Fundamental Research Corp.
Investment Analysis for Intelligent Investors

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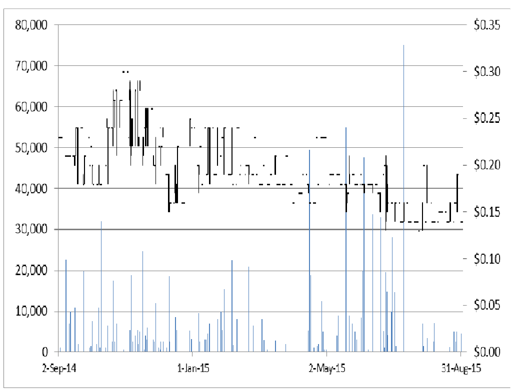
West Mountain Environmental Corp. (TSXV: WMT) – Building Sales Pipeline

Sector/Industry: Environmental Services **www.westmountainenv.com**

Market Data (as of September 14, 2015)

Current Price	C$0.16
Fair Value	**C$0.55**
Rating*	**BUY**
Risk*	**4**
52 Week Range	C$0.12 - C$0.30
Shares O/S	53.97 mm
Market Cap	C$8.64 mm
Current Yield	N/A
P/E (forward)	N/A
P/B	7.3x
YoY Return	-23.8%
YoY TSX-V	-44.6%

*see back of report for rating and risk definitions



Highlights

- Q2-2015 (quarter ended June 30, 2015) was another record quarter for West Mountain Environmental Corp. ("company", "WMT").
- WMT processed 18,562 tonnes of soil in Q2-2015, up by 27% from 14,671 tonnes in Q1-2015.
- Q2-2015 revenues were $1.16 million, up from $0.98 million in Q1-2015. Revenues in the six month period were $2.30 million, up 444% YOY from $0.42 million in the comparable period in the previous year.
- Over the past several months, the company has been building its sales pipelines. The company's partner, Jereh, has deployed two new TPS units for oilfield waste remediation demonstrations at sites in the Heilongjiang province and in the Sichuan province. Last month, WMT commenced operations as per a contract with a major construction company in China.
- WMT continues to actively seek projects across China, South America and the Middle East.
- Gross margins were negative in Q2 because of certain one-time costs.
- We are expecting strong YOY revenue growth in the next 12 months.

Key Financial Data (FYE - December 31)					
(C $)	**2012**	**2013**	**2014**	**2015E**	**2016E**
Cash	162,499	497,144	3,452,133	801,717	76,480
Working Capital	(547,920)	(2,197,017)	1,879,480	(3,972,480)	(3,336,925)
Total Assets	4,728,586	5,399,451	10,023,374	7,286,514	7,229,617
Revenues	257,528	1,962,926	1,313,490	4,525,000	5,137,500
Net Income	(1,839,813)	(2,338,338)	(3,621,041)	(2,875,327)	(2,074,873)
EPS	-0.05	-0.06	-0.07	-0.05	-0.04

West Mountain Capital is in the business of thermal treatment of soil, sludge and other waste streams. Currently, the company's focus is on penetrating China's contaminated soil, oily sludge and industrial sludge treatment markets.

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Record production

WMT processed 18,562 tonnes of soil in Q2-2015, up by 27% from 14,671 tonnes in Q1-2015. The company had processed just 5,023 tonnes in Q2-2014. **The processing rate in Q2 was the highest ever for the company, and beat our expectations.** The following table shows the processing rate since WMT commenced operations.

