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Fundamental Research Corp.
Investment Analysis for Intelligent Investors

December 4, 2014

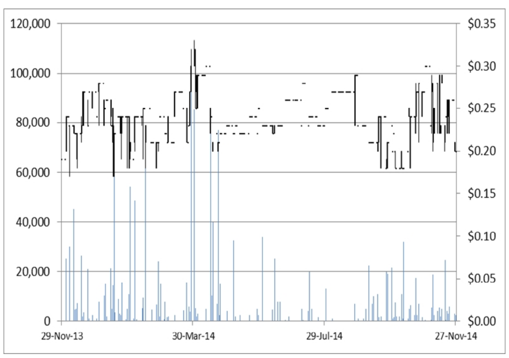
West Mountain Environmental Corp. (TSXV: WMT) – Expands Scope of License

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

Market Data (as of December 4, 2014)

Current Price	C$0.22
Fair Value	**C$0.56**
Rating*	**BUY**
Risk*	**4 (Speculative)**
52 Week Range	C$0.17– C$0.33
Shares O/S	53.97 mm
Market Cap	C$10.25 mm
Current Yield	N/A
P/E (forward)	N/A
P/B	3.4x
YoY Return	-8.3%
YoY TSX-V	-23.1%

*see back of report for rating and risk definitions



Highlights

- In October 2014, West Mountain Environmental Corp. ("company", "WMT") announced that they have negotiated with M-I L.L.C. and Schlumberger Canada Limited (NYSE: SLB) to expand the scope of their licensing agreement for the application of the Thermal Phase Separation ("TPS") technology.
- Q3-2014 revenues increased by 19% QOQ, to $0.28 million. Revenues and EPS were lower than our estimates due to a lower than expected processing rate.
- In Q3-2014, the company processed 5,830 tonnes of contaminated soil, up from 5,023 tonnes in Q2-2014. The company experienced 18 days of unscheduled downtime in Q3.
- The net loss in Q3-2014 was $0.74 million (EPS: -$0.01) versus $0.45 million (EPS: -$0.01) in Q3-2013.
- The Zhoushan and Changquing projects are expected to be operational by Q4.
- At the end of Q3, WMT had $3.69 million in cash. Working capital and the current ratio were $3.59 million and 8.0x, respectively.
- The company was recently awarded the Canada-China Business Council's Excellence Award in the Small to Medium Enterprise category *"for its achievements in establishing its position as a market innovator in the rapidly growing Environmental Remediation sector in China."*
- **We are maintaining WMT in our list of top picks.**

Key Financial Data (FYE - December 31) (C $)	2011	2012	2013	2014E	2015E
Cash	1,788,645	162,499	497,144	2,924,758	696,944
Working Capital	1,908,653	(547,920)	(2,197,017)	2,887,544	674,843
Total Assets	6,395,652	4,728,586	5,399,451	7,517,507	9,279,123
Revenues	1,608,990	257,528	1,962,926	1,140,489	3,020,000
Net Income	(1,699,398)	(1,839,813)	(2,338,338)	(3,483,439)	(2,238,853)
EPS	-0.03	-0.05	-0.06	-0.06	-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.

19% QOQ revenue growth

Q3-2014 revenues increased by 19% QOQ to $0.28 million. Q3-2014 revenues are not comparable to Q3-2013, as the company recently negotiated with Dadi to remove utility costs from pricing (explained in detail in our previous reports).

The following table shows segmented revenues and gross margins.

	Q1-2013	Q1-2014	Q2-2013	Q2-2014	Q3-2013	Q3-2014	2013 (9M)	2014 (9M)
China								
Revenues	$445,782	$191,150	$494,043	$220,647	$470,846	$264,192	$1,410,671	$675,989
COGS (excl amortization)	$335,719	$80,224	$214,954	$68,136	$219,463	$97,789	$770,136	$246,149
Gross Margin	25%	58%	56%	69%	53%	63%	45%	64%
Canada								
Revenues	$0	$0	$81,724	$11,581	$40,943	$13,288	$122,667	$24,869
COGS (excl amortization)	$202,991	$148,571	$129,971	$158,514	$194,024	$167,614	$526,986	$474,699
Gross Margin	n/a	n/a	-59%	-1269%	-374%	-1161%	-330%	-1809%
Total Revenues	**$445,782**	**$191,150**	**$575,767**	**$232,228**	**$511,789**	**$277,480**	**$1,533,338**	**$700,858**
COGS (excl amortization)	$538,710	$228,795	$344,925	$226,650	$413,487	$265,403	$1,297,122	$720,848
Gross Margin	-21%	-20%	40%	2%	19%	4%	15%	-3%

In Q3-2014, the company processed 5,830 tonnes of soil, up from 5,023 tonnes in Q2, and 3,930 tonnes in Q1. Like Q2, the company experience unscheduled downtime in Q3. In Q3, the company lost 18 days of downtime due to repairs. The downtime in Q2 was a result of upgrades required for the TPS systems, and the construction of site infrastructure by Dadi. The repairs are completed, and subsequent to the end of the quarter, WMT processed 2,540 tonnes in October.

