

Initiating Report

October 20, 2008

KOLA MINING CORP.
 (\$0.11, TSX-V: KM, FRANKFURT: C8M)

Recommendation

Speculative Buy

Risk

High

Target Price

Temporarily Withdrawn
 See Page 3

Price (Oct 17)

\$0.11

52-Week Range

\$1.29 - \$0.06

Shares O/S

80.89 million

Market Cap

\$8.9 million

Average Daily Volume

50 day: 34,100
 200 day: 56,000

Year-End

May 31

C\$	BVPS	EPS
2006A	\$0.13	(\$0.10)
2007A	\$0.21	(\$0.09)
2008A	\$0.44	(\$0.08)
2009E	\$0.36	(\$0.05)

BVPS: Book Value Per Share
 ESP: Earnings Per Share

Analysts

Eric Eng, B.A. MBA
 Bob Weir, B.Sc., B. Comm, CFA



Data Source: www.BigCharts.com

UPFRONT

Milestones ahead: Scoping study in Q4/2008, feasibility study in 2009, and limited production at a rate not less than 300,000 tonnes of ore per annum and no later than December 31, 2011. Successfully meeting these targets should continually increase investors' interest and the Company's share price.

RECOMMENDATION

We recommend Kola Mining Corporation ("Kola" or the "Company") as a Speculative Buy for long-term risk-tolerant investors. However, due to the extreme volatility currently being experienced in the capital markets, until the investment environment stabilizes, we are not providing a 12-month Target Price. (see "Target Price" page 3.)

PROFILE

Kola Mining Corporation is engaged in the exploration and development of precious and base mineral properties in Russia and Central Asia. Kola's primary focus is on the nickel-copper Souker project in the Kola Peninsula, Russia.

HIGHLIGHTS

- Souker project is located in the Kola region - the second largest region in Russia in terms of known nickel-copper ores deposits.
- NI 43-101 Technical Report on Souker - produced on July 25, 2008 and amended on August 20, 2008 – reports resource estimates comprising over 1.97 billion lbs (898,000 tonnes) of nickel (Indicated and Inferred) and 478 million lbs (218,000 tonnes) of copper (Indicated and Inferred).
- Over \$28 million has been raised to date for acquisition and exploration activities, of which \$10 million was issued in July 2008 and arranged by a financing group based in Moscow.
- Scoping and feasibility studies are expected to be completed by the end of 2008 and 2009, respectively; Souker must be in limited production by the end of 2011.
- Management team is led by Igor Kovarsky, who has over 25 years of experience in construction and mineral sectors in Russia and internationally.

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TARGET PRICE

The current environment for junior mining exploration equities is extremely challenging. Stock prices for many companies have been savaged, and now no longer reflect the inherent value of these companies.

In this respect, we are no longer setting specified Target Prices for junior mining companies. Instead, we are providing the intrinsic value that we have calculated using our stated assumptions concerning the exploration and/or development activities being conducted.

For Kola, we have derived the following intrinsic values using two valuation methodologies:

- Peer Comparison (Property Valuation): \$0.44 per share
- Peer Comparison (Enterprise Valuation): \$0.40 per share

Derivation and explanation of these parameters are set out in “Valuation” on page 15.

THE COMPANY

Kola Mining Corporation, headquartered in Vancouver, British Columbia (Canada), engages in the acquisition, exploration, and development of mineral properties in Russia, Kazakhstan and Kyrgyzstan. The Company was formerly known as Centrasia Mining Corp. and changed its name to Kola Mining Corporation in March 2008. The Company has operating offices in Apatity (Russia), Bishkek (Kyrgyzstan), and Almaty (Kazakhstan).

PROPERTY SUMMARY

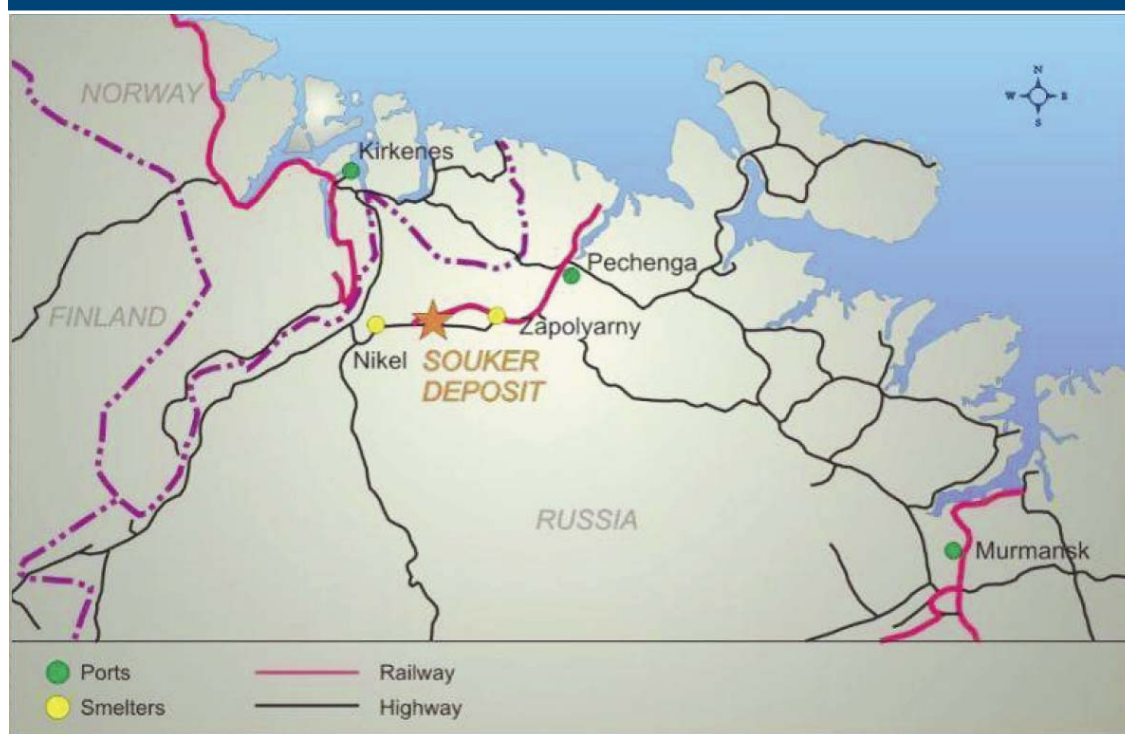
Kola holds interests in the following properties, which are summarized in the following table:

NAME	Location	License ownership	Size	Minerals
Souker Property	Russia	100%	1.6 square km	Nickel-copper
Tsaga and Uleeta Properties	Russia	100%	n/a	Nickel-copper
Bulakashu Property	Kyrgyzstan	100%	240 square km	Gold-copper
Eastern Sary Jaz Property	Kyrgyzstan	100%	912 square km	Gold

The Company is currently focused on developing the Souker project, with a goal to bring it into a limited production by the end of 2011. A detailed description of all properties is contained in Appendix 2, page 19.

The Souker Project

Figure 1: Souker Project



Source: The Company

The Company acquired a 100% interest in the exploration license on the Souker property (nickel-copper) and the Uleeta and Tsaga (nickel-copper) properties (collectively the “Russian Properties”) for initial payments of US\$6 million and 12.5 million shares of Kola.

