

Fundamental

Research Corp.

Investment Analysis for Intelligent Investors

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February 26, 2018

White Rock Minerals Ltd - (ASX: WRM) - Initiating Coverage – High Grade VMS in Alaska and Advanced Stage Gold/Silver in Australia

Sector/Industry: Junior Resource

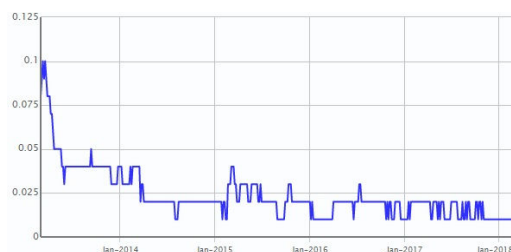
www.whiterockminerals.com.au

Market Data (as of February 23, 2018)

Current Price	\$0.011
Fair Value	\$0.08
Rating*	BUY
Risk*	5
52 Week Range	\$0.011 - \$0.019
Shares O/S	911.25 M
Market Cap	\$10.94 M
Current Yield	N/A
P/E (forward)	N/A
P/B	1.2x
YoY Return	-50.0%
YoY ASX300	6.4%

*see back of report for rating and risk definitions.

* All figures in A\$ unless otherwise specified.



Investment Highlights

- White Rock Minerals Ltd. (“WRM” / “company”) is focused on the advanced stage Mt Carrington gold-silver project in New South Wales, Australia, and the exploration stage Red Mountain polymetallic volcanogenic massive sulphide (VMS) project in central Alaska.
- Mt Carrington has a Mineral Resource estimate of 341,000 oz gold, and 23.25 Moz silver.
- A recently completed pre-feasibility study on the gold dominant resource showed an undiscounted before-tax net cash flow of \$37 million, a before-tax internal rate of return of 34%, and a before-tax payback period of 22 months. The study was based on a gold price of US\$1,275 per oz.
- WRM has an off-tax agreement for US\$19 million to build and commission the mine.
- Red Mountain has an Inferred Resource of 16.7 Mt at 8.9% ZnEq. The resource also includes a high-grade portion of 9.1 Mt at 12.9% ZnEq – making it one of the highest-grade undeveloped VMS deposits globally. The company is planning an aggressive drill campaign this year.
- We are initiating coverage on WRM with a fair value estimate of \$0.08 per share.

Risks

- The value of the company is highly dependent on gold, silver and zinc prices.
- Share dilution through future financings.
- Potential delays in project-specific permitting.
- Economic studies are yet to be completed on the Red Mountain deposit.
- The project financing from Cartesian is subject to a successful DFS, EIS, and full permitting.

Key Financial Data (FYE - June 30)

(\$)	2017	2018 (6M)
Cash	\$3,289,929	\$1,422,000
Working Capital	\$3,742,621	NA
Mineral Assets	\$13,835,674	NA
Total Assets	\$18,687,279	NA
Net Income (Loss)	-\$3,230,784	NA
EPS	-\$0.47	NA

Overview

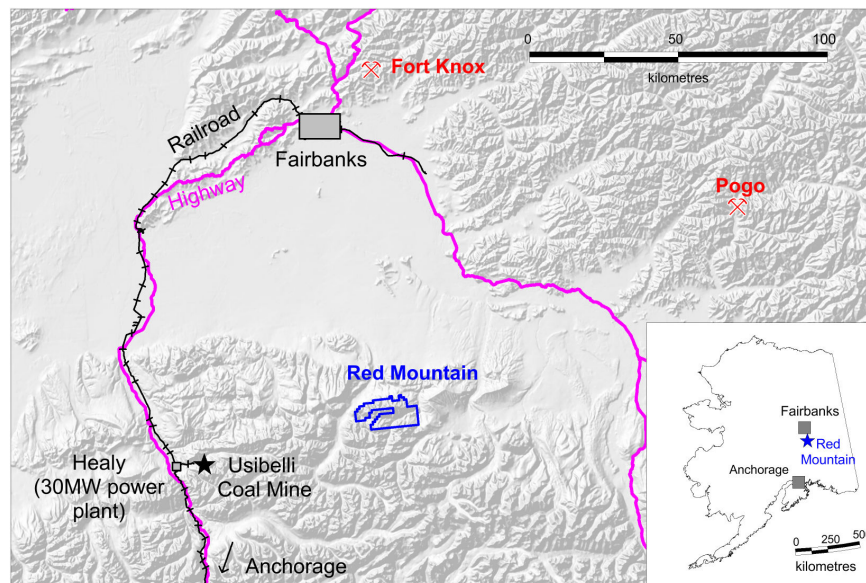
White Rock Minerals, founded in 2010, is based out of Victoria, Australia. The company is headed by CEO, Matt Gill, who joined the company in 2015. WRM is focused on developing two projects – the Mt Carrington gold-silver project in New South Wales, Australia, and the Red Mountain polymetallic VMS project in central Alaska.

Red Mountain Project

Location

The Red Mountain project, consisting of 224 mining claims / 143 sq. km, is located in central Alaska, 100km south of Fairbanks, in the Bonfield Mining District – a highly under explored area.

Project Location

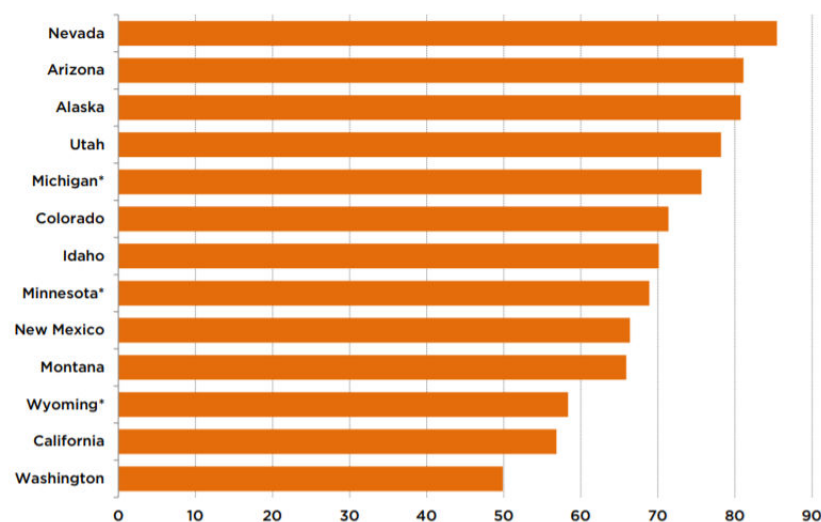


Source: Company

As shown above, the project is well located with major road and rail access located 80 km west, and 85km north, respectively. As the area is sparsely populated, there are no expected community or environmental issues.