	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
Total	**38,043**	

The company commenced Phase II operations (which is for a minimum of 70,000 tonnes of contaminated soil) in July 2014. **WMT's partner, Jereh Energy Services, financed and manufactured two TPS units, with an annual treatment capacity of approximately 50,000 tonnes each**. The units arrived at the project site last month.

Expands Scope of License

On October 14, 2014, West Mountain announced that they negotiated with M-I L.L.C., and Schlumberger Canada Limited, to expand the scope of their licensing agreement for the application of TPS technology. According to the revised agreement, WMT now has a non-exclusive license to use the TPS technology for any application. Previously, they were restricted from using the technology to the treatment of drill cuttings and waste associated with refinery operations and pipeline operations. The territory of use has also been expanded to include China, the Philippines, Indonesia, Malaysia, Singapore, Vietnam, Myanmar, Laos, Cambodia, Thailand, Brunei and East Timor.

WMT has agreed to pay US$1.5 million to SLB for these amendments, and US$120,000 for each new TPS unit that it uses in Canada, the U.S., and Iraq, and US$100,000 for each new unit in China, the Philippines, Indonesia, Malaysia, Singapore, Vietnam, Myanmar, Laos, Cambodia, Thailand, Brunei and East Timor. The agreement also requires WMT to make not less than two new units per year for the next five years.

Upon signing the above, WM went on to sign a non-exclusive sub-licensing agreement with Jereh Energy. Jereh has agreed to pay US$1.5 million to WMT, and a fee of US$105,000, for each new TPS unit. Jereh is also required to pay 30% of its net profit from use of the sub-license.

We believe this is a significant milestone for WMT, especially considering Jereh's significant track record in oilfield engineering, technology services and environmental services. Jereh is wholly owned by Yantai Jereh Oilfield Services Group, a public company listed on the Shenzhen Stock Exchange (Shenzhen: 002353, Market Capitalization: US$5.27 billion).

Update on two other agreements

Oily Sludge Treatment in Zhoushan with Nahai: - Management initially expected this project to be operational by July 2014. However, this has been delayed, and **management now expects the facility to be commissioned before year-end.** As mentioned in our previous updates, the facility is designed to process 50,000 tonnes per year of oily sludge. WMT has a 30% interest in the joint venture. Management indicated that the joint venture expects to process approximately 14,000 – 15,000 tonnes in 2015.

Industrial Sludge Treatment, a sub-contract agreement with Huafu Environmental Engineering Company, in Changqing – Since our last update, Huafu has obtained the necessary approvals from the Shanxi Environmental Protection Bureau to bring the facility operational. Fabrication of the TPS unit was completed in October 2013. Management now expects this project to be operational by April 2015.

In the MD&A, management also indicated that they are evaluating opportunities in Jiangsu, Zhejiang, Sichuan and Guandong in China, and in South America and the Middle East. No other details were disclosed.

Revenue forecasts

Revenue forecasts – We have lowered our processing rate estimate for 2014 due to the lower than expected rate in Q3, and as we were expecting the new TPS unit to be operational by Q3 2014. Our revised estimate for 2014 is 21,800 tonnes versus our previous estimate of 32,500 tonnes. **Our revised revenue forecast is $1.14 million versus our previous forecast of $1.73 million for 2014**. Our revised 2015 estimate is $3.02 million versus our previous estimate of $3.28 million. Note that these estimates are very preliminary as very little detail about the Zhoushan and Changquing projects has been disclosed.

Lowering EPS estimates

The following table shows the company's margins.

Margins	Q3-2013	Q3-2014	2013 (9M)	2014 (9M)	Environmental and Facilities Services Industry
Gross	19.21%	4.35%	15.41%	-2.67%	21.70%
EBITDA	-35.19%	-155.86%	-54.79%	-253.59%	13.70%
EBIT	-68.26%	-205.97%	-89.72%	-322.27%	10.10%
EBT	-82.72%	-279.37%	-96.47%	-390.35%	
Net	-88.01%	-266.85%	-99.64%	-397.06%	2.20%

The overall gross margins of the company dropped YOY, as shown in the table above. This is due to the negative margins for the Canadian operations. Like the first two quarters, gross margins for the operations in China showed strong improvement in Q3, as shown on page 2.