At the time of the purchase, Souker had historic Soviet-classified C2 and P1 resources, which indicated an exploration target of between 11 million tonnes and 179 million tonnes grading 0.38%-0.65% nickel and 0.13%-0.29% copper.

In June 2008, an NI 43-101 compliant resource report was produced on the Souker property, which is reported to contain a resource of 1.97 billion lbs (898,000 tonnes) of nickel. The Technical Report, prepared by SRK Consulting (Canada) Inc., was filed on July 25, 2008, amended on August 20, 2008, with results being shown in the table below:

Resource Classification	Quantity (million tonnes)	Nickel %	Copper %	Nickel (million lbs)	Copper (million lbs)
Indicated	103	0.26	0.06	590	132
Inferred	261	0.24	0.06	1,387	346

Source: Company

The NI 43-101 compliant resource estimate is a positive development for Kola, as some investors are wary of Soviet resource estimate methodology. A metallurgical test-work program at Kola Mining and Metallurgical Institute in Apatity is ongoing, with an additional metallurgical program to begin shortly to optimize nickel concentrate grade and recovery.

The Company is expected to complete a scoping study on Souker in Q4/2008 and a feasibility study by the end of 2009. Currently, the Company holds a license to explore, develop and extract minerals from the licensed area of 1.6 square km. The Souker License is valid until December 15, 2030. Under the license agreement, the Company must commence a limited production at a rate of no less than 300,000 tonnes of ore per annum and no later than December 31, 2011.

For a detailed description of the Souker property, see Appendix 2, page 19.

MINING IN RUSSIA

Russia is one of the world's most important countries for energy and metals markets with 27% of the world's gas reserves (the largest), 173 billion tons of coal deposits (second-largest), 60 billion barrels of proven oil reserves (eighth-largest), and 10% of the world's nickel reserves (the third-largest).

Since the collapse of the Soviet Union, Russia has gone through significant changes with its legal, financial and business practices, from a state-controlled system to a quasi-private enterprise mode with some degree of state intervention. With these changes, Russia has been open to foreign direct investment (FDI) as the country (especially the energy and mining sectors) is desperately in need of capital to maximize production and improve productivity.

The Asian crisis in 1997, followed by the Russian financial crisis in 1998, led to a significant decline in world commodity prices, and countries such as Russia that heavily relied on the export of raw material, such as oil, natural gas and nickel, were among the most severely impacted. Since 2003, Russia has experienced a period of political stability under Vladimir Putin. The country has tried to improve its legal and financial systems in the hope that it could attract more FDI yet retain its control (the state control) over the energy sector. This is expected to continue under Dmitry Medvedev, who recently succeeded Vladimir Putin as President.

Despite some improvement, investment risk in the mining sector in Russia remains high. Following the 2006 Yukos Oil Company incident, the 2007 Gazprom and Ukraine dispute, and the recent ownership issue between TNK-BP and the Russian government, concerns about state intervention run high. Western mining houses remain wary of Russia-specific risk, such as a complex legal and regulatory regime. The federal licensing and privatization process in Russia remains complex and often creates uncertainties with respect to project planning, environmental and social costs, and ownership issues.

In Russia, all rights related to in-situ mineral resources belong to the state, with mineral licenses granted to companies under certain conditions and strict procedures. These licenses specify the quantity and quality of resources that can be mined within a project's fixed period of time. In some cases, if a license holder does not meet requirements specified in the license such as production date and level, it may lose its license. Licenses for geological exploration are granted for only five years while an actual mining license is 20 years (25 years for a combined license (Kola has a combined license)).

COMMENT: *A mining company in Russia does not have either surface rights or sub-surface assets; it only has a government license to exploit the deposits, and a renewal of the license is not automatic.*

Major considerations for investment in the mining sector in Russia are as follows:

1. Opportunities:

- Good exploration potential with opportunities for high returns;
- One of the largest natural resource-rich countries in the world;
- Opportunities for foreign junior-mining companies to joint ventures with Russian companies;
- Robust macroeconomic environments, substantial foreign reserves;
- Attractive domestic market with high-quality and low-cost human resources; and
- Tax regimes providing cushion in case of revenues and production declining.

2. Concerns:

- Complex bureaucracy;
- Increased state intervention and inconsistent legislation and regulations (ownership dispute);
- Russian banking sector remains dominated by state-owned and state-controlled institutions;
- Arbitrary social costs through a complex tax system with a relatively high production tax rate;
- Administrative barriers that may delay the licensing and permit process;
- Resource and reserve estimates are different from NI 43-101 or JORC; and
- Capital movements, although improve, remain relatively restricted.

Major Canadian Mining Companies Operating in Russia

Barrick Gold Corporation

The Group's principal activities are to explore, develop and produce gold in Canada, the United States, Australia, Peru, Tanzania, Chile, Argentina, and Russia. Its investment in Russia is through a 10% interest in Highland Gold Mining Ltd.

Bema Gold Corporation (owned by Kinross Gold Corporation)

This company owns two major mines in Siberia, Russia - Kupol gold mine and the Julietta gold mine.

CanBaiKal Resources Inc.

This is an oil and gas exploration company, which owns properties (the Kulun and Untygei) in the Khanty-Mansiysk region in Siberia.

High River Gold Mines Ltd.

High River Gold Mines owns two open-pit gold mines - the Taparko-Bouroum Gold Mine in Burkina Faso and the Berezitovy Gold Mine in Russia. In addition, the company has two advanced exploration projects, the Bissa Gold Project in Burkina Faso and the Prognoz Silver Project in Russia.

THE NICKEL MARKET

Historical Price



Source: Global InfoMine

Like other commodities, nickel prices are volatile in nature, very much influenced by supply/demand conditions and, to some degree, speculation. In the 1990s, nickel supply was boosted by the flow of nickel exports from the former Soviet bloc, as the Soviet Union collapsed. Faced with oversupply or low demand, nickel producers sought to improve profit margins by increasing productivity through technical innovation, logistics and work reforms.

However, one important component of nickel production is the cost of energy, which accounts for 20%-25% of the total cost and is beyond the producers' control. In the period of low energy prices from the late 1970s to the early 2000s, producers actively developed nickel laterites, an oxide form rather than a sulphide, which are naturally abundant and require more energy to produce. Demand for nickel was negatively impacted by the 1982 economic recession, the 1997 Asian crisis, and the 2001 economic recession. As a result of the above factors, nickel prices were depressed at or below the US\$5/lb level for a long period prior to 2003.

From 2003 to mid-2007, nickel prices skyrocketed to a record level of almost US\$25/lb. This phenomenon reflected the following:

- Slow growth of nickel supply, as nickel inventories fell sharply. The London Metal Exchange (LME) nickel stock fell from 36,000 tonnes at January 2006 to below 10,000 tonnes by August 2006 and remained at this level until July 2007. The nickel production shortfall in 2005 was approximately 70,000 tonnes and over 40,000 tonnes in 2006 (source: Norilsk Nickel);
- Massive growth in Chinese consumption of nickel, as production of stainless steel increased significantly (stainless steel and alloys accounts for 87% of nickel consumption). In this period, the world's economy also witnessed strong demand growth for stainless steel from North America, Europe and Japan; and
- The role of hedge funds and large institutional traders, as these institutions played a significant role in triggering a short squeeze on the futures markets. According to MMC Norilsk Nickel, the spike in nickel prices was also caused by institutional traders who were caught with open bets on lower prices and then were forced to cover by purchasing the metal.

