

Grid Battery Metals Inc. (TSXV: CELL / OTC: EVKRF)

Advancing Lithium Projects Near Established Players in Nevada – Initiating Coverage

BUY

Current Price: C\$0.05

Fair Value: C\$0.22

Risk: 5

Sector: Junior Resource

[Click here for more research on the company and to share your views](#)

Highlights

- Grid is advancing a portfolio of four Electric Vehicle (EV) metal projects in Nevada, and B.C. **Nevada is one of the most attractive mining jurisdictions in the world**, hosting Albemarle's (NYSE: ALB) Silver Peak mine, the only lithium producing mine in North America.
- The mineralization of CELL's lithium projects (Texas Spring, Clayton Valley, and Volt Canyon) is **similar to that of advanced stage projects** in Nevada, such as Lithium America's (NYSE: LAC/MCAP: \$1.4B) Thacker Pass project, and projects held by Ioneer (ASX: INR/ MCAP: \$449M), American Lithium (TSXV: LI/MCAP: \$196M), and Surge Battery Metals (TSXV: NILI/ MCAP: \$63M). Based on the projects' similarities and proximity, we see opportunities for M&A/consolidation in the region.
- CELL's management was **responsible for the discovery of Surge's** North Nevada Lithium Project (NNLP). Following their departure from Surge, the team established CELL by acquiring the nearby Texas Spring Lithium Project.
- At Texas Spring, CELL has **delineated two zones of mineralization with high grades of up to 5,610 ppm Li**. We note that grades of comparable projects in Nevada typically range between 700 and 2,000 ppm. Management is planning a drill program, followed by a maiden resource estimate.
- The Clayton Valley property is **adjacent to the Silver Peak mine**, and Century Lithium's (TSXV: LCE/MCAP: \$70M) advanced-stage lithium project. CELL has commenced an exploration program including geophysical surveys, and soil sampling.
- CELL also owns a nickel project in B.C., near FPX Nickel's (TSXV: FPX) Decar project, which hosts one of the largest undeveloped nickel deposits in the world. Earlier this, Sumitomo Metal Mining (TSE: 5813) acquired a 10% interest in FPX for \$14M. CELL is **spinning out this project** into a new publicly listed entity in the coming weeks.
- Lithium prices are down 37% YoY, but up 24% YTD to US\$15.4k/t vs the five-year average of US\$21k/t. We believe prices will be under pressure amid slower global GDP, and EV sales growth, and increasing supply. That said, **we maintain a positive outlook on juniors focused on EV metals**. Battery/EV manufacturers/miners are actively seeking stable/long-term supply sources.
- Based on our review of all the published data, we are **assigning a preliminary speculative estimate** of 0.7 Mt Lithium Carbonate Equivalent (LCE) on Texas Spring. Based on this estimate, we note that CELL is trading at \$4/t vs the sector average of \$51/t. The company has \$6.5M in working capital, implying that **liquid assets account for 68% of the current MCAP**.
- **Upcoming catalysts** include drilling, and positive sentiment towards juniors focused on EV metals. We note that delineating a lithium resource is a faster and cheaper process vs mainstream metals such as gold and copper.

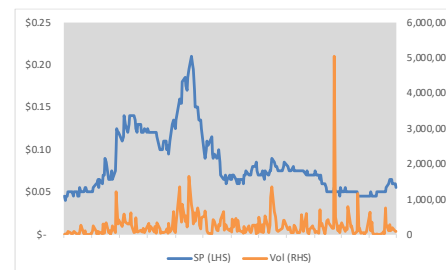
Risks

- The value of the company is dependent on lithium prices
- **Access to capital** and share dilution
- Exploration and development
- **No NI 43-101 compliant** resource estimate
- No assurance that the company will be able to advance all of its projects simultaneously

Sid Rajeev, B.Tech, CFA, MBA
Head of Research

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Equity Analyst

Price Performance (1-year)



	YTD	12M
CELL	-38%	0%
TSXV	7%	-4%

Company Data

52 Week Range	\$0.04 – \$0.22
Shares O/S	188M
Market Cap.	\$9M
Yield (forward)	N/A
P/E (forward)	N/A
P/B	1.0x

Key Financial Data (FYE - June 30)

(C\$)	Q2-FY2024
Cash	\$5,050,997
Working Capital	\$7,671,315
Mineral Assets	\$1,387,390
Total Assets	\$9,126,330
Net Income (Loss)	\$8,958
EPS	\$0.00

*See last page for important disclosures, rating and risk definitions. All figures in C\$ unless otherwise specified.

Portfolio Summary

Three early-stage lithium projects in Nevada, and one nickel project in B.C.

