

Millennial Potash Corp. (formerly Black Mountain Gold USA Corp.) (TSXV: MLP)

A Low-Cost Alternative for Africa and Brazil's Fertilizer Demand – Resuming Coverage

BUY

Current Price: C\$0.47

Fair Value: C\$1.25

Risk: 5

Sector / Industry: Junior Resource

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Highlights

- We are resuming coverage on Millennial Potash Corp. ("MLP"). Since our previous report in October 2021, the company has terminated its option on the Mohave gold project in Arizona, and entered into an option to acquire the **Banio potash project in Gabon, Western Africa**.
- Management has a **highly successful track record in resource exploration and M&A**. Their previous deals included – a) Millennial Lithium – sold to Lithium Americas (NYSE: LAC) for \$490M in 2022, b) Allana Potash - sold to Israel Chemicals (NYSE: ICL) for \$170M in 2015, and c) Potash One – sold to K&S (DE: SDF) for \$430M in 2011.
- Banio is located in a **region with several large potash deposits**, including a past producer. Banio's **shallow/thick potash-bearing layers** have potential for solution mining, which has lower CAPEX compared to conventional underground mining. In 2018, the project's previous owner delineated a **large tonnage/low-grade** JORC-compliant (Australia) inferred resource totaling 1.7 Bt (grading 16.1% KCl/10.2% K₂O), at depths of 230-520 m. In comparison, BHP's (NYSE: BHP) Jansen development-stage project in Saskatchewan (which is expected to be one of the largest potash mines in the world) has resources totaling 6.5 Bt of 25.6% K₂O, at depths of 800-1,050 m.
- **A direct comparable** (Kanga Potash) of Banio, located 60 km to the south, has an **AT-NPV10% of US\$511M, per a Definitive Feasibility Study, completed in 2020**. We believe Banio has potential to generate similar economics.
- **Africa has just one operating potash mine**, and imports most of its potash consumption from Russia. In addition to Africa, **a major target market for Banio's potash is Brazil**, which imports 95% of its potash demand from Canada, Russia, and Belarus. Gabon's proximity to Brazil implies that MLP should have lower transportation costs.
- Crop and fertilizer prices have been trending lower (amid rising rates and slower GDP growth), after reaching record highs in H1-2022. Although we are expecting continued downward pressure on prices, we believe the highly vulnerable potash supply chain, and a **prolonged period of conflict between the West and East**, should keep near-term prices well above their historic average. Note that Russia and Belarus account for approximately 35% of global potash supply.
- **Upcoming catalysts** include drilling, a maiden NI 43-101 resource estimate, followed by a Preliminary Economic Assessment (PEA) later this year.

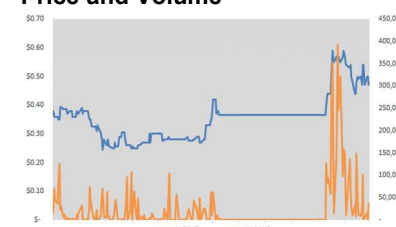
Risks

- The value of the company is dependent on potash prices
- **No NI 43-101 compliant resource estimate or economic studies**
- Development and foreign exchange risks
- **Access to capital and share dilution**

Sid Rajeev, B.Tech, MBA, CFA
Head of Research

Nina Rose Coderis, BSc (Geology)
Equity Analyst

Price and Volume



	YTD	12M
MLP	29%	24%
TSXV	6%	-28%

Company Data

52 Week Range	C\$0.25 - C\$0.61
Shares O/S	46M
Market Cap.	C\$22M
Yield (forward)	N/A
P/E (forward)	N/A
P/B	2.7x

Key Financial Data (C \$) - YE: August 31	2022	2023 (3M)
Cash	\$3,103,435	\$2,813,974
Working Capital	\$3,018,813	\$2,770,676
Mineral Assets	\$1,722,341	\$1,764,523
Total Assets	\$4,986,893	\$4,713,980
Net Income (Loss)	-\$1,411,435	-\$231,736
EPS	-\$0.04	-\$0.01

Subsequent to Q1-FY2023, the company raised \$3.6M through an equity financing

See last page of this report for important disclosures, rating and risk definitions. All figures in C\$ unless otherwise specified.