Starting in mid-2007, nickel prices began a sharp decline from US\$25/lb to the US\$10/lb level. This downward trend reflects rising nickel production, largely from Canada, Australia, and New Caledonia. Also, as a result of high nickel prices, stainless steel production fell by 17% in Q3/2007 (Deutsche Bank), which lowered demand for nickel. The nickel stock at the LME started moving up, reaching 50,000 tonnes by April 2008. Stainless steel producers, including China, Japan, and South Korea, started making investments in new technologies. Some steel producers used nickel free stainless steel, known as the 400 series, further driving down demand for nickel.

Supply/Demand

Strong world economic growth from 2003 to 2007 increased demand for stainless steel production which, in turn, encouraged nickel production and capital investment in new nickel production capacity. In 2007, the world's primary nickel production was 24% higher than in 2002. Substantial capital expenditures were committed in Russia, China, Norway, Australia and New Caledonia.

(a) Production by Country (Supply)

Mine Nickel Production by Country								
(Tonnes)	2002	2003	2004	2005	2006	2007	2007%	CAGR
Russia	310,000	330,000	315,000	315,000	320,000	322,000	19%	0.8%
Canada	178,338	180,000	187,000	196,000	233,000	258,000	16%	7.7%
Indonesia	122,000	120,000	133,000	140,000	185,000	180,000	11%	8.1%
Australia	211,000	220,000	178,000	210,000	140,000	145,000	9%	-7.2%
New Caledonia	99,650	120,000	118,000	122,000	103,000	119,000	7%	3.6%
Colombia	58,196	65,000	75,000	72,500	94,100	99,500	6%	11.3%
China	54,500	56,000	64,000	71,000	82,100	80,000	5%	8.0%
Brazil	45,029	46,000	45,200	46,000	82,500	75,300	5%	10.8%
Rest of the World	261,287	263,000	284,800	327,500	340,300	381,200	23%	7.8%
	1,340,000	1,400,000	1,400,000	1,500,000	1,580,000	1,660,000	100%	4.4%

Source: USGS (US Geological Survey)

CAGR = compound annual growth rate

World's Top 5 Producers	Location	Market Share (%) (estimate)
Norilsk Nickel	Russia	18%
Companhia Vale do Rio Does (CVRD)	Canada, UK, Japan, Indonesia	17%
BHP Billiton	Australia, Colombia	11%
Xstrata	Canada, Dominican Republic	9%
Jinchuan	China	8%
Rest of World		37%
Total		100%

(Source: CRU Group)

Nickel production from Russia remains relatively stable at the low 300,000-tonne level. However, Russia remains the largest nickel supply country, accounting for 19% of global 2007 production. Production from Canada increased by 45% to 258,000 tonnes between 2002 and 2007, with a CAGR of 7.7%. This made Canada the world's second-largest producing country (fourth-largest in 2002). According to the CRU (an independent consultant group focused on mining and metals), supply over the next few years should keep up with demand growth. Existing nickel projects should provide an increase in production capacity by approximately 370,000 tonnes per year (tpy) by 2012, net of replacement. This reflects increases in the number of current laterite projects in primarily Australia, Indonesia and New Caledonia.

(b) Consumption (Demand)

Nickel market	
Stainless steel	65%
Other alloys	22%
Electroplating	8%
Chemicals	5%
Total	100%

Source: Basemetals.com

Demand by Region							
(Thousands of Tonnes)	2005	2006	2007	2008	2009	2010	CAGR
China	195	249	311	380	422	486	20.0%
% of global demand	15.4%	19.4%	21.8%	24.2%	25.5%	27.2%	
USA	135	142	151	153	154	155	2.8%
% of global demand	10.7%	11.0%	10.6%	9.7%	9.3%	8.7%	
European Region	410	349	433	455	472	498	4.0%
% of global demand	32.4%	27.1%	30.3%	29.0%	28.5%	27.9%	
Rest of World	524	546	534	583	610	647	4.3%
% of global demand	41.5%	42.5%	37.4%	37.1%	36.8%	36.2%	
Total	1,264	1,286	1,429	1,571	1,658	1,786	7.2%
Demand Growth (YOY)		1.74%	11.12%	9.94%	5.54%	7.72%	

Source: Deutsche Bank AG/London/Brook Hunt YOY = year over year

Stainless steel and alloys are the main sources of nickel consumption. The demand for stainless steel has increased significantly over the past decade, due to rapid industrialization in countries such as China, Russia and India. China is responsible for the highest increase in nickel consumption, with a CAGR of 50% in the 2002-2006 period. Since 2002, the world's demand for nickel has grown at the rate of 10% per year (The Economics of Nickel, 11th Edition 2006, reported by Roskill Information Services).

China is expected to remain a leader in demand growth with an annual growth rate of 20% over the 2005-2010 period: an additional 175,000 tonnes will be required in 2010 over 2007 consumption. Deutsche Bank forecasts an increase in global nickel demand by an average of 7.7% per annum for the next three years, with an additional amount of 293,000 tonnes being required in 2010. The CRU forecasts additional consumption of 355,000 tonnes by 2011.

3. Outlook

Supply and Demand Outlook

(Thousands of Tonnes)	2005	2006	2007	2008E	2009E	2010E	CAGR
World Refined Demand	1,264	1,286	1,429	1,571	1,658	1,786	7.2%
World Refine Supply	1,288	1,361	1,463	1,542	1,674	1,809	7.0%
Supply Excess / (Shortfall)	24	75	34	(29)	16	23	

(E = estimated)

Source: Deutsche Bank AG/London/Brook Hunt

Having assessed global nickel supply/demand conditions, and having taken into account existing nickel projects that are highly likely to be in operation over the next five years, we predict the following trends in the nickel market:

- China will continue to be a major source of consumption; however, countries such as India, Russia and Brazil should add to demand growth, reflecting increasing demand for stainless steel and alloys in these countries.
- China and other major industrialized countries will continue to look for alternatives such as non-nickel stainless steels.
- Nickel production from laterite ores will continue to increase. However, costs will increase, reflecting higher energy prices. This will close the gap in production costs between laterite and sulphide.

- Supply should keep pace with demand growth over the next five years, assuming all major nickel projects to be completed and brought into preproduction as expected (the Koniambo project in New Caledonia is expected to be in production in 2010 with total production of 35 thousand tonnes, increasing to 100 thousand tonnes per year in 2011);
- However, any disruption in major nickel producing mines or delays in current nickel projects could create a short-term situation where demand would outpace supply. Should this happen, we may see the nickel price rise sharply, as traders and speculators in commodities have become major players in influencing short-term prices.
- The long-term nickel price should reflect supply/demand conditions. However, costs of nickel production have increased. As a result, we do not foresee the long-term nickel price returning to the US\$5/lb level. We believe a \$10/lb-\$15/lb range is more likely to be the case for the next five years.