Two flagship assets: Texas Spring and Clayton Valley

Grid Battery's Portfolio

Project	Commodity	Location
Texas Spring	Lithium	Nevada, U.S.
Clayton Valley	Lithium	Nevada, U.S.
Volt Canyon	Lithium	Nevada, U.S.
Grid Nickel	Nickel	B.C., Canada

Lithium Projects Map

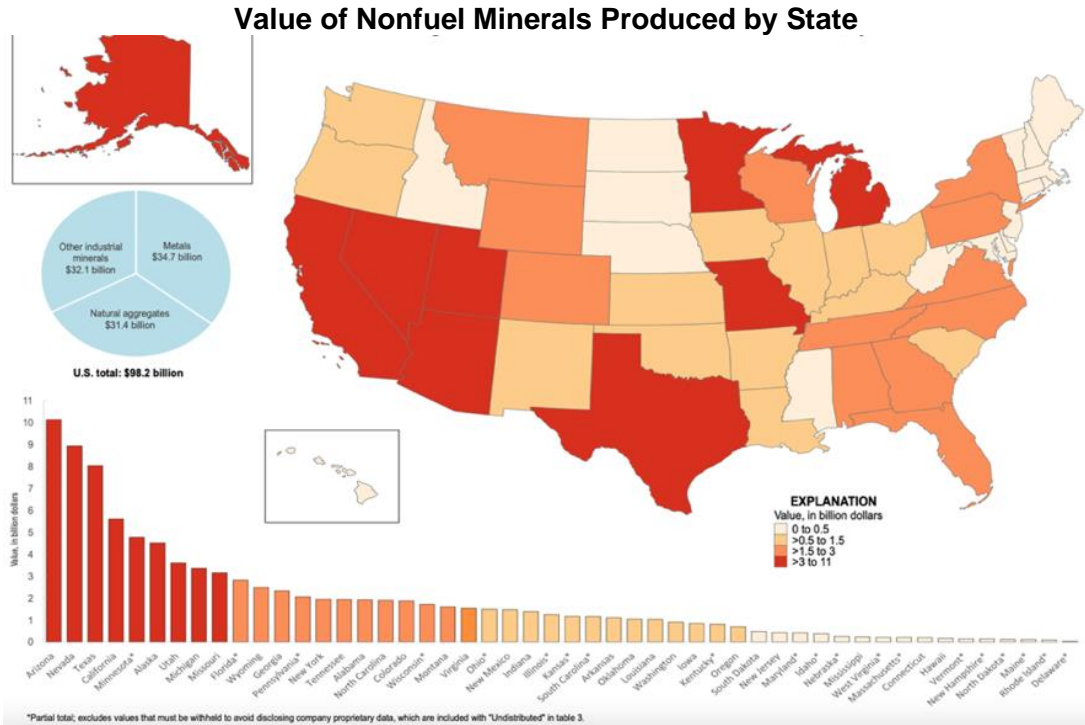


Source: Company

Nevada

Nevada is **the second largest producer of non-fuel minerals** in the U.S. Its primary commodities include copper, diatomite, gold, and sand gravel. The state has been producing lithium since 1966.

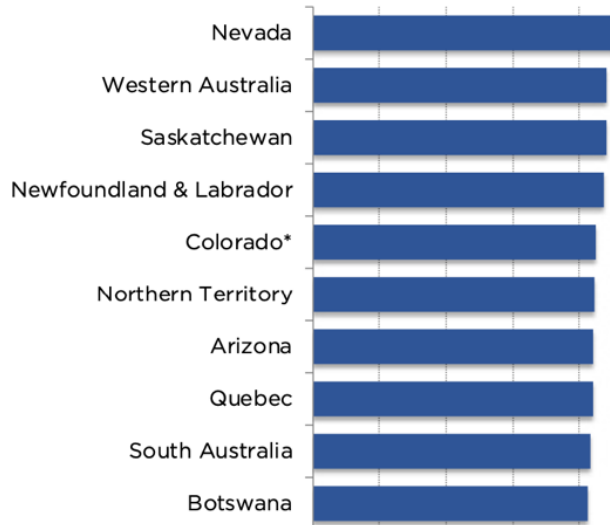
Nevada is well-known for its claystone lithium deposits



Source: USGS

In 2022, Nevada was ranked the most attractive mining jurisdiction in the world, per the Fraser Institute's survey of mining and exploration companies

2022 Investment Attractiveness Index



Source: Fraser Institute

The Clayton Valley hosts America's lone lithium mine, and several advanced stage lithium projects

According to the U.S. Geological Survey (USGS), the U.S. hosts approximately 12 Mt of lithium resources or approximately 12% of global resources. Silver Peak is the only commercial lithium mine in North America, accounting for 2% of global production. We believe the discrepancy between production and resources in the U.S. suggests significant potential for the country to become a major global producer.

In 2022, the U.S. introduced the “**Inflation Reduction Act**”, which includes provisions aimed at encouraging the production of EVs and their batteries within North America. We note that battery/EV manufacturers/miners are actively seeking stable/long-term supply sources in the country. In early 2024, **the U.S. Department of Energy (DOE) approved a US\$2.3B loan to Lithium Americas** to finance the construction of a lithium processing facility at its Thacker Pass project. CELL’s Texas Spring project is located east of the Thacker Pass project in northern Nevada.

The U.S. imports 25% of its lithium consumption

Currently, over 25% of the U.S.’ lithium consumption is imported, suggesting a need for domestic producers. We believe these reasons, and the relatively lower exposure to political, geographic, and currency risks, **offers companies such as CELL** a significant advantage over comparable juniors focused on South America.