	Tonnes	$ / t
Q4-2012	1,259	$84.35
Q1-2013	5,207	$85.61
Q2-2013	5,672	$101.51
Q3-2013	5,253	$97.43
Q4-2013	5,869	$73.20
Q1-2014	3,930	$48.64
Q2-2014	5,023	$43.93
Q3-2014	5,830	$45.32
Q4-2014	10,303	$53.99
Q1-2015	14,671	$60.63
Q2-2015	18,562	$57.48
Total	**81,579**	

** Reported revenues per tonne dropped in recent quarters as the company negotiated to remove utility costs from its pricing (discussed in previous reports).*

Since commencing the Hangzhou Dadi Environmental Protection Engineering Co. Ltd. ("Dadi") project, the company has processed a total of 81,579 tonnes. Processing increased in Q2 as the company commissioned two new TPS units in December 2014. **The ongoing Phase II operation of the contract with Dadi is for 70,000 tonnes, of which, 48,579 tonnes have been processed by the end of Q2.** As mentioned in our previous reports, Dadi's contract for the entire project involves the remediation of approximately 160,000 tonnes of soil, implying the company and its partner, Jereh Energy Services (Shenzhen: 002353), may be able to attain a Phase III contract for the remaining 57,000 tonnes**.**

New Projects

Jereh has deployed **two TPS units (15,000 tonnes per year each) for oilfield waste remediation demonstrations** at sites in Daqing (Heilongjiang province) in northeast China, and the Sichuan province in southwest China. WMT and Jereh expect to receive commercial contracts upon the successful completion of these demonstration projects. WMT will receive 30% of the joint venture's net profits.

In May 2015, WMT announced a contract with Beijing Construction and Engineering Group Co. ("BCEG"). BCEG is a large construction company generating over US$5.5 billion in revenues. The contract is for Phase I of a soil remediation project in Ningbo, Zhejiang province in China. WMT has relocated one of its 40,000 – 50,000 tonne per year TPS units that was recently commissioned at the Dadi project in Hangzhou to the site in Ningbo. The project commenced in late August 2015, and is expected to be completed by the end of the year. In the MD&A, management has indicated that they are optimistic in securing additional soil volumes once the initial 7,500 tonnes are processed.

We are raising our estimate for the year from 67,500 to 70,000 tonnes, which includes 62,500 tonnes from the Dadi project and 7,500 tonnes from the BCEG project.

Status Update on Other Projects

Oily Sludge Treatment in Zhoushan with Nahai: - This project is on hold at this time due to the low oil prices.

Industrial Sludge Treatment, a sub-contract agreement with Huafu Environmental Engineering Company, in Changqing - The demonstration phase has commenced, and WMT is currently in negotiations with Huafu to confirm the terms and conditions of their contract. Huafu has been contracted by a major client in Changqing to build and operate a waste sludge treatment facility partially using WMT's TPS technology. According to management, if the demonstration is successful, the company may be able to expand to six additional locations in Shanxi province.

Management continues to actively target projects in various provinces in China, as well as the Middle East and South America.

Record revenues, but negative gross margin

Record processing in Q2 resulted in record revenues of $1.16 million in Q2-2015, up from $0.98 million in Q1-2015. Revenues in the six month period were $2.30 million, up 444% YOY from $0.42 million in the comparable period in the previous year. The following table shows segmented revenues and gross margins.

	Q1-2014	Q1-2015	Q2-2014	Q2-2015	2014 (6M)	2014 (6M)
China						
Revenues	$191,150	$979,622	$220,647	$1,157,174	$411,797	$2,136,796
COGS (excl amortization)	$147,291	$814,025	$136,283	$1,269,641	$283,574	$2,083,666
Gross Margin	23%	17%	38%	-10%	31%	2%
Canada						
Revenues	$0	$84,513	$11,581	$83,022	$11,581	$167,535
COGS (excl amortization)	$72,723	$49,580	$97,868	$56,457	$170,591	$106,037
Gross Margin	n/a	41%	-745%	32%	-1373%	37%
Total Revenues	**$191,150**	**$1,064,135**	**$232,228**	**$1,240,196**	**$423,378**	**$2,304,331**
COGS (excl amortization)	227,515	$863,605	$234,151	$1,326,098	$454,165	$2,189,703
Gross Margin	-19.0%	18.8%	-0.8%	-6.9%	-7.3%	5.0%

The company continues to run small projects in Canada at its Wolseley facility in Saskatchewan. Approximately 93% of total revenues came from China.

