

Fundamental

Research Corp.

Investment Analysis for Intelligent Investors

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Manson Creek Resources Ltd. (TSXV: MCK) – Initial drilling on Meridian confirms mineralization beyond historical workings; New zone discovered on Molygarchy

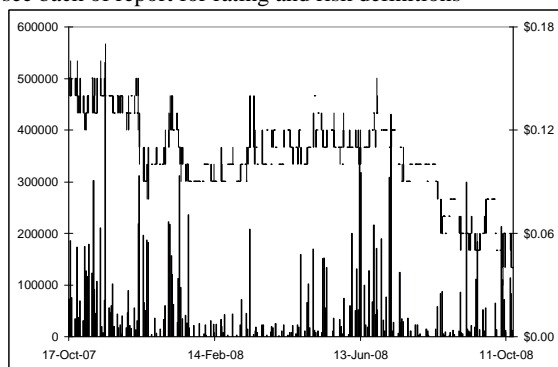
Sector/Industry: Junior Exploration

www.manson.ca

Market Data (as of October 17, 2008)

Current Price	C\$0.04
Fair Value	C\$0.15
Rating*	BUY
Risk*	5 (Highly Spec)
52 Week Range	C\$0.03 - C\$0.165
Shares O/S	42.97 mm
Market Cap	C\$1.72 mm
Current Yield	N/A
P/E (forward)	N/A
P/B	0.64
YoY Return	-73.3%
YoY TSXV	-66.7%

*see back of report for rating and risk definitions



Investment Highlights

- Manson Creek Resources Ltd. is committed to the early stage acquisition and grass roots exploration of economic mineral properties.
- The company has a diverse portfolio, with exploration programs implemented on precious metals, base metals, and uranium.
- Initial drilling on the Meridian project was successful in demonstrating that mineralization is pervasive and extends beyond historical mine workings.
- A follow up inspection of geophysical data revealed a previously undiscovered anomaly on the Molygarchy property. Prospecting of the area has resulted in the discovery of an 80 m outcrop of mineralized granite.
- Summer exploration on the Gillman property involving mapping, prospecting and sampling resulted in the discovery of five new mineralized zones.
- We maintain our BUY rating on the company with a fair value estimate of \$0.15 per share.

Risks

- Manson Creek is exposed to all risks associated with a junior exploration company
- The value of the company is dependent on the success of drilling, expansion, and determination of favorable resource estimates.

Key Financial Data (FYE - September 30) (C \$)

	2006	2007	2008 9 mo
Cash	644,112	653,021	440,357
Working Capital	609,464	655,146	318,315
Mineral Assets and Equipment	673,039	1,879,666	2,333,660
Total Assets	1,368,462	2,621,528	2,868,221
Net Loss	(436,035)	(149,620)	(97,859)
Loss per Share	(0.02)	(0.00)	(0.00)

Manson Creek Resources Ltd. is a Calgary based junior precious/base metal and uranium exploration company focusing its exploration in British Columbia, the Yukon, and Saskatchewan. The company's strategy is focused on creating shareholder value through the early acquisition and development of quality properties that have undiscovered resource potential.

**Meridian
Project**

Results of 2008 Diamond Drill Program Released

The company has released results from its 2008 summer exploration program on the 675 hectare Meridian gold – silver property located approximately 45 km south of Revelstoke, British Columbia. The company believes that large widespread mineralization is present on the property in proximity to the historic Eva Mine workings. Gold and silver mineralization on the property is associated with mesothermal quartz veins relating to regional scale faulting. The company is working towards 100% ownership on the property.

Exploration included a seven hole diamond drill program designed to test the strike and depth potential of the historical Eva Mine workings. 600 meters of mineralized strike length was successfully tested and 250 meters of additional cross cutting mineralization was confirmed. Highlights from the core drilling program are illustrated in Table 1 below:

Table 1. Meridian Project: Significant Results

Drill Hole	From (m)	To (m)	Width (m)	Grams g/t	Silver g/t
08MER-01	84.50	107.50	23.00	0.33	0.23
Includes	92.00	94.00	2.00	1.29	0.20
08MER-02	106.10	109.20	3.10	1.13	0.60
Includes	107.10	109.20	2.10	1.41	0.70
08MER-02	116.18	118.46	2.28	1.78	0.61
08MER-02	126.00	130.00	4.00	2.60	0.85
Includes	129.00	130.00	1.00	5.94	1.70
08MER-04	19.47	20.47	1.00	3.65	N/A
08MER-04	87.40	88.40	1.00	1.34	1.20
08MER-04	89.80	92.96	3.16	1.00	0.96
08MER-04	110.30	111.30	1.00	1.03	0.70
08MER-04	116.80	118.87	2.07	1.78	1.05
Includes	116.80	117.80	1.00	2.46	1.10
08MER-05	170.51	171.21	0.70	3.60	0.11
08MER-06	99.52	101.44	1.92	1.60	1.01

Source: Manson Creek Resources *Widths are downhole core length

Surface sampling was also conducted at the time of drilling to elaborate on the widespread mineralization. One grab sample in particular, collected from an outcrop located between drill setups for holes 08MER-02 and 08MER-03, assayed 194.00 g/t gold and 48.10 g/t silver. Another grab sample, collected from the exposure of the cross cutting mineralization, returned 10.60 g/t gold and 4.40 g/t silver. Significant surface sample results are summarized in Table 2.

Table 2:

Easting	Northing	Gold Grams/Tonne	Silver Grams/Tonne	Sample Details
455808	5627548	194.00	48.10	Grab Sample: Sheeted quartz veins in carbonate altered sediment
456029	5627092	10.60	4.40	Grab Sample: Silicified fault zone
456029	5627092	4.42	1.4	1.0 m Continuous Chip Sample: Silicified fault zone

Source: Manson Creek Resources

Historical sample results from the Eva mine are reported to range from 5.6 to over 30.0 g/t, rendering the assay range of 0.3 to ~6.0 g/t returned on recent samples lower than anticipated. **However, results from this initial drill program are encouraging based on their implication that mineralization is pervasive and extends beyond, but is proximal to the historical Eva Mine workings. We believe, these results warrant future exploration work to be conducted on the property.** The company will continue to delineate the scale and degree of mineralization with further drilling.

