



Jennings Capital Inc.
Toronto 416.214.0600
Toll Free: 1.877.214.3303
Calgary 403.292.0970
Toll Free: 1.888.292.0980
Vancouver 1.877.630.3272

MORNING COMMENT
December 6, 2007

PLEASE SEE IMPORTANT DISCLOSURES ON PAGES 3 AND 4.

FORMATION CAPITAL CORP.^{2,3} (TSX-FCO-\$0.51) MKT CAP C\$105 MM
RECOMMENDATION: SPECULATIVE BUY; TARGET C\$1.10
ANALYST: RON COLL

Cobalt Prices Hit a New Record High!

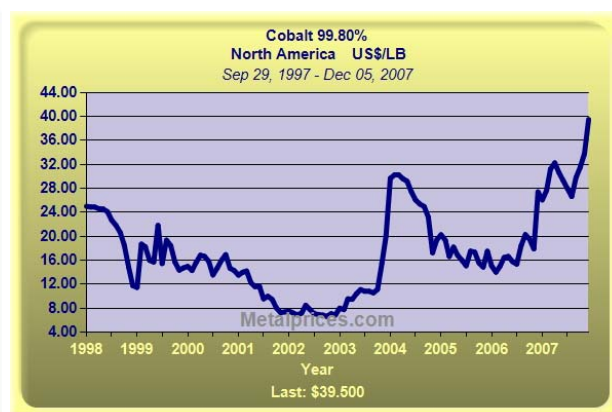
Cobalt prices have rocketed higher in the last few weeks with the high grade material (99.8%) hitting US\$39.50/lb, up US\$3.50/lb this week and up US\$8.50/lb (26%) in the last 30 days. We are using a cobalt price of US\$21.00/lb for 2009 (start-up year for Formation's production), and US\$18.00/lb for our long term price estimate (2010 and beyond).

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/ton, for a contained 32.5 million lbs of cobalt, 35 million lbs of copper and 40,000 ounces of gold/ton,** 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% cobalt, 0.79% copper 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 be as early as Q3/2009. The potential to expand reserves and resources with additional exploration activity is excellent.

The final feasibility completed by Samuel Engineering Inc. estimates the Capex to be US\$138 million and 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 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 2007. We recommend purchase at current levels and our current target remains unchanged at C\$1.10.



Jennings Capital Inc. Research Disclosures

U.S. Client Disclosures

This research report was prepared by Jennings Capital Inc., a member of the Investment Dealers Association of Canada and the Canadian Investor Protection Fund and a Participating Organization of the Toronto Stock Exchange and the TSX Venture Exchange. Jennings Capital Inc. is an affiliate of Jennings Capital (USA) Inc. Jennings Capital (USA) Inc. accepts responsibility for the contents of this research report, subject to the terms and limitations as set out above. Jennings Capital (USA) Inc. is a registered broker-dealer with the Securities and Exchange Commission and a member of the National Association of Securities Dealers Inc.

THE FIRM THAT PREPARED THIS REPORT MAY NOT BE SUBJECT TO U.S. RULES WITH REGARD TO THE PREPARATION OF RESEARCH REPORTS AND THE INDEPENDENCE OF ANALYSTS.

This report does not constitute an offer to sell or the solicitation of an offer to buy any of the securities discussed herein. Any transaction in these securities by U.S. persons must be effected through either Westminster Securities Corporation, a U.S. broker-dealer registered with the Securities and Exchange Commission and a member of the National Association of Securities Dealers Inc. and the New York Stock Exchange Inc. or through Jennings Capital (USA) Inc., A U.S. broker-dealer registered with the Securities and Exchange Commission and a member of the National Association of Securities Dealers Inc.

U.S. PERSONS

This research report was prepared by an affiliate of Jennings Capital (USA) Inc. or other person that may not be registered as a broker-dealer in the United States. The firm that prepared this report may not be subject to U.S. rules regarding the preparation of research reports and the independence of research analysts.

Subject to the limitations on liability described above, Jennings Capital (USA) Inc. takes responsibility for the content of this research report in accordance with Rule 15a-6 under the U.S. Securities Exchange Act of 1934, as amended. All transactions by U.S. persons in securities discussed in this report must be performed through Jennings Capital (USA) Inc.

U.K. Client Disclosures

This research report was prepared by Jennings Capital Inc., a member of the Investment Dealers Association of Canada and the Canadian Investor Protection Fund and a Participating Organization of the Toronto Stock Exchange and the TSX Venture Exchange.

