

Fundamental

Research Corp.

Investment Analysis for Intelligent Investors

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September 5, 2007

GLR Resources, Inc. (TSX: GRS) – Feasibility Study completed, financing in place to support construction and development

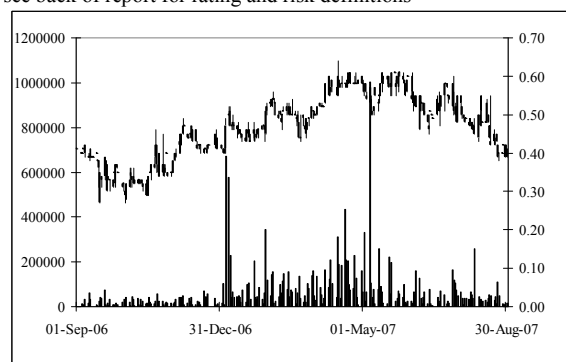
Sector/Industry: Mining

www.glrresources.com

Market Data (as of August 31, 2007)

| | |
|---------------|-------------------|
| Current Price | C\$0.39 |
| Fair Value | C\$1.30 (↑) |
| Rating* | BUY |
| Risk* | 5 (Highly Spec) |
| 52 Week Range | C\$0.27 - C\$0.64 |
| Shares O/S | 46,143,191 |
| Market Cap | \$18.00 million |
| Current Yield | N/A |
| P/E | N/A |
| P/B | 1.73 |
| YoY Return | -4.9% |
| YoY TSX | 11.4% |

*see back of report for rating and risk definitions



Investment Highlights

- GLR Resources' priority is putting the Goldfields Property in Northern Saskatchewan into production.
- The feasibility study for the Box deposit was released June 2007. We believe the results of the feasibility study are positive, in line with our expectations. The feasibility study outlined a proven and probable reserve of 601,007 ounces of gold at Box.
- The company is currently in engineering, procurement, and construction. They hope to complete construction by the end of 2008, if permitting is granted by the end of 2007.
- The company has secured debt financing from Investec Bank for up to US\$40 million. Investec Bank controls approximately 10% of the company's outstanding shares.
- Debt financing allows the company to minimize dilution.
- We expect the company to raise at least US\$6 million this year to finance the project's capital cost of US\$46.3 million.
- We have raised our fair value estimate to \$1.30 per share (up from \$1.20 per share).

Risks

- The success of procurement, mine construction and development are very important for the company's future prospects. A delay in the expected permitting could delay construction and production.
- The project economics could be affected by delays that are affecting the entire mining industry.

Key Financial Data (FYE - December 31)

| (C \$) | 2003 | 2004 | 2005 | 2006 | 2007 6 mo |
|--------------------|-----------|-------------|-----------|------------|--------------|
| Cash | 1,396,517 | 3,387,507 | 1,139,165 | 1,797,012 | 1,308,049 |
| Working Capital | 1,344,352 | 3,383,442 | 1,069,450 | 2,051,953 | 1,418,134 |
| Mineral Assets | 3,385,433 | 4,827,838 | 5,930,828 | 7,342,220 | 8,924,261 |
| Total Assets | 5,147,705 | 8,421,531 | 7,261,384 | 10,020,799 | 11,175,996 |
| Net Income | (708,626) | (1,280,581) | 2,246,056 | (806,677) | (598,014) |
| Earnings per share | (0.04) | (0.05) | 0.07 | (0.02) | (0.00) |

*FRC's geologist visited GLR's Goldfields property in August.

GLR Resources is currently in engineering, procurement, and construction for the Goldfields Project. The feasibility study outlined an open pit mine with a mine life of 7 years at the Box Mine, with potential to add approximately 3 years at the Athona Mine. If permitting is in place by December 2007, we expect production to commence in early 2009.

**Company
Overview**

GLR Resources has gold, platinum group metals, and base metals projects in Ontario, Saskatchewan and Quebec. Their most advanced project is the Goldfields Property near Uranium City, Saskatchewan, the site of the historic Box and Athona mines. In our initial report, dated January 15, 2007, we thoroughly discussed the company's history, management, and properties. The purpose of this second update is to review our valuation and outlook on the company based on the feasibility study. The company is currently in engineering, procurement, and construction.

