

Fundamental

Research Corp.

Investment Analysis for Intelligent Investors

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May 15, 2018

Eskay Mining Corp. (TSXV: ESK) – Aggressive Exploration Programs Planned on B.C.’s Golden Triangle – Initiating Coverage

Sector/Industry: Junior Resource

www.eskaymining.com

Market Data (as of May 15, 2018)

Current Price	C\$0.23
Fair Value	N/A
Rating*	N/A
Risk*	5 (Highly Spec)
52 Week Range	C\$0.18 - C\$0.51
Shares O/S	110,274,864
Market Cap	C\$25.36 mm
Current Yield	N/A
P/E (forward)	N/A
P/B	N/A
YoY Return	-32.4%
YoY TSXV	-3.0%

*see back of report for rating and risk definitions.

* All figures in C\$ unless otherwise specified.



Investment Highlights

- Eskay Mining Corp.’s (“company”, “Eskay”) land holdings in B.C., Canada, surround the world-class Eskay Creek gold-silver mine, and are adjacent to Seabridge’s (TSX: SEA) KSM gold-copper project, and Pretium’s (TSX: PVG) Brucejack gold projects. The Eskay Creek mine had produced a total of 3.3 Moz of gold, & 161 Moz silver at an average grade of 45.57 g/t gold, and 2,231 gpt silver between 1994 and 2008.
- The company has identified four key target areas within its large 130,000 acre land package in the region – namely the SIB, Red Lightning, North Mitchell and the Jeff-TV zones.
- Eskay has an option agreement with SSR Mining Inc. (TSX: SSRM) on the SIB property. SSR recently announced its decision to proceed to year two of a three year option agreement.
- The Red Lightning prospect is being tested for its potential to be a part of a number of mafic-ultramafic bodies along a 15 km long, and underexplored belt, running from Garibaldi Resources’ (TSXV: GGI) E&L deposit to Red Lightning.
- **The company recently announced a financing for up to \$1.10 million.**
- Due to the early stage nature of the company’s portfolio, we are not currently assigning a fair value estimate or rating. However, we believe Eskay is an attractive speculative play focused on an area that hosts some of the richest deposits in the world. One of the key advantages of the company is that it has already identified several highly prospective targets on its land package.

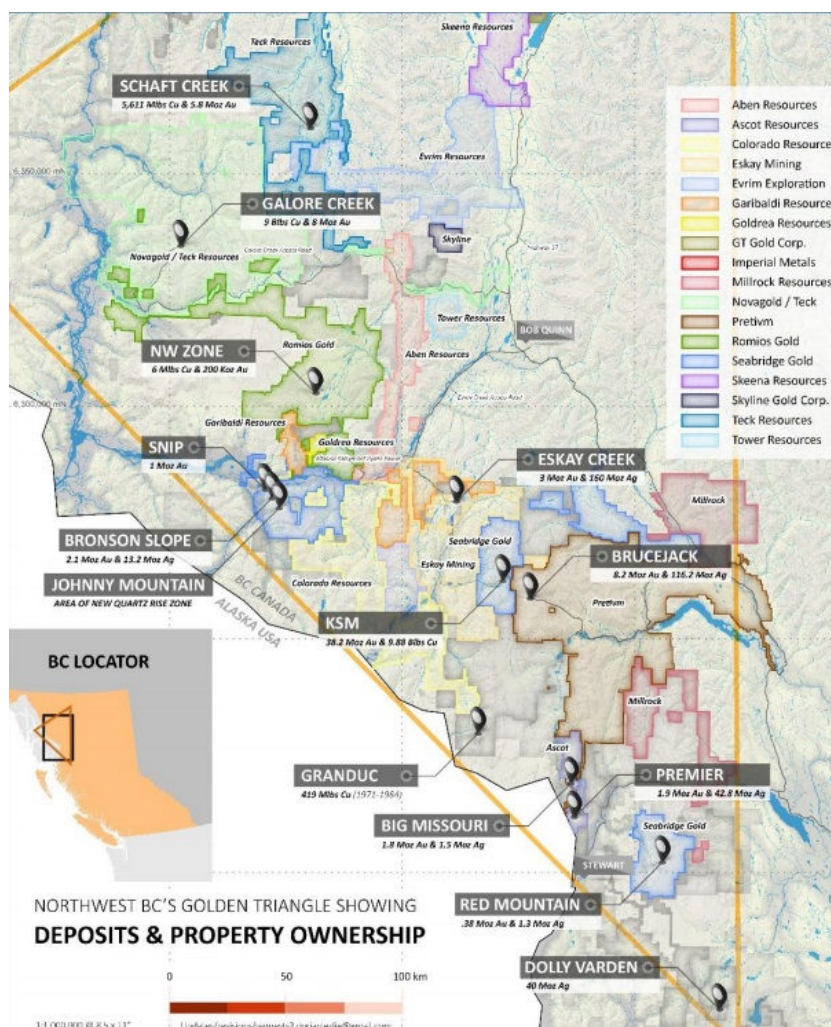
Risks

- The current projects within the portfolio are in early stages of exploration.
- None of the projects have NI43-101 compliant resource estimates.
- Exploration and development risks.
- Volatility in commodity prices.
- Access to capital and share dilution.

Key Financial Data (FYE - Feb 28)

(C\$)	2017	2018 (9M)
Cash	\$113,696	\$160,245
Working Capital	-\$526,834	-\$229,723
Total Assets	\$278,350	\$315,194
Net Income (Loss)	-\$755,229	-\$339,752
EPS	-\$0.01	-\$0.00

