Fundamental Research Corp.

Investment Analysis for Intelligent Investors

Siddharth Rajeev, B.Tech, MBA
Analyst

July 21, 2008

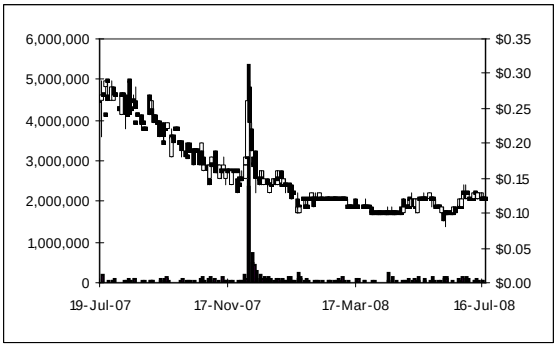
Skinvisible, Inc. (OTC BB: SKVI) – Licensed three key acne products

Sector/Industry: Healthcare/Biotech/Pharma **www.skinvisible.com**

Market Data (as of July 21, 2008)

Current Price	**US$0.12**
Fair Value	**US$0.75 (↓)**
Rating*	**BUY**
Risk*	**4 (Speculative)**
52 Week Range	US$0.08 – US$0.30
Shares O/S	78,624,238
Market Cap	US$9.43 mm
Current Yield	N/A
P/E (forward)	N/A
P/B	N/A
YoY Return	-55.6%
YoY OTCBB	N/A

*see back of report for rating and risk definitions



Q1-2008 Highlights

- Skinvisible has made good progress so far in 2008 by licensing out all three of its acne formulations. In January 2008, the company signed an agreement with Panalab Internacional S.A. for their anti-acne product formulated with Adapalene (licensed territories - Argentina, Brazil and Chile), and in May 2008, the company signed an agreement with Embil Pharmaceutical Co. Ltd. for products formulated with the active ingredients Clindamycine HCL and Retinoic Acid (licensed territories – six countries in Eastern Europe and three in South East Asia).
- If everything goes according to plan, Skinvisible expects their partners, Embil and Panalab, to start selling their products in their respective territories in the next 12 – 18 months. This implies that Skinvisible could potentially start receiving royalty payments (at no cost), and revenues from polymer sales in FY2010.
- Skinvisible has 25 different active ingredients targeting nine different applications; 20 of them are currently available to be licensed. They have received good interest in all their three acne products outside of the territories already signed. In addition, management is currently in discussions with several industry players to license their other products.
- Our models indicate that the company will have to raise close to $1 million in FY2008 to fund its operations and working capital. However, this estimate will change if the company signs an agreement with significant upfront licensing fees in 2008.
- We lowered our fair value estimate from $1.00 per share to $0.75 per share primarily due to share dilution.

Key Financial Data (FYE - December 31)					
(U$)	**2005**	**2006**	**2007**	**2008E**	**2009E**
Revenue	850,280	691,452	777,685	1,166,225	1,818,361
Net Income	(1,031,151)	(2,097,604)	(1,606,922)	(1,079,622)	(644,046)
EPS	(0.02)	(0.03)	(0.02)	(0.01)	(0.01)
Cash	30,729	50,070	63,168	9,048	2,452
Working Capital	(941,096)	(1,043,664)	(644,277)	(205,858)	31,635
Total Assets	1,271,495	887,191	712,841	647,574	737,419
Total Debt	-	25,728	140,251	80,911	80,911

Skinvisible, Inc. is a research and development company that has formulated and patented innovative polymer delivery technology and compositions for topical skin applications. Its primary objective and focus is to license its patented polymer delivery technology (Invisicare®) and sell its trademarked polymer delivery vehicles and formulated products to established dermatological, medical, cosmetic, cosmeceutical and skincare brand manufacturers.