JENNINGS CAPITAL IS NOT SUBJECT TO U.K. RULES WITH REGARD TO THE PREPARATION OF RESEARCH REPORTS AND THE INDEPENDENCE OF ANALYSTS.

The contents hereof are intended solely for the use of, and may only be issued or passed onto persons described in part VI of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2001.

This report does not constitute an offer to sell or the solicitation of an offer to buy any of the securities discussed herein.

Stock Ratings

Speculative Buy: The stock is expected to provide a total return in excess of 10% over the current trading price over the next 12 months; however, there is material event risk associated with the investment.

Buy: The stock is expected to provide a total return in excess of 10% over the current trading price over the next 12 months.

Hold: The stock is expected to provide a total return of 0% to 10% over the current trading price over the next 12 months.

Sell: The stock is expected to provide a negative total return over the next 12 months.

Risk Ratings

Low/Average Risk — Stocks with less volatility than the market as a whole, with solid balance sheets and dependable earnings.

Above Average Risk — Stocks with more volatility than the market. Financial leverage is considerable but not threatening, earnings are more erratic, or other quality concerns regarding accounting, management track record, and similar issues.

Speculative — Stocks of unproven companies or ones with very high financial leverage, suspicious accounting, or with other significant quality concerns. A speculative risk rating implies at least the possibility of financial distress leading to a restructuring.

Distribution Ratings: Out of approximately 63 stocks in the Jennings Capital Inc. coverage universe, the ratings distribution is as follows:

BUY	32%
SPECULATIVE BUY	52%
HOLD	5%
RESTRICTED	10%
UNDER REVIEW	0%
SELL	2%

Revised Monthly

Security Abbreviations: NVS (non-voting shares); RVS (restricted voting shares); RS (restricted shares); SVS (subordinate voting shares); MV (multiple voting shares).

Quarterly Recommendation Hierarchy: Is a ranking distribution identifying the percentage of total, number, and the investment banking relationship (%) for all recommendation categories that can be found on the Jennings Capital Inc. website (www.JenningsCapital.com).

Analyst Stock Holdings: Equity Research analysts, associates and members of their households are permitted to invest in securities covered by them. No Jennings Capital Inc. analyst, associate or employee involved in the preparation of an analyst report is permitted to effect a trade in the security of an issuer whereby there is an outstanding recommendation for a period of 30 calendar days before and 5 calendar days after issuance of the research report

Compensation: The compensation of the analyst and/or associate who prepared this research report is based upon in part, the overall revenues and profitability of Jennings Capital Inc. Analysts are compensated on a salary and bonus system. Some factors affecting compensation including the productivity and quality of research, support to institutional, retail and investment bankers, net revenues to the equity and investment banking revenue as well as compensation levels for analysts at competing brokerage dealers. Analysts are not directly compensated for specific Investment Banking transactions.

Jennings Capital Inc. Relationships: Jennings Capital Inc. may receive or seek compensation for investment banking services from all issuers under research coverage within the next 3 months.

Jennings Capital Inc. or its officers, employees or affiliates may execute transactions in securities mentioned in this report that may not be consistent with the report's conclusions.

Company Specific Disclosure Requirements

- ¹ The Analyst or a member of the Analyst's household has a financial interest in the securities of this Company.
- ² Jennings Capital Inc., Jennings Capital (USA) Inc. and/or any of their affiliates has managed or co-managed an offering of securities or has been engaged for a fee by this Company in the last 12 months.
- ³ The Analyst has had an onsite visit with this Company. (The extent to which the Analyst has viewed the material operations of this Company is available on request.)
- ⁴ The Analyst has been compensated for travel expenses incurred as a result of an onsite visit with this Company.
- ⁵ Jennings Capital Inc. or Jennings Capital (USA) Inc. is a market maker for the securities of the subject issuer.
- ⁶ Jennings Capital Inc. or Jennings Capital (USA) Inc. beneficially owns more than 1% of any class of common equity of this Company.

The information contained in this report was obtained from sources we believe to be reliable. We do not represent that such information is accurate or complete and it should not be relied on as such. Any opinions expressed herein reflect our judgment at this date and are subject to change. Jennings Capital Inc. and/or employees from time to time may hold shares, options or warrants on any issue included in this report and may buy or sell such securities. This report is not to be construed as an offer to sell or solicitation to buy securities. **Member – CIPF. Jennings Capital (USA) Inc. is a member of SIPC.**