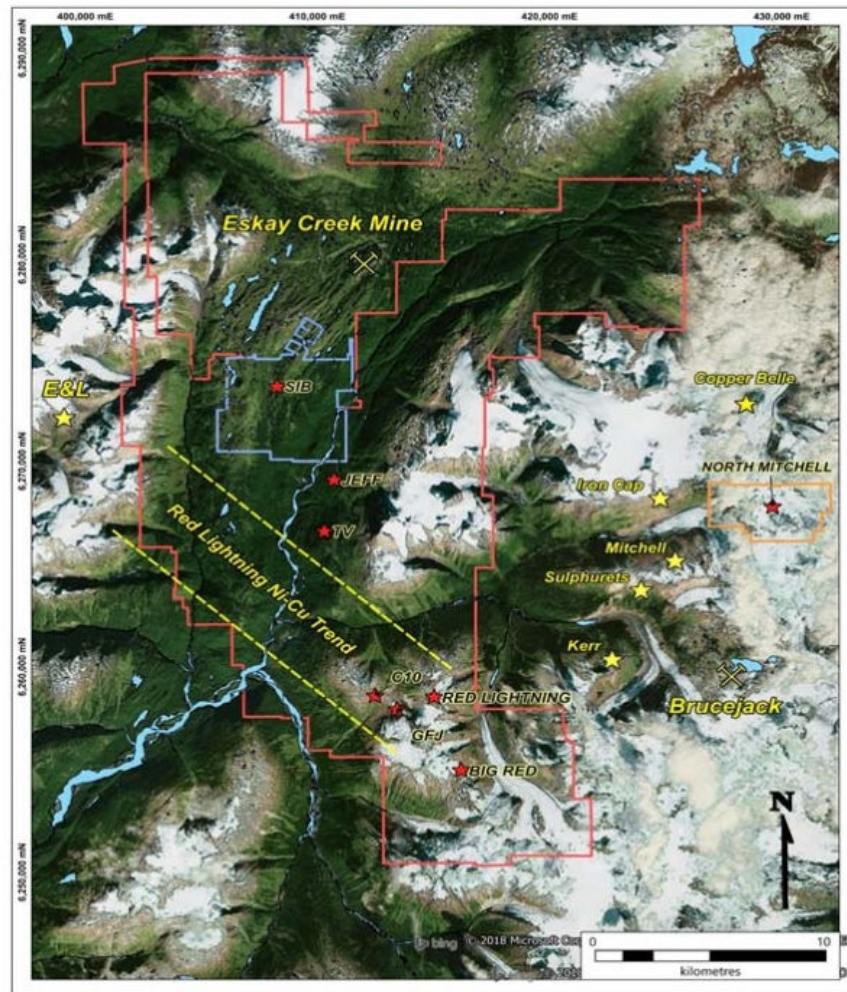
Eskay Mining, headquartered in Toronto, Ontario, is focused on the Eskay Rift Belt in the heart of British Columbia's Golden Triangle, located 70 km northwest of Stewart. B.C.'s Golden Triangle hosts some of the richest deposits in the world. The following maps shows the key projects in the area:



Source: Company

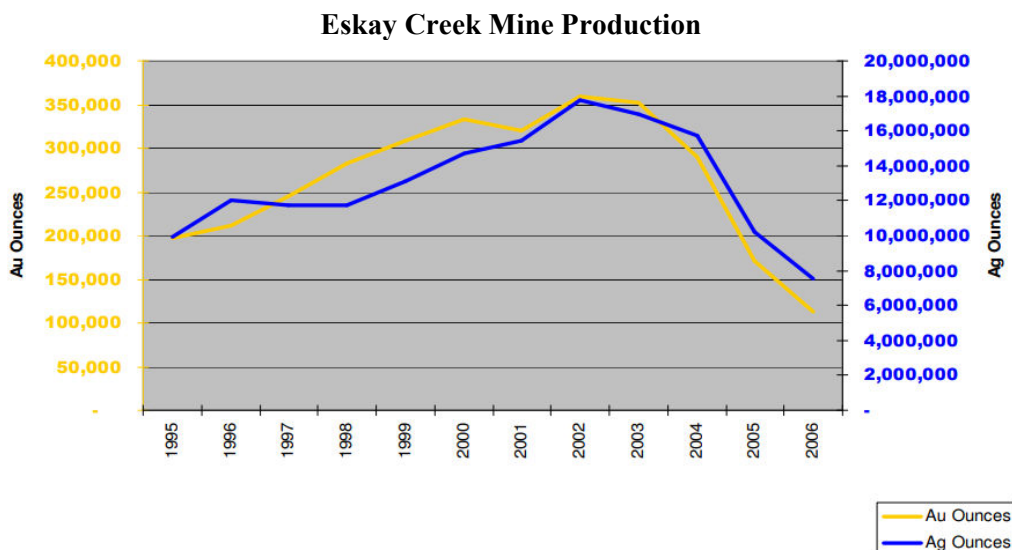
Eskay holds 177 claims in the area covering 130,000 acres. Eskay's land holdings have multiple gold and silver showings, with copper, lead and zinc. Its holdings surround the Eskay Creek gold-silver mine, and are adjacent to Seabridge's KSM gold-copper project, and Pretium's Brucejack gold projects.

Regional Map



Source: Company

The Eskay Creek mine was operated by Barrick Gold Corp. (TSX: ABX). It was the second richest gold mine in Canada, and the fifth largest silver producer in the world. It is also considered to be the richest gold-rich VMS deposit in the world. The deposit was discovered in 1989, and produced from 1994 to 2008. The mine produced a total of 3.3 Moz of gold, and 161 Moz of silver at an average grade of 45.57 g/t gold, and 2,231 gpt silver. Its extremely high grades allowed the mine to operate at a very low cash cost of just US\$60 per oz. The following chart shows the mine's production history.



Source: Barrick Gold Corp.

Pretium commenced production at its BruceJack Mine in the summer of 2017. Seabridge's KSM project is one of the largest undeveloped gold projects in the world. Brief summaries of the two world-class projects are shown below:

	Brucejack Mine	KSM Mine
NPV @ 5% (Post-Tax)	\$1,530,000,000	\$1,500,000,000
IRR	29%	8%
Operating Costs (\$/T)	C\$163	\$277
AISC	\$446	
CAPEX	\$746,900,000	\$5,005,000,000
Gold Price (\$/Oz)	\$1,100	\$1,230
Annual Au Production (Oz)	404,000	540,000
LOM Grade (g/T)	14.10	0.55

Property	Resource Category	Gold Grade (g/T)	Gold Oz (000s)	Copper Grade (%)	Copper lbs (millions)	Silver Grade (g/T)	Silver Oz (000s)	Molybdenum Grade (ppm)	Molybdenum lbs (millions)
KSM Mine	Measured	0.63	15,127	0.17%	2,844	3.2	77,399	58	96
	Indicated	0.50	34,677	0.23%	10,763	2.5	175,552	40	189
	Inferred	0.35	33,843	0.31%	21,258	2.2	216,152	30	186

