

Rock Tech Lithium Inc.

Canada / Mining

Primary exchange: Toronto/ Secondary
exchange: Frankfurt

Bloomberg: RCK CN

ISIN: CA77273P1027

Update

RATING	BUY
PRICE TARGET	CAD 2.10
Return Potential	45.8%
Risk Rating	High

LOOKING FOR FAST TRACK TO PRODUCTION

A flurry of carmaker electrification announcements and government policy prescriptions has driven an average rise of 92% in the share prices of Rock Tech Lithium (RCK) and its peers (Critical Elements, Frontier Lithium, Nemaska, Sayona Mining) since the end of June 2017. The past seven months have also seen an increasing number of equity, project financing and M&A deals in the lithium sector. We expect this activity to gather pace in 2018 as the strategic value of the remaining independent projects such as RCK are thrown in to sharper relief, and energy storage emerges as an additional significant source of lithium demand. Recently published drilling, prospecting and channel sampling results suggest that RCK is well on track to achieve our target of an NI 43-101 compliant 15.8m tonnes of ore (163k tonnes Li₂O in situ). The positive market environment suggests that RCK will be at least able to maintain its current adjusted enterprise valuation of CAD477 per tonne of in situ Li₂O. Our valuation is based on the product of this figure and our exploration target. After diluting for existing warrants and options outstanding, we now see fair value for the share at CAD2.10 (previously: CAD1.50). We maintain our Buy recommendation.

Aiming to minimise shareholder dilution through early stage financing
RCK's management has been indicating for some time that it is looking to minimise shareholder dilution by securing financing for Georgia Lake at the earliest stage possible. The recently proposed business combination between NextView and LithiumX will encourage this ambition in our view. LithiumX's flagship project is the Argentinian Sal de los Angeles lithium brine project. Like RCK LithiumX has not yet published a feasibility study for this project.

New advisory board to assist with project development/partner search In December RCK announced the appointment of four very high calibre individuals to its newly constituted Advisory Board. (p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2013	2014	2015	2016	2017E	2018E
Revenue (CAD m)	0.00	0.00	0.00	0.00	0.00	0.00
Y-o-y growth	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
EBIT (CAD m)	-0.53	-0.73	-0.47	-1.19	-1.29	-1.58
EBIT margin	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Net income (CAD m)	-5.22	-1.43	-0.12	-1.15	-1.29	-1.58
EPS (diluted) (CAD)	-0.53	-0.15	-0.01	-0.06	-0.05	-0.04
DPS (CAD)	0.00	0.00	0.00	0.00	0.00	0.00
FCF (CADm)	-0.70	0.06	0.29	-1.03	-2.07	-2.98
Net gearing	36.6%	29.0%	0.5%	-62.4%	-51.3%	-57.5%
Liquid assets (CAD m)	0.01	0.27	0.14	3.09	2.82	5.65

RISKS

If the ongoing penetration of the automotive market by electric vehicles slows or comes to a halt, the lithium price is likely to fall.

COMPANY PROFILE

Rock Tech Lithium Inc. is a Canadian-based mineral exploration company focused on the Georgia Lake lithium property in Ontario. Georgia Lake's NI 43-101 resource estimate shows an indicated resource of 3.19 million tonnes grading 1.10% Li₂O and an inferred resource of 6.31 million tonnes grading 1.00% Li₂O. Production is scheduled to start in 2021.

MARKET DATA

As of 05 Feb 2018

Closing Price	CAD 1.44
Shares outstanding	33.04m
Market Capitalisation	CAD 47.57m
52-week Range	CAD 0.77 / 2.05
Avg. Volume (12 Months)	39,263

Multiples	2016	2017E	2018E
P/E	n.a.	n.a.	n.a.
EV/Sales	n.a.	n.a.	n.a.
EV/EBIT	n.a.	n.a.	n.a.
Div. Yield	0.0%	0.0%	0.0%

STOCK OVERVIEW



COMPANY DATA

As of 30 Sep 2017

Liquid Assets	CAD 1.43m
Current Assets	CAD 1.58m
Intangible Assets	CAD 2.81m
Total Assets	CAD 4.40m
Current Liabilities	CAD 0.26m
Shareholders' Equity	CAD 4.14m

SHAREHOLDERS

Dirk Harbecke	10.2%
BTI International	9.3%
Martin Stephan	5.5%
Other cornerstone investors	45.0%
Free float and other	30.1%



Between them Professor Heinz Riesenhuber, Mr Carl-Peter Forster, Professor Jens Gutzmer and Mr Norbert Steiner have a wealth of contacts within politics and the international automotive and mining industries. We expect the new advisory board members to be very helpful in ongoing discussions with prospective partners.

