

Fundamental

Research Corp.

Investment Analysis for Intelligent Investors

Siddharth Rajeev, B. Tech, MBA
Analyst

Martha Buckwalter-Davis, BA (Geology)
Research Associate—Mining and Energy

Kevin Liu, BBA, BSc
Research Associate

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Torch River Resources Ltd. (TSX.V: TCR) – Signs an option agreement to purchase 100% of the Mt. Copeland Property

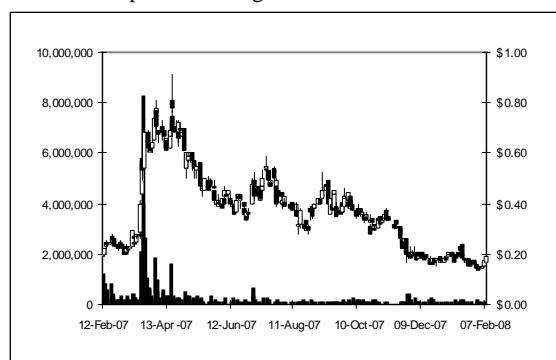
Sector/Industry: Junior Mining/Molybdenum

www.torchriver.ca

Market Data (as of February 27, 2008)

Current Price	C\$0.24
Fair Value	C\$0.70
Rating*	BUY
Risk*	5 (Highly Spec)
52 Week Range	C\$0.14 - C\$0.91
Shares O/S	45,126,177
Market Cap	C\$10.83 million
Current Yield	N/A
P/E	N/A
P/B	1.57
YoY Return	-11.63%
YoY TSX V	-15.2%

*see back of report for rating and risk definitions



Investment Highlights

- The 2007 drilling program focused on the western extension of the Main Zone, an area that had never been drilled before.
- Torch River released an updated NI 43-101 compliant resource on the Red Bird property. This updated resource is 118.6 million pounds of molybdenum indicated and 76.9 million pounds of molybdenum inferred.
- Rhenium assays from selected core sampled during the 2007 drilling program resulted in an average rhenium grade of 0.106 g/t rhenium.
- The company has acquired the Mount Copeland property, a high grade, low tonnage target that was historically mined. The company believes they have identified new mineralized targets with the potential to duplicate historic production.
- We have maintained our fair value estimate at \$0.70 per share.

Risks

- The Red Bird project risks include accessibility, infrastructure, and proximity to a provincial park.

Key Financial Data (C\$)

(YE - October 31)	2003	2004	2005	2006	2007
Cash+Short-term Investments	118,988	87,206	101,020	129,033	2,120,003
Mineral Assets	517,270	595,186	981,971	2,469,218	4,521,506
Total Assets	656,659	717,965	1,110,217	2,846,031	7,021,419
LT Debt/Assets	-	-	-	-	0.3%
Net Loss	(96,113)	(225,347)	(361,962)	(304,229)	(751,364)
EPS	(0.01)	(0.02)	(0.02)	(0.01)	(0.02)

Torch River Resources is exploring the Red Bird porphyry style molybdenum deposit, which has a NI 43-101 compliant resource estimate of 118.6 million pounds of molybdenum indicated and 76.9 million pounds of molybdenum inferred. The company plans to begin a preliminary economic assessment program following their 2007 drilling program.

**Company
Overview**

Torch River Resources has an advanced molybdenum property, Red Bird, which has a recently updated NI 43-101 compliant resource of 118.6 million pounds of molybdenum indicated, and 76.9 million pounds of molybdenum inferred, incorporating drilling in 2007. Red Bird is a large porphyry style molybdenum-copper deposit that is still open in all directions. The company plans to continue resource delineation while advancing the project through economic studies. They also acquired the Mount Copeland property in British Columbia, which is a low tonnage, high grade, molybdenum target that was historically mined.

**Red Bird
Molybdenum
Property**

Property Overview: The Red Bird molybdenum property is a porphyry style molybdenum deposit with copper and rhenium that was previously explored by Phelps Dodge and Craigmont (a subsidiary of Placer Dome).

Ownership: The company entered into an agreement to acquire 100% interest in the Red Bird property from Red Bird Resources in 2005. Torch must make cash and share payments by December 2009, to complete the option for 100% ownership. This agreement is subject to a 2.5% NSR to Red Bird Resources.