Potash Fertilizers

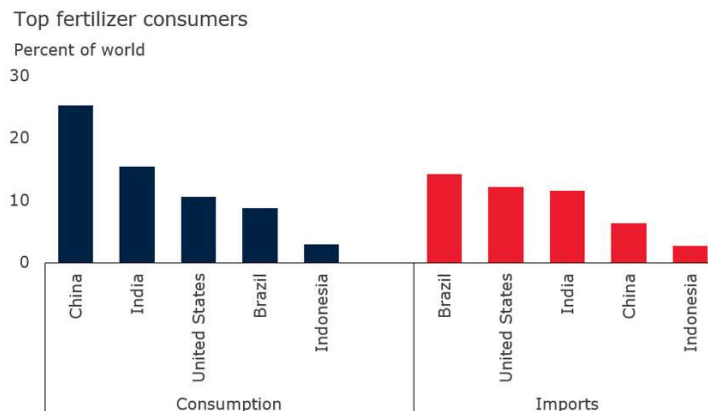
Fertilizer demand is primarily influenced by two factors: growing demand for grains (driven by global population/GDP growth), and declining availability of arable land (driven by urbanization and population growth). The Food and Agriculture Organization estimates that **global food production should increase by 70% in the next 30 years.**

China, India, and the U.S. are the largest consumers of fertilizers; they are also major importers

Potash fertilizers account for 20% of global fertilizers; nitrogen and phosphorous fertilizers account for 56% and 24%, respectively

Global fertilizer demand grew at a CAGR of 1.1% from 2016 to 2022, including 2.1% for potash fertilizers, 1.7% for phosphorus, and 1.0% for nitrogen

Global potash (KCl) demand is approximately 70 Mt/year

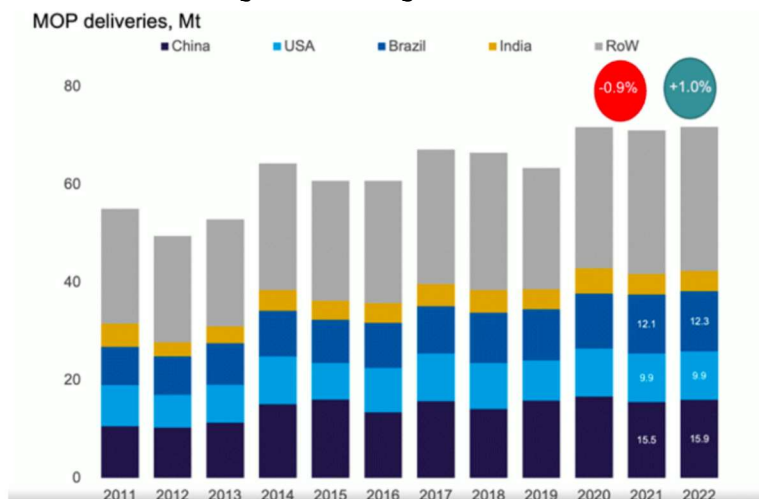


Note: Sum of all nitrogen, phosphates, and potash fertilizers. Data for 2019.
Source: Food and Agriculture Organization; World Bank.

World Demand for Fertilizers (thousand tonnes)

Year	2016	2017	2018	2019	2020	2021	2022
Nitrogen, N	105 148	105 050	105 893	107 424	108 744	110 193	111 591
Phosphorus, as P ₂ O ₅	44 481	45 152	45 902	46 587	47 402	48 264	49 096
Potassium, as K ₂ O	35 434	36 349	37 171	37 971	38 711	39 473	40 232
Total (N+P ₂ O ₅ +K ₂ O)	185 063	186 551	188 966	191 981	194 857	197 930	200 919

Source: Food and Agriculture Organization of the United Nations



Source: IFA/DTN

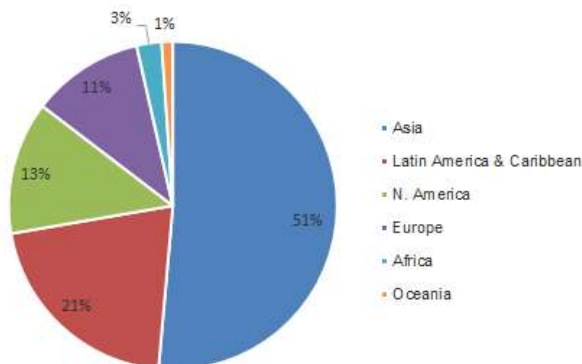
MLP's key target market, Brazil, accounts for 17% of global consumption

Africa accounts for 3%

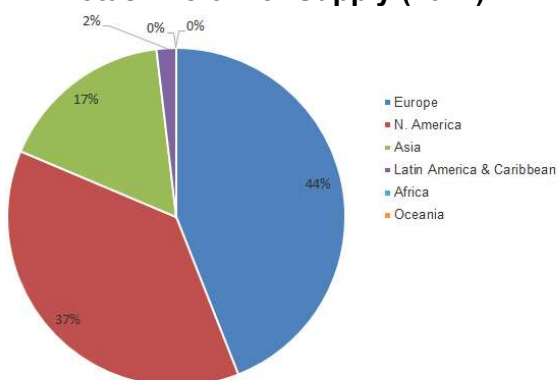
However, Africa and Brazil import most of their potash demand

