

CANADIAN MINING COMPANY INC.

Price (October 15, 2009) **\$0.125**
52-Week High-Low **\$0.135 - \$0.03**
Shares O/S **46.3 million**
Market Cap **\$5.79 million**
20-day Average Volume **186,900**
200-day Average Volume **267,900**
Year-End **June 30**
Symbol **TSX-V: CNG**
Website **www.canadianmining.ca**

Financial Data

Selected Income/Cash Flow

	Year end	12 months
(CAD\$ millions)	Jun. 30 2008	Mar. 31 2009
Revenues	-	-
G&A (cash burn)	(\$0.4)	(\$0.4)
Net Loss	(\$0.4)	(\$0.5)

Selected Balance Sheet (CAD\$ millions)

	Year end	12 months
(CAD\$ millions)	Jun. 30 2008	Mar. 31 2009
Cash	\$0.6	\$0.1
Shareholders' Equity	\$1.2	\$1.2
Total Assets	\$1.6	\$1.4
Enterprise Value	\$3.9	\$5.2

Key Ratios

	Year end	12 months
	Jun. 30 2008	Mar. 31 2009
Monthly Cash Burn (\$)	\$33,370	\$29,563
Monthly Exploration Costs (\$)	\$0	\$0
Monthly Capital Expenditures (\$)	\$27,594	\$27,359
Cash Opex (mnths)	18.0	3.2
Cash Opex + Exploration (mnths)	18.0	3.2
Cash Opex + Total Capex (mnths)	9.9	1.6

Per Share (PS)

	Year end	12 months
	Jun. 30 2008	Mar. 31 2009
Earnings (Loss) PS	(\$0.01)	(\$0.01)
Cash PS	\$0.01	\$0.00
Mineral Property Book Value PS	\$0.01	\$0.02
Rental Property PS	\$0.01	\$0.01
Equity Book Value PS	\$0.03	\$0.03
Enterprise Value PS	\$0.09	\$0.11

Multiples

	Year end	12 months
	Jun. 30 2008	Mar. 31 2009
Price/Cash (times)	7.53x	57.09x
Price/Property Book Value (times)	8.35x	6.56x
Price/Properties and PP&E (times)	4.74x	4.36x
Price/Book Equity (times)	3.70x	4.58x

(See our ratio analysis on page 3)

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Note: This report was prepared with public information only.



Source: www.bigcharts.com

THE COMPANY

Canadian Mining Company Inc. ("Canadian Mining" or the "Company"), is engaged in the exploration and development of precious and base metals in Arizona (USA) and Sonora (Mexico) and the exploration, development, and production of industrial minerals in British Columbia (Canada). The Company is focused on mineral assets that are low-risk, high reward in areas of anomalous geology with significant potential and limited political risk.

INVESTMENT PERSPECTIVES

There have been a number of significant developments since our May 27, 2009 [Information Report](#) that we believe are positive for the Company's stock over the next 12 months:

- The October 2009 option agreement with Mayen Minerals Ltd. allows the Company to advance further its Raquel 3/Raquel 3B project without diluting its stock. Mayen could acquire up to a 60% interest in the project by spending \$1.4 million on exploration expenditures on the project over the next two years.
- The Company completed an NI 43-101 technical report on the Bullard Pass gold project in Arizona, which identified three large anomalous areas. The report increases the possibility that the Bullard project could have a major gold deposit in the area.
- The Company continues its drill program at the flagship San Bernardo project in Mexico following the identification of several significant anomalous zones in the project area.
- Positive results of the second-phase IP survey on the San Bernard project were achieved in June 2009. This brings the Company another step closer to defining a resource for the project.

PROPERTY HIGHLIGHTS

Canadian Mining's core properties are as follows:

- (1) **San Bernardo** (*Silver/Zinc/Copper deposits*) – *Sonora (Mexico)*: Canadian Mining's 27,000-acre San Bernardo Project is located in the prolific Alamos mining district of Sonora which is widely recognized as the number one mining state in Mexico. This district has a great mineral tradition and a wide range of mineral resources. Producing mines in the area include Frontera Copper, Alamos Gold, and Pan American Silver.

