

# Peninsula Energy Ltd.

(PEN-ASX: A\$0.31)

October 26, 2017

David A. Talbot / (416) 350-3082

[dtalbot@viiicapital.com](mailto:dtalbot@viiicapital.com)

**BUY**

Target: A\$0.50 (from A\$0.55)

Joseph Fars, MBA, P. Geo / (416) 350-5090

[jfars@viiicapital.com](mailto:jfars@viiicapital.com)

## Lance Future Lies in Hands of Regulators and Acid Leach

PEN-AU	New	Last		
Rating	--	Buy		
Target (A\$)	\$0.50 ▼	0.55		
Projected Return	61% ▼	62%		
Target/NAV multiple	--	0.90x		
Corporate DCF (US\$)	0.41 ▼	0.47		
Cash & Investments (US\$)	0.04 ▼	0.05		
Debt (US\$)	(0.08) ▲	(0.11)		
Exploration/Unmodelled Resources (US\$)	0.08 ▲	0.07		
Total NAV (US\$)	0.44 ▼	0.46		
P/NAV	0.70x ▲	0.46x		
Company Data				
Last Price		\$0.31		
52-week Range	\$0.30 -	\$0.91		
Market Cap (\$MM)		\$73		
Enterprise Value (\$MM)		\$93		
Shares Outstanding - Basic (MM)		231.6		
Shares Outstanding - FD (MM)		299.0		
Avg Volume - 100d (000 shares/day)		193.7		
Cash (\$MM)		\$4.57		
Debt (\$MM)		\$24.34		
Working Capital (\$MM)		(\$16.53)		
Forecast	2016A	2017E	2018E	LT
Spot (US\$/lb)	33	27	29	60
Term (US\$/lb)	44	32	34	60
Realized Prices (US\$/lb)	64	68	54	
Revenue (US\$MM)	5.8	17.1	24.3	
EPS	(\$0.03)	(\$0.08)	\$0.02	
P/E	n/a	n/a	n/a	
EBITDA (\$MM)	(\$3.6)	(\$14.7)	\$11.3	
EV/EBITDA	n/a	n/a	8.2x	
Interest Coverage	n/a	n/a	n/a	
OP CF (\$MM)	(\$6.1)	(\$20.7)	\$6.4	
CF/share	(\$0.0)	(\$0.1)	\$0.0	
P/CF	n/a	n/a	n/a	
Capex (\$MM)	(\$45.8)	(\$13.3)	(\$56.0)	
FCF (\$MM)	(\$51.9)	\$0.0	\$0.0	
FCF Yield	n/a	n/a	n/a	

All Figures in A\$ Unless Otherwise Noted

Source: FactSet, Company Reports, Eight Capital

### PEN-ASX: Price/Volume Chart



Source: Factset

### Company Description

Peninsula Energy is an ASX listed uranium producer with assets in Wyoming (USA), and Karoo, South Africa. Peninsula is primarily focused on ramping up its 100% owned Lance ISR project.

We recommend Peninsula Energy with a BUY, but reduce our target price to A\$0.50 from A\$0.55/sh, based on new forecasts within our 10% DCF model. While Lance is producing U3O8, it is not achieving its long term goals. Considering its large resource size, steps must be taken to ensure pounds actually come out of the ground. We have capped Lance ISR mine production at a 150,000 lb U3O8 rate for the next two years before resuming ramp up towards 640,000 lbs and beyond. This should allow time to adjust NRC licenses that will facilitate a technical fix that management has in mind. Peninsula can take advantage of a low spot price market and high priced contracts meaning that despite the "mine doesn't work as built" situation, cash flow isn't significantly impacted.

Lance has been suffering production ramp up woes over the past couple of years. It is one of the largest ISR mines in the USA with 53.7 MM lbs U3O8 in resources. Wayne Heili, an ISR expert that helped build Lost Creek was brought in early this year as CEO to help fix the mine. Early and incorrect rumours were that porosity/permeability issues were the cause. Later it was suggested that poor injection capacity of the well field meant poor in situ leaching. The latest explanation is that high pH alkali leach typical of US ISR production is not suitable to deal with Lance's different style of oxidized and pseudo-refractory uranium mineralization. A fix by weak acid leach has been examined with great success...in the lab. Final study reports are pending, but Capex and Opex aren't anticipated to be significantly affected and it should not impact deep disposal wells or affect restoration. While not expected to be overly disruptive, the hope is that this fix works. Just as importantly, regulators must warm to the idea of using acid rather than oxygen or bicarbonate. Management believes it may take 18 to 24 months to modify its NRC License through WDEQ. As WY becomes an NRC Agreement State, we hope its new responsibility won't slow things down.

