

Raytec Metals Corp. (TSX-V: RAY) – Shares trading below working capital

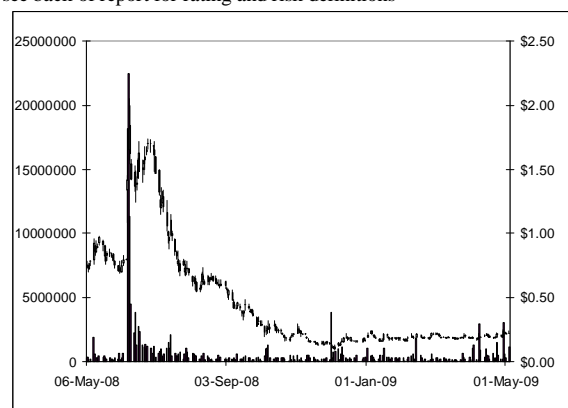
Sector/Industry: Junior Mining

www.raytecmetals.com

Market Data (as of May 5, 2009)

Current Price	C\$0.225
Fair Value	C\$1.14 (↓)
Rating*	BUY
Risk*	5 (Highly Spec)
52 Week Range	C\$0.09 – C\$2.05
Shares O/S	74.04 mm
Market Cap	C\$14.66 mm
Current Yield	N/A
P/E	N/A
P/B	0.50
YoY Return	-69.6%
YoY TSXV	-58.8%

*see back of report for rating and risk definitions



Investment Highlights

- In July 2008, the company closed a \$25 million brokered private placement.
- **Potash:** Raytec's potash claims are located near BHP Billiton's (NYSE:BHP) potash claims in Saskatchewan. Permits to explore just over 180,000 acres of these claims have been granted by the Saskatchewan Ministry of Energy and Resources.
- **Iron Ore:** 11 diamond drill holes, all of which intersected magnetite iron formation, have been completed on the El Sol property.
- **Uranium:** Triex Minerals Corporation (TSXV: TXM) completed 8 holes on two of the company's joint venture uranium properties. Triex has elected to extend the option to spend a total of \$3.6 million.
- We maintain our BUY rating on the company with a lower fair value estimate of \$1.14 per share compared to \$1.87 per share in our previous report.
- **We estimate the company's current working capital is at least \$20 million, or \$0.27 per share. Currently, the shares are trading below working capital.**

Key Financial Data (FYE Oct 31)

(C \$)	2007	2008	Q1-2009
Cash & Marketable Securities	52,561	24,990,136	23,374,950
Working Capital	(904,875)	24,866,918	23,539,264
Mineral Assets	110,072	7,020,260	8,238,491
Total Assets	555,760	33,842,739	33,463,966
Net Income (Loss)	(1,510,926)	(3,731,598)	(351,826)
EPS	(0.08)	(0.09)	(0.00)

Raytec is focused on acquiring projects with historic exploration and good accessibility and infrastructure. The primary focus at this time are the company's advanced potash claims in south central Saskatchewan. They are also exploring the El Sol Iron Ore property in Ontario. The company's uranium claims in the Athabasca Basin have been joint ventured to give them carried interest.