The results from the second phase of the 3D-Induced Polarization (IP) survey on the project were obtained in June 2009. An anomaly of significant interest has been identified on two interchangeability zones. The Company intends to carry out further exploration, including geological work and drilling of the defined targets.

COMMENT: *We believe that the Company is in a good financial position to undertake its proposed exploration program. Any further positive results coming out of the upcoming drilling program could significantly increase the value of the project.*

- (2) **Bullard Pass** (*Gold/Silver/Copper deposits*) – *Arizona (USA)*: The property consists of 4,000 acres surrounding the past-producing Bullard Mine. The Bullard district was reported by the Arizona Geological Open-File Report 92-1 to have good potential for a major gold deposit in the area. Significant work has been done on the property including: a NI 43-101 compliant technical report and a technically advanced enzyme leach protocol.

A 1992 Spenser and Reynolds report shows that 90% of the production in the Bullard District was from the Bullard Mine located nearby the neighboring patented claim block.

- (3) **Arizona Processing Plant**: Canadian Mining owns a 100% interest in a precious metals processing plant in Aguila, Arizona. The plant is in the immediate vicinity of the Company's Bullard Pass Project. The facility encompasses 12 acres of rail and highway-accessible industrial property which is permitted, serviced, and has water capacity to meet production requirements.
- (4) **Industrial Minerals** (*Zeolite*) – *British Columbia (Canada)*: The Company owns 3 major groups of Industrial Mineral claims (Dick Slate, Bromley Creek, and Sun Group). The Bromley Creek property has a 30-year mine lease and is currently optioned to Heemskirk Canada Ltd. (\$1.45 million of which \$1.3 million is due July 1, 2010). Zeolite applications, among other things, include: water and air filtration; industrial absorbent (auto/marine); toxic waste encapsulation; and removal of heavy oil.

CORPORATE STRATEGY

Management is focused on achieving the following initiatives:

- Manage expenditures prudently in order to advance further its property portfolio, while conserving cash resources and seeking further financing;
- Ready to drill at the San Bernardo property after a successful completion of the second phase 3D IP in early May 2009 that produced positive results;
- Plan to drill the Bullard Pass property, with a 5000-foot 10-hole drill program tentatively planned; and
- The Company has recently entered into a strategic advisory relationship with Downshire Capital Inc., a private investment banking group based in Montreal, Quebec to assist the Company in achieving its business objectives and moving its projects forward.

MARKET CONDITIONS

- Commodity prices remain volatile and investors' appetite for high-risk junior mining companies has not been fully restored, despite the shares of many of them having shown marked recovery from their decimation.
- The world economy is expected to record a slow recovery over the next 12 months. However, long-term prospects are still positive, as the continuing demand for precious metals remains strong in China, in particular, and other emerging countries.
- The Canadian capital market is still challenging, making it difficult for junior mining companies to get financing.

UPSIDE POTENTIAL

The following factors could have a positive impact on Canadian Mining's stock price should the Company be able to:

- Obtain sufficient financing for drill programs at the Bullard Pass and San Bernardo projects;
- Gather sufficient data for further development, or obtain resource estimates for the two above-mentioned properties; and
- Manage its cash resources through cost controls and careful capital expenditure spending.

MANAGEMENT

- Canadian Mining is led by Ray Paquette – CEO and President – who has over 35 years experience in corporate development, including precious and base metal exploration.
- Mr. Paquette has assembled a qualified, knowledgeable, and experienced team and is committed to enhancing the value of the properties.
- Strategically, the management team is focused on: (1) careful capital planning in terms of developing key resources; and (2) maintaining sufficient liquidity to cope with the current economic downturn.