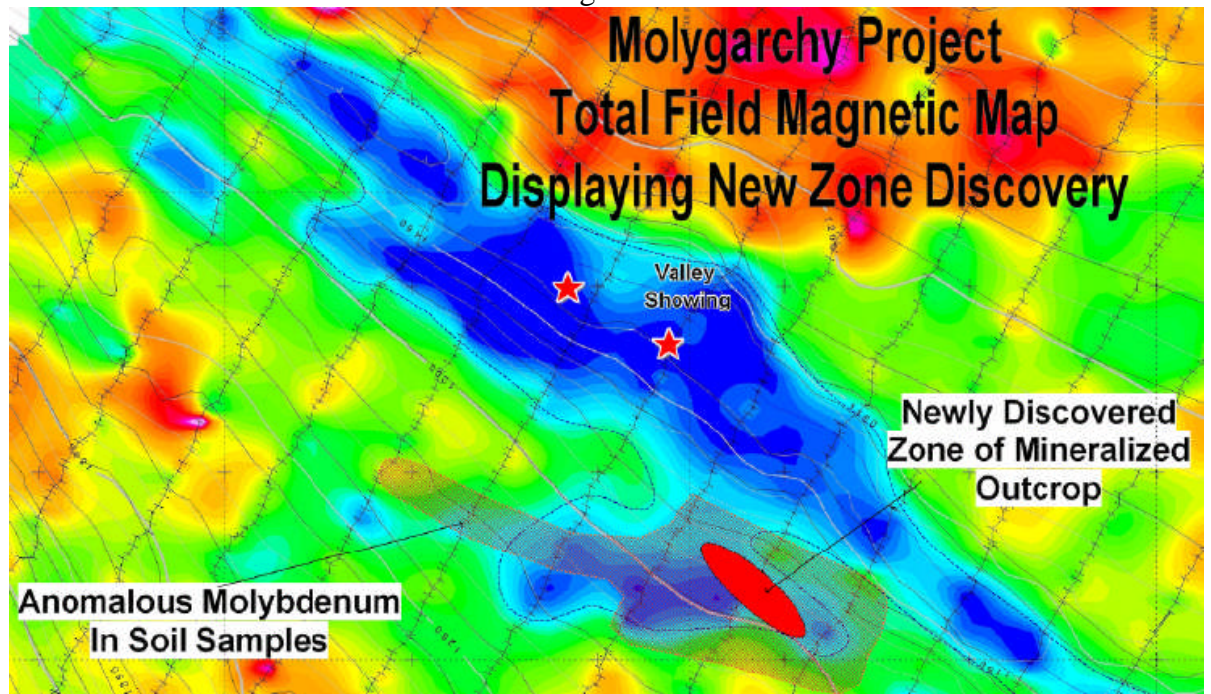
***Molygarchy
Molybdenum
Project***

New Zone Discovered on Molygarchy Molybdenum Project

Summer 2008 exploration on the Molygarchy Molybdenum property, located 40 km northeast of Whitehorse, Yukon, included geophysical surveying and soil sampling. This program defined a 1,500 m magnetic low coincident with previously identified disseminated molybdenum showings.

During a follow up on geophysical data, company personnel noted a 300 m long magnetic low trending sub-parallel to the previously identified 1,500 m main zone. Upon prospecting the anomaly, an 80 m outcrop of mineralized granite was discovered. Thirteen grab samples were collected with assay results averaging 0.024% Mo. Figure 1 shows the approximate location of the newly discovered zone and outcrop in relation to the main zone which is depicted as an elongate area of light to dark blue. The red stars indicate mineral showings discovered during the original data analysis.

Figure 1



Source: Manson Creek Resources Ltd.

In addition, a single sample collected from a 10 cm quartz vein cross cutting the main mineralized trend assayed 0.424% Mo, 55 ppb Au, 8.2 g/t Ag, and 0.031% Cu. The company has yet to fully interpret the relationship of this mineralization and possible structural control to the main zone.

The discovery of a new outcrop and interpretation of a new structural control are beneficial in adding additional prospective value to the Molygarchy property.

The company is currently planning work to follow up on the newly discovered mineralized outcrop and to uncover any potential relating to the cross cutting quartz vein.

Gillman/Silver Dollar Project

Five New Zones Discovered on Gillman property

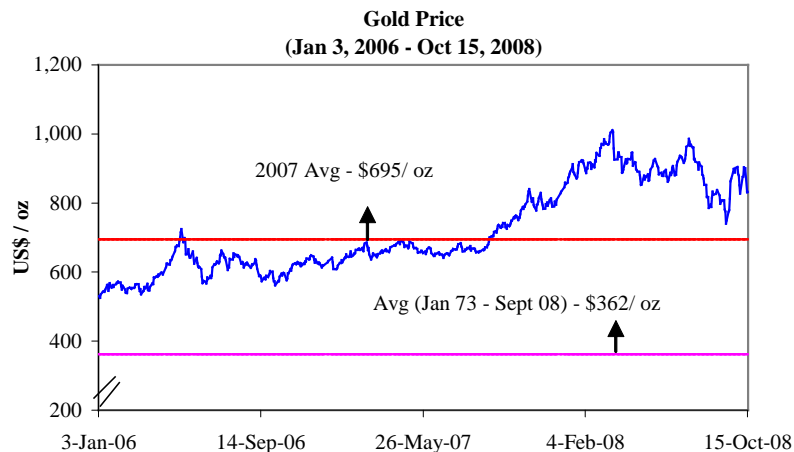
An exploration program consisting of geological mapping, prospecting and sampling, commencing in late July has resulted in the discovery of five new zones of mineralization. The company described the discoveries as “five discrete areas of strongly developed gossens.” A gossen is an iron-bearing product overlying a sulfide deposit. Formation occurs through the oxidation of sulfides and leaching-out of the sulfur and most metals leaving behind hydrated iron oxides.

These new discoveries, we believe, provide further motivation to the company as it works to move the Gillman project into a drill ready stage.

Outlook on Gold

Supply and Demand: Global demand for gold hit a record high of \$21.2 billion in Q2-2008, up 9% YOY. Global investment demand recorded the strongest growth reaching \$3.5 billion in Q2, up 29% YOY (U.S., China, Egypt and Vietnam were the major contributors). However, as a result of higher gold prices and increased volatility, total identifiable global demand in terms of tonnage dropped by 19% YOY, from 906 tonnes to 736 tonnes, as jewelry consumption which accounted for 69% of the total demand in Q2-2008, dropped by 24% YOY.