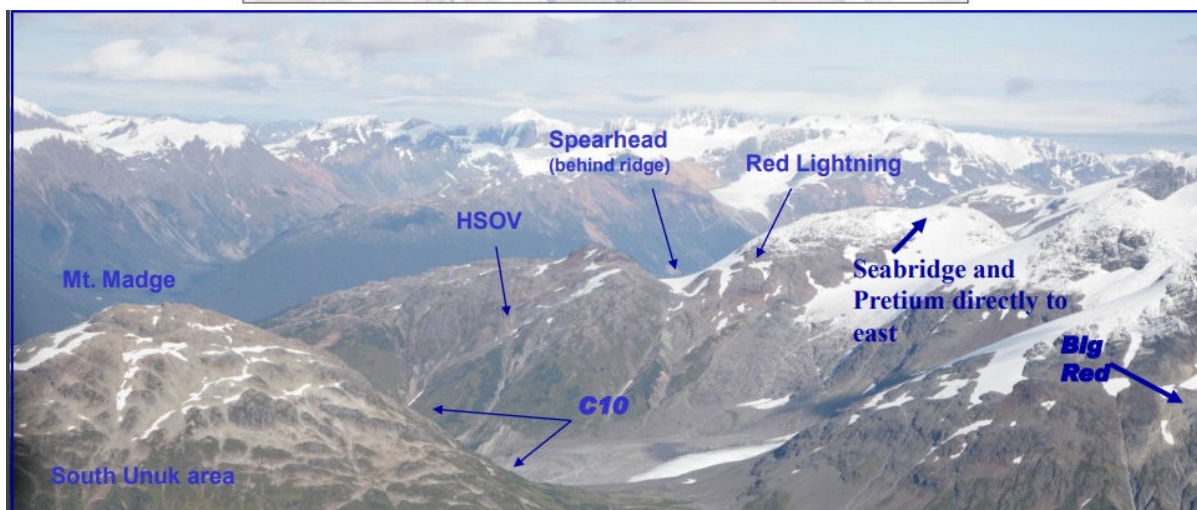
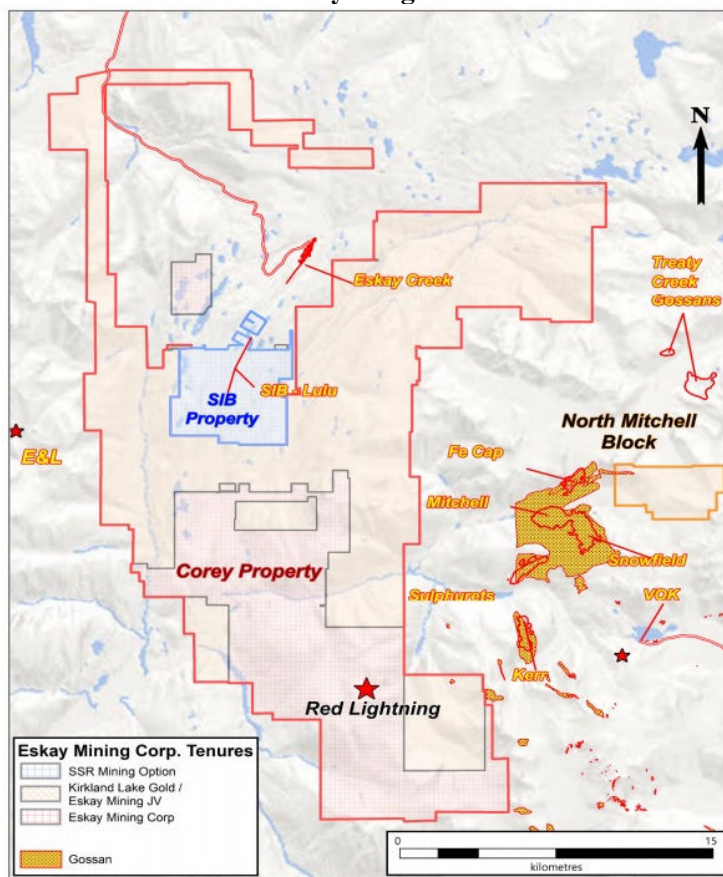
Property	Reserve Category	Gold Grade (g/T)	Gold Oz (000s)	Silver Grade (g/T)	Silver Oz (000s)
Brucejack Mine	Proven	12.2	1,900	123.2	18,800
	Probable	15.4	6,800	29.5	13,100
	Total P+P	14.6	8,700	53.5	31,900

Source: Various Sources

Eskay's Land Package

The key targets on Eskay's land package are shown in the map below:

Key Targets



Source: Company

The following section presents details of the four key target areas.

SIB Property

In April 2017, the company signed an option agreement with SSR Mining Inc. (TSX: SSRM / market capitalization - \$1.48 billion). As per the agreement, SSR can acquire up to 60% interest in the 4,400 ha (39 mining claims) SIB property. The property is currently jointly held by Eskay (80%) and Kirkland Lake Gold Ltd. / TSX: KL (20%). **The SIB property**

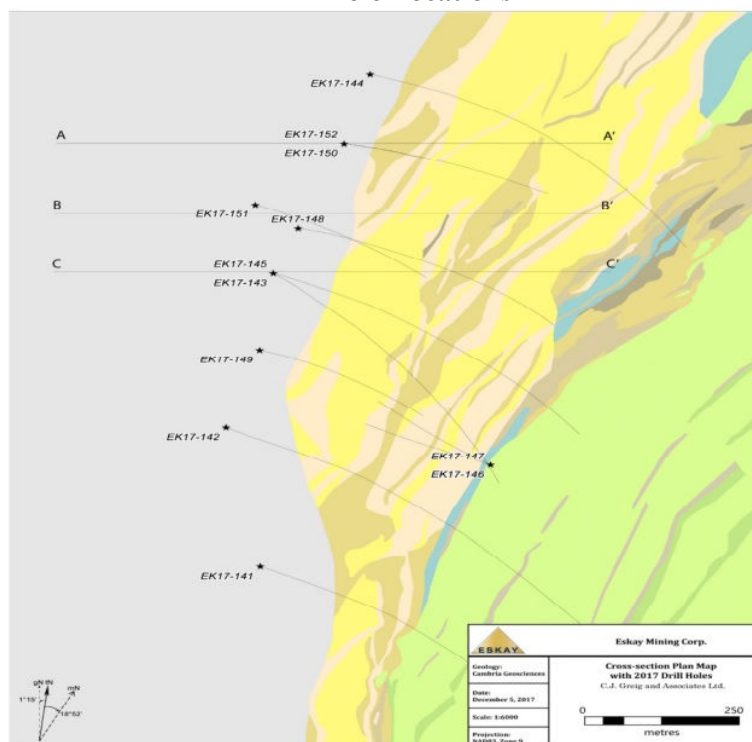
accounts for approximately 9% of the company's total land package in the region. SSR can earn a 51% interest by spending \$11.7 million in exploration over three years, with an option to increase its interest to 60% by completing a preliminary economic assessment or 23,000 m of diamond drilling.

The property, which is along strike from the Eskay Creek mine, has several gold-silver occurrences over a strike length of 4 km. SIB has been extensively explored to shallow depths during the 1990s. Eskay completed shallow drill programs in 2002, 2008 and 2010. **These programs showed that the Lulu zone, which is a part of the SIB property, is likely to hold a VMS style deposit with characteristics similar to Eskay Creek.** Historic drilling returned up to 14.4 g/t gold and 1,060 g/t silver over 14.3 m, and 10.8 g/t gold and 766 g/t silver over 24.8 m.

