

IRI SEPARATION TECHNOLOGIES INC. (\$0.05; IRI: TSX-V)

Recommendation: Under Review

Target Prices: Under Review

RECENT DEVELOPMENT: COMPANY PLACED "UNDER REVIEW"

IRI Separation Technologies is a Vancouver-based biotechnology company that has developed a proprietary method for extracting proteins, known as immunoglobulin (antibodies), from liquids such as egg yolk. The Company's process results in higher quantities and greater purity levels at a cost cheaper than conventional processes.

Commercial Launch

eResearch last reported on IRI in an Analyst Commentary dated July 8, 2008. At the time, we noted that the Company's commercial launch of its key immune-boosting product was three months behind schedule.

That launch still has not gained momentum, as only minimal sales have been made so far.

Egg-Breaking Facility

We also commented that the Company was ceasing operations at its low-margin egg-breaking facility in an effort to conserve capital and save costs. Since the Company indicated that it is able to source egg yolk elsewhere, we expected that the facility would be sold.

That sale still has not occurred.

Financing

One week after our Analyst Commentary was published, IRI announced a private placement consisting of a minimum of 4,000,000 units and a maximum of 7,333,333 units at \$0.15 per unit. Gross proceeds would be between \$600,000 and \$1,100,000. Warrants attached to the units would be exercisable at \$0.30 per share and would expire in 18 months.

That private placement still has not occurred.

At the same time, the Company also offered, on the same terms as the private placement, up to 2,200,000 units on a non-brokered basis to provide maximum gross proceeds of \$330,000.

COMMENT: *In our July 8 Analyst Commentary, we stated: "In our opinion, the successful completion of the current financing efforts plus the likelihood of a follow-on capital raise later this year are critical to the future of the Company."*

The financing efforts have been going on for more than five weeks. Given that the summer months are traditionally slow, and couple that with the adverse capital markets in general, and we have some concern about the outcome of the private placement efforts. If the market does not improve in September, there is a real risk that IRI will not be able to raise sufficient funds to carry out its operating plan.

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Conclusion

As a consequence, we are placing the shares of IRI Separation Technologies “Under Review” pending the outcome of the Company’s financing initiative.

RATINGS HISTORY

Date	Report Type	Recommendation	Stock Price	Target Price
Nov. 15, 2006	Initiating	Speculative Buy	\$0.93	\$1.45
Mar. 31, 2008	Update	No Change	\$0.19	\$0.45 (Lowered)
July 8, 2008	Commentary	No Change	\$0.14	\$0.30 (Lowered)
Aug. 25, 2008	Bulletin	Under Review	\$0.05	Under Review

High-Low Since Initiating: \$1.30-\$0.05

NOTE: eResearch reports on IRI Separation Technologies Inc. and other companies are available FREE on our website at www.eresearch.ca.

Analysts

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