"Project Transformation Initiative Commencing at Lance". What this means is that Lance isn't going to produce much more at current rates until processing methods change. FY17 production was 144,457 lbs. Management stated FQ1/18 production was 42,000, in line with last year's rate, and 145,000 to 180,000 lbs pa would be the norm should things go unchanged. We had Lance ramping to 637,000 lbs for FY18, but this likely won't happen.

**Mineralogy to blame.** Testwork has led management to conclude that typical US ISR style alkaline leach won't work at Lance. Uraninite does not occur on the outside of sandstone grains as it does within most roll-front deposits. It appears as though oxidized secondary uranophanes are trapped inside secondary quartz. More aggressive leaching is required to attack the quartz and U3O8.

**Considering acid leach.** A weak acidic solution has demonstrated to be up to 10x better than alkali methods. It is used in Kazakhstan and Australia, but oxygen and bicarbonate is used in the USA. Many, including myself, may have assumed acid leach can't be used domestically. PEN disputes this saying there aren't specific restrictions. In fact in situ acid leach is used for copper in AZ and has been previously used for U3O8 in WY at Reno Creek and Shirley Basin.

**Buy low sell high strategy buffers impact.** We anticipate production capped around 150,000 lbs pa, sufficient to fill Lance-specific contracts. PEN has agreed to buy 900,000 lbs over 3 years at US\$25/lb to meet non-Lance sourced delivery requirements. 7.7 MM lbs remain under contract through 2030 at an impressive average price of US\$54/lb. Buying low in the spot market while selling into high priced U3O8 contracts has become common.

Peninsula Energy Ltd.					
Rating	BUY	A\$ Target	\$0.50	Shares O/S (MM)	231.6
		A\$ Close	\$0.31	Fully Diluted Shares (MM)	299.0
David A. Talbot, Director, Mining Research		12-month return	61%	Basic Mkt. Capitalization (\$MM)	A\$ 72.96
<a href="mailto:dtalbot@eightcapital.com">dtalbot@eightcapital.com</a>				Enterprise Value (\$MM)	A\$ 92.72

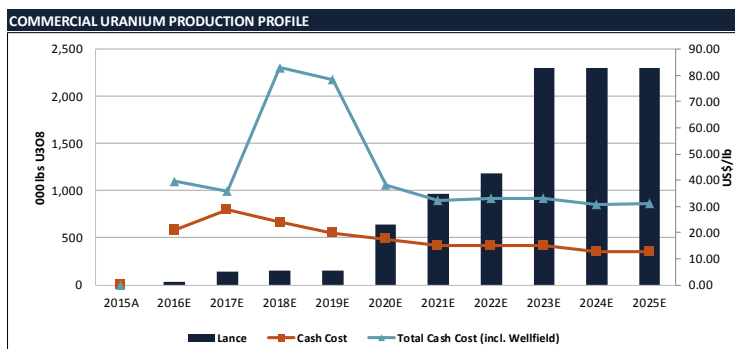
PRODUCTION ESTIMATES (000 lbs)					
Year-end June	2016A	2017E	2018E	2019E	2020E
Lance	38	145	150	150	642
<b>TOTAL</b>	<b>38</b>	<b>145</b>	<b>150</b>	<b>150</b>	<b>642</b>

TOTAL CASH COST ESTIMATES (excl. non-cash, incl. wellfield expenditures) (US\$/lb)					
Year-end June	2016A	2017E	2018E	2019E	2020E
Lance	39.5	35.6	82.8	78.4	37.9
<b>Wt. Avg. Total Cash Costs</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>39.5</b>	<b>35.6</b>