Gross margins in China were negative in Q2 because of certain one-time costs associated with finalizing the company's arrangements with subcontractors. Management indicated to us that that they believe they can *"improve margins to 30%+ by continuing to pursue and secure higher volume/margin projects while looking for avenues to create administrative efficiencies."*

Revenue forecasts – We are raising our revenue estimate from $4.38 million to $4.53 million in 2015. We are also raising our 2016 forecast from $4.76 million to $5.14 million.

Margins

The following table shows the company's margins.

Margins	Q1-2014	Q1-2015	Q2-2014	Q2-2015	2014 (6M)	2014 (6M)	Environmental and Facilities Services Industry
Gross	-19.02%	18.84%	2.40%	-6.93%	-7.27%	4.97%	21.70%
EBITDA	-255.42%	-28.42%	-369.91%	-44.55%	-318.22%	-37.10%	13.70%
EBIT	-344.62%	-50.39%	-443.89%	-63.19%	-399.07%	-57.28%	10.10%
EBT	-390.97%	-74.36%	-523.50%	-85.57%	-463.66%	-80.39%	
Net	-395.01%	-77.20%	-554.33%	-83.44%	-482.40%	-80.56%	2.20%
Expenses / Sales							
G&A	220.70%	45.63%	346.48%	37.62%	289.69%	41.32%	
Stock Option Compensation	15.69%	1.63%	25.83%	0.00%	21.25%	0.75%	

General & Administrative ("G&A") expenses, excluding stock based compensation, interest and loss on investments, were $0.47 million in the quarter, down 42% YOY. G&A expenses were down 22% YOY to $0.95 million in the six month period. Expenses were unusually high in 2014 due to the costs associated with the Jereh transaction. We have lowered our G&A expenses forecast from $2.30 million to $1.92 million in 2015.

EBITDA was negative $0.55 million in Q2-2015 versus negative $0.86 million in Q2-2014. Net loss in the quarter was $1.03 million (EPS: -$0.02) versus $1.29 million (EPS: -$0.02) in Q2-2014. Net loss in the six month period in 2015 was $1.86 million (EPS: -$0.03) versus $2.04 million (EPS: -$0.04) in the comparable period in the previous year.

EPS forecasts – Our net loss forecast for 2015 changed little and has been maintained at $2.88 million (EPS: -$0.05) as the increase in our revenue forecast and decrease in our G&A expense forecast were offset by the lower gross margin estimate. Our 2016 net loss estimate has been adjusted to $2.07 million (EPS: -$0.04), from $2.23 million (EPS: -$0.04).

Free cash flows (FCF) were negative $1.01 million in the six month period in 2015.

Summary of Cash Flows	2014 (6M)	2015 (6M)
Cash Flows from Operations	(1,256,420)	(1,003,907)
Cash Flows from Investing	(140,874)	(6,883)
Cash Flows from Financing	4,962,795	-
Net Change	3,565,501	(1,010,790)
Free Cash Flows	(1,395,761)	(1,009,831)

Balance Sheet

At the end of Q2-2015, the company had $2.68 million in cash. Working capital and the current ratio were -$2.85 million and 0.6x, respectively.

Liquidity Analysis	2014	Q1-2015	Q2-2015	Industry
Cash	$3,452,133	$3,222,962	$2,675,805	
Working Capital	$1,879,480	(1,864,400)	(2,850,256)	
Current Ratio	1.86	0.71	0.59	1.50
Debt / Capital	59.4%	67.2%	80.6%	13.2%
EBIT Interest Coverage Ratio	(4.8)	(2.1)	(2.8)	2.4

Debt to capital was 81% at the end of the quarter. Debt on the balance sheet comprised of the following:

- **10% p.a. convertible unsecured subordinated debentures for $0.79 million**; issued in July 2013, and maturing in July 2015. Management indicated that, subsequent to the end of the quarter, this debenture was paid in full.
- **US$3 million in 6.5% p.a. convertible secured bonds held by Jereh**; issued in March 2014, and maturing in March 2016. The conversion price is $0.32 per share until March 28, 2015, and $0.50 per share until March 28, 2016.