General & Administrative ("G&A") expenses were extremely high ($0.80 million) in Q2 due to the legal and consulting fees related to the transaction with Jereh. G&A expenses dropped to a normalized rate of $0.44 million in Q3. We have lowered our estimates for 2014 and 2015.

EBITDA was negative $0.43 million in Q3-2014, versus negative $0.18 million in Q3-2013. Net losses in Q3-2014 were $0.74 million (EPS: -$0.01) versus $0.45 million (EPS: -$0.01) in Q3-2013. For the nine month period in FY2014, net losses were $2.78 million (EPS: -$0.05) versus $1.53 million (EPS: -$0.03) in the comparable period in the previous year. **Our revised forecast for 2014 is a net loss of $3.48 million (EPS: -$0.06) versus our previous estimate of $3.41 million (EPS: -$0.06). Our 2015 estimate is a net loss of $2.24 million (EPS: -$0.04) versus our previous estimate of $2.40 million (EPS: -$0.04).**

Free cash flows (FCF) in the first nine months of 2014 were negative $2.03 million versus negative $2.40 million in the comparable period in the previous year.

Summary of Cash Flows	2013 (9M)	2014 (9M)
Cash Flows from Operations	(1,558,183)	(1,879,802)
Cash Flows from Investing	(845,464)	(154,682)
Cash Flows from Financing	2,281,071	5,140,248
Net Change	(122,576)	3,105,764
Free Cash Flows	(2,401,209)	(2,032,170)

Strong Working Capital

At the end of Q3, WMT had $3.69 million in cash. Working capital and the current ratio were $3.59 million and 8.0x, respectively (see table below).

Liquidity Analysis	2012	2013	Q3-2014	Industry
Cash	$162,499	$497,144	$3,690,465	
Working Capital	(547,920)	-$2,197,017	3,585,646	
Current Ratio	0.37	0.23	8.00	1.50
Debt / Capital	10.6%	62.8%	55.8%	13.2%
EBIT Interest Coverage Ratio	(36.3)	(10.8)	(2.8)	2.4

Debt to capital decreased from 63% at the end of 2013, to 56% at the end of Q3 due to the equity financing (by Jereh) in the year.

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 fair value estimate remains unchanged at \$0.56 per share. We also maintain our BUY rating.

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 are more cost effective compared to TPS.
- Although WMT has three strategic agreements in China, the company is still new to the market.
- WMT's license to use TPS technology expires in 2019.
- Access to capital and share dilution.

Appendix

STATEMENTS OF OPERATIONS (in C$)	2010	2011	2012	2013	2014E	2015E
Sales	4,715,649	1,608,990	257,528	1,962,926	1,140,489	3,020,000
COGS	1,266,022	1,528,592	384,143	1,630,628	1,054,913	1,994,034
Gross Profit	**3,449,627**	**80,398**	**(126,615)**	**332,298**	**85,576**	**1,025,966**
Expenses						
G&A	1,478,571	1,167,859	1,065,439	1,713,363	2,247,620	2,124,001
Stock-based compensation	47,934	387,697	36,187		57,024	151,000
Bad Debt		15,855				
EBITDA	**1,923,122**	**(1,491,013)**	**(1,228,241)**	**(1,381,065)**	**(2,219,069)**	**(1,249,035)**
Amortization	524,134	551,547	535,126	716,427	646,973	748,817
EBIT	**1,398,988**	**(2,042,560)**	**(1,763,367)**	**(2,097,492)**	**(2,866,042)**	**(1,997,853)**
Interest & Bank Charges	48,271	23,804	48,634	193,481	617,397	241,000
EBT	**1,350,717**	**(2,066,364)**	**(1,812,001)**	**(2,290,973)**	**(3,483,439)**	**(2,238,853)**
Exchange rate and others		20,966	(27,812)	(77,865)		
Gain from sales of the assets		35,000				
EBT	**1,350,717**	**(2,010,398)**	**(1,839,813)**	**(2,368,838)**	**(3,483,439)**	**(2,238,853)**
Discontinued operations, net of income taxes	-					
Income Taxes	(311,000)	311,000	-	(30,500)	-	-
Net Earnings for the period	**1,039,717**	**(1,699,398)**	**(1,839,813)**	**(2,338,338)**	**(3,483,439)**	**(2,238,853)**
EPS	0.02	(0.03)	(0.05)	(0.06)	(0.06)	(0.04)