URANIUM RESERVES & RESOURCES					
	Ownership	Tonnes MM t	Grade % U3O8	Cont U3O8 (MM lbs) 100% Basis	PEN Share
<b>Proven and Probable Reserves</b>					
Ross	100%	--	--	--	--
Kendrick	100%	--	--	--	--
Barber	100%	--	--	--	--
Karoo	74%	--	--	--	--
<b>Total Reserves</b>		<b>0.00</b>	<b>0.00%</b>	<b>0.00</b>	<b>0.00</b>
<b>Measured and Indicated Resources</b>					
Ross	100%	8.65	0.05%	9.93	9.93
Kendrick	100%	4.39	0.05%	4.82	4.82
Barber	100%	2.64	0.04%	2.41	2.41
Karoo	74%	8.00	0.12%	21.90	16.21
<b>Total Measured and Indicated Resources</b>		<b>23.68</b>	<b>0.07%</b>	<b>39.06</b>	<b>33.37</b>
<b>Inferred Resources</b>					
Ross	100%	1.15	0.05%	1.25	1.25
Kendrick	100%	23.83	0.05%	24.80	24.80
Barber	100%	10.50	0.05%	10.46	10.46
Karoo	74%	15.30	0.10%	35.00	25.90
<b>Total Inferred Resources</b>		<b>50.78</b>	<b>0.06%</b>	<b>71.51</b>	<b>62.41</b>
<b>TOTAL RESOURCES</b>		<b>74.45</b>	<b>0.07%</b>	<b>110.57</b>	<b>95.78</b>
<b>Current Per Pound Metrics</b>					
	PEN	Prod. Peers	Prem./Disc.		
EV/lb (US\$)	\$1.06	1.87	-43%		
Mkt Cap/lb (US\$)	\$0.93	1.46	-36%		

NET ASSET VALUE (US\$) - 10%			
Assets:	NAV (US\$ MM)	US\$/Share	% NAV
Lance (100%)	93.2	0.34	78%
Un-mined Resources	20.7	0.08	17%
<b>Balance Sheet &amp; Other Items:</b>			
Cash & Investments	9.6	0.04	8%
Debt	(22.0)	-0.08	-18%
Exploration, G&A, and Other	18.3	0.07	15%
<b>Total</b>	<b>120</b>	<b>0.44</b>	<b>100%</b>
<b>Eight Capital DCF Target Multiple</b>		<b>0.90x</b>	
<b>Share Price Target</b>		<b>A\$ 0.50</b>	

Long Term Uranium Price Assumption (US\$/lb)					
NAV (US\$/share)	40	50	60	70	80
0% Discount	0.65	1.04	1.43	1.81	2.20
5% Discount	0.42	0.68	0.94	1.21	1.47
10% Discount	0.28	0.46	0.64	0.83	1.01
15% Discount	0.19	0.32	0.45	0.58	0.71



BALANCE SHEET (US\$ MM)				
Year-end June	2016A	2017E	2018E	2019E
<b>Assets:</b>				
Cash & ST Investments	3.76	9.62	-1.01	-1.80
Other Current Assets	5.89	6.54	6.54	6.54
<b>Current Assets</b>	<b>9.65</b>	<b>16.16</b>	<b>5.53</b>	<b>4.73</b>
Mineral Properties	29.10	17.33	60.12	67.77
Other non-current Assets	122.04	85.96	85.96	85.96
<b>Total Assets</b>	<b>160.79</b>	<b>119.45</b>	<b>151.60</b>	<b>158.46</b>
<b>Liabilities:</b>				
Current Liabilities	22.34	25.76	4.87	4.87
Long-term Debt	0.69	1.08	20.00	20.00
Other non-current Liabilities	5.23	13.13	8.43	8.43
<b>Total Liabilities</b>	<b>28.27</b>	<b>39.97</b>	<b>33.30</b>	<b>33.30</b>
Capital Stock	187.31	204.07	238.17	238.17
Retained Earnings	(54.8)	(124.6)	(119.9)	(113.0)
<b>Total Shareholder Equity</b>	<b>132.52</b>	<b>79.48</b>	<b>118.31</b>	<b>125.16</b>