The company has the following unused credit facilities:

- a $500,000 demand revolving loan (prime rate plus 1.50% p.a.) for operations in Canada
- a $500,000 demand-revolving loan (prime rate plus 1.25% p.a.) for operations in China

Stock Options

The company has 3.13 million stock options, with a weighted average exercise price of $0.26 per share, and 2.47 million warrants with an exercise price of $0.32 per share outstanding. None of the options or warrants are currently in the money.

Valuation & Rating

Our Discounted Cash Flow ("DCF") valuation increased slightly from $0.53 to $0.55 per share as we raised our 2016 and 2017 EPS estimates. We reiterate our BUY rating and risk rating of 4.

Risks

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

- Due to the end of the regulatory deadline for the removal of PCB soil stockpiles, Canada's PCB soil treatment market is slow, and we do not expect any significant revenues from this market in the near future.
- Regulations requiring environmental protection/cleanup are key for the company's long-term growth.
- Old incineration techniques have been the most popular methods for treatment of contaminated soil in China, and it is more cost effective compared to TPS.
- Although WMT has three strategic agreements in China, the company is still new to the market.
- Low oil prices
- WMT's license to use TPS technology expires in 2019.
- Access to capital and share dilution.

Appendix

STATEMENTS OF OPERATIONS (in C$)	2012	2013	2014	2015E	2016E
Sales	257,528	1,962,926	1,313,490	4,525,000	5,137,500
COGS	384,143	1,630,628	1,502,359	4,161,622	4,081,875
Gross Profit	**(126,615)**	**332,298**	**(188,869)**	**363,378**	**1,055,625**
Expenses					
G&A	1,065,439	1,713,363	2,194,750	1,923,305	2,067,553
Stock-based compensation	36,187		233,969	226,250	256,875
Bad Debt					
EBITDA	**(1,228,241)**	**(1,381,065)**	**(2,617,588)**	**(1,786,177)**	**(1,268,803)**
Amortization	535,126	716,427	769,984	848,150	755,695
EBIT	**(1,763,367)**	**(2,097,492)**	**(3,387,572)**	**(2,634,327)**	**(2,024,498)**
Interest & Bank Charges	48,634	193,481	704,999	241,000	50,375
EBT	**(1,812,001)**	**(2,290,973)**	**(4,092,571)**	**(2,875,327)**	**(2,074,873)**
Exchange rate and others	(27,812)	(77,865)	446,530		
Gain from sales of the assets					
EBT	**(1,839,813)**	**(2,368,838)**	**(3,646,041)**	**(2,875,327)**	**(2,074,873)**
Discontinued operations, net of income taxes					
Income Taxes	-	(30,500)	(25,000)	-	-
Net Earnings for the period	**(1,839,813)**	**(2,338,338)**	**(3,621,041)**	**(2,875,327)**	**(2,074,873)**
EPS	(0.05)	(0.06)	(0.07)	(0.05)	(0.04)

FRC Fundamental Research Corp.