Alaska is ranked third in the U.S. and 10th out of 91 jurisdictions worldwide under the Investment Attractiveness Index in the Fraser Institute 2017 mining survey. Alaska's high ranking is primarily due to its high mineral potential and stable political regime. Factors negatively affecting the ranking include infrastructure and uncertainty surrounding regulatory processes.

Fraser Institute 2016 Mining Survey



Source: Fraser Institute

Alaska currently has the following five major operating mines:

- The Red Dog mine - the world's largest zinc mine - operated by Teck Resources (TSX: TECK) on lands owned by the NANA,
- The Fort Knox open pit gold mine owned by Kinross (TSX: K),
- The Pogo gold mine by Sumitomo (TSE: 8053),
- The Kensington gold mine by Coeur Mining (NYSE: CDE), and
- The Greens Creek silver mine by Hecla Mining (NYSE: HL)

History and Geology

Sulphide outcrops were first discovered on the property in 1975. Exploratory work from 1975 to 1999, resulted in the discovery of two deposits (described below). The project has not been drilled since the 1990s.

The company's primary focus is on the Dry Creek and West Tundra Flats VMS deposits. VMS deposits are typically associated with volcanic and / or sedimentary rocks.

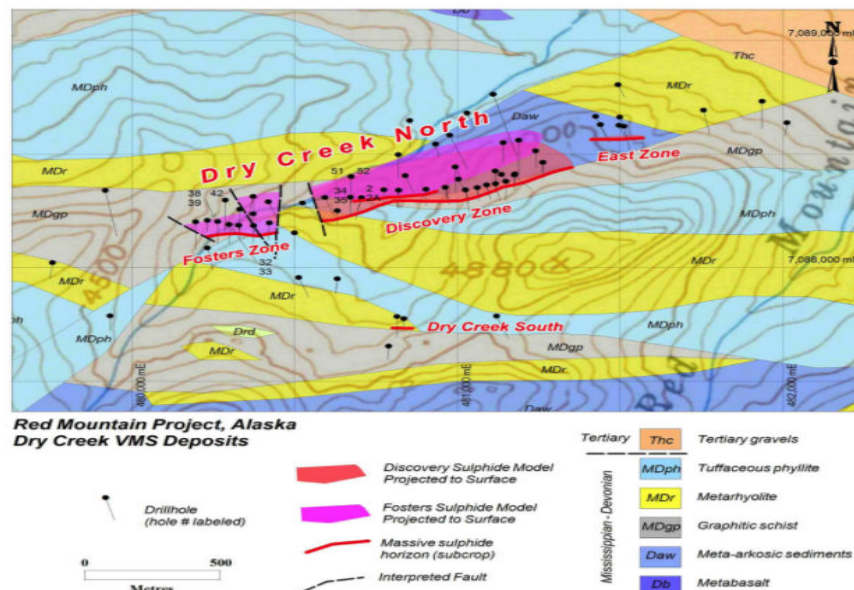
They consist of massive and / or semi-massive accumulations of sulphide minerals, and form in flat lens-like bodies parallel to the bedding. VMS deposits are base metal-rich deposits, with major sources of zinc, copper, and lead, with gold and silver as byproducts. They commonly occur in clusters (1 – 20 Mt), and the individual deposits when combined, form mining districts / camps.

Location



Source: Company

The project has had 101 drill holes, totaling 13,831m, at Dry Creek, and 26 drill holes, totaling 5,349m, at West Tundra Flats. Dry Creek consists of two horizons containing massive sulphide mineralization, namely the DC North Horizon and the DC South Horizon. The North Horizon (traced for 4,500 m) hosts the majority of mineralization identified on the project. The North Horizon (1,400 m) hosts the Fosters and Discovery deposits.



Source: Company

West Tundra Flats is estimated to extend over 1,000 m northwest-southeast along strike, and 1,600 m down dip to the southwest.

Historical metallurgical test work has shown the ore to respond well to traditional flotation. Preliminary testing has shown good recoveries of over 90% zinc, 75% lead, 80% gold, 70% silver and 70% copper.

Resource Estimate

In April 2017, the company completed an initial resource estimate on the project, which showed an Inferred Resource of 16.7 Mt at 8.9% ZnEq.

Red Mountain Inferred Resource Estimate

Prospect	Cut-off	Tonnage Mt	ZnEq %	Zn %	Pb %	Ag g/t	Cu %	Au g/t	ZnEq kt	Zn kt	Pb kt	Ag Moz	Cu kt	Au koz
Dry Creek Main	1% Zn	9.7	5.3	2.7	1	41	0.2	0.4	514	262	98	12.7	15	123
West Tundra Flats	3% Zn	6.7	14.4	6.2	2.8	189	0.1	1.1	964	416	188	40.8	7	229
Dry Creek Cu Zone	0.5% Zn	0.3	3.5	0.2	0.04	4.4	1.4	0.1	10	0.5	0.1	0.04	4	1
Total		16.7	8.9	4.1	1.7	99	0.2	0.7	1,488	678	286	53.5	26	352