**Goldfields
Property**

Property Overview: The 27,236 hectare Goldfields Property is located in the Beaverlodge Lake mining district, near Uranium City, Saskatchewan. Uranium City is located on the north shore of Lake Athabasca, a well-known center for uranium mining in Canada. This area has decades of historic mining and exploration. Several deposits on the Goldfields Property were historically mined in the late 1930s for gold. The surrounding property is held by GLR's sister company, Uranium City Resources (TSX.V:UCR), and they are exploring for large tonnage, lower grade uranium resources.

**Feasibility
Study**

Feasibility Status: In March 2007, Bikerman Engineering and Technology Associates (BETA) was contracted to complete the feasibility study along with Dan Mackie and Associates. The feasibility study was released in June 2007. This feasibility study only accounted for the Box deposit at this time, and the reserve estimates for Athona are expected later this year. However, the Athona deposit will likely not be mined until after the Box is exhausted. The reserve calculations for the Box deposit are outlined below. The grade of the reserve tonnage is higher than the resource calculation.

Reserve Calculations at \$525/oz gold and a 0.40 g/t gold cut-off

| Reserve Category | Tonnes | Grade (g/t gold) | Ounces |
|-----------------------------------|-----------|------------------|---------|
| Proven | 1,683,717 | 2.03 | 109,619 |
| Probable | 9,313,283 | 1.64 | 491,388 |
| Total Proven & Probable Reserves: | | | 601,007 |

Feasibility Study Inputs

| | | |
|---------------------------|---------------------|---|
| Operating Rate | 5,000 tpd | We assume a start up period of 3,000 tpd for the first six months in our valuation |
| Capital Cost | U.S.\$46.3 million | Includes \$4 million contingency |
| Operating Cost | U.S.\$11.42/ton ore | G&A: \$1.86 + Ore mining: \$2.12 + Waste mining: \$1.30 + Crushing and stacking: \$1.31 + Processing: \$4.63 + Env.: \$0.21 |
| Mine Life | 7 years | The Athona Pit could add 3 years to mine life |
| IRR | 30.5% | At base case of \$525/oz gold |
| NPV at 8% discount | U.S.\$31.3 million | At base case of \$525/oz gold |

New Resource Estimate

At the time of our last update, the Box property had a NI 43-101 compliant resource estimate of 687,000 ounces gold measured and indicated, and 92,000 ounces gold inferred. Bikerman Engineering (BETA) recalculated the Box Resource estimate completed by Wardrop as part of their feasibility study. BETA determined that the operating costs were such that a lower cut-off grade could be used. This improved the overall resource, and the new resource at Box is reproduced below. We expect a new resource estimate for Athona using lower cut-off grades in the coming months.

Resource Estimates

| Resource Category | Cut-off grade (g/t gold) | Tonnage (metric tonnes) | Grade (g/t gold) | Ounces |
|--|---------------------------------|--------------------------------|-------------------------|---------------|
| Box Mine | | | | |
| Measured | 0.250 | 2.401 million | 1.68 | 129,000 |
| Indicated | 0.250 | 14.5 million | 1.34 | 623,000 |
| Inferred | 0.250 | 3.71 million | 0.93 | 111,000 |
| Measured | 0.375 | 2.013 million | 1.94 | 126,000 |
| Indicated | 0.375 | 12.284 million | 1.52 | 601,000 |
| Inferred | 0.375 | 2.698 million | 1.17 | 101,000 |
| Athona Mine* | | | | |
| Indicated | 0.5 | 7,036,000 | 1.28 | 289,556 |
| Inferred | 0.5 | 1,406,000 | 1.10 | 49,725 |
| <i>* Calculated by Wardrop, under review by BETA</i> | | | | |

Permitting Status

In our initial report, we reported that management was expecting permitting in August 2007. On February 13, 2007 the company announced the submission of the Environmental Impact Statement (EIS) documents for final review to the Saskatchewan Environment Assessment Branch. However, due to delays associated with increasing the operating rate from 2,000 tpd to 5,000 tpd, the Goldfields EIS has not gone through a public comment period yet. According to management, the public comment period is imminent. Therefore, we expect final permitting to be in place in January 2007. The company is also negotiating for the surface rights to the property.