BALANCE SHEETS (in C$)	2010	2011	2012	2013	2014E	2015E
Assets						
Cash and cash equivalents	4,635,278	1,788,645	162,499	497,144	2,924,758	696,944
Accounts receivable	6,984	249,926	115,178	161,248	169,786	224,796
Prepaid Expenses and deposits	40,566	45,144	41,199	14,512	10,055	26,626
Current Assets	**4,682,828**	**2,619,715**	**318,876**	**672,904**	**3,104,600**	**948,366**
Decommissioning Funds	305,283	360,713	376,163	379,406	379,406	379,406
Property Plan and Equipment + Others	2,855,028	3,383,560	4,007,003	4,222,717	3,914,197	7,837,167
Intangible Asset	36,784	31,664	26,544	124,424	119,304	114,184
Total Assets	**7,879,923**	**6,395,652**	**4,728,586**	**5,399,451**	**7,517,507**	**9,279,123**
Liabilities & Shareholders' Equity						
Bank loan	5,000	30,000	405,647	2,428,678	-	-
Accounts Payables & Accrued Liabilities	530,431	648,426	436,807	430,230	217,055	273,524
Current Portion of Obligations Under Capital Lease	45,229	32,636	24,342	11,013	-	
Current Liabilities	**891,660**	**711,062**	**866,796**	**2,869,921**	**217,055**	**273,524**
Obligations under capital lease	75,775	43,867	11,013	-		
Convertible debentures				587,189	4,210,000	3,402,250
Asset retirement obligation	124,355	136,791	150,471	150,471	150,471	150,471
Shareholder's Equity						
Share Capital	7,419,168	7,452,298	7,452,298	7,452,298	12,026,823	16,627,573
Contributed surplus	296,264	678,331	714,518	1,144,420	1,201,444	1,352,444
Deficit	(927,299)	(2,626,697)	(4,466,510)	(6,804,848)	(10,288,287)	(12,527,139)
Total Liabilities & Shareholders' Equity	**7,879,923**	**6,395,652**	**4,728,586**	**5,399,451**	**7,517,507**	**9,279,123**

STATEMENTS OF CASH FLOWS (in C$)	2010	2011	2012	2013	2014E	2015E
Operating Activities						
Net earnings for the period	1,039,717	(1,699,398)	(1,839,813)	(2,338,338)	(3,483,439)	(2,238,853)
Items not involving cash						
Amortization	531,158	551,547	532,947	845,143	646,973	748,817
Gain on settlements of debentures	(2,013)	(35,000)				
Stock-based compensation	47,934	387,697	36,187	-	57,024	151,000
Gain or Loss on embedded derivative				47,725		
Deferred income tax				(49,500)		
Accretion expense – Debentures					617,397	241,000
	1,616,796	**(795,154)**	**(1,270,679)**	**(1,494,970)**	**(2,162,044)**	**(1,098,035)**
Changes in non-cash operating working capital	619,128	(751,525)	238,060	26,590	(217,257)	(15,112)
Cash prvided by (used in) operating activities	**2,235,924**	**(1,546,679)**	**(1,032,619)**	**(1,468,380)**	**(2,379,301)**	**(1,113,148)**
Cash from (used in) operations	**2,197,192**	**(1,546,679)**	**(1,032,619)**	**(1,468,380)**	**(2,379,301)**	**(1,113,148)**
Financing activities						
Proceeds from bank loan	5000	25000	375,647	2,023,031	(2,428,678)	
Payment of capital lease obligations	(73,145)	(44,501)	(41,148)	(24,342)	(11,013)	
Proceeds (repayment) of debentures - net	(82,165)	-		790,000	3,341,438	(948,000)
Proceeds from finance lease obligations	35,200				-	
Common share and excersice of stock options	32,499	27,500	-		4,238,501	4,500,000
Cash provided by (used in) financing activities	**(82,611)**	**7,999**	**334,499**	**2,788,689**	**5,140,248**	**3,552,000**
Investing activities						
Increase in restricted cash	(87,889)	(55,430)	(15,450)	(3,244)		
Cash Advanced to Join Venture		(225,000)		(683,289)		
Purchase of capital assets	(646,417)	(1,062,523)	(912,576)	(194,086)	(333,333)	(4,666,667)
Others		35,000		(120,000)		
Cash used in investing activities	**(734,306)**	**(1,307,953)**	**(928,026)**	**(1,000,619)**	**(333,333)**	**(4,666,667)**
Cash provided by investing activities- disc operations						
Cash provided by (used in) investing activities	**(734,306)**	**(1,307,953)**	**(928,026)**	**(1,000,619)**	**(333,333)**	**(4,666,667)**
Increase (decrease) in cash	1,380,275	(2,846,633)	(1,626,146)	319,690	2,427,614	(2,227,814)
Cash beginning of period	3,255,003	4,635,278	1,788,645	162,499	497,144	2,924,758
FOREX				14,955		
Cash end of period	**4,635,278**	**1,788,645**	**162,499**	**497,144**	**2,924,758**	**696,944**

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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