

Fundamental

Research Corp.

Investment Analysis for Intelligent Investors

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Creston Moly Corp. (TSXV: CMS) – Creston Receives Updated Resource Estimate on Creston Molybdenum Project

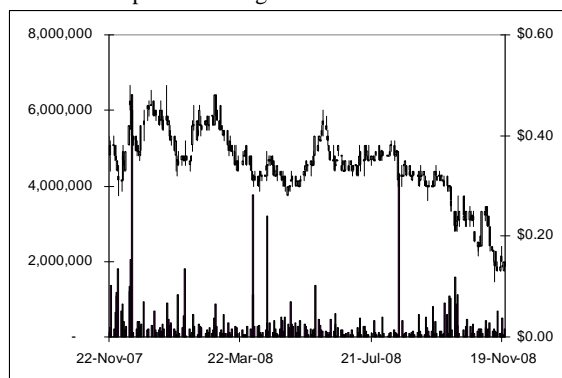
Sector/Industry: Junior Mining/Molybdenum

www.crestonmoly.com

Market Data (as of November 24, 2008)

Current Price	\$0.125
Fair Value	\$0.86 (↑)
Rating*	BUY
Risk*	5 (Highly Spec)
52 Week Range	\$0.105 - \$0.500
Shares O/S	121.02 mm
Market Cap	\$15.13 mm
Current Yield	N/A
P/E (forward)	N/A
P/B	0.32
YoY Return	-67.1%
YTD TSXV	-74.5%

*see back of report for rating and risk definitions



Investment Highlights

- On October 28, 2008, the company announced an updated NI 43-101 compliant resource estimate. The new resource involves the upgrade of previously indicated resources to measured resources, and the upgrade of a significant portion of inferred resources to the measured and/or indicated categories.
- Measured and indicated resources are estimated to be 176.9 million tonnes averaging 0.071% Mo and 0.046% Cu. This converts to 278 million pounds of molybdenum contained and 179 million pounds of copper contained.
- Inferred resources are estimated at 16.3 million tonnes averaging 0.051% Mo, and 0.061% Cu (18.3 million pounds Mo contained and 21.8 million pounds of Cu contained).
- The company recently received encouraging drilling results at the Red Hill Zone south of Creston main zone deposit.
- Mr. Colin Benner, previously an advisor with the company, has been appointed as the Chairman of the Board of Directors.
- We maintain our BUY rating and raise our fair value estimate to \$0.86/share (from \$0.75/share). Valuation increased primarily due to increased resource estimates offset by a drop in our molybdenum price forecasts.

Key Financial Data (FYE July 31)

(C\$)	2006	2007	2008 (9 mo)
Cash & Cash Equivalent	233,344	14,930,859	10,119,787
Working Capital	147,720	12,953,264	7,653,499
Property, Plant and Equipn	40,361	75,134	93,380
Mineral Assets	2,026,180	49,216,145	53,474,376
Total Assets	2,381,073	64,313,993	64,481,676
Net Income (Loss)	(1,195,210)	(4,909,492)	(2,687,664)
EPS	(0.04)	(0.09)	(0.02)

FRC analysts have visited CMS's El Creston project in the past 12 months, please see the back of this report for additional disclosures

Creston Moly Corp. owns 100% of the El Creston deposit in northern Sonora, Mexico. This advanced stage project has recently completed an updated NI 43-101 compliant resource estimate of 278 million pounds of molybdenum and 179 million pounds of copper in the measured and indicated category. Economic studies are underway, and we believe the aspects of the project are good, due to the project's accessibility, infrastructure, and potential for expansion.

**Updated
Resource
Estimate**

On October 28, 2008, the company released an updated resource estimate based on the infill drilling program completed by the company in June 2008, on their El Creston Molybdenum project located in Sonora, Mexico. The program consisted of 52 diamond drill holes totaling 15,646 meters. The resource calculation was completed by Mine Development Associates (“MDA”) of Reno, Nevada based on data provided from 116 total drill holes completed on the deposit.