INCOME STATEMENT (US\$ MM)				
Year-end June	2016A	2017E	2018E	2019E
Total Revenue:	5.8	17.1	24.3	26.6
% Uranium	100%	100%	100%	100%
% Other	0%	0%	0%	0%
Operating Costs	3.1	8.3	3.6	2.9
G&A	3.8	3.6	3.6	3.6
Exploration	0.0	1.4	0.0	0.0
Depreciation	0.2	0.2	0.2	0.4
Other	1.6	15.0	8.3	8.3
<b>EBITDA</b>	<b>(2.8)</b>	<b>(11.3)</b>	<b>8.7</b>	<b>11.7</b>
<b>EBIT</b>	<b>(3.0)</b>	<b>(11.4)</b>	<b>8.5</b>	<b>11.4</b>
Interest Expense	(0.6)	(1.1)	(1.7)	(1.6)
<b>EBT</b>	<b>(3.5)</b>	<b>(12.5)</b>	<b>6.8</b>	<b>9.8</b>
Taxes	0.0	0.0	(2.0)	(2.9)
Equity Earnings	0.0	0.0	0.0	0.0
Other	0	0	0	0
<b>Net Income (Reported)</b>	<b>(3.5)</b>	<b>(12.5)</b>	<b>4.7</b>	<b>6.9</b>
<b>Net Income (Adjusted)</b>	<b>(3.5)</b>	<b>(12.5)</b>	<b>4.7</b>	<b>6.9</b>
<b>EPS (Reported) \$/sh</b>	<b>(0.02)</b>	<b>(0.06)</b>	<b>0.02</b>	<b>0.03</b>
<b>EPS (Adjusted) \$/sh</b>	<b>(0.02)</b>	<b>(0.06)</b>	<b>0.02</b>	<b>0.03</b>
Average Shares (MM)	176.4	207.0	272.4	272.4

CASH FLOW STATEMENT (US\$ MM)				
Year-end June	2016A	2017E	2018E	2019E
Net Income (Reported)	(3.5)	(12.5)	4.7	6.9
Depreciation	(0.2)	(0.2)	(0.2)	(0.4)
Working Capital Changes	0.0	0.0	0.0	0.0
Other	(1.0)	(3.2)	0.4	0.7
<b>Operating Cash Flow</b>	<b>(4.7)</b>	<b>(15.9)</b>	<b>4.9</b>	<b>7.2</b>
<b>Operating Cash Flow/sh (\$/sh)</b>	<b>-0.03</b>	<b>-0.08</b>	<b>0.02</b>	<b>0.03</b>
Capital Expenditures	(35.1)	(10.2)	(43.0)	(8.0)
Acquisitions	(0.0)	0.0	0.0	0.0
Other	(0.3)	(0.9)	0.0	0.0
<b>Investing Cash Flow</b>	<b>(35.5)</b>	<b>(11.1)</b>	<b>(43.0)</b>	<b>(8.0)</b>
Common Share Dividends	0.0	0.0	0.0	0.0
Equity Financing	1.6	17.1	34.1	0.0
Debt Issue	30.0	0.2	20.0	0.0
Debt Repayment	0.3	(3.5)	(26.7)	0.0
Other	(13.0)	(2.6)	0.0	0.0
<b>Financing Cash Flow</b>	<b>18.9</b>	<b>11.2</b>	<b>27.4</b>	<b>0.0</b>
<b>Net Change in Cash</b>	<b>(21.3)</b>	<b>(15.8)</b>	<b>(10.6)</b>	<b>(0.8)</b>
<b>Cash Balance</b>	<b>3.8</b>	<b>9.6</b>	<b>(1.0)</b>	<b>(1.8)</b>
<b>Free Cash Flow</b>	<b>(39.8)</b>	<b>(26.1)</b>	<b>(38.1)</b>	<b>(0.8)</b>

VALUATION DATA				
Year-end June	2016A	2017E	2018E	2019E
P/E	--	--	0.06x	0.04x
P/CF	--	--	17.09x	11.72x
EV/EBITDA	--	--	10.66x	7.90x
FCF Yield	--	--	--	--

INPUT PRICES				
	2016A	2017E	2018E	2019E
Eight Capital Spot Uranium (US\$/l)	33	27	29	35
Uranium Realized Price (US\$/lb)	64	68	54	54
Exchange (US\$/A\$)	0.79	1.00	1.00	1.00

