

West Mountain Capital Corp. (TSXV: WMT) – Initiating Coverage - Thermal treatment of soil, sludge and other waste streams

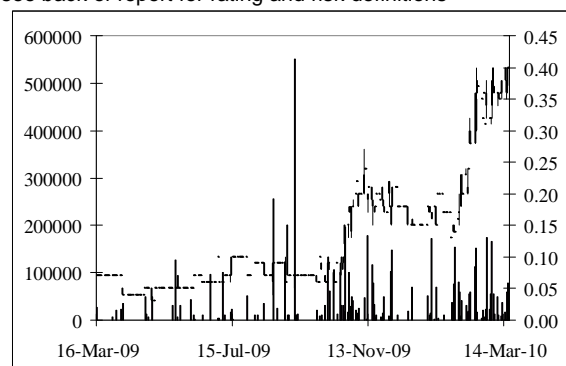
Sector/Industry: Environmental Services

www.westmountaincapital.com

Market Data (as of March 23, 2010)

Current Price	C\$0.365
Fair Value	C\$0.70
Rating*	BUY
Risk*	4 (Speculative)
52 Week Range	C\$0.03 – C\$0.41
Shares O/S	34.72 mm
Market Cap	C\$12.67 mm
Current Yield	N/A
P/E (forward)	7.30x
P/B	2.40x
YoY Return	421.4%
YoY TSXV	72.4%

*see back of report for rating and risk definitions



Highlights

- West Mountain Capital, through its wholly owned subsidiary, Phase Separation Solutions (PS2), is in the business of thermal treatment of soil, sludge and other waste streams.
- The company has exclusive rights (until the expiry of the patents) to use the patented Thermal Phase Separation (TPS) technology for hazardous waste decontamination treatment services in Canada, China and the U.S.
- The TPS is a “green” technology that helps reduce/eliminate environmental liability caused by contaminated waste, while recovering hydrocarbons (oil/natural gas) from the waste streams for reuse/resale.
- TPS treatment produces significantly less greenhouse gas emissions compared to traditional methods of waste management, such as incineration.
- The company is an established player in the PCB soil treatment market in Canada.
- Posted record revenues of \$5.88 million, and net profits of \$2.51 million, in 2009.
- Strong management team with extensive industry experience.
- Although we believe the recent regulatory changes in Canada with regard to PCBs will give near-term momentum, we believe the company’s major upside potential should come from its two new focus areas – a) the PCB soil treatment market in China, and b) the industrial sludge market in Canada.

Risks

- The Canadian PCB soil treatment market is a declining market as PCB production has been banned since the 1970’s.
- Revenues for the PCB soil remediation industry in Canada have been highly volatile in the past.
- The company has yet to break into the Chinese PCB market and the industrial sludge market in Canada.
- Regulations encouraging environmental protection/cleanup are key for the company’s long-term growth.

Key Financial Data (FYE - December 31)

(C \$)	2008	2009	2010E	2011E
Cash	783,993	3,255,003	5,072,250	7,432,087
Working Capital	229,509	2,505,997	5,131,277	7,596,243
Total Assets	4,467,696	6,920,842	8,445,763	10,880,146
Revenues	-	5,884,361	4,900,000	7,233,333
Net Income	(1,430,758)	2,508,147	1,803,259	2,018,969
EPS	(0.04)	0.07	0.05	0.05

West Mountain Capital, through its wholly owned subsidiary, Phase Separation Solutions (PS2), is in the business of thermal treatment of soil, sludge and other waste streams. The company posted record revenues of \$5.88 million, and net profits of \$2.51 million, in 2009. The company has a strong management team with extensive experience in the industry.

**Company
Overview**

Headquartered in St. John's, Newfoundland, West Mountain Capital, through its wholly owned subsidiary, Phase Separation Solutions (PS2), is in the business of thermal treatment of soil, sludge and other waste streams. The company has exclusive rights to use the patented Thermal Phase Separation (TPS) technology for hazardous waste decontamination treatment services in Canada, China and the U.S. Unlike incineration (one of the most commonly adopted methods of waste disposal, and known for its environmental impact), TPS technology produces no harmful air emissions. The main advantages of the TPS technology are that it reduces/eliminates environmental liability caused by contaminated waste, while recovering hydrocarbons (oil/natural gas) from the waste streams for reuse/resale. Although incineration and land filling have been the primary ways of waste disposal for decades, we believe the growing importance of environmental protection, real-estate prices, and the need to recover value from brownfield sites (lands that are currently abandoned/underused due to environmental contamination) will result in an increase in demand for “green” technologies such as TPS.

The technology is installed at a fixed facility in Wolseley, Saskatchewan. The facility (with a capacity of 20,000 tonnes per year) is one of the most broadly permitted (because of a wide range of applications), and flexible, non-incineration facilities in Canada. It is also one of only three fixed facilities in the country permitted for the treatment of large volumes of PCB and dioxin/furan impacted soil.

PS2 started generating revenues from soil treatment in 2005. The PCB contaminated soil treatment market in Canada, one of the company's main focus, is an oligopoly, with PS2 and a bigger company, Bennett Environmental (TSX: BEV; Market Capitalization - \$81 million) as the leading players. The PCB market in Canada got a big boost in late 2008, when the Federal Government came out with new regulations to remove all stored PCB soil in federally registered storage facilities by the end of 2009 (later extended to 2011). Both Bennett and PS2 landed significant contracts subsequent to this announcement. PS2 posted record revenues of \$5.88 million, and net profits of \$2.51 million, in 2009.

Although we believe the recent regulatory changes with regard to PCBs will give near-term momentum, PCB soil remediation is a declining market as PCB production has been banned since the 1970's. We believe the company's major upside potential should come from its two new focus areas – a) the PCB soil treatment market in China, and b) the industrial sludge market in Canada. Our forecast for 2010, and 2011, are revenues of \$4.90 million, and \$7.23 million, and net profits of \$1.80 million, and \$2.02 million, respectively. The company is in a strong cash position (\$3.26 million as of December 31, 2009), with very low debt on its balance sheet.

**Thermal Phase
Solution (TPS)
Technology**

The company's management team acquired the Thermal Phase Separation (TPS) technology from a Alberta-based private company in 1996. Management further developed the technology, and eventually sold it to M-I LLC of Houston, TX (*also known as M-I Swaco, a major oilfield services company, owned by Smith International - NYSE: SII, and Schlumberger Limited - NYSE: SLB*) in 1999. Since the acquisition, M-I Swaco has been using the technology exclusively for the treatment of drilling mud and cuttings generated by

the oil and gas industry.