Texas Spring Lithium Project

This 349-hectare property, located in Elko County, Nevada, is **adjacent to Surge Battery’s NNLP**, which hosts the highest-grade lithium resource in the U.S. (4.7 Mt LCE at 2,839 ppm Li).

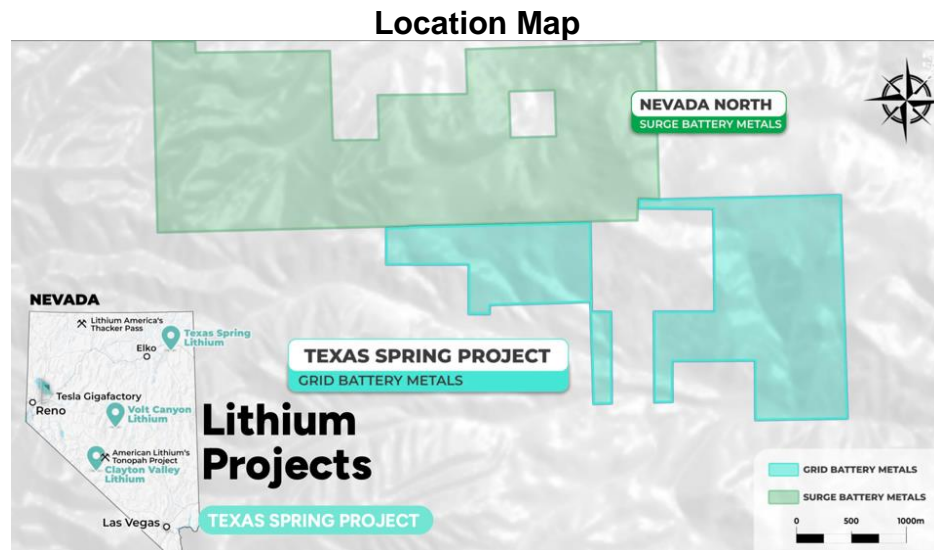
Located 73 km northeast of Wells, Nevada, and adjacent to Surge Battery’s NNLP

The project can be accessed through a gravel road

Prospective for lithium clay deposits

We note that grades of clay deposits typically fall between those of brine and pegmatites

Brine and clay deposits typically exhibit higher tonnage



Source: Company

Mineralization

Lithium primarily occurs in three types of deposits: pegmatites (hard rock), brines, and clays. Pegmatites and brines account for most of the global resource-base. Exploration for lithium clay mineralization is relatively new. **Currently, there is no active commercial mining of lithium clay deposits.** However, recent developments have demonstrated the feasibility of extracting lithium from clays through leaching, filtration, purification, concentration, and electrolysis, ultimately yielding lithium hydroxide.

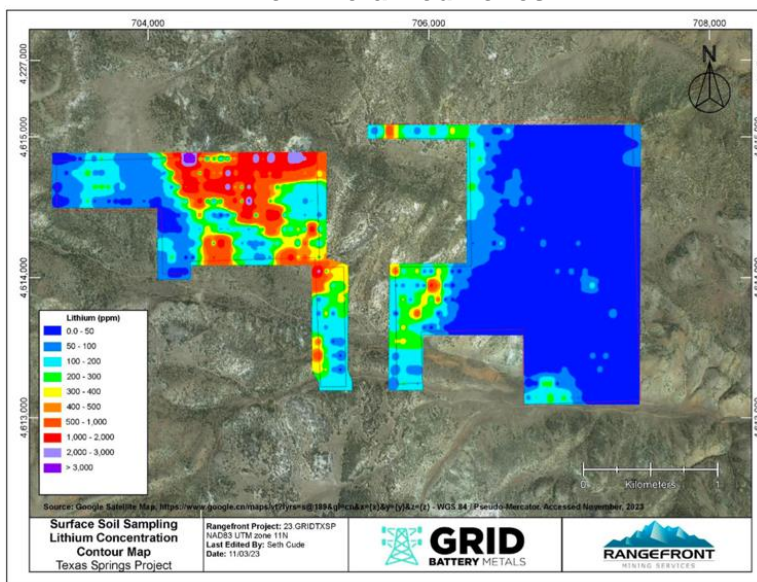
Texas Spring has been subject to surface sampling, and geophysical surveys. Soil sampling has identified **two zones of mineralization**: one in the northwest measuring 0.85 km long by 0.47 km wide, and another in the southeast measuring 0.20 km long by 0.17 km wide. We note that Texas Spring’s average grade (2,010 ppm Li) is comparable to that of NNLP’s 2,839 ppm.

Summary of 2023 Surface Sampling Results

Category	No cut-off	500 ppm cut-off	1,000 ppm cut-off
Minimum (ppm)	10	510	1000
Maximum (ppm)	5610	5610	5610
Average (ppm)	205	1432	2010
Number of Samples	809	72	40

Sampling returned bonanza lithium grades of up to 5,610 ppm Li; grades in the region typically range between 700 and 2,000 ppm

Two Mineralized Zones



Source: Company

Preliminary Speculative target (FRC Estimate)

Based on our review of all the published data, we are assigning a preliminary speculative estimate of 0.7 Mt LCE on Texas Spring.