Russia and Belarus account for approximately 35% of global potash supply

Potash Fertilizer Demand (2022)

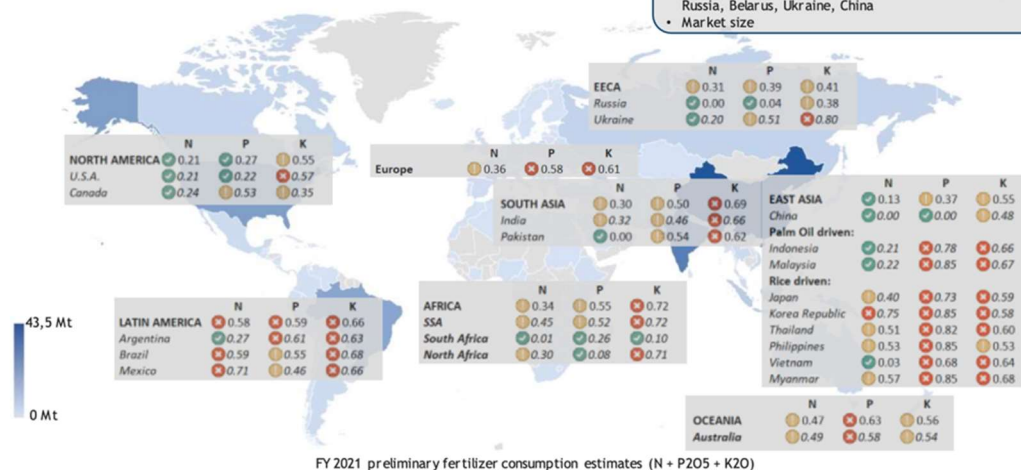


Potash Fertilizer Supply (2022)



Fertilizer import exposure

Fertilizer Import Exposure
Calculated by country/region based on the following elements :
• Share of fertilizer imports in domestic consumption
• Share of fertilizer imports usually (pre-2022) coming from Russia, Belarus, Ukraine, China
• Market size



Note: IFA generates maps using Microsoft tools and does not claim a view on international boundaries, which may be subject to unresolved claims by multiple jurisdictions

Source: IFA, May 2022

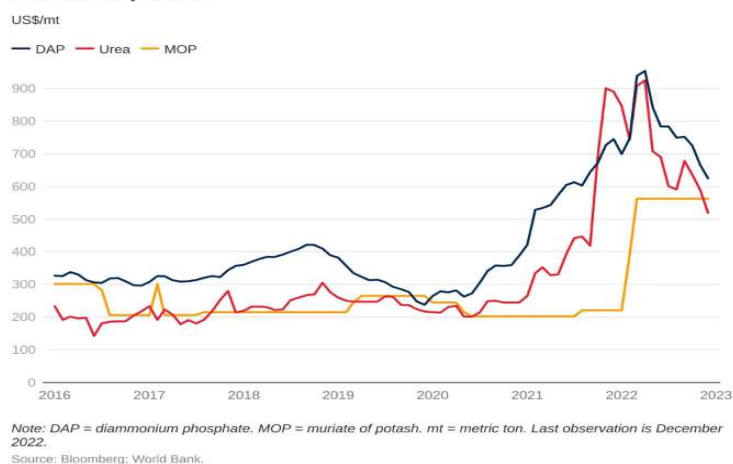
Note: Red scoring denotes the highest exposure to imports by nutrient, orange denotes medium exposure, and green denotes lowest exposure to imports.

Fertilizer prices hit record highs in H1-2022 amid rising grain prices, supply disruptions, Russia's invasion of Ukraine, and higher energy prices

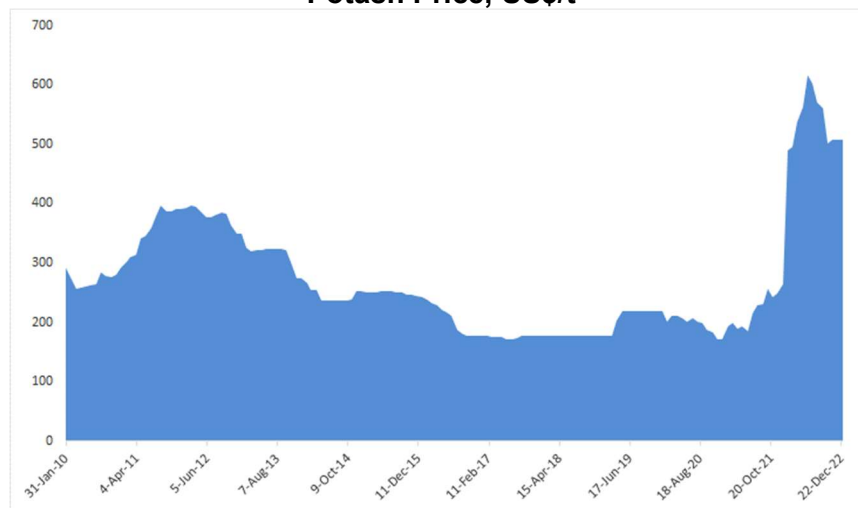
However, prices have declined from their peaks (due to rising interest rates and supply, and slowing GDP growth), but remain well above their historic averages