INVESTMENT CONSIDERATIONS

(1) Strengths

- The Company has an experienced management team led by Igor A. Kovarsky (President and CEO), who has over 25 years in the construction and mineral sectors in Russia and internationally; and Cary Pinkowski (Chairman), who has 15 years of mining-sector experience as an investment banker. Mr. Kovarsky was a pioneering mine developer in the former Soviet Union and Mongolia. His record includes: (i) was instrumental in bringing Boroo Mine into production; and (ii) played a key role in the acquisition, feasibility work, and successful development of the Kumtor gold mine in Kyrgyzstan.
- The Souker project is reported to contain an NI 43-101 compliant resource of 898,000 tonnes of nickel (1.977 billion pounds), with (i) an indicated resource totalling 103 million tonnes grading 0.26% nickel (590 million lbs of nickel) and 0.06% copper (132 million lbs of copper); and (ii) an inferred resource of 261 million tonnes grading 0.24% nickel (1.38 million lbs of nickel) and 0.06% copper (346 million lbs of copper).
- The Souker project is expected to be a low cost mining, reflecting the following factors: (i) The ore body has either no or only shallow overburden; (ii) The geometry of the ore body enables a pit design with a low stripping ratio; and (iii) The mineralization in the deposit is uniform.
- The Souker property is located in the Kola Peninsula, northwest Russia - one of Russia's major nickel-producing regions. The existing infrastructure surrounding the Souker property is considered to be strong with access from the north via the Nickel-Zapolyarny motorway and via the Nickel-Murmansk railway, and thus, reducing costs, timing, and uncertainties associated with building new infrastructure on the property.
- The Company has raised approximately \$28 million to date by issuing new shares through private placements and long-term debt financing, with the latest raise of \$10 million being completed in July 2008.
- Kola is on schedule to complete a scoping study in Q4/2008 and a feasibility study in 2009.
- When we compare Souker with other similar projects - Kevitsa (Scandinavian Minerals), Santa Rita (Mirabela Nickel), Kuusilampi and Kolmisoppi (Talviaara Mining), we believe the Enterprise Value per Pound of Nickel for Kola is undervalued (currently at \$0.012) and there is potential for this ratio to move up to group average (\$.20) once a feasibility study is completed (see Valuation, page 15).

(2) Challenges

- Further exploration activities and substantial capital expenditures are required over the next few years to complete a feasibility study in 2009 and commence a limited production by the end of 2011. Capital expenditures are estimated to be between \$12-\$15 million for the next 12 months (estimated by eResearch). After a feasibility study is completed, eResearch believes that much more capital expenditures will be required to for the pre-production stage.
- Future financing of required capital expenditures may be a challenge, given the currently tight credit market and the volatility of commodity prices. Any prolonged downward trend in commodity prices would be expected to extend the current reduction in investors' interest in the mining industry which, in turn, could restrict the Company's access to the capital market.
- The mining industry is facing increasing operating costs (cash burn rate) and material costs, which could result in higher project costs than previously estimated.
- Investment in Russia exposes the Company to Russia's specific risk (see Mining in Russia, page 5).
- The Souker license provides that Kola must submit a resource calculation to the government for approval no later than December 31, 2009, and commence a limited production at a rate of no less than 300,000 tonnes of ore and no later than December 31, 2011.

FINANCIAL REVIEW & OUTLOOK

Financial Year-End: May 31

Revenues: The Company currently generates no revenues. The Souker project is expected to generate revenues and cash flows after it goes into production stage by the end of 2011.

Cash and Marketable Securities: With the \$10 million private placement through the issuance of common shares in July 2008, we estimate (based on the operating burn rate and the capital spending rate) the outstanding cash balance at the end of September 2008 to be approximately \$7.0 million.

Burn Rate: The average monthly operating burn rate for the 12 months ending May 30, 2008 was \$200,000, a significant increase from 2007 due to increases in exploration activities on the Souker project and ongoing corporate costs as a public reporting TSX-V listed company.

Capital Expenditures: Capex of \$5.6 million, largely related to the Souker project, were recorded for the 12 months ending May 30, 2008, yielding the burn rate for the period at \$470,000 per month. This excludes the acquisition of Russian properties of \$6.6 million (net of cash).

The Company is expected to spend approximately \$12 to \$15 million (our estimate) in capital expenditures to complete its exploration program on the Souker project and to have a resource calculation submitted to the government for approval by the end of 2009.

Financing: To date, the Company's capex has been financed with a mix of equity through private placements and debt through bond issuances. In fiscal 2008, Kola received cash proceeds of \$12.6 million through a private placement by issuing 10.5 million units. In June 2008, the Company issued 33,333,334 units through a private placement for \$10 million. In conjunction with the 2007 acquisition of the Souker property, the Company issued approximately \$6.83 million in debt, of which \$5.1 million was paid in July 2008.

The financing of the debt and the capital expenditure program over the next 24 months could present a challenge for the Company, reflecting: (1) a weak credit market, with banks and financial institutions reducing the amount of corporate loans due to weak balance sheets; (2) volatile and low nickel prices, with investors losing their appetite for the mining industry, particularly junior mining stocks; and (3) Russia-specific risk, with the West's financing houses still being reluctant to provide finance (project financing and corporate loans) to mining companies in Russia.

Despite these difficulties, financing the Souker project until its production time can be achieved due to the following factors:

1. Management has strong experience in the Russian mining industry and the Russian financial market. This is evident in the \$10 million June 2008 private placement that was arranged by a private financing group based in Moscow.
2. The issuance of long-term debt financing (US\$6.83 million) for the purpose of acquiring the Souker project in July 2007 demonstrated the market's confidence in Kola's ability to manage the Souker project and bring it into production on time.
3. The July 2008 NI 43-101 Technical Report on Souker was positive, with resource estimates of 898,000 tonnes of nickel and 218,000 tonnes of copper.
4. The Company is on schedule to complete a scoping study in Q4/2008 and a feasibility study in 2009.
5. Russian investors are becoming attracted to Russian projects and companies trading on Western Stock Exchanges such as London's AIM and Toronto's

Capital Structure:

As of October 31, 2008 (estimated by e Research)	
Total Debt	6,153,905
Total Equity	36,562,749
Total Capital (book)	42,716,654
Debt/Capital (book)	14.4%

In July 2007, in conjunction with the Souker acquisition, the Company incurred US\$6.83 million in long-term debt. The Company paid \$5.1 million in July 2008. The remaining amount is expected to be paid by July 24, 2009.

Options and Warrants

1. Options Outstanding (as of September 30, 2008)

Exercise Price	Number	Expiry Date	Comments	Potential Equity
\$1.20	75,000	December 31, 2008	Out of the money	\$90,000
\$0.20	2,235,000	September 14, 2010	In the money	\$447,000
\$1.15	200,000	February 28, 2011	Out of the money	\$230,000
\$0.73	100,000	February 17, 2011	Out of the money	\$73,000
\$0.70	585,000	September 14, 2011	Out of the money	\$409,500
\$0.73	100,000	March 14, 2012	Out of the money	\$73,000
\$1.71	200,000	May 18, 2012	Out of the money	\$342,000
\$1.20	2,605,000	July-Oct 2012	Out of the money	\$3,126,000
\$0.36	<u>3,100,000</u>	July 24, 2013	Out of the money	<u>\$1,116,000</u>
	9,200,000			\$5,906,500

2. Warrants Outstanding (as of September 30, 2008)

Exercise Price	Number	Expiry Date	Comments	Potential Equity
\$0.45	16,666,667	June 27, 2010	Out of the money	\$7,500,000
\$1.50	840,000	September 14, 2010	Out of the money	\$1,260,000
\$1.70	<u>5,350,000</u>	February 28, 2011	Out of the money	<u>\$9,095,000</u>
	22,856,667			\$17,855,000

* Stock price is \$0.11 on October 17, 2008.