Potential for a high-grade resource

FRC's Speculative Estimate	Zone 1	Zone 2	Total
Length (m)	850	200	
Width (m)	470	170	
Thickness (m)	100	100	
Tonnage @ 1.5 T/m ³	59,925,000	5,100,000	
Ave. Li grade (ppm)	2,000	2,000	
Contained Li (tonnes)	119,850	10,200	130,050
Contained LCE (tonnes)	635,205	54,060	689,265

Source: FRC

Management is planning a four-six hole drill program, followed by a maiden resource estimate by the end of this year. We note that **delineating a lithium resource is a faster and cost-effective process vs mainstream metals such as gold and copper.**

Clayton Valley Lithium Project

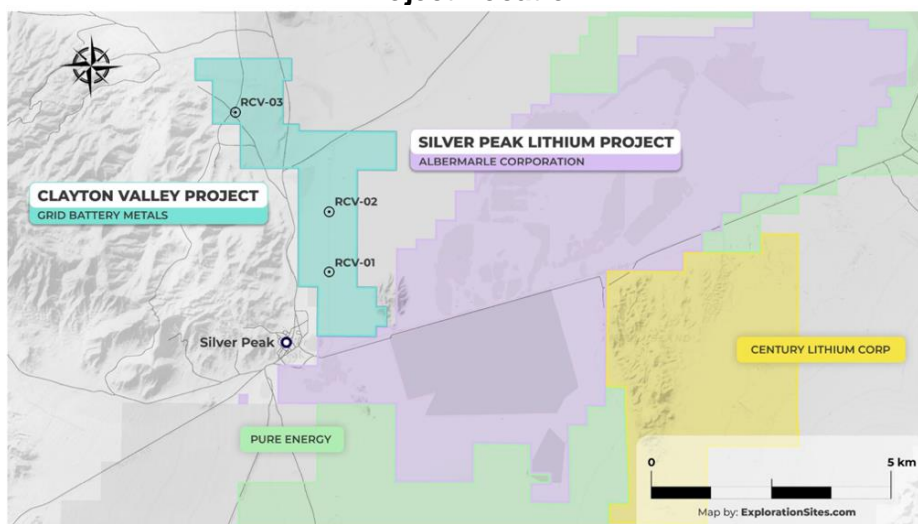
This 640 ha property borders Albemarle's Silver Peak lithium project. The Silver Peak mine has been producing lithium since the 1960s.

Located approximately 273 km southeast of Reno, and 315 km from Tesla's (NASDAQ: TSLA) Gigafactory

Well-established infrastructure including access to paved highways, country roads, and a power station

Adjacent to Albemarle's Silver Peak mine, and Century Lithium's Clayton Valley project

Project Location



Source: Company

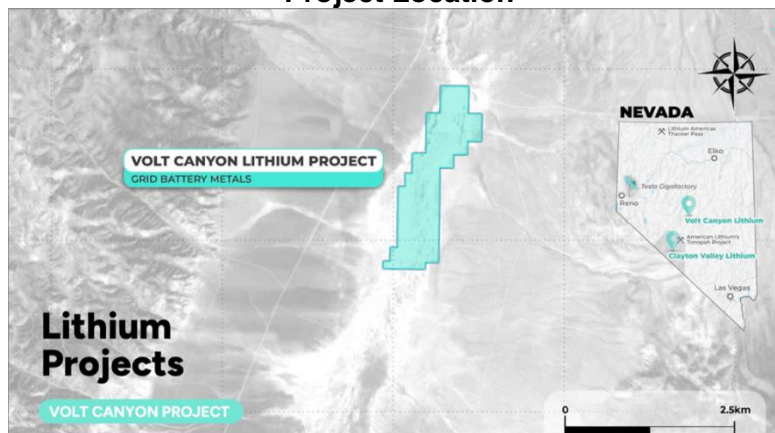
Last month, Century Lithium completed a robust feasibility study, based on annual production of 34,000 tonnes LCE over 40 years. The project's initial CAPEX is US\$1.5B. The study returned an AT-NPV8% of US\$3.01B, with an AT-IRR of 17.1%, using US\$24,000/t LCE, and cash costs of US\$8,223/t.

Potential to host both lithium brine and clay deposits

The project is located in the Clayton Valley – a closed basin hosting multiple layers of lithium-bearing volcanic ash containing lithium brine and clay deposits. Past exploration and drilling (three holes/356 m) returned encouraging results (172 ppm to 576 ppm Li), but inadequately assessed the claystone potential of the property. **Management intends to pursue a drill program**, upon completing an ongoing geophysics/soil sampling program.