Although we are expecting continued downward pressure on prices amid weaker GDP growth, we believe a prolonged period of conflict between the West and East will keep near-term prices well above the historic average

Fertilizer prices



Potash Price, US\$/t



Banio Potash Project

MLP can acquire a 100% interest in this project from Equatorial Potash (a private company based out of Australia), by issuing 6.2M shares (650k issued to date), and through cash staged payments totaling US\$4.38M (US\$282k paid to date), and exploration expenditures totaling US\$12M. Equatorial had acquired the project from Infinity Lithium Corporation (ASX: INF/MCAP: A\$51M) in 2020.

Location and Infrastructure

The **1,238 km² project** is situated in the southern part of Gabon in Western Africa. It is approximately **50 km south of Mayumba (a port city)**, and 450 km south of Libreville along the Atlantic coast.

Gabon has an extensive oil and gas sector with major international companies like Fortescue (ASX: FMG), Eramet (ENXTPA: ERA), Total (NYSE:TTE), and Shell (NYSE: SHEL)

The project can be accessed via several roads to Mayumba

Sea water and fresh water available for exploration and eventual development

Established infrastructure (power supply and exploration camp)

Location Map



Source: Company

Gabon, known for its vast petroleum reserves, is one of the most stable countries in Africa. Gabon recently joined the British Commonwealth, and has the **third highest GDP per capita in Africa**.

Most African governments have royalty interests (typically 5%-15%) in their mining projects. Banio is **subject to royalties ranging between 5% and 10% of future revenue**. MLP will also be subject to a 35% tax, which we believe is on the higher end of corporate tax rates in Africa.

History and Mineralization

The project is located in the potash-rich Congo Evaporite basin, along the border with the Republic of Congo (ROC), which **hosts several large potash deposits**. The area has one operating potash mine (Mengo). We are not aware of any other active potash mine in Africa.

Located in the potash-bearing Congo basin

Geology similar to large potash projects in the Republic of Congo

Banio is 70 km from Kore Potash's (AIM: KP2/MCAP: \$41M) advanced-stage Kola and Dougou projects

130 km north of a historic potash producer (Holle)

Deposits in the region are relatively small tonnage, but with attractive potash

A definitive feasibility study on Kore's Kola project returned an AT-NPV10% of US\$1.6B

Project Location



Company	Project	Resource
Past Producer	Holle Potash Mine	
Evergreen Industries Group	Mengo	
Kore Potash (AIM: KP2)	Kola	848 Mt at 34.8% KCl (sylvinite) + 2 Bt at 18.5% (carnallite)
Kore Potash (AIM: KP2)	DX	152 Mt at 32.5% KCl
Kore Potash (AIM: KP2)	Dougou	3 Bt at 20.7% KCl (carnallite)
Kola Project - Definitive Feasibility Study (UG Potash Mine)		
Mine Life		31 years
KCL Recovery		90%
Annual Production		2.2 Mt
Initial CAPEX		US\$1.8B
Construction Period		40 months
OPEX		US\$106/t
Potash Price		US\$360/t
AT-NPV10%		US\$1.6B
AT-IRR		20%

Source: Various / FRC

Deposits of potassium salts (sylvinite and relatively low-grade carnallite) were initially identified in the Mayumba area from historic oil and gas exploration in the 1970s. At Banio, Infinity Lithium drilled three potash wells, and completed a maiden **JORC compliant carnallite resource estimate (1.67 Bt grading 16.1% KCl)** in 2018. This resource was based on mineralization identified at depths **ranging between 230 m and 520 m below surface** (similar to Kola and other well known deposits in the region). We note that Banio's potash beds are shallow compared to projects in Saskatchewan (800-1,500 m deep).

Historic Drilling at Banio: Holes BA-002 and BA-003, drilled 2.2 km apart, intersected high-grade/shallow mineralization.