Accessibility and Infrastructure: The property is located in a remote region of British Columbia, where accessibility and infrastructure can be an issue. Currently, the property is accessed by float plane in the summer, and helicopter in the winter. The ideal access route would be the 18 kilometer access road built by Phelps Dodge in 1966 that crossed the Tweedsmuir Provincial Park. It is badly overgrown, and there is a possibility that development of an access road would be forbidden on a provincial park. There is another access road route, but it is not ideal due to the steep grades and avalanche risk. This route has been investigated. It is located to the southwest and would involve 22 kilometers of road to connect to established logging roads. The route is entirely on Crown land and does not cross any restricted areas. From the end of this road, it would be an additional 23 kilometers to tide water. Although high cost, we believe this route is the most probable for developing a large tonnage mine at Red Bird.

There is also the possibility of “run of river” power generation for some of the power needs of a large mine. The nearest power station is 68 kilometers away at Kitimat and may also be accessible for Red Bird.

Geology and Mineralization: The Red Bird deposit is a porphyry style deposit with disseminated low-grade molybdenum, copper, and rhenium. The company has defined three zones of molybdenum mineralization known as the Main, Southeast, and Southwest zones. These zones are found at the contact between an igneous quartz body and adjacent wall rocks. Mineralization is found in the form of molybdenite in quartz veinlets and banded veins. All exploration to date has focused on molybdenum mineralization in the contact zone, but it is believed the central part of the igneous quartz body may contain molybdenite quartz veins as well.

Rhenium: The company geochemically sampled selected core from the 2007 drilling program for rhenium content. Rhenium is a rare metal that is used for electronic devices, temperature controls, heating elements, and coatings. It is recovered as a byproduct from

molybdenite concentrates. The average rhenium grade from the samples was 0.106 g/t. The company believes that rhenium, a metal that is currently selling for approximately US\$9,100/ounce (market bid price), has the potential to contribute positively to the economics of the project. The company's current resource estimate does not include rhenium. Therefore, we have not accounted for the value of rhenium in our valuation models.

2007 Exploration and Drilling Program: The company's 2007 exploration program consisted of an extensive soil geochemical survey and 2,645 meters of diamond drilling in 10 holes on the western extension of the Main Zone, which had not been drilled before.

Drill Hole	Interval (m-m)	Length (m)	Grade (%Mo)	Grade (%Cu)
DDH139	336-368	32	0.04	--
and	424-468	44	0.05	--
DDH140	138-238	100	0.08	0.11
DDH141	94-218	124	0.07	0.09
DDH142	150-276	126	0.07	0.13
DDH143	80-210	130	0.07	0.07
includes	160-180	20	0.91	--
includes	200-210	10	0.11	--
DDH144	152-173.65	21.65	0.04	0.58
DDH145	30-44	14	0.05	0.04
and	60-72	12	0.04	0.04
and	92-110	18	0.05	0.05
and	166-192	26	0.06	0.08
DDH146	4-116	112	0.07	0.06
includes	52-72	20	0.12	0.05
DDH147	10-190	180	0.07	0.06
includes	52-102	52	0.09	0.08
DDH148	10-156	146	0.06	0.08
includes	30-50	20	0.05	0.13
includes	50-68	18	0.07	0.09
includes	90-110	20	0.06	0.11

Source for data: Torch River Resources Ltd.

The company also completed a soil geochemical survey over the Main Zone, which identified a potential near surface high-grade zone over 450 meters long. Surface samples taken assayed 0.2-0.5% Mo, compared to <0.1% Mo from the 2007 drilling program. The company plans to drill this zone in 2008, to determine its potential for a small-scale mine to generate early cash flow. A small-scale operation has a lower capital cost and quicker start up period, but this permit is limited to the extraction of 70,000 tonnes/year.

Current Status: The company is planning an 18 hole, 7,000 meter drilling program for an estimated budget of \$1.7 million. This program has two objectives: to thoroughly test the

potential near surface high grade zone, and follow up on drill hole 132 drilled in 2006, which assayed 0.13% Mo over 130 meters. Drilling in this area has the potential to add tonnage and high grades with relatively few drill holes. Geologic information suggests this drill hole may be testing the center of the porphyry intrusion.

