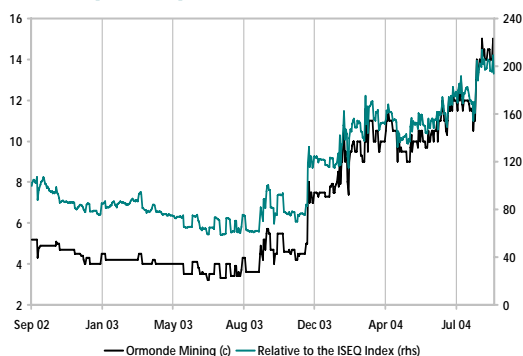


Share price performance (14c)



Company data

Reuters/Bloomberg/Xetra	ORM.I./ORM ID/ORQ
Sector	Resource
Shares	118.5m
Shares (FD)	126m
Daily no. of shares traded	0.579m
52-week high/low	15c/4c
Quote	ESM
Net cash/(debt)	€0.6m

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Disclosures

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Ormonde Mining

The mark of La Zarza

A recent field trip confirmed that Ormonde has made, and continues to make, substantial progress in developing a portfolio of gold projects in Spain.

Of particular note is the recent agreement Ormonde has concluded to earn into the La Zarza gold and copper project in the Pyrite Belt in southern Spain. This project gives Ormonde a 70% stake in a gold resource of 1.1 million ounces and a copper resource of 2.9 million tonnes at 2.8% metal. La Zarza also has a substantial silver credit. We believe this to be a landmark deal for Ormonde, providing it with the means to grow its asset value substantially and also to develop a significant and profitable mining operation. It means Ormonde now has a full spectrum of opportunity from exploration to development.

In addition to La Zarza, Ormonde has three exploration projects at varying stages of progress. The Salamón project already has a resource of gold established and drilling is underway to expand this. The Trives venture is a gold target with good potential to build a resource of gold rapidly if initial drilling is successful. Tracia has rapidly moved from a grassroots project to one where high-quality drilling targets are now being defined.

This means a high level of newsflow in the coming months. Drilling is underway on two projects at present (Salamón and Trives) and two more will commence before the end of the year (La Zarza and Tracia). Ormonde has already built a substantial portfolio of projects in Spain. New projects are continually under review and further deals cannot be ruled out.

Small mining stocks often disappoint their investors. However, the market continues to follow the sector because from time to time significant real value leverage is created and a viable business is built. In these cases, a very high return on investment can be achieved. We believe Ormonde is such a case. La Zarza forms the core of our 29c baseline valuation of Ormonde. Pricing in moderate success gives us a risked medium-term target of 45c per share. Further expansion of the La Zarza resource base, success on exploration projects and/or new deals can provide the impetus to achieve this.

Ormonde strategy

Ormonde is a company that is focused on the exploration and development of gold projects in Spain. It is building a high-quality portfolio of exploration projects and now has a substantial gold resource at La Zarza which it believes will make it a significant producer in the medium term.

The search for new gold in the Old World often seems very complicated and difficult. The challenge of finding world-class projects—allied to local politics and delays related to environmental protection—has meant that the search for gold in Europe has produced few genuine winners. Spain is an exception. The country has sound and well-practised mining legislation, and local and central governments actively support mining and exploration through grants and permitting assistance. It has existing mining operations, with major operations recently permitted, and offers good opportunities to the mining industry, including those smaller companies principally involved in exploration.

Even though Spain seems to welcome mining investment, this does not mean that there are no barriers to entry. For instance, it is not easy to access historic data, because there is no centralised filing system of the work and subsequent analysis previously carried out. This means that new entrants have a very steep learning curve unless access to prior work is available.

This is the key to understanding the opportunity that Ormonde has in Spain. At the local level it has the right people on its board, with access to local intelligence and deal flow. While Ormonde now has four projects running contemporaneously, there is a high possibility of it becoming involved in additional ventures.

Management

Ormonde's Chief Executive is Kerr Anderson, who has 15 years of experience as an exploration geologist in Europe, a large part of it with Navan Mining in Spain. The Chairman is Mike Donoghue, a mining engineer with extensive experience of mine development in Australia as part of the Delta Gold Group. This experience is expected to play a major role in establishing the Group's first mining project and subsequent early cash flow.