Uranium City

The Box and Athona deposits are approximately 22 kilometers away from Uranium City. Uranium City was once the center of a thriving mining community, centered around Eldorado's multiple mines on the north shore of Lake Athabasca. This town once held a population of 5,000 during its heyday in the late 1970s, but the uranium market crashed in the early 1980s. Today, Uranium City has a population of about 100. GLR Resources has been working in Uranium City for over 20 years and are reviving the community now that the Goldfields project is near production. The company is using Uranium City as their home base for offices and lodging. The company hopes to employ a workforce that will be established in Uranium City to avoid the disruption of fly in/fly out employees. We believe the company has established a good social policy to encourage community involvement in the project. This is also a benefit to GLR's economics.



This picture highlights the general topography of the Goldfields property, which lies on the north shore of Lake Athabasca in northwestern Saskatchewan.

Source: Fundamental Research Corp.

The future Box Mine in the foreground and the future Athona Mine in the background.

Source: GLR Resources

Accessibility and Infrastructure

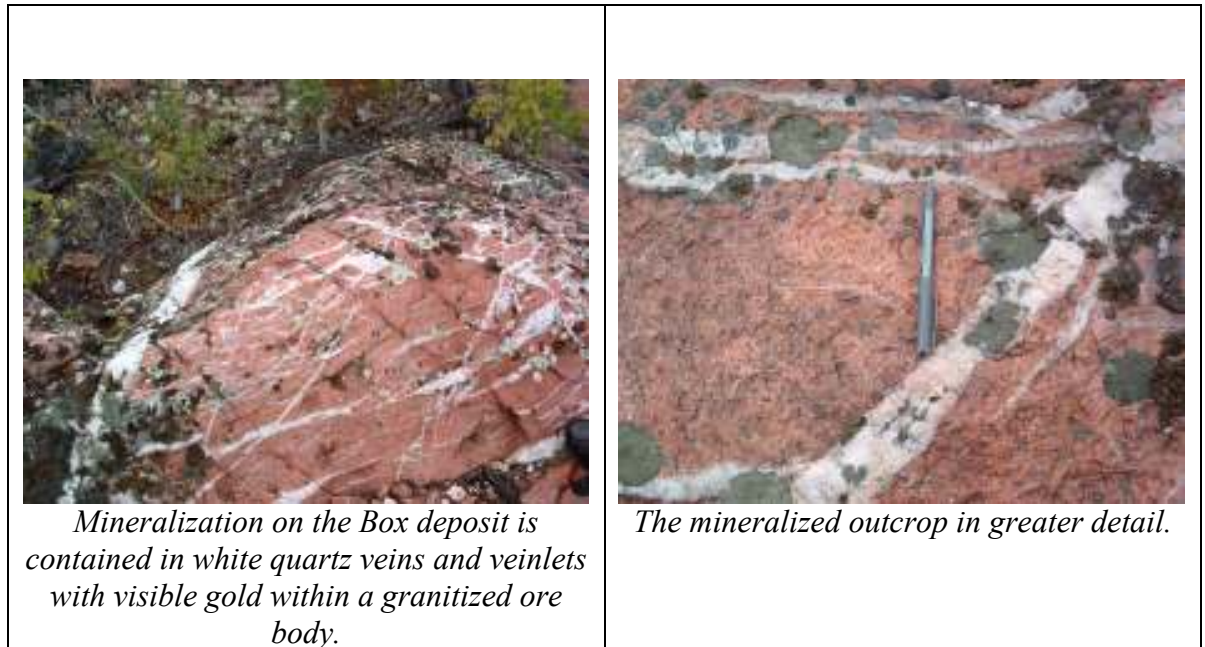
We observed ongoing construction on our site visit to the property on August 27, 2007. The company is currently finalizing the office and base camp facilities in Uranium City, including a cafeteria, office building, and camp. They have purchased a former government building and are rehabilitating it to provide lodging facilities for at least 35 employees. Eldorado established a large airstrip in Uranium City during their operations, and air travel is the primary mode of transportation for people and supplies at this time. However, the cost of air transport is high and the company plans to utilize winter roads and barges whenever possible. The company is planning to utilize barges and winter roads to access the Box and Athona deposits. We observed electrical line cutting to the Box deposit at Goldfields, and it is expected to be completed in September. The Box deposit was once electrified, but the company has to upgrade power lines and replace a few transformers to make the line operational again. This is much cheaper than cutting an entirely new line.