In 2017, three holes intersected shallow potash beds (230 m to 520 m deep)

Hole BA-002:

- 1.9 m at 29.5% KCl from 284.4 m depth
- 1.4 m at 34.9% KCl from 281.0 m depth
- 1.0 m at 29.7% KCl from 253.9 m depth
- 2.6 m at 32.9% KCl from 324.6 m depth
- 7.2 m at 18.8% KCl from 409.7 m depth including 21.4% KCl from 409.7 m depth
- 28.8 m at 16.1% KCl from 438.7 m depth

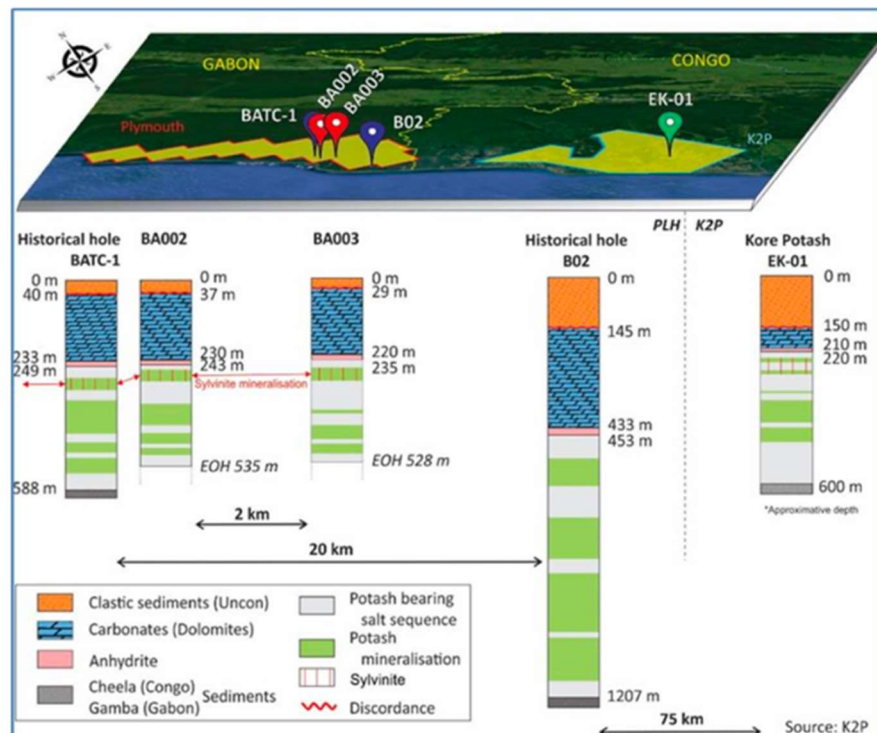
Hole BA-003:

- 1.7 m at 30.0% KCl from 237.8 m depth
- 1.0 m at 29.7% KCl from 264.6 m depth
- 3.9 m at 21.2% KCl from 430.3 m depth
- 11.8 m at 16.0% KCl from 456.9 m depth
- 13.3 m at 18.2% KCl from 471.2 m depth
- 6.4 m at 16.0% KCl from 500.6 m depth

We note that potash beds seem to be continuous throughout the basin, as indicated by the similarity between the holes drilled at Banio (BA-001-003) and two other wells located 20 km and 95 km to the east

Solution mining has lower CAPEX than conventional underground mining

Historic Drill Results



Source: Company

These potash beds have potential for solution mining, wherein heated water/brine is injected through a well to dissolve ore, and pumped back to surface.

A DFS, based on a small-scale production scenario (0.6 Mt/year using solution mining), returned an AT-NPV10% of US\$511M

This project has an unusually low OPEX (US\$66/t), due to its shallow and thick resource

Gabon's proximity is a major advantage, allowing Banio to supply its products at a lower price

For comparison, the distance between Gabon and Brazil is 3,800 km vs 8,000-10,000 km between Vancouver/St. Petersburg and Brazil

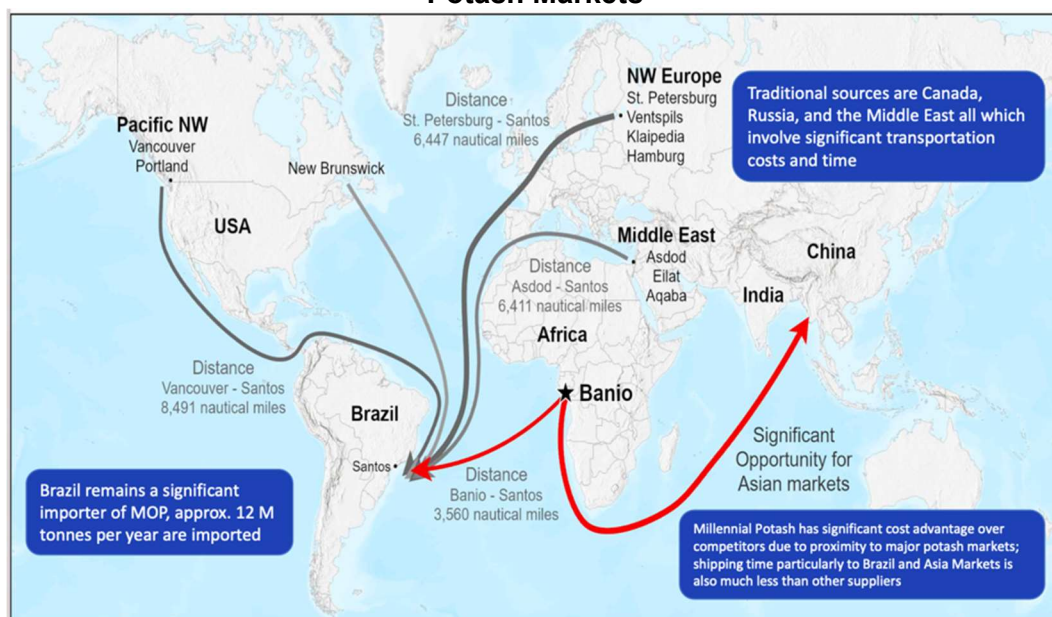
A **direct comparable** to Banio is the Kanga project, located 60 km to the south, in the Republic of Congo. This project has carnallite resources as well, totaling 12 Bt grading 16.9% KCl (depths ranging between 300 m and 1,100 m). As these grades and depths are very similar to that of Banio, **we believe Banio should generate similar economics as Kanga.**

