

March 6, 2008

Investment Analysis for Intelligent Investors

MicroPlanet Technology Corp. (TSX-V: MP) – Q4 results almost in line; Receives another significant commercial order

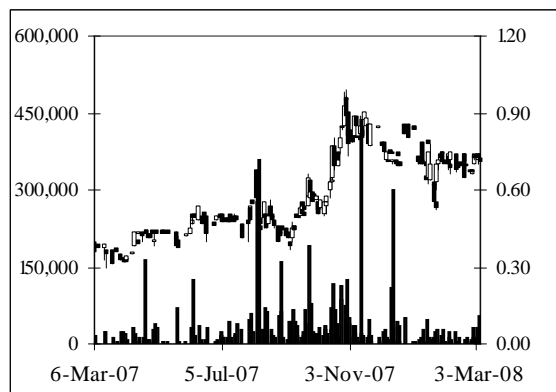
Sector/Industry: Energy Technology

www.microplanet.com

Market Data (as of March 5, 2008)

Current Price	C\$0.72
Fair Value	C\$1.65
Rating*	BUY
Risk*	4 (Speculative)
52 Week Range	C\$0.30 – C\$0.99
Shares O/S	29,856,977
Market Cap	C\$21.50 mm
Current Yield	N/A
P/E (forward)	N/A
P/B	-103.3
YoY Return	102.8%
YoY TSXV	-8.8%

*see back of report for rating and risk definitions



FY2007 Highlights

- On March 6, 2008, MicroPlanet announced that they received another significant commercial order. The new order is from one of the largest energy companies in the UK: Scottish and Southern Energy.
- We believe it is highly encouraging that the company has received orders from two major energy companies in two different markets - Australia and the UK.
- In FY2007, MicroPlanet posted revenues of \$22,700 (our estimate was \$17,500), down from \$0.33 million in FY2006. We have maintained our revenues and gross margins forecasts for FY2008 and FY2009.
- MicroPlanet posted EBITDA of (\$3.09 million) in FY2007, versus (\$3.05 million) in FY2006. Our estimate for EBITDA in FY2007 was (\$3.14 million).
- We were expecting the company to withdraw \$425,000 in Q4 from their line of credit. However, the company raised \$450,000 more than what we forecasted from their working capital, and therefore, they did not have to withdraw any cash from their line of credit.
- FY2008 promises to be an exciting year for the company as the company transitions from an R&D company to commercialization.

Financial Summary (YE Dec 31)

(US\$)	2004	2005	2006	2007	2008E	2009E
Revenue	85,310	863,719	332,462	22,770	2,292,000	4,750,000
Gross Margin	5.74%	-11.46%	-27.08%	36.59%	25.00%	27.50%
Net Income	(2,296,386)	(2,667,303)	(3,010,909)	(3,287,669)	(5,593,588)	(5,248,210)
EPS (basic)	(0.56)	(0.16)	(0.11)	(0.11)	(0.17)	(0.16)
Cash	336,974	1,790,202	2,110,200	47,985	11,613	33
Assets	932,133	2,226,021	2,803,761	731,048	955,421	1,947,745
Debt to Capital	-28.98%	1.80%	0.12%	0.00%	1157.80%	275.69%
ROE	93%	622%	-144%	-278%	7.09%	451%
ROIC	120%	1962%	-143%	-278%	14254%	-1558%

MicroPlanet Technology is a company based in Seattle, USA, that has developed an advanced voltage regulation technology for residential, commercial and industrial environments. The company's voltage regulators help save energy (which in turn helps reduce greenhouse gas emissions), lower electricity bills, increase efficiency of electric appliances and improve utility services.

Receives order from one of the largest energy companies in the UK.

On March 6, 2008, MicroPlanet announced that they received an initial commercial order from one of the largest energy companies and leading generator of renewable energy in the UK: Scottish and Southern Energy. Scottish and Southern Energy, which owns and operates almost half of the UK's total renewable generation capacity (including the UK's largest wind farm), placed the order after successful lab tests and field-testing at multiple locations. Scottish and Southern distributes electricity to 3.5 million homes and businesses across one third of the UK's total land area.