Volt Canyon Lithium Project

Project Location



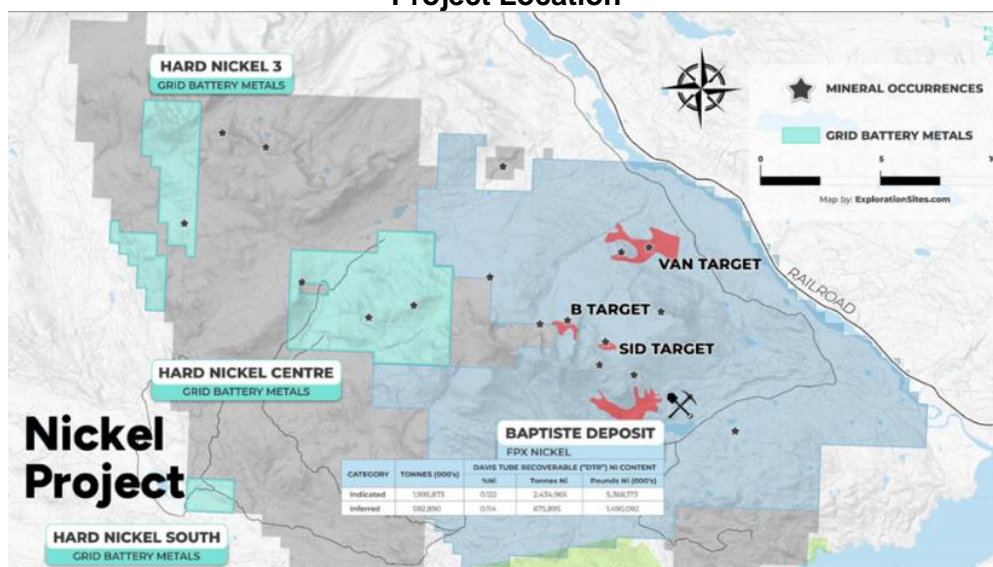
Source: Company

This 653 ha project is located 122 km northeast of Tonopah, and 150 km south of the Thacker Pass project

The property is prospective for lithium-bearing clay deposits similar to Clayton Valley deposits. Management is completing a NI 43-101 compliant geological report, and awaiting results of a soil sampling program, prior to commencing follow-up surface sampling, and drilling.

Grid Battery Metals Nickel Project

Project Location



Source: Company

Five mineral claims covering 5,000+ ha in central B.C.

Favorable location and infrastructure including hydroelectric power, and rail access

Adjacent to FPX Nickel's Decar nickel project – one of the largest undeveloped nickel projects in the world

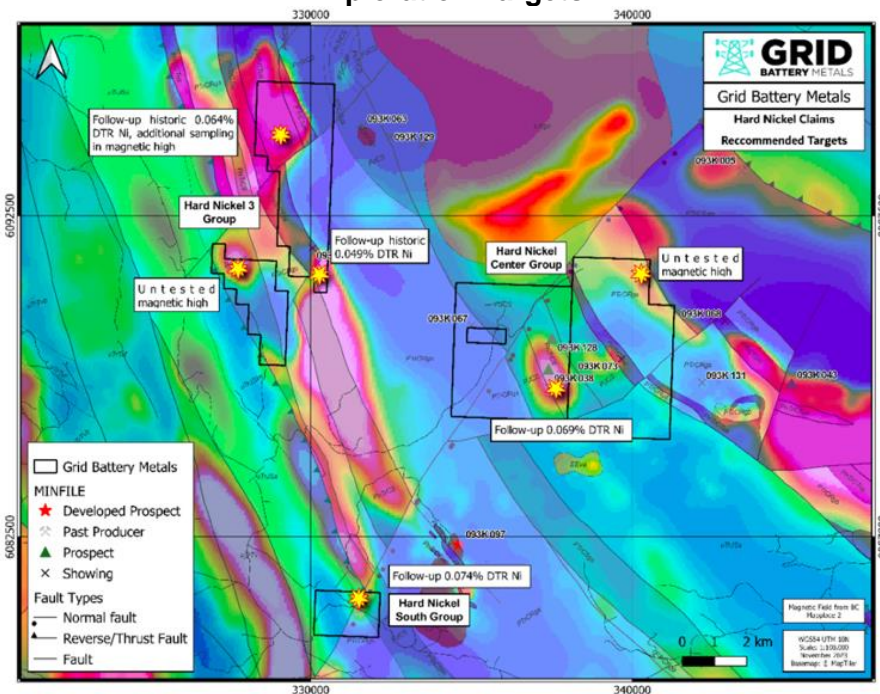
Prior exploration has delineated a 1.4 km x 0.5 km mineralized footprint, with nickel values ranging between 1,000 and 2,696 ppm

58% of samples returned >1,800 ppm Ni

A 2023 PFS returned an AT-NPV8% of US\$2B, using US\$8.75/lb Ni

Earlier this year, FPX received a \$14M equity financing from Sumitomo Metal

Exploration Targets



Source: Company

The property's geology and mineralization resemble FPX's awaruite deposits, known for their large-scale and consistent grades, despite typically being low-grade.

FPX's Baptiste Project - 2023 PFS

Highlights	2023 PFS
Pre-tax NPV (8% discount rate)	US\$2.92 billion
Pre-tax IRR	19%
Payback period (pre-tax)	4.6 years
After-tax NPV (8% discount rate)	US\$2.01 billion
After-tax IRR	18.6%
Payback period (after-tax)	3.7 years
Operating Costs	C1 Operating cost- US\$3.70/lb nickel
Assumptions	
Processing throughput	108,000 tonnes per day (Phase 1) 162,000 tonnes per day (Phase 2)
Mine life	29 years
Life-of-mine stripping ratio (tonnes:tonnes)	0.56:1
Life-of-mine average annual nickel production	132 million lbs.
LME Nickel price	US\$8.75/lb
Baptiste product payability (% of nickel price)	95%
Pre-production capital expenditures	US\$2.18 billion
Sustaining capital expenditures	US\$1.18 billion
Exchange rate	0.76 US\$/C\$

* All figures in Canadian \$ except stated otherwise

Source: FPX Nickel

CELL is **spinning out this project** into a new TSXV listed entity in the coming weeks. Once the transaction is completed, shareholders of CELL will receive a share of the new company for every 20 CELL shares held.