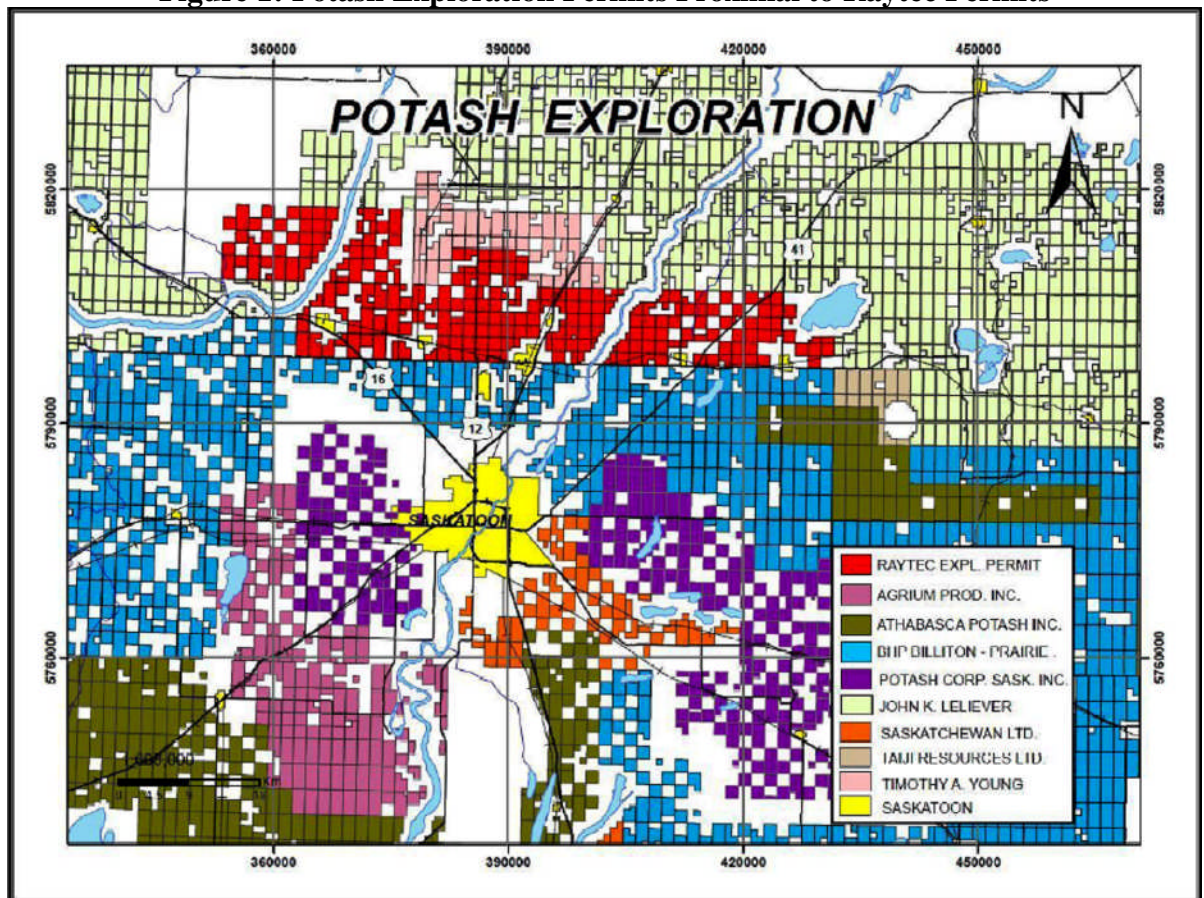
Saskatchewan Potash Claims

Raytec holds 180,000 acres of prospective ground for potash in two locations in Saskatchewan, the Spar Property located just north of Saskatoon, and claim KP452 located approximately 380 km southeast of Spar.

Spar Property

The Spar Property overlies Middle Devonian Prairie Evaporite which is being explored nearby for potash by BHP Billiton (NYSE: BHP). Since our initiating report on Raytec, Exploration Permits KP441, KP455, KP466, KP467 and KP468 have been granted allowing the company to explore approximately 145,000 acres of contiguous ground. Figure 1 below shows the area is being extensively explored for potash.

Figure 1: Potash Exploration Permits Proximal to Raytec Permits



Source: Raytec Metals Corp.

The Spar Property has an NI 43-101 resource estimate totaling indicated resources of 148.02 million metric tonnes (“MMT”) grading 23.44% K₂O and an additional inferred resource of 162.97 MMT grading 20.40% K₂O. These figures calculate to a total in-place indicated resource of 34.70 MMT of K₂O and additional in-place inferred resource of 33.98 MMT of K₂O. Based on an overall recovery of 36%, the net recoverable indicated resource is 12.49 MMT of K₂O and the net recoverable inferred resource is 12.24 MMT of K₂O.

Current Status: The company engaged the services of Kinetix Inc. to conduct 2-D seismic work on the Spar Property in late 2008, and results are pending.