Kanga Project - Definitive Feasibility Study - 2020 - Soution Mining	
Mine Life	30
Annual Production	0.6 Mt
Initial CAPEX	US\$457M
OPEX	US\$67/t
Potash Price	US\$288/t
AT-NPV10%	US\$511M
AT-IRR	22%

Source: FRC / Kanga

Banio's primary target market is Brazil, which imports 95% of its potash fertilizer demand.

Potash Markets



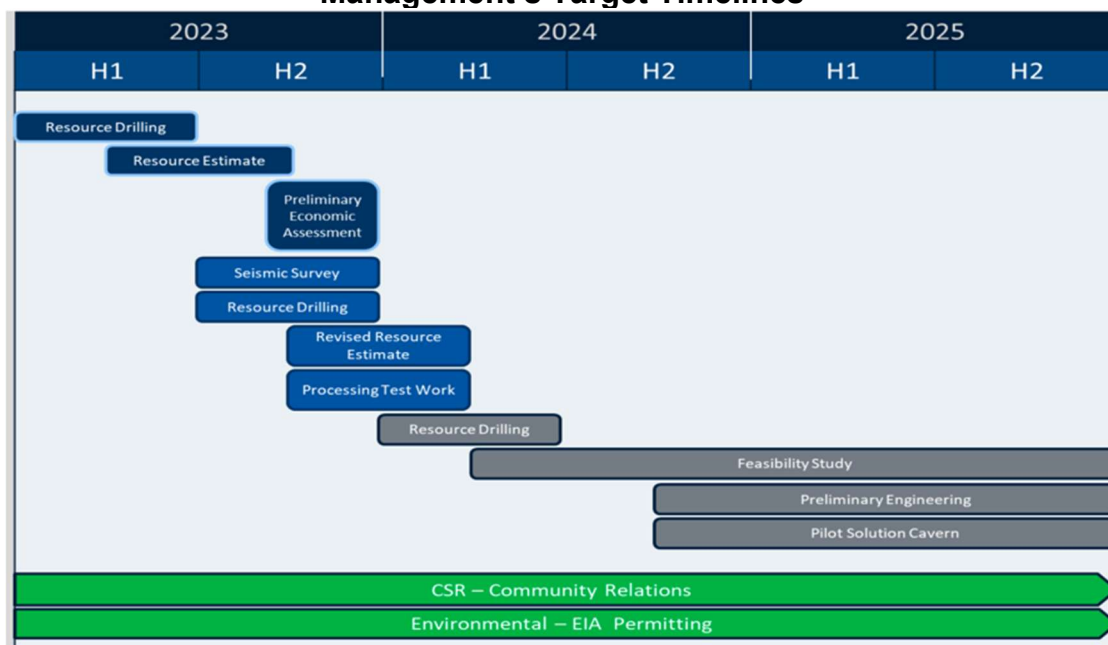
Source: Company

Upcoming Plans

MLP is planning to **commence a \$1M+ exploration program shortly**, which will include resampling of historic drill cores, deepening of two previous holes, and drilling a new hole (to a depth of up to 1,100 m). MLP **expects to complete a maiden NI 43-101 resource** after this drill program.