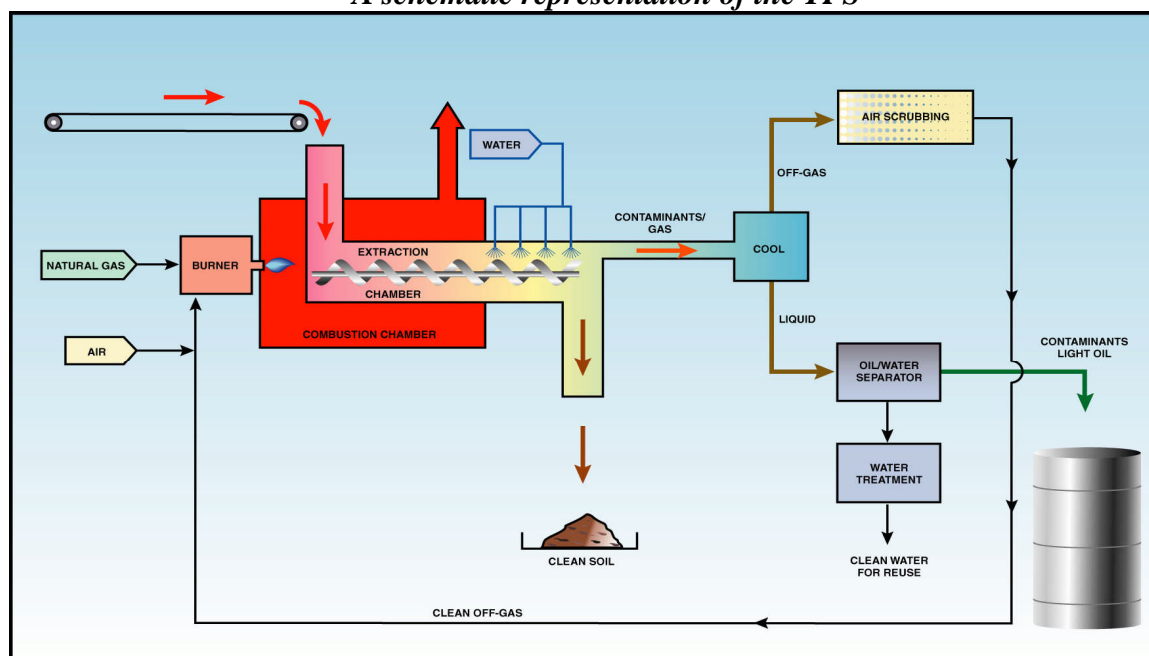
In 2002, PS2 licensed the technology from M-I Swaco, wherein PS2 received exclusive rights to use the technology in Canada and the U.S., for all types of hazardous waste decontamination treatment services, until 2012. In return, PS2 paid an initial licensing fee of \$61,460, and agreed to start paying a royalty of US\$10 per tonne of material processed, after the first 15,000 tonnes. PS2 also agreed to pay US\$0.10 million for each TPS unit installed subsequent to the first unit. Although the company has yet to reach its first 15,00 tonnes of production, PS2 started paying royalties in October 2008, after the license was renegotiated to extend the expiry date as below.

In 2008, M-I-Swaco agreed to extend the expiry date of the license to 2019, and in 2009, granted PS2 the exclusive rights to use the technology in China – a market with significant potential. **According to management, all the patents associated with the TPS technology are set to expire in 2019 - which implies the company will not have to renew its license when it expires.** The drawback of this is that potential competitors can easily adopt the TPS technology when the patents expire, leading to increased competition.

Thermal Phase Separation (TPS) technology: TPS technology is basically an indirectly heated thermal desorption (removal/separation) process, capable of separating hydrocarbons, with boiling points up to 500 °C, in two stages.

Stage 1: Desorption/Pyrolization - In this stage, contaminated feedstock is fed into an extraction chamber; which is indirectly heated by a heated combustion chamber using fuel. The heat in the combustion chamber is transferred to the extraction chamber, and then to the feedstock. The significant increase in temperature results in volatilization of organic hydrocarbons, to form gases.

A schematic representation of the TPS



Source: West Mountain Capital

Stage 2 involves condensation – In this stage, the formed gases in Stage 1 are first cooled (using water), and the resulting liquid stream is passed through a three-phase oil/water/solids separator where :

- a) the separated solids are re-hydrated, collected, analyzed, and released for land filling or for use as backfill material.
- b) if the separated hydrocarbon vapors are PCBs, the PCBs are treated at a non-incineration dechlorination facility; if the hydrocarbons are non-PCB, oil is recovered, and held for reuse/resale.
- c) recovered water, in most cases, is treated and returned to the system for reuse.
- d) non-condensable gases are recovered and reused by the TPS as fuel.

The main advantages of the TPS technology are that it reduces/eliminates environmental liability caused by contaminated waste, while recovering hydrocarbons for reuse/resale.

Traditional management of contaminated soil/industrial sludge, and other waste, involves incineration (directly burning the contaminated materials) or land filling (burying waste under the ground) techniques. The main benefits of the TPS technology compared to these techniques are:

- **TPS treatment produces significantly less greenhouse gas emissions compared to incineration** (as TPS does not involve direct combustion). Incineration, on the other hand, is widely criticized due to its emissions.
- TPS treatment of hydrocarbon-based industrial sludge and other wastes **enables the recovery of oil** that can be reused or sold
- Compared to land filling techniques, the TPS technology **results in an 85% decrease in waste volume**, reducing the need for landfill sites. Also, land filling is just a temporary solution as it does not destroy the contaminants.

Although the TPS technology has significant advantages over the traditional techniques used for waste management, the technology can compete in only those applications/regions where - a) it is cost-competitive compared to traditional methodologies, or b) government regulations (such as in Canada) require proper treatment of waste.

The technology is proven, and according to management, has already been applied to treat hundreds of thousands of tonnes of contaminated material worldwide, and recovered millions of litres of oil (note that, as mentioned earlier, M-I has been operating the technology in the oil and gas industry). The technology has been permitted/used in Australia, the U.S., Japan, U.A.E., Russia, Kazakhstan, Algeria, Bolivia, Ecuador, and Argentina.

Fixed Facility at Wolseley, Saskatchewan - Although the TPS technology was originally

developed as a mobile, onsite remedial technology, the company decided to deploy the technology at a fixed facility because of its cost advantages (economies of scale), and lesser environmental implications. **The company strategically chose Wolseley, Saskatchewan, so that it could target both eastern and western Canadian markets, and the U.S.** The Wolseley Facility became operational in late 2005, and was fully commissioned in early 2006.



Source: West Mountain Capital

One of the main advantages of this facility is that it is one of the most broadly permitted (because of a wide range of applications), and flexible, non-incineration facilities in Canada. The Wolseley Facility is also one of only three fixed facilities in the country permitted for the treatment of large volumes of PCB, and dioxin/furan impacted soil. The facility has an annual treatment capacity of up to 20,000 tonnes (which can be expanded to 60,000 tonnes per year, subject to regulatory approval, at a relatively low CAPEX of \$2 million).