Source: Company reports, FactSet, Eight Capital

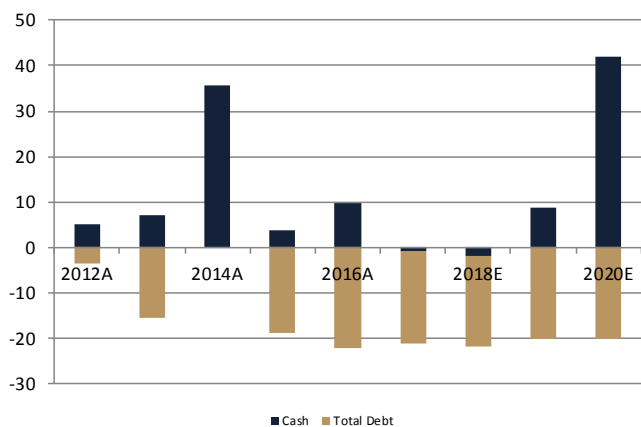
**Peninsula Energy Ltd.**

**Net Asset Valuation at Eight Capital Price Deck (US\$)**

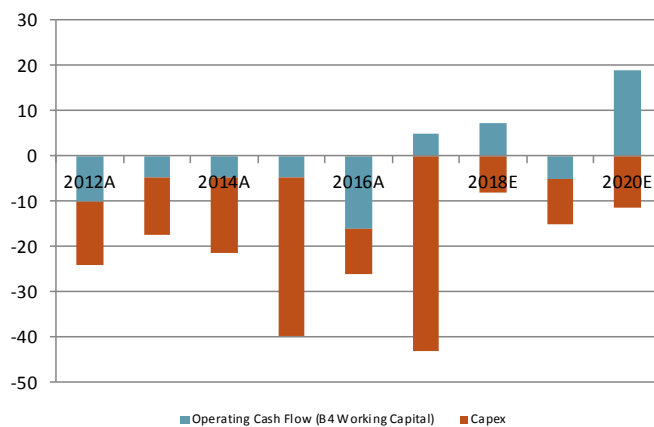
	Target Setting NAV			NAV at Various Discount Rates					
	Discount Rate	(\$MM)	(\$/Share)	0%		5%		15%	
				(\$MM)	(\$/Share)	(\$MM)	(\$/Share)	(\$MM)	(\$/Share)
<b>Uranium Assets</b>									
Lance (100%)	10%	93	0.34	258	0.95	155	0.57	55	0.20
<b>Total Uranium Assets</b>		<b>93</b>	<b>0.34</b>	<b>258</b>	<b>0.95</b>	<b>155</b>	<b>0.57</b>	<b>55</b>	<b>0.20</b>
<b>Other Assets &amp; Expenses</b>									
Cash		10	0.04	10	0.04	10	0.04	10	0.04
Debt		(22)	(0.08)	(22)	(0.08)	(22)	(0.08)	(22)	(0.08)
Resources		21	0.08	21	0.08	21	0.08	21	0.08
Exploration, G&A, Other	10%	18	0.07	4	0.01	13	0.05	21	0.08
<b>Net Other Assets</b>		<b>27</b>	<b>0.10</b>	<b>12</b>	<b>0.04</b>	<b>21</b>	<b>0.08</b>	<b>30</b>	<b>0.11</b>
<b>Net Asset Value</b>		<b>120</b>	<b>0.44</b>	<b>270</b>	<b>0.99</b>	<b>176</b>	<b>0.65</b>	<b>84</b>	<b>0.31</b>
<b>Share Price</b>			<b>0.31</b>		<b>0.31</b>		<b>0.31</b>		<b>0.31</b>
<b>P/NAV</b>			<b>0.70x</b>		<b>0.31x</b>		<b>0.48x</b>		<b>1.00x</b>