The La Zarza deal

La Zarza is located on a mining concession in the western end of the Pyrite Belt in Southern Spain. We believe this acquisition is a watershed deal for Ormonde. It facilitates several things for the company. It brings a resource of over 1.0 million ounces of gold and 180 million pounds of copper to Ormonde, with potential to increase the scale of the project. It demonstrates Ormonde's ability to deal in assets in Spain and it also creates the potential to build a mine in the relatively near future. In return for an agreed work programme, Ormonde can earn a minimum 70% stake in the project. In practice, this is likely to increase to 90% or 100% with the minority interested converted to a net smelter return (NSR).

History of project

La Zarza was historically mined for pyrite, a sulphide of iron used to manufacture sulphuric acid for the fertiliser industry. Mining for pyrite was successfully carried out during the 1980s until falling prices forced the business into liquidation.

During the next decade a French/Australian (BRGM-Normandy) joint venture, La Source, attempted to put together a very large open pit-mining project to access all the minerals in the area: pyrite, copper, silver and gold. However, the project was not pursued to a conclusion and with the advent of the decline in copper

and gold prices towards the end of the 1990s, the project passed back to a local Spanish company, Nueva Tharsis. This company ultimately concluded the deal with Ormonde.

Pyrite mining at La Zarza focused on rock that contained pyrite values greater than 40%. This cut-off formed a natural boundary for mining. Immediately adjacent is a rock type called silicatado, which was not mined because it contains only 15% pyrite, too low a level to be economic for pyrite mining. However, this rock also contains other important metals. In one area it contains gold and silver and in other areas a substantial amount of copper is present. Very importantly, the grades of gold and copper are sufficiently high to generate economic returns.

A substantial mineral resource has been established. The resource, which is still in the inferred category, is based on a combination of drill holes, sampling and adit (tunnel) access. Moreover, a large amount of the data was produced by Normandy and BRGM (La Source), large, successful and reputable mining companies. Ormonde is due to start a drilling programme in October and the project will also require a feasibility study to move it into reserve status. It is important to note that there is still considerable potential to extend the size of the resource both at depth and laterally. This potential is demonstrated by a drill hole intersection of 8.0 grams per tonne gold over a width of 12 metres, reported in one of the deepest intervals. In fact, the existing resource is based on that point at which data are no longer available, rather than any physical indication that the mineralisation is no longer present.

Gold in the Spanish Pyrite Belt is typically refractory, which means recovery of the gold from the rock in which it is found requires an oxidation or fine-grinding step prior to the leaching process. While La Zarza gold is partially refractory, tests conducted to-date suggest that gold recoveries of 55% can be achieved by conventional cyanide leaching. However, tests indicate that with oxidation pre-treatment gold recovery can rise to 85%.

Table 1: Resource statement at La Zarza

	Tonnes (million)	Gold grade	Silver grade	Copper grade	Contained gold (ounces)	Contained silver (ounces)	Contained copper (tonnes)
Gold silicatado	5.9	5.0 g/t	50 g/t	0.5%	950,000	9,500,000	
Copper silicatado	2.9	0.6 g/t	21 g/t	2.8%			81,636*
Gold stockwork	2.1	2.6 g/t	11 g/t		175,563	742,765	

* 180m lbs
Source: La Source data

The future for the project

A six-hole drilling programme will commence in October. This will be used as a check drilling programme for historic work and to begin the process of moving the resource from the inferred to indicated category. Importantly, the cores recovered from drilling will be split for metallurgical testing, which will include fine grinding and intensive leaching tests, which in turn will play a role in deciding what the best recovery system will be for the gold. All results will be available in second quarter 2005, and will form part of a full-scale scoping study that Ormonde will complete. We believe a pre-feasibility study for the project will be completed during the second half of 2005.

The target is to establish a mining reserve that can be quickly exploited. One of the main issues to be addressed is the optimal development route for the project. The copper ore should have a relatively simple metallurgy and in the Pyrite Belt copper recovery via conventional flotation is well understood with recoveries in excess of 80% copper readily attained. The relationship between the relative economics of an open pit and underground operation still has to be concluded.