The following chart shows gold prices since January 2006. Gold is currently trading at about US\$795/oz.

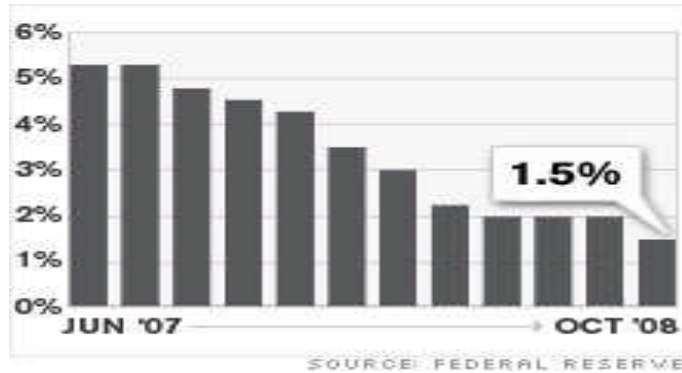


Source: KITCO and FRC

Going forward we expect jewelry demand to stay soft for the next 6 to 12 months primarily because we expect prices to be volatile during due to the uncertainties in the direction of the global economy. We expect jewelry demand to increase as prices stabilize. Although supply-demand fundamentals do not look very favorable for gold prices, we believe high gold production costs (although we expect costs to moderate due to the expected drop in labor, materials and fuel costs, we believe they will be well above historic averages) and the following macro economic conditions will keep prices high in the short-term.

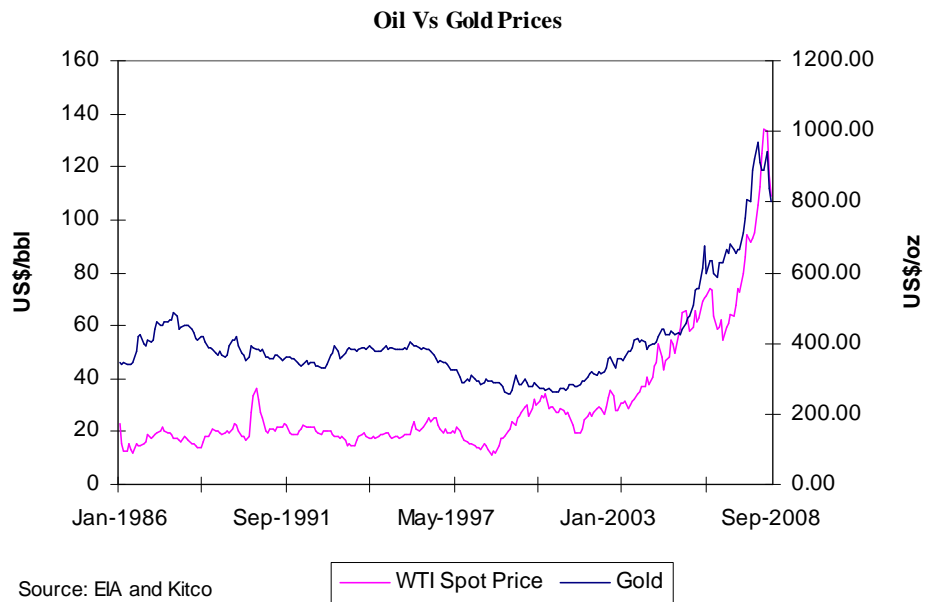
a) The slow down in the U.S. economy and relatively lower real interest rates, we believe, will put downward pressure on the US\$ with respect to other global currencies. According to the International Monetary Fund's (IMF) latest forecasts, the U.S. is projected to grow by 1.6% in 2008, and slow to 0.1% in 2009. The ongoing financial crisis in the U.S., the recent downfall of financial institutions like Lehman Brothers Holdings Inc. (which filed for bankruptcy) and Merrill Lynch & Co., (which is being bought by Bank of America), and the new bail-out plan show that the credit crisis is intensifying and threatening the U.S. economy.

In addition, real interest rates in the U.S., as we had predicted, has turned negative as the Fed cut interest rates eight times since September 2007 from 5.25% to 1.50%.