Construction & Procurement

According to management, fabrication of the processing plant and milling equipment is expected to begin shortly. The company cannot begin construction on the Goldfields property until permitting is granted, but they can store equipment in their facilities at Uranium City. In all aspects of construction and procurement, the company is focusing on saving capital costs. They hope to bring all of the equipment to Box on the winter road starting in February 2008, and begin construction as soon as weather permits in 2008.

Geology and Mineralization

We observed mineralization on the Box and Athona deposits on our site visit. The Box and Athona deposits are flat lying deposits containing several gold mineralized quartz veins and many disseminated veinlets within a granitized ore body. Gold mineralization is primarily free gold, which is a benefit in metallurgical recovery. The company is planning to exploit the upper zone using open pit extraction, but the company's geologist believes that the gold mineralization potential at depth has not been thoroughly explored yet. This is typical of Canadian quartz vein gold systems, so we are interested to see what deeper drilling will uncover. There is great potential upside at the Box and Athona Mines that is underexplored.



Source: Fundamental Research Corp.

Prospecting and Exploration

On our site visit, we were able to discuss further exploration potential on the Goldfields property going forward. GLR's geologist, Serge Nadeau, has done extensive compilation work on the property and has identified a number of targets for further exploration. Grassroots potential still exists, as evidenced by gold anomalies identified through biological and soil sampling. The most important target after Athona and Box is the Frontier deposit, which is on strike with Box.

Drilling

The company is currently doing some exploration and condemnation drilling at the Goldfields property. We observed drilling on our site visit. The majority of the 5,000 meter program will focus on expanding the Box deposit, while the remaining holes will be drilled to confirm there is no mineralization below the proposed mill and waste dump sites.

New Gold Zone at Goldie Property

A 7 hole drilling program was completed on the Goldie property, which the company holds in a 50/50 joint venture with RJK Explorations Ltd. (TSX.V:RJK-A). RJK acted as the operator of the drilling program. The drilling program targeted a geophysical anomaly that extended west of known mineralization. The widely spaced drilling program identified a new, buried mineralized zone. The results were anomalous to low grade for gold, but indicate potential that may warrant further exploration, especially at depth. The company also plans to drill ten holes at the Kirkland West property in the Kirkland Lake area in 2007.

Management Changes

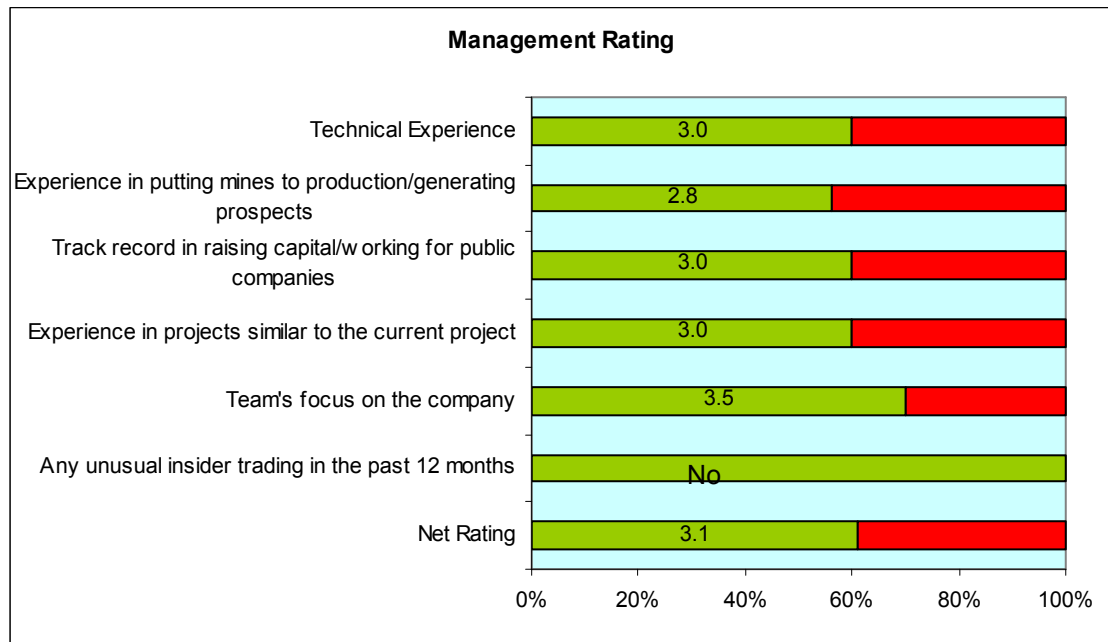
Since our last update, Robert D. Kasner resigned as director of the company. Robert D. Kasner is the son of the president and CEO, Robert J. Kasner. The company appointed a secretary, Diane D. McKean, at that time. The company has also brought in a new board member, Eike von der Linden, with notable mining experience. His biography follows.

