

Torch River Resources (TSX.V: TCR) – Initiating Coverage; Red Bird Resource Expansion

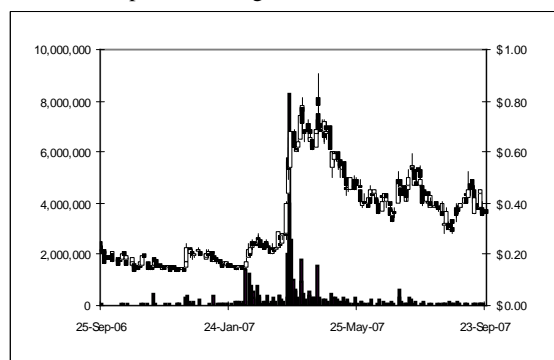
Sector/Industry: Junior Mining/Molybdenum

www.torchriver.ca

Market Data (as of September 24, 2007)

Current Price	C\$0.365
Fair Value	C\$0.70
Rating*	BUY
Risk*	5 (Highly Spec)
52 Week Range	C\$0.135 – C\$0.91
Shares O/S	44,046,177
Market Cap	C\$16.08 mm
Current Yield	N/A
P/E	N/A
P/B	3.06
YoY Return	73.8%
YoY TSX V	13.5%

*see back of report for rating and risk definitions



Investment Highlights

- Torch River is advancing the Red Bird property, which has an NI 43-101 compliant resource estimate of 151.3 million pounds of molybdenum in the indicated (61.2 million) and inferred (90.1 million) categories.
- A new NI 43-101 compliant resource estimate was released in August 2007. It was based on the 2006 drilling program.
- Molybdenum prices are high at US\$35/lb versus US\$2.68/lb as of January 2000. We believe that the long-term fundamentals of moly are good; thus strengthening the economics of the project.
- Torch River is a top holding of Sprott's Molybdenum Participation Fund.

Risks

- The Red Bird project's risks include accessibility, infrastructure, and proximity to a national park.
- The success of the company is highly dependent on the success of drilling, economic studies, and access to the property.

Key Financial Data (C\$)

(YE - October 31)	2003	2004	2005	2006	Q2-2007 (6 mo)
Cash	118,988	87,206	101,020	153,938	2,787,461
Mineral Assets	517,270	595,186	981,971	2,469,218	2,458,845
Total Assets	656,659	717,965	1,110,217	2,846,031	5,389,156
LT Debt/Assets	-	-	-	-	-
Net Loss	(96,113)	(225,347)	(361,962)	(304,229)	(23,683)
EPS	(0.01)	(0.02)	(0.02)	(0.01)	(0.00)

Torch River Resources is exploring the Red Bird porphyry style molybdenum deposit, which has a NI 43-101 compliant resource estimate of 151.3 million pounds of molybdenum in the indicated (61.2 million) and inferred (90.1 million) categories. The company plans to begin a preliminary economic assessment program following their 2007 drilling program.

Company Overview Torch River Resources has an advanced molybdenum property, Red Bird, which has a NI 43-101 compliant resource of 151.3 million pounds of molybdenum in the indicated (61.2 million) and inferred (90.1 million) categories. Red Bird is a large porphyry style molybdenum-copper deposit that is still open in all directions. The company plans to continue resource delineation while advancing the project through economic studies.

Corporate History Torch River Resources was proposed in 2001 from the amalgamation of Tael Capital and Torch River Mines Ltd. Torch River Mines was a private company formed in 1997 for the purpose of mineral exploration in Manitoba. This transaction was finalized at the end of 2003, and Torch River continued to explore their Manitoba properties until 2005. The only original members of management since 2003 are Donald Snyder, Chairman and James Louie, Director. In 2005, the company announced the acquisition of the Red Bird property from Red Bird Resources, a private company. In 2007, they attempted to acquire the Mt. Copeland property, a former high-grade moly producer. This property is partially owned by the company's president, Dr. Pfaffenberger. They were unable to negotiate the agreement and the negotiations were dropped.

Sprott Investment Torch received significant institutional attention in 2007, coupled with the “moly mania” that swept the Canadian resource sector due in part to molybdenum's record prices. Two large, well recognized Canadian institutions, Sprott Asset Management, and Pinetree Capital, completed private placements with the company. Sprott Securities Inc., and Pinetree Resource Partnership, own 17.86%, and 11.92% of the company, respectively. Torch River Resources is one of the top holdings of Sprott's Molybdenum Participation Fund.

Red Bird Molybdenum Property **Property Overview:** The Red Bird molybdenum property is a porphyry style copper and molybdenum deposit that was previously explored by Phelps Dodge and Craigmont (a subsidiary of Placer Dome).

Ownership: The company entered into an agreement to acquire a 100% interest in the Red Bird property from Red Bird Resources in 2005. Torch had to spend \$2.15 million on exploration (this obligation has already been met), pay Red Bird Resources \$1.3 million (only \$500,000 of this remains) and issue 5 million shares (only 2 million remains) by May 2008 for a 25% ownership in the property.