**Financial Forecasts at Eight Capital Price Deck (MM A\$)**

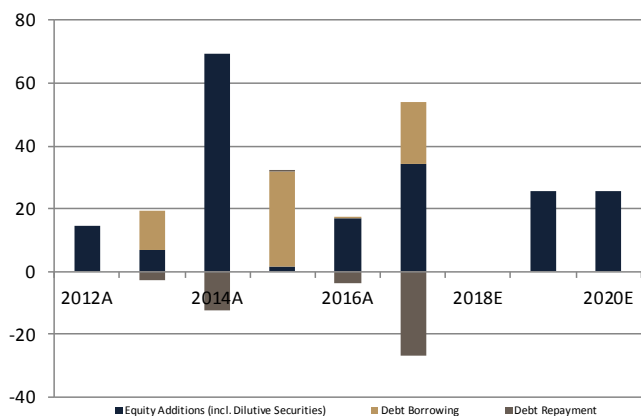
**Cash and Debt**



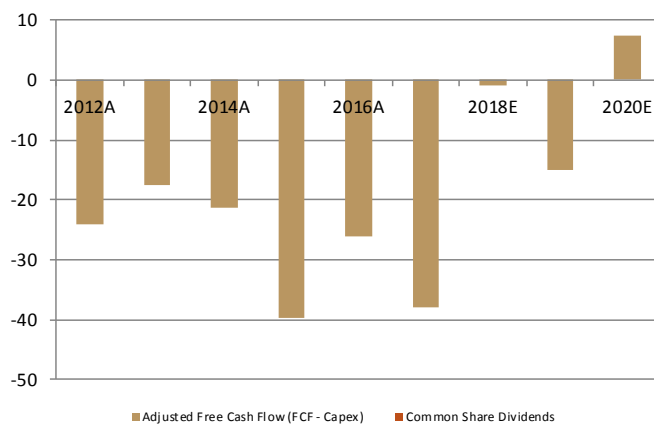
**Operating Cash Flow and Capital Spending**



**Changes in Debt and Equity**



**Free Cash Flow and Common Share Dividends**



Source: Company reports, FactSet, Eight Capital

## Disclosures and Disclaimers

This research report (as defined in IROC Rule 3400) is issued and approved for distribution in Canada by Eight Capital, a member of the Investment Industry Regulatory Organization of Canada, and the Canadian Investor Protection Fund. Eight Capital accepts responsibility for the dissemination of this report. Non-client recipients of the research report should not rely solely on the investment recommendations contained herein and should consult their own professional advisors. Eight Capital will not treat any non-client receiving this report as its own. Institutional clients who require additional information on securities discussed in this report should contact a qualified sales person at Eight Capital.

Eight Capital accepts no liability whatsoever for any loss arising from any use or reliance on this research report or the information contained herein.

This research report is being provided only to institutional clients of Eight Capital and is intended for informational purposes only. This research report is not an offer to sell or the solicitation of an offer to buy any of the securities discussed herein. The information contained in this research report is prepared from publicly available information, internally developed data and other sources believed to be reliable, but has not been independently verified by Eight Capital. Eight Capital makes no representations or warranties with respect to the accuracy, correctness or completeness of such information and they should not be relied upon as such.

All estimates, opinions and recommendations expressed herein constitute judgments as of the date of this research report and are subject to change without notice. Eight Capital does not accept any obligation to update, modify or amend this research report or to otherwise notify a recipient of this research report in the event that any estimates, opinions and recommendations contained herein change or subsequently become inaccurate or if this research report is subsequently withdrawn.

Past performance is not a guarantee of future results, and no representation or warranty, expressed or implied, is made regarding future performance of any security mentioned in this research report. The price of the securities mentioned in this research report and the income they generate may fluctuate and/or be adversely affected by market factors or exchange rates, and investors may realize losses on investments in such securities, including the loss of investment principal. Nothing in this research report constitutes legal, accounting or tax advice. Investors should consult with his or her independent legal or tax adviser in this regard.

**US Residents:** This report is provided to US residents under a chaperoning arrangement pursuant to Rule 15a-6 of the U.S. Securities Exchange Act of 1934 (the "Rule"). Eight Capital is a non-U.S. broker-dealer for the purposes of the Rule and is not registered with the Financial Industry Regulatory Authority, the Securities and Exchange Commission or any state securities regulatory authority. This research report is intended only for persons who are a "major U.S. institutional investor" which is defined as a U.S. institutional investor or any other entity which owns or manages at least \$100 million in financial assets. This research report is not a solicitation to sell the securities discussed herein; however, should you choose to make an unsolicited transaction in such securities we may refer you to our chaperone. Please be advised that Eight Capital may earn a commission in connection with transactions through our chaperone and, in certain cases, our chaperone may give up trading to Eight Capital for execution.

Eight Capital Corp. is a U.S. registered broker-dealer, a member of FINRA and an affiliate of Eight Capital. Eight Capital Corp. accepts responsibility for the contents of this research report, subject to the terms and limitations as set out above. U.S. residents seeking to effect a transaction in any security discussed herein should contact Eight Capital Corp. directly. Research reports published by Eight Capital are intended for distribution in the United States only to Major Institutional Investors (as such term is defined in SEC 15a-6 and Section 15 of the Securities Exchange Act of 1934, as amended) and are not intended for the use of any person or entity.