Dr. Eike von der Linden has been involved in the global mining industry for the past 30

years. He has significant experience in the areas of technical project management and financial management of mining projects and has worked as lead in project developments, independent Advisor to financial institutions for equity investments, project financing in the field of natural resources and independent technical and financial advisor to various national and international companies. Dr. von der Linden currently resides in Germany.

Management Rating

We believe that the most important aspect of a junior mining company is its management. Our management rating system is a quantitative way to rate management based on a number of factors, including technical experience, the ability to raise financing, and management’s time commitment to the company. We also analyzed trading records to identify for evidence of unusual trading by management. **Our net rating for GLR Resources is 3.1, which we have rated average.** The company has made many management changes in the last year, reflecting their transition from a junior exploration company to a company in engineering, procurement, and construction. They have added new directors and employees experienced in mining. The company’s president, Mr. Kasner, has been involved in the project for over 20 years and has developed the project to its current stage. John Orr is experienced in mine building throughout Northern Canada and overseas, and his expertise has been a great advantage for the company. Their geologist brings a new model for exploration to the company.



Strength of Board

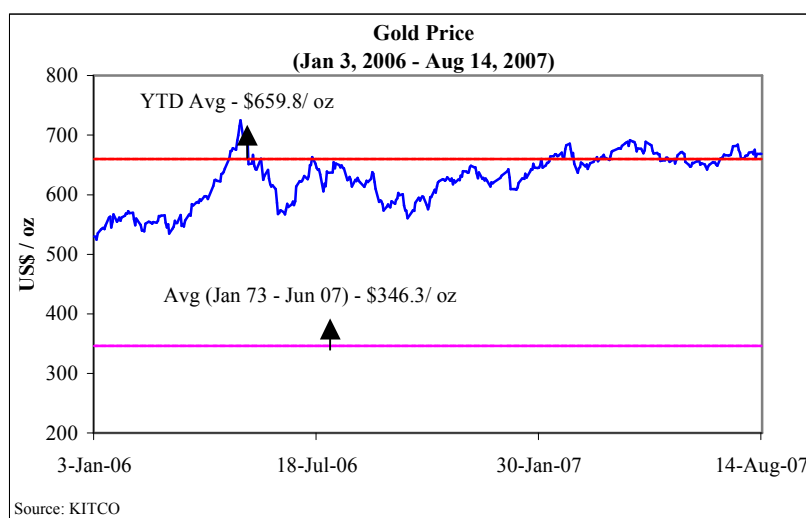
The Toronto Stock Exchange recommends that the Board of Directors of every company include independent or unrelated directors who are free of any relationship or business that could materially interfere with the director’s ability to act in the best interest of the company. An unrelated/independent director can be a shareholder. In this report, we introduce our strength of board rating for GLR Resources, which uses information available from the company’s annual “Management Information Circular” to ensure that the company has an independent Board of Directors, Audit Committee, and Compensation Board. This report

also identifies any non-arms length transactions and management's compensation.

GLR Resources' Board of Directors is made up of five individuals: Robert Kasner, William Whitehead, James Kermeen, John F. Cook, and Eike von der Linden. Robert Kasner is the only related/non-independent director, as he is a named executive officer of the company and receives compensation. Robert Kasner is the only board member that holds shares in the company. The Audit Committee is made up of William Whitehead, James Kermeen, and John F. Cook. The company does not have a Compensation Committee. Thus, these boards should be considered independent. GLR does not have any non-arms length transactions.