RCK has stated it will advance the Georgia Lake project in combination with experienced service providers and also expand the lithium resource controlled by the company through acquisitions. We think both these undertakings are calculated to enhance the company's attractions to prospective partners.

Recovering lithium demand and pricing prompted RCK to resume exploration work at its Georgia Lake property in 2016. The prospecting and channel sampling programme completed in that year was the first significant investment in exploration at the property since 2013. As we described in our note of 26 June 2017, the programme generated high-grade channel sample results up to 4.42% Li₂O (the highest grade encountered to date) extending the length and width of several known lithium-bearing pegmatites. It also resulted in the discovery of a new lithium-bearing pegmatite dyke in the vicinity of the Nama Creek area of the property.

RCK's current NI 43-101 compliant resource estimate was first published in 2012 and shows an indicated resource of 3.19 million tonnes grading 1.10% Li₂O and an inferred resource of 6.31 million tonnes grading 1.00% Li₂O (see figure 1 below).

Figure 1: Historic and NI 43-101 compliant resource estimates for Georgia Lake

Claim Block	Historic Resource (m tonnes)	Historic Grade (%)	Historic Resource to be verified (m tonnes)	NI43-101 Resource (m tonnes)
Nama Creek	3.894	1.06	0.000	8.190
Conway	1.660	0.96	0.350	1.310
Jean Lake/Parole Lake	1.532	1.30	1.532	0.000
Aumacho	0.777	1.65	0.777	0.000
Newkirk	0.680	1.38	0.680	0.000
McVittie	0.237	1.03	0.237	0.000
MNW	0.091	4.00	0.091	0.000
Total	8.871	1.18	3.667	9.500

Source: Rock Tech Lithium

Exploration for lithium at Georgia Lake dates back to the 1950s when past operators completed 33,000 metres of drilling on RCK's claim blocks. In 1965 E.G. Pye published a resource estimate covering seven of RCK's original eight claim blocks. Figure 1 illustrates how the historic resource estimate for the Georgia Lake project split between the 7 claim blocks mentioned in the Pye Report.

RCK has succeeded in advancing all the 3.89m tonnes of the historic resource estimate for the Nama Creek claim block as well as an additional 4.30m tonnes to NI 43-101 compliant status. This takes the compliant total for the claim block to 8.19m tonnes comprising an indicated resource of 2.47m million tonnes grading 1.11% Li₂O and an inferred resource of 5.72 million tonnes grading 1% Li₂O. At the Conway claim block, RCK succeeded in verifying 1.31m tonnes of the 1.66m tonne historic resource estimate. The 9.50m tonne NI 43-101 resource estimate presented for Georgia Lake is the sum of the resource so far verified as compliant at the Nama Creek and Conway claim blocks.

The unverified portion of the historic Georgia Lake resource estimate amounts to 3.67m tonnes distributed between the Aumacho, Conway, Jean Lake/Parole Lake, McVittie, MNW and Newkirk-Vegan properties. Current exploration work aims to increase resource tonnage significantly both by bringing unverified resource into compliance with NI43-101 and through new discoveries.



During the winter of 2017 RCK carried out follow-up drilling at the Parole Lake and Aumacho pegmatites which were the sites of some of the highest grades from the channel sampling programme.

Seven drill holes totalling 1,382 metres were completed at one of the six known pegmatites at Parole Lake. Summary assay results released on 29 June 2017, which showed good grades of lithium mineralisation, are shown in figure 2. The best results are marked bold.

Figure 2: Parole Lake summary drill hole assay results (June 2017)

Drill Hole	From (m)	To (m)	Length (m)	Grade (% Li ₂ O)
PL-17-01	60.39	66.00	5.61	1.05
PL-17-02	110.00	117.00	7.00	1.58
PL-17-03	134.31	145.96	11.65	1.53
PL-17-06	146.44	153.37	6.93	1.30
PL-17-07	121.41	122.41	1.00	1.39

Source: Rock Tech Lithium

On 11 July RCK released good summary assay results from seven drill holes totalling 584 metres at two of the three known pegmatites at Aumacho (see figure 3).