In our initiating report (dated February 22, 2008), we had discussed how MicroPlanet is trying to penetrate regions like Australia, Europe, Asia and some parts of the U.S., with their low voltage regulators, as low voltage problems and high voltage fluctuations are prevalent in all these regions. Low voltage problems and voltage fluctuations are common in these regions primarily because of the design of their power grids. Also, increased reliance on sustainable sources of power generation, like wind and solar systems, increases voltage problems, as utilities often cannot make their traditional generation systems respond quickly enough.

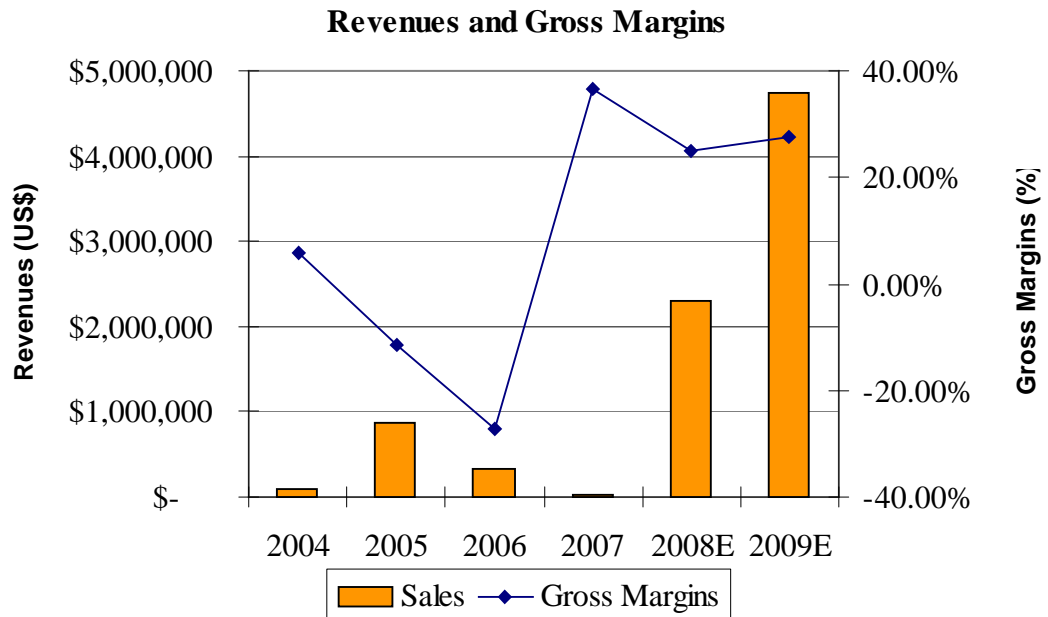
The order from Scottish and Southern Energy is the company's second significant commercial order in the past six months. The company had received their first commercial order in Australia in late 2007, from an Australian utility, Ergon Energy. We believe, it is highly encouraging that the company has been able to get orders from two major energy companies in two different markets - Australia and the UK.

Ergon's order was for 3,000 units for \$6 million, which implies a unit price of \$2,000. The initial order from Scottish and Southern Energy is for 50 units for \$148,000, which implies a unit price of \$2,960, or 48% above the sale price to Ergon. Considering that we have assumed a unit price of \$2,000 in our valuation models, the fact that MicroPlanet is able to sell their units at a much higher price, we believe, is highly positive.

MicroPlanet is currently working with over 30 utilities worldwide. Pilot operations are currently being conducted in several facilities. Since MicroPlanet's regulators are a cost-effective solution for utilities to solve voltage problems, we believe, it is highly likely that the company will continue to receive larger orders from Ergon and Scottish and Southern Energy, and new orders from other utilities, as they realize the benefits of using MicroPlanet's regulators.

