiopian assets are all located within 35 kilometres of each other in the West of the country. The area is well serviced by sealed roads and has the convenience of a main power line running within 30 kilometres of the prospects. With around 1.7 metres of annual rainfall, onsite dams planned and the Birbir river running through Yubdo provide a good water supply.

Minerva Resources has recently established a regional office in the Ethiopian capital of Addis Ababa, about 550 kilometres east of its Ethiopian operations. The new office was opened by the Ethiopian Minister of Mines and Energy and provides tangible evidence of Minerva Resources' good relations with the Ethiopian government.



Tulu Kapi

Tulu Kapi – the 100% owned prospect was mined by Italian explorers in the 1930's with further drill results obtained by the United Nations Development Programme (UNDP) in the 1970's and Tan Range Exploration in the 1990's. The UNDP exploration program, since supplemented with Tan Range and Minerva Resources programmes, revealed 1.5 kilometres of anomalous gold grades, with one drill hole returning an average gold grade of 27 g/t over 0.7 metres. Tan Ranges's exploration was more comprehensive, with detailed geochemical soil sampling, mobile metal iron soil geochemistry and an induced polarization survey having been performed. A total of five diamond drill holes were sunk, with the highlight being an average gold grade of 12.5 g/t over 0.7 metres.

Minerva Resources has since completed 3 phases of drilling and began a fourth in March this year. Phase 1 consisted of 4 holes with gold mineralization encountered in each, while in phase 2, a further exploratory 7 holes were drilled. The objective of phase 3 was to extend and better define the strike length, and comprised of a 3,000 metre drilling programme made up of 12 infill and scout holes. Phase 4 extends from Tulu Kapi to Guji and Gudeya Gugi in another 3,000 metre drill programme. The results of 12 drill holes have been published so far, but with turnaround times at the laboratory having extended to 2 months, further drilling results are slow to arrive. Indeed the results of holes 13 to 22 are due over the next few months, while holes 23 to 25 are currently being drilled by three rigs. So far the significant intersection highlights are 37.9 metres at 4.6 g/t gold, 20.7 metres at 4.8 g/t gold (including 5.3 metres at 13.2 g/t and 3 metres at 5.3 g/t), 18.5 metres at 4.4 g/t gold (including 9.6 metres at 5.7 g/t and 3.1 metres at 6.1 g/t) and 11.4 metres at 4.6 g/t gold.

The deposit currently targeted is located on the flanks and centre of a large hill approximately 130 metres in height. The drill holes are spaced at 40 metre intervals and have so far identified a strike length of approximately 600 metres, width of 30 metres and depth of 200 metres. With an average grade conservatively estimated at 3.5 g/t gold and assuming 2.7 tonnes of ore per cubic metre, a rough calculation on the current site produces a gold resource of around 1.2 million ounces.

Importantly the mineralization remains open in 3 dimensions, and with the 0.7 metres at 27 g/t UNDP gold intersection of the 1970's located about 650 metres to the north of the current drill pattern, the potential for a significant extension to the current defined mineralization is very real.

Another 6 months of infill drilling should provide enough data to satisfy the JORC inferred standard; while a further 20 drill holes should get the sampling to the JORC indicated level. These milestones are not just important for the company's resource definition, but also provide more tangible and reliable evidence for capital providers

The current mineralization profile lends itself to the establishment of a cost effective open pit mine. An independent petrographic study found that the gold samples occurred predominantly in pyrite and although further studies are necessary, suggests the material would give good recoveries using standard processing techniques. These two factors suggest that both capital and operating costs will be minimised and thus provide a solid foundation for an economic project.

Yubdo

The Yubdo platinum project is registered in the name of Yubdo Platinum & Gold Development (YPGD), of which Minerva Resources owns 51%, local business man Mr Benti Tassisa owns 47% and Golden Prospect's Manager, Dr Kebede Hailu owns the balancing 2%. Minerva Resources has recently entered into an agreement with Mr Benti Tassisa to acquire an additional 22% interest from him. The terms of the agreement are the initial payment of \$250,000 and issue of 2.8 million (at 4.5p per share) Minerva Resources shares, \$1.75 million upon the completion of a bankable feasibility study on a 50,000 ounce per annum platinum mine, \$1.75 million upon agreement to finance construction of the projects operational facilities, and a final \$1 million upon plant commissioning.