If a final payment of \$4 million is not made by December 2008, Red Bird has the option of buying back this 25% for \$1.8 million. Torch must issue 5 million shares by December 2009 to complete the option for 100% ownership. This agreement is subject to a 2.5% NSR to Red Bird Resources.

Historic Exploration/Production: Like other moly properties in B.C., including the Ruby Creek deposit owned by Adanac Molybdenum Corp (TSX:AUA; BUY; Highly Spec) and the Cassiar Storie deposit owned by Columbia Yukon (TSX.V:CYU), this property was explored to an advanced stage. Phelps Dodge first explored the property in 1958, and since that time, 134 drill holes have been completed. Craigmont optioned the property from Phelps Dodge in 1978, and continued drilling. In 1981, they completed a prefeasibility study. At the time, molybdenum was \$8.50/pound, and copper was \$1.25/pound.

A prefeasibility study in 1981 outlined the following factors:

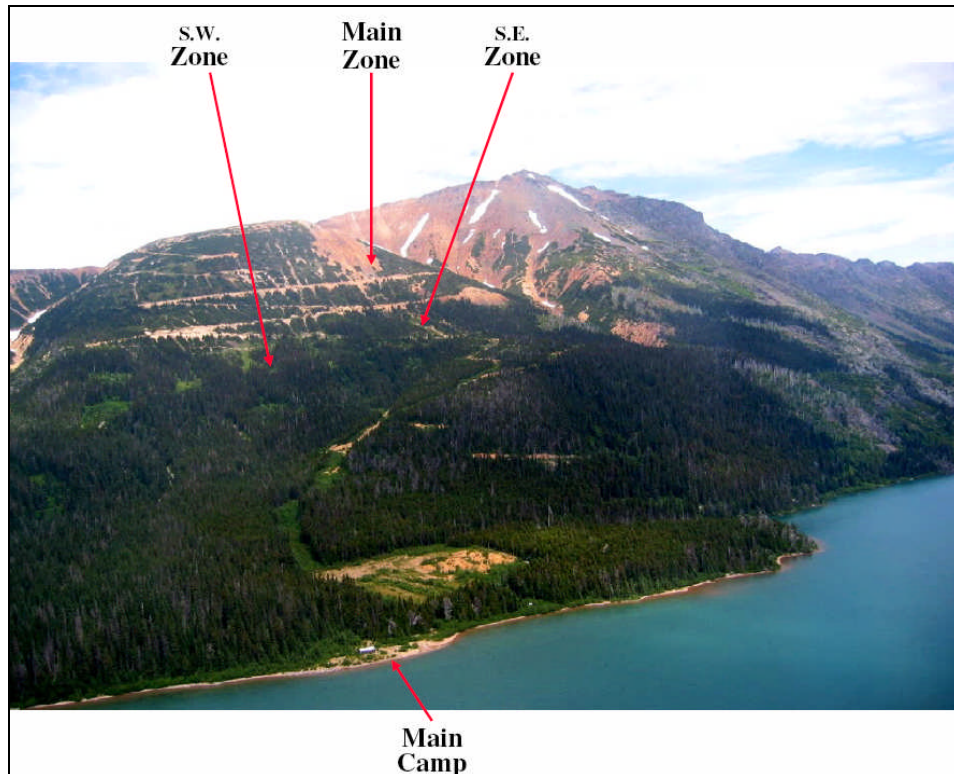
Resource Tonnage & grade	81.5 million tonnes, grading 0.118% MoS ₂ and 0.078% Cu (cut-off = 0.05% MoS ₂)
Mining Method	3 open pits (Main, Southwest, Southeast)
Operating Rate & Mine Life	10,000 tpd for 23 years
Stripping Ratio	1.9:1
Recoveries	80% Mo, 65% Cu (by flotation)
Operating Cost	\$0.96/ton
Capital Cost	\$221 million

Data Source: Red Bird Technical Report, May 2006

Craigmont dropped its option, and it was eventually returned to the provincial government. Torch River's geologist, Andris Kikauka, staked the property in 2003 for Dr. Pfaffenberger's private company, Fundamental Resources. In 2005, Torch River conducted a reassaying program on the historic core. This provided them with an inferred NI 43-101 compliant resource. The accompanying technical report recommended a drilling program of 8 holes to bring the inferred resource to measured and indicated categories. The company completed a seven hole drilling program in 2006, as well as IP geophysics and magnometer surveys.

Accessibility and Infrastructure: The property is located in a remote region of British Columbia, where accessibility and infrastructure can be an issue. Currently, the property is accessed by float plane in the summer and helicopter in the winter. The ideal access route would be the 18 kilometer access road built by Phelps Dodge in 1966 that crossed the Tweedsmuir National Park. It is badly overgrown, and there is a possibility that development of an access road would be forbidden on a provincial park. There is another access road route, but it is not ideal due to the steep grades and avalanche risk. The nearest power station is 68 kilometers away.

Geology and Mineralization: The Red Bird deposit is a porphyry style deposit with disseminated low-grade molybdenum, copper, and rhenium. The company has defined three zones of molybdenum mineralization known as the Main, Southeast, and Southwest zones. These zones are found at the contact between an igneous quartz body and adjacent wall rocks. Mineralization is found in the form of molybdenite in quartz veinlets and banded veins. It appears there were several mineralizing events associated with fracturing and release of magmatic fluids. All exploration to date has focused on molybdenum mineralization in the contact zone, but it is believed the central part of the igneous quartz body may contain molybdenite quartz veins as well.