## Dissemination of Research

Eight Capital's Research is distributed electronically through email, website (password protected) or hard copy. Dissemination of initial research reports and any subsequent research reports is made simultaneously to a pre-determined list of clients of Eight Capital's Institutional Sales and Trading representatives. Eight Capital's policy with respect to research reports is available at [www.viiicapital.com](http://www.viiicapital.com).

**Research reports covering this issuer prior to December 3, 2016 were written by an analyst in the employ of Dundee Securities Ltd. ("DSL"). Eight Capital has reviewed and adopted reports prepared by DSL as at the relevant dates of such reports and assumes responsibility for such reports as if they were prepared by Eight Capital at their relevant dates.**

## Conflicts of Interest

Eight Capital has written procedures designed to identify and manage potential conflicts of interest that arise in connection with its research and other businesses. The compensation of each Research Analyst/Associate involved in the preparation of this research report is based competitively upon several criteria, including performance assessment criteria, the quality of research and the value of the services they provide to clients of Eight Capital. The Research Analyst compensation pool

includes revenues from several sources, including sales, trading and investment banking. Research analysts and associates do not receive compensation based upon revenues from specific investment banking transactions.

Eight Capital generally restricts any research analyst/associate and any member of his or her household from executing trades in the securities of a company that such research analyst covers, with limited exception.

Should this research report provide web addresses of, or contain hyperlinks to, third party web sites, Eight Capital has not reviewed the contents of such links and takes no responsibility whatsoever for the contents of such web sites. Web addresses and/or hyperlinks are provided solely for the recipient's convenience and information, and the content of third party web sites is not in any way incorporated into this research report. Recipients who choose to access such web addresses or use such hyperlinks do so at their own risk.

Unless publications are specifically marked as research publications of Eight Capital, the views expressed therein (including recommendations) are those of the author and, if applicable, any named issuer or Investment Dealer alone, and have not been approved by, nor are they necessarily those of, Eight Capital. Eight Capital expressly disclaims any and all liability for the content of any publication that is not expressly marked as a research publication of Eight Capital.

Forward-looking statements are based on current expectations, estimates, forecasts and projections based on beliefs and assumptions made by the author. These statements involve risks and uncertainties and are not guarantees of future performance or results and no assurance can be given that these estimates and expectations will prove to have been correct, and actual outcomes and results may differ materially from what is expressed, implied or projected in such forward-looking statements.

### **Research Analyst Certification**

Each Research Analyst and/or Associate who is involved in the preparation of this research report hereby certifies that:

- the views and recommendations expressed herein accurately reflect his/her personal views about any and all of the securities or issuers that are the subject matter of this research report;
- his/her compensation is not and will not be directly related to the specific recommendations or views expressed by the Research Analyst in this research report;
- they have not affected a trade in a security of any class of the issuer whether directly or indirectly through derivatives within the 30-day period prior to the publication of this research report;
- they have not distributed or discussed this Research Report to/with the issuer, investment banking at Eight Capital or any other third party except for the sole purpose of verifying factual information; and
- they are unaware of any other potential conflicts of interest.

The Research Analyst involved in the preparation of this research report does not have any authority whatsoever (actual, implied or apparent) to act on behalf of any issuer mentioned in this research report.

### **Informal Comment**

Informal Comments are analysts' informal comments that are posted on the Eight Capital website. They generally pertain to news flow and do not contain any change in analysts' opinion, estimates, rating or target price. Any rating(s) and target price(s) in an Informal Comment are from prior formal published research reports. A link is provided in any Informal Comment to all company specific disclosures and analyst specific disclosures for companies under coverage, as well as general disclosures and disclaimers.

### **Presentations**

Presentations do not include disclosures that are specific to analysts and specific to companies under coverage. Please refer to formal published research reports for company specific disclosures, analyst specific disclosures and valuation methodologies used in determining target prices for companies under coverage.