Selected Financials (CAD\$)	Year end	12 months
	Jun. 30 2008	Mar. 31 2009
Revenues	-	-
Operating Expenses (cash burn)	400,441	354,755
Exploration Expense	-	-
Adjusted EBITDA	(400,441)	(354,755)
Depreciation & Amortization	3,368	3,268
All non-cash expenses	42,569	51,283
Stock-based Compensation	(73,293)	(145,225)
Net Income/(Loss)	(434,533)	(451,965)

Total Shares Outstanding	45,320,760	46,320,760
Weighted Avg. Shares O/S	36,333,798	45,820,760
Earnings (Loss) Per Share	(0.01)	(0.01)

Cash Flow from Operations	(357,872)	(213,222)
Capital Expenditures	(331,131)	(328,302)
Acquisitions/Equipments	(3,156)	1
Free Cash Flow	(692,159)	(541,523)
Working Capital Changes	13,938	(9,213)
Equity Financing	914,774	794,974
Change in Cash	201,370	36,683
Cash, Beginning of the Period	400,877	56,629
Cash, End of the Period	602,247	93,312

Balance Sheet:	As at	As at
	Jun. 30 2008	Dec. 31 2008
Cash	602,247	93,312
Other Current Assets	83,903	38,519
Mineral Properties/Deferred Costs	542,901	811,662
PP&E	413,002	410,563
Total Assets	1,642,053	1,354,056
Payables	72,735	35,142
Related Party Advances/Debt	344,757	156,155
Shareholders' Equity	1,224,561	1,162,759
Total Liabilities & Equity	1,642,053	1,354,056

Book Value (S.E.) Per Share	0.03	0.03
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Source: The Company and eResearch

FINANCIAL REVIEW

- *Cash burn:* Cash burn has been managed in a disciplined manner that reflects the availability of cash and financing.
- *Capital expenditures:* Most of the \$328,300 capex for the 12 months ended March 31, 2009 was for the Arizona and Mexico properties. Going forward, capex will depend on the availability of new financing.
- *Liquidity:* The Company has over \$93,000 of operating capital and is closed to concluding a \$600,000 private placement for 2009-2010 on-going working capital. The Company also expects to receive \$1.3 million (due on July 1, 2010) from Heemskirk Canada under the 2006 option agreement.

FINANCING

Canadian Mining has a solid record of raising funds:

- To date, the Company has financed its operations, exploration, capital expenditures, and acquisitions through equity issuances. Equity financing (net) amounted to \$1.7 million for the 2006-2008 period.
- In June 2008, the Company issued 1.2 million units at a price of \$0.10 per unit with a director and officer for total proceeds of \$120,000.
- In May and June 2008, the Company issued 8 million units at a price of \$0.10 per unit for total proceeds of \$800,000.
- Total funds raised over the 12 months ended December 31, 2008 were over \$885,000 (net of issuance costs). We consider this impressive as the Company was able to raise funds at a time when the credit market was difficult and tightening.
- Future financing success will likely depend on how the capital markets evolve.
- However, we believe that the Company will be able to raise sufficient capital to keep all of its properties in good standing over the next 18 months.

RATIO ANALYSIS

The Company's fundamentals are reasonable. Currently, Canadian Mining's stock is trading at:

- 6.25x above its mineral property per share value of \$0.02; and
- 4.17x above its book equity per share value of \$0.03.

Analyst Certification

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

- (1) the views and opinions expressed herein accurately reflect the Research Analyst's 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 Analyst's views and opinions expressed herein.

eResearch analysts on this report:

Eric Eng, BA (Acct., Econ.), MBA - Eric Eng worked at DBRS as a Analyst/Vice President for 10 years. He obtained a BA in Accounting and Economics and a MBA in Finance at the University of Toronto. He joined eResearch in January 2008.

Bob Weir, B. Comm, B.Sc., CFA. Bob Weir has 43 years of investment research and analytical experience in both the equity and fixed-income sectors, and in the commercial real estate industry. He was at Dominion Bond Rating Service (DBRS) from 1994 to 2001, latterly as Executive Vice-President responsible for supervising the firm's 34 analysts and conducting the day-to-day management affairs of the company. He joined eResearch in 2004 and has been its President, CEO, and Managing Director, Research Services since May 2005.

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Canadian Mining Company Inc. paid eResearch a fee of \$4,000+GST to conduct research on the Company on an Annual Continual Basis.

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