The previous resource calculation, which we presented in our initiating report in July, 2008, stated an estimate of 169.9 million pounds of Mo in an indicated resource of 92.87 million tonnes grading 0.083% Mo, and 141.1 million pounds of Mo in an inferred resource of 84.22 million tonnes grading 0.076% Mo. The estimate also included 122.8 million pounds of indicated Cu grading 0.060%, and 92.8 million pounds of inferred Cu grading 0.050%.

The new resource calculation involves the upgrade of previously indicated resources to measured resources, and the upgrade of a significant portion of inferred resources to the measured and/or indicated level of confidence. Highlights of tables provided are as follows:

- Table 1 displays resources calculated for the Main zone at a 0.03% Mo – equivalent cut-off; **278 million lbs of Mo averaging 0.071% and 179 million lbs of Cu averaging 0.046%.**
- Table 2 displays resources calculated for the Main zone at a 0.08% Mo – equivalent cut-off. The company has provided this table to illustrate the large high grade component of the deposit; **40% (73 million tonnes) of measured and indicated resources average 0.103% Mo and 0.054% Cu accounting for 55% of the total pounds of ore contained in the deposit.**
- Table 3 displays the portion of total resources hosted by the East Breccia of the Main zone. **The near surface hydrothermal breccia deposit contains 41 million lbs of Mo grading 0.098%.**

Table 1: Main Zone Resources at 0.03% Cut-off

<u>Mo equivalent Cut-off (%)¹</u>	<u>Category</u>	<u>Tonnes (x10³)</u>	<u>Mo (%)</u>	<u>lbs Mo (x10³)</u>	<u>Cu (%)</u>	<u>lbs Cu (x10³)</u>
0.03	Measured	52,240	0.074	85,490	0.050	58,080
0.03	Indicated	124,650	0.070	192,720	0.044	121,060
0.03	Total (M + I)	176,890	0.071	278,210	0.046	179,140
0.03	Inferred	16,300	0.051	18,320	0.061	21,860

¹ Mo-equivalent cut-off: Mo% + (Cu%/7.5)

Source: Creston Moly Corp.

Table 2: Main Zone Resources at 0.08% Cut-off

Mo equivalent Cut-off (%)¹	Category	Tonnes (x10³)	Mo (%)	lbs Mo (x10³)	Cu (%)	lbs Cu (x10³)
0.08	Measured	22,630	0.108	53,790	0.061	30,600
0.08	Indicated	50,820	0.101	113,620	0.051	57,320
0.08	Total (M + I)	73,450	0.103	167,410	0.054	87,920
0.08	Inferred	3,010	0.105	6,980	0.057	3,780

¹ Mo-equivalent cut-off: Mo% + (Cu%/7.5)

Source: Creston Moly Corp.

Table 3: Resources in East Breccia of Main Zone

Mo equivalent Cut-off (%)¹	Category	Tonnes (x10³)	Mo (%)	lbs Mo (x10³)
0.03	Measured	8,000	0.101	17,810
0.03	Indicated	11,130	0.095	23,300
0.03	Total (M + I)	19,130	0.098	41,110
0.03	Inferred	480	0.068	730

¹ Mo-equivalent Cut-off: Mo% + (Cu%/7.5)
October 27, 2008 MoO₃ price is US\$24.25/lb

Source: Creston Moly Corp.

As we stated in our initiating report, we like the project due to its location in a mining friendly jurisdiction with good accessibility and infrastructure. **The results of this new resource estimate are positive and largely confirm the potential for bulk tonnage low cost extraction.** We expect the initial phase of pit development will involve extraction from the near surface East Breccia zone.

The newly calculated resource estimate is a strong step for the company in fast-tracking this project to production. **We expect the company to continue to push forward in developing the project with M3 Engineering currently working to complete a pre-feasibility study for the company.** We also anticipate further drilling on the property to delineate the Red Hill zone and Alejandra zone.

It should be noted that the mineral resources do not incorporate any resources from the Red Hill zone. A few holes have been drilled on the Red Hill zone but the company has yet to release any analytical results and has stated in discussion that further drilling will be

completed in the future. The company still believes the zone has potential to provide additional tonnage to the deposit.