As all the contaminated material has to be transported to the Wolseley facility (for treatment), transportation costs play a huge role in the viability of the company's business model. The company may establish their second facility in Ontario (the largest market in Canada) if and when demand exceeds the current plant capacity of 20,000 tonnes.

As mentioned earlier, the key advantages of the Wolseley facility are its flexibility and capability to service a wide range of applications. The following table shows a list of potential applications.

Facility Capabilities
Tank Sludge
Paint Sludge
Petrochemical Sludge
Refining Catalyst
Solvent Distillation Sludge
PCBs
Dioxin/Furan
PERC
PAH/Creosote
Waste Pharmaceuticals

The company is focused on the PCB, and the industrial sludge markets (tank sludge, paint sludge, petrochemical sludge, etc). PS2 is already one of the major players in the PCB market in Canada, and is trying to enter the industrial sludge market in Canada, and the PCB market in China. **Although the company operated in the pharmaceutical market for a brief period in 2007/2008, the company exited the sector due to unfavorable margins** (primarily due to higher transportation costs per processed tonne; pharmaceutical waste typically has much lower density than contaminated soil – implying increased number of truckloads to transport the same tonnage of material)

Company History

PS2 was formed as a private corporation in 2003 by Stephen Clarke, WMT's current VP Business Development. Over the next year, the company completed the necessary environmental assessment requirements, permitting, site evaluation, design, equipment engineering, facility planning, and financing to establish the Wolseley Facility. The Wolseley Facility was fully commissioned in early 2006. Paul Antle joined the company as President and CEO in 2005.

The company commenced commercial production (providing contaminated soil treatment services) at the Wolseley Facility in February 2006. However, the company soon decided to expand the capability of the Wolseley Facility to treat pharmaceutical waste, due to an unanticipated slowdown in the soil treatment market, and increased competition. In 2007, the company began offering pharmaceutical waste treatment services to drug manufacturers/distributors. Although the company generated revenues of \$0.42 million in 2007, and \$1.10 million in 2008 from this sector, the company decided to exit the sector due to lower than anticipated margins.

PS2 became public in 2007 through a reverse acquisition with a capital pool company, West Mountain Capital Corp. (shareholders of PS2 received West Mountain shares on a one for one basis at the deemed price of \$0.30). Prior to the transaction, PS2 had an outstanding debenture of \$3.95 million due to the Golden Opportunities Fund (GOF). GOF agreed to convert \$3.45 million of this amount into 11.50 million WMT shares. The remaining \$0.51 million was repaid by PS2 in cash.

The company did not generate any revenues from soil treatment in 2008. However, things turned around in late 2008, when the Federal Government came out with new regulations to

remove all stored PCB soil in federally registered storage facilities by the end of 2009 (later extended to 2011). These new regulations had a significant impact on the company's performance in 2009. WMT posted record revenues of \$5.88 million, and net profits of \$2.51 million, in 2009. Going forward, the company's key strategy is to at least maintain its market share in the PCB market in Canada, and enter two new markets, namely the PCB market in China, and the industrial sludge market in Canada.

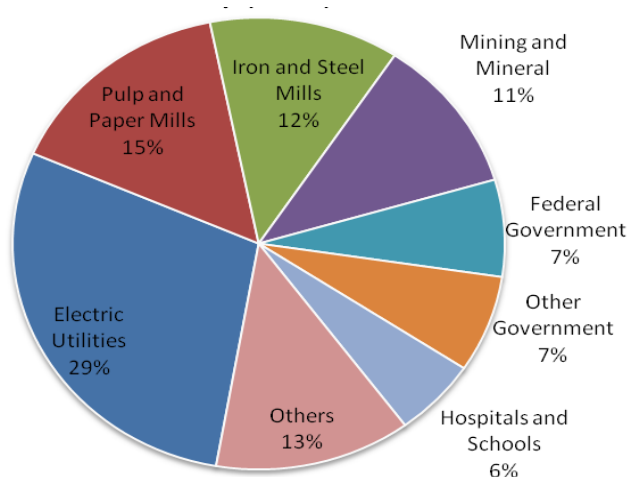
The following section presents our outlook on the company's key target markets.

PCB Contaminated Soil

Polychlorinated biphenyls (PCBs) were primarily used (since early 1900's) as insulating fluids and coolants in electrical equipment and machinery due to their chemical stability and fire resistance. However, **PCB production has been banned in North America since the 1970's due to its hazardous effects on humans and the environment.** PCB exposure to human is linked to an increase likelihood of cancer, diabetes, and heart diseases. Despite the ban on production, PCBs still persist in the environment due to its resistance to environmental degradation. According to the United Nation's 2001 Stockholm Convention on Persistent Organic Pollutants, PCBs were considered one of the twelve most persistent organic pollutants.

The following chart shows that electric utilities, pulp and paper mills, and iron and steel mills, were the primary users of PCBs, indicating that the sites of these operations are likely to have the highest PCB content.

Pure PCBs Inventories by Type of Ownership (2007)



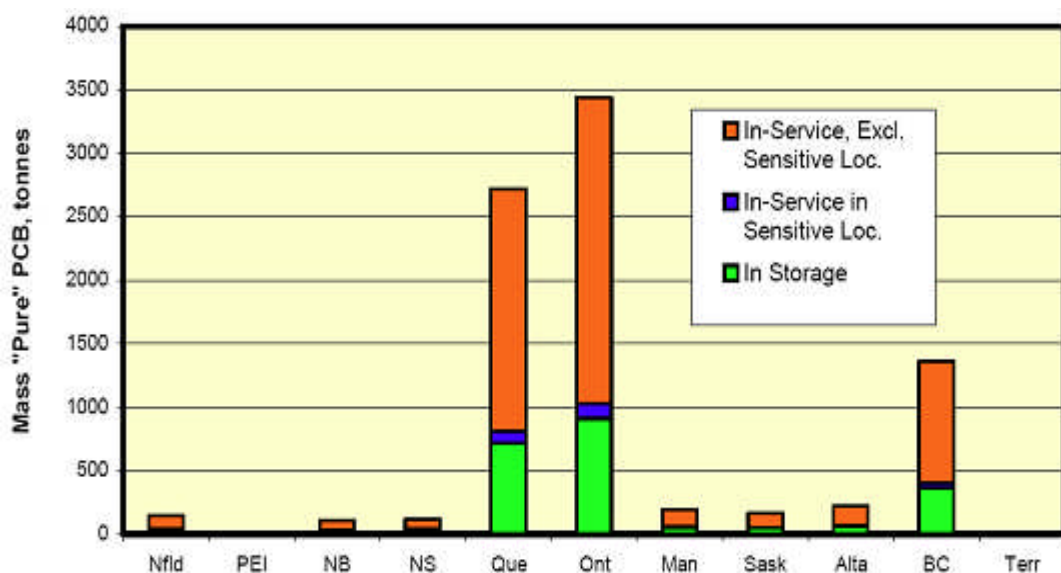
Source: Environment Canada

Initially, all the contaminated soil was stored on-site, as cost effective remediation techniques were nonexistent. Subsequently, incineration techniques, as they were developed, started being widely used. **We believe the growing importance of environmental protection, real-estate prices, and the need to recover value from brownfield sites, will result in an increase in demand for “green” technologies such as TPS.**