Management and Directors

Share Ownership

Management and Board	Shares	% of Total
Tim Fernback - President/CEO/Director	3,000,000	1.59%
Robert Guanzon - CFO	252,609	0.13%
Jay Oness - Director	8,100	0.004%
Robert Setter - Director	-	-
Ali H. Alizadeh - Director	-	-
Total	3,260,709	1.73%

Source: Management Information Circular / FRC

Management and board own 1.73%

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

Tim Fernback – President and CEO

Mr. Fernback brings over 30 years of experience in financing public and private companies in Canada. Mr. Fernback obtained a Bachelor of Science, Honours (B.Sc.) from McMaster University in Hamilton, Ontario and a Master of Business Administration (MBA) with a concentration in Finance from the University of British Columbia. Mr. Fernback is a former investment banker and venture capitalist, and has acted as either CFO or CEO for several successful public companies in the past. He holds a Certified Professional Accounting (COA, CMA) designation in Canada and is currently director of several publicly traded companies in Canada.

Robert Guanzon – CFO

Mr. Guanzon serves as Chief Financial Officer for the company, and has held this position for several junior resource companies listed on the TSXV in the past. Mr. Guanzon holds a Bachelor of Science degree in Accounting, a Certified Professional Accounting (CPA, CMA) designation and brings extensive experience in dealing with financial and accounting matters as well corporate strategy.

Jay Oness – Director

Mr. Oness has extensive experience in all aspects of corporate management with particular strengths in strategic planning, business development & investor relations for public companies. He has served as a Director, senior executive and consultant to public companies in resource and non-resource sectors over a

successful 20 year career. He is currently VP, Business/Corporate Development of Southern Silver Exploration Corp.

Robert Setter – Director

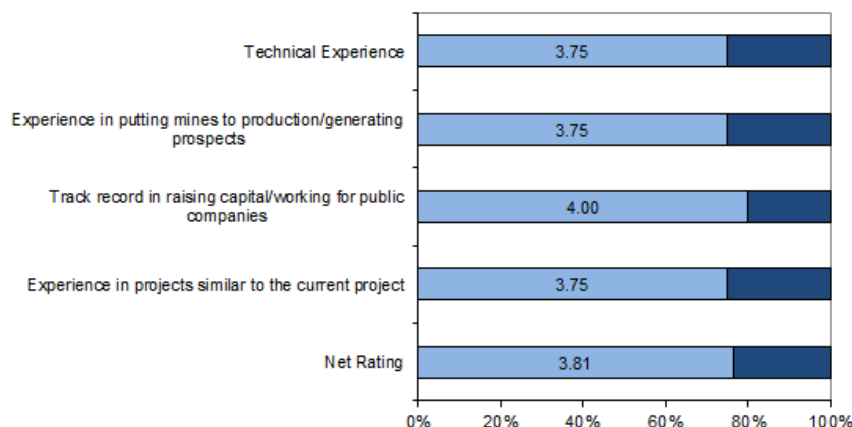
Mr. Setter is the former Senior Financial Editor for Report on Mining and has been consulting with publicly trading companies for over a decade. He sits on the boards of several mining companies and holds a degree in Economics from UBC. Since 2000 he has held several key positions including Research Manager, Corporate Research and Analytics and has been involved in the launch of dozens of new enterprises assisting with financing, cash flow forecasting, strategic client acquisition and planning.

Ali H. Alizadeh – Director

Mr. Alizadeh is a senior geologist possessing extensive experience in mineral exploration & project management. He graduated with a Geology degree in 1991 a M.Sc. in Petrology in 1995 and an MBA at Queen’s University in 2010. He has been responsible for a number of uranium, gold and base metal projects during his exploration career with various exploration companies.

Our net rating on the company’s management team is 3.8 out of 5.0

Management Rating



Strength of Board

	Poor	Average	Good
Three out of four directors are independent			X
Share ownership		X	
The Audit Committee is composed of three board members, two are independent		X	
Management compensation is decided by the board		X	