Drilling Results at the Red Hill Zone

In November 2008, the company reported encouraging results from a 12 hole, 2,808 metre diamond drill program on the Red Hill Zone of its Creston property. The Red Hill Zone is located south of the Creston main zone deposit, below a low angle normal fault (the Creston Fault). Highlights of the drilling results are summarized in the table below.

Hole	From (m)	To (m)	Interval (m)	Mo (%)	Cu (%)
EC08-054	208.40	494.50	241.40	0.083	0.059
includes	385.50	456.00	70.50	0.148	0.072
EC08-057	35.90	97.05	61.15	0.193	0.100
EC08-058	39.20	122.50	83.30	0.069	0.071
EC08-059	8.75	168.72	159.97	0.062	0.023
EC08-062	183.80	499.10	315.13	0.058	0.066

Source: Company

The drill program was designed to evaluate the extent of shallow molybdenite mineralization encountered and further investigate a buried porphyry system intersected by previous operators. Drill holes EC08-057, and EC08-058, confirmed the presence of shallow, high grade molybdenum mineralization immediately south to the Creston Fault. The style of the mineralization is similar to that found within the bulk of the Creston main zone deposit, consisting of molybdenite-bearing quartz stockworks hosted by a leucocratic Proterozoic granitoid. In addition, drilling holes EC08-054 and EC08-062, aimed at investigating the extent of the porphyry system, both intersected extensive Mo-Cu mineralization. The results from these two holes indicate that the porphyry-style mineralization is open in all directions and at depth. Particularly, the mineralization in these intersections is hosted by a series of porphyry dykes and apophyses interfingering with pre-existing lithologies. Both porphyries and country rocks are pervasively altered (silica, phyllic alteration and Kspar flooding) and locally brecciated.

Management Appointments

Mr. Colin K. Benner – Mr. Benner was previously an advisor with Creston Moly Corp and has been appointed as Chairman of the Board of Directors. Concurrent with the appointment of Mr. Benner, Mr. Kim Phillips has resigned as a director but will remain as Chief Financial Officer and Secretary.

Mr. Benner has more than 40 years in the mining industry and currently sits on the boards of Lundin Mining Corporation, HudBay Minerals Inc., Troon Ventures Ltd and Sherwood Copper Corp. Mr. Benner is also the Chairman of PBS Coals Ltd., a private British Columbia corporation engaged in mining, processing and sale of metallurgical coal that was recently bought out for just over CAD\$1 billion. His experience will undoubtedly aid the company in developing the El Creston deposit to mine status.

Outlook on Molybdenum

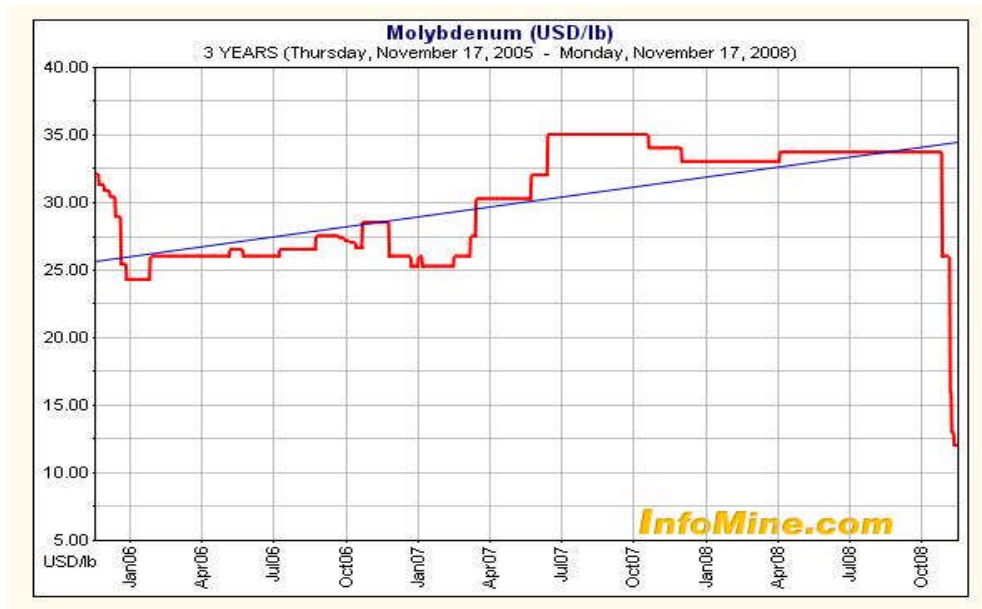
Demand from steel to soften: Increasing demand for steel has been one of the major drivers of demand for molybdenum. The International Iron and Steel Institute (IISI) estimates that apparent steel consumption by China is expected to grow by 11.5% in 2008, and 10.0% in