Ownership: Updating the ownership payments regarding the KP441 property, the company has paid to the vendor: \$1 million of the \$2 million cash owed and issued a total of 4.85 million shares. The remaining cash payment must be made before September 19, 2009. The permits have been transferred to, and are in the name of the company.

KP452

The KP452 claim block is also located within the Middle Devonian Prairie Evaporite formation. In July 2008, the Saskatchewan Ministry of Energy and Resources granted the company an exploration permit covering approximately 36,113 acres.

Iron Ore – El Sol

In our initiating report we discussed the company's plans to drill the El Sol project and complete geophysics on the Gunflint and Brulé project in 2008. Based on discussion with management, after initial reconnaissance exploration, the company has relinquished its right to the Gunflint and Brulé properties. The company has written off the two properties on its balance sheet.

In the latter months of 2008, the company completed Phase I exploration on the El Sol property consisting of ground magnetic surveying and diamond drilling.

The magnetic survey program identified two linear trends of magnetite iron formation, the A Zone and the B Zone. The A Zone measures approximately 4 km in length while the B Zone, which lies around 600 m to the southwest measures approximately 2 km in length. The subsequent 11 hole, 2,301 m drill program tested 3 km strike length of the A Zone. All 11 drill holes intersected steeply dipping magnetite iron formation over thicknesses ranging from 50 to 133 m (approximate true widths of 35 to 68 m); full assay results are still pending.

Current Status: The company engaged the services of Watts, Griffis and McOuat Limited (“WGM”) of Toronto, Ontario to provide consulting advice for the Phase I program and have retained their services to complete an updated NI 43-101 technical report. A timeline for the report has not yet been established.

Uranium

As announced on October 29, 2008, the company's joint venture partner, Triex Minerals Corporation, has completed Phase I drilling on the Riverlake and Highrock properties. Eight diamond drill holes were completed totaling 2,039 m; six holes totaling 1,589 m on Riverlake and two holes totaling 450 m on Highrock.

At Riverlake, anomalous and continuous radioactivity was identified over widths of 28 to 65 m starting at a down hole intersection depth of 67 m.

Triex is collecting all geochemical data from core and soil samples which will be applied to planning a future drill program. At this time, Triex has already earned a 51% interest and

plans to increase its ownership to 70% by incurring an additional \$2.4 million in staged exploration expenditures on or before November 24, 2011.

Sales of the C and D Block: In April 2009, the company entered into an agreement to sell 100% interest in its C and D Block uranium properties (comprising 10 claims) to Solitaire Minerals Corp. (TSXV: SLT). Under the agreement, Solitaire will issue 0.50 million shares upon closing of the transaction, with an issuance of an additional 0.50 million shares to Raytec on or before 6 months from the date of closing.

***Increased
Investment in
Sulphur
Solutions Inc.***

In April 2009, Raytec increased its interests in Sulphur Solutions Inc. (SSI), from 15% to 20%, by making an additional investment of \$0.74 million. SSI is a private fertilizer company based in Calgary, Alberta, developing patented technology for the production of micronized sulphur fertilizer. SSI has moved closer to production by signing a Letter of Intent with a mid-stream gas producer which operates a permitted site that includes an accessible sulphur supply. Upon completion of the agreement, SSI will be able to utilize existing permits for sulphur storage and handling, as well as reduced operating costs associated with transportation to off-site processing facilities. SSI is also in negotiation with prospective customers for the anticipated sulphur fertilizer production. We believe SSI currently does not have revenues, and we have valued the investment purely based on book value. However, we think it will add upside potential to Raytec, once SSI is in production and starts generating revenues.

***Shareholder
Rights Plan***

A shareholder rights plan has been adopted by the company in order to protect shareholders in connection with any take-over offer. According to the company, the plan provides the Board of Directors and shareholders additional time to fully consider an unsolicited take-over bid as well as to pursue other alternatives which may further maximize shareholder value.