Maintained revenues and gross margins forecasts

In FY2007, MicroPlanet posted revenues of \$22,700 (our estimate was \$17,500), down from \$0.33 million in FY2006. The chart below shows revenues since FY2004 along with our forecasts



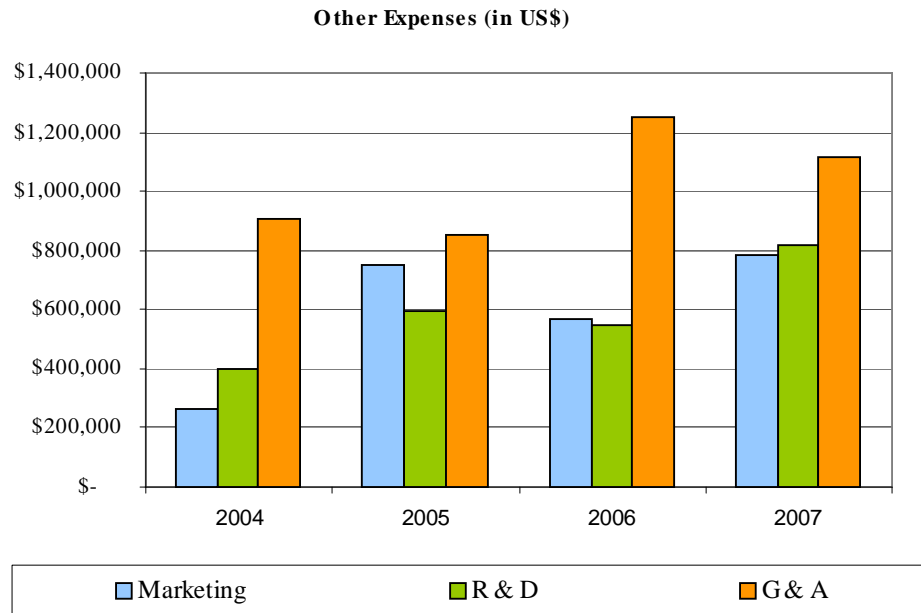
Revenues dropped in FY2007 as the company shifted its focus from selling pilot systems to utilities, to providing commercial entities with pilot systems for a 90-120 day test period to see the results in their environments. In late 2007, MicroPlanet received their first commercial scale order for \$6 million from an Australian utility, Ergon Energy. We have maintained our revenue forecasts for FY2008, and FY2009, at \$2.29 million and \$4.75 million, respectively.

Gross margins were 36.6% in FY2007, up from -27.1% in FY2006. We have maintained our gross margins forecasts for FY2008, and FY2009, at 25%, and 27.5%, respectively.

EBITDA was almost in line with expectations

Total indirect costs, which include marketing and market development, research and development (R&D) and general and administrative (G&A) expenses, in FY2007, were \$2.72 million (our estimate was \$2.76 million), up from \$2.37 million in FY2006. The company spent 41% on G&A (53% in FY2006), 30% on R&D (23% in FY2006), and 29% in marketing (24% in FY2006).

The chart below shows the company's increasing expenditures on marketing and R&D, which is essential for companies like MicroPlanet that are in the early stages of commercialization. It is worth noting that the company has been able to reduce their G&A expenses YOY.



Since expenses were almost in line with our estimates, we have not made any changes to our forecasts. MicroPlanet posted EBITDA of (\$3.09 million) in FY2007, versus (\$3.05 million) in FY2006. Our estimate for EBITDA for FY2007 was (\$3.14 million).

Net loss was higher than expectations due to write-off of assets

Net losses in FY2007 were \$3.29 million (EPS: -\$0.11), versus \$3.01 million (EPS: -\$0.11) in FY2006. Our estimate for net loss in FY2007 was \$3.15 million (EPS: -\$0.11), which was lower because the company wrote-off their interests in a joint venture company (with AES Corporation; NYSE: AES), which was valued at \$0.17 million. The JV with AES was formed in 2006, to capture the potential commercial value from the application of MicroPlanet's regulators to cut greenhouse gas emissions in the atmosphere from electricity generation. The investment was written off due to lack of business activity. However, we believe, it is still possible that the companies might work together in the future.