As the only platinum producer in Ethiopia, Yubdo has been the site of platinum production since ancient times. British and Italian companies produced around 85,000 ounces of platinum from the deposit between 1926 and 1941, before the Ethiopian government assumed the licence and made several unsuccessful attempts at mining until 1986. In 2006, Golden Prospect hand dug thirty pits, down to decomposed bedrock, covering an area of 420 metres by 240 metres. Channel sampling at 1 metre intervals throughout the average 10 metre deep pits, returned platinum values of up to 1.8 g/t. A polygonal method was then used to estimate a platinum resource of 23,760 ounces in around 1.5 million tonnes of laterite material, for an average grade of 0.54g/t platinum. The current deposit measures 9 kilometres long, 1.5 kilometres wide and is on average 10 metres deep, and with only a small proportion of this zone properly explored, there is the possibility of further discoveries.

A pilot gravity recovery processing plant has been constructed on site which currently has an annual production rate of 250 ounces of platinum. The process currently has a low recovery rate with manual prospecting in the streams and river making further platinum recoveries. Minerva Resources is currently researching ways of increasing the recovery rate through other processing systems to boost annual output. Together with a generating a small income stream, the plant demonstrates to the Ethiopian government that the site is productive and fulfils the associated licence obligations. A second recovery plant is planned costing around \$250,000, and with annual production rates expected to increase over the current 250 ounces, the new plant's cost should be recovered within one year. The Yubdo Deposit is located on hill slopes rising in altitude from 1,400 to 1,640 metres and while test work and resource estimation continues, the construction of a large open pit mine and processing operation is looking increasingly likely.



Yubdo Gravity Recovery Plant

Looking forward, the Yubdo development program, in chronological order, consists of an airborne geographical survey, a metallurgical recovery test work programme, a geological and metallurgical investigation of depth extension of surface body, delineation of surface body resource and finally a scoping study.

Guji

Guji is a 100% owned greenfield discovery by the Minerva Resources team using regional spur soil sampling, follow up rock chip sampling and soil geochemistry. Located around 7 kilometres West of Tulu Kapi, on the site Minerva Resources has excavated two trenches, 400 metres apart. The first trench has shown results of 68.5 metres at 9.6 g/t gold, while the second showed 32.6 metres at 0.8 g/t gold. ACA Howe, an independent geological and mining consultancy believes that the results point towards an economic shear and vein hosted gold mineralization. Since then three core holes have crossed mineralised zones, and while the assay results are due within the next 6 weeks, early indications are that there is a widely mineralised system with a number of high grade zones.

Gudeya-Guji

Gudeya-Guji is located 9 kilometres north-west of Tulu Kapi, with geological mapping and soil sampling indicating a soil geochemistry anomaly and outcrops of mineralised quartz veins. The currently delineated 120 metre quartz vein holds a number of similarities to Tulu Kapi, and recent rock chip samples have shown grades of up to 8.7 g/t gold, while three subsequent trenches have produced a best result of 6 metres at 2.82 g/t gold. Three holes have been drilled to determine depth and strike continuity to the south-west, with assay results expected in the next 6 weeks. Currently Minerva Resources has uncovered 2 mineralised veins with a strike length now measuring 200 metres.

Dina

Reconnaissance work by Minerva Resources has identified ancient workings at the site, and with a number of old pits situated on a northerly trending structure, a strike length of over 400 metres long and up to 35 metres wide can be traced with various mineralised zones. Grab samples have returned over 1 g/t gold with the site scheduled for scout hole drilling in conjunction with phase 4 at Tulu Kapi.