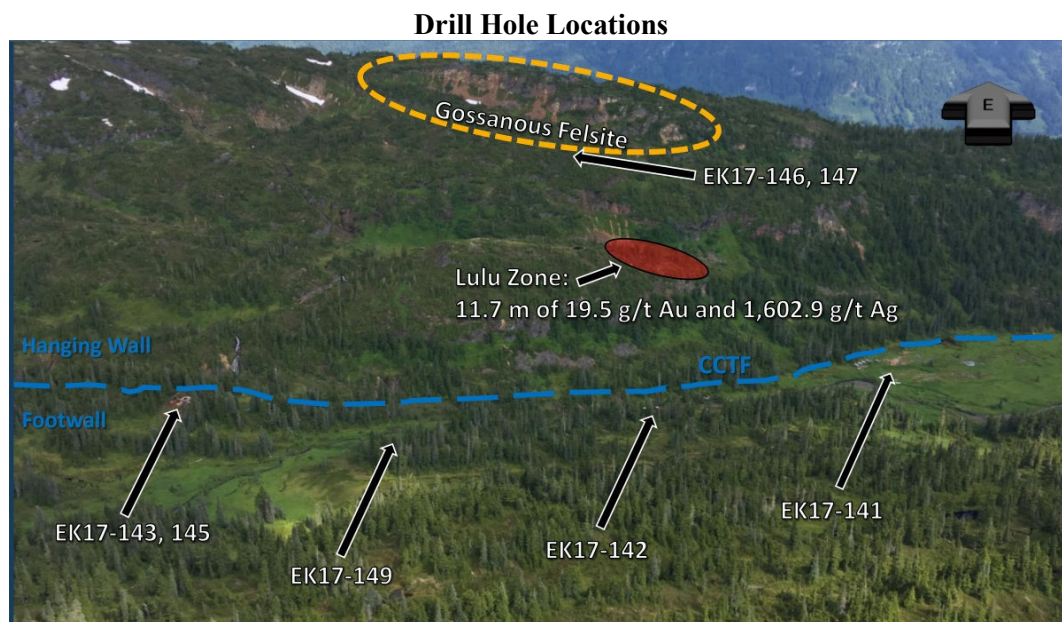
Drilling showed good potential for mineralization at depths below the Lulu zone and a regional fault, known as the Coulter Creek Thrust Fault ("CCFT"). Historic drilling results (2008), 30 m below the fault, showed 25.4 m at a grade of 2.12 g/t gold, 4.0 g/t silver, 0.17% zinc, and 0.13% lead, at 488 m depth.

In October 2017, SSR completed a 9,336 m / 12-hole program. **SSR's primary focus was on the unexplored part of the property beneath the fault.** Drill holes averaged approximately 900 m, and were over a strike length of 1 km.

Drill Hole Locations



Source: Company



Source: Company

Although high grades were not encountered, the results announced to date confirmed the presence of mineralization. All holes intersected favourable Salmon River Formation rocks, which resembles Eskay Creek Mine's host rocks. The program indicated two styles of mineralization - disseminated sulphides and polymetallic sulphide veins.

2017 Drilling Results

Hole	From (m)	To (m)	Length (m)	Au (g/t)	Ag (g/t)	Zn (%)	Pb (%)	As (ppm)	Sb (ppm)	Hg (ppm)
EK17-142	891.30	894.30	3.00	0.47	0.1	-	-	61	13	-
EK17-145	622.00	623.00	1.00	0.03	1.0	-	-	1,980	241	3.58
EK17-146	221.00	223.00	2.00	0.30	1.5	0.02	-	352	57	-
EK17-147	337.63	339.19	1.56	0.02	0.3	0.04	0.01	972	89	-
EK17-148	132.30	135.30	3.00	0.02	5.2	0.04	-	3,040	61	-
EK17-149	321.30	324.30	3.00	0.01	2.8	0.08	-	581	171	1.20
EK17-149	390.38	396.38	6.00	0.01	3.7	0.20	0.04	202	5	N/A
Incl.	395.38	396.38	1.00	0.03	11.6	0.44	0.11	667	7	N/A

Source: Company

On January 22, 2018, the company announced SSR's decision to proceed with the second year of the three year option agreement. The 2018 drill program will likely focus to the west and south of the 2017 drill area. **We consider SSR's decision to continue work as a major vote of confidence on the project's potential. Details of SSR's plans are yet to be announced.**

Eskay had recently engaged a Ni-Cu sulphide system expert, Dr. Peter Lightfoot, to review the historic work done on the Red Lightning area of Eskay's land package. See the maps on pages 3 and 5 for location. Dr. Lightfoot was recently involved in Garibaldi's discovery of the E&L Ni-Cu-PGE-Au-Ag massive sulphide occurrence, located just 20 km northwest of Eskay's land package.

Historical drilling on Red Lightning conducted in 2008 had intercepted:

- **20.4m grading 0.79% Cu, 0.42% Ni and 0.08% Co from 222.8 m to 243.2 m, including 10m of 1.03% Cu, 0.55% Ni and 0.10% Co**

The following tables summarize the key results:

2007 Drilling Highlights

Hole ID	From (m)	To (m)	Length (m)	Au (g/t)	Ag (g/t)	Cu (%)	Pb (%)	Zn (%)
RL-1	69.2	71.7	2.5	0.25	2.3	0.29	<0.01	0.01
RL-2	79.5	88	8.5	0.11	1	0.12	<0.01	<0.01
Incl.	81	82	1	0.23	1.7	0.23	<0.01	<0.01
RL-2	88	88.5	0.5	1.65	352.4	0.43	1.31	1.86
RL-3	64.7	72.7	8	0.75	1.9	0.26	<0.01	0.01
Incl.	64.7	69.2	4.5	0.29	2	0.31	<0.01	0.01
	69.2	71.7	2.5	0.16	1.3	0.16	<0.01	<0.01
	71.7	72.7	1	5.74	2.8	0.18	<0.01	0.06

2008 Drilling Highlights

Hole ID	From (m)	To (m)	Length (m)	Cu (%)	Ni (%)	Co (%)	Pt (g/t)	Pd (g/t)	Au (g/t)	Ag (g/t)
CR08-83	82.1	85.6	3.5	0.25	0.11	0.02	<0.01	0.02	0.2	2.1
CR08-84	55.4	57.9	2.5	0.34	0.18	0.03	<0.01	0.03	0.2	<2
CR08-85	160.1	164.1	4	0.34	0.12	0.02	<0.01	0.03	0.3	<2
CR08-86	222.8	243.2	20.4	0.79	0.42	0.08	0.01	0.1	0.8	<2
Incl.	230.2	240.2	10	1.03	0.55	0.1	0.16	0.15	1.1	<2
CR08-86	245.8	248.7	2.9	1.08	0.36	0.09	0.03	0.21	0.6	10

