

### Terra Ventures Inc. (TSXV: TAS) – Hathor’s Big Discovery Benefits Terra

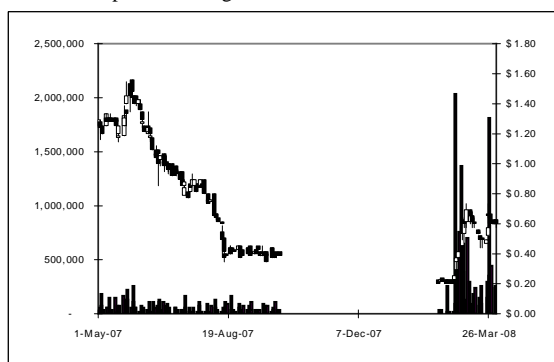
Sector/Industry: Mining/Uranium

[www.terra uranium.com](http://www.terra uranium.com)

#### Market Data (as of April 4, 2008)

|               |                   |
|---------------|-------------------|
| Current Price | C\$0.54           |
| Fair Value    | C\$0.73 (↓)       |
| Rating*       | BUY               |
| Risk*         | 5 (Highly Spec)   |
| 52 Week Range | C\$0.20 – C\$0.74 |
| Shares O/S    | 43,046,226        |
| Market Cap    | C\$23.24 mm       |
| Current Yield | N/A               |
| P/E           | N/A               |
| P/B           | 1.27              |
| YoY Return    | -64.2%            |
| YoY TSXV      | -22.6%            |

\*see back of report for rating and risk definitions



#### Investment Highlights

- The company holds 10% production carried interest in Hathor’s new uranium discovery, named the Roughrider Zone, at Midwest NE. Recent drilling intersected 11 meters of 5.29% U<sub>3</sub>O<sub>8</sub>.
- Drilling is planned for the Lac Kachiwass property in the spring of 2008. The company is well financed for exploration.
- Although the recent discovery on the Midwest NE project has the potential to bring considerable upside potential to TAS, we believe it is too early to quantitatively assign a value to the upside potential at this time. We have continued to value the company purely based on the value of properties with historic resource estimates.
- We have lowered our fair value estimate on the company as the average ratio of enterprise value to resources of its peers dropped from \$7.2/lb to \$4.6/lb.
- Fission Energy Corp. is disputing Hathor’s recently staked fractional claim adjoining the Midwest NE project, claiming that it is located on their Waterbury Lake property. Hathor is currently drilling on this claim. The claim in dispute is not the site of the main Roughrider Zone discovery, which is located on Hathor and Terra’s undisputed property.

#### Key Financial Data (FYE - February 28)

| (C \$)               | 2005      | 2006   | 2007       | 2008<br>9 mo |
|----------------------|-----------|--------|------------|--------------|
| Cash + Term Deposits | 1,868     | 23,363 | 2,920,586  | 9,291,194    |
| Working Capital      | (877,909) | 9,368  | 2,892,108  | 8,438,105    |
| Mineral Assets & PPE | -         | -      | 7,851,473  | 9,892,984    |
| Total Assets         | 9,295     | 33,485 | 10,818,043 | 19,478,789   |
| Net Income           | (236,488) | 77,277 | (849,926)  | (8,597,550)  |
| EPS                  | (0.13)    | 0.02   | (0.07)     | (0.22)       |

*Terra Ventures aims to acquire and develop uranium properties worldwide. The company has 100% ownership in a Quebec property with a historic resource estimate of 5.67 million pounds of U<sub>3</sub>O<sub>8</sub>. The North Yellow Cat properties in Utah have a historic resource estimate of 5.79 million pounds of U<sub>3</sub>O<sub>8</sub> and 34.7 million pounds of vanadium. They hold 10% production carried interest in Hathor Exploration’s Midwest NE uranium discovery.*