Kyrgyzstan

Palladex Geotechservice LLC

The Palladex Geotechservice business operates as a technical services contractor in the republic of Kyrgyzstan. The company currently has five drill rigs and the associated support vehicles and logistics. Offering contract drilling, geological and engineering services, Palladex Geotechservice uses a combination of Canadian, Russian and Chinese equipment to service exploration projects throughout the former Soviet Union. The operation produced revenues of £600,058 and a profit after tax of £164,202 in the 12 months to 30th September 2007. An announcement on the 17th June 2008 confirmed a \$1.5 million contract with Full Mining Gold LLC, a Chinese exploration company which is currently investigating the Ishtamberdy prospect in the Kyrgyz Republic.

Sierra Leone

Minerva Resources' interests in Sierra Leone, although influential, are currently being operated and managed by its joint venture partners as the company's current focus lies in Ethiopia.

Lake Sonfon - Gold and Diamond Joint Venture (JV)

The 256 square kilometre licence area is currently split three ways with Minerva Resources, via Golden Prospect, holding a 24.5% interest in the gold and a 50% interest in the diamond discoveries. Golden Star Resources Limited is the operator of the gold venture as it earns a 51% interest in the project. The area is a long known source of alluvial gold with the precious metal, along with peripheral diamond discoveries, having been mined in the past.

Previous work by Golden Prospect and JV partner Mano River Resources included geochemistry, trenching and outcrop and soil sampling with significant gold samples recovered of up to 10.3 g/t over 3 metres and 2.5g/t over 0.55 metres. Golden Star's exploration activities so far have included a 3 kilometre by 300 metre gold anomaly with a peak value of 1,100 ppb gold, a trench intersecting a gold-bearing vein showing 7.3 metres at 7.4 g/t gold, and rock chip samples from a 10 kilometre strike regolith highlighted by 7.05 g/t, 2.67 g/t and 2.25 g/t gold results. Golden Star is continuing with its drilling activities on targets identified as a result of its earlier findings.

York - Platinum Joint Venture

80% owned by Minerva Resources subsidiary Resource Securities Ltd with the balance held by Jubilee Platinum* the York Platinum project is operated by Jubilee after having its initial 50% earn-in pared back after funding by Minerva Resources. Situated in a high rainfall area, erosion has complicated the analysis of the widely distributed platinum findings in soil lacerations and stream sediments. From 1929 to 1949, 5,242 ounces of platinum was discovered across the entire Freetown Peninsula, with the York area reportedly the major producer. Previous company samples have returned values of 0.84 g/t platinum with 0.12 g/t palladium and 0.25 g/t gold, while stream sampling, geological reconnaissance, magnetic surveys, soil sampling, trenching and pitting have all be carried out by Jubilee which is gradually defining the strike area with 0.44 g/t platinum found. Further trenching, pitting and drilling is planned by Jubilee to determine the economies of the site. However Jubilee's other projects in South Africa

and Madagascar are being prioritized by the company as they are at a more advanced stage and are deemed potential company makers and so we do not expect rapid progress to be achieved on this license.

Strategy

As with any junior exploration company with a spread of prospects, the key is to identify the most prospective site and expedite its progress through to production. Once production is achieved, surplus cash will become available and the remaining prospects can be advanced. Minerva Resources has identified Tulu-Kapi as the most prospective site and is now in the process of driving it through to production. This organic growth is likely to determine the company's success, but with a range of external project opportunities available, a joint venture, which complements Minerva Resources' skill set with a cashed up and production focused company should not be ruled out.

Board of Directors

Non-Executive Chairman – Andrew Daley, age 58. Daley's resume contains valuable experience in both mining operations and resources finance, together with hands-on and senior management roles across the world. After 11 years on the ground in mining projects across Africa, Daley moved to Australia and worked on gold, base metal and coal projects throughout Asia and Australasia. Since then Daley has predominantly focused on the project finance side of the sector where he has held numerous senior project finance roles including stints with National Australia Bank, Barclays Australia, Chase Manhattan and Barclays Capital London. ASX listed companies currently leveraging Daley's experience are Pan Australian Resources Ltd, Kentor Gold Ltd and Uranex NL, where he is Non-Executive Director and Dragon Mining Limited, where he is Chairman. Daley is also currently director of Australian corporate advisory firm Investor Resources Finance Pty Ltd.