Although PS2 has rights to use the technology for the PCB market in the U.S., PCB contaminated soil from the U.S. is not allowed to be shipped to Canada, and therefore, the company's target market is limited to Canada when it comes to the PCB market. All other contaminated soil, however, can be imported to Canada for treatment. The company does not have any immediate plans to establish a fixed facility in the U.S. (primarily because it is a highly competitive market), but may sub-license the TPS technology to an American company to enter the U.S. market.

Competition: As PCB soil remediation is a declining market, because PCB production has been banned since the 1970's, very few firms operate in the market. PS2's Wolseley facility is one of only three plants in Canada with the environmental certification to service the PCB market. **PS2 and Bennett Environmental are the main players in Canada for soil.**

Bennett Environmental is a much bigger company with a capacity of 80,000 tonnes – four times that of PS2's 20,000 tonnes. Bennett uses an incineration based technology. **As both companies have a similar cost structure, the primary differentiator between the two lies in the locations of their facilities relative to project sites.** This is because, as we mentioned earlier, transportation costs play a significant role in the economics of such projects. PS2's facility is located in Saskatchewan, while Bennett's facility is located in Quebec. The following chart shows the distribution of "pure" PCB by province (as of 2004).



Source: Environment Canada

As shown in the chart, Ontario and Quebec are the top two provinces, with BC at a distant third. (Note that "pure" PCB tonnes do not represent the available PCB contaminated soil for treatment; this chart should be used just to understand the distribution of PCB contaminated soil by province.)

Although PS2 clearly has an advantage to Bennett in Western Canada, Bennett has an advantage in Quebec, and most of Ontario. This is the primary reason, we believe, that Bennett has been able to capture a much larger market share compared to PS2. This is also

the reason why PS2 is planning to establish their second facility in Ontario if and when demand exceeds their current plant capacity of 20,000 tonnes.

On a positive note, WMT has significant cost benefits over Bennett due to its much smaller operations. **We estimate that Bennett requires much larger annual volumes (12,000 – 15,000 tonnes) as opposed to WMT’s 4,000 tonnes to break-even (due to higher fixed-costs).** This could turn out to be beneficial for WMT as the industry is not expecting a lot of major PCB projects (20,000+ tonnes) going forward, indicating that Bennett will need several small projects to generate adequate profits.

Positive development in 2008: The PCB soil treatment industry in Canada experienced a significant boost in late 2008, when the Federal Government came out with new regulations to remove all stored PCB soil in federally registered storage facilities by the end of 2009 (later extended to 2011). **The result of this was that both Bennett and PS2 landed eight significant contracts since the announcement.**

In March 2008, the Ontario government announced its plans to allocate \$56 million to remove and destroy contaminated soil buried at the Pottersburg facility (in London, Ontario), which was used to store 78,000 tonnes of contaminated soil. The project was contracted to Quantum Murray LP (QMLP), an industrial services company. QMLP subcontracted the deconstruction of PCB soil to Bennett. We believe QMLP preferred Bennett because of Bennett’s larger capacity, and lower transportation costs (the distance from London, Ontario to Bennett’s facility was about 30% shorter than the distance to PS2’s Wolseley facility). **The encouraging aspect for PS2 from this was that Bennett signed a standby capacity agreement with PS2, wherein PS2 agreed to hold 4,400-8,580 tonnes of capacity for Bennett to process materials from the Pottersburg project.** PS2 booked \$1.15 million in revenues in 2009 from Bennett, in return for the option to use PS2’s facilities. Bennett, however, was able to complete the project without utilizing PS2’s facilities – implying PS2 effectively received the \$1.15 million at zero cost.

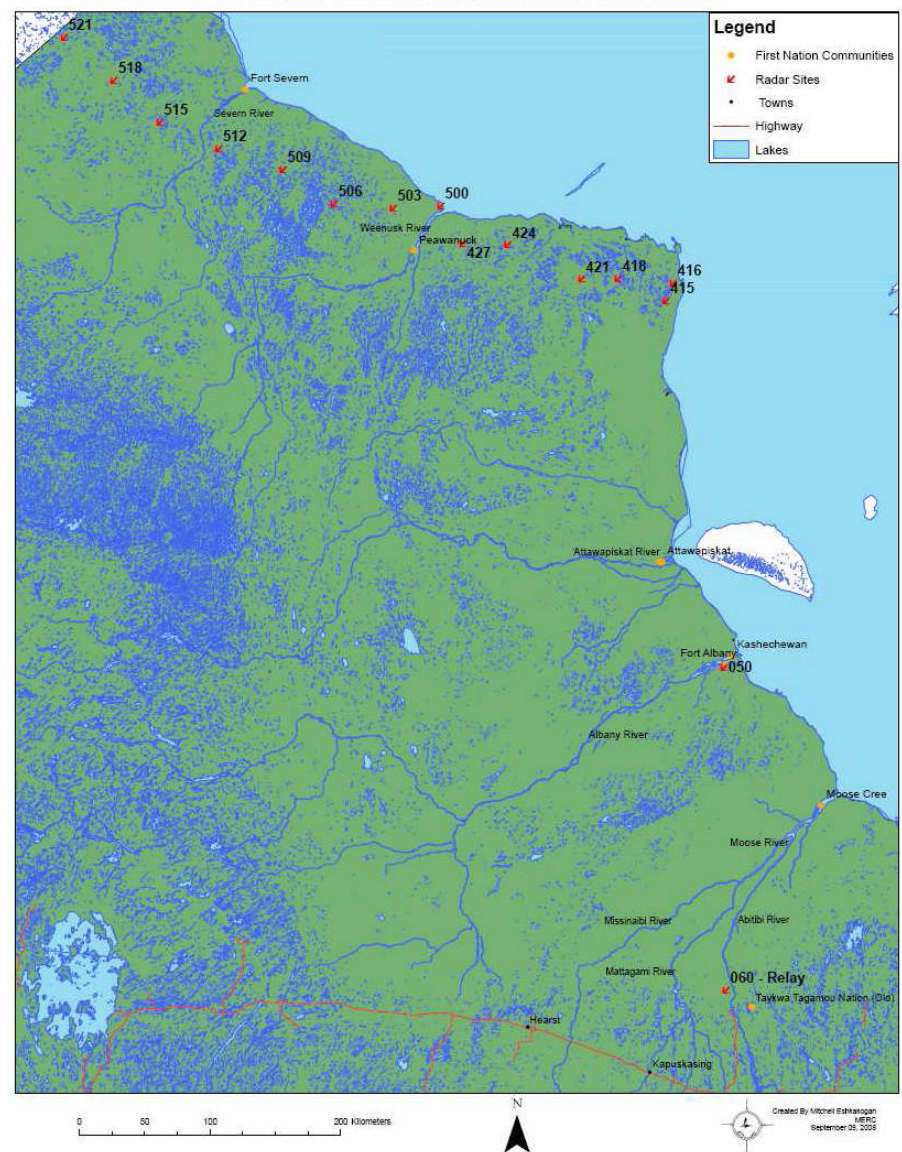
PS2 was also able to obtain couple of major projects in the past 12 months:

- **In early 2009, PS2 was contracted to remove/treat 6,300 tonnes** of PCB contaminated soil/debris stored in a storage facility located in Western Canada for expected revenues of \$6.9 million (or \$1,095/tonne) – the company’s biggest contract to date. PS2 expects to complete the project by April/May 2010.
- **In January 2010, PS2 announced that it was contracted to transport/treat approximately 1,500 tonnes** of PCB contaminated soil for expected revenues of \$0.90 million (or \$600/tonne). The project is scheduled to commence in the spring of 2010.

Market size: As previously mentioned, PCB soil remediation in North America is a declining market. **Our research indicates that the currently “known” amount of PCB contaminated soil in Canada is about 200,000 tonnes (which is approximately two years of production at PS2 and Bennett’s facilities combined, at full capacity).** In addition to this, we believe, there are several additional sites (listed below), potentially containing “unknown” PCB contaminated soil, which PS2 can target.

- In 2009, the Ontario provincial government signed an agreement with the Ministry of Natural Resources and Department of National Defense to cleanup 16 sites (shown in the following image) in Northern Ontario over the next six years, for an estimated \$87 - \$103 million.

Location of radar sites in Northern Ontario related to PCB contaminated soil



Source: Ministry of Natural Resources

- **The Toronto 2015 Pan American Games**, which will involve a number of new construction and urban renewal plans, will require **redevelopment of several brownfields in the region**. This, we believe, could boost demand for soil remediation, and the TPS technology.
- According to Environment Canada, **PCB inventories are owned by about 20 provincial and municipal utilities, 11 pulp and paper mills, and nine Iron and Steel facilities**. We believe that these sites are potential targets for PS2 going forward.

Chinese PCB Market - PCB production has been banned in China since the 1980s. **It is estimated that about 100,000 sq. km. of China's cultivated land are currently polluted. These polluted lands are mostly in economically developed areas and account for 1/10th of China's cultivatable land.** According to China's Ministry of Environmental Protection, continued industrialization in the country will pose a great threat to the environment and agriculture. It is estimated that about 12 million tonnes of grains are contaminated by heavy metals every year, leading to an annual loss of US\$3 billion (source: Xinhua). **As China has only 7% of the world's farmable land, but has 22% of the world population, it is essential that its farmlands are preserved.**

The Chinese government has budgeted US\$1.5 billion to complete a geological survey to gather soil pollution data, and a plan to address any identified challenges. This, we believe, clearly demonstrates the importance the Chinese government places on this issue.

PS2 is currently in negotiations with a potential Chinese partner to pursue the PCB market in China. **Although still in very early stages, we believe, the Chinese PCB market offers the biggest upside potential for the company in the long-term.**

Industrial Sludge

PS2's target in this sector will be any hazardous hydrocarbon-based material that has greater than 50% hydrocarbons. Conventional methods of sludge disposal are landfill and incineration. As mentioned earlier, these techniques are not as efficient as TPS technology with regards to minimizing environmental damage. On a cost basis though, landfill and incineration are much more competitive than PS2's TPS technology. **However, recent regulatory changes in the province of Ontario, we believe, should create demand for the TPS technology in Ontario, as the costs associated with incineration/land filling techniques could potentially increase, and be comparable to TPS technology.**

In September 2008, the Ontario government made changes to its Land Disposal Restrictions (LDR). The purpose of the LDR program is to prohibit the land disposal of untreated hazardous waste, and for waste to meet specific treatment standards. Waste that is land disposed is now subject to land disposal treatment requirements specified as either concentration-based numerical levels or as specified treatment methods. Concentration-based numerical levels imply that waste must be combined with additional material to dilute the hazardous material below a particular concentration level.

We believe that these changes will increase the cost for land filling due to the cost associated with the additional material required to reduce the concentration of hazardous materials, and related increase in transportation costs (due to an increase in weight). **As the TPS technology can directly treat the waste without the above requirements, management believes the TPS treatment technology will become cost competitive with landfill and incineration.**

Paint Sludge - Paint sludge is one of the industrial sludges the company has currently identified as a target. The following chart demonstrates an increasing focus by the government on reducing and recycling paint waste which, we believe, should benefit PS2.

Five-Year Collection Targets for Paint & Coatings Contents					
Target	2008	2009	2010	2011	2012
Collecting target (tonnes)	8,296	10,573	13,079	15,681	18,381

Source: Canadian Paint and Coatings Association

Management believes this market should represent about 7% to 10% of its industrial sludge market. Sludge from refineries, and paper and pulp mills, are also considered as future potential target markets.

Management

The company has a strong management team with extensive experience in the industry. Brief biographies of the management team and board of directors, as provided by the company, follow:

Paul Antle, B.Sc., M.Eng., CCEP: President and CEO - Mr. Antle is a native of St. John's, NL and possesses a Bachelor of Science Degree (Chemistry) from Memorial University and a Master of Engineering Degree (Chemical Engineering) from the University of New Brunswick. In 2007 he graduated from Harvard Business School (co-valedictorian) after completing the OPM Executive Education Program.

Prior to PS2, he spent over 20 years in the environmental industry where he started, operated, grew and sold numerous businesses. From 1997 to 2002 Mr. Antle was a member of the Prime Minister's National Round Table on the Environment and Economy. Mr. Antle was inducted into the Academy of Entrepreneurs in September 1995, was a Finalist for Atlantic Canada's Entrepreneur of the Year Award in 1995, received a World Young Business Achiever Award in 1997, was recognized for his contribution to the Newfoundland Environmental Industry in 2002, in August 2002 was part of Canada's Official Delegation to the United Nations World Summit on Sustainable Development held in Johannesburg, South Africa, and in May 2003 was named one of Canada's Top 40 Under 40TM.