**Company  
Overview**

Terra Ventures seeks to acquire, explore and develop uranium assets worldwide from early to advanced stages with varying risk levels to diversify their holdings. Their acquisition strategy is two-fold: properties with “pounds in the ground” (historic or 43-101 compliant) and investment in properties with low-risk production carried interest. They plan to fund and carry out exploration on their fully owned Lac Kachiwiss property, a bulk tonnage low grade uranium deposit with a historic resource estimate in Quebec. They have production carried interest in exploration programs conducted by Hathor Exploration (TSX-V: HAT) and Titan Uranium (TSX-V: TUE). **Recently, Hathor Exploration made a very important new discovery of 11 meters grading 5.29% U<sub>3</sub>O<sub>8</sub> within a broader mineralized zone of 46 meters on the Midwest NE project. This likely represents the best discovery in the Athabasca Basin in the last three years, and has boosted Hathor and Terra’s stock prices.**

**Hathor  
Properties**

**Property Overview:** The company recently increased their production carried interest from 8% to 10% in Hathor’s Midwest NE project in the eastern Athabasca Basin. This property is 90% owned by Hathor Exploration Ltd. (TSX-V: HAT), who acts as the operator. Hathor has made a very important new discovery on the Midwest NE Property, which is located adjacent to the high-grade Mae discovery at the Midwest Property owned by Areva, Denison Mines Corp. (TSX:DML) and OURD Canada Co. Ltd.

**Ownership:** In April 2007, the company acquired 8% interest in 2 of Hathor Exploration Ltd.’s Athabasca Basin properties totaling 56,320 acres. Bullion Fund Inc. held 2% interest and the remaining 90% interest is held by Hathor’s wholly owned subsidiary, Roughrider Uranium Corp. Terra paid \$2.3 million to acquire the interest, plus a finder’s fee of \$69,000. After Hathor’s discovery at Midwest NE, Terra purchased Bullion Fund Inc.’s remaining 2% interest for \$2,500,000 and 3.0 million shares of Terra.

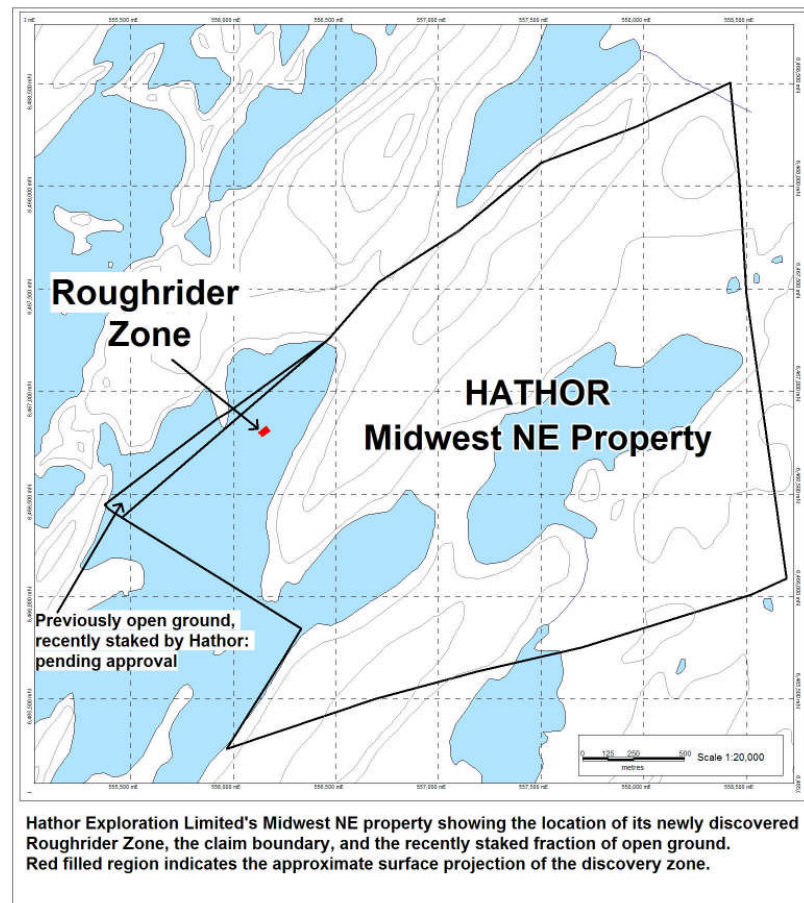
Terra Ventures is not required to make any payments or exploration expenditures until the properties reach feasibility, at which point Terra would be required to finance 10% of expenditures moving forward. Terra will not be required to reimburse any exploration costs through a clawback option.