Source: Torch River Resources

Current Developments: The company began a drilling program on July 10, 2007, that is still ongoing. They plan to drill nine diamond drill holes totaling up to 10,200 feet. This drill program is targeting mineralized areas with little historic exploration.

Resource Estimates: The company reassayed Craigmont's historic drill core in 2005 to bring the historic resource estimate to NI 43-101 compliant standards. It was in the inferred category because the company did not conduct any confirmation drilling. A cut-off grade of 0.03% Mo was used, because that was the cut-off grade used in the 1981 feasibility study. In 2006, the company completed a drill program consisting of seven diamond drill holes totaling 1,940 meters. This led to an updated NI 43-101 compliant resource estimate, released in August 2007.

Resource	Tonnage (tonnes)	Grade (% Mo)*	Grade (% Cu)	Pounds of Moly	Pounds of Copper
Historic (1981)	81.47 million	0.078%	--	140.1 million	--
2005: Inferred NI 43-101	75.3 million	0.065%	0.07%	107.9 million	116.2 million
2007: Indicated NI 43-101	43.34 million	0.064%	0.066%	61.2 million	63.1 million
2007: Inferred NI 43-101	70.48 million	0.058%	0.070%	90.1 million	108.8 million

%Mo = %MoS₂ * 0.5594

Scoping Study The 2007 technical report recommended that a preliminary economic assessment/scoping study for the Red Bird deposit be undertaken. This work will include preliminary mine design to separate open pit and underground resources. The possible locations of a mill, waste dump, tailings pond, and access road will also be considered. Environmental and social concerns, especially with consideration of the proximity to Tweedsmuir Provincial Park, will also be reviewed. According to management, this program will be undertaken in the winter of 2007/2008 for an estimated cost of \$50,000.

Potential At this time, the company's exploration priority is delineating the dimensions of the mineralized zone in the inferred category before completing an infill program for measured and indicated resources. The cost of upgrading the current resource to measured and indicated is \$800,000, for a drilling program of 2,500 meters in 8 holes. We expect the company to be drilling in 2008, and 2009, to prove up a large measured and indicated resource. They will likely be conducting economic studies alongside their exploration program. The company has made it clear that they are seeking an industry partner to develop the Red Bird project. We believe the project has merit and may warrant such attention as the ore body continues to expand.

Grouse Mountain Silver Claims **Property Overview:** The Grouse Mountain property was recently acquired by the company from its president, Dr. Pfaffenberger.

Ownership: The company acquired the property from Dr. Pfaffenberger in July 2007 for C\$33,060. Although this is not an arms-length transaction, an independent third party negotiated the purchase cost and the company acquired it "at-cost" to minimize potential conflicts.

Historic Exploration/Production: Several high-grade surface samples have been taken at the Grouse Mountain Property. Results include 4% copper, 312 oz/ton silver, and 0.33 oz/ton gold. A 2.72 tonne underground bulk sample was taken from the property in 1939, which produced 403 ounces of silver and 85 kilograms of copper.

Accessibility and Infrastructure: The property is located in central west British Columbia, halfway between Smithers and Houston. This is a relatively remote region of British Columbia, so accessibility is subject to weather conditions and infrastructure is minimal.

Geology and Mineralization: A number of narrow mineralized quartz veins have been identified on the property. As it stands, these veins are likely not economic to mine, but the company is exploring for a larger mineralized system that may be the source of the near surface narrow veins.

Current Developments: The company intends to complete a preliminary exploration program, including sampling, mapping, and geophysics, in the summer of 2007. This program has an estimated budget of \$10,000.

Resource Estimates: This property does not have any historic or NI 43-101 compliant resource estimates at this time. It should be considered early stage, as the company has not

conducted any exploration on the property.

***Other
Properties***

The company still holds the Manitoba properties that Torch River explored in 2001-2005. However, they have not completed any work on the properties in the past few years and they are not a priority of management at this time.

Management

William Pfaffenberger - President, CEO, Director

Dr. Pfaffenberger is President and CEO of Torch River Resources having joined the company in April 2006. He is a retired professor of mathematics who was in the Mathematics and Statistics Dept of the University of Victoria for 38 years. He served as a Member of the Board of Governors, was Chair of his department and served as Chair of the Board of Pension Trustees for 11 years overseeing a fund of over \$400 million.

Besides being a director of the company he also serves as a director of two other public companies, Molycor Gold Corp and Goldrea Resources Corp. He is also President of a private minerals company, Fundamental Resources Corp.

Barry Pearson - CFO

Barry A. Pearson, CMA has been the CFO of Torch since June, 2004 as well as Secretary to the Board from July, 2006. Recently, as a management consultant, he has provided his expertise in the electronic records management area; business process improvement software development and implementation, accounting systems support as well as mentoring several small businesses. He has held the following positions: Controller for Western Canada for a major Health & Pharmaceutical Group, Director of Internal Audit for a major food group; Manager of Internal Audit for Western Canada and NW United States for a large Canadian multinational. He has been active in the market for the past 15 years. He is an active volunteer within the community.