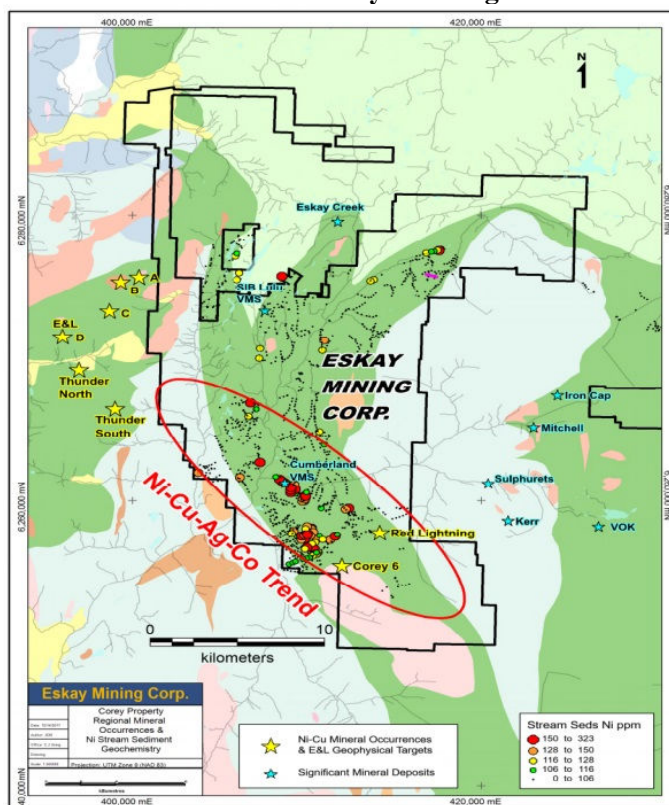
Source: Company

The significant increase in cobalt prices in recent times prompted Eskay's management to review historic drill data and geophysical and geochemical surveys conducted in the area. The price of cobalt has increased from just \$10/lb in late 2015, to the current price of \$41/lb, reflecting an increase of approximately 310%. We have a very positive outlook on cobalt prices considering the strong expected demand growth from lithium ion batteries for electric vehicles, and because over 50% of current global cobalt production comes from the highly politically unstable Democratic Republic of the Congo

Red Lightning

On January 19, 2018, the company announced that Dr. Lightfoot's review confirmed that mineralization at Red Lightning is a magmatic nickel-copper sulphide system. The review also indicated that Red Lightning could be a part of a number of mafic-ultramafic bodies along a 15 km long, and underexplored belt, running from Garibaldi's E&L deposit to Red Lightning.

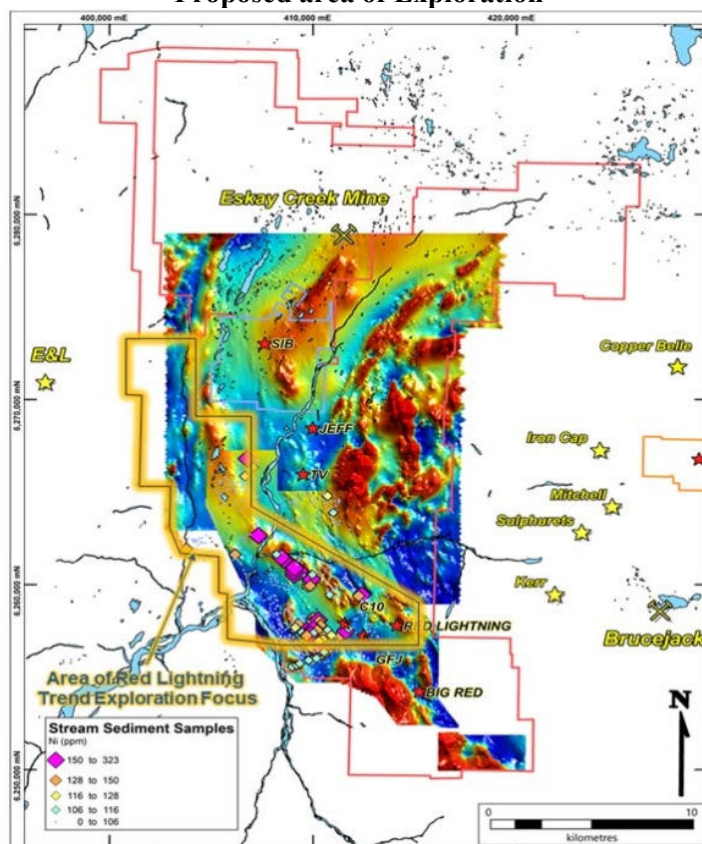
Ni silt anomaly trending



Source: Company

Eskay's management is planning an exploration program to evaluate the project's Ni-Cu-PGE mineralization potential. The exploration program will include VTEM airborne geophysical surveys, prospecting, reconnaissance mapping, and stream sediment and soil geochemical sampling along the Red Lightning trend.

Proposed area of Exploration

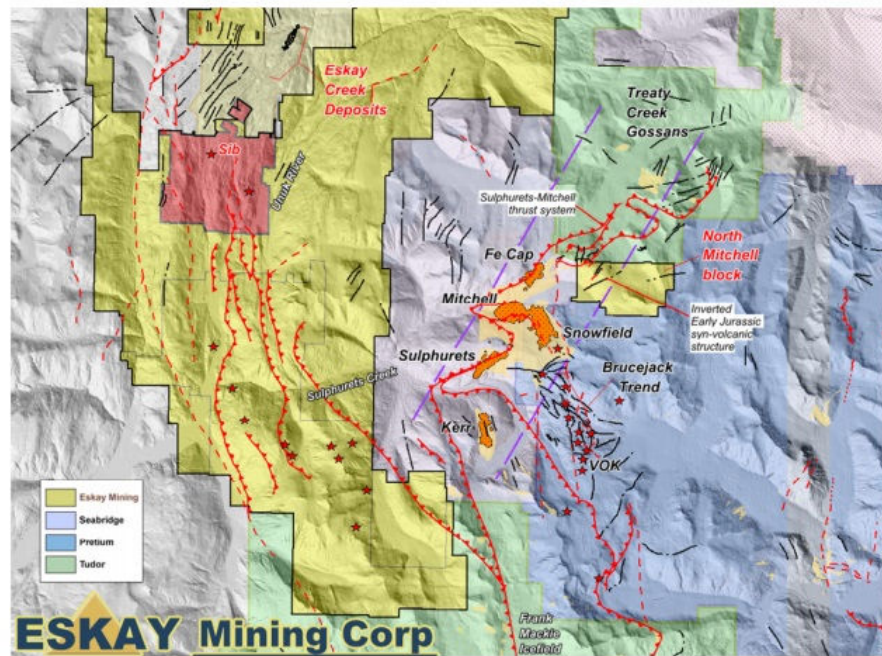


Source: Company

North Mitchell Block

Eskay's North Mitchell Block, covering 1,446 ha, is located 2 km southeast of Seabridge's porphyry Au-Cu deposit, Iron Cap deposit, and from Pretium's Snowfield gold deposit.