Managing Director – Terry Ward, age 66. With a long background in mining projects across Africa and Australia, Ward brings a wealth of mining experience to Minerva Resources. Having held the positions of underground manager, managing director, directeur general, general manager operations, general manager and executive manager at companies from South Africa to Mauritania, Ghana to Australia, Ward has spent 40 years in the mining business. These days, Ward is an independent consultant for several UK companies, and also holds the positions of Non-Executive Chairman of uranium exploration company Uranex NL, and Non-Executive Director of nuclear investment fund Geiger Counter Limited.

Non-Executive Director and Company Secretary – John Bottomley, age 62. Head of Company Secretarial Services at solicitors Sprecher Grier Halberstam LLP, as well as Company Secretary and Non-Executive Director to a number of AIM and fully LSE listed companies; Bottomley is well qualified for his position at Minerva Resources. Having qualified as a Chartered Secretary in 1972, Bottomley is now a fellow at the Institute of Chartered Secretaries and Administrators.

Non-Executive Director – Roger Clegg, age 37. Currently head of business development at Ambrian Capital and director of its Ambrian Asset Management and Ambrian Commodity Limited subsidiaries, Clegg has 10 years of investment banking experience after 4 years as an exploration

geologist with ACA Howe. Clegg's resume boasts stints at Barclays Capital, Dresdner Kleinwort Benson and Williams de Broe, where he worked across Africa, Russia and Australasia. Clegg is president of the Royal School of Mines Association.

Significant Shareholders

Shareholders with an interest of 3% or more in Minerva Resources' 111,742,960 issued shares are as follows.

Name	Shares (#)	Percentage (%)
Ambrian Capital PLC	44,500,000	39.8
Pershing Keen Nominees Limited	10,109,392	9.05
Mr Merlin Marr-Johnson	4,200,000	3.76
LR Nominees Limited	4,163,385	3.73
HSBC Global Custody Nominee (UK)	3,500,000	3.13
TOTAL	111,742,960	100

There are also 4.3 million options on issue with an exercise price of 6.5p and expiry date in 2010.

SWOT Analysis

Strengths

Diversification - of its portfolio means the company can divert resources to the prospect that shows the most promise. It also allows for a ready made pipeline of projects once the company has established itself.

Institutional support – from Ambrian, which with a holding of almost 40% in the company, has a significant vested interest in Minerva Resources' success. Ambrian's investment banking and asset management experience could prove invaluable as Minerva Resources approaches production.

Strong Ethiopian ties – both in terms of local community involvement and national government support are valuable assets for a resources company. This strength has been built up by Minerva Resources over a number of years, as it attempts to justify its value to and empathy with the region.

Management – Terry Ward is a hugely experienced CEO and can rely on a strong board as well as support from former colleagues at Golden Prospect, notably Malcolm Burne. This gives this company not only strong operational experience but also a strong City facing team.

Weaknesses

No industry defined resource – the fact that no JORC or NI43-101 resource has as yet been determined means that the fundamental factor

determining the company's value is not well defined. However, a JORC compliant estimate is expected to be established at Tulu Kapi within 6 months which will give Minerva Resources some traction with providers of project finance.

Opportunities

Tulu Kapi - although our rough estimation of the gold resource at Tulu Kapi is about 1.1 million ounces, the fact that the mineralization remains open in 3 dimensions means the resource could be much larger than we currently believe.

Yubdo – the fact that Minerva Resources is looking to acquire a further 22% of the interest in Yubdo means that it can now look to control a critical 75% of the issued capital. With a 50,000 ounce of production per annum bankable feasibility study included as part of the consideration, Minerva Resources is able to simultaneously increase its stake and the project's economic definition.

Threats

Exploration risk – Minerva Resources being an exploration company without an industry recognised resource is essentially spending money without any guarantee of a return. This is inherent in any resource exploration company, but can be mitigated by experienced management, project prioritisation and extensive preparation / planning.

Political risk – while all countries have a certain degree of political risk, many African countries have experienced civil unrest, while others have oppressive leadership regimes. Sierra Leone has a history of civil unrest, Ethiopia remains a poor nation, and Kyrgyzstan is still emerging from its Soviet past. While Minerva Resources can mitigate country risks through open communication, political awareness and social programs, an element of uncertainty will remain.