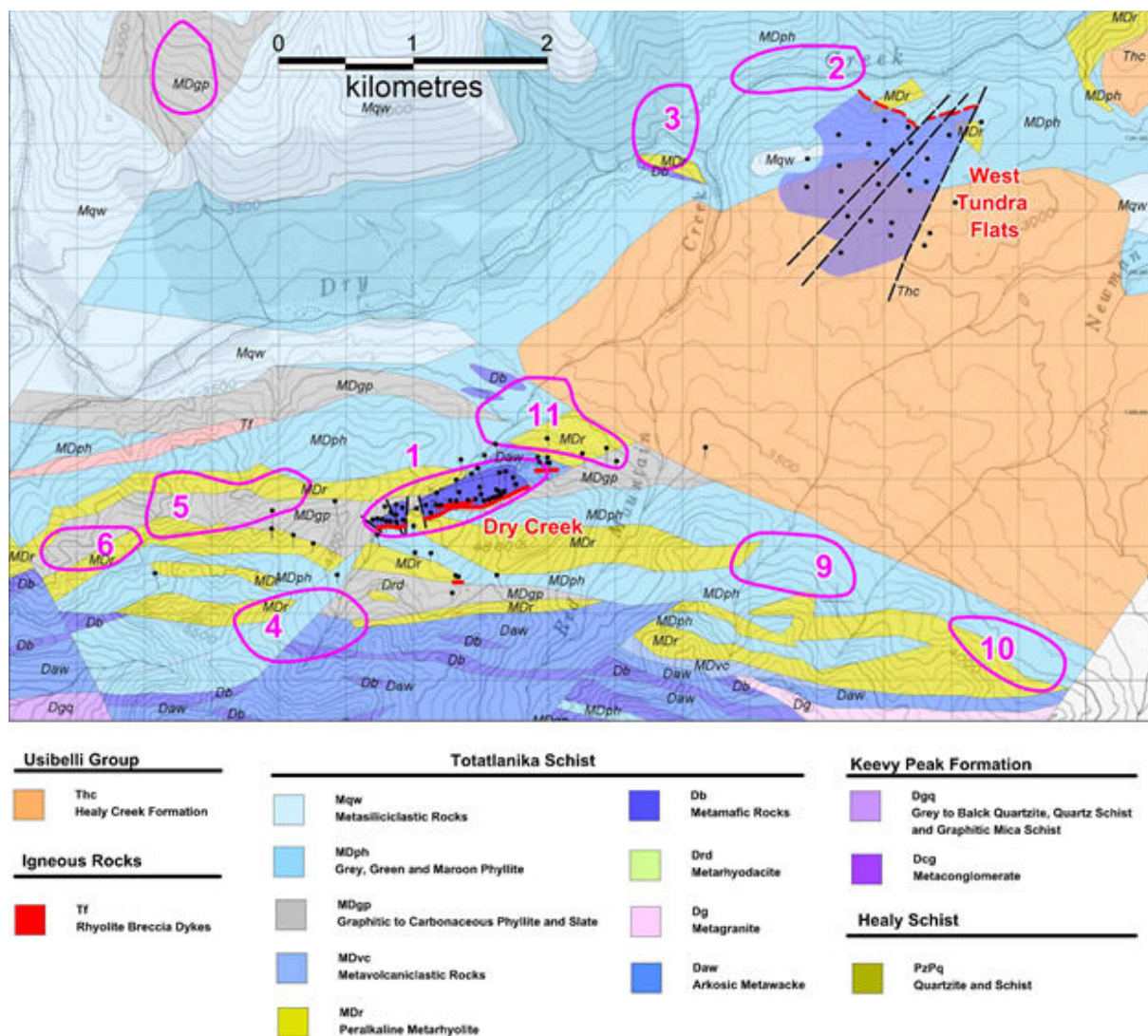
Source: Company

The resource includes a high-grade portion of 9.1 Mt at 12.9% ZnEq, at a 3% Zn Cut-off – making it one of the highest-grade undeveloped VMS deposits globally.

Prospect	Cut-off	Tonnage Mt	ZnEq %	Zn %	Pb %	Ag g/t	Cu %	Au g/t	ZnEq kt	Zn kt	Pb kt	Ag Moz	Cu kt	Au koz
Dry Creek Main	3% Zn	2.4	8.7	4.7	1.9	69	0.2	0.4	211	115	46	5.3	5	32
West Tundra Flats	3% Zn	6.7	14.4	6.2	2.8	189	0.1	1.1	964	416	188	40.8	7	229
Total		9.1	12.9	5.8	2.6	157	0.1	0.9	1,176	531	234	46.1	12	260

Source: Company

The project area has approximately 30 untested VMS targets with similar features as the Dry Creek and West Tundra Flats deposits, allowing the company potential to build out a new VMS camp.



Source: Company

Mt Carrington

Management's plan for the project in 2018 is listed below (undisclosed budget):

- A 3,000 m diamond drilling program (in-fill and step-out) to upgrade and expand the known resource.
- A 1,800 line km airborne electromagnetic (EM) survey to look deeper below surface for VMS deposits (up to 500 metres)
- Additional geophysics and geochemistry
- Mapping and surface soil geochemistry, followed by a 3,000 m diamond drilling program on the best of the over 30 exploration targets identified

Location

The Mt Carrington project is located on the Bruxner Highway, 4 hours drive SW of Brisbane, and 5 km from the township of Drake in north-eastern New South Wales. The project, covering 183 sq. km, consists of an exploration licence, and 22 mining leases.

Project Location



Source: Company

A key advantage of the project is its excellent infrastructure valued at approximately \$20 million (as per management), which includes a tailings dam, a freshwater dam, waste water treatment plant, road network, power supply, and office and accommodation facilities.

History and Geology

Mt Carrington is a historic mining centre with several low sulphidation epithermal gold-silver deposits. **Gold was first discovered in the district in 1853.** The area has had intermittent exploration, and small-scale mining from the late 1800s to the late 1980s. The most recent mining operation ran from 1988 to 1990, when oxide gold and silver ore (open pit) was extracted until depletion.

The project was not subject to any material exploration from the 1990s up until 2007. From 2008 to 2010, Rex Minerals Ltd. conducted exploratory work. The project was spun out of Rex in 2010, to a newly formed White Rock Minerals.

The project holds gold-silver epithermal mineralization associated with a large 250km² collapsed volcanic caldera structure. There is also potential for porphyry style copper-gold mineralization at depth. Several known epithermal deposits worldwide are located within or near large volcanic collapsed calderas.