We have slightly raised our EPS forecasts for FY2008 and FY2009, as we lowered our amortization and interest expenses forecasts. Our revised forecasts are net losses of \$5.59 million (EPS: -\$0.17) and \$5.25 million (EPS: -\$0.16). Our previous forecasts were \$5.64 million (EPS: -\$0.18) and \$5.27 million (EPS: -\$0.17).

Cash Flows

In FY2007, the company spent \$2.68 million on operations (our estimate was \$2.70 million) versus \$2.36 million in FY2006. In addition, the company raised \$0.58 million from working capital. Therefore, the net outlay of capital for operations was only \$2.10 million, versus our estimate of \$2.57 million. Our forecasts were higher as we were expecting the company to generate only \$0.13 million from working capital.

The company spent \$0.10 million on equipment (our estimate was \$0.10 million) in FY2007. Operating and investing activities in FY2007 were primarily funded by cash on hand of \$2.11 million at the end of FY2006. We were expecting the company to withdraw \$425,000

in Q4 from their line of credit. However, the company raised \$450,000 more than what we forecasted from their working capital, and therefore, they did not have to withdraw any cash from their line of credit. The company did not pursue any financings in FY2007.

Cash and Liquidity Position

At the end of FY2007, the company had \$0.05 million in cash and a (\$0.34 million) working capital deficit, which were almost in line with our estimates of \$2,318 and (\$0.37 million), respectively.

Liquidity Analysis	2005	2006	2007	2008E	2009E
Working Capital	1,505,691	2,293,556	(344,338)	(1,559,038)	(1,356,786)
Current Ratio	3.54	10.89	0.63	0.33	0.53
Debt /Equity	1.8%	0.1%	0.0%	-109.5%	-156.9%
Debt/Capital	1.8%	0.1%	0.0%	1157.8%	275.7%
Interest Coverage Ratio	(62)	(35)	(78)	59	26.7
Profitability Analysis	2005	2006	2007	2008E	2009E
Return on Avg Assets	-168.9%	-119.7%	-186.0%	-663.3%	-361.6%
Return on Avg Equity	621.7%	-143.7%	-278.2%	708.7%	451.2%
Return on Average Invested Capital	1961.6%	-142.6%	-277.8%	14254.1%	-1558.2%
Activity Analysis	2005	2006	2007	2008E	2009E
Days Inventory Outstanding	138	241	9,103	56	56
Days Accouts Receivable	11	43	240	69	69
Days Accouts Payable	163	299	11,602	122	122
Cash Conversion Cycle	(14)	(15)	(2,260)	3	3

The company had no debt at the end of FY2007. MicroPlanet has a line of credit of C\$1.75 million that extends to December 30, 2008 (interest rate of 1% per month and a standby fee of 0.25%). The company is yet to withdraw any capital from this line of credit.

We believe the company will have to withdraw C\$1.50 million from the line of credit, and raise an additional \$4 million to fund their operating and investing activities (\$5.55 million) in FY2008. Our estimates for working capital at the end of FY2008, and FY2009, are negative as we have categorized the company's line of credit as 'current liabilities'. We have accounted for the impact of share dilution in our valuation model. For conservatism, we have assumed that the company will raise capital at current prices.

Stock Options and Warrants

At the end of 2007, the company had 2.48 million stock options outstanding, with a weighted average exercise price of \$0.33, and time to maturity of 4 years. At least 63% of the outstanding options are 'in-the-money'. The company also had 0.53 million warrants outstanding with a weighted average exercise price of \$0.47.

Valuation

Our revised valuation on the company increased slightly from \$1.65 per share to \$1.66 per share. The valuation changed very little as we did not make any noteworthy changes to our forecasts.