Licensed out two more acne formulations

In May 2008, Skinvisible announced that it signed an agreement with Embil Pharmaceutical Co. Ltd. (a multi-national dermatology company headquartered in Turkey, with subsidiaries and partners in South East Asia), whereby Embil will have the right to manufacture, distribute, market, and sell two of Skinvisible's prescription anti-acne products formulated with the active ingredients Clindamycine HCL and Retinoic Acid. The licensed territories include six countries in Eastern Europe, including Turkey, Azerbaijan, Kazakhstan, Kyrgyzstan, Turkmenistan, and Uzbekistan, and three countries in South East Asia including, Indonesia, Malaysia and the Philippines. Embil will be responsible for seeking marketing approvals in all these countries.

This agreement is Skinvisible's second entry into the $2.8 billion acne market. The company had licensed out their first anti-acne product, formulated with Adapalene and Invisicare®, to Panalab Internacional S.A. in January 2008 (licensed territories - Argentina, Brazil and Chile). According to Skinvisible, they have received good interest in all their three acne products outside of the territories already signed, which is highly encouraging.

Skinvisible will receive a development fee, a license fee allocated in milestone payments, and royalties based on product sales from Embil. Further details regarding the agreement were not disclosed so as not to influence other potential negotiations. If everything goes according to plan, Skinvisible expects their partners, Embil and Panalab, to start selling their products in their respective territories in the next 12 – 18 months. This implies that Skinvisible could start receiving royalty payments (at no cost), and revenues from polymer sales in FY2010.

Recent deal in the acne market: In June 2008, QLT Inc. (NASDAQ: QLTI) announced that they have entered into an agreement with Allergan, Inc. (NYSE: AGN) to fully divest QLT's worldwide rights to Aczone(R), an aqueous topical gel containing 5% dapsone, a prescription topical medicine approved in the U.S. and Canada for the treatment of acne vulgaris, for $150 million. Allergan is expecting peak sales of $75 million from Aczone. The acquisition, which was completed in July 2008, reflected a Price to Sales (P/S) of 2.

25 active ingredients targeting 9 applications

	Category	Active Ingredients	Rx/OTC/Cosmetic	Availability	Patent Status
1	Acne[1]	3	Rx	3	Pending
2	Analgesics	2	OTC	2	Pending
3	Anti-aging	1	Cosmetic	1	Pending
4	Anti-fungal	3	Rx/OTC	3	Pending
5	Anti-inflammatory	4	Rx/OTC	3	Pending
6	Antimicrobial Hand Sanitizing Lotion[2,3]	3	OTC	2	Approved for two
7	Other Skin/Hair	4	Cosmetic	3	Pending
8	Moisturizers	3	Rx/OTC/Cosmetic	3	Pending
9	UVA/UVB Sunscreen	2	OTC	-	Pending
	Total	**25**		**20**	**2**

1. Licensed out two active ingredients to Embil (six countries in eastern Europe and three countries in S.E.Asia)
Licensed out one active ingredient to Panalab (three countries in S.America)
2. One of the active ingredients is chlorhexidine, which is awaiting NDA and patent approvals.
3. Two of the three active ingredients are already licensed in North America

Skinvisible has 25 different active ingredients targeting nine different applications; 20 of them are currently available to be licensed (see table above).

The company has made good progress so far in 2008 by licensing out all three of its acne formulations. In addition, management is currently in discussions with several industry players to license their other products. It is very important for investors to note that this can be a very time consuming process. However, we believe that Invisicare®, because of its advantages over other delivery platforms, has the potential to generate significant interest in the industry as Skinvisible gets more exposure, and as more products are licensed out.

An additional feature of Invisicare® that Skinvisible has started to highlight recently is its extended/controlled release capability - a quality that can significantly boost drug delivery performance. Although the company has not disclosed any specifics relating to the controlled release capability of Invisicare® with respect to other drug delivery platforms, we believe this feature adds to Invisicare®'s competitive advantage.

Patent Granted in Australia

Skinvisible announced in June 2008 that they have been granted a comprehensive patent in Australia. Australia is the second country (after India) that has granted a comprehensive patent for Skinvisible's Invisicare® technology, which includes protection in the areas of "Topical Composition, Topical Composition Precursor, and Methods for Manufacturing and Using".