Resource Estimates: The company reassayed Craigmont’s historic drill core in 2005 to bring the historic resource estimate to NI 43-101 compliant standards. In 2006, the company completed a drill program consisting of seven diamond drill holes totaling 1,940 meters. This led to an updated NI 43-101 compliant resource estimate, released in August 2007, and incorporating results up to 2006. The company released an updated resource estimate in January 2008, based on the 10 hole 2007 drilling program. A cut-off grade of 0.03% Mo was used, because that was the cut-off grade used in the 1981 feasibility study.

NI 43-101 compliant Resource	Tonnage (tonnes)	Grade (% Mo)*	Grade (% Cu)	Molybdenum (lbs)	Copper (lbs)
Indicated (07)	88.2 million	0.061	0.068	118.6 million	132 million
Inferred (07)	63.4 million	0.055	0.068	76.9 million	95 million
Indicated (06)	43.34 million	0.064	0.066%	61.2 million	63.1 million
Inferred (06)	70.48 million	0.058	0.070%	90.1 million	108.8 million

$$\%Mo = \%MoS_2 * 0.5594$$

Potential

At this time, the company’s exploration priority is delineating the dimensions of the mineralized zone in the inferred category before completing an infill program for measured and indicated resources. We expect the company to be drilling for 2008, and 2009, to prove up a large measured and indicated resource. They will likely be conducting economic studies alongside their exploration program. The company has made it clear that they are seeking an industry partner to develop the Red Bird project. We believe the project has merit and may warrant such attention as the ore body continues to expand.

Mt. Copeland Property

Property Overview: The company has finalized an option agreement on the Mount Copeland Property. The company attempted to acquire the property in the summer of 2007. They were unable to negotiate the agreement and the negotiations were dropped. The company revisited the acquisition late in 2007, and assembled an independent board to establish an acceptable option agreement.

Ownership: The property is owned by four individuals, each with a 25% interest: Andris Kikauka, a consulting geologist for Torch River, William Pfaffenberger, president of Torch River, J. John Kalmet, and Grant B. Anderson. As this acquisition is a non-arms length transaction, it requires regulatory approval and may be subject to other approvals.

Under the terms of the option agreement, Torch will pay up to \$475,000 in cash, and 1.3 million shares of Torch in instalments over the next four years. The company will also spend \$500,000 on exploration. The vendors shall also be entitled to a net smelter royalty of 2.75%.

Historic Exploration/Production: Mount Copeland is a former producer. A small, very

high-grade structure was exploited using underground methods between 1970 and 1973 by King Resources. The mine produced 169,729 tonnes at 0.7% recovered molybdenum, for a total production of 2,625,046 pounds of molybdenum. Before mining, the determined resource was 163,340 tonnes of ore at a grade of 1.83% MoS₂ (or 1.1 % molybdenum). Therefore, all the ore indicated prior to mining has been extracted.

Accessibility and Infrastructure: The property is located 30 kilometers northwest of Revelstoke, British Columbia. Access at this time is by helicopter or on foot. The road built by King Resources when the property was in production in the early 1970s is badly overgrown and not open to vehicle traffic at this time. At the property, work could be carried out between June and October. Snowfall, avalanche hazards and cold weather would hamper activity in the winter months.

Geology and Mineralization: Andris Kikauka, a partial owner of the property, and a consulting geologist for Torch, completed a preliminary sampling program on the property in 2005. His sampling identified 1,000 meters of molybdenite mineralization along strike in the Glacial Zone. 120 meters of the Glacial Zone was exploited between 1970 and 1973. Mr. Kikauka took five samples ranging from 50 to 200 meters apart. Four of them are reported below.

Sample ID	%Mo	Width
AR-5	0.302	2.5 meters
AR-6	1.917	2.6 meters
AR-7	2.699	0.4 meters
AR-8	0.123	1.0 meters

Current Status: The company is planning a 8,000 meter drilling program in 14 holes following a program of geophysics, sampling, and mapping at Mt. Copeland for an estimated cost of \$500,000. This program is expected to be completed in the summer/fall of 2008.