Commodity risk – the unpredictability of commodity prices can make seemingly profitable projects uneconomic in a short space of time. Minerva Resources' main asset at Tulu Kapi is a gold play, and while gold trades at historic highs there is much to be optimistic about. However, one must always be mindful of historic price levels and the prices achievable over the mine's life. Commodity risks can be mitigated by forward sales, lowering variable costs and improving operational efficiencies.

Financial risk – given Minerva Resources is a small AIM listed company operating overseas, the financial risks faced are predominantly liquidity and currency. Cash flow, which for Minerva Resources means capital raisings, is critical for an explorer as its ability to find valuable resources is predicated on an inherently expensive series of geological studies and tests. There can be no guarantee that Minerva Resources will be able to source the equity and – ultimately debt – finance it needs to bring its projects into production.

Valuation

Our valuation of Minerva Resources uses a combination of in-situ, cost and earnings multiple methods on the individual components of Minerva

Resources' portfolio. At Talu Kapi, our resource estimate of a strike area of 600 x 30 x 200 metres gives us a mineralization of 3.6 million cubic metres. At an estimated 2.7 tonnes per cubic metre, and average grade of 3.5 g/t gold, we derive an in-situ gold resource of about 1.2 million ounces. Minerva Resources' 100% interest in the project, a conservative gold price of \$700 per ounce and a heavily discounted in-situ return of 2% produces a valuation of approximately \$16.8 million for Talu Kapi. It is important to note here that the in-situ return has a major impact on the valuation and is reflective of the reliability (currently low) of the defined resource. Thus, when Minerva Resources is able to produce JORC compliant resource figures, which could be a mere 6 months away, it is likely that we will increase our valuation significantly.

Yubdo currently has a polygonal platinum estimate of 23,760 ounces, which although indicative of the actual resource, is only over a small area and cannot be regarded with any great certainty; thus we use an in-situ return of 1%. Combining these figures with Minerva Resources' current 51% interest, although this is expected to rise to 73% in due course, and a conservative platinum price of \$1,700 per ounce, we derive a valuation of just over \$200,000. This amount is almost immaterial in the current valuation, but has been included here so that when the resource is increasingly defined, the valuation can be easily reviewed. It is also important to remember that Yubdo is currently producing around 250 ounces of platinum each year, and with a second recovery plant expected on site, together with a 50,000 ounce per annum bankable feasibility study planned, our valuation of Yubdo is low through no other reason than low resource visibility.

The remaining projects in Ethiopia have been valued at cost only. Guji, Gudeya-Guji and Dina, although highly prospective, simply don't have enough information for us to be able to comfortably attribute any more than cost to each. We estimate that expenditure at the three sites to date has been approximately \$170,000.

In Kyrgyzstan, Palladex Geotechservices produced a NPAT from continuing operations in the 12 months to 30th September 2007 of £114,137. Using a conservative Price Earnings ratio of 6 times earnings, we derive a valuation of \$1.3 million. However, with the new contract signed with the Chinese exploration company, there is material upside as earnings should increase significantly over the next two years.

At this stage we do not attribute any value to Minerva Resources' assets in Sierra Leone, as firstly the resource information is embryonic, and secondly they are portfolio interests only and not considered a core asset to the company.

Minerva Resources has, what at this early stage appears, to be a solid portfolio of assets, with the Kyrgyzstan drilling business producing steady cash flows, Yubdo contributing a small income and its exploration sites showing great potential. Our valuation of Minerva Resources is heavily tied to the strength of the defined resources, and as such the expected JORC compliant resource figures expected at Tulu Kapi in early 2009 is likely to result in a material increase in our valuation. Our sum of the parts valuation applies a secondary risk weighting of 20% to encompass the risk of doing business in potentially unstable countries; however Minerva Resources has done much to mitigate this risk by forming close links to the local government. We look forward to the formal establishment of resources at each of the company's prospects, but at this stage we place a current target price on the company of 7.2p and recommend the stock, at 2.75p, as a **speculative buy**.

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