Donald G. Snyder – Chairman

Mr. Snyder has held the position of Chairman and Director of Torch since its inception. He was a Director of Teal Capital Inc. a predecessor to Torch, since 2003. Mr. Snyder was a founder and partner in Brymore, which was an energy marketer from 1986 to 1997. Brymore bought, transported and sold natural gas, crude oil and sulfur to customer throughout Canada and the United States. Mr. Snyder is a member of the Association of Professional Engineers, Geologists and Geophysicists of Alberta.

James G. Louie - Director

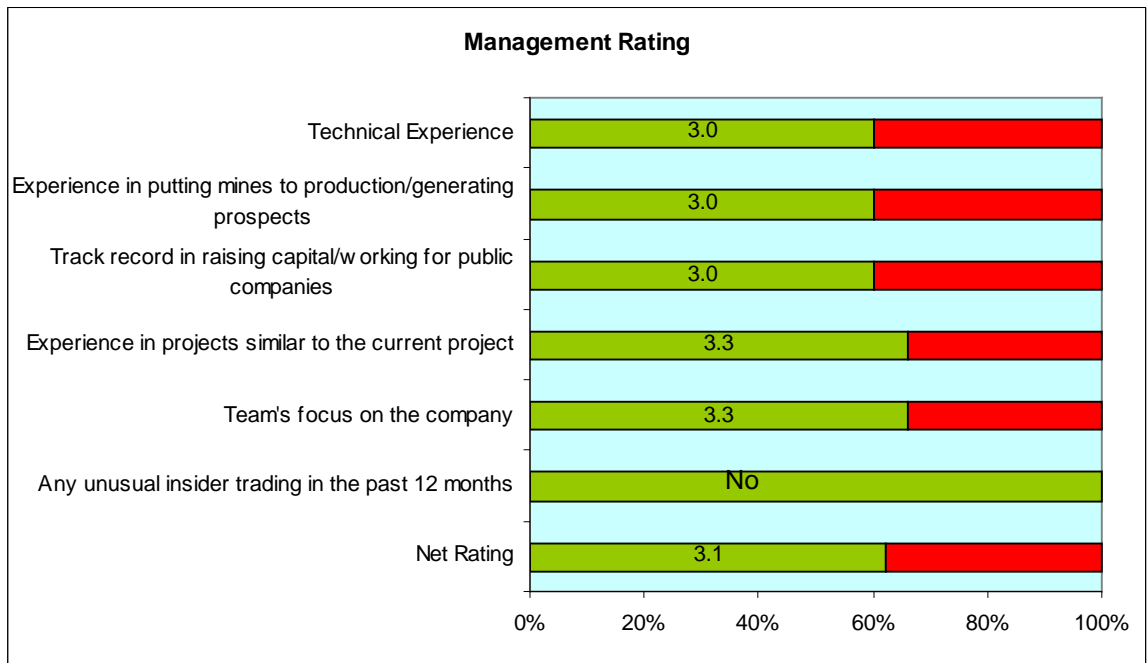
Mr. Louie has been a Director of Torch since its inception. He was a co-founder and a Director of Tael Capital Inc. a predecessor to Torch, since 1998. Mr. Louie is the founder and principal of Dynamax Engineering Ltd. since 1975. Dynamax Engineering provides engineering services in the design, construction, and operation of oil treating facilities, natural gas processing plants, and pipeline systems. Mr. Louie is a member of the Association of Professional Engineers, Geologists and Geophysicists of Alberta and the Association of Professional Engineers and Geoscientists of British Columbia.

Dr. David W. Madill - Director

Dr. Madill is a physician in private practice. He is a long-term investor in junior mining companies, and has spent 18 years helping with corporate development and finance. He is a director of two other listed mining exploration and development companies: Molycor Gold Corp and Goldrea Resource Corp.

Management Rating

We believe that the most important aspect of a junior mining company is its management. Our management rating system is a quantitative way to rate management based on a number of factors, including technical experience, the ability to raise financing, and management’s time commitment to the company. We also analyzed trading records to identify for evidence of unusual trading by management. **Our net rating for Torch River is 3.1, which we have rated average.** Management’s strengths include prospect generation and technical experience in molybdenum exploration in British Columbia.



Strength of Board

The Toronto Stock Exchange recommends that the Board of Directors of every company include independent or unrelated directors who are free of any relationship or business that could materially interfere with the director’s ability to act in the best interest of the company. An unrelated/independent director can be a shareholder. The strength of board section uses information available from the company’s annual “Management Information Circular” to ensure that the company has an independent Board of Directors, Audit Committee, and Compensation Board. This report also identifies any non-arms length transactions and management’s compensation.

Torch River’s Board of Directors is made up of four individuals: William Pfaffenberger, Donald Snyder, James Louie, and David Madill. William Pfaffenberger is the only related/non-independent director. All directors own shares in the company. Mr. William E.