### **Idea of Interest**

Eight Capital has not initiated formal continuing coverage of Idea of Interest companies. Eight Capital from time to time publishes reports on Idea of Interest securities for which it does not and may not choose to provide formal continuous research coverage. All opinions and estimates contained in an Idea of Interest report are subject to change without notice and are provided in good faith but without the legal responsibility that would accompany formal continuous research coverage. The companies may have recommendations as per our regular rating system and may have target prices; see Explanation of Recommendations for details. Any recommendations, target prices and/or comments expire 30 days from the published date, and once expired should no longer be relied upon as no assurance can be given as to the accuracy or relevance going forward. Eight Capital does not accept any obligation to update, modify or amend any Idea of Interest report or to otherwise notify a recipient of an Idea of Interest report in the event that any estimates, opinions and recommendations contained in such report change or subsequently become inaccurate. Eight Capital's clients should consult their investment advisor as to the appropriateness of an investment in the securities mentioned.

**IROC Rule 3400 Disclosures:** A link is provided in all research reports delivered by electronic means to disclosures required under IROC Rule 3400. Disclosures for sector research reports covering six or more issuers can be found on the Eight Capital website at [www.viiicapital.com](http://www.viiicapital.com).

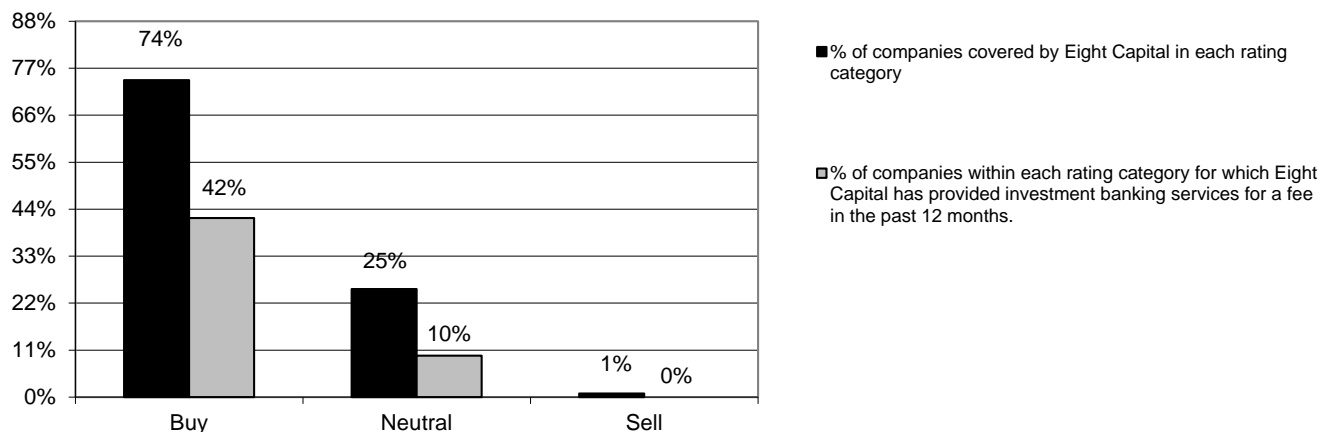
**Explanation of Recommendations**

**Eight Capital target:** Represents the price target as required under IROC Rule 3400. Valuation methodologies used in determining the price target(s) for the issuer(s) mentioned in this research report are contained in current and/or prior research. Eight Capital target N/A: a price target and/or NAV are not available if the analyst deems there are limited financial metrics upon which to base a reasonable valuation.

**Recommendations:** **BUY:** Total returns expected to be materially better than the overall market with higher return expectations needed for more risky securities. **NEUTRAL:** Total returns expected to be in line with the overall market. **SELL:** Total returns expected to be materially lower than the overall market. **TENDER:** The analyst recommends tendering shares to a formal tender offer. **UNDER REVIEW:** The analyst will place the rating and/or target price Under Review when there is a significant material event with further information pending; and/or when the analyst determines it is necessary to await adequate information that could potentially lead to a re-evaluation of the rating, target price or forecast; and/or when coverage of a particular security is transferred from one analyst to another to give the new analyst time to reconfirm the rating, target price or forecast.

**SECURITY ABBREVIATIONS:** NVS (non-voting shares); RVS (restricted voting shares); RS (restricted shares); SVS (subordinate voting shares).

**Eight Capital Equity Research Ratings:**



*As at September 30, 2017*

*Source: Eight Capital*