Outlook for Gold

Our outlook on gold has not changed since our previous report. We continue to maintain our positive outlook on both short-term and long-term prices of gold. The chart below shows gold prices since January 2006. As of August 14, 2007, gold was trading at US\$668.35/oz, which reflects a YOY increase of 6.9%.



The average forecasts for gold prices are US\$670/oz in 2007, and US\$720/oz in 2008. For conservatism, we have used a long-term gold price of US\$600/oz in our valuation models.

Financials

In the first six months of FY2007 (quarter ended June 30, 2007), the company reported a net loss of \$0.59 million (eps: -\$0.00), compared to \$1.31 million (eps: -\$0.01) in the comparable period in the previous year. We estimate the company had a burn rate (cash spent on operating and investing activities) of \$0.36 million per month in the first six months of FY2007, compared to \$0.18 million per month in FY2006 (12 – month period). The table below shows the company's current cash and liquidity position.

| | 2003 | 2004 | 2005 | 2006 | 2007 - 6 mo |
|--------------------------------|-----------|-----------|-----------|-----------|-------------|
| Working Capital | 1,344,352 | 3,383,442 | 1,069,450 | 2,051,953 | 1,418,134 |
| Current Ratio | 6.7 | 40.8 | 7.5 | 39.9 | 13.3 |
| LT Debt / Assets | - | 3.15% | 0.69% | - | - |
| Cash from Financing Activities | 2,103,781 | 4,636,242 | 1,885,541 | 2,837,288 | 1,700,925 |
| Burn Rate | (59,761) | (220,438) | (337,257) | (181,634) | (364,981) |

At the end of March 2007, the company had cash and working capital of \$1.31 million and \$1.42 million, respectively, compared to \$1.80 million and \$2.05 million at the end of FY2006. GLR Resources currently has no debt.

Proposed Debt Financing: Investec Bank (UK) Ltd. (“Investec”) has offered to arrange debt financing (consisting term and convertible loans) of up to US\$40 million for the Goldfields project, to fund project construction and potential cost overruns. The financing is subject to documentation and due diligence review by Investec of the recently completed feasibility study, and acceptance by the board of GLR.

Stock Options and Warrants: At the end of June 2007, the company had 5.99 million warrants outstanding (2.41 million are currently ‘in-the-money’), with a weighted average exercise price of \$0.51, and expiry dates between November 2007 and December 2008. The company also had 3.58 million stock options outstanding, with a weighted average exercise price of \$0.50 per share, and a weighted average time to maturity of 3.21 years.

Valuation

The tables below show our revised Discounted Cash Flow (DCF) and real options valuation on the Goldfields project.

| DCF Valuation Summary of the Goldfields Project | |
|--|-------------------------------|
| Resource (in tonnes) | 23,385,000 |
| Wt. average Grade (gpt) | 1.45 |
| Contained Metal (in troy oz) | 1,091,687 |
| Recovery | 90.0% |
| Production Commencement | 2009 (Q1) |
| Mill Processing (tpd) | 5,000 (3,000 in the 1st 6 mo) |
| Mine Life (in years) | 13 |
| Gold Price (in US\$/oz) | \$600 |
| Average Operating Costs (\$/tonne) | \$16.9 |
| Capital Costs (Present Value) | \$52,500,000 |
| Cost of Capital | 10.4% |
| | |
| Base Case NPV | \$47,043,074 |
| Present Value of Tax Shields | \$5,762,653 |
| Net Value of GLR | \$52,805,727 |
| Working Capital | \$1,418,134 |
| Debt | - |
| Value of GLR | \$54,223,861 |
| No. of Shares | 46,531,482 |
| Value per share | \$1.17 |