Pfaffenberger and Mr. David W. Madill were directors of Beau Pre Explorations Ltd. in 2005, when Beau Pre was the subject of cease trade orders by the Alberta and British Columbia Securities Commissions for failure to file financial statements. Beau Pre was subsequently delisted from the TSX Venture Exchange and transferred to the NEX Exchange, where trading in the shares of Beau Pre remains suspended. The Audit Committee is made up of the three independent directors: Donald Snyder, James Louie, and David Madill. The company does not have a Compensation Committee.

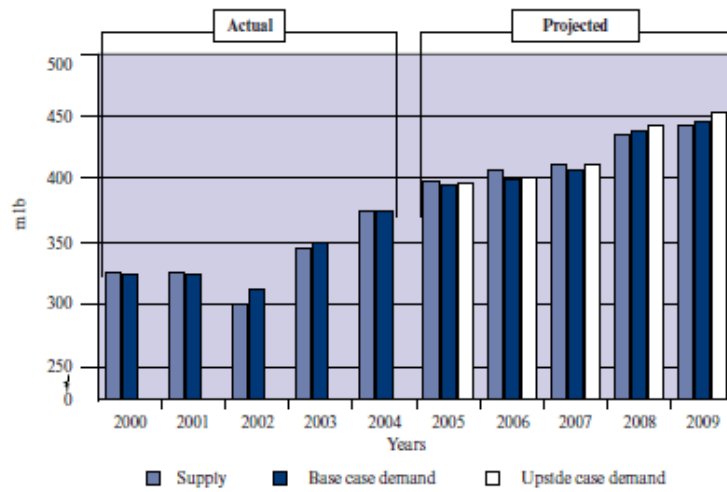
**Industry
Conditions**

BC is now known as one of the leading producers of molybdenum in the world. According to BC STATS, and the BC Ministry of Advanced Education, molybdenum is now the second most important metal mined in BC, based on value.

Existence and Characteristic: Molybdenum occurs primarily as molybdenite (MoS_2) in porphyry deposits in the USA, Canada, Chile, China and Greenland both as a primary deposit and also associated with copper. Based on Mo production in 2004, Canada was ranked 5th in the world behind the U.S, Chile, China and Peru. Canada's production was 6% of global production. Molybdenum has a very high melting point, making it ideal for alloys used in aircraft engines, missiles and petrochemical plants.

Demand for Molybdenum: Demand for Molybdenum comes primarily from the steel industry. According to the International Molybdenum Association (IMOA), demand from the **manufacturing of tools, high-speed steel, stainless steel and low alloy steel accounts for about 80% of total molybdenum consumption.** Demand for molybdenum has also increased recently because of its use as a reducer of sulfur in crude oil. One of the applications, which we believe is very pertinent in current market conditions, is the **use of molybdenum in the pipework for the offshore oil and gas industry.** According to the IMOA, most corrosion resistant stainless steels contain about 6.0% - 7.3% molybdenum. High growth in the energy sector has contributed to the growth in global demand of molybdenum, due to increased demand for the metal for new and replacement pipelines.

Global demand is expected to outpace supply: The chart on the next page shows historic world molybdenum supply and demand for the period 2000 to 2004, along with CRU Group's projections. As the chart shows, demand is expected to exceed supply in 2008, and 2009. CRU projects a molybdenum deficit of 6 million lbs by 2009 in the base case scenario.

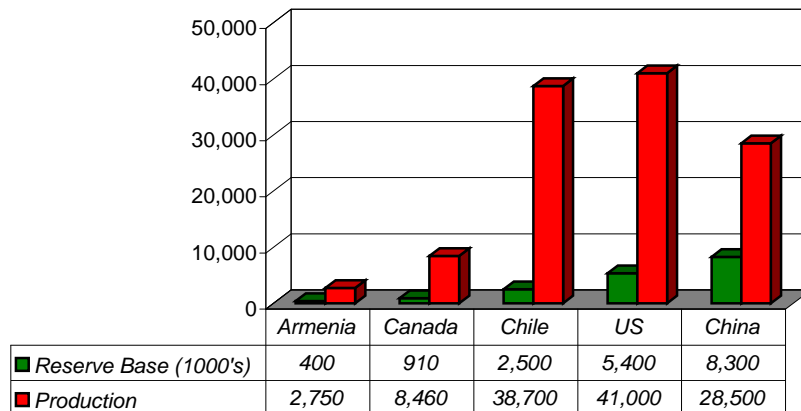


In the next section, we illustrate the major factors that, we believe, will drive molybdenum prices going forward.

Increasing demand for steel in China: The increasing demand for steel has been one of the major drivers of demand for molybdenum. China accounted for about 31% of total global steel demand in 2005, and is the largest consumer of steel in the world (*RNCOS*). According to Abare, demand for steel in China is expected to increase from 355 million tonnes in 2005, to 445 million tonnes in 2007. Global stainless steel production is estimated to have increased by 14.3% YOY in 2006. According to Goldman Sachs, stainless steel production in China will increase by 32%, 33% and 23% in 2006, 2007, and 2008, respectively.

Global supply from China is expected to drop: The chart below shows the top five countries ranked based on total identified resources of molybdenum.