COMMENT: *The December 2008 options outstanding are not likely to be exercised. From a financing perspective, we do not expect the Company to obtain a significant amount of new equity through the exercise of options and warrants over the next two years unless Kola's stock price increases significantly.*

Table 1. Selected Financial Statements

(C\$)	For Year Ended:		Estimate:	
	31-May 2006	31-May 2007	31-May 2008	31-May 2009E
Statement of Income:				
Revenue				
Operating Expenses (cash)	(859,510)	(1,272,729)	(2,443,275)	(2,500,000)
Amortization	(14,435)	(46,518)	(107,213)	(130,000)
Stock-based Compensation	(137,250)	(503,400)	(1,501,176)	(1,500,000)
Shareholder Costs	(1,542)	(4,039)	(25,944)	
Exploration Costs		(23,865)	(24,746)	(25,000)
Operating Income	(1,012,737)	(1,850,551)	(4,102,354)	(4,155,000)
Interest Income (net of expense)	7,923	42,993	133,131	50,000
Income Before Non-recurring Items	(1,004,814)	(1,807,558)	(3,969,223)	(4,105,000)
Foreign Exchange	(31,636)	(76,908)	796,849	500,000
Write-Off of Mineral Property	(133,164)	(52,361)	(3,413,851)	
Due Diligence & Other Costs	(37,053)	(99,242)		
Net Income/(Loss)	(1,206,667)	(2,036,069)	(6,586,225)	(3,605,000)
Total Shares Outstanding (S/O)	16,559,017	26,087,630	53,937,457	120,604,124
Weighted Avg. S/O	12,518,011	19,576,880	49,745,306	85,174,715
Earnings (Loss) Per Share	(\$0.10)	(\$0.09)	(0.08)	(0.05)
Statement of Cash Flow:				
Net Income (Loss)	(1,206,667)	(2,036,069)	(6,586,225)	(3,605,000)
All Non-Cash Items	284,849	602,279	4,190,634	1,130,000
Cash Flow from Operations	(921,818)	(1,433,790)	(2,395,591)	(2,475,000)
Acquisition of RPIM (net of cash)			(6,674,275)	
Capital Expenditures (Properties)	(203,988)	(395,319)	(5,676,409)	(12,000,000)
Other Investing	29,898	(405,459)	(302,835)	
Free Cash Flow	(1,095,908)	(2,234,568)	(15,049,110)	(14,475,000)
Working Capital Changes	4,594	(30,837)	(230,159)	(264,402)
Debt Financing	66,360		(539,315)	(4,792,014)
Equity Financing	2,259,078	4,589,846	13,061,441	20,000,000
Change in Cash	1,234,124	2,324,441	(2,757,143)	468,584
Cash, Beginning of the Period	22,634	1,256,758	3,581,199	824,056
Cash, End of the Period	1,256,758	3,581,199	824,056	1,292,640
Balance Sheet:				
Cash	1,256,758	3,581,199	824,056	1,292,640
Other Assets and Advances	51,305	141,287	421,318	420,000
Mineral Properties	803,386	1,491,844	40,037,414	51,882,000
Plant and Equipment	142,975	628,832	328,669	325,000
Total Assets	2,254,424	5,843,162	41,611,457	53,919,640
Account Payable	155,054	341,115	737,803	900,000
Bank Loans			71,511	71,511
Current Portion of Long-term Debt			4,792,014	0
Long-term Debt			1,290,380	1,290,380
Other long-term Liabilities			8,157,000	8,700,000
Total Liabilities	155,054	341,115	15,048,708	10,961,891
Shareholders' Equity	2,099,370	5,502,047	26,562,749	42,957,749
Total Liabilities & Equity	2,254,424	5,843,162	41,611,457	53,919,640
Book Value (S.E.) Per Share	\$0.13	\$0.21	\$0.49	\$0.36

Source: The Company and eResearch; E = Estimate

COMMENT: Operating cash flow deficits are expected to continue, as none of Kola's properties are expected to be in production until 2011. The deficits are expected to increase, reflecting rising costs in the mining industry and increased exploration activities as a result of the 2007 acquisition of the Souker property. Substantial funds are required to finance capital expenditures and cash flow deficits. However, beyond 2011, should the Souker project be brought into production as expected, we would expect significant positive free cash flows and the improvement of the equity base due to positive earnings.

VALUATION

We have valued Kola using two methodologies: (1) Peer Comparison (Property Valuation Approach) and (2) Peer Comparison (Enterprise Value per Attribute Approach).

1. Peer Comparison: Property Valuation Approach

This method determines an appropriate valuation for the shares of Kola based on:

- (1) Current and expected market value of the Company in the next 12 months;
- (2) Book value of the mineral properties of the Company compared to those of peers;
- (3) Expected capital expenditures for the Company for the next 12 months;
- (4) Debt outstanding; and
- (5) Expected number of shares to be issued to finance capital expenditures.

Our selection of peers includes the following companies:

Mirabela Nickel Ltd. (MNB: TSX; MNB: ASX)

Mirabela Nickel Ltd. (Mirabela) is an advanced-stage mineral-exploration company. The company holds a portfolio of prospective nickel and other base-metal targets in Brazil. Mirabela's lead project under development is Santa Rita - a disseminated nickel-sulphide deposit in the state of Bahia. Santa Rita is expected to be in production in 2009. The Santa Rita project is the largest nickel sulphide resource in South America. Mirabela completed a positive bankable feasibility study in June 2007 and recently obtained US\$183 million in equity financing to develop the project. Santa Rita is estimated to have a mine life of 19 years based on four million tonnes of nickel per annum.

Talvivaara Mining Company Plc. (TALV: LME)

Talvivaara Mining Company (Talvivaara) is focused on the development and commercial exploitation of two polymetallic deposits - Kuusilampi and Kolmisoppi, in Sotkamo, eastern Finland. The Talvivaara deposits comprise one of the largest known sulphide nickel resources in Europe, with 336 million tonnes of ore in Measured and Indicated categories. The mine is also expected to produce copper, zinc and cobalt as by-products of the process.

Hard Creek Nickel Corporation (HNC: TSX.V)

Hard Creek Nickel (Hard Creek) is a junior mining company based in British Columbia. Hard Creek is actively developing and exploring its 100%-owned Turnagain Nickel Project in northwest B.C., which is one of the world's largest underdeveloped nickel deposits.