2009, accounting for 35% of global consumption in 2008. Global steel consumption is expected to increase by 6.7% and 6.3% in 2008, and 2009, respectively. The BRIC countries (Brazil, Russia, India and China) are expected to be the major contributors with an expected increase of 11.1% for 2008, and 10.3% for 2009.

The above forecasts were published in early 2008. We expect global demand growth for steel will be actually lower than the above forecasts due to the ongoing financial crisis and a slowdown in the global economy. The following are some recent statistics and forecasts supporting this:

- The International Monetary Fund (IMF), in early November 2008, lowered its global GDP growth forecasts from 3%, to 2.2% in 2009.
- U.S. GDP contracted by 0.3% in Q3'08. The IMF revised its U.S. GDP growth forecasts to 1.6% in 2008, and predicts the U.S. will contract 0.7% in 2009.
- With regard to China, in September 2008, the country cut interest rates for the first time in six years, and lowered the reserve ratio for smaller banks by 1%, reflecting signs of a slowdown in growth in the country. China's GDP grew by 10.4% in the first half of 2008, which was 1.8% lower than the same period last year. Growth in Q3 slowed to 9%, the slowest pace in more than five years. The IMF lowered China's GDP growth rate for 2009 by 80 basis points to 8.5% in early November 2008. However, China recently announced a 4 trillion yuan (US\$586 billion) stimulus package, particularly aimed at boosting domestic demand through 2010 by ways of investments in infrastructure (including rural areas) and social welfare. We believe this will have a positive impact on the global economy as China moves more towards a domestic-driven economy.

Molybdenum prices: The following chart shows molybdenum prices for the last 3 years. Mo prices have dropped significantly in the past month as the outlook on global economies continue deteriorate. As of November 13, 2008, molybdenum was trading at US\$10.25/lb, as compared to over US\$30/lb in October 2008.



Price Forecast: According to various sources, the recent sharp drop in molybdenum prices is partly because traders in London borrowed money to buy molybdenum are now forced to sell their inventories as lines of credit are pulled in light of current financial turmoil. More profoundly, we believe the weakening global economic growth outlook is likely to dampen demand for Molybdenum in the short term as steel makers have already announced plans to cut production. However, we note that the application of molybdenum is mainly in specialized steel such as aircraft parts, and hence, not affected by the production cut of general steel for applications in the housing and auto industries. In addition, our research from various sources recently indicates that cash costs for Molybdenum will reach as high as US\$7 to US\$8/lb, which we think indicates certain support levels for prices going forward.

Overall, in the short term, we predict high volatility in molybdenum prices. In the mid to longer term, we remain positive for molybdenum based on our review of the factors affecting molybdenum prices as summarized in the list below:

- Demand from BRIC countries
- Demand from the oil sector despite a recent decline in short term oil demand forecasts
- Increasing capital expenditures and higher production costs
- Delays in new molybdenum and molybdenum/copper mines going into production: Freeport-McMoRan Copper & Gold Inc. (NYSE: FCX) is currently cutting production and suspending the construction of the Climax mine (one of the largest sources of new molybdenum production). Also in light of weak prices, Thompson Creek Metals Company Inc. (TSX: TCM) is delaying its Davidson Moly project.
- Expected decrease in Mo exports by China
- Longer lead times to build new molybdenum mines
- Not easily substitutable due to its unique characteristics, availability and versatility

Recent forecasts of long-term molybdenum prices are in the US\$16.50/lb range. In this report, we have used long-term molybdenum prices of US\$16/lb for 2012 (compared to US\$21.25/lb in our previous report) and expect it to decrease to a historical average of US\$10/lb over time (Molybdenum prices averaged US\$10.8/lb during January 2000 – September 2006).