Mo Reserve Base and Annual Production



Source: USGS

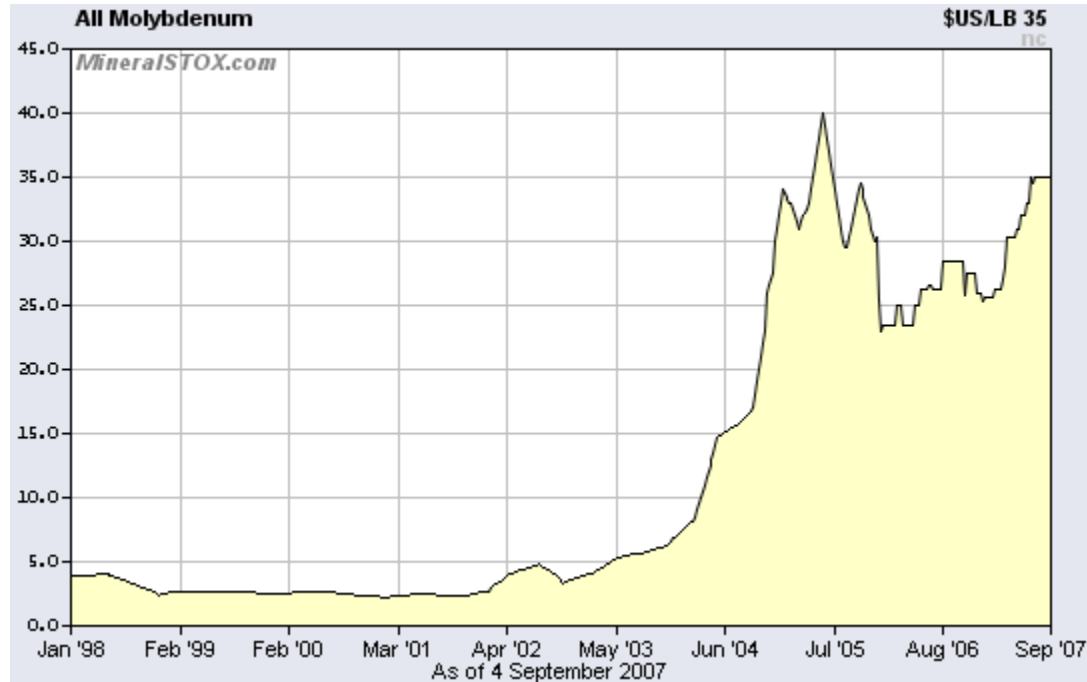
China has the world's largest molybdenum reserve base. According to the USGS, identified resources amount to about 8.3 million metric tons of molybdenum in China, which is approximately 43.7% of the total identified molybdenum resources in the world. However, when it comes to production, China contributed only 17.5% of world production in 2005. As shown in the chart, annual production in China is much lower compared to the U.S or Chile. The low production rate in China is because **China has shut down one-third of its production capacity** for an indefinite period, due to environmental and other reasons.

Additionally, China's molybdenum exports are expected to decrease further as the country imposed (in November 2006) a 10% export duty on molybdenum oxide and ferromolybdenum. In order to conserve molybdenum, China is also planning to introduce a quota system for molybdenum. According to China Nonferrous Metals News, China's molybdenum exports are expected to decrease by 10%, and export permission will now only be granted to exporters with export volumes of over 3,000 tonnes in the past 3 years, and traders of at least 1,000 tonnes in the past 3 years.

Tight roasting capacity: Molybdenite concentrate has to be roasted to be converted into molybdic oxide/ferromolybdenum – the form in which molybdenum is normally supplied to end users. Currently, there is a shortage in global roasting capacity. The major limitations of roasting molybdenum ores are that the process is not environmentally friendly, and roasters are very expensive to build. Even though molybdenum supplies are estimated to be abundant, roasting capacity has not kept pace with increasing molybdenum production. Tight roasting capacity is expected to be a bottleneck in molybdenum production worldwide.

Investment demand could rise: The introduction of gold and silver ETFs have contributed significantly to higher prices for those metals in 2006. In early March 2007, Eric Sprott (founder of Sprott Asset Management) announced his intentions to launch an IPO for the Sprott Molybdenum Participation Corp., which will buy and sell actual molybdenum and invest in molybdenum exploration and production companies. We believe the introduction of an investment fund will positively impact molybdenum prices going forward, although the impact will be of lesser extent compared to gold and silver. We believe the impact will be lesser, because molybdenum, unlike gold, is generally priced based on its supply-demand fundamentals versus other considerations for gold (for example, inflationary hedge).

Molybdenum prices: The chart on the next page shows molybdenum prices since January 1998.



Molybdenum prices were highly volatile in 2004, and 2005, and have been less volatile since the beginning of 2006. As of September 19, 2007, molybdenum was trading at US\$35/lb. Current prices have increased more than tenfold since the beginning of the century. As of January 2000, the price of molybdenum was only US\$2.68/lb.