Although the company is not actively focusing in Australia at this moment, we believe it is a positive development, as this patent will make it easier for Skinvisible to license out their products in Australia going forward.

With regard to its patent application in the U.S., the application was split into three parts, and the company has received one approval and is pending on the other two.

Management Additions

In June 2008, Skinvisible appointed Doreen McMorran as their Vice President of Business Development & Marketing. This allows the company to spend 100% of their time on licensing their technology. A brief biography of Ms. McMorran as provided by the company follows:

Ms. McMorran brings to the company almost 20 years of experience in the medical and pharmaceutical industry, specifically in the areas of strategic planning, sales and marketing. She has spent the last six years selling to international dermatology and skincare focused companies like Procter and Gamble, Johnson & Johnson, Stiefel, Galderma, Novartis and Graceway, to name a few, providing medical education for physicians and consumers about dermatology conditions, products and treatments. Ms. McMorran, who holds a Bachelor of Commerce (Honors) degree, spent six years in the pharmaceutical industry with Astra Pharma. Additionally she has held senior management level positions with a number of healthcare companies, focusing on business development, sales, marketing and operations.

Ms. McMorran will focus on driving business growth through new licensee acquisition for Skinvisible's formulated products and technology. She will contribute to the on-going strategic direction of the company and will be charged with identifying and growing the company's business opportunities.

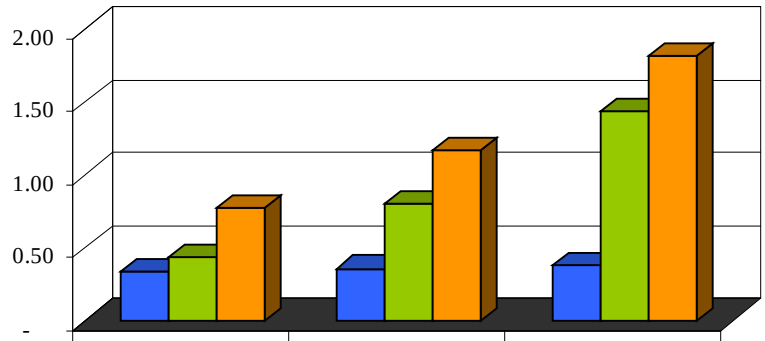
Review of Financials

Revenues and Gross Margins - Q1-2008 revenues dropped by 19% YOY, from $0.18 million to $0.15 million. Most of the revenues came through the recognition of unearned licensing revenues recorded in previous years. Revenues dropped YOY due to decreased polymer sales to licensees. The company continues to receive royalties and revenues from polymer sales from its existing three licensees.

The company continued to report high gross margins as most of the reported revenues came through the recognition of unearned licensing revenues, which have zero COGS. Gross margins in Q1-2008 were 93.2% (versus 94.5% in Q1-2007).

The chart below shows our revised revenue forecasts for FY2008 and FY2009. Although the company has made good progress in 2008 by licensing out their acne formulations, we have lowered our licensing revenue forecasts. We have maintained all other assumptions pertaining to our revenue forecasts.

Revenue Projections (in $ mm)



	2,007	2008E	2009E
Polymer Sales	0.34	0.36	0.38
Licensing, Royalties and Product Development	0.44	0.81	1.44
Total	0.78	1.17	1.82

Polymer Sales | Licensing, Royalties and Product Development | Total

Our revised revenue forecasts for FY2008, and FY2009, are $1.17 million (down from $1.80 million) and $1.82 million ($2.41 million), respectively.

Selling, General and Administrative expenses (SG&A) in the quarter increased YOY from $0.37 million (201% of sales) to $0.40 million (265% of sales). EBITDA margins dropped significantly due to a significant increase in non-cash stock-based compensation (which increased YOY from $0.05 million to $0.25 million) and interest expenses (from $0.02 mm to $0.16 million – most of which were non-cash expenses). The table below shows margin comparisons.