Table 2. Corporate Comparison**Table 5: Corporate Comparison**

	Kola Mining KM: TSX-V Development February-08	Mirabela Nickel MNB: TSX Construction March-08	Talvivaara Mining TALV: LME Pre-production December-07	Hard Creek Nickel Corp. HNC: TSX Development March-08
(£1.00 = C\$2.0583)				
Stage				
Financial Statement Date:				
Corporate:				
Share Price (Last 50-day Average)	C\$ 0.22	C\$ 3.38	C\$ 5.16	C\$ 0.34
Shares O/S	80,887,000	127,776,000	222,900,000	60,371,000
Market Cap	C\$ 17,795,140	C\$ 431,882,880	C\$ 1,150,887,433	C\$ 20,526,140
Mineral Properties:				
Book Value (Cost) (1)	C\$ 42,658,741	C\$ 144,581,000	C\$ 259,440,000	C\$ 22,630,310
Market Value	C\$ 14,003,054	C\$ 291,334,880	C\$ 710,327,433	C\$ 10,129,784
Difference	-C\$ 28,655,687	C\$ 146,753,880	C\$ 450,887,433	-C\$ 12,500,526
Property Ratio	0.33	2.02	2.74	0.45
Average Ratio (Peers)	1.73			
Adjusted Book Value (Cost)(1)	C\$ 54,058,122			
Adjusted Property Ratio	0.43			
Selected Ratio	2.00			
Common Equity (Per Statements)	C\$ 15,748,949			
Adjusted Common Equity (Selected Ratio)(2)	C\$ 55,307,071			
Equity Per Share (Per Statements)	C\$ 0.19			
Adjusted Equity Per Share (Selected Ratio) (3)	C\$ 0.44			

Note 1: Book Value is adjusted for debt and Adjusted Book Value is adjusted for expected capital expenditures over the next 12 months less depreciation.

Note 2: Shareholders' Equity is adjusted for additional equity (estimate) issued to finance capital expenditures over the next 12 months.

Note 3: Adjusted Equity Per Share is calculated on 81 million shares O/S (July 2008) and estimated 43 million new shares to be issued within 12 months.

Source: The Company and eResearch; E = Estimate

Analysis

Kola has the lowest property ratio 0.33x. This ratio is less than the second-lowest (Hard Creek Nickel at 0.45x) and is significantly below the peer group average of 1.73x. Kola's property ratio reflects its early stage of exploration and investors' low appetite for Russia-specific risk, despite high potential returns on Souker. However, we believe that Kola's fundamentals should cause the ratio to rise once the feasibility study is completed. Kola's fundamental strengths are as follows:

1. A new NI 43-101 compliant resource estimate on Souker indicates the property contains a resource of 1.97 billion lbs (898,000 tonnes) of nickel.
2. The Company has a solid financing capability, evident by the June 2008 \$10 million equity private placement arranged by a Moscow-based financing group.
3. Kola is on schedule to complete a scoping study in Q4/2008, a feasibility study in 2009, and expected limited production by the end of 2011.

The peers are in more advanced stages than Kola, and have lower country-specific risk. Santa Rita of Mirabela is in the construction stage; and Talvivaara is in the pre-production stage. We believe that if a positive feasibility study is produced on Souker within the next 12-15 months, Kola's property ratio could approach those of Mirabela and Talvivaara of around 2.00x even after discounting for Russia-specific risk. Our expectation is based on the premise that Kola will continue to obtain necessary financing for Souker until production.

However, over the next 12 months, Kola has the challenges of achieving the designated timelines for the scoping study and the feasibility study. There is a risk that these could be delayed, or that they turn out to be less favourable than anticipated.

As a result, we believe the next 12-months property ratio of 2.00x is appropriate for Kola, which gives the Company an intrinsic value approaching \$0.44 per share. We have also set a 24-month ratio of 5.00x, which gives Kola an intrinsic value of \$1.75 per share. This assumes the scoping study and the feasibility study are delivered on time.

Peer Comparison: Enterprise Valuation Per Attribute Approach

This methodology uses the same companies as the Property Valuation Approach, and also includes Scandinavian Minerals.

(Stock Price: average of last 50 days trading, except Scandanavian Minerals)

Company	Stock Symbol	Stock Price	Shares O/S (M)	Market Cap (M)	EV (M)	Nickel (Mlbs)	Market Cap (\$)/Ni (lb)	EV (\$)/Ni (lb)
Kola Mining	KM: TSX-V	\$0.22	80.9	\$17.8	\$23.7	1,977	\$0.009	\$0.012
Scandanavian Minerals	N/A	\$9.65*	27.0	\$260.6	\$337.9	2,800	\$0.093	\$0.121
Mirabela Nickel	MNB: TSX	\$3.38	127.8	\$431.9	\$552.4	1,300	\$0.332	\$0.425
Talvivaara Mining	TALV: LME	\$5.16	222.9	\$1,150.9	\$1,310.3	2,400	\$0.480	\$0.546
Hard Creek Nickel	HNC: TSX.V	\$0.34	60.4	\$20.5	\$29.1	2,300	\$0.009	\$0.013
Peer Average						2,155	\$0.154	\$0.186

* Stock Price for Scandanavian Minerals is the acquisition price by First Quantum Minerals in June 2008

Analysis

In our EV approach, we use only resources reported for the Souker property, since other Russian properties are not material and Kola's exploration activities in Kyrgyz have been suspended. We do not calculate nickel equivalent for Kola and its peers. Resource information on nickel for Kola and the peers is based on resource estimates on the properties provided by the companies.

Kola has the lowest EV/Ni ratio in the group at \$0.012. This ratio reflects Kola's early stage of development and relatively high country-specific risk.

Hard Creek is in the development stage and has a slightly larger nickel resource estimate than Kola. However, this company is in a low-risk environment. Hard Creek's stock price is currently affected by the tough credit market in Canada but is expected to move up once a feasibility study is completed.

Scandinavian Minerals, which was acquired by First Quantum Minerals in June 2008, has the largest nickel-copper deposit in the group. However, a substantial portion of the resources is Inferred. The company requires substantial capital expenditures to reach the production stage. It is now in the feasibility-study stage, which is approximately 12-15 months ahead of Kola.

Should Kola move into this stage, its EV/Ni ratio could double to \$0.025, which would give it a market capitalization of \$50 million or approximately \$0.40 per share (assuming 43 million shares will be issued to fund \$12 million in capital expenditures over this period).

The EV/Ni Ratios for Mirabella Nickel and Talvivaara Mining reflect their near-production stages, a much further advanced stage than Souker. Kola is expected to be in the pre-production stage within 24-26 months. Although we do not expect Kola's EV/Ni ratio to reach the 50-cent level in two years, we do expect its EV/Ni ratio to increase to the 20-cent level, which would give it a total market capitalization of approximately \$400 million or \$2.00 per share (assuming 120 million shares will be issued at the current price to finance \$30 million in capital expenditures over this period).

Summary

The table below shows the results of the two methodologies presented above.

	Target Price per Share	
	12 months	24 months
Peer Comparison Methodology	\$0.44	\$1.75
Enterprise Value Per Attribute Methodology	\$0.40	\$2.00

APPENDIX 1: MANAGEMENT & DIRECTORS

Igor A. Kovarsky, President, CEO & Director

Igor Kovarsky has over 25 years of experience in the construction and mineral sectors. He previously worked for Centerra Gold Inc. as Director and VP, Government Affairs & Business Development, for Centerra's subsidiaries in Kyrgyzstan, Mongolia and in its head office in Toronto. Mr. Kovarsky's previous achievements include:

- Involved in the acquisition, feasibility work and development of the Kumtor Gold Mine in Kyrgyzstan.
- Played an active role in the acquisition of an ownership interest in the Australia gold exploration company, which led to the development of the Boroo gold mine in Mongolia.
- Played a role in Centerra Gold's public listing on the TSX in 2004.
- Worked for 15 years with various organizations in the former Soviet Union, including the Moscow regional government where he served as Chief of the Construction Department.