Management is aiming to complete a maiden resource, and a PEA this year

Management's Target Timelines



Source: Company

Management and Directors

Management and board own 25%

Management and Board	Shares	% of Total
Farhad Abasov – Chairman & Director	5,259,000	11.37%
Jason Wilkinson - CEO	60,000	0.13%
Graham Harris - Senior VP for Capital Markets & Director	3,043,000	6.58%
Peter J MacLean - Independent Director	850,000	1.84%
Max Missiouk - CFO	400,000	0.86%
Luke Norman - Independent Director	2,000,000	4.32%
Rick Lacroix - Independent Director	80,000	0.17%
Brian Morrison - Corporate Secretary	256,500	0.55%
Total	11,948,500	25.84%

Source: Sedi / Company

Brief biographies of the management team and board members, as provided by the company, follow:

Farhad Abasov – Chairman & Director

Mr. Abasov built and sold multiple resource companies: President and CEO, Millennial Lithium sold to Lithium Americas for \$490M; President and CEO, Allana Potash Corp. sold to Israel Chemical Ltd. for \$170M. Mr. Abasov is also a co-founder of Potash One which sold to K+S for \$430M, as well as Senior VP of Energy

Metals which sold to Uranium One for \$1.8B. He has raised over \$500M for public and private companies in energy and mining sectors.

Jason Wilkinson – Chief Executive Officer

Mr. Wilkinson has a M.Sc. in Mineral Exploration from the Royal School of Mines and over 25 years in mining and exploration including extensive international experience in the gold, copper and potash sectors. Mr. Wilkinson recently held the position of Chief Operating Officer for South Harz Potash and led all exploration programs including the completion of a Scoping Study across four mining licenses located in Thuringia, Germany. Prior to his time at South Harz Mr. Wilkinson served as the COO/Managing Director for Allana Potash Corp.'s Ethiopian subsidiary. He oversaw and guided the Danakhil Potash Project from exploration, through a Feasibility Study and pilot testwork.

Graham Harris – Senior VP – Capital Markets & Director

Mr. Harris was the Founder, Chair and Director of Millennial Lithium Corp. Mr. Harris has over 40 years' experience in the finance industry, including as a senior VP of Canaccord Genuity Corp. (1999-2004) and as a senior VP and partner of Yorkton Securities (1989-1999). He has directly raised over \$400M in development and venture capital for public and private companies. He was a founder of Cap-Ex Iron Ore Ltd., a founding director of M2 Cobalt Corp- that recently merged with ASX listed Jervois Mining Ltd.

Peter J. MacLean, Ph.D., P.Geo. – Independent Director

Dr. MacLean has over 30 years of exploration and development experience in North America, South America, and Africa. Dr. MacLean was recently SVP, Technical Services for Millennial Lithium Corp. Previously, Dr. MacLean was SVP, Exploration, for Allana Potash Corp. Dr. MacLean also has extensive experience on base metal and precious metal projects throughout the Americas and is a professional geoscientist (P. Geo).

Luke Norman – Independent Director

Mr. Norman is a seasoned growth executive with 20 years of experience in the venture capital markets. He has raised in excess of \$300M for both public and private companies predominantly in the resource sector. He co-founded Gold Standard Ventures Corp., a TSX-V and NYSE Market listed gold exploration company and US Gold Corp., listed on the Nasdaq exchange. He is the Chairman of Silver One Resources, a silver pre-development and exploration company listed on the TSX-V and was recently appointed President and CEO of Leviathon Gold Ltd.

Rick Lacroix – Independent Director

Mr. Lacroix has a B.Sc. Electrical Engineering from the University of Saskatchewan. Mr. Lacroix began his potash career in 1981 and has extensive experience in all aspects of potash mining, processing, and marketing highlighted by 30+ years with Potash Corp. of Saskatchewan (now Nutrien). Mr. Lacroix is a former Director of

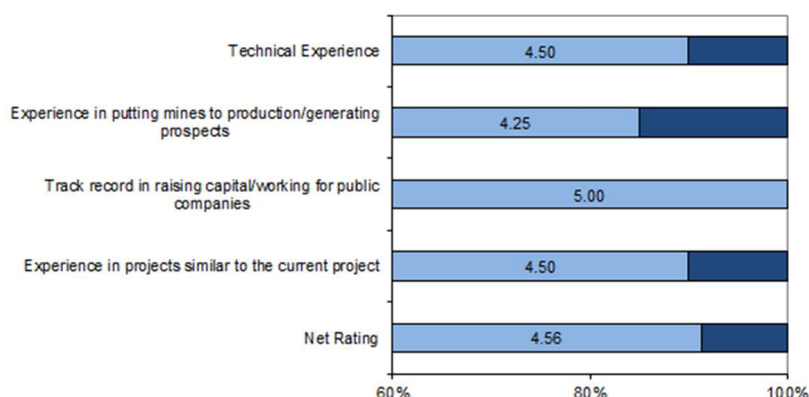
Canpotex and former Chairman of Canpotex Bulk Terminals. Most recently Mr. Lacroix served as a Director for Allana Potash Corp. He was also a director in Millennial Lithium Corp.