Source: FRC

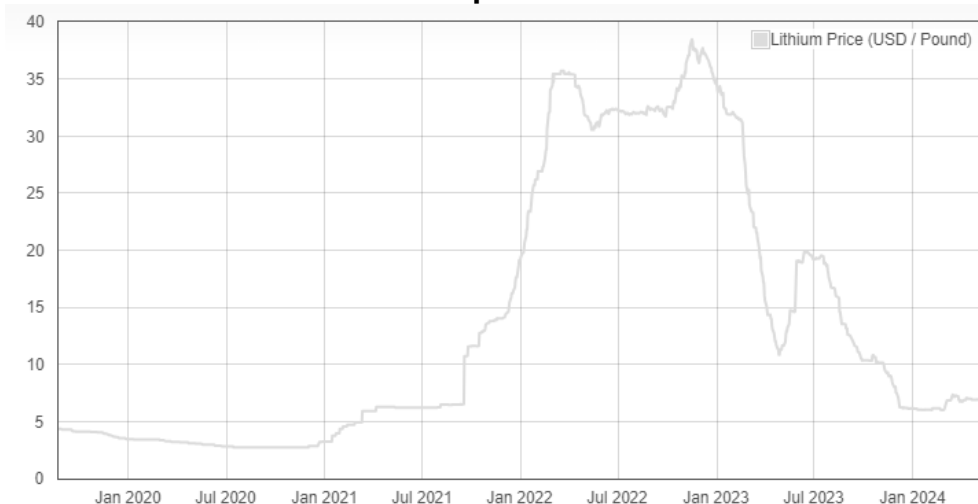
Three out of four directors are independent

Outlook on Lithium

Lithium prices are down 37% YoY, but up 24% YTD to US\$15.4k/t vs the five-year average of US\$21k/t

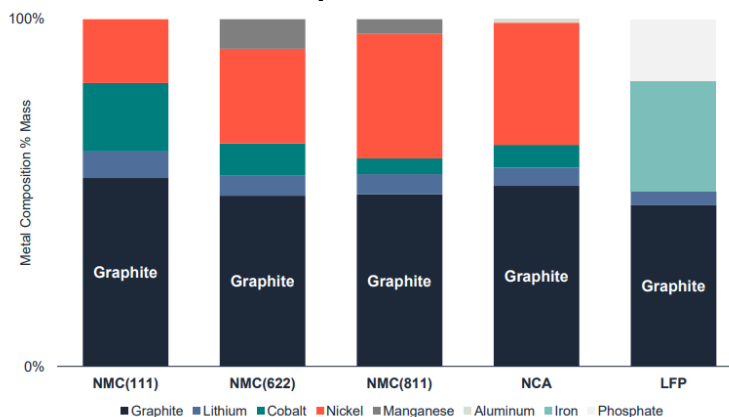
Graphite and lithium are the only two primary inputs used in all of the major types of batteries

LCE Spot Prices



Source: Daily Metal Price

Mineral Composition of Batteries

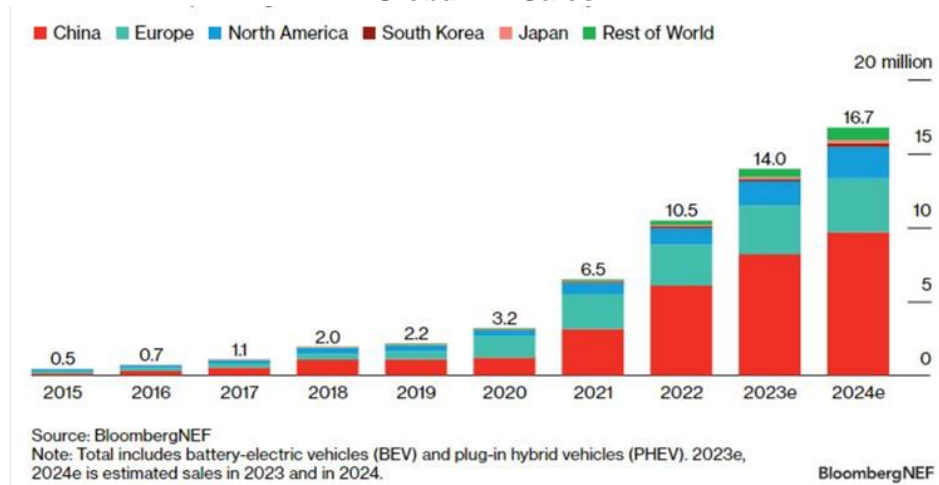


Source: Syrah

At the end of 2023, 40M EVs were in use globally, up from 10M at the end of 2020. Per consensus forecasts, annual EV sales should increase to 35-40M by 2030, up from 14M in 2023. **We expect lithium demand in batteries will grow from 1 Mt/year currently, to 2.75 Mt/year by 2030.**

We believe lithium demand growth will outpace that of most other EV metals over the next decade