**Ownership  
Controversy**

Fission Energy Corp. (TSX-V: FIS) released a press release on April 3, 2008, entitled “Dispute Anticipated Over Claim Boundaries Near Waterbury Lake Property.” Fission’s Waterbury property lies directly adjacent to Hathor’s Midwest NE property, and Fission claims that Hathor’s recently staked fractional claim adjoining the Midwest NE property is actually on Fission’s Waterbury property. This press release states that they anticipate a dispute over the claim boundary and that Hathor, who is drilling on this fractional claim, is currently drilling on Fission’s Waterbury Lake property. Hathor has reported that their claim status is secure and that they will vigorously defend Fission’s allegations. Hathor states that their claim boundaries have been surveyed by a land surveyor and that Fission’s have not. The discovery of the Roughrider zone was made very close to the boundary with Fission’s Waterbury property and Fission’s share price has skyrocketed in conjunction with Hathor and Terra’s. **At this time, we do not have enough information to comment. Fission intends to file a dispute with the Saskatchewan Ministry of Energy and Resources, who will ultimately resolve the issue using legal surveying.** It is important to note that the

fractional claim in dispute is not the location of the Roughrider Zone discovery. The Roughrider Zone discovery was made on Hathor and Terra's undisputed Midwest NE property.

The image below, posted in conjunction with Hathor's press release, outlines the location of the Roughrider Zone in relation to their surveyed claim boundary. Fission is disputing the fractional claim that Hathor recently announced the staking of.



**Accessibility and Infrastructure:** One of the many advantages of Hathor's new discovery is its proximity to exploration and development activity. The local infrastructure for uranium mining is improving with the development of the Midwest project directly adjacent. Construction of the mine is expected to commence in mid-2009.

**Geology and Mineralization:** In this region of the Athabasca Basin, the depth to basement is shallower, which makes low cost open pit mining more attractive. At Midwest NE, the depth to the Athabasca unconformity is approximately 200 meters. Hathor's recent discovery was made at a depth of 261 meters, which is very favorable for mining.

**Current Status:** Hathor recently announced spectacular drilling results from the Midwest NE property representing a very important new discovery. They began drilling in January 2008, and hit 11.29 meters of 5.29%  $U_3O_8$  on their 12th hole of the planned 24 hole

program. This is within a broader 46 meter mineralized interval. This has been a major boost to Hathor and Terra's stock prices. Since then, they have announced six additional holes with radioactivity, and assays are expected in May. These holes were drilled at stepouts of greater than 80 meters, and six holes intersected radioactivity on the level of the discovery hole.

The results of hole MWNE-08-12 are outlined in the table below. There is a 20 centimeter interval grading higher than 40% U<sub>3</sub>O<sub>8</sub>, indicating a very highly mineralized system.

**MWNE-08-12 at a cut-off value of 0.05 wt% U<sub>3</sub>O<sub>8</sub>.**

| From – To (m-m) | Interval (m)         | U <sub>3</sub> O <sub>8</sub> wt % |
|-----------------|----------------------|------------------------------------|
| 242-245.3       | 3.3                  | 1.16                               |
| 250.6-256.0     | 5.4                  | 2.07                               |
| 251.9-252.1     | 0.2 (20 centimeters) | 40.2                               |
| 261.5-273.4     | 11.9                 | 5.29                               |
| 278.0-281.0     | 3.0                  | 0.058                              |
| 248.0-287.0     | 3.0                  | 0.207                              |

**Resource Estimate:** These properties do not have any historic or NI 43-101 resource estimates at this time. The potential value of this deposit is extremely significant.