DCF Valuation Model (in US\$)					
	2008E	2009E	2010E	2011E	2012E
FFO	(\$5,114,700)	(\$4,757,748)	(\$3,142,935)	\$3,265,838	\$16,855,906
Investment in WC	(\$321,672)	(\$213,832)	(\$558,389)	(\$1,823,310)	(\$3,622,900)
CFO	(\$5,436,372)	(\$4,971,581)	(\$3,701,324)	\$1,442,528	\$13,233,006
CAPEX	(\$100,000)	(\$250,000)	(\$250,000)	(\$500,000)	(\$500,000)
FCF	(\$5,536,372)	(\$5,221,581)	(\$3,951,324)	\$942,528	\$12,733,006
PV	(\$4,927,154)	(\$4,135,650)	(\$2,785,193)	\$591,259	\$7,108,620
	2013E	2014E	2015E	Terminal	
FFO	\$23,500,437	\$24,644,638	\$29,615,907	\$5,112,458	
Investment in WC	(\$1,612,720)	(\$1,072,000)	\$9,082,500	\$0	
CFO	\$21,887,717	\$23,572,638	\$38,698,407	\$5,112,458	
CAPEX	(\$1,000,000)	(\$1,000,000)	(\$1,000,000)	(\$250,000)	
FCF	\$20,887,717	\$22,572,638	\$37,698,407	\$4,862,458	
PV	\$10,378,061	\$9,981,101	\$14,835,084	\$20,433,289	
Discount Rate	12.4%				
Terminal Growth Rate	3%				
Total PV	\$51,479,418				
Cash - Debt	\$4,047,985				
Equity Value (US\$)	\$55,527,403				
Equity Value (C\$)	\$61,080,143				
Shares O/S (dil)	36,895,470				
Value per share	\$1.66				

Rating

Based on our valuation on the company and analysis of their FY2007 results, we reiterate our BUY rating, and maintain our fair value on the company at \$1.65 per share. Our fair value reflects an upside potential of 129% from current price levels.

Risks

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

- The company's growth will depend heavily on its ability to get orders for its regulators.
- Like other technology companies, MicroPlanet will always have to spend on R&D to cope with changes in technology.
- Although the company has first-mover advantage in the LVR market (they have relationships with about 30 utilities worldwide), we believe, barriers to entry for its HVRs are not very high even though their technology is patented.
- The company has to raise approximately \$4 million in FY2008. Our valuation models assume that the equity financing will take place at current share prices. If share prices drop from current prices, it would negatively impact our valuation due to share dilution.

We rate the shares Risk 4 (Speculative).

Appendix

STATEMENTS OF OPERATIONS

(in US\$)	2005	2006	2007	2008E	2009E
Sales	863,719	332,462	22,770	2,292,000	4,750,000
COGS	962,660	422,487	14,438	1,719,000	3,443,750
Gross Profit	(98,941)	(90,025)	8,332	573,000	1,306,250
Expenses					
Marketing and market development	751,446	568,149	786,975	1,725,248	1,811,510
Research&Development	591,961	547,225	819,601	2,656,230	2,789,042
General & Administration	854,232	1,251,351	1,118,052	1,213,022	1,273,674
Stock-based compensation	391,506	590,552	370,864	431,184	452,743
EBITDA	(2,688,086)	(3,047,302)	(3,087,160)	(5,452,684)	(5,020,718)
Amortization	22,654	53,077	69,460	47,704	37,719
EBIT	(2,710,740)	(3,100,379)	(3,156,620)	(5,500,388)	(5,058,437)
Interest Income	43,437	89,470	40,721	(93,199)	(189,773)
Loss on write down of Investments			(171,770)		
EBT	(2,667,303)	(3,010,909)	(3,287,669)	(5,593,588)	(5,248,210)
Taxes/(Income Tax Recovery)	-	-	-	-	-
Net Earnings for the period	(2,667,303)	(3,010,909)	(3,287,669)	(5,593,588)	(5,248,210)
Basic and diluted loss per share	(0.16)	(0.11)	(0.11)	(0.17)	(0.16)

