

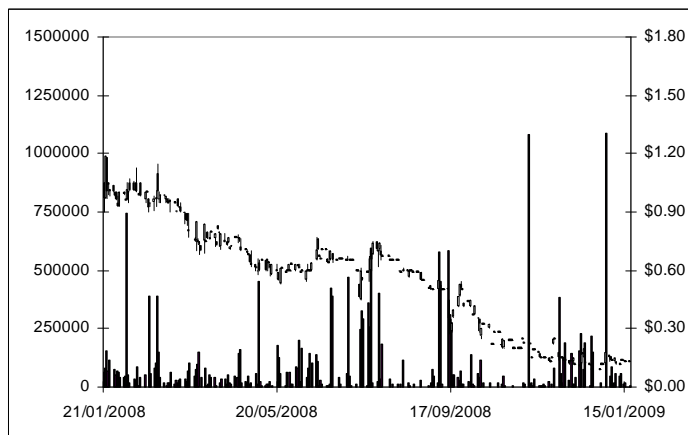
Explorator Resources Inc. (TSX-V: EXO) – Signs Agreement to Sell 51% Interest in its Subsidiary for 82% of Our Fair Value Estimate

Sector/Industry: Junior Mining

www.explorator.ca

Market Data (as of January 20, 2009)

Current Price	C\$0.18
Fair Value	C\$0.84 (↓)
Rating*	BUY
Risk*	5 (Highly Spec)
52 Week Range	C\$0.08 – C\$1.19
Shares O/S	51.29 mm
Market Cap	C\$9.23 million
Current Yield	N/A
P/E	N/A
P/B	0.91
YoY Return	-81.4%
YoY TSX-V	-64.2%



*see back of report for rating and risk definitions

On January 20, 2009, the company announced that they entered into an agreement with Sociedad Punta del Cobre S.A. (SPC) to sell 51% interest in its 100% owned subsidiary, Explorator Chile, for US\$17 million. SPC is a Chilean-based company operating three mines. SPC produces about 40,000 tons of copper per year, employs 510 people, and processes ores in its own manufacturing facilities.

Explorator currently has two projects, namely the El Espino and Venus-Marcelo projects, both of which are owned by its subsidiary, Explorator Chile. According to the agreement, Explorator will receive:

1. A payment of US\$10 million on or before March 25, 2009, and US\$7 million within 18 months of the execution of a definitive capital contribution agreement (**Total payments valued at \$20.4 million @ C\$/US\$ - 1.20**)
2. Up to an additional US\$1.50 million to complete a bankable feasibility study with respect to the El Espino project (**valued at \$1.80 million @ C\$/US\$ - 1.20**)
3. Royalty payments of US\$0.10 per ton of ore processed from the El Espino project (**our valuation model estimates the present value of these payments as \$5.80 million**)

Therefore, our estimate of the total sale price is \$28 million (\$20.4 million + \$1.80 million + \$5.80 million). Our valuation of 51% of the company's interest in its subsidiary (subsequent to completion of a bankable feasibility), according to our previous report in December 2008, was \$34 million. **Although the sale price is lower than our fair value estimate, we are very pleased to see that the company might be**

able to sell 51% interest in its subsidiary for very close (82%) of our fair value, considering the current market conditions, and low copper prices.

In addition to the reasonable valuation, this agreement, if completed, will benefit EXO in the following other ways:

1. Enable the company to make the property payments due in April 2009 (US\$4 million to increase ownership in the El Espino project to 80%). The company also has the right to purchase the remaining 20% interest by paying US\$3 million to the owner of the property.
2. Cash from SPC will also enable the company to complete a bankable feasibility study without raising any additional capital. This is a major benefit for the company at this time, especially because the current capital markets are not favorable for juniors to raise capital. Several juniors have even suspended their operations due to lack of sufficient funding. Also, an equity financing at current share prices, will lead to significant share dilution.
3. \$1.8 million investment – SPC has agreed to invest \$1.78 million in the company's common shares (at \$0.1475 per share). The private placement is subject to the successful completion of due diligence by SPC and receipt of all required regulatory approvals.

All board members and certain major shareholders of Explorator (representing 47.42% of the issued and outstanding common shares) have agreed to support the agreement. The agreement is subject to:

- (1) the completion of due diligence to the satisfaction of SPC with such due diligence to be completed within 60 days;
- (2) the execution of the Shareholders' Agreement;
- (3) the receipt of all required regulatory approvals, including the approvals of the TSX Venture Exchange; and
- (4) the approval of the shareholders of Explorator.

Overall, we are very pleased with this news, and believe that, if completed, this agreement will help the company unlock the value of its projects. Our discussion with management indicated that the company will continue to seek new projects (especially gold-copper projects) in Chile to add to its portfolio.

Revised Valuation – Our previous valuation on the company was \$1.03 per share. As the proposed sale price is 82% below our fair value estimate, our valuation will drop to \$0.84 per share, if and when the sale is completed. Although our valuation dropped due to this agreement, investors should keep in mind that the deal gives EXO additional benefits (the three points listed above) that our valuation model does not really capture. **We reiterate our BUY rating, and lower our fair value from \$1.03 per share to \$0.84 per share. (Risk 5: Highly Speculative).**

Fundamental Research Corp. Equity Rating Scale:

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

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

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

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

Fundamental Research Corp. Risk Rating Scale:

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

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

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

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

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

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