Stephen Clarke, BA. CEA, CCEP: VP Business Development - Mr. Clarke has been involved in the hazardous waste, biomedical waste, oilfield solids control and thermal remediation sectors of the environmental industry since 1995 both in the public and private sectors. While employed with the Newfoundland and Labrador Department of the Environment he served as Secretary to the Provincial Round Table on the Environment and the Economy acting as liaison with its National counterpart and with the Irish-Newfoundland Business Development Partnership. He has been integral in the international success of the Canadian designed mobile thermal remediation system, TPS, having worked as Director of International Marketing for the technology with its developer SCC Environmental Group and with the Global Support Division of an oilfield service industry leader. As founder and Vice President of Phase Separation Solutions, Mr. Clarke has been central to the creation, implementation and growth of one of Canada's premier integrated thermal treatment facilities.

Paul Coombs, C.M.A., C.G.A., M.B.A.: Chief Financial Officer - Mr. Coombs has over 15 years experience in the financial management of both public and private companies. He

has worked with Fisheries Products International and Northern Light Fisheries overseeing their global financial, administrative and supply chain management systems. Additionally, Mr. Coombs has a number of years experience in the mining industry, having worked in various financial management capacities with Xstrata, Falconbridge, Noranda and Aurora Energy.

Board of Directors

Sid Dutchak: Chairman of the Board and Director - Mr. Dutchak was most recently the President of Cordy, holding the same position with QCC Technologies Inc, its forerunner, since April 2002. Prior to that Mr. Dutchak was a director of QCC Technologies Inc. Mr. Dutchak has served on several public company boards, and within the past five years served on the boards of How To Web TV Inc., Ergo Ventures Inc. and Maple Leaf Reforestation Inc, all of which are listed on the Exchange. Mr. Dutchak is originally from Saskatchewan and served as the province's Minister of Justice. He previously practiced law and since moving to Calgary in 1992, has served various public companies as a director, officer and senior manager.

Grant Kook: Director - Mr. Kook is a Saskatchewan based fund manager. He is the President and CEO of Cheung On Investments Group Ltd., owner and manager of a number of international investor syndicated funds. He is Chairman, President and CEO of the Ramada Hotels in Regina and Saskatoon, both of which are wholly owned properties of the above noted funds. Mr. Kook is also the founder, Chairman, and Fund Manager of Golden Opportunities Fund, a Labour Sponsored Venture Capital Corporation.

Dr. John Wiebe: Director - Dr. Wiebe is currently President and CEO of the Globe Foundation of Canada, an organization that engages Canadian industries, government agencies and financial institutions in environmental and energy business opportunities and projects around the world.

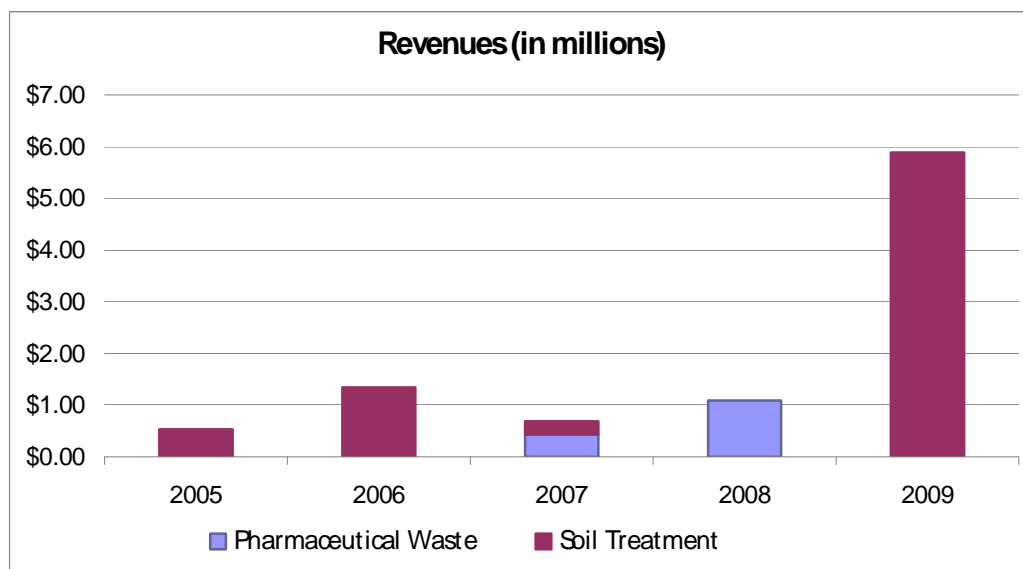
Steven Thompson: Director - Mr. Thompson acted as the VP of Banyon Engineering, an oilfield engineering firm, for 10 years prior to becoming the current President of Triumph EPCM Ltd. of Calgary.

Anthony Vysniauskas: Director - Mr. Vysniauskas, now an independent businessman was co-founder of Calgary based process simulation and engineering software leader, Hyprotech. He acted as Vice President from 1982 through 1992 then serving as President and CEO through 1997 when the company was acquired by AEA. Following the acquisition he served for 3 years as the new amalgamated company Executive VP.

Brian Kohlhammer: Director - Mr. Kohlhammer has a B.Comm Accounting major from the University of Saskatchewan and received his designation as a Chartered Accountant in February 1990 while articling at KMPG LLP (formerly Peat Marwick Mitchell & Co.) in Calgary, Alberta. Mr. Kohlhammer has over 20 years experience in financial and management analysis and reporting, budgets, corporate planning and treasury.

Financials

The following chart shows the company's revenues since 2005 (when the company started generating revenues).



As shown in the chart, 2009 was the best year so far when the company posted record revenues of \$5.88 million. The company's previous best was \$1.33 million in 2006. About \$4.73 million of its revenues in 2009 came from the production associated with the 6,300 tonne contract it signed in early 2009, and the remaining \$1.15 million came from Bennett (for the standby treatment capacity agreement). Gross margins (excluding revenues from the standby capacity agreement) in 2009, were 58%. We believe, these are representative of long-term margins in the soil treatment market.

The company currently has an inventory backlog that should provide six months of continuous operations in 2010. We expect the company to post solid revenues/EPS in the next two years as the company is very likely to get additional contracts for soil treatment (note the deadline for the removal of all stored PCB soil is 2011). **Our revenue forecasts for 2010, and 2011, are \$4.90 million (production estimate - 5,500 tonnes), and \$7.23 million (production estimate - 10,300 tonnes), respectively.** Our 2010 estimate also includes the remaining payment from Bennett (under the standby agreement) in Q1-2010.

2009 also was the first year of profitability as the company recorded net profits of \$2.51 million (EPS: \$0.07). Strong revenues and margins were the primary reasons why the company was able to record high net profits in 2009. The following table shows that WMT and Bennett's margins in 2009, were significantly higher than the industry average.