Financials

The company has yet to release its latest financial statements since our initiating report in July 2008. At the end of April 2008, the company had \$10.12 million in cash. Based on a burn rate of \$0.58 million per month, we believe the company's current cash position is sufficient to fund the company's mineral projects and working capital for at least another 10 months.

Valuation

We continue to value the company based on our discounted cash flow (DCF), real options and comparables valuation models. Our revised valuation on the company is \$0.86 per share, compared to \$0.75 per share in our previous report. We have continued to use the same weights for each valuation model (i.e. DCF is assigned a 40% weight, Real Options 40%, and comparables 20%) as our initial report. The logic behind this weighting is as follows:

our comparables valuation indicates that the company is overvalued compared to its peers. However, we do not believe the peer group is directly comparable to CMS because they are in different geographic locations with different grades that we believe should command a premium.

Valuation Summary	Valuation	weight	
DCF	\$0.64	40%	\$0.257
Real Options	\$1.41	40%	\$0.565
Comparables	\$0.21	20%	\$0.042
Weighted Average Valuation			\$0.864

DCF Valuation: Our revised DCF model (shown) below gave a fair value estimate of \$0.64 per share, compared to \$0.96 per share in our previous report. Although resource estimates increased, our valuation dropped primarily due to the decrease in our molybdenum price forecasts. Our valuation models used a long term molybdenum price of US\$16/lb in 2012 (compared to US\$21.25/lb in our previous report). As in our previous report, we expect the price to decrease to a historical average of US\$10/lb over time.

DCF Valuation	Revised	Previous
Mineral Resources (in tonnes)	185,040,000	134,983,500
Grade (Mo)	0.070%	0.081%
Grade (Cu)	0.047%	0.057%
Recovery (Mo)	87%	87%
Recovery (Cu)	78%	78%
Recovered Mo (lb)	248,857,185	209,234,240
Recovery Cu (lb)	148,254,600	132,029,686
Production	2012	2012
Mine Life (years)	20	17
Operating costs (\$/lb Mo eq.)	\$6.40	\$6.39
Discount rate	12.98%	12.98%
Capital Costs	\$500,000,000	\$500,000,000
Net Asset Value	\$74,109,388	\$111,618,864
Working Capital	\$3,752,607	\$6,091,972
Fair Value	\$77,861,994	\$117,710,836
No. of Shares (diluted)	121,066,235	122,086,931
Fair value per share (diluted)	\$0.64	\$0.96

Sensitivity: The following table shows the sensitivity of our DCF valuation when we change our long term commodity prices (Mo from \$4/lb to \$16/lb and Cu from \$1.25/lb to \$2.75/lb).

Mo (US\$/lb) - 2021+	\$16.00	\$14.00	\$12.00	\$10.00	\$8.00	\$6.00	\$4.00
Cu (US\$/lb) - 2012+							
\$1.25	\$1.10	\$0.89	\$0.67	\$0.52	\$0.25	\$0.03	(\$0.18)
\$1.50	\$1.16	\$0.94	\$0.73	\$1.06	\$0.31	\$0.09	(\$0.12)
\$1.75	\$1.22	\$1.00	\$0.79	\$0.58	\$0.36	\$0.15	(\$0.06)
\$2.03	\$1.28	\$1.07	\$0.86	\$0.64	\$0.43	\$0.22	\$0.00
\$2.25	\$1.33	\$1.12	\$0.91	\$0.69	\$0.48	\$0.27	\$0.06
\$2.50	\$1.39	\$1.18	\$0.97	\$0.75	\$0.54	\$0.33	\$0.12
\$2.75	\$1.45	\$1.24	\$1.03	\$0.81	\$0.60	\$0.39	\$0.17

Real Options Valuation: Our real options valuation model valued the company at \$1.41 per share, up from \$0.80 per share primarily due to increased resources and an increased long-term copper price from US\$1.75/lb to US\$2.03/lb. We have maintained our long-term Mo price forecast at US\$10/lb.