Oleg Kim, ph.d Geology, MBA – VP of Operation

- Involved in the development of the Kumtor Gold Deposit joint venture with Cameco.
- Chief exploration geologist at Kumtor.
- Responsible for Cameco's Central Asian exploration program.

William J. Tafuri, V.P. Exploration

William Tafuri has a Ph.D. in geology and over 30 years of diverse mining and exploration experience in precious and base metals in Russia, Kazakhstan, North America and South America. He has worked for a number of major international mining companies, including Santa Fe Pacific Gold Corporation, Kinross Gold Corporation and Getty Mining.

Nick DeMare, Chief Financial Officer

Nick DeMare has 17 years' experience in providing administrative, management and financial services to private and public companies engaged in mineral exploration and development, gold and silver production, oil and gas exploration and production, and venture capital.

Cary Pinkowski, Chairman

Cary Pinkowski has 15 years of experience in dealing with North American and European capital markets. He previously worked for Canaccord Capital Corporation as specialist in venture and natural resource company financings. Mr. Pinkowski was the founder of Entrée Gold Inc., and is currently an advisor to that company.

Douglas S. Turnbull, Director

Douglas Turnbull is a consulting geologist with over 20 years of experience in mining. He is a Qualified Professional Geoscientist, recognized by the Association of Professional Engineers and Geoscientists of British Columbia.

Grigory Aleksenko, Director

Grigory Aleksenko is the partner and co-founder of AGA Management Ltd., a Moscow-based consulting company specializing in Russian financial and M&A markets.

Leonid Oparin, Director

Leonid Oparin has over 30 years of mine development and construction experience in Russia.

Brian McEwen, Director

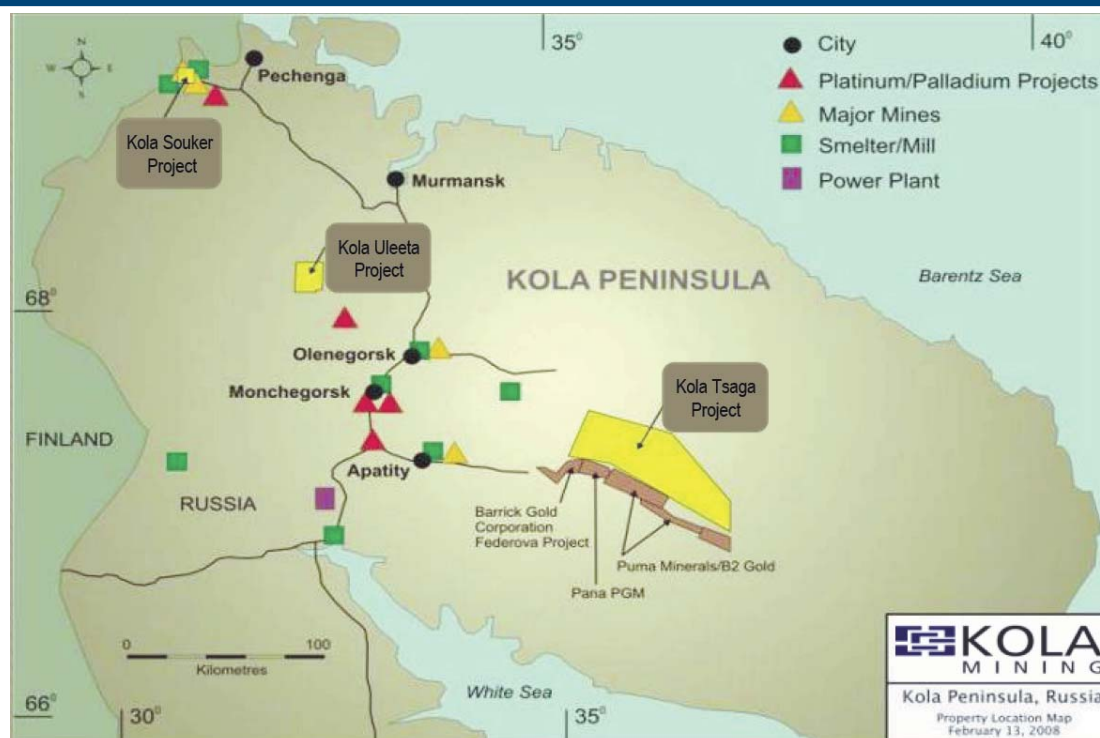
Brian McEwen has over 25 years of mineral exploration and production experience, including project management, economic evaluation and mine planning for various mining concerns throughout the world.

APPENDIX 2: PROPERTIES

1. The Souker Property

The Company acquired a 100% interest in the Souker property (nickel-copper) and the Uleeta and Tsaga (nickel-copper) properties (collectively the “Russian Properties”) for initial payments of US\$6 million and 12.5 million shares of Kola, with additional payments of US\$5.1 million (cash) to be paid in 2008 (paid) and US\$1.5 million (cash) to be paid in 2009. A fee of US\$300,000 was also paid to consultants.

Figure 2. The Souker Property



Source: Company

Background: The Souker deposit was more or less continuously explored from the period 1954 to 1982 by Soviet era exploration expeditions. All information collected during Soviet exploration programs must comply with standards imposed at the State level, and generally meet or exceed requirements imposed in Western countries.

The Soviet Geological expeditions prepared detailed reports of field investigation for the Souker deposit. These reports include detailed surface maps and cross-sections based on surface and drill hole information. A total of ninety-seven drill holes were drilled on and adjacent to the Souker deposit during Soviet times, with historical reserve based on forty-eight drill holes. Unfortunately, many of these holes were not sampled systematically, and many unassayed intervals exist in the database. The drill program completed in 2008 has targeted many of the unassayed intervals as twin holes, and serves as a basis for evaluation of the Soviet era assay quality.

At the time of Kola purchasing Souker, the property did not have an NI 43-101 compliant resource estimate. It did have historic Soviet-classified C2 and P1 resources, which indicated an exploration target of between 11 million tonnes and 179 million tonnes grading 0.38%-0.65% nickel and 0.13%-0.29% copper.

In June 2008, an NI 43-101 compliant resource report was produced on the Souker property, which is reported to contain a resource of 1.97 billion lbs (898,000 tonnes) of nickel. The Technical Report, prepared by SRK Consulting (Canada) Inc., was filed on July 25, 2008, with results being shown in the table below:

Resource Classification	Quantity (million tonnes)	Nickel %	Copper %	Nickel (million lbs)	Copper (million lbs)
Indicated	103	0.26	0.06	590	132
Inferred	261	0.24	0.06	1,387	346

Source: Company

The NI 43-101 compliant resource estimate is a positive development for Kola, as some investors are wary of Soviet resource estimate methodology. It also shows that Kola is on schedule to complete its scoping study by the end of 2008. A metallurgical test-work program at Kola Mining and Metallurgical Institute in Apatity is ongoing, with an additional metallurgical program to begin shortly to optimize nickel concentrate grade and recovery.

The Souker property is located between two smelters - the Norilsk nickel smelter (in the town of Nickel) 12 km. to the west of the property, and the locally owned smelter (in the town of Zapolyarny) 14 km. to the east of the property.