Initial analyses suggest that some form of flotation system followed by a carbon-based leaching system of the gold will produce the highest returns. It may also be that a reduction in costs could be achieved by pre-concentration. In the case of La Zarza, this process would result in the rock being concentrated into half its original volume, i.e. the half that contains the economic value, which should make a significant impact on the overall costs. Also how the copper and gold relationship can be optimised economically has to be confirmed.

We include a preliminary valuation of La Zarza at the end of this report.

Why Ormonde?

Many mining companies spend substantial funds and/or time to establish a 1.0-million ounce deposit at economic grades, a resource/reserve level often seen as a benchmark for scale and investment purposes. Many fail to do so. Why Ormonde has been able to acquire such a deposit in the middle of Western Europe is a result of a combination of circumstances.

In the first instance, because the project was in the hands of a local company and there is no centralised filing system, information on the project was only available at the local level. Consequently Ormonde, with its extensive local contacts, was able to gain access to the opportunity. Secondly, Ormonde's timing was perfect. Until recently there was little or no international interest in mining and exploration in Spain, given the downturn in global mining and exploration activity. Consequently there was no incentive for the local company to try to market the project itself. While the deal took some time to conclude, it has transformed Ormonde.

Exploration portfolio

Ormonde has one of the most extensive exploration portfolios of any small company in Spain. Project focus is on the north-west of the country. Ormonde's aim is relatively simple: it targets high-grade projects, believing this to be the most important key to finding commercial deposits.

Salamón

The Salamón gold project is a joint venture with Siemcalsa, a company related to the local government authority. Ormonde is earning a 51% share and manages the project.

The target is a structurally controlled gold play along the main Leon Fault, a large structural feature in the region. Before Ormonde joined the project, Siemcalsa had already established an inferred and indicated resource of just short of 190,000 ounces in 640,000 tonnes of rock grading just over 9 grams per tonne of gold. It was this high tenor or grade that attracted Ormonde to the project in the first instance.

The resource established so far is based on drilling to vertical depths of 120 metres below the surface. However, the mineralised rock continues at depth and laterally to the east. Initially, Ormonde identified the eastern extensions as the best route to expanding the resource, which is presently based on the main central zone. It drilled several holes in 2003, which extended mineralisation at depth, although at widths less than seen at the surface. Three holes have also been drilled in the 2004 drilling programme to test the depth extension of the main central zone at Salamón, with final result compilation and analysis due towards the end of September.

Apart from the drilling, which has focused on extending the main zone of mineralised rock at depth, sampling and trenching have also established the presence of gold-bearing rock not previously seen both above (hanging wall) and below (footwall) the main zone. This has recently been confirmed by further

trenching work. This opens up the possibility of additional zones of mineralisation and an expansion of the gold resource.

Salamón looks geologically similar to the "Carlin-style" gold deposits found in other locations around the world. Typically this type of mineralisation has a limestone host rock, brecciation and some form of structural control. All these are present at Salamón. Likewise, the style typically exhibits pinching and swelling as the mineralising fluids followed the least difficult routes. A Carlin-style deposit can be characterised by very high grades. Such grades are also present at Salamón with one hole recording 22 metres at 20.5 g/t gold.

Given the fact that this type of deposit is often related to structure and can be very variable in width and thickness, the challenge for Ormonde will be to not over-commit funds and to make staged investment on the back of good ongoing drilling results. One important feature is that if a viable economic deposit can be established, then the mountainous topography lends itself to a project that will require an adit as opposed to a shaft to access the orebody, the latter having higher capital cost implications.

Trives permits

Ormonde has two permits in the Trives area, the first of Ormonde's exploration projects in north-west Spain. It is located in the Galicia region, an area with evidence of extensive Roman-aged surface workings. Modern gold production by Rio Narcea also takes place at El Valle, some 115km away to the north-east of rives. So far, Ormonde has concentrated on the Portas locality, where a number of old Roman pits have been found, and spot and channel sampling by Ormonde and other companies recorded economic grades of gold mineralisation. The target is further defined by an 800-metre-long geochemical anomaly showing highly elevated levels of gold in soil.