Management

Jeannine P.M. Webb has been appointed as CFO. This move is beneficial to the company as Mr. Forward, the previous CFO, is an independent contracting CGA and was intended to only temporarily fill the position. He will stay with the company as a director. Mrs. Webb's biography as provided by the company follows below:

Jeannine P.M Webb - CFO

Mrs. Webb, CGA, has 20 years of experience in the mining resource sector. She was a principal of Badger & Co. Management Corp. ("Badger & Co."), a private company providing full range financial, corporate and geological management services to junior public mineral exploration companies operating nationally and internationally.

***Outlook On
Potash***

Spot potash prices (FOB Vancouver) declined from well over US\$800 per tonne observed in the second half of 2008, to about US\$700 per tonne in March 2009 (compared to an average of US\$193 per tonne during 1999-2008), due to the current economic conditions and decline in grain prices. Major potash producers (major producers account for most of the world's supplies) are forecast to reduce production by about 12 million tonnes in 2009 (or 21% of effective capacity) to bring supplies down in line with lower demand. In particular, output in Canada is expected to drop by approximately 5.7 million tonnes in 2009 (Source:

PotashCorp. and Scotiabank). We believe potash prices will stay soft in 2009, as global economic growth is not expected to recover until towards the end of 2009. However, we have maintained our positive long term outlook for potash based on demand growth for fertilizer from developing countries (particularly China and India) and global population growth, and expect long term potash prices to stay above current levels.

Outlook on Iron Ore

In light of the current economic crisis, iron ore prices dropped from over US\$190 per tonne observed in February and March 2008, to an average of US\$77 per tonne in December 2008. According to China Daily, the current price is about US\$60 per tonne and the stock pile of iron ore was at a record high at ports due to lower demand. As with potash, we expect iron ore prices to stay soft for the rest of the year. However, China has been buying iron ore at the current low prices, and imported a monthly record of 52.08 million tons in March 2009, beating the previous record of 46.74 million tons set in February 2009. In Q1 2009, China imported a total of 130 million tons of iron ore, compared to 440 million tons for the entire 2008. This indicates demand from China may be picking up as the country's stimulus package starts to impact its economy. In the long term, we believe supply/demand fundamentals are still strong enough for iron ore prices to stay above the historical average. We have continued to use a long-term price of US\$41/tonne (average price during 1990 – 2007) in our valuation models.

Financials

At the end of January 2009, the company had \$23.37 million in cash. Working capital and the current ratio were \$23.54 million and 157x, respectively. In Q1-2009 (3 month period ended January 2009), the company posted a net loss of \$0.35 million (EPS: -\$0.00). We estimate the company had a burn rate of \$0.58 million per month in Q1-2009, versus \$0.30 million per month in FY2008 (12 month period), and \$0.16 million per month in FY2007. The table below shows a summary of the company's cash and liquidity position at the end of Q1-2009.

(C \$)	2007	2008	Q1-2009
Working Capital	(904,875)	24,866,918	23,539,264
Current Ratio	0.29	63.95	157.20
LT Debts/ Assets	68.1%	-	-
Burn Rate/Month (incl exploration costs)	(157,526)	(295,675)	(581,479)
Cash from financing activities	1,793,141	31,155,449	129,000

Options and Warrants: At the end of January 2009, the company had 6.46 million stock options and 30.94 million warrants outstanding. None of the outstanding options and warrants are currently 'in-the-money'.

Conclusion: We estimate the company's working capital is at least \$20 million, or \$0.27 per share. This means the company's shares are currently trading below working capital. In light of the current market conditions, the company plans to use its current cash (which we estimate is in excess of \$20 million) to investment in precious metal projects.

Valuation

Valuation of the company's Potash Claims: We continue to value the company's potash claims based on resource estimates on its KP441 claim. Based on a peer average

EV/Resource ratio of \$0.76/tonne (compared to \$1.04/tonne in our previous report due to a decline in the share prices of peer companies), our fair value estimate on Raytec's potash claims is \$56.12 million, or \$0.76 per share (compared to \$82.27 million, or \$1.04 per share in our previous report).