The Souker region covers 2,600 sq. km. in the Kola Peninsula, which is known to contain the second largest deposit of nickel-copper ores in Russia (after the Norilsk region in Taymyr Peninsula). There is ample electric power (three lines of 220 KV) and water (two rivers with annual flows of 42 million cubic metres) on the property. A major paved road crosses the north edge of the property. There is a rail siding within 3 km., as well as a deep-water all-seasons port at Pechenga that is only 35 km. away from the site. Solid existing infrastructure reduces costs, timing and uncertainties associated with building new infrastructure on the property.

The Company is expected to complete a scoping study on Souker in Q4/2008 and a feasibility study by 2009. Currently, the Company holds a license to explore, develop and extract minerals from the licensed area of 1.6 square km. The Souker License is valid until December 15, 2030. Under the license agreement, the Company must commence a limited production at a rate of no less than 300,000 tonnes of ore per annum and no later than December 31, 2011.

The following are major recommendations from the July 2008 Technical Report:

- Initiate additional metallurgical testwork to better assess the optimal processing methodology and metallurgical recoveries;
- Continue infill drill campaign with the objective of conversion of inferred resources to indicated resources;
- Complete TEO Konditsi Study (Russian Technical and Economic Evaluation);
- Initiate scoping study to assess project economics and schedule;
- Assess current geotechnical data and initiate additional geotechnical studies;
- Construct three dimensional geologic model for use in grade estimation in next phase of resource estimation; and
- Continue environmental baseline studies and fieldwork.

The budget for the recommended work is approximately US\$7.425 Million and is broken down as follows:

Proposed Budget for The Recommended Work Program	
Description	Proposed Budget (USD)
Drilling (25,000 metres)	6,500,000
Geotechnical Studies	1,150,000
TEO Konditsi Report	100,000
Environmental Investigation	100,000
Metallurgical Test work	125,000
Scoping study	100,000
Total	<u>7,425,000</u>

Source: Technical Report on Souker

2. Tsaga and Uleenta Properties: Nickel-Copper-Platinum (Russia)

These two properties are located in the Kola Peninsula and were acquired together with the Souker property. The two properties are in an early stage of exploration, with limited historic surface sampling being done. Tsaga and Uleenta have potential for sulphide mineralization. Total capital expenditures on these properties were approximately \$737,548 in the fiscal year ended May 31, 2008.

3. Bulakashu Project: Gold-Copper (Republic of Kyrgyzstan)

The Bulakashu property covers approximately 240 square kilometres of the Bulakasheen Mining District in the Republic of Kyrgyzstan. This district is known to contain a highly mineralized but relatively unexplored area of the Kyrgyz Kungey mineral belt, one of the major mineralized belts of Kyrgyzstan. The property is 120 kilometres southwest of Bishkek. The eastern edge of the property is traversed by a major paved transportation route (highway M41) and a 35-kilovolt power line. Elevation on the property ranges from 2,500 metres to 3,800 metres. Snow may come as early as November and stay on the ground, at the lower elevations, until May.

The Company acquired claims on this property for \$1.26 million and incurred \$1.77 million in exploration expenditures as of February 2008. Kola previously held a 37.5% interest in this property and now holds 100% after issuing 375,000 common shares of Kola to Kantanna Company Limited (owned by a director of Kola). Kantanna agreed to forgo \$1.89 million of a remaining expenditures commitment, to allow Kola to acquire the remaining 62.5% interest. Extensive exploration activities were carried out on the property up until the end of summer 2007.

A total of 850 samples were collected in the 2006 exploration program, with assays ranging from zero to 4.5% Cu and up to 37.7 g/t Au. The October 2006 drill results from 81 samples indicated positive development as follows:

- 4 samples assayed greater than 5.0 g/t gold;
- 32 samples assayed greater than 1.0 g/t gold; and
- 22 of the 48 samples assayed greater than 100 ppm copper.

The 2007 drill program was completed at the end of October, with a total of 4,405 metres of the proposed 6,000-metre program completed in 19 holes. Assays results were received for three holes (results for the remaining holes are pending). Results from the three holes indicated gold mineralization quartz-sericite-pyrite (QSP) alteration, with gold values ranging from 0.14 g/t up to 37.7 g/t in QSP altered greenstones.

As of May 31, 2008, the Company recorded a \$2.98 million write-off of acquisition and exploration costs on the property.

4. Eastern Sary Project: Gold (Republic of Kyrgyzstan)

In 2007, Kola acquired exploration licenses on the Eastern Sary Jaz property, located in the north-eastern region of the Kyrgyz Republic. An exploration program was carried out in 2006. After the acquisition, Kola conducted a follow-up program consisting of surface prospecting and mapping.

As of May 31, 2008, the Company recorded a \$428,158 write-off of acquisition and exploration costs on the property.

NOTE: *During fiscal 2008, due to a legal dispute regarding the ownership of the Company's Kyrgyz subsidiary, the Company suspended all exploration activities in Kyrgyzstan. In September 2008, the Company reported that the Bishkek Inter District Court of the Kyrgyz Republic lifted all restrictions on the Company's Kyrgyz subsidiary's assets, licenses and accounts. This is a positive development for Kola Mining Corporation as the Company can continue to carry on its exploration activities as planned without a substantial delay.*

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Each Research Analyst who was involved in the preparation of this Research Report hereby certifies that: (1) the views, opinions, and recommendations expressed in this Research Report reflect accurately the Research Analyst's personal views concerning any and all securities and issuers that are discussed herein and are the subject matter of this Research Report; and (2) the fees, earnings, or compensation, in any form, payable to the Research Analyst, is not and will not, directly or indirectly, be related to the specific views, opinions, and recommendations expressed by the Research Analyst in this Research Report.

eResearch analysts on this report: **Eric Eng, BA (Acct., Econ.), MBA** - Eric Eng worked at DBRS as a Analyst/Vice President for 10 years. He obtained a BA in Accounting and Economics and a MBA in Finance at the University of Toronto. He joined eResearch in January 2008.

Bob Weir, B. Comm, B.Sc., CFA. - Bob Weir has 40 years of investment research and analytical experience in both the equity and fixed-income sectors, and in the commercial real estate industry. He was at Dominion Bond Rating Service (DBRS) from 1994 to 2001, latterly as Executive Vice-President responsible for conducting the day-to-day management affairs of the company. He joined eResearch in 2004.

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Buy:	Expected total return within the next 12 months is between 10% and 40%.
Speculative Buy:	Expected total return within the next 12 months is substantial, but Risk is High (see below).
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Sell:	Expected total return within the next 12 months is negative.

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Medium Risk:	<i>Financial</i> - Several years of revenue and positive earnings, balance sheet in line with industry average, positive free cash flow, adequate working capital solvency, may or may not pay a dividend. <i>Operational</i> - Competitive market position and cost structure, industry stable, business model/technology is well established and consistent with current state of industry
Low Risk:	<i>Financial</i> - Strong revenue growth and earnings over several years, stronger than average balance sheet, strong positive free cash flows, above average working capital solvency, company may pay (and stock may yield) substantial dividends or company may actively buy back stock. <i>Operational</i> - Dominant player in its market, below average cost structure, company may be a consolidator, company may have a leading market/technology position.

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