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AFTERNOON COMMENT
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FORMATION CAPITAL CORP.^{2,3} (TSX-FCO C\$0.70) MKT CAP C\$145 MM

RECOMMENDATION: SPECULATIVE BUY; TARGET: C\$1.10

ANALYST: RON COLL

**New General Manager for the Idaho Cobalt Project
Cobalt Prices Approaching Record Highs!**

Formation Capital announced the appointment of a new general manager for its 100% owned Idaho Cobalt Project. **Mr. Guy Jeske**, a Professional Engineer, has extensive experience in underground mining, milling, processing and environmental management. Most recently, Mr. Jeske was V.P. and General Manager of the Rochester Mine, Nevada, owned and operated by **Coeur d'Alene Mines**. He has over 30 years of mine management experience with major mining companies including **Cyprus Minerals and Thompson Creek Metals**. **Mr. Jeske will manage the development of the Idaho Cobalt Project through design, construction and through its 10-year operating plan.**

Separately, **cobalt prices** continue to increase, with the high-grade material (99.8%) hitting **US\$43.25/lb**, up US\$10.00/lb (30%) in the last 60 days. Metal is currently being offered at US\$45.00/lb. Restrictions on the continued supply of cobalt concentrates from DRC to China, combined with the explosive growth in demand from the battery sector (cell phones and Hybrid cars), catalysts and super alloys are propelling prices higher. We are using a conservative cobalt price of US\$18.00/lb for 2010 (start-up year for Formation's production), and US\$18.00/lb for our long-term price estimate.

Formation Capital released the results of the final, bankable Feasibility Study for the Idaho Cobalt Project during Q3/2007. **Proven and Probable Reserves (43-101 compliant) total 2.64 million tons averaging 0.56% cobalt, 0.60% copper and 0.014 ounces gold/tonne, for a contained 32.5 million lbs of cobalt, 35 million lbs of copper and 40,000 ounces of gold**, sufficient for 10 years of mine life at planned production rates. In addition to the Proven & Probable reserves, an Inferred Resources totals 1.12 million tons averaging 0.58% Co, 0.79% Cu, and 0.017 ounces of gold/ton. With the conversion of only 50% of the inferred resource to M & I, the planned mine life would improve to 13 years. Start-up of this 3.5 million lb/year cobalt mine could occur as early as Q4/2009. The potential to expand reserves and resources with additional exploration activity is excellent.

The **Draft EIS** (a major milestone) was issued during Q1/2007, and the public comment period (80% supportive comments) was completed in Q2/2007. We anticipate the issuance of the Final EIS late in Q1/2008 or early Q2/2008, followed immediately by the Record of Decision (ROD) in Q2/2008. Upon final permitting, project financing and a 15-month construction window, Formation anticipates start-up in late 2009 or early 2010.

The final feasibility completed by Samuel Engineering Inc. estimates the Capex to be US\$138 million, with an operating cost of US\$7.73/lb of cobalt produced, net of credits. Cash flow averages US\$36 million per year (US\$0.14/share) for the first few years. Expansion possibilities arise from the conversion of Inferred Resources to the Measured and Indicated category, from ongoing resource definition drilling and the possible acquisition of the adjacent Blackbird Cobalt Property.

The project is expected to produce 1,500 tons (3.0 million lbs) of cobalt and 2,040 tons of copper cathode (4.1 million lbs) per year for the first five years.

Formation Capital remains one of our Focus Stock Picks for 2008. We recommend purchase at current levels and our current target remains unchanged at C\$1.10.

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Revised Monthly

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