Negative real interest rates are very unfavorable for the US\$, as investors typically sell currency and look for alternative safe haven investments, like gold. Although inflation concerns have subdued due to the significant drop in commodity prices and slower economic growth projections, we expect negative real interest rates in the U.S. to persist at least for the next 6 months.

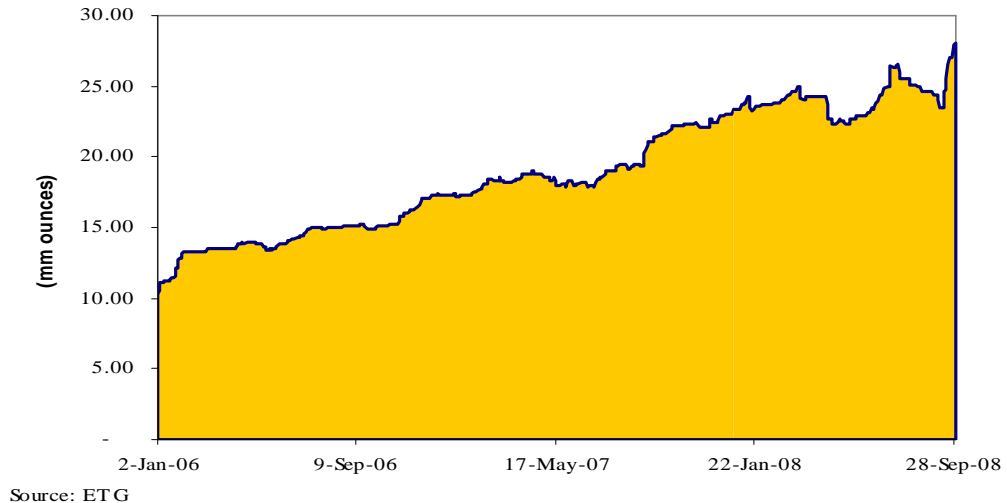
b) We have noticed a positive correlation between gold and oil prices in times of high oil prices. High oil prices create inflationary expectations among investors and lead them to drift towards gold. The following chart shows oil and gold prices since 1986. We noticed that the positive correlation between monthly log changes in oil and gold prices increased during January 2006 – January 2008, when oil prices were high, from the historic correlation (1986 – 2006) of 0.18 to 0.49; a significant jump.



Although oil prices have dropped to US\$73/bbl, prices are expected to stay above \$80/bbl through at least 2010, which we believe will have a positive impact on the demand for gold. However, it is important to note that if oil prices drop from current levels, we believe, they will put downward pressure on gold prices.

c) The drop in investment demand in early September (as shown in the following chart), we believe, partially explained the drop in gold prices in the first half of September.

Gold ETF Holdings (NYSE & LSE)



We had predicted at that time that the drop in investment demand was temporary, and that we expect demand to increase as gold continues to hold its status as a ‘capital preservation asset’. Investment demand actually increased by 19% during September 10, 2008, and October 1, 2008, and so did gold prices. Gold prices moved up 13% during the same period.

In summary, we continue to be bullish on gold prices in the near term based on a weakening U.S dollar, high oil prices and strong investment demand. The average consensus forecasts for gold prices are US\$885/oz in 2008, and US\$900/oz in 2009. We expect prices to moderate beyond that point as the US economy and the global GDP growth improve. We have maintained our long-term gold price assumption (2012+) at US\$600/oz.

Financials

The company has yet to release their FY2008 financial statements. At the end of June 2008 (end of Q3-2008), the company had cash and working capital of \$0.44 million and \$0.32 million, respectively. Assuming the company continues to burn cash at \$0.05 million per month (nine month burn rate), we believe the company has sufficient cash to fund working capital and exploration activities for the rest of the year.

Valuation

Our revised valuation on the company (shown below) is \$0.11 per share, down from \$0.13 per share from our previous report primarily due to the recent drop in share prices of peer companies in our comparable analysis.