Margins	Q1-2007	Q1-2008
Gross	94.5%	93.2%
EBITDA	-133.8%	-338.2%
EBIT	-136.4%	-341.8%
EBT	-148.9%	-450.5%
Net	-148.9%	-450.5%

The company posted ($0.51 million) in EBITDA in Q1-2008, versus ($0.25 million) in Q1-2007. The net loss in Q1-2008 was $0.67 million (EPS: -$0.01) versus $0.27 million (EPS: -$0.00) in Q1-2007.

Revised EPS Forecasts: Lower revenue forecasts led to lower EPS forecasts. Our revised EPS forecasts for FY2008, and FY2009, are net losses of $1.08 million (EPS: -$0.01) and $0.64 million (EPS: -$0.01), respectively, down from $0.58 million (EPS: -$0.01) and $0.32 million (EPS: -$0.00).

Cash flows

The company spent $0.15 million on operations ($0.17 million in Q1-2007) and nil in capital expenditures in Q1-2008 ($4,662 in Q1-2007). All expenditures were funded by cash on hand ($0.06 million at the end of FY2007) and net cash from financing activities ($0.09 million).

Our models indicate that the company will have to raise close to $1 million in FY2008, to fund its operations and working capital. However, this estimate will change if the company signs an agreement with significant upfront licensing fees in 2008.

Cash position

As cash on hand was used to fund operations, Skinvisible's cash position dropped from $63,168 at the end of FY2007, to $5,785 at the end of Q1-2008. SKVI's working capital deficit, however, dropped from $0.64 million at the end of FY2007, to $0.61 million at the end of Q1-2008, primarily due to a drop in unearned revenues (by $0.10 million) and loan from related parties and others (by $0.05 million). The company has no long-term debt. The table below shows a summary of the company's cash and liquidity position.

	2004A	2005A	2006A	2007A	2008 - Q1
Working Capital (in C$)	(721,254)	(941,096)	(1,043,664)	(644,277)	(608,496)
Current Ratio	0.26	0.21	0.09	0.40	0.34
Debt / Capital	0.0%	0.0%	-10.9%	-64.7%	-32.7%
Debt / Equity	0.0%	0.0%	-9.8%	-39.3%	-24.6%
Interest Coverage Ratio (EBIT)*	-	-	-	-	-

** Has yet to report positive EBIT*

Stock Options and Warrants

At the end of Q1-2008, the company had 6.02 million stock options (weighted average exercise price of $0.17) and 4.86 million warrants (weighted average exercise price of $0.16) outstanding.

Valuation and Rating

Our revised Discounted Cash Flow (DCF) valuation on the company dropped from $65.20 million, to $63.11 million, as we lowered our revenue forecasts. However, our value per share estimate dropped from $1.00 per share to $0.73 per share due to a significant increase in the number of diluted shares from 65.35 million to 86.96 million. The revised estimate also accounts for the potential share dilution due to a $1 million financing that we estimate the company will have to pursue in FY2008 to fund its operations and working capital. This estimate, we reiterate, will change if the company signs an agreement with significant upfront licensing fees in 2008.

DCF Valuation Model (in US$)	2008F	2009F	2010F	2011F	2012F	2013F	2014F	2015F	Terminal
FFO	(322,280)	(262,506)	2,168,804	6,283,382	9,444,411	8,961,664	10,496,351	12,913,404	14,406,891
-increase in w/c	(509,258)	(244,089)	(657,137)	(510,765)	(354,425)	(389,976)	(277,035)	(466,989)	(338,957)
=CFO	(831,538)	(506,596)	1,511,667	5,772,617	9,089,987	8,571,688	10,219,316	12,446,415	14,067,934
-capex	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)
FCF	(856,538)	(531,596)	1,486,667	5,747,617	9,064,987	8,546,688	10,194,316	12,421,415	14,042,934
PV	**(799,244)**	**(431,896)**	**1,051,663**	**3,540,104**	**4,861,392**	**3,990,769**	**4,144,594**	**4,397,038**	**41,946,140**

Discount Rate	14.9%
Terminal Growth	3.00%
Sum PV	$62,700,560
Cash	$1,005,785
Debt	$95,160
PV Equity	$63,611,185
Shares O/S	86,957,571
Value per share	**$0.73**

Weighted Average Cost of Capital (WACC)	
Cost of Equity	15.8%
Cost of Debt	10.0%
Debt / Capital (long-term avg)	10.0%
Equity / Capital (long-term avg)	90.0%
Tax	36.0%
WACC	**14.9%**

Risks

Based on our revised valuation and review of Q1 results, we reiterate our BUY rating, but have lowered our fair value estimate from $1.00 per share to $0.75 per share.