Max Missioux – Chief Financial Officer

Max has served as the CFO and controller for a number of publicly listed resource and venture companies including Millennial Lithium Corp, Allana Potash Corp. and Crocodile Gold Corp. Mr. Missioux is a CPA (CMA) and has a post-graduate degree in Banking and Finance Management.

We are assigning a management rating of 4.6 out of 5.00

Management Rating



Strength of Board

	Poor	Average	Good
Three out of five board members are independent		X	
Directors' share ownership			X
The audit committee is composed of three board members, two are independent		X	
Management compensation is decided by the board		X	

Three out of five directors are independent

Source: FRC

Financials

Strong cash position

Subsequent to Q1-FY2023, the company raised \$3.6M through an equity financing

Our DCF valuation is \$1.25/share

Although potash is currently trading at US\$505/t, we are using its 15-year average price of US\$302/t for valuation

To account for region-specific risks, we are using a high discount rate of 13.6%; we typically use 11.6% for development-stage projects in North America

(C \$) - YE: August 31	2022	2023 (3M)
Cash	\$3,103,435	\$2,813,974
Working Capital	\$3,018,813	\$2,770,676
Current Ratio	16.55	19.11
Monthly Burn Rate (G&A)	-\$67,970	-\$60,024
Cash from Financing Activities	\$790,500	-\$27,000
Cash Spent on Properties	-\$756,150	-\$49,229

Source: FRC / Company

Options	#	Exercise Price	Amount
Total	3,570,000	\$0.44	\$1,566,250
In-the-Money	2,175,000	\$0.40	\$868,750

Warrants	#	Exercise Price	Value
Total	9,841,500	\$0.65	\$6,443,625
In-the-Money	-	-	-

Source: FRC / Company

FRC Valuation

DCF Valuation	400,000 tpa
Operating Life (years)	30
Weighted Avg. Product Price (US\$/t)- 15-year average	\$302
Exchange Rate (C\$:US\$)	1.35
Avg. Operating Cost in US\$/t	\$90
Initial CAPEX (US\$M)	\$300
Discount Rate	13.6%
After-Tax Net Asset Value (C\$), net of remaining payments to acquire a 100% interest	\$59,071,027
Working Capital	\$5,830,530
No. of Shares	52,122,096
Fair Value per Share (C\$)	\$1.25

Source: FRC

Our valuation is highly sensitive to various key inputs

		Avg. Product Price (US\$/t)				
		\$250	\$275	\$302	\$400	\$500
Exchange Rate (C\$:US\$)	1.15	-\$0.33	\$0.34	\$1.06	\$3.69	\$6.37
	1.25	-\$0.36	\$0.37	\$1.15	\$4.01	\$6.92
	1.35	-\$0.39	\$0.40	\$1.25	\$4.33	\$7.48
	1.40	-\$0.41	\$0.41	\$1.29	\$4.49	\$7.75
	1.45	-\$0.42	\$0.42	\$1.34	\$4.65	\$8.03

		Avg. Product Price (US\$/t)				
		\$250	\$275	\$302	\$400	\$500
Operating Cost (US\$/t)	\$70.00	\$0.29	\$1.08	\$1.93	\$5.01	\$8.16
	\$80.00	-\$0.05	\$0.74	\$1.59	\$4.67	\$7.82
	\$90.00	-\$0.39	\$0.40	\$1.25	\$4.33	\$7.48
	\$110.00	-\$1.07	-\$0.28	\$0.56	\$3.65	\$6.79
	\$130.00	-\$1.75	-\$0.97	-\$0.12	\$2.97	\$6.11

		Avg. Product Price (US\$/t)				
		\$250	\$275	\$302	\$400	\$500
Discount Rate	7.5%	\$3.36	\$4.86	\$6.49	\$12.40	\$18.43
	10.0%	\$1.31	\$2.44	\$3.66	\$8.09	\$12.60
	13.6%	-\$0.39	\$0.40	\$1.25	\$4.33	\$7.48
	15.0%	-\$0.80	-\$0.10	\$0.65	\$3.38	\$6.17
	17.5%	-\$1.33	-\$0.76	-\$0.15	\$2.07	\$4.34

Source: FRC

We are resuming coverage with a BUY rating, and a fair value estimate of \$1.25 per share. Upcoming catalysts include drilling, a maiden NI 43-101 resource estimate, followed by a Preliminary Economic Assessment (PEA) later this year.

Risks

We believe the company is subject to the following key risks:

- The value of the company is dependent on potash prices
- No NI 43-101 compliant resource estimate or economic studies
- **Development and foreign exchange risks**
- Access to capital and share dilution

We are assigning a risk rating of 5 (Highly Speculative)

Fundamental Research Corp. Equity Rating Scale:

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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