*Resource calculations include all the measured and indicated, and 50% of inferred resources

| Real Options Valuation Model of the Goldfields Project | | | | | |
|--|--------------------------|----------------|---------------------------------|------------------------------------|---------------|
| | Resources (in tonnes) | Grade (g/t) | Contained Metal (in troy oz) | Price(US\$) | Value (C\$) |
| Gold | 23,385,000 | 1.45 | 1,091,918 | 625.00 | 706,334,568 |
| Operating Costs (\$/tonne) | \$16.89 | | | Total Value (C\$) | \$706,334,568 |
| Recovery (Au) | 90% | | | Operating Costs (C\$) | \$394,881,449 |
| C\$/US\$ | 1.15 | | | Net Value (C\$) | \$311,453,119 |
| Inputs relating to the underlying asset | | | | | |
| Est'd. Mineral Resources (in tons) | | | | | 23,385,000 |
| Est'd. Value of Minerals if extracted today | | | | | \$260,039,245 |
| Annualized Standard Deviation of Mineral prices | | | | | 18% |
| Capital Investment | | | | | \$52,500,000 |
| Est'd. Mine Life (years) | | | | | 13 |
| Riskfree Rate | | | | | 4.20% |
| Output | | | | | |
| Stock Price | \$260,039,245 | | | T. Bond rate | 4.20% |
| Strike Price | \$52,500,000 | | | Variance | 0.03 |
| Expiration (in years) | 13.4 | | | Annualized div yie | 7.48% |
| d1 = | 2.078 | | | Value of Option | \$66,270,425 |
| N(d1) = | 0.981 | | | Working Capital | \$1,418,134 |
| d2 = | 1.413 | | | Debt | - |
| N(d2) = | 0.921 | | | No of outstanding shares (diluted) | 46,531,482 |
| | | | | Value per share | \$1.45 |

*Resource calculations include all the measured and indicated, and 50% of inferred resources

We have made the following changes in our valuation models:

- Resource estimates were increased to reflect the new estimates.
- Based on our continued positive outlook on gold prices, we have used a gold price of US\$600/oz (up from US\$550/oz) in our valuation models.
- Based on the recently completed feasibility study, we have increased our assumptions on recovery rates, from 85% to 90%, and lowered our estimate of average operating costs, from \$21.9/tonne to \$16.9/tonne.
- Initial capital costs were increased from \$45 million to \$52.5 million
- We have also increased our estimate of the total number of diluted shares from 42.73 million to 46.53 million.
- In our revised DCF model, we have assumed that the company will complete the proposed US\$40 million debt financing with Investec. We have, therefore, discounted the project's cash flows at its opportunity cost of capital (10.4%), and added the present value of tax shield benefits to the net present value (NPV) of the project.

Adjusted Present Value = Base case NPV (assuming no debt) + Present Value of Tax Shields
= \$47.04 million + \$5.76 million
= \$52.81 million

As a result of all the above-mentioned changes, our DCF valuation increased from \$0.96 per share to \$1.17 per share, and our real options valuation increased from \$1.37 per share to \$1.45 per share. The average revised valuation increased from \$1.19 per share to \$1.31 per share.

Conclusions & Rating

As we do not believe that the general increase in stock market volatility experienced in the past few months is due to fundamentals of the mining sector, we have discontinued our relative valuation on the company until market volatility stabilizes.

GLR Resources is moving forward with the Goldfields Project and we are confident that the company can complete construction by the early 2009 if permitting is granted within the expected timeframe. We believe the patient investors of GLR Resources will finally be rewarded in the next two years. The ingredients of a successful project are really coming together: management, market conditions, financial and technical support, and potential to expand resources. The Goldfields project has been shown to be profitable through the feasibility study. While it is not the largest or highest grade gold deposit, we believe the property is a good asset for a company such as GLR Resources. With the completion of the feasibility study and financing for construction in place, we believe the biggest risks at this time are permitting, procurement of equipment, and weather related delays that could delay construction.

Based on our valuation models, and review of the Goldfields Project, we reiterate our BUY rating, and raise our fair value estimate, from \$1.20 per share to \$1.30 per share. Our revised fair value estimate reflects an upside potential of 233% from current price levels.

Risks

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

- The company, as with all other junior mining companies, is subject to delays affecting the entire mining industry. We believe further delays could continue to erode investor confidence.
- The success of the final permitting, as well as mine and mill construction, are important long-term factors for the success of the company.
- The value of the company depends on gold prices.

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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