Global EV Sales

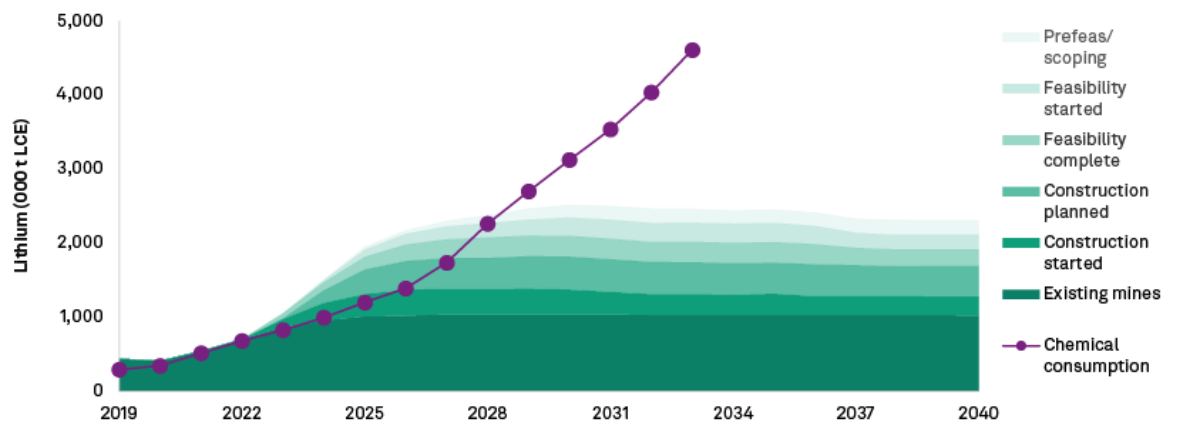


	Kg per EV	New Demand from EVs by 2030 (Tonnes)	Current Demand (Tonnes)	Total Demand by 2030 (excl. increase in demand from other applications)	Increase
Cobalt	10	175,000	190,000	365,000	92%
Nickel (Class 1)	30	525,000	1,200,000	1,725,000	44%
Lithium Carbonate	50	1,750,000	1,000,000	2,750,000	175%
Graphite (Flake)	50	1,312,500	700,000	2,012,500	188%
Copper	80	2,800,000	25,088,000	33,144,557	32%

Source: FRC

Demand is expected to outpace supply in the long-term

Lithium Demand vs Supply Forecasts



Source: S&P

Financials

\$7.67M in working capital at the end of December 2023

(C\$) (FYE - June 30)	Q2-FY2024
Cash	\$5,050,997
Working Capital	\$7,671,315
Current Ratio	585.4
Monthly Burn Rate (G&A)	-\$413,878
Cash from Financing Activities	\$664,500
Cash Spent on Properties	-\$869,353
	# of Options Exercise Price \$ Raised
Total	14,000,000 \$0.05 \$700,000
In-the-Money	- - -
	# of Warrants Exercise Price \$ Raised
Total	93,506,000 \$0.06 \$5,450,870
In-the-Money	- - -

Source: FRC/Company

FRC Valuation and Rating

Lithium clay projects in Nevada exhibit high tonnage, and have long mine lives, with attractive NPVs of US\$1B+, and IRRs of 20%+

Using our preliminary speculative estimate of 0.7 Mt LCE on Texas Spring, we note that CELL is trading at \$4/t vs the sector average of \$51/t

Lithium Clay Projects in Nevada

Lithium Juniors	Pure Energy Minerals	Standard Lithium	Lithium Power (acquired)	Lithium Americas		Neo Lithium (acquired)	Millennial Lithium (acquired)	Lake Resources	Century Lithium
Location	Nevada	South Arkansas, US	Chile	Argentina	Nevada	Argentina	Argentina	Argentina	Nevada
Stage	PEA	PEA	Feasibility	Feasibility	PFS	PFS	Feasibility	DFS	FS
EV (\$M)	\$11	\$301	\$329	\$1,038		\$863	\$353	\$70	\$48
Resources (100% M&I + 50% Inferred)	109,000	1,656,000	2,070,000	22,214,050	17,600,000	5,500,000	4,500,000	8,969,000	6,410,000
EV/Resources (\$) - \$/t LCE	\$100.92	\$181.76	\$312.02	\$26.07		\$156.91	\$78.44	\$7.80	\$7.49
Lithium Juniors	American Lithium	Noram	E3 Lithium	Ioneer	Spearmint	Lithium Chile	Surge	Grid Battery	
Location	Nevada	Nevada	Alberta, Canada	Nevada	Nevada	Argentina	Nevada	Nevada	
Stage	PEA	PEA	PEA	DFS	Resource	PEA	Resource	Pre-Resource	
EV (\$M)	\$168	\$10	\$95	\$423	\$5	\$142	\$57	\$3	
Resources (100% M&I + 50% Inferred)	9,760,000	5,750,000	16,465,000	3,035,000	1,730,000	2,648,000	2,335,000	689,265	
EV/Resources (\$) - \$/t LCE	\$17.21	\$1.74	\$5.77	\$139.37	\$2.89	\$53.63	\$11.88	\$4.32	

Source: FRC/ Various Companies

Applying \$51/t to our resource estimate, we are arriving at a fair value estimate of \$0.22/share

We are **initiating coverage with a BUY rating**, and a fair value estimate of \$0.22/share. For conservatism, we have refrained from assigning any value to the company's other projects, as well as the potential 5% stock dividend resulting from the impending spin-off of the nickel project.

Upcoming catalysts include drilling, and positive sentiment towards juniors focused on EV metals. As Grid is a relatively new company, we believe it is **currently flying under the radar**. The lack of an NI 43-101 compliant resource estimate may deter investors. However, we believe our preliminary resource estimate in this report should bolster market confidence. We anticipate **the stock will gradually align** with our fair value as investor awareness of the company grows.

Risks

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

We are assigning a risk rating of 5 (Highly Speculative)

- The value of the company is **dependent on lithium prices**
- Access to capital and share dilution
- No NI 43-101 compliant resource estimate
- **Exploration and development**
- No assurance that the company will be able to advance all of its projects simultaneously

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

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