North Mitchell Block Mineralization



Source: Company

Recent mapping of this area confirmed a Brucejack style exploration target. The stratigraphic units that host occurrences on the Brucejack property are present at North Mitchell. Management is planning a magnetotelluric survey, and additional geologic mapping, to identify drill targets.

TV – Jeff Zones

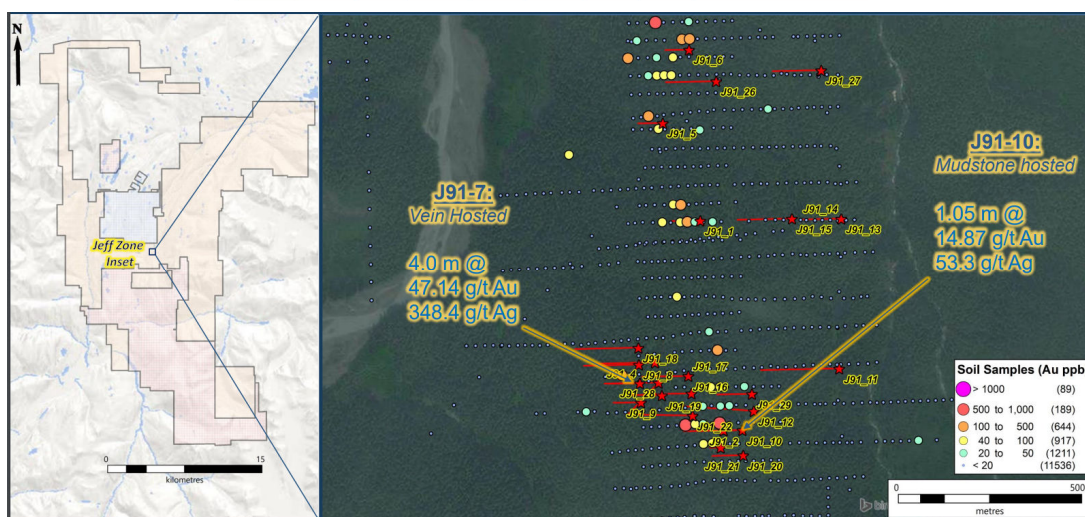
The Jeff zone stretches over a 1.5 km long trend, 2 km south of the SIB. Historical drilling has intersected footwall and stratiform (VMS) mineralization similar to the Eskay Creek deposit.

A 1991 drill hole had intersected 4m grading 47.14g/t Au and 348.4 g/t Ag. In addition, two holes intersected VMS-style mineralization, which returned:

- 14.87 g/t gold and 53.3 g.t silver over 0.98 m, and
- 1.05 g/t gold, 29.1 g/t silver over 5.53 m, including 2.44 g/t gold, 54.0 g/t silver over 1.28 m.

Drilling Highlights

Hole ID	From (m)	To (m)	Length (m)	Au (g/t)	Ag (g/t)	Cu (%)	Zn (%)	Mineralization Style
J91-2	4.1	7.30	3.20	6.37	26.2	<0.01	0.06	Discordant Footwall
J91-2	25.3	25.95	0.65	15.60	140.9	0.01	0.94	Discordant Footwall
J91-3	14.65	15.65	1.00	4.22	16.6	<0.01	0.04	Discordant Footwall
J91-3	44.80	45.72	0.92	3.73	11.2	<0.01	0.03	Discordant Footwall
J91-4	29.05	34.00	4.95	6.17	154.3	<0.01	0.13	Discordant Footwall
J91-4	35.60	36.75	1.15	1.06	63	<0.01	0.01	Discordant Footwall
J91-7	63.10	67.10	4.00	47.14	348.4	0.02	0.16	Discordant Footwall
J91-7	81.80	83.80	2.00	5.49	209.5	<0.01	0.11	Discordant Footwall
J91-10	63.80	64.78	0.98	14.87	53.3	<0.01	0.2	Stratiform
J91-25	68.65	74.18	5.53	1.05	29.1	0.01	0.08	Stratiform
Incl.	72.90	74.18	1.28	2.44	54.0	0.04	0.18	Stratiform



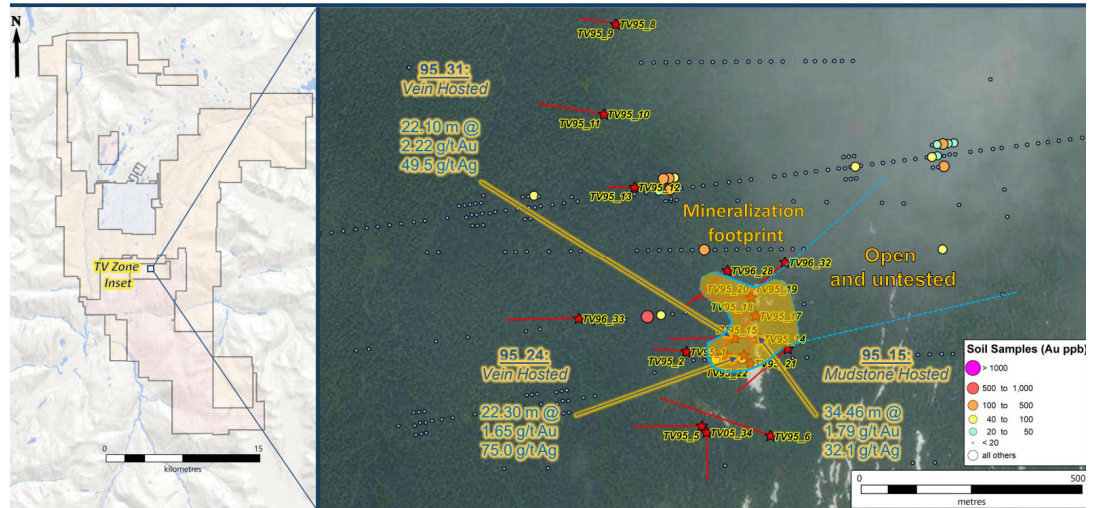
Source: Company

The TV zone, located 4 km south of the SIB, stretches over 1.2 km and has a similar mineralization to the Jeff zone. Drilling in 1995 intersected (VMS-style) 34.5 m of 1.79 gpt Au and 32.1 gpt Ag. Historical (1995) drill results are summarized below:

Hole ID	From (m)	To (m)	Length (m)	Au (g/t)	Ag (g/t)	Mineralization Style
95_03	5.50	21.52	16.02	1.84	46.9	Discordant
Incl.	17.44	21.52	4.08	3.38	68.2	Discordant
95_04	0.51	4.00	3.49	1.57	21.9	Discordant
95_04	12.67	27.38	14.71	2.65	44.4	Discordant
Incl.	19.38	25.38	6.00	4.54	62.3	Discordant
95_14	54.26	56.26	2.00	2.07	36.4	Discordant
95_14	85.83	89.83	4.00	1.74	15.3	Discordant
Incl.	85.83	86.83	1.00	5.38	51.8	Discordant
95_15	40.11	74.57	34.46	1.79	32.1	Stratiform/Discordant
Incl.	40.11	45.73	5.62	1.86	25.7	Stratiform
Incl.	61.00	62.00	1.00	28.90	70.6	Stratiform
95_15	94.29	98.29	4.00	1.29	107.2	Stratiform
95_16	52.12	71.66	19.54	1.28	28.1	Stratiform
Incl.	52.12	56.12	4.00	2.41	30.4	Stratiform
95_16	84.28	90.28	6.00	1.14	5.4	Stratiform
95_18	116.23	127.33	11.10	1.92	77.5	Stratiform
Incl.	123.33	127.33	4.00	3.53	49.2	Stratiform

Hole ID	From (m)	To (m)	Length (m)	Au (g/t)	Ag (g/t)	Mineralization Style
95_19	152.40	163.50	11.10	1.02	59.3	Stratiform
95_20	125.47	126.97	1.50	7.27	93.6	Discordant
95_21	17.00	21.40	4.40	2.68	13.8	Stratiform/Discordant
95_21	29.60	39.80	10.20	1.46	69.9	Stratiform
95_22	38.11	49.46	11.35	1.19	29.7	Stratiform/Discordant
Incl.	38.11	42.33	4.22	1.80	10.5	Discordant
96-23	7.80	25.90	18.10	1.06	23.9	Discordant
Incl.	22.90	25.90	3.00	2.81	23.1	Discordant
96-24	4.88	27.18	22.30	1.65	75.0	Discordant
Incl.	16.88	27.18	10.30	2.40	128.8	Discordant
96-25	16.90	28.90	12.00	1.52	85.2	Discordant
96-28	122.20	129.70	7.50	1.92	8.9	Discordant
96-29	37.50	48.00	10.50	1.51	34.7	Discordant
96-30	65.80	69.70	3.90	2.21	49.0	Discordant
96-31	5.50	27.60	22.10	2.22	49.5	Discordant
Incl.	19.55	21.15	1.60	12.75	213.2	Discordant

Source: Company

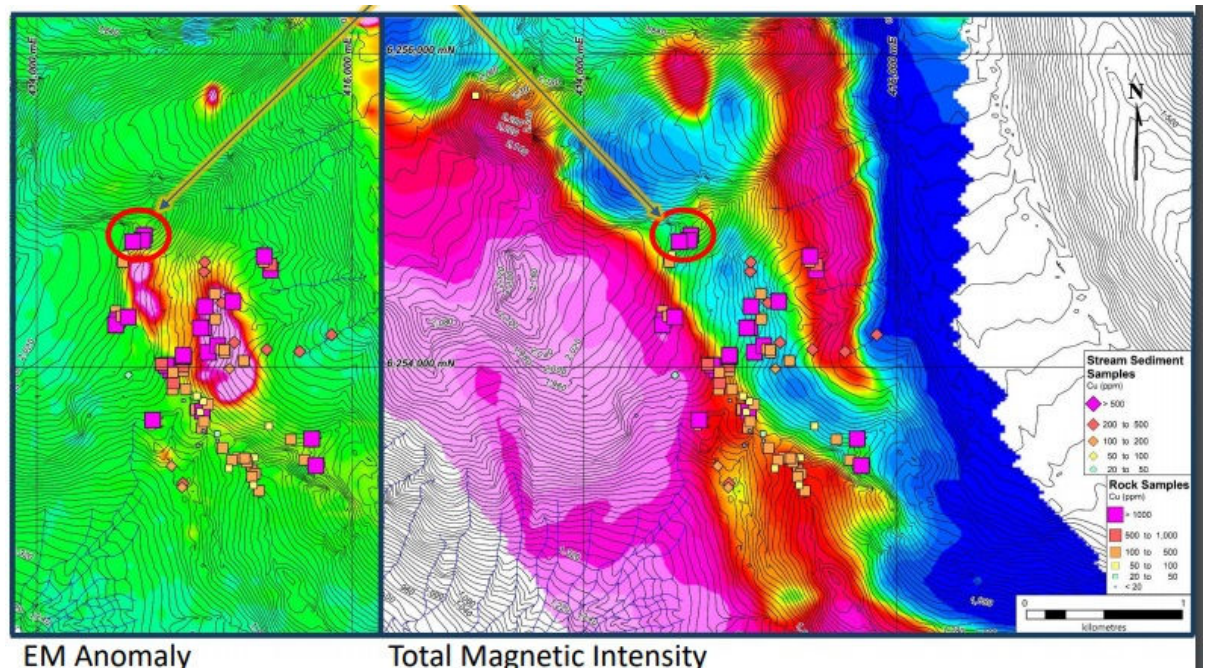


Source: Company

Big Red

The Big Red zone is another attractive porphyry Au-Cu-Mo-Ag exploration target (see map on page 3). 61 grab samples averaged 0.11% Cu, 0.058 g/t Au, 1.8 g/t Ag and 0.035% Mo, with the best sample yielding 0.68% Cu, 0.124 g/t Au and 6.2 g/t Ag.

Grab Samples



Source: Company

The company plans to conduct detailed geological mapping to potentially delineate zones of mineralization and alteration.

Management

Eskey's current management team was installed in October 2009. Management is led by Hugh (Mac) Balkam, a capital markets veteran and formerly with the Royal Canadian

Mounted Police. Mr. Balkam holds over 11% of the total outstanding shares. **Management and board members hold a total of 19.82 million shares, or 18% of the total outstanding shares – strongly aligning their interest with investors.**

Name	Position	Shares	% of Total
Hugh M. (Mac) Balkam	President/ CEO, Director	12,679,059	11.5%
Robert Myhill	Director	625,928	0.6%
J. Gordon McMeheh	Director	6,514,776	5.9%
Total		19,819,763	18.0%

Source: Management Information Circular

Brief biographies of the management team and board members, as provided by the company, follow:

Hugh M. (Mac) Balkam - Director/President/CEO

Mr. Balkam was with the Royal Canadian Mounted Police for 13 years, many of those involved in the investigation of stock market related fraud. In 1981, he resigned to become a financial consultant with a major brokerage firm, where he managed investments for retail clients. Since 2004, Mr. Balkam has been involved in raising venture capital and consulting for junior mining companies. Mr. Balkam joined the Board of Directors and became CEO of Eskay Mining Corp during the fourth quarter of 2009. He holds a BA from the University of Toronto.