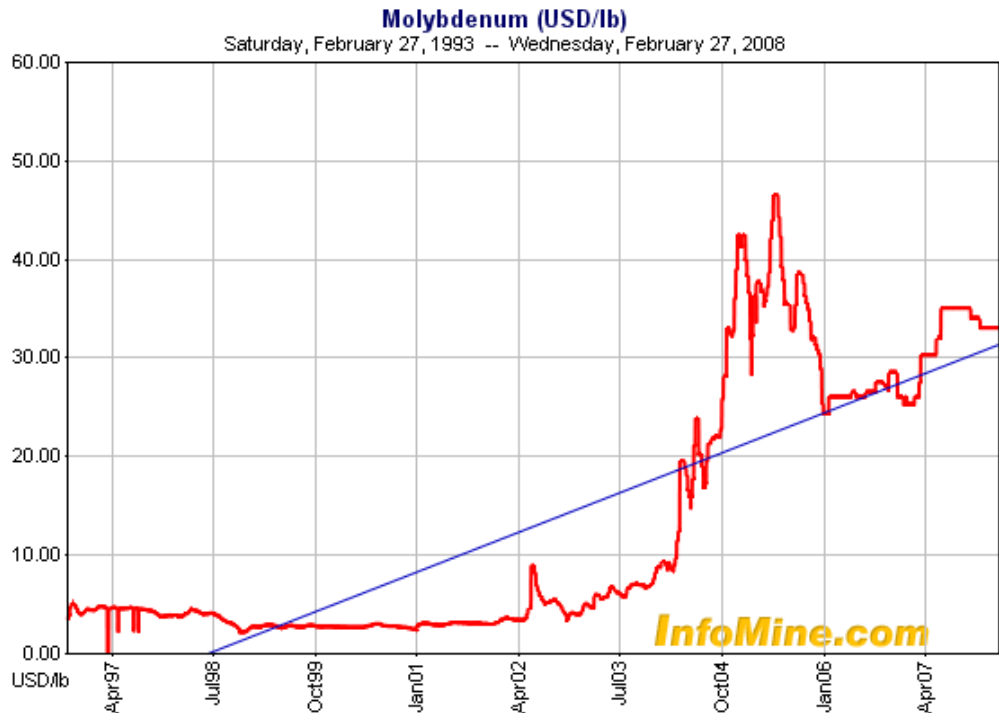
Resource Estimates: This property does not have any historic or NI 43-101 compliant resource estimates at this time.

**Other
Properties**

The company has not done any work on their High Rock/Climpy and Grouse Mountain projects since our last report.

**Industry
Conditions**

Molybdenum prices: The chart on the next page shows molybdenum prices since January 1998.



Molybdenum prices were highly volatile in 2004 and 2005, and have been less volatile since the beginning of 2006. Molybdenum prices have increased more than tenfold since the beginning of the century. As of February 27, 2008, molybdenum was trading at US\$33.4/lb versus S\$2.68/lb in January 2000.

Forecast: We have maintained our molybdenum price forecasts for our valuation models. We have assumed that prices will gradually decline from US\$21.25/lb in 2012 to US\$10/lb by 2021. We expect prices to stay above the 2000 - 06 average price of US\$10.8/lb due to the following reasons:

- Strong demand from the BRIC and the global market for stainless steel
- Expected decrease in Mo exports by China
- Increasing demand from the oil sector
- Longer lead times to build new molybdenum mines
- Tight roaster capacity
- Increasing investment demand
- Not easily substitutable due to its unique characteristics, availability and versatility

Financials

Operations: At the end of October 2007, the company had cash and working capital of \$2.12 million and \$2.28 million, respectively. TCR had a net loss of \$0.75 million in FY2007 (12 month period ended October 2007), compared to \$0.30 million in FY2006. Net loss increased in FY2007 as the company posted stock-based compensation (non-cash expense) of \$0.64 million in FY2007, versus \$0.14 million in FY2006.

We estimate the company had a burn rate of \$0.14 million per month in FY2007 (down from

\$0.16 million in FY2006). The table below shows the company's cash position and liquidity ratios.