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

- Market recognition and brand awareness are key factors that will impact long-term growth prospects.
- Ongoing success depends on achieving innovative polymer delivery results, licensing agreement negotiations, royalty revenues, various patents pending, as well as their legalities, and conformance to any regulatory and environmental requirements.
- Our revenues and EPS projections depend heavily on the company's ability to license their products.
- A delay in approvals of the pending patents will put downward pressure on our revenue forecasts.

We rate the company's shares Risk 4 (Speculative).

CONSOLIDATED STATEMENT OF OPERATIONS

Year ended December 31 (expressed in US$)	**2004A**	**2005A**	**2006A**	**2007A**	**2008F**	**2009F**
Revenues	519,972	850,280	691,452	777,685	1,166,225	1,818,361
Cost of revenues	96,781	140,399	77,465	140,875	130,734	137,271
Gross profit	**423,191**	**709,881**	**613,987**	**636,810**	**1,035,491**	**1,681,090**
Stock-based compensation	32,150	241,803	859,160	475,006	475,006	363,672
SG & A	1,084,674	1,225,626	1,830,493	1,508,773	1,619,664	1,943,597
EBITDA	**(693,633)**	**(757,548)**	**(2,075,666)**	**(1,346,969)**	**(1,059,179)**	**(626,179)**
Amortization and Depreciation	111,339	275,710	21,187	18,176	14,693	17,867
EBIT	**(804,972)**	**(1,033,258)**	**(2,096,853)**	**(1,365,145)**	**(1,073,872)**	**(644,046)**
Other income (expense)		2,107	192			
Interest Income (expense)			(943)	(241,777)	(5,750)	
EBT	**(804,972)**	**(1,031,151)**	**(2,097,604)**	**(1,606,922)**	**(1,079,622)**	**(644,046)**
Taxes				-	-	-
Foreign currency translation adjustment		-				
Net Income	**(804,972)**	**(1,031,151)**	**(2,097,604)**	**(1,606,922)**	**(1,079,622)**	**(644,046)**
EPS	(0.01)	(0.02)	(0.03)	(0.02)	(0.01)	(0.01)

CONSOLIDATED BALANCE SHEET

As at December 31

(expressed in US$)	2004A	2005A	2006A	2007A	2008F	2009F
ASSETS						
Current						
Cash	92,434	30,729	50,070	63,168	9,048	2,452
Accounts receivables	19,940	127,989	28,812	42,088	85,200	132,843
Inventory	112,642	73,794	22,902	20,455	58,311	90,918
Due from related party	21,126	4,765	1,119	1,196	1,196	1,196
Prepaid expenses & others	1,921	6,344	3,461	298,621	256,199	265,257
Total current assets	**248,063**	**243,621**	**106,364**	**425,528**	**409,954**	**492,666**
Fixed Assets	47,894	26,480	29,652	22,440	44,074	62,463
Deposits						
Patents and trademarks	61,613	51,394	41,175	34,873	23,546	12,290
License and distributor rights	50,000	50,000	50,000	50,000	50,000	50,000
Prepaid royalty fees	1,140,000	900,000	660,000	180,000	120,000	120,000
Total Assets	**1,547,570**	**1,271,495**	**887,191**	**712,841**	**647,574**	**737,419**
LIABILITIES AND SHAREHOLDERS' EQUITY						
Current						
Bank overdraft						
Accounts payable and accrued liabilities	346,317	206,717	299,300	479,554	479,795	366,514
Accrued interest payable				6,948	13,606	13,606
Loan from related party and others			25,728	78,860	26,468	26,468
Convertible notes payables				54,443	54,443	54,443
Unearned revenues	623,000	978,000	825,000	450,000	41,500	
Total current liabilities	**969,317**	**1,184,717**	**1,150,028**	**1,069,805**	**615,812**	**461,031**
Long-term liabilities						
Total liabilities	**969,317**	**1,184,717**	**1,150,028**	**1,069,805**	**615,812**	**461,031**
Shareholders' equity (deficiency)						
Equity	11,139,424	11,544,227	13,427,761	14,939,884	15,933,226	16,458,226
Stock subscription payable		134,873				
Accumulatd other comprehensive income			(672)		475,006	838,678
Accumulated Profit (Deficit)	(10,561,171)	(11,592,322)	(13,689,926)	(15,296,848)	(16,376,470)	(17,020,516)
Total shareholders' equity (deficiency)	**578,253**	**86,778**	**(262,837)**	**(356,964)**	**31,762**	**276,388**
Total Liabilities and Shareholder's equity	**1,547,570**	**1,271,495**	**887,191**	**712,841**	**647,574**	**737,419**