Following a mapping and sampling programme in the pits, gold mineralisation was shown to be present in a zone of rock that in places is up to 20 metres thick. Several different styles of gold mineralisation are present: quartz veining, brecciation and sulphide-rich zones. The feature appears to have a structural control, which suggests that there may be good continuity at depth. Also, gold appears to be free milling, which means low-cost gold recovery in the event of a development being made.

A five-hole drilling programme was initiated during August this summer, later than anticipated because of delays in obtaining local permitting to build an access road. The first of these holes has just been completed and initial assays should be available in the next two weeks. The whole five-hole programme with all assay results should be available by the end of the year.

In our opinion the overriding strength of this project is the potential to quickly build a resource of gold. The length of the geochemical anomaly (nearly 1km) and the indications of extensive vertical continuity from local topography suggest that if gold is shown to be present at commercial grades, tonnage can be quickly established.

Ormonde is earning its 100% interest in the project through a simple payment scheme to the licence holders, with the amount depending on when the payment is made. To buy the licence interest in 2005 will cost Ormonde €600,000. However, such a payment is optional and obviously if the project does not live up to expectations, no payments will be made.

Tracia

This is new ground in the context of Spanish exploration terms and is testament to Ormonde's ability to find new exploration targets in Spain. The area was first spotted through analysis of older records. This subsequently led to a spot sampling programme based on observation of rock type in the area by Ormonde

staff. The results were encouraging and a geochemical soil survey was initiated. This showed up several major gold anomalies with significant strike lengths. Subsequent spot sampling of float and outcrop produced very significant results, with several samples grading over 10 grams per tonne of gold.

Tracia appears to belong to a new style of target that is being increasingly recognised and sought after by the gold mining industry because it has the potential to deliver large amounts of gold at economic grades. The target is related to the intrusion of rocks at depth, a process that often means gold bearing fluids are deposited into the rocks that surround the intrusion. This creates the potential for large amounts of gold to be found in the locality. One of the markers for this kind of deposit is an elevated level of the metal bismuth found in the deposit and correlated with the gold. This is present at Tracia, which has all of the intrusion-type "markers" that might be expected. The inference has to be that if any one project in the exploration portfolio might attract a major company to become involved, then Tracia is that project.

It is expected that drilling will commence at Tracia in the next quarter. In addition to this, regional work has been underway for some time. This continues to turn up additional targets.

Tracia is held by way of joint venture with International Gold Exploration (IGE), a Swedish gold exploration company. IGE is paying €0.26m to earn a 50% share in this project and are funding all current activities, with Ormonde as operator.

Finances

Ormonde has funded on a number of occasions in the last few years, utilising the 10% pre-emption waiver rule. It keeps a very tight overhead (€0.25m per annum) and as much of the funding as possible is channelled into exploration work.

All the work programmes underway at present are fully funded, although it is likely that additional funds will be required in 2005.

Apart from the ongoing drilling and exploration costs, Ormonde will also have to finance the purchase of the Trives licence portfolio.

Table 2: Funding history

	Price (c)	Gross proceeds (€)
June 2004	9.4	940,000
August 2003	3.4	1,000,000
November 2002	4.7	250,320
May 2002	6.0	305,970
April 2001	2.5*	500,000

Source: Davy

*IRE0.02

Valuation

We feel it is best to value Ormonde by looking at a possible range of outcomes. We have looked at what we believe the baseline valuation to be of Ormonde's exploration portfolio and the current resource at La Zarza and then looked at a possible target price based on a risked upside value of the exploration portfolio and an expanded La Zarza project.

La Zarza

The core of any valuation of Ormonde has to be the La Zarza project. In turn its value will be a function of the metal price assumed and the operating and capital costs required for any future development.