Company	EV/Resource (\$/tonne)
Athabasca Potash Inc.	\$2.45
Reward Minerals Ltd.	\$1.37
Allana Resources Inc.	\$1.08
Potash One Inc.	\$0.84
Average	\$1.44
Fair Value	\$0.76

* Stock prices are one year averages

* Resources include all measured and indicated, and half of inferred

Valuation of the Ontario Iron Ore Project: Since the company is not pursuing the Gunflint project, we have based our valuation solely on the historical resource estimate of the El Sol property of 315 million tons grading 32% (discounted by 50% for conservatism). Our DCF model gave a fair value of \$4.74 million, or \$0.06 per share (compared to \$32.29 million, or \$0.41 per share in our previous report, which also included our valuation on the Gunflint property; in our previous model, we had assumed ores from El Sol and Gunflint to be processed at the same facility). We lowered our capital expenditure estimate from \$400 million to \$350 million, and annual production from 7 million tons to 6.125 million tons, as we removed Gunflint from our analysis.

DCF Valuation Summary - El Sol Project	
Resource (tons)	157,500,000
Wt. average Grade (%)	32.0%
Recovery	85.0%
Production Commencement	2013
Production Rate (per year)	6.125 million tons
Mine Life (in years)	7.0
Long-Term Iron ore Price (in US\$/ton)	41
Average Operating Costs (\$/tonne concentrate)	26
Capital Costs (in \$mm)	350
Discount Rate	11.63%
Net Present Value	\$4,744,618
No. of Shares (Dil.)	74,042,737
Value per Share	\$0.06

The following table shows our DCF model is highly sensitive to our long term price forecast of iron ore (our forecast is US\$41 per ton).

Iron Ore Price (US\$/ton)	Valuation
30	-1.78
41	0.06
50	1.64
60	3.34
70	5.05

Valuation of Uranium Properties: Due to the decline in share prices of comparables, and the expected drop in the book value of the company's uranium projects (as a result of the sales of the C and D blocks to Solitaire Minerals Corp.), our valuation on the company's uranium claims decreased to \$0.01 per share based on an average EV/mineral assets ratio of 0.48 (compared to our valuation of \$0.05 per share based on an average EV/mineral assets ratio of 1.01 in our previous report).

Comparables Analysis	
Company	EV/Min Assets
1 Pacific Ridge Exploration Ltd.	0.79
2 Anglo-Canadian Uranium Corp.	0.61
3 Canalaska Uranium Ltd.	0.57
4 Universal Uranium Ltd.	0.39
5 Purepoint Uranium Group Inc.	0.39
6 Jourdan Resources Inc.	0.37
7 Eso Uranium Corp.	0.26
Average	0.48
Fair Value	\$0.01

Adding the market value of 1 million SLT shares RAY will receive from the sale of the C and D blocks, the book value of RAY's investment in Sulphur Minerals, and working capital, our net valuation on the company is \$1.14 per share.

Valuation Summary	
Potash Project in Saskatchewan	\$0.76
Ontario Iron Ore Project	\$0.06
Athabasca Basin Uranium Projects	\$0.01
Shares of Solitaire Minerals Corp. (Market Value)	\$0.00
Shares of Sulphur Solutions Inc. (Book Value)	\$0.03
Working Capital - Debt	\$0.27
Net Fair Value	\$1.14

Note – the market value of SLT shares was calculated based on the average share price for the past 12 months

Conclusions & Rating **Based on our revised valuation models and review of the company’s progress since our initiating report, we reiterate our BUY rating on Raytec, but lower our fair value estimate to \$1.14 per share from \$1.87 per share.**

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

- Raytec does not have any operating mines and has not completed a feasibility study.
- The success of further development, exploration, and expansion is a significant factor in Raytec’s success.
- Like other junior exploration companies, the value of the company depends heavily on commodities, namely potash and iron ore, but also uranium.

We rate the company 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.

