

June 4, 2009

Investment Analysis for Intelligent Investors

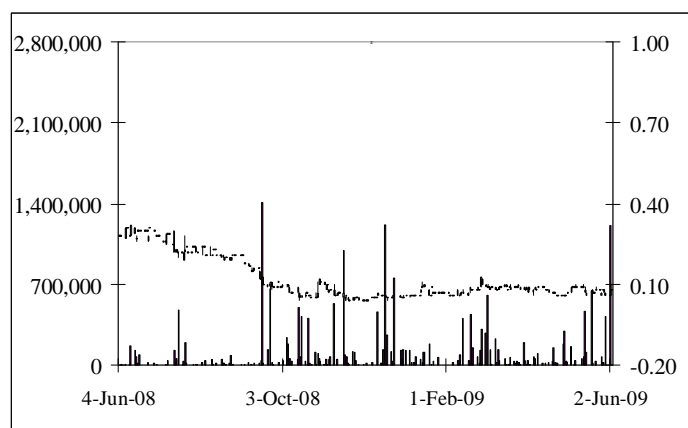
Sonic Technology Solutions Inc. (TSXV: SNV) – Enters into a JV agreement; One step closer to commercialization

Sector/Industry: Energy Technology

www.sonictsi.com

Market Data (as of June 2, 2009)

Current Price	C\$0.08
Fair Value	C\$1.06
Rating*	BUY
Risk*	4 (Speculative)
52 Week Range	C\$0.04 – C\$0.32
Shares O/S	64,873,400
Market Cap	C\$5.19 mm
Current Yield	N/A
P/E (forward)	N/A
P/B	1.00
YoY Return	-71.4%
YoY TSX-V	-57.1%



On June 2, 2009, the company announced that it had entered into a joint venture agreement with Mirex Energy Inc. to construct and operate the first PetroSonic heavy oil upgrader in Canada on the Elizabeth Metis Settlement in Alberta. Mirex (the Elizabeth Metis Settlement is a major shareholder in Mirex) is a private oil production and services company operating in the Lloydminster area. We believe this is a significant development for the company as it takes the company one step closer to the commercialization of its proprietary PetroSonic heavy oil upgrader technology.

The project will be initially designed for a 1,000 barrels per day operation located on the Elizabeth Metis Settlement in Alberta. If successful, the company anticipates that operating cash flows from the project will allow expansion to a 3,000 bpd operation. SNV and Mirex will have equal partnership in the project. SNV will license its proprietary PetroSonic upgrader technology to the JV, and manage the installation and start-up of the project. While Mirex, who will be the operating partner, will provide facilities for the installation and initially manage the operating contracts.

The license granted to the JV is exclusive for all of the eight Metis settlements, allowing for potential expansion to other locations in Canada.

Timeline – Preliminary engineering for the upgrader has already been completed, and detailed engineering and permitting is expected to commence this summer. According to our discussion with management, SNV expects to commence operations by the end of the year or early next year in a best case scenario.

Project Financing – The initial cost to setup the requisite facility and commence operations is about \$2.5 million. Energy Invest Ltd. is currently evaluating whether to partly fund the project, or pursue the more comprehensive financial proposal they have recently presented to SNV (The companies had signed a marketing and financing agreement in December 2008). SNV stated that local financial participation will also be accommodated. In addition, the JV has made an application for a grant under the Alberta Energy Research Institute program, as the project is directly in line with the recent initiatives by the Alberta Government to encourage more processing within the province.

At this time, we cannot speculate who will fund the project, but it is important to note that the financing will only dilute SNV's ownership in the specific project. SNV does not plan to pursue any equity financing to fund the project and potentially dilute SNV shareholders' ownership in the company. In addition to this project, Energy Invest has identified several projects where they would like to utilize SNV's PetroSonic upgrader technology.

Other Developments - As a result of the delay in filing their annual financial statements, the BC Securities Commission issued a management cease trade order on May 5, 2009. SNV filed their annual statements on May 29, 2009. According to the company, the delay was due to “an unexpected method for accounting for business combinations and the valuation of associated intellectual property assets from two acquisitions completed in 2008”. We reviewed the annual statements and do not believe they had any material changes that should be of concern.

Filing of the Q1 interim financial statements has been delayed beyond the statutory deadline of June 1, 2009, as a result of the delay in the filing of the annual statements. SNV anticipates it will release Q1 statements in the next couple of weeks.

Cash Position - At the end of 2008, the company had \$0.49 million in cash. Subsequently, SNV completed a non-brokered private placement in January 2009, and raised \$0.54 million. We estimate the company's current working capital is around \$0.20 million; we believe this is sufficient to fund operations and working capital for the next few months. In addition, about 10.80 million outstanding warrants (exercise price of \$0.10 per share) expire in July 2009. SNV has the potential to raise up to \$1.08 million if these warrants are exercised.

Conclusion: We have maintained our BUY rating on the company. Although we were pleased to see the new development, which potentially takes the company closer to commercialization, we believe it is too early to make any significant changes to our revenue forecasts for the company. As a result, we have maintained our fair value estimate at \$1.06 per share.

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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The distribution of FRC's ratings are as follows: BUY (69%), HOLD (11%), SELL (3%), SUSPEND (17%).

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