Eight near surface deposits have been identified on the project to date - four gold dominant deposits (Strauss, Kylo, Guy Bell and Red Rock), one gold-silver deposit (Lady

Hampden), and three silver dominant deposits (White Rock, Silver King and White Rock North). The deposits are hosted by the Drake Volcanics near the northeastern margins of the southern New England Fold Belt.

Resource Estimate

In September 2017, the company completed an updated resource estimate on the project, which totaled 341,000 oz gold, and 23.25 Moz silver.

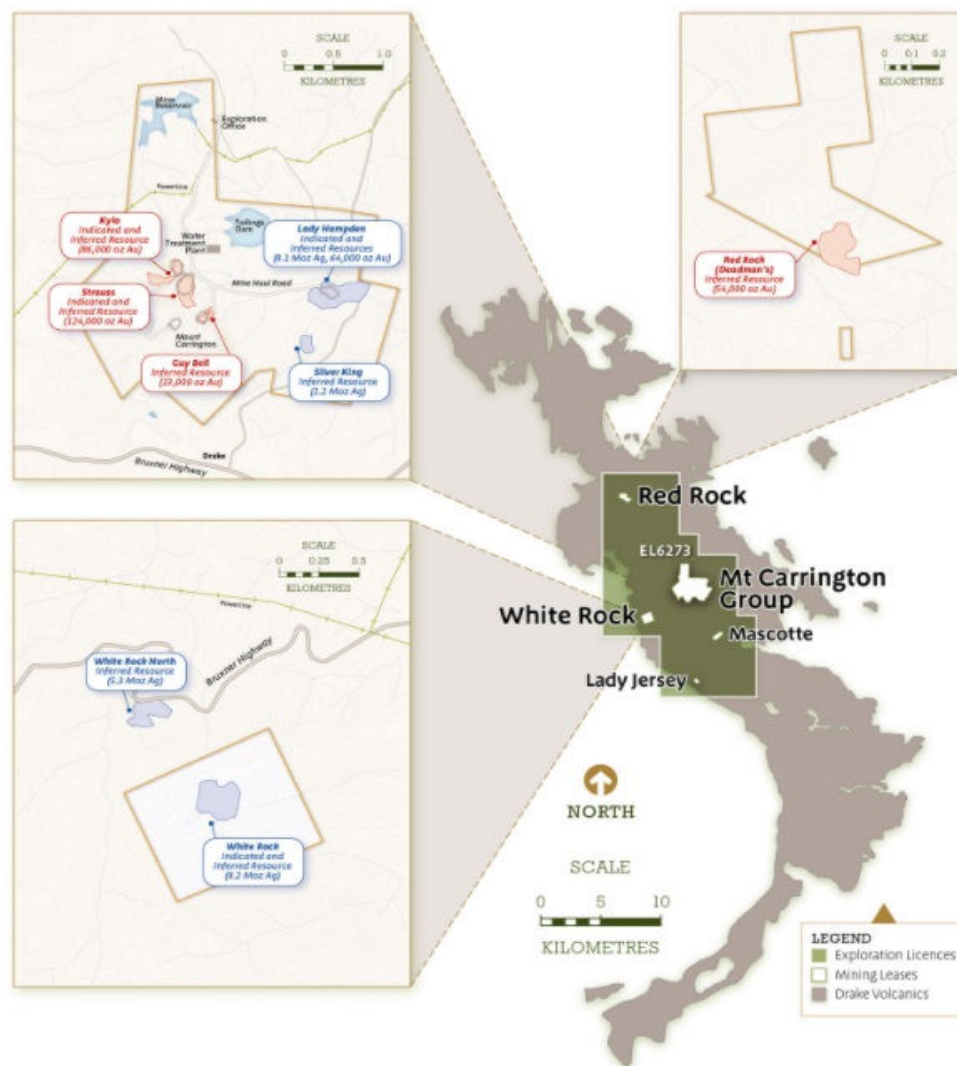
September 2017 Mineral Resource Estimate

	Category	Tonnes	Gold grade (g/t)	Gold ounces	Silver grade (g/t)	Silver ounces
Gold Dominant Resources	Indicated	4,080,000	1.4	188,000	1.6	207,000
	Inferred	2,200,000	1.3	89,000	3.3	237,000
	Total	6,280,000	1.4	277,000	2.2	444,000
Silver Dominant Resources	Indicated	3,540,000	0.3	37,000	73	8,270,000
	Inferred	8,950,000	0.1	27,000	51	14,533,000
	Total	12,490,000	0.2	64,000	57	22,803,000

	Category	Tonnes	Gold ounces	Silver ounces
Total Resources	Indicated	7,620,000	225,000	8,477,000
	Inferred	11,150,000	116,000	14,770,000
	Total	18,770,000	341,000	23,247,000

Source: Company

Location of the Resource



Source: Company

2016 Scoping Study

The following table summarizes the results of a scoping study completed in 2016, based on a 0.8 Mtpa flotation and CIL (carbon in leach) processing circuit.

Assumptions	
Gold price (\$/oz)	1,600
Silver price (\$/oz)	22
Treatment Rate (Mtpa)	0.8
Ore milled (Mt)	5.6
Average open pit strip ratio	2.0 : 1
Mine Life (years)	7.0
Recoveries - Au/Ag (bullion %)	73 / 37
Recoveries - Au/Ag (concentrate %)	69 / 84
Financial Summary	
NPV (pre-tax) (\$M) @ 10%	\$61 +/- 30% (\$42 - \$79)
IRR (pre-tax %)	103
Total Capital Cost (\$M)	\$24.2
Payback (years)	0.9
C1 Cash Cost (\$/oz AuEq) (ex royalties)	755

Sequence	Tonnes	Au oz ('000)	Ag oz ('000)
Strauss	1,630,000	57	129
Kylo	1,104,000	32	51
Lady Hampden	1,076,000	28	2,270
White Rock	1,626,000	3	5,390
Silver King	164,000		410
Total	5,600,000		

Source: 2016 Scoping Study

At a gold price of \$1,600/oz and a silver price of \$22/oz, the study showed a **pre-tax Net Present Value (NPV) at 10% of \$61 million, and a pre-tax Internal Rate of Return (IRR) of 103%.**

December 2017 Pre-Feasibility Study (PFS) – Phase 1

In December 2017, the company announced results of a PFS on the gold dominated resource for the Strauss and Kylo deposits. Both deposits have had oxide materials extracted through historic mining. The deposits' indicated and inferred resource total 210 Koz gold (average grade of 1.5 gpt).