Real Options Valuation					
	Resources (in tonnes)	Grade (%)	Contained Metal (in LB)	Price (US\$/lb)	Value (C\$)
Molybdenum	185,040,000	0.070%	286,042,741	10.00	2,861,857,625
Copper	185,040,000	0.047%	190,070,000	2.03	346,100,364
Recovery (Mo)	87%		Total Value (C\$)		\$3,207,957,989
Recovery (Cu)	78%		Operating Costs (C\$)		\$1,874,917,800
C\$/US\$	1.15		Net Value (C\$) - 3% NPI		\$1,293,048,983
Inputs relating to the underlying asset					
Estd. Mineral Resources (in tonnes)					185,040,000
Estd. Value of Minerals if extracted today					\$1,075,176,434
Annualized Standard Deviation of Mineral prices					25.1%
Capital Investment					\$500,000,000
Estd. Mine Life (years)					20.0
Riskfree Rate					3.75%
Output					
Stock Price	\$1,075,176,434		T. Bond rate		3.75%
Strike Price	\$500,000,000		Variance		0.06
Expiration (in years)	20.0		Annualized div yield		6.0%
d1 =	0.843		Value of Option		\$167,123,839
N(d1) =	0.800		Working Capital		\$3,752,607
d2 =	-0.280		Debt		-
N(d2) =	0.390		No of outstanding shares (diluted)		121,066,235
			Value per share		\$1.41

Comparable Analysis: Based on an average EV/Resources ratio of \$0.05/lb Mo equivalent (previously also \$0.05/lb Mo equivalent), our comparable analysis gave a fair value of \$0.21 per share, up from \$0.19 per share in our previous report.

Company	Symbol	Price	Shares	Enterprise Value (EV)	Resource (Mo eq.)	EV / Resource
1 Creston Moly Corp	CMS	\$0.33	121,066,235	\$30,228,386	324,626,951	\$0.09
2 Inca Pacific Resources Inc.	IPR	\$1.30	56,473,000	\$51,874,985	752,568,207	\$0.07
3 Western Troy Capital Resources Inc.	WRY	\$0.30	19,130,000	\$3,711,051	107,665,004	\$0.03
4 Torch River Resources Ltd.	TCR	\$0.16	49,336,000	\$6,377,719	192,208,760	\$0.03
5 International PBX Ventures Ltd.	PBX	\$0.22	77,110,000	\$13,207,100	394,552,700	\$0.03
6 Virgin Metals Inc.	VGM	\$0.18	84,881,000	\$13,938,734	691,472,086	\$0.02
Average						0.05
Fair value per share (diluted)						\$0.21

* Share prices are YTD averages

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

* Molybdenum equivalent was determined based on copper price of US\$2.03/lb, and molybdenum price of US\$10/lb

Conclusion & Rating **Based on our valuation models and review of the company’s project since our initiating report, we maintain our BUY rating on the company, and raise our fair value estimate from \$0.75 per share to \$0.86 per share. Our fair value estimate reflects 588% upside potential from current price levels.**

Risks This project is in early stages of development and is subject to numerous risks, including the success of economic studies. We believe the high capital cost of the project could be quite dilutive at the present share price. However, the company is evaluating many options for the advancement of the project, which could minimize this risk. The following risks, though not exhaustive, will cause our estimates to differ from actual results:

- The company is subject to delays impacting the entire mining industry.
- The value of the company depends heavily on molybdenum prices.
- The success of drilling, expansion and determination of favourable resource estimates are important long-term success factors for the company.

We rate the shares a **RISK of 5 (Highly Speculative)**.

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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The distribution of FRC's ratings are as follows: BUY (80%), HOLD (8%), SELL (2%), SUSPEND (10%).

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