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended December 31 (expressed in US$, 000's)	2004A	2005A	2006A	2007A	2008F	2009F
OPERATING ACTIVITIES						
Net income (loss)	(804,972)	(1,031,151)	(2,097,604)	(1,606,922)	(1,079,622)	(644,046)
Add (deduct) non-cash items						
Depreciation and amortization	111,339	275,710	21,187	18,176	14,693	17,867
Stock based compensation	32,150	241,803	859,160	480,006	475,006	363,672
Stock issued for donation						
Others						
Interest expense			943	217,056		
Funds from Operations	**(661,483)**	**(513,638)**	**(1,216,314)**	**(891,684)**	**(589,923)**	**(262,506)**
Changes in working capital						
Inventory	(35,954)	38,848	50,892	2,447	(37,856)	(32,607)
Accounts receivables	8,237	(108,048)	99,177	(37,207)	(43,112)	(47,643)
Prepaid expenses and others	(1,921)	(4,423)	2,883	13,324	102,422	(9,058)
Related party receivables	(21,126)	16,361	-	(77)	-	-
Deposits			240,000	240,000		
Bank draft						
Accounts payables and liabilities	(371,998)	11,399	113,322	317,927	241	(113,281)
Accrued interest			-	11,398		
Unearned revenues	623,000	355,000	(153,000)	(400,000)	(408,500)	(41,500)
	200,238	**309,137**	**353,274**	**147,812**	**(386,805)**	**(244,089)**
Cash flow from operations	**(461,245)**	**(204,501)**	**(863,040)**	**(743,872)**	**(976,728)**	**(506,596)**
FINANCING ACTIVITIES						
Proceeds from related party loans and others			25,728	153,132	(52,392)	
Proceeds from convertible notes payables			-	410,500		
Proceeds from stock subscription payables		134,873	-	-		
Proceeds from issuance of common stock	607,894	12,000	870,500	198,000	1,000,000	525,000
Cash provided by financing activities	**607,894**	**146,873**	**896,228**	**761,632**	**947,608**	525,000
INVESTING ACTIVITIES						
Purchase of fixed assets and untangible assets	(54,215)	(4,077)	(13,847)	(4,662)	(25,000)	(25,000)
Proceeds from disposal of fixed assets						
Cash used in investing activities	**(54,215)**	**(4,077)**	**(13,847)**	**(4,662)**	**(25,000)**	**(25,000)**
Exchange rate changes						
Increase in cash and cash equivalents	92,434	(61,705)	19,341	13,098	(54,120)	(6,596)
Cash and cash equivalents, beginning of year	-	92,434	30,729	50,070	63,168	9,048
Cash and cash equivalents, end of year	**92,434**	**30,729**	**50,070**	**63,168**	**9,048**	**2,452**

Fundamental Research Corp. Equity Rating Scale:

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 SKVI 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, SKVI has agreed to a minimum coverage term including an initial report and three updates. 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 (82%), HOLD (6%), SELL (3%), SUSPEND (9%).
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.

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.