Valuation Summary (\$/share)	
Meridian Project	\$0.043
Black Lake Uranium Project	\$0.026
Molygarchy and CR Projects	\$0.039
Working Capital	\$0.003
Fair Value	\$0.111

Meridian Project: Based on the project's historical resource estimate of 45,654 oz gold (0.20 million tonnes grading 7.10 g /t) and an average EV/ Resources ratio of \$40.3/oz gold (previously \$49.4/oz), we valued the Meridian Project at \$0.04/share, down from \$0.05/share in our previous report.

Company	SYM	Price	Enterprise Value	Resource (Au in oz)	EV / Resources
1 Lake Shore Gold Corp.	TSX: LSG	\$1.54	145,416,667	1,035,290	140.46
2 Harvest Gold Corp.	TSXV: HVG	\$0.20	7,807,090	140,954	55.39
3 Golden Band Resources Inc.	TSXV: GBN	\$0.33	41,113,634	881,323	46.65
4 GLR Resources Inc.	TSX: GRS	\$0.31	20,544,212	1,091,687	18.82
Average EV / Resources					40.3
Fair Value					\$0.04

Note: Share prices are YTD averages.

The ratio was based on all of measured and indicated, and half of inferred and historic resource estimates.

Average does not include 1, as it is an outlier.

We have continued to value the company's other projects based on the average ratio of enterprise value (EV) to mineral assets (book value) of peers, since they currently do not have known resource estimates.

Black Lake Uranium Project: Based on an average EV/Mineral Assets ratio of 1.17 (previously 1.34), we continue to value the Black Lake Project at \$0.03/share.

Company	Symbol	Price	Mineral Assets	EV/Mineral Assets
1 Bluerock Resource Ltd.	TSXV: BRD	\$0.47	8,457,481	2.61
2 Pitchstone Exploration Ltd.	TSXV: PXP	\$1.10	14,548,281	1.37
3 Pele Mountain Resources Inc.	TSXV: GEM	\$0.29	14,561,023	1.24
4 Santoy Resources Ltd.	TSXV: SAN	\$0.29	12,748,526	1.14
5 Uranium North Resource Corp.	TSXV: UNR	\$0.33	9,070,425	0.68
6 Mega Uranium Ltd.	TSX: MGA	\$2.08	498,162,000	0.66
7 Triex Minerals Corp.	TSXV: TXM	\$1.18	19,598,060	0.49
Average				1.17
Value of the Black Lake Project				\$0.03

Note: Stock prices are YTD averages.

The Molygarchy Molybdenum and CR Copper-Molybdenum Projects: Based on an average EV/Mineral Assets ratio of 2.04 (previously 2.30), we continue to value the Molygarchy and CR projects at \$0.04/share.

Company	SYM	Price	Enterprise Value	Mineral Assets	EV/Mineral Assets
1 Mega Moly Inc.	TSXV: MGY	\$0.29	7,270,388	1,127,942	6.45
2 Molycor Gold Corp.	TSXV: MOR	\$0.13	7,422,212	3,275,620	2.27
3 Bard Ventures Ltd.	TSXV: CBS	\$0.14	10,055,451	4,924,099	2.04
4 Moly Mines Ltd.	TSX: MOL	\$2.31	150,909,622	74,997,135	2.01
5 Inca Pacific Resources Inc.	TSXV: IPR	\$1.43	53,837,234	29,051,144	1.85
Average - does not include (1) as it is an outlier					2.04
Fair Value					\$0.04

Note: Share prices are YTD averages

Conclusion & Rating

The decline in our valuation of Manson Creek is primarily due to the recent drop in the share prices of its peers in our comparable analysis. We think the fundamentals of the company have actually improved since it has made good progress in its Meridian and Molygarchy projects since our initiating report. **Therefore, based on our valuation models and review of the company's progress, we maintain our BUY rating with a fair value estimate of \$0.15/share.** Our fair value estimate reflects upside potential of 275% from current price levels.

Risks

- Manson Creek Resources Ltd. is exposed to all risks associated with a junior mining company, including fluctuating metal prices.
- The value of the company is dependent on the success of drilling, expansion, and determination of additional mineralization.
- The company's projects are in very early stages and do not have NI 43-101 compliant resource estimates.

We rate the shares RISK of 5 (Highly Speculative).

Fundamental Research Corp. Equity Rating Scale:

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

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

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

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

Fundamental Research Corp. Risk Rating Scale:

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

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

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

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

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

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