(in C\$)	2003	2004	2005	2006	2007
Working Capital (in \$)	82,074	100,985	30,301	19,110	2,277,845
LT Debt	-	-	-	-	0.3%
Burn Rate (in \$)	(7,594)	(26,314)	(34,568)	(164,459)	(142,805)
Cash from Financing (in \$)	-	283,991	428,629	2,023,686	3,708,466

Stock Options and Warrants: At the end of October 2007, the company had 4.40 million stock options outstanding (about 2 million are currently 'in-the-money' – assuming that none of the options were exercised since November 2007) with prices ranging from \$0.135 to \$0.55, and maturity periods between August 2008 and May 2012. The company also had about 12.22 million warrants outstanding (about 1.70 million are currently 'in-the-money' – assuming that none of the warrants were exercised since November 2007) with prices ranging from \$0.18 to \$0.95, and maturity periods between December 2007 and September 2009.

Conclusion: Based on our discussion with management, the company's budget for 2008 is \$2.2 million. We believe the company needs to raise about \$0.60 million in 2008 to fund its exploration activities and working capital for the rest of the year.

Valuation

Revised DCF Valuation: Our revised Discounted Cash Flow (DCF) valuation on the company increased from \$31.88 million (\$0.67 per share) to \$37.52 million (\$0.81 per share). A summary of our valuation model is shown below.

DCF Valuation	Revised	Previous
Mineral Resources (in tonnes)	119,900,000	78,580,000
Grade (Mo)	0.059%	0.061%
Grade (Cu)	0.068%	0.068%
Recovery (Mo)	85%	85%
Recovery (Cu)	70%	70%
Production	2012	2012
Mine Life (years)	17	11
Operating costs (\$/tonne)	\$9.00	\$9.00
Discount rate	11.63%	12.00%
Capital Costs	\$325,000,000	325,000,000
Net Asset Value	\$35,834,358	\$29,175,003
Working Capital - Debt	\$1,683,268	\$2,706,496
Fair Value	\$37,517,626	\$31,881,499
No. of Shares (diluted)	46,251,594	47,765,818
Fair value per share (diluted)	\$0.81	\$0.67

Valuation increased primarily due to an increase in resource estimates of the Red Bird property, offset by a drop in our long-term copper price forecasts. We made the following major changes in our valuation model.

- Increased resource estimates (the increase in resource estimate is shown on the above table)
- Increased mine life – We have not made any changes in our assumption on the project's throughput rate. Therefore, as resource estimates increased, our estimate on mine life also increased from 11 years to 17 years.
- We have reduced our discount rate slightly from 12% to 11.63%, which is our revised estimate of discount rates for similar base metal projects in Canada.
- We have lowered our copper price forecast from \$2/lb to \$1.75/lb.

Below is a sensitivity analysis of our fair value estimate based on changes in our long-term molybdenum and copper price assumptions.

Mo (US\$/lb) - 2021+	\$16.00	\$14.00	\$12.00	\$10.00	\$8.00	\$6.00	\$4.00
Cu (US\$/lb) - 2012+							
\$1.00	\$1.60	\$1.30	\$1.00	\$0.71	\$0.41	\$0.11	(\$0.19)
\$1.25	\$1.64	\$1.34	\$1.04	\$0.75	\$0.45	\$0.15	(\$0.15)
\$1.50	\$1.67	\$1.37	\$1.07	\$0.78	\$0.48	\$0.18	(\$0.12)
\$1.75	\$1.71	\$1.41	\$1.11	\$0.81	\$0.52	\$0.22	(\$0.08)
\$2.00	\$1.74	\$1.44	\$1.14	\$0.85	\$0.55	\$0.25	(\$0.05)
\$2.25	\$1.78	\$1.48	\$1.18	\$0.88	\$0.59	\$0.29	(\$0.01)
\$2.50	\$1.81	\$1.51	\$1.21	\$0.92	\$0.62	\$0.32	\$0.02

- Note that we have assumed that molybdenum prices will gradually decline from US\$21.25/lb in 2012 to US\$10/lb by 2021. Therefore, our sensitivity analysis is only based on changes in molybdenum price forecasts beyond 2021.

Revised Relative Valuation: Although our DCF valuation increased by 17.4% (from \$0.69 per share to \$0.81 per share), our relative valuation dropped from \$0.75 per share to \$0.25 per share. The drop in our valuation was due to a significant drop in the average Enterprise Value (EV) to Resources (in lbs) of the peer group, offset by an increase in resource estimates. The average EV/Resources of the peer group dropped from \$0.28 to \$0.05 per lb of molybdenum.