Strauss-Kylo Gold Deposit Mineral Resource Estimate - September 2017						
Category	Deposit	Tonnes	Au (g/t)	Au (oz)	Ag (g/t)	Ag (oz)
Indicated	Strauss	2,070,000	1.5	103,000	1.7	115,000
	Kylo	2,010,000	1.3	85,000	1.4	92,000
Indicated	Sub-Total	4,080,000	1.4	188,000	1.6	207,000
Inferred	Strauss	380,000	1.7	21,000	2.4	30,000
	Kylo	30,000	1.1	1,000	1.5	2,000
Inferred	Sub-Total	410,000	1.7	22,000	2.3	31,000
Indicated & Inferred	Strauss	2,450,000	1.6	124,000	1.8	145,000
	Kylo	2,050,000	1.3	86,000	1.4	93,000
Indicated & Inferred	Total	4,500,000	1.5	210,000	1.6	238,000

Source: Company

The PFS was based on a 1 Mtpa operation on an Ore Reserve estimate of 3.47 Mt containing 159 koz gold, producing 35 koz per year for 4.5 years. A combination of oxide, transitional and primary sulphide material will be treated in a CIL circuit. Key assumptions are listed below:

Gold First PFS	
Project Life (years) - Gold First Stage	4.3
Strip Ratio (waste:ore) including pre-strip	2.67
Strip Ratio (waste:ore) excluding pre-strip	2.42
Gold recovered (koz)	147,300
Annual Gold Production (average koz)	36,800
Metallurgical recovery (%)	82.8
Ore Reserve (Mt ore)	3.47
Ore Reserve Gold Grade (g/t)	1.43
Ore Reserve (koz Gold)	159,000
Mineral Resource (Mt)	4.5
Mineral Resource Gold Grade (g/t)	1.50
Mineral Resource (koz Gold)	210,000
Mineral Resource (koz Silver)	238,000
Initial Capital Cost (\$M)	\$35.7
Total Site Operating Cost (\$/t ore milled)	\$46.23
C1 Cash Cost (A\$/oz produced)	\$1,078
All In Sustaining Cost (AISC) (\$/oz produced)	\$1,236
Free Cash Flow generated (\$M)	\$36.7
IRR (%)	34.0
Gold Price (US\$/oz)	\$1,275
Exchange rate (A\$:US\$)	0.75
Gold Produced (Koz)	147,311

Source: 2017 PFS

The **initial CAPEX is estimated at \$35.7 million**, including \$20.2 million for the processing plant and \$4 million in contingencies. The operating cost is estimated at \$1,078 per oz, including \$492 for mining, \$584 for processing, and \$2 for transportation and refining.

Adding royalties of \$39, G&A of \$99, and rehabilitation expense of \$23, the all-in operating cost estimate is \$1,239 per oz.

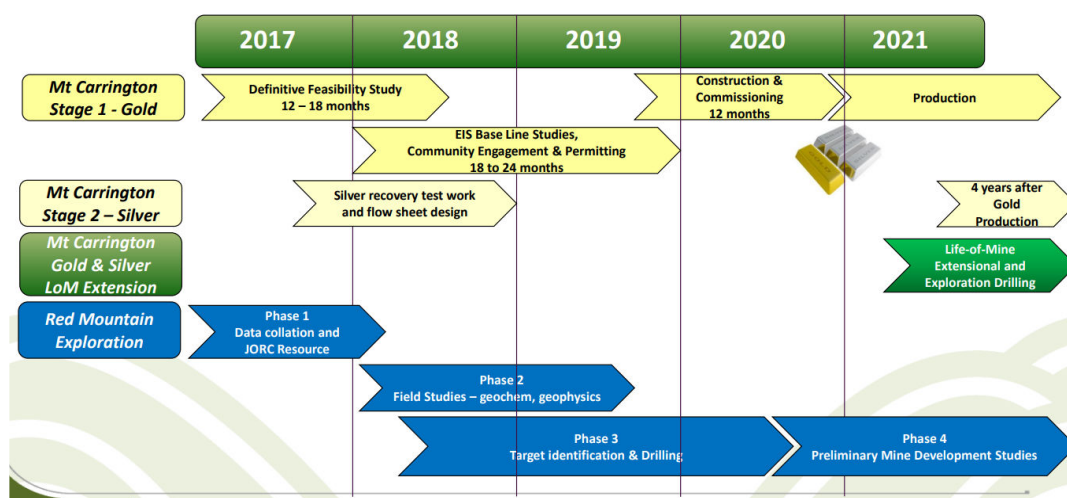
Based on a gold price of US\$1,275 per oz (\$1,700 per oz), the study showed an undiscounted before-tax net cash flow of \$37 million, a before -tax IRR of 34%, and a before-tax payback period of 22 months.

Phase 2 PFS will focus on the silver dominant resources, that will be mined once the gold resource is depleted in year 5. A key advantage of this is that the processing plant modifications to treat silver can be funded out of the cash flows generated in phase 1.

The company has an off-take agreement for US\$19 million. In 2016, the company entered into an agreement with U.S. based Cartesian Capital Group for a financing of up to US\$19 million to build and commission the mine. Cartesian also invested \$1 million in the company's shares in 2016. **Cartesian currently holds 76.9 million shares, or 8% of the total outstanding.**

In return for the financing, Cartesian will receive a 20% share of gold and silver production over 84 months, subject to a minimum delivery of 40,000 gold equiv oz. The company has also agreed to pay Cartesian an additional fee of 3% of the US\$19 million investment. At a gold price of US\$1,300, this investment implies a potential return of at least US\$53.56 million from an investment of US\$19 million for Cartesian. Cartesian also has a 1.75% NSR royalty on all gold and silver production, after delivery of the first 40,000 gold equiv. oz. The financing is subject to a successful Definitive Feasibility Study (DFS), EIS, full permitting, and access to grid power for 100% of the project power needs.