**WHY  
HATHOR'S  
DISCOVERY  
MATTERS**

Hathor's new discovery has excited the market and driven their stock price to new highs. It brought Terra's share price out of the doldrums. There is a good reason for this—uranium discoveries in the Athabasca Basin are rare but extremely valuable. Hathor used 3D seismic technology to identify the Roughrider Zone, as it is not visible using traditional geophysics. Hathor hit very high-grade uranium near surface, over a substantial width, in favorable geology, and in a region of uranium development. It is located on trend and adjacent to the Mae Zone on Areva, Denison Mines Inc. and OURD Canada Co. Ltd.'s Midwest Property. Hathor is still proving that the deposit is continuous as they await assays from six step-out holes. These holes intersected anomalous radioactivity comparable to that intersected in their discovery hole.

**Lac Kachiwiss  
Property,  
Quebec**

**Property Overview:** The 2,166 acre Lac Kachiwiss property is Terra's most advanced property at this time due to its historic exploration and historic resource estimate.

**Historic Exploration/Production:** This property was explored by Getty Mineral Company Ltd., a wholly owned subsidiary of Getty Oil, from 1975-1978, and they advanced the property to a historic resource estimate based on 28 diamond drill holes. It was abandoned in 1979 when the Three Mile Island disaster in the eastern United States resulted in the price of uranium dropping excessively. Low-grade uranium deposits are usually not economically viable in times of low uranium prices, but the property is of interest again now due to the strong uranium market.

**Current Status:** The company plans to commence a 5,000-10,000 meter drilling program at Lac Kachiwiss in early May 2008. This program has an estimated cost of \$1 million.

**Resource Estimate:** This property has a historic resource estimate of 18.3 million tons (16.1 million metric tonnes) grading 0.31 lbs U<sub>3</sub>O<sub>8</sub>/ton (0.015% U<sub>3</sub>O<sub>8</sub>) as calculated by Getty Minerals Company in 1978. This is a contained value of 5.67 million pounds of uranium. We believe the company will likely have to expand the resource to at least 50-100 million tonnes before a viable mining operation could be established. We also believe there is potential to expand the resource on the property.

***North Yellow  
Cat Properties,  
Utah***

**Property Overview:** The Utah properties are located north of the Yellow Cat Mining District, within a well-known historic mining region for uranium, radium, and vanadium.

**Ownership:** The company has the option to acquire 100% interest in these properties.

**Current Status:** According to management, the company is planning business opportunities, including joint venture, to advance the North Yellow Cat properties. The company is focused on properties in Canada at this time. This property can be drilled year round due to its location in the southwestern United States.

**Resource Estimate:** One of the four property blocks has a historic resource estimate. This resource was calculated based on widely spaced drilling. The resource is 12.68 million tons of sandstone grading 0.022% uranium and 0.14% vanadium. This is a contained resource of 5,785,333 pounds of uranium and 34,712,000 pounds of vanadium.

***Titan  
Properties***

**Property Overview:** The company acquired a 10% production carried interest in seven separate properties totaling over 310,000 acres in the southwestern and northeastern areas of the Athabasca Basin. One of these properties, Castle, surrounds the recent uranium discovery at Shea Creek made by Areva Resources (PARIS: CEI). Shea Creek is considered to be the best new uranium discovery in the Athabasca, and Areva Resources recently announced they were beginning an underground development and exploration program. Titan is currently drilling the Castle property, and they hope Shea Creek mineralization extends on to their property.

**Current Status:** Titan drilled three holes on the Castle South property early in 2007 to follow up on their Fall 2006 drilling program. This drilling program intersected radioactivity, but no uranium mineralization. Titan has commenced their 2008 exploration drilling program, which will include Castle South.