BALANCE SHEETS (in C$)	2012	2013	2014	2015E	2016E
Assets					
Cash and cash equivalents	162,499	497,144	3,452,133	801,717	76,480
Cash held by Joint venture			-	-	-
Accounts receivable	115,178	161,248	595,145	914,309	1,038,069
Income tax receivable	-	-	-	-	-
Assets related to discontinued operations	-	-	-	-	-
Prepaid Expenses and deposits	41,199	14,512	18,542	28,966	32,886
Current Assets	**318,876**	**672,904**	**4,065,820**	**1,744,991**	**1,147,435**
Decommissioning Funds	376,163	379,406	382,464	382,464	382,464
Property Plan and Equipment + Others	4,007,003	4,222,717	3,746,799	3,335,887	3,881,667
Intangible Asset	26,544	124,424	1,828,291	1,823,171	1,818,051
Total Assets	**4,728,586**	**5,399,451**	**10,023,374**	**7,286,514**	**7,229,617**
Liabilities & Shareholders' Equity					
Bank loan	405,647	2,428,678	-	-	2,000,000
Accounts Payables & Accrued Liabilities	436,807	430,230	1,155,418	2,106,634	2,152,360
Deferred Revenue			332,000	332,000	332,000
Convertible debentures			698,922	3,278,837	-
Current Portion of Obligations Under Capital Lease	24,342	11,013	-		
Current Liabilities	**866,796**	**2,869,921**	**2,186,340**	**5,717,471**	**4,484,360**
Obligations under capital lease	11,013	-			
Deferred Revenue			1,268,987	936,987	604,987
Convertible debentures		587,189	3,527,915		-
Asset retirement obligation	150,471	150,471	150,471	150,471	150,471
Shareholder's Equity					
Share Capital	7,452,298	7,452,298	11,740,383	11,981,383	15,307,595
Contributed surplus	714,518	1,144,420	1,575,167	1,801,417	2,058,292
Deficit	(4,466,510)	(6,804,848)	(10,425,889)	(13,301,216)	(15,376,088)
Total Liabilities & Shareholders' Equity	**4,728,586**	**5,399,451**	**10,023,374**	**7,286,514**	**7,229,617**

FRC Fundamental Research Corp.

STATEMENTS OF CASH FLOWS (in C$)	2012	2013	2014	2015E	2016E
Operating Activities					
Net earnings for the period	(1,839,813)	(2,338,338)	(3,621,041)	(2,875,327)	(2,074,873)
Items not involving cash					
Asset retirement obligation					
Amortization	532,947	845,143	769,984	848,150	755,695
Stock-based compensation	36,187	-	233,969	226,250	256,875
Gain or Loss on embedded derivative		47,725	(490,522)		
Deferred income tax		(49,500)	(25,000)		
Accretion expense – Debentures			831,593	241,000	50,375
	(1,270,679)	**(1,494,970)**	**(2,301,017)**	**(1,559,927)**	**(1,011,928)**
Changes in non-cash operating working capital	238,060	26,590	1,888,248	289,629	(413,955)
Cash from (used in) operations	**(1,032,619)**	**(1,468,380)**	**(412,769)**	**(1,270,298)**	**(1,425,883)**
Financing activities					
Repayment of long-term debt					
Proceeds from bank loan	375,647	2,023,031	(2,428,678)		2,000,000
Payment of capital lease obligations	(41,148)	(24,342)	(11,013)		
Proceeds from long-term debt					
Proceeds (repayment) of debentures - net		790,000	3,309,600	(948,000)	(3,503,000)
Common share and excersice of stock options	-		4,238,501		3,500,000
Cash provided by (used in) financing activities	**334,499**	**2,788,689**	**5,108,410**	**(948,000)**	**1,997,000**
Investing activities					
Increase in restricted cash and others	(15,450)	(3,244)	(3,058)		
Cash Advanced to Join Venture		(683,289)			
Purchase of capital assets	(912,576)	(194,086)	(110,617)	(432,118)	(1,296,354)
Purchase of license					
Others		(120,000)	(1,778,023)		
Cash used in investing activities	**(928,026)**	**(1,000,619)**	**(1,891,698)**	**(432,118)**	**(1,296,354)**
Cash provided by investing activities- disc operations					
Cash provided by (used in) investing activities	**(928,026)**	**(1,000,619)**	**(1,891,698)**	**(432,118)**	**(1,296,354)**
Increase (decrease) in cash	(1,626,146)	319,690	2,803,943	(2,650,416)	(725,237)
Cash beginning of period	1,788,645	162,499	497,144	3,452,133	801,717
FOREX		14,955	151,046		
Cash end of period	**162,499**	**497,144**	**3,452,133**	**801,717**	**76,480**

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.