Company	Symbol	Price	Enterprise Value (EV)	Resource (Mo eq.)	EV / Resource
1 Virgin Metals Inc	VGM	\$0.33	\$21,575,019	48,880,175	\$0.44
2 Inca Pacific Resources Inc.	IPR	\$1.56	\$52,510,626	681,616,397	\$0.08
3 Torch River Resources Ltd.	TCR	\$0.24	\$9,417,115	188,506,476	\$0.05
4 International PBX Ventures Ltd.	PBX	\$0.32	\$16,013,524	376,607,500	\$0.04
5 Western Troy Capital Resources Inc	WRY	\$0.39	\$4,126,979	104,325,938	\$0.04
Average					0.05
Fair value per share (diluted)					\$0.25

* Resources = Measured and Indicated + 50% Inferred/Historic Resource Estimates

* Molybdenum equivalent was determined based on copper price of US\$1.75/lb, and molybdenum price of US\$10/lb

* The average EV/Resources does not include (1), as it is an outlier

As VGM is an outlier (its EV to resource ratio of \$0.44/lb is well above its peers), we excluded its ratio from our calculation of the average EV/Resources ratio.

Conclusions & Rating

We are pleased with the company's drilling results from Red Bird this year, which suggests the company is getting closer to the core of the porphyry intrusion due to higher grades. The company has also finalized their acquisition of the Mount Copeland property, which offers potential for a smaller, high-grade molybdenum operation. Drilling results from Mount Copeland in 2008, if successful, could be an upward catalyst for the stock.

Our relative valuation on TCR dropped significantly, not because of any change in the company's fundamentals, but because of the significant drop in the average EV/resources of its peers. Therefore, even though the average revised valuation dropped from \$0.71 to \$0.53 per share (increase in our DCF valuation was more than offset by a decrease in our relative valuation), we have maintained our fair value estimate at \$0.70 per share.

Based on our revised valuation models and review of the company's projects, we reiterate our BUY rating, and maintain our fair value estimate on the company at \$0.70 per share.

Risks

The following risks, though not exhaustive, will cause our estimates to differ from actual results:

- Like other junior exploration companies, the value of the company depends heavily on the price of underlying commodities, in this case molybdenum.
- The success of the company is highly dependent on the success of drilling, economic studies, and access to the property.

Fundamental Research Corp. Equity Rating Scale:

Buy – Annual expected rate of return exceeds 12% or the expected return is commensurate with risk

Hold – Annual expected rate of return is between 5% and 12%

Sell – Annual expected rate of return is below 5% or the expected return is not commensurate with risk

Suspended or Rating N/A— Coverage and ratings suspended until more information can be obtained from the company regarding recent events.

Fundamental Research Corp. Risk Rating Scale:

1 (Low Risk) - The company operates in an industry where it has a strong position (for example a monopoly, high market share etc.) or operates in a regulated industry. The future outlook is stable or positive for the industry. The company generates positive free cash flow and has a history of profitability. The capital structure is conservative with little or no debt.

2 (Below Average Risk) - The company operates in an industry where the fundamentals and outlook are positive. The industry and company are relatively less sensitive to systematic risk than companies with a Risk Rating of 3. The company has a history of profitability and has demonstrated its ability to generate positive free cash flows (though current free cash flow may be negative due to capital investment). The company's capital structure is conservative with little to modest use of debt.

3 (Average Risk) - The company operates in an industry that has average sensitivity to systematic risk. The industry may be cyclical. Profits and cash flow are sensitive to economic factors although the company has demonstrated its ability to generate positive earnings and cash flow. Debt use is in line with industry averages, and coverage ratios are sufficient.

4 (Speculative) - The company has little or no history of generating earnings or cash flow. Debt use is higher. These companies may be in start-up mode or in a turnaround situation. These companies should be considered speculative.

5 (Highly Speculative) - The company has no history of generating earnings or cash flow. They may operate in a new industry with new, and unproven products. Products may be at the development stage, testing, or seeking regulatory approval. These companies may run into liquidity issues, and may rely on external funding. These stocks are considered highly speculative.

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