	West Mountain Capital Corp.	Bennett Environmental Inc.	Environmental and Facilities Services Industry
EBITDA Margins %	37%	48%	14%
EBIT Margins %	28%	41%	7%
Net Margins %	29%	55%	3%

**WMT's margins were calculated excluding revenues from Bennett.*

Source: Capital IQ and FRC

Our EPS forecast for 2010, and 2011, are net profits of \$1.80 million (EPS: \$0.05), and \$2.02 million (EPS: \$0.05), respectively.

The following table shows a summary of cash flows since 2005. As EBITDA minus interest payments were negative every year except 2009, the company reported negative cash flows from operations from 2005, to 2008. We expect positive operating cash flows in 2010, and 2011, as the company continues to remain profitable. Our forecasts for 2010, and 2011 (as shown in the table) are \$1.98 million (\$0.05 per share), and \$2.56 million (\$0.07 per share), respectively.

Summary of Cash Flows	2005	2006	2007	2008	2009	2010E	2011E
Cash Flows from Operations	(40,510)	(267,478)	(378,605)	(1,198,413)	2,755,715	1,978,565	2,557,468
Cash Flows from Investing	(3,264,943)	(381,451)	155,598	150,443	(89,868)	(161,318)	(197,631)
Cash Flows from Financing	3,320,942	592,135	1,511,506	578,517	(194,837)	-	-

At the end of FY2009, the company had \$3.26 million in cash. Working capital was \$2.51 million, or \$0.07 per share.

Liquidity Analysis	2005	2006	2007	2008	2009
Working Capital	-\$455,083	-\$314,693	\$887,735	\$229,509	\$2,505,997
Current Ratio	0.47	0.47	2.83	1.22	2.74
Debt / Capital	112.8%	113.0%	0.1%	26.5%	11.3%
Interest Coverage Ratio	(1.1)	(0.4)	(2.2)	(26.8)	12.5

The company had a low debt to capital of 11.3% in 2009. Although higher than Bennett's 1.3%, it is significantly lower than the industry average of 53.6% (as shown in the following table). The following table also shows the strong profitability ratios (ROA, ROE, and ROIC) of WMT and Bennett, in 2009, compared to the industry average.

	West Mountain Capital Corp.	Bennett Environmental Inc.	Environmental and Facilities Services Industry
Debt/ Capital	11.3%	1.3%	53.6%
ROA %	36%	20%	4%
ROE %	48%	75%	6%
ROIC %	42%	35%	6%

Stock Options and Warrants – At the end of December 2009, the company had 1.85 million stock options outstanding with a weighted average exercise price of \$0.26 per share, and a weighted average time to maturity of 1.9 years. The company has no outstanding warrants.

Valuation

Our Discounted Cash Flow (DCF) valuation on the company was based on potential revenues from two sectors – a) PCB soil remediation in Canada, and b) the Industrial sludge treatment market in Canada (primarily in Ontario - the market, we believe, the company is

most likely to gain traction in because of the new regulations mentioned earlier in this report). For conservatism, we have not accounted for the upside potential from the PCB market in China, and the other soil treatment markets (outside PCB) in the U.S. and Canada.

Primary assumptions:

- **PCB soil remediation market in Canada**
 - **Market size** - As mentioned earlier, we believe that Canada currently has known PCB contaminated soil of about 200,000 tonnes; which, we believe, is likely to be treated in the next two-three years (due to the new regulations). We estimate unknown PCB contaminated soil quantities could be at least the same as known quantities. This is because, we believe, a significant portion (at least 50%) of PCB quantities are still unreported (due to the additional costs associated with adhering to strict storage requirements set by the government).
 - **Market share** – Considering that Bennett and WMT are the two major players in the PCB soil treatment industry, and the fact that Bennett’s capacity is 4:1 WMT’s capacity, we assumed WMT would be able to attain a 20% market share (implying, Bennett will receive 4 tonnes, and WMT will receive one tonne, for every 5 tonnes of soil available for treatment).
 - **Revenues** - \$700/tonne
- **Industrial sludge market** – Management estimates that the Ontario market represents up to 120,000 tonnes p.a. of sludge. Our models are based on the assumption that the company will attain market share of 10% within the next seven years. Our revenue forecasts were based on \$400 per tonne, which includes revenues from treatment, and sales of recovered hydrocarbons.

Based on the above assumptions, our base-case scenario gave a fair value estimate of \$0.66 per share.

DCF Valuation					
(C\$)	2010E	2011E	2012E	2013E	2014E
FFO	2,348,708	2,564,967	3,746,662	4,695,638	2,388,042
Change in WC	(370,143)	(7,499)	(85,830)	(69,128)	149,512
CFO	1,978,565	2,557,468	3,660,831	4,626,509	2,537,554
CAPEX	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)
Free Cash Flow	1,878,565	2,457,468	3,560,831	4,526,509	2,437,554
PV	1,677,290	1,959,078	2,534,529	2,876,679	1,383,133
	2015E	2016E	2017E	2018E	Terminal
FFO	2,628,493	2,977,900	3,477,727	3,525,165	1,570,072
Change in WC	(19,465)	(26,856)	(37,054)	(6,732)	150,007
CFO	2,609,028	2,951,044	3,440,673	3,518,433	1,720,079
CAPEX	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)
Free Cash Flow	2,509,028	2,851,044	3,340,673	3,418,433	1,620,079
PV	1,271,152	1,289,667	1,349,242	1,232,721	6,491,297
Discount Rate	12%				
Terminal Growth	3%				
Firm PV	\$22,064,789				
Cash	\$3,255,003				
Debt	\$310,733				
PV Equity	\$25,009,059				
Shares O/S (dil)	37,984,106				
DCF Value/Share	\$0.66				

The following table shows the sensitivity of our valuation to changes in our market share assumptions.

		Sludge Market - Market Share Assumptions				
		0.0%	5.0%	7.5%	10.0%	12.5%
Soil Treatment Market - Market Share Assumptions	10%	\$0.22	\$0.34	\$0.41	\$0.47	\$0.53
	15%	\$0.31	\$0.44	\$0.50	\$0.56	\$0.63
	20%	\$0.40	\$0.53	\$0.59	\$0.66	\$0.72
	25%	\$0.50	\$0.62	\$0.69	\$0.75	\$0.82
	30%	\$0.59	\$0.72	\$0.78	\$0.85	\$0.91

The following table shows that both WMT and Bennett are trading above the industry average based on Enterprise Value (EV) to Revenues, but well below the average based on EV/EBITDA and EV/Net Profit.