The following chart shows management's proposed development timelines:

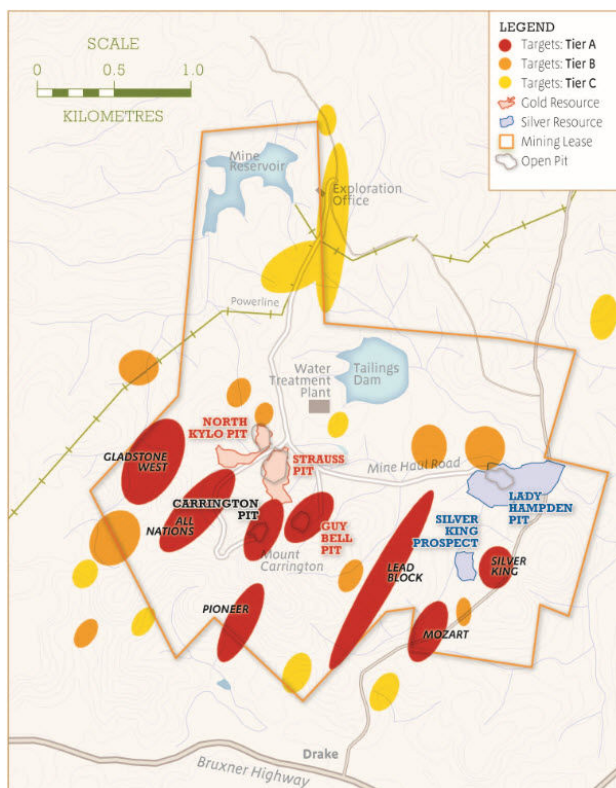


Source: Company

Exploration Upside

The company has identified 20 additional targets defined by electrical geophysics, geochemical sampling, and prospect mapping with drill testing. In addition, the company intends to test the project's potential to host porphyry copper mineralization at depth.





Source: Company

Management

Management and board members combined hold 17.82 million shares, or 1.96% of the total outstanding shares.

Share Ownership

Name	Position	Shares	% of Total
Brian Phillips	Chairman	4,000,000	0.44%
Matthew Gill	CEO & Director	3,333,333	0.37%
Peter Lester	Director	3,820,155	0.42%
Ian Smith	Director	6,666,667	0.73%
Jeremy Gray	Director		
Total		17,820,155	1.96%

Source: Financial Statements

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

Brian Phillips - Non-Executive Chairman - AWASM (Mining), FAusIMM, C Eng

Brian Phillips is a mining engineer with over 45 years' corporate and operating experience in the mining industry in Australia and overseas. Mr Phillips joined MPI Mines Limited in 1992 and was Managing Director of that company from October 2002 until December 2004, followed by two years as Chairman of Leviathan Resources Limited. He was a non-executive

Director of Perseverance Corporation from January 2007 until February 2008, and was a non-executive Director of Tawana Resources NL until July 2009 and Rex Minerals Limited until June 2010. He is the currently the Chairman of Panoramic Resources Limited. He is a founding Director of the Company upon incorporation in 2010.

Matthew Gill - Managing Director, Chief Executive Officer - B.Eng (Hons, Mining), M.Eng.Sc., FAusIMM, GAICD

Matthew Gill is a mining engineer with over 35 years' experience. He has a strong technical, operational and executive management background; having worked as an underground miner, mine planning engineer, supervisor, general manager and managing director in Australia, Papua New Guinea, India, Ghana and Bolivia. He holds three First Class Metalliferous Mine Manager's Certificates of Competency and has been instrumental in the successful development of three gold mines (Porgera, Beaconsfield and Ballarat). He is a three-time winner of the Australian Mine Manager of the Year Award and received the AusIMM Leadership Award in 2008. Previously, he was Group Chief Operating Officer for Singapore-listed LionGold Corp. Also, he has worked for Castlemaine Goldfields, Rio Tinto, WMC, Placer Pacific and Renison Goldfields. He is currently a non-executive director of AusStar Gold Ltd. He commenced with the Company in 2015 and joined the Board in 2016.

Peter Lester – Non-Executive Director - B.E (Mining), MAusIMM, MAICD

Peter Lester has over 40 years' experience in the mining industry, and has held senior executive positions with North Ltd, Newcrest Mining Limited, Oxiana Limited, Kidman Resources Ltd and Citadel Resource Group Limited. Mr Lester's experience covers operations, project and business development and general corporate activities. Mr Lester is a non-executive director of Millenium Minerals Ltd and Nord Gold NV. He joined the Board in 2013.

Ian Smith – Non-Executive Director - B.E (Hons, Mining), BF in Admin, FIEAust, FAusIMM, MAICD

Ian has more than 40 years' experience in the mining and services sector. Ian has held some of the most senior positions in the Australian resources industry, and was most recently MD and CEO of Orica. Prior to that, Ian was MD and CEO of Newcrest for five years, growing the business to become Australia's biggest, and globally one of the largest gold mining companies, with responsibility for 16,000 employees, and ten mines spread across four countries. Ian has technical, operational, financial and strategic expertise, having also held senior and executive positions with Rio Tinto, WMC, Pasminco and CRA. He has represented the mining industry at the highest levels in Australia, being a past president of the Australian Mines & Metals Association and a past chairman of the Minerals Council of Australia. He joined the Board in 2017.