Carmelo Marrelli - Chief Financial Officer

Mr. Marrelli serves as the Corporation's Chief Financial Officer. Mr. Marrelli holds a Bachelor of Commerce degree from the University of Toronto and is qualified as a Chartered Accountant and as a Certified General Accountant in Canada. In addition to acting as the Corporation's Chief Financial Officer, Mr. Marrelli has been a principal of Marrelli Support Services Inc., a firm providing administration services to Canadian public companies, since February, 2009 and, prior to February, 2009, a partner with Marrelli & Drake Corporate Services (formerly Duguay & Ringler Corporate Services) (a firm providing administration services to Canadian public companies). Mr. Marrelli also serves as the Chief Financial Officer of several publicly-listed junior mining companies and as a director of Odyssey Resources Limited (TSX-V: ODX).

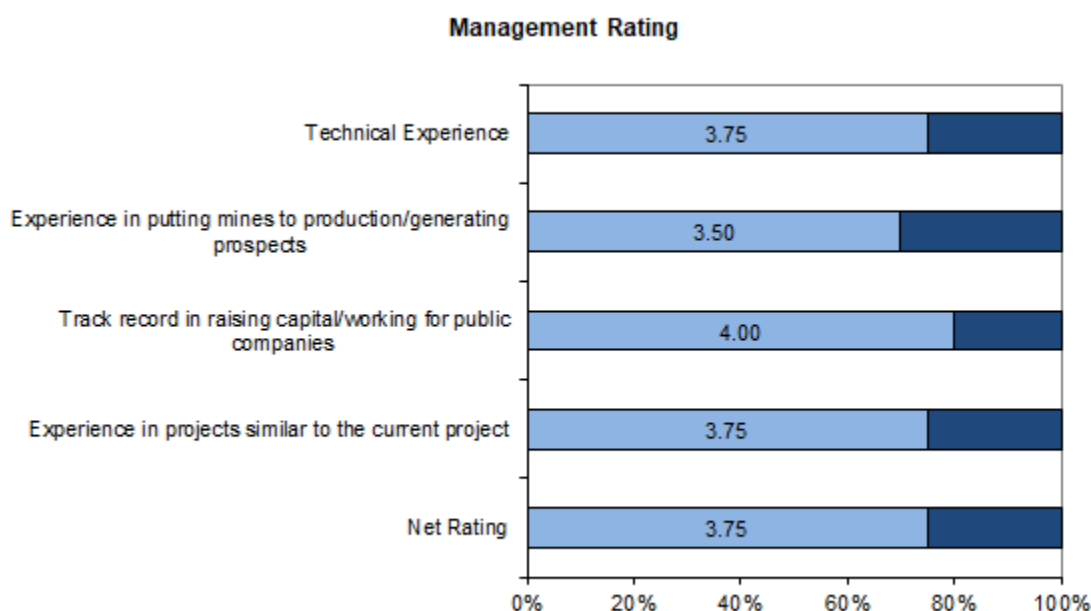
Robert Myhill - Director

Mr. Myhill is a director of six privately held companies operating in transportation and venture capital in B.C., Alberta and Ontario. From 1991 until 2006, Mr. Myhill was the President of Canadian Investors Corporation, an investment company focused on financing corporate re-organizations. Mr. Myhill actively participated in directorship and management of the investee companies. From 1985 to 1991, he invested in and raised capital for small companies in Ontario. From 1976 to 1984, Mr. Myhill was President of national companies within Southam Inc. Group and Jim Pattison Industries. He earned an HBA and MBA from the Ivey School of Business Administration at the University of Western Ontario and qualified as a Chartered Accountant with Price Waterhouse.

J. Gordon McMehen - Director

In 2000, Mr. McMehen co-founded Conundrum Capital Corporation, a private equity real estate fund management firm which today has several sectoral real estate funds under its administration. Mr. McMehen now serves as Chairman of Conundrum Capital Corporation. From 1998 to 2000, Mr. McMehen served as Executive Vice-President, Chief Operating Officer and director of Central Park Lodges Ltd., helping to manage one of North America's pre-eminent providers of seniors housing, long-term care and ancillary health care services. At the law firm of Gardiner Roberts, Mr. McMehen practiced corporate and commercial law from 1978 to 1998, specializing in mergers and acquisitions, corporate structure and finance. He acted as Managing Partner of the firm from 1994 to 1998. Mr. McMehen completed his undergraduate studies at the University of Toronto in 1972 and obtained an LL.B from the University of Ottawa in 1976. He was called to the Ontario Bar in 1978, and is a member of the Law Society of Upper Canada.

Our net rating on the company's management team is 3.8 out of 5.0 (see below).



Source: FRC

The company's board has three members, of which, two are independent. The following table shows our analysis on the strength of the company's board.

Strength of Board

	Poor	Average	Good
Two out of three directors are independent		X	
Two directors hold significant shares of the company			X
The Audit committee is composed of three board members, two are independent		X	
The Compensation committee is composed of 3 board members, 2 are independent		X	

Source: FRC

Financials

At the end of Q3-FY2018 (ended November 30, 2017), the company had cash and working capital of \$0.16 million and -\$0.23 million, respectively. We estimate the company had a burn rate (cash spent on operating and investing activities) of \$37k per month in the first nine months of FY2018. The following table summarizes the company's liquidity position:

(in C\$)	2017	2018 (9M)
Cash	\$113,696	\$160,245
Working Capital	-\$526,834	-\$229,723
Current Ratio	0.22	0.44
LT Debt / Assets	-	-
Monthly Burn Rate (incl. investing activities)	\$31,487	\$37,071
Cash from Financing Activities	\$447,168	\$630,750

Source: Company Data

The company recently **announced a financing** of up to 2 million flow-through units at \$0.30 per unit for gross proceeds of up to \$0.60 million, and up to 2 million working capital units at \$0.25 per unit, for gross proceeds of \$0.50 million. Each flow-through unit will consist of a common share and half warrant (exercise price of \$0.40 per share for two years). Each working capital unit will consist of a common share and one full warrant (exercise price of \$0.40 per share for two years).

The company currently has 9.76 million options outstanding (weighted average exercise price of \$0.12 per share), and 0.60 million warrants (weighted average exercise price of \$0.35 per share). Approximately 9.66 million options and none of the warrants are currently in-the-money. **The company can raise up to \$1.13 million if all these in the money options are exercised.**

Conclusion

Due to the early stage nature of the company's portfolio, we are not currently assigning a fair value estimate or rating on Eskay's shares. However, we believe the company is an attractive

Risks

speculative play focused on an area that hosts some of the richest deposits in the world. One of the key advantages of the company is that it has already identified several highly prospective targets on its land package. We believe that success on even one of the targets will have a positive impact on Eskay's share price.

We believe the company is exposed to the following key risks (not exhaustive):

- Projects currently in the portfolio are in early stages.
- None of the projects have NI43-101 compliant resource estimates.
- Exploration and development risks.
- Volatility in commodity prices.
- Access to capital and share dilution.

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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