	West Mountain Capital Corp.	Bennett Environmental Inc.	Environmental and Facilities Services Industry	Average	WMT's FV
TEV/Revenues	2.19	2.28	1.40	1.84	\$0.32
TEV/EBITDA	4.84	4.75	9.20	6.97	\$0.49
TEV/Net Profits	5.96	4.17	44.57	24.37	\$1.24
Average					\$0.68

**WMT's metrics were calculated based on our 2010 estimates.*

We used the average of Bennett and the Environmental and Facilities Services industry's valuation metrics, to estimate the fair value of WMT. We included Bennett in this analysis because its business model, and target markets, are very similar to that of WMT, and as Bennett's market valuation likely reflects the long-term outlook on its business model/target markets.

Based on the average valuation metrics, we arrived at an average fair value of \$0.68 per share on WMT (compared to our DCF valuation of \$0.66 per share).

Rating

Based on our review of the company, and our valuation models, we initiate coverage on WMT with a BUY rating, and a fair value estimate of \$0.70 per share.

Risks

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

- Although we expect the Canadian PCB soil treatment market to provide near-term momentum, it is a declining market as PCB production has been banned since the 1970's.
- The number and size of contracts obtained each year vary and depend on the amount of funding budgeted by customers for remedial projects.
- Revenues for the PCB soil remediation industry in Canada have been highly volatile in the past.
- The company has yet to break into the Chinese PCB market and the industrial sludge market in Canada.
- Regulations encouraging environmental protection/cleanup are key for the company's long-term growth.

We rate the shares Risk 4 (Highly Speculative).

STATEMENTS OF OPERATIONS

(in C\$)	2007	2008	2009	2010E	2011E
Sales	255,633	-	5,884,361	4,900,000	7,233,333
COGS	257,473	103,323	2,009,746	1,760,000	2,893,333
Gross Profit	(1,840)	(103,323)	3,874,615	3,140,000	4,340,000
Expenses					
G&A	415,567	608,493	886,620	822,312	904,543
Stock-based compensation	19,488	91,555	71,244	98,000	144,667
EBITDA	(436,895)	(803,371)	2,916,751	2,219,688	3,290,790
Amortization	335,609	393,091	420,941	407,448	361,331
EBIT	(772,504)	(1,196,462)	2,495,810	1,812,240	2,929,459
Interest & Bank Charges	31,783	17,682	9,745	8,980	3,417
Earnings from operations, before undernoted	(804,287)	(1,214,144)	2,486,065	1,803,259	2,926,042
Interest income	5,661	21,386	-		
Interest on long-term debt	(368,161)	(44,484)	(106,948)		
EBT	(1,166,787)	(1,237,242)	2,379,117	1,803,259	2,926,042
Discontinued operations, net of income taxes	(345,983)	(193,516)	129,030		
Taxes					907,073
Net Earnings for the period	(1,512,770)	(1,430,758)	2,508,147	1,803,259	2,018,969

BALANCE SHEETS

(in C\$)	2007	2008	2009	2010E	2011E
Assets					
Cash and cash equivalents	1,253,446	783,993	3,255,003	5,072,250	7,432,087
Accounts receivable	117,725	155,344	681,075	696,499	1,028,166
Income tax receivable	-	177,861	-	-	-
Assets related to discontinued operations	-	141,988	-	-	-
Prepaid Expenses and deposits	2,750	12,094	9,144	8,843	13,053
Current Assets	1,373,921	1,271,280	3,945,222	5,777,592	8,473,306
Restricted Cash	145,301	167,383	217,394	217,394	217,394
Capital Assets	2,970,732	2,982,937	2,716,322	2,408,874	2,147,543
Other assets	51,216	46,096	41,904	41,904	41,904
Total Assets	4,541,170	4,467,696	6,920,842	8,445,763	10,880,146
Liabilities & Shareholders' Equity					
Bank loan	-	107,000	-	-	-
Accounts Payables & Accrued Liabilities	296,207	299,658	864,972	509,952	838,331
Deferred Revenue	184,409	393,798	-	-	-
Convertible debentures	-	-	474,203	-	-
Liabilities related to discontinued operations	-	184,903	38,732	38,732	38,732
Current Portion of Obligations Under Capital Lease	5,570	56,412	61,318	97,631	-
Current Liabilities	486,186	1,041,771	1,439,225	646,315	877,063
Obligations under capital lease	-	158,652	97,631	-	-
Convertible debentures	-	464,274	-	-	-
Shareholders' loans	-	-	-	-	-
Long-term debt	-	-	-	-	-
Asset retirement obligation	93,431	102,775	113,052	153,052	193,052
Shareholder's Equity					
Share Capital	6,915,817	6,935,817	6,935,817	7,459,213	7,459,213
Contributed surplus	90,141	181,696	252,940	350,940	495,607
Equity component of convertible debentures	-	57,874	49,193	-	-
Deficit	(3,044,405)	(4,475,163)	(1,967,016)	(163,757)	1,855,212
Total Liabilities & Shareholders' Equity	4,541,170	4,467,696	6,920,842	8,445,763	10,880,146

STATEMENTS OF CASH FLOWS

(in C\$)

	2008	2009	2010E	2011E
Operating Activities				
Net earnings for the period	(1,430,758)	2,508,147	1,803,259	2,018,969
Discontinued operations, net of income taxes	193,516	(129,030)		
Items not involving cash				
Asset retirement obligation	18,992	48,868	40,000	40,000
Amortization	390,017	410,664	407,448	361,331
Gain on settlements of debentures	-	(5,621)		
Stock-based compensation	91,555	71,244	98,000	144,667
	(736,678)	2,904,272	2,348,708	2,564,967
Changes in non-cash operating working capital	168,894	(173,404)	(370,143)	(7,499)
Cash provided by (used in) operating activities- discontinued operations	(630,629)	24,847		
Cash from (used in) operations	(1,198,413)	2,755,715	1,978,565	2,557,468
Financing activities				
Cash aquired on reverse takeover	-	-		
Repayment of long-term debt	-	-		
Proceeds from bank loan	107,000	-		
Repayment of bank loan	-	(107,000)		
Payment of capital lease obligations	(48,483)	(56,115)		
Proceeds (repayment) of debentures - net	500,000	(31,722)	-	-
Proceeds from issuance of common share and excersice of stock options	20,000	-		
Cash provided by (used in) financing activities	578,517	(194,837)	-	-
Investing activities				
Increase in restricted cash	(22,082)	(50,011)		
Purchase of capital assets	(322,076)	(139,857)	(61,318)	(97,631)
Capital Expenditures			(100,000)	(100,000)
Cash provided by investing activities- discontinued operations	494,601	100,000		
Cash provided by (used in) investing activities	150,443	(89,868)	(161,318)	(197,631)
Increase (decrease) in cash	(469,453)	2,471,010	1,817,247	2,359,837
Cash beginning of period	1,253,446	783,993	3,255,003	5,072,250
Cash end of period	783,993	3,255,003	5,072,250	7,432,087

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.

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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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