BALANCE SHEETS (in US\$)	2005	2006	2007	2008E	2009E
Assets					
Cash and cash equivalents	1,790,202	2,110,200	47,985	11,613	33
Accounts receivable	52,146	26,370	3,544	433,188	897,750
Prepaid expenses and deposits	33,352	53,081	158,940	57,300	118,750
Inventory	222,867	335,860	384,281	264,726	530,338
Current Assets	2,098,567	2,525,511	594,750	766,827	1,546,870
Equipment	107,454	106,480	136,298	188,594	400,875
Investment	-	171,770	-	-	-
Restricted cash	20,000	-	-	-	-
Total Assets	2,226,021	2,803,761	731,048	955,421	1,947,745
Liabilities & Shareholders' Equity					
Accounts Payables & Accrued Liabilities	464,289	228,812	689,088	575,865	1,153,656
Deferred compensation	102,000	-	-	-	-
Deferred revenue	11,140	-	250,000	250,000	250,000
Line of Credit	-	-	-	1,500,000	1,500,000
Notes payable	-	-	-	-	-
Current portion of equipment loan	15,447	3,143	-	-	-
Current Liabilities	592,876	231,955	939,088	2,325,865	2,903,656
Equipment loan	14,243	-	-	-	-
Convertible promissory notes	-	-	-	-	-
Shareholder's Equity					
Share Capital	8,660,279	12,955,920	13,204,151	17,204,151	22,414,151
Contributed surplus	2,742,854	2,411,026	2,670,618	3,101,802	3,554,544
Equity element of convertible promissory notes	-	-	-	-	-
Deficit	(9,784,231)	(12,795,140)	(16,082,809)	(21,676,397)	(26,924,606)
Shareholder's Equity	1,618,902	2,571,806	(208,040)	(1,370,444)	(955,911)
Total Liabilities & Shareholders' Equity	2,226,021	2,803,761	731,048	955,421	1,947,745

STATEMENTS OF CASH FLOWS

(in US\$)	2005	2006	2007	2008E	2009E
Operating Activities					
Net earnings for the period	(2,667,303)	(3,010,909)	(3,287,669)	(5,593,588)	(5,248,210)
Items not involving cash					
Depreciation	22,654	53,078	69,460	47,704	37,719
Interest expense related to accretion on convertible notes	9,808	-	-	-	-
Stock based compensation	391,506	590,552	370,864	431,184	452,743
Loss on disposal of equipment or investment write-downs	-	6,917	171,770	-	-
Deferred revenue	(605,000)	-	-	-	-
	(2,848,335)	(2,360,362)	(2,675,575)	(5,114,700)	(4,757,748)
Changes in non-cash operating working capital	33,944	(362,246)	578,822	(321,672)	(213,832)
Cash from from (used in) operations	(2,814,391)	(2,722,608)	(2,096,753)	(5,436,372)	(4,971,581)
Investing activities					
Cash balance of the Company at acquisition	1,243,658	-	-	-	-
Acquisition costs	(642,053)	-	-	-	-
Restricted cash	-	20,000	-	-	-
Equipment, net	(81,255)	(74,338)	(99,278)	(100,000)	(250,000)
	520,350	(54,338)	(99,278)	(100,000)	(250,000)
Financing activities					
Proceeds from notes and equipment loan	-	-	-	-	-
Payments on notes payable and equipment loan	(60,448)	(26,547)	(3,143)	-	-
Line of Credit	-	-	-	1,500,000	-
Issuance of convertible promissory notes	25,000	-	-	-	-
Exercise of options	71,139	178,348	136,959	-	-
Proceeds from equity financing	-	2,945,143	-	4,000,000	5,210,000
Proceeds from secondary offering	3,711,578	-	-	-	-
	3,747,269	3,096,944	133,816	5,500,000	5,210,000
Increase (decrease) in cash	1,453,228	319,998	(2,062,215)	(36,372)	(11,581)
Cash beginning of period	336,974	1,790,202	2,110,200	47,985	11,613
Cash end of period	1,790,202	2,110,200	47,985	11,613	33

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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