Disclaimers and Disclosure

The opinions expressed in this report are the true opinions of the analyst about this company and industry. Any "forward looking statements" are our best estimates and opinions based upon information that is publicly available and that we believe to be correct, but we have not independently verified with respect to truth or correctness. There is no guarantee that our forecasts will materialize. Actual results will likely vary. The analyst and Fundamental Research Corp. "FRC" does not own any shares of the subject company, does not make a market or offer shares for sale of the subject company, and does not have any investment banking business with the subject company. Fees of less than \$30,000 have been paid by RAY to FRC. The purpose of the fee is to subsidize the high costs of research and monitoring. FRC takes steps to ensure independence including setting fees in advance and utilizing analysts who must abide by CFA Institute Code of Ethics and Standards of Professional Conduct. Additionally, analysts may not trade in any security under coverage. Our full editorial control of all research, timing of release of the reports, and release of liability for negative reports are protected contractually. To further ensure independence, RAY has agreed to a minimum coverage term including an initial report and three updates. Coverage cannot be unilaterally terminated. Distribution procedure: our reports are distributed first to our web-based subscribers on the date shown on this report then made available to delayed access users through various other channels for a limited time. The performance of FRC's research is ranked by Investars. Full rankings and are available at www.investars.com.

The distribution of FRC's ratings are as follows: BUY (70%), HOLD (10%), SELL (3%), SUSPEND (17%).

To subscribe for real-time access to research, visit <http://www.researchfrc.com/subscription.htm> for subscription options.

This report contains "forward looking" statements. Forward-looking statements regarding the Company and/or stock's performance inherently involve risks and uncertainties that could cause actual results to differ from such forward-looking statements. Factors that would cause or contribute to such differences include, but are not limited to, continued acceptance of the Company's products/services in the marketplace; acceptance in the marketplace of the Company's new product lines/services; competitive factors; new product/service introductions by others; technological changes; dependence on suppliers; systematic market risks and other risks discussed in the Company's periodic report filings, including interim reports, annual reports, and annual information forms filed with the various securities regulators. By making these forward looking statements, Fundamental Research Corp. and the analyst/author of this report undertakes no obligation to update these statements for revisions or changes after the date of this report. A report initiating coverage will most often be updated quarterly while a report issuing a rating may have no further or less frequent updates because the subject company is likely to be in earlier stages where nothing material may occur quarter to quarter.

Fundamental Research Corp DOES NOT MAKE ANY WARRANTIES, EXPRESSED OR IMPLIED, AS TO RESULTS TO BE OBTAINED FROM USING THIS INFORMATION AND MAKES NO EXPRESS OR IMPLIED WARRANTIES OR FITNESS FOR A PARTICULAR USE. ANYONE USING THIS REPORT ASSUMES FULL RESPONSIBILITY FOR WHATEVER RESULTS THEY OBTAIN FROM WHATEVER USE THE INFORMATION WAS PUT TO. ALWAYS TALK TO YOUR FINANCIAL ADVISOR BEFORE YOU INVEST. WHETHER A STOCK SHOULD BE INCLUDED IN A PORTFOLIO DEPENDS ON ONE'S RISK TOLERANCE, OBJECTIVES, SITUATION, RETURN ON OTHER ASSETS, ETC. ONLY YOUR INVESTMENT ADVISOR WHO KNOWS YOUR UNIQUE CIRCUMSTANCES CAN MAKE A PROPER RECOMMENDATION AS TO THE MERIT OF ANY PARTICULAR SECURITY FOR INCLUSION IN YOUR PORTFOLIO. This REPORT is solely for informative purposes and is not a solicitation or an offer to buy or sell any security. It is not intended as being a complete description of the company, industry, securities or developments referred to in the material. Any forecasts contained in this report were independently prepared unless otherwise stated, and HAVE NOT BEEN endorsed by the Management of the company which is the subject of this report. Additional information is available upon request. THIS REPORT IS COPYRIGHT. YOU MAY NOT REDISTRIBUTE THIS REPORT WITHOUT OUR PERMISSION. Please give proper credit, including citing Fundamental Research Corp and/or the analyst, when quoting information from this report.

Fundamental Research Corp is registered with the British Columbia Securities Commission as a Securities Adviser which is not in any way an endorsement from the BCSC. The information contained in this report is intended to be viewed only in jurisdictions where it may be legally viewed and is not intended for use by any person or entity in any jurisdiction where such use would be contrary to local regulations or which would require any registration requirement within such jurisdiction.