Also pivotal is the recovery of gold that can be achieved. Our basic assumptions are:

- A plant with capacity of 500,000 tonnes of gold ore and copper ore per annum. We assume a capital cost of €20m net of grants (€28m gross). An open pit starts the development, followed by underground mining.
- A head grade of 5 grams per tonne (with silver credit).
- A development of 3.0 million tonnes of the gold silicatado and 2.0 million tonnes of the copper silicatado.
- A minimum recovery for gold of around 70% and copper 80%.
- Underground mining and processing costs of \$30 per tonne.
- A first production start in 2006.
- The expanded project assumes a feed of 600,000 t/pa instead of 300,000 t/pa from the underground mining operation with associated increased capital costs.

Table 3: La Zarza value matrix, 100% stake (€m)

	Gold at \$400 per ounce	Gold at \$300 per ounce
Baseline resource	43.5	18
Expanded project	60.0	27

Source: Davy

Exploration and appraisal projects

Early-stage mineral exploration projects are very hard to value. One way to look at these projects is to access them on the basis of the cost required to become involved in the project or the work programmes associated with the project. This provides a simple baseline valuation of the projects involved.

In addition, the Salamón project already has in the order of 200,000 ounces of gold in the resource category. While this is still a sub-commercial level of gold for development purposes, the licence has good potential to increase the gold resource with new mineralisation established in several areas around the main target zone. If this interest was to be sold or monetised now, we believe a value of \$10 per ounce could be achieved, With Ormonde holding a 50% share in the licence its share of Salamón is worth around €0.8m.

A value for Trives can be constructed based on the price of acquiring the licence from the current holders. If the licence is acquired in 2005, the cost is €0.6m. Our sense is that this value will change very rapidly; but until drilling supports this view, a vendor-based valuation is probably the most appropriate for now.

The last commercial value placed on the Tracia project was the €0.26m option agreement concluded with IGE. However, we believe this would be considerably higher if the deal were to be concluded today. In fact, given the exploration success so far, we believe the value has at the very least been doubled. Right now, to earn into a half share of Tracia for a cost of €0.75m seems much more appropriate.

Together, we believe Ormonde's exploration programmes/licences are valued at a minimum of €2.0m. Taking into account the opportunity value in Ormonde for its local management base and other opportunities, we believe a core of around €2.5m seems reasonable as a minimum baseline valuation of the exploration portfolio.

For an estimate of what higher valuation the exploration portfolio might command, we have risked the various projects. The core presumptions are that a typical Spanish target size is 500,000 ounces and that before development each resource ounce will be worth around \$50 per ounce. This implies a target price of Ormonde's exploration portfolio of circa €9.6m. There is presently around €0.6m of cash in the group.

The valuations in Table 5 indicate the significance of the La Zarza deal to the company. It is the most important element in the value of Ormonde, although several other advanced projects are active and returning very positive results.

We believe the baseline valuation of La Zarza underpins the current price, with immediate upside potential. In addition, there is further considerable upside in Ormonde, as all the existing exploration/appraisal licences have the potential to evolve into economic projects and we also believe that further licence acquisitions and projects will be forthcoming. Both will add value.

Lastly at La Zarza itself, our valuation is based on a project that mines just the existing resource. However, the project is still open, at depth, along strike and in other parts of the licence package. This suggests further resource/reserve expansion can be reasonably expected.

Table 4: Risked upside assessment of Ormonde exploration profile

Project	Risk factor	Project interest	Net ounces	Value per ounce	Total value
Trives	1 in 4	100%	0.125m	\$50	€5.0m
Salamon	1 in 3	50%	0.083m	\$50	€3.3m
Tracia	1 in 8	50%	0.0312	\$50	€1.25

Table 5: Ormonde valuation range

Asset	Baseline	Per share	Upside target	Per share
La Zarza*	€30.4m	26c	€42m	36c
Exploration	€3.0m	2.5c	€10.0m	8.5c
Cash	€0.6m	0.5c	€0.6m	0.5c
Total	€34.0m	29c	€72.6m	45c

* Ormonde has a net 70% share of La Zarza, which can increase to 90%

Disclosures

Davy is part of Bank of Ireland Group.

Davy acts as stockbroker to Ormonde Mining.

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I, Job Langbroek, hereby certify that : (1) the views expressed in this research report accurately reflect my personal views about any or all of the subject securities or issuers referred to in this report and (2) no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendation or views expressed in this report.

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