Forecast: Based on our review of the factors affecting molybdenum prices, we believe that prices, though expected to gradually decline throughout our forecast period, will stay higher than their historical average of US\$10.8/lb (average of prices during January 2000 – September 2006), due to the following:

- Strong demand from China and the global market for stainless steel
- Expected decrease in Mo exports by China
- Increasing demand from the oil sector
- Longer lead times to build new molybdenum mines
- Tight roaster capacity
- Increasing investment demand
- Not easily substitutable due to its unique characteristics, availability and versatility

Financials

For the first six months of FY2007 (ended April 2007), the company recorded a net loss of \$0.02 million (eps: -\$0.00), compared to a net loss of \$0.21 million (eps: -\$0.01) in the comparable period in the previous year. In the first six months of FY2007, the company recorded a future income tax recovery of \$0.23 million, which led to the YOY decline in net losses.

We estimate TCR had a burn rate (cash spent on operating and investing activities) of \$0.03 million per month in the first six months of FY2007, compared to \$0.17 million per month in

FY2006 (12-month period). The table below shows the company's cash and liquidity position at the end of Q2-2007.

	2003	2004	2005	2006	Q2-2007 (6 mo)
Working Capital (in \$)	82,074	100,985	30,301	41,275	2,706,496
LT Debt	-	-	-	-	-
Burn Rate (in \$)	(7,594)	(26,314)	(34,568)	(166,306)	(28,884)
Cash from Financing (in \$)	-	283,991	428,629	2,023,686	2,796,452

Cash and working capital at the end of April 2007 were \$2.78 million and \$2.71 million, respectively, compared to \$0.15 million and \$0.04 million, at the end of FY2006 (ended October 2006).

Stock Options and Warrants: At the end of April 2007, the company had 3.31 million stock options (3.13 million are currently 'in-the-money'), with exercise prices ranging between \$0.14 and \$0.55, and maturity dates between May 2007 and March 2012. The company also had 16.43 million warrants outstanding, with exercise price ranging between \$0.18 and \$0.75, and maturity dates between July 2007 and December 2009.

Conclusions: The company expects to spend about \$0.8 million on the Red Bird Molybdenum Property, and \$0.01 million on the Grouse Mountain Property in 2007. We believe the company is in a good cash position to pursue their proposed exploration activities in 2007.

Valuation

We have valued the company, based on the value of the Red Bird Project, which is the company's most advanced project. We conducted a Discounted Cash Flow (DCF) analysis and a relative valuation to value the Red Bird Project.

DCF Analysis: The following inputs/assumptions were made in our valuation model.

- Resource Estimate – We have used all of indicated resources, but only 50% of the inferred resources, for conservatism.
- Commodity Prices – Our model assumes molybdenum prices of US\$21.25/lb in 2012, gradually declining to US\$10/lb by 2021.
- Operating and initial capital cost estimates were made based on comparable projects.
- We expect production to commence in 2012.

Our DCF valuation on the company is \$31.88 million, or \$0.67 per share. A summary of our valuation model is shown on the next page.

DCF Valuation	
Mineral Resources (in tonnes)	78,580,000
Grade (Mo)	0.061%
Grade (Cu)	0.068%
Recovery (Mo)	85%
Recovery (Cu)	70%
Production	2012
Mine Life (years)	11
Operating costs (\$/tonne)	\$9.00
Discount rate	12%
Capital Costs	\$325,000,000
Net Asset Value	\$29,175,003
Working Capital	\$2,706,496
Debt	
Fair Value	\$31,881,499
No. of Shares (diluted)	47,765,818
Fair value per share (diluted)	\$0.67

Relative Valuation: A relative analysis on the company gave a fair value estimate of \$0.75 per share. All the comparables that we have included in the analysis, primarily, target molybdenum and copper.

Company	Symbol	Price	Enterprise Value (EV)	Resource (Mo eq.)	EV / Resource
1 Virgin Metals Inc	VGM	\$0.49	\$32,080,824	41,717,442	\$0.77
2 International PBX Ventures Ltd.	PBX	\$0.43	\$19,510,091	63,534,449	\$0.31
3 Torch River Resources Ltd.	TCR	\$0.37	\$13,289,394	118,979,167	\$0.11
4 Inca Pacific Resources Inc.	IPR	\$1.46	\$45,585,259	459,729,951	\$0.10
5 Western Troy Capital Resources Inc	WRY	\$0.61	\$6,966,303	73,956,270	\$0.09
Average					0.28
Fair value per share (diluted)					\$0.75

* Resources = Measured and Indicated + 50% Inferred/Historic Resource Estimates

* Molybdenum equivalent was determined based on copper price of US\$3.25/lb, and molybdenum price of US\$30/lb

We did not include companies with very advanced projects (like Adanac Molybdenum Corporation- TSX: AUA, and Roca Mines Inc. - TSXV: ROK) in our analysis, as we believe their projects are relatively more advanced compared to TCR's Red Bird project.

Conclusions & Rating

We believe Torch River has a property of merit that warrants further exploration. The property has the potential to contribute to further molybdenum production in British Columbia. We expect the company to continue resource expansion while completing economic studies. We believe this is a good strategy for the company. Further exploration is required to outline the dimensions of this large porphyry deposit, but pursuing economic studies while simultaneously continuing exploration allows the company to move the property towards production more quickly. We believe the company may seek an industry partner to process this large deposit, and the long-term fundamentals of molybdenum suggest that this property would be of interest as the supply-demand crunch gets tighter.