Jeremy Gray – Non-Executive Director - B.C (Hons, Finance)

Jeremy has more than 23 years in mining investment including appointments as the Global Head of Basic Materials at Standard Chartered Bank Plc, Head of Metals and Mining Research at Morgan Stanley in London and the Head of Mining Research at Credit Suisse in London. Mr. Gray serves as a Director of Chancery Asset Management and Managing Partner of Cartesian Royalty Holdings, Singapore. Mr. Gray has been a non-Executive Director of

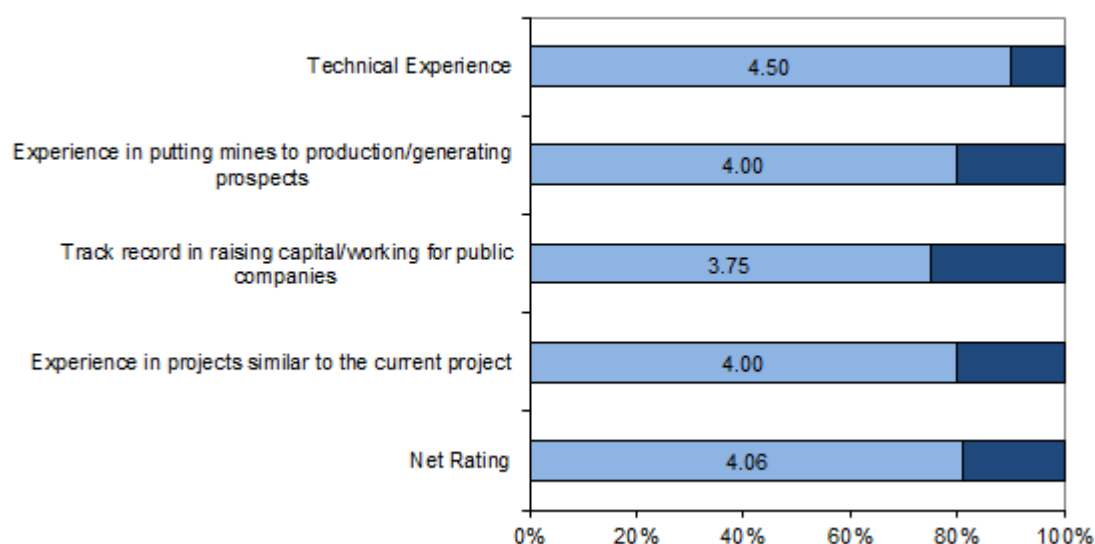
Axiom Mining Limited since July, 2015. He joined the Board in 2017.

Rohan Worland – Exploration Manager - BSc (Hons), Grad. Dip (F&I), MAIG

Rohan Worland is a geologist with over 25 years' exploration experience including 14 years with the Normandy and Newmont groups. Mr Worland held the roles of Exploration Manager with WCP Resources Limited and Buka Gold Limited, prior to his role as Exploration Manager for Rex Minerals Ltd. He has extensive experience in a variety of gold deposit styles in Australia, North and South America and New Zealand. Mr Worland resigned from Rex in June 2010 to take up his appointment with White Rock.

Our net rating on the company's management team is 4.1 out of 5.0 (see below).

Management Rating



Source: Company

Board of Directors

The company's board has five members, of which, four are independent. We believe that the Board of Directors of a company should include independent or unrelated directors who are free of any relationships 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 following table shows our analysis on the strength of the company's board.

Strength of Board

	Poor	Average	Good
Four out of five directors are independent			X
Directors own 2% of the outstanding shares		X	
The Audit committee is composed of 4 board members, all are independent			X
The Management Compensation committee is composed of 4 board members, all are independent			X

Source: FRC

Financials

At the end of Q2-2018 (ended December 31, 2017), the company had cash of \$1.42 million. We estimate the company had a burn rate (cash spent on operating and investing activities) of \$306k per month in the first six months of FY2018. The following table summarizes the company's liquidity position:

(in A\$)	2017	2018 (6M)
Cash	\$3,289,929	\$1,422,000
Working Capital	\$3,742,621	NA
Current Ratio	7.02	NA
LT Debt / Assets	-	-
Monthly Burn Rate (incl. investing activities)	\$222,847	\$306,167
Cash from Financing Activities / Others	\$6,074,929	\$0

Source: Financial Statements

In December 2017, the company entered into a financing agreement with Kentgrove Capital (Australian investment fund manager) for a \$7.2 million fully discretionary equity financing over the next 36 months. White Rock may seek multiple placements under the facility, up to the maturity date (December 2020). For each placement, White Rock determines when the placement occurs, the placement period, the maximum amount of the placement (up to \$200,000 or a higher amount by mutual agreement), and the minimum issue price.

The company currently has 206.93 million options outstanding (weighted average exercise price of \$0.023 per share) and no warrants. **At this time, none of these options are in-the-money.**

Valuation & Rating

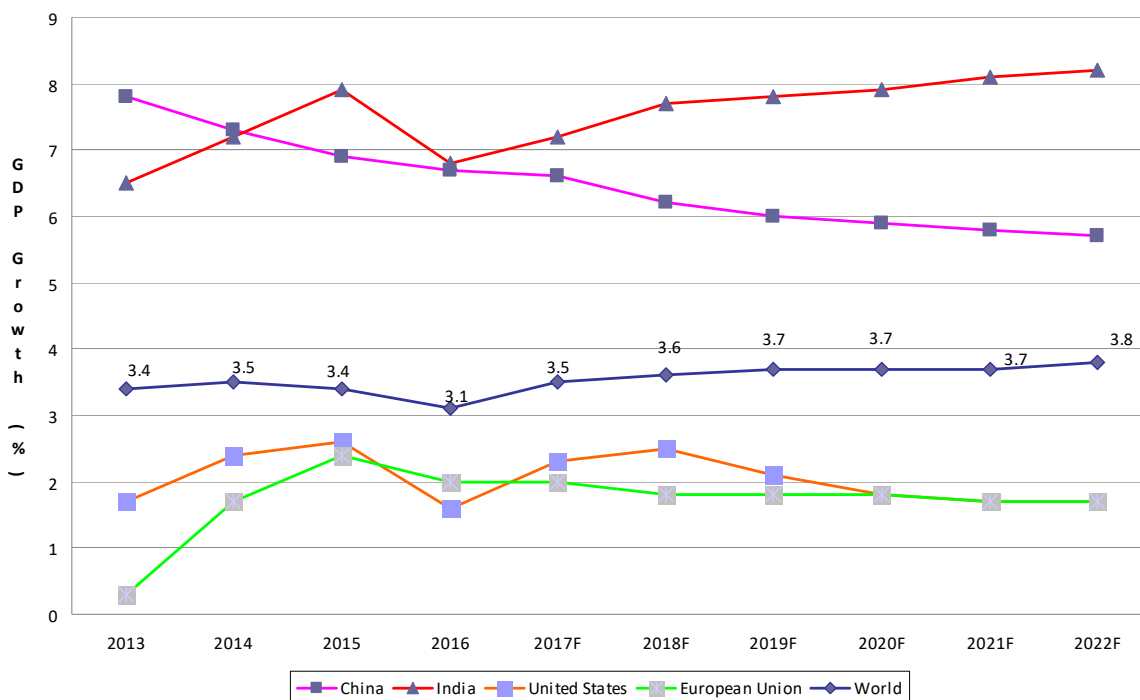
Zinc prices are up almost 150% in the past two years.