**Resource Estimate:** These properties do not have any historic or NI 43-101 compliant resource estimates at this time.

***Management***

Since our last update, James Hutton has resigned from the company's board of directors to pursue other business interests that could potentially lead to a conflict of interest with his position at Terra.

***Outlook on  
Uranium***

Uranium prices have been exceptionally volatile and have dropped by 47.8% after achieving a record high of US\$136/lb, to US\$71/lb. However, uranium prices are still up by 89.3% since January 2006, when prices were US\$37.5/lb. The table below shows uranium prices

since 1970. Note the steep fall in prices after July 2007.



We have maintained our long-term outlook on Uranium prices based on the following factors.

- Nuclear power accounts for about 16% of the world's electricity generation. Nuclear power generation does not emit greenhouse gas, and therefore, it is considered as one of the cleanest methods of producing electricity. We believe increasing concerns about global warming and high oil prices will lead to increased demand for nuclear power plants going forward.
- According to the World Nuclear Association (WNA), global uranium requirements are estimated to grow at 2% per annum through 2030, based on global nuclear generating capacity growth of 1.5% per annum.
- Demand for nuclear energy is expected to grow across the world, as several major nations, including the UK, Russia, China, India and South Africa, are planning to increase their nuclear power consumption. According to the WNA, there are currently 439 operating nuclear reactors in the world. About 34 new reactors are under construction, and 93 have been proposed. China (35), India (16), Russia (15), S. Korea (8), USA (7), and Japan (13), combined, will account for 74% of the new nuclear reactors.

Although we do not expect a sharp increase in nuclear consumption worldwide in the short-term, the increase in nuclear generating capacity suggests that demand for uranium will increase in the long-term. Global consumption of uranium is about 180 million pounds a year versus production of about 100 million pounds; the deficit is filled up by stockpiles. Since stockpiles are not expected to last forever, uranium primary production has to significantly increase from current levels to keep up with demand in the long-term.

The top 12 uranium mines in the world represented 72.6% of global uranium production in

2006. The McArthur mine is the top producer accounting for 18.3% of global production. Although production at the Cigar Lake mine (at full-scale production of 18 million lbs of U3O8 per year, this mine will account for more than 15% of current global production) is now expected to start only by 2011 – 12, additional supply from Kazhak (the world's third-largest uranium producer is expecting to increase uranium output fivefold within a decade and overtake Canada as the largest supplier of nuclear fuel), Canada and South Africa in 2009, we believe, will provide relief to the supply side of the market. Additional supply in the market is expected to come from Paladin's Langer Heinrich mine (which commenced production in late 2006) their project in Kayelekera in Malawi, Uranium One's Dominion Reefs mine and Rio Tinto's Rossing. In addition to that, Kazakh producer Kazatomprom, recently announced that their shortage of sulphuric acid will be resolved by May 2008, while Uranium One (TSX: UUU) announced that they have secured supplies of acid by investing in a Russian plant.

**Forecasts:** In the short-term, we believe that prices will be very sensitive to any supply side shocks. Although we do not expect prices to go higher from current levels in the short-term, we believe the supply-sensitive uranium market will keep the metal's prices high. Our long-term outlook on prices is positive, based on rising demand and the projected shortage in long-term supply.

### **Financials**

At the end of November 2007, the company had \$9.29 million in cash and \$8.44 million in working capital, versus \$2.92 million and \$2.89 million, respectively, at the end of February 2007.

| (in C\$)                           | 2005      | 2006     | 2007      | 2008 (9 mo) |
|------------------------------------|-----------|----------|-----------|-------------|
| Working Capital                    | (877,909) | 9,368    | 2,892,108 | 8,438,105   |
| Current Ratio                      | 0.0       | 1.4      | 39.8      | 8.5         |
| LT Debts/ Assets                   | -         | -        | -         | -           |
| Burn Rate (incl exploration costs) | (14,246)  | (35,385) | (134,118) | (575,860)   |
| Cash from financing activities     | 172,722   | 446,113  | 4,506,639 | 11,553,344  |

In the first nine months of FY2007 (ended November 2007), the company posted a net loss of \$8.60 million (EPS: -\$0.22) versus \$0.14 million (EPS: -\$0.01) in the comparable period in the previous year. Net loss increased YOY due to stock-based compensation expenses of \$1.43 million, and property write-off of \$6.09 million in the first nine months of FY2007, versus nil in the comparable period in the previous year. We estimate the company had a burn rate (including exploration expenses) of \$0.58 million per month in the first nine months of FY2007.