Based on our valuation models, and analysis of the company's projects, we initiate coverage on Torch River with a BUY rating, and a fair value estimate of \$0.70 per share. Our fair value estimate reflects an upside potential of 92% from current price levels.

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

- Like other junior exploration companies, the value of the company depends heavily on the current and future price of the underlying commodity, in this case molybdenum.
- The success of the company is highly dependent on the success of drilling, economic studies, and access to the property.

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.

Disclaimers and Disclosure

The opinions expressed in this report are the true opinions of the analyst about this company and industry. Any "forward looking statements" are our best estimates and opinions based upon information that is publicly available and that we believe to be correct, but we have not independently verified with respect to truth or correctness. There is no guarantee that our forecasts will materialize. Actual results will likely vary. The analyst and Fundamental Research Corp. "FRC" does not own any shares of the subject company, does not make a market or offer shares for sale of the subject company, and does not have any investment banking business with the subject company. Fees of less than \$30,000 have been paid by TCR to FRC. The purpose of the fee is to subsidize the high costs of research and monitoring. FRC takes steps to ensure independence including setting fees in advance and utilizing analysts who must abide by CFA Institute Code of Ethics and Standards of Professional Conduct. Additionally, analysts may not trade in any security under coverage. Our full editorial control of all research, timing of release of the reports, and release of liability for negative reports are protected contractually. To further ensure independence, TCR has agreed to a minimum coverage term including an initial report and three updates starting with this report. Coverage cannot be unilaterally terminated. Distribution procedure: our reports are distributed first to our web-based subscribers on the date shown on this report then made available to delayed access users through various other channels for a limited time. The performance of FRC's research is ranked by Investars. Full rankings and are available at www.investars.com.

The distribution of FRC's ratings are as follows: BUY (85%), HOLD (6%), SELL (2%), SUSPEND (7%).

To subscribe for real-time access to research, visit <http://www.researchfrc.com/subscription.htm> for subscription options.

This report contains "forward looking" statements. Forward-looking statements regarding the Company and/or stock's performance inherently involve risks and uncertainties that could cause actual results to differ from such forward-looking statements. Factors that would cause or contribute to such differences include, but are not limited to, continued acceptance of the Company's products/services in the marketplace; acceptance in the marketplace of the Company's new product lines/services; competitive factors; new product/service introductions by others; technological changes; dependence on suppliers; systematic market risks and other risks discussed in the Company's periodic report filings, including interim reports, annual reports, and annual information forms filed with the various securities regulators. By making these forward looking statements, Fundamental Research Corp. and the analyst/author of this report undertakes no obligation to update these statements for revisions or changes after the date of this report. A report initiating coverage will most often be updated quarterly while a report issuing a rating may have no further or less frequent updates because the subject company is likely to be in earlier stages where nothing material may occur quarter to quarter.

Fundamental Research Corp DOES NOT MAKE ANY WARRANTIES, EXPRESSED OR IMPLIED, AS TO RESULTS TO BE OBTAINED FROM USING THIS INFORMATION AND MAKES NO EXPRESS OR IMPLIED WARRANTIES OR FITNESS FOR A PARTICULAR USE. ANYONE USING THIS REPORT ASSUMES FULL RESPONSIBILITY FOR WHATEVER RESULTS THEY OBTAIN FROM WHATEVER USE THE INFORMATION WAS PUT TO. ALWAYS TALK TO YOUR FINANCIAL ADVISOR BEFORE YOU INVEST. WHETHER A STOCK SHOULD BE INCLUDED IN A PORTFOLIO DEPENDS ON ONE'S RISK TOLERANCE, OBJECTIVES, SITUATION, RETURN ON OTHER ASSETS, ETC. ONLY YOUR INVESTMENT ADVISOR WHO KNOWS YOUR UNIQUE CIRCUMSTANCES CAN MAKE A PROPER RECOMMENDATION AS TO THE MERIT OF ANY PARTICULAR SECURITY FOR INCLUSION IN YOUR PORTFOLIO. This REPORT is solely for informative purposes and is not a solicitation or an offer to buy or sell any security. It is not intended as being a complete description of the company, industry, securities or developments referred to in the material. Any forecasts contained in this report were independently prepared unless otherwise stated, and HAVE NOT BEEN endorsed by the Management of the company which is the subject of this report. Additional information is available upon request. THIS REPORT IS COPYRIGHT. YOU MAY NOT REDISTRIBUTE THIS REPORT WITHOUT OUR PERMISSION. Please give proper credit, including citing Fundamental Research Corp and/or the analyst, when quoting information from this report.

Fundamental Research Corp is registered with the British Columbia Securities Commission as a Securities Adviser which is not in any way an endorsement from the BCSC. The information contained in this report is intended to be viewed only in jurisdictions where it may be legally viewed and is not intended for use by any person or entity in any jurisdiction where such use would be contrary to local regulations or which would require any registration requirement within such jurisdiction.