The following charts show dropping inventory levels - one of the primary reasons for the surge in prices.



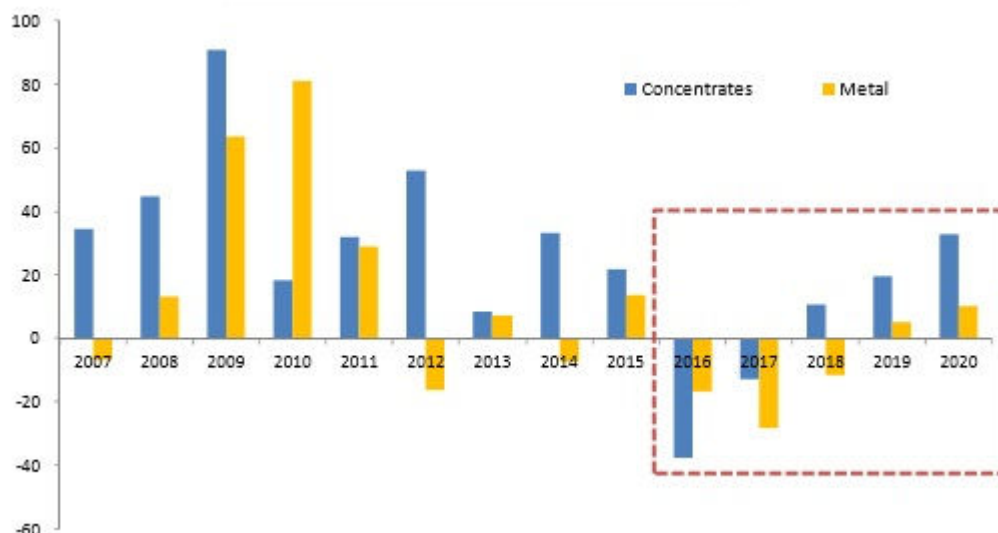
The following chart shows the expected increase in global Gross Domestic Product (“GDP”) growth through 2022. The positive near-term outlook the global GDP growth is based on improving rates in the U.S. and India, and a relatively flat European Union, offset by a slowdown in China.



Source: IMF

The global supply deficit of zinc is expected to continue through 2018, which we expect will keep zinc prices strong.

Global Zinc Balance



Source: Antaike

The below table shows the Enterprise Value (“EV”) to resource ratio of zinc focused juniors. Our valuation on Red Mountain is \$42.60 million, or \$0.05 per share, based on an average EV/resource ratio of \$0.026 per lb. Note that we have used 100% of the

measured and indicated, and 50% of the inferred resources in our calculation.

	Company	EV/ Resource (\$/ lb)
1	Longford Resources Ltd.	\$0.080
2	Aston Bay Holdings Ltd.	\$0.063
3	Tinka Resources Limited	\$0.036
4	Aquila Resources Inc.	\$0.039
5	Heron Resources Limited	\$0.036
6	Zinc of Ireland NL	\$0.013
7	Rathdowney Resources	\$0.011
8	Hannan Metals Ltd.	\$0.008
9	Canada Zinc Metals Corp.	\$0.011
10	Solitario Zinc Corp.	\$0.005
11	Callinex Mines Inc.	\$0.007
12	InZinc Mining Ltd.	\$0.008
	Average	\$0.026

*Net Resource = 100% of Measured and Indicated + 50% of Inferred Resources

Source: FRC

The following table shows our NPV estimate of Mt Carrington. Our valuation model assumes receipt of the US\$19 million financing from Cartesian in return for 20% of the production, and the fees associated with the financing. Our 12 year mine life is based on a Phase 1 production period of 4.5 years, plus another 7-8 years of Phase 2 production.

DCF Valuation on Mt Carrington	
Operating Life (years)	12
Throughput (tpa)	1.0
Average Annual Au Production (oz)	26,662
Average Price of Au (\$/oz)	\$1,733
Average Price of Ag (\$/oz)	\$27
Operating Cost (LOM) in \$/oz	\$1,155
Initial Capital Cost (\$) - Phase 1	\$35,700,000
Initial Capital Cost (\$) - Phase 2	\$7,000,000
Discount Rate	11.5%
After-Tax Net Asset Value (\$)	\$29,613,533
No. of Shares *	911,254,235
Value per Share (\$)	\$0.03

* calculated based on the treasury stock method

Source: FRC

The following table summarizes our valuation on WRM.

	Value	Value per Share
Mt Carrington	\$29,613,533	\$0.03
Red Mountain	\$42,597,497	\$0.05
Working Capital	\$1,422,000	\$0.00
Fair Value of WRM	\$73,633,031	\$0.08

Source: FRC

We are initiating coverage on WRM with a BUY rating and a fair value estimate of \$0.08 per share.

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

- The value of the company is highly dependent on gold, silver and zinc prices.
- Share dilution through future financings.
- Potential delays in project-specific permitting.
- Economic studies are yet to be completed on the Red Mountain deposit.
- The project financing from Cartesian subject to a successful DFS, EIS, and full permitting.

Risks

As with most junior resource companies, we rate WRM's shares a risk of 5 (Highly Speculative).

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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The distribution of FRC's ratings are as follows: BUY (73%), HOLD (6%), SELL / SUSPEND (21%).

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