**Stock Options and Warrants:** At the end of November 2007, the company had 6.70 million warrants outstanding, with exercise prices between \$1.10 and \$1.40, and maturity dates between October 2008 and December 2008. The company also had 3.44 million options outstanding, with exercise prices between \$1.00 and \$1.40, and maturity dates between December 2011 and April 2012. All the options and warrants are currently 'out-of-the-money'.

**Conclusions:** The company paid \$2.5 million and 3 million shares to acquire an additional 2% carried working interest in Hathor's Midwest Northeast project. We estimate the company currently has about \$5 million in cash. Based on our estimate of the company's current cash position, we believe the company is in a sound cash position to fund the proposed \$1 million on exploration for the rest of 2008.

### Valuation

The significant drop in uranium prices after achieving their record high of US\$136/lb has negatively impacted the share prices of most uranium exploration companies. As a result, our estimate of the average ratio of enterprise value to resources (\$/lb) of its peers has dropped from \$7.2/lb at the time of our previous report to \$4.6/lb. This drop in our valuation metric significantly impacted our valuation on TAS. Our fair value estimate on TAS dropped from \$1.29 per share to \$0.73 per share (shown below).

|                             | Company                     | Symbol     | Price          | Enterprise Value    | EV/Resource*  |
|-----------------------------|-----------------------------|------------|----------------|---------------------|---------------|
| 1                           | Pitchstone Exploration Ltd. | PXP        | \$1.19         | \$24,701,399        | 6.02          |
| 2                           | Triex Minerals Corp         | TXM        | \$1.75         | \$19,683,035        | 4.80          |
| 3                           | Santoy Resources            | SAN        | \$0.37         | \$20,415,520        | 3.91          |
| 4                           | <b>Terra Ventures Inc.</b>  | <b>TAS</b> | <b>\$0.60</b>  | <b>\$20,764,120</b> | <b>3.63</b>   |
| 5                           | Pele Mountain Resources     | GEM        | \$0.35         | \$21,804,552        | 0.66          |
|                             |                             |            | <b>Average</b> |                     | <b>4.59</b>   |
| <b>Fair value per share</b> |                             |            |                |                     | <b>\$0.73</b> |

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

\* The average EV/Resources ratio does not include GEM's ratio as it is an outlier.

**It is important to note that our valuation on the company is purely based on the company's historic resource estimates on the Lac Kachiwiss Property (Quebec) and one of their Utah properties. Although the recent discovery on the Midwest NE project has the potential to bring significant upside potential to TAS, we believe it is too early to quantitatively assign a value to the upside potential at this time.**

### Conclusions & Rating

At this point, it is impossible to assign a potential value to the Roughrider Zone if Hathor is able to prove up an economic deposit. The early indications are there, and we believe Terra's 10% carried interest will be very valuable if a deposit is proved up. We do recommend the company's stock at these levels, for the potential value of the Roughrider Zone. Further upside catalyst for the stock is the proposed drilling at Lac Kachiwiss, which is expected to commence in April or May of 2008.

Based on our revised valuation model and review of the company's projects, we reiterate our BUY rating, but lower our fair value on the company from \$1.30 per share to \$0.73 per share. We continue to rate the shares Risk 5 (Highly Speculative).

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

- Terra Ventures does not have any 43-101 compliant resource estimates.
- The success of further development, exploration, and expansion is a significant factor in Terra's success.
- Like other junior uranium exploration companies, the value of the company depends heavily on uranium prices.

**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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