Figure 3: Aumacho summary drill hole assay results (July 2017)

Drill Hole	From (m)	To (m)	Length (m)**	Grade (% Li ₂ O)
AM-17-01	48.00	48.85	0.85	2.03
AM-17-02	45.07	49.00	3.93	0.65
AM-17-02	57.48	58.83	1.35	2.24
AM-17-03	61.37	66.50	5.13	1.13
AM-17-03	74.28	75.58	1.30	1.34
AM-17-04	59.47	64.50	5.03	2.76
AM-17-05	64.75	70.94	6.19	1.78
AM-17-06	48.97	51.30	2.33	2.45
AM-17-06	60.00	62.00	2.00	2.77
AM-17-07	68.33	70.20	1.87	2.68

**Drill Hole intercepts may not reflect the true width of the pegmatites

Source: Rock Tech Lithium

Later in July RCK announced the start of a summer field sampling programme at Georgia Lake in order to enhance the efficacy of future drilling.

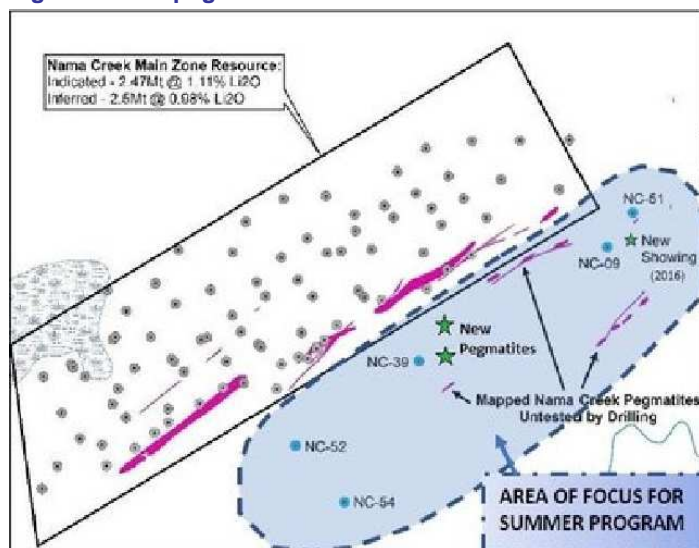
The Parole Lake region hosts six known lithium-bearing pegmatites. The No. 4 pegmatite was the site of drilling conducted in the spring and hosts an historic resource estimate. During the summer field sampling programme, the No. 1, No. 2, No. 3 and No. 5 pegmatite dykes were located, georeferenced and six grab samples were collected. No outcrop was found related to the No. 6 pegmatite, but historic trenches were located and georeferenced.

The field sampling programme began at Parole Lake but was later expanded to include Nama Creek, McVittie, Cosgrave Lake, and the area south of the Aumacho region. 17 samples were collected from the Nama Creek region, six samples from each of the McVittie and Parole Lake regions, three from the area south of Aumacho and one from the Cosgrave Lake region.

In late August RCK announced that two new pegmatites adjacent to the Nama Creek main resource zone had been discovered in the course of the field sampling programme. These new pegmatites are in addition to the untested, mapped pegmatites in the immediate vicinity of the main resource area and also to the new showing first announced in early 2017 (see figure 4 overleaf).



Figure 4: New pegmatites at Nama Creek



Source: Rock Tech Lithium

RCK presented assay results from the six grab samples collected from the No.1 and No.3 pegmatite dykes at Parole Lake in late September (see figure 5 below).

Figure 5: Grab sample assay results from Parole Lake (September 2017)

Area	Lithium Oxide Li ₂ O
Parole Lake No. 1	Below detection
Parole Lake No. 1	1.68
Parole Lake No. 1	0.41
Parole Lake No. 1	1.01
Parole Lake No. 1	2.32
Parole Lake No. 3	1.13

Source: Rock Tech Lithium

Assay results of the six grab samples collected from the McVittie region followed in early October (see figure 6 below).

Figure 6: Grab sample assay results from McVittie (October 2017)

Area	Lithium Oxide Li ₂ O
McVittie	1.93
McVittie	1.99
McVittie	2.31
McVittie	1.70
McVittie	2.01
McVittie	1.72

Source: Rock Tech Lithium

Later in October, RCK released assay results from samples taken at Nama Creek. The results relate to the areas sampled in 2016, previously mapped, untested pegmatites and also the new discoveries made in the summer of 2017 (see figure 7 overleaf).

On the basis of the exploration successes achieved at Georgia Lake's main resource zone at Nama Creek, in mid-November RCK announced the start of a further trenching and channel sampling programme at this location.

**Figure 7: Grab sample assay results from Nama Creek (October 2017)**

Area	Description	Lithium Oxide Li ₂ O
Nama Creek	Area of 2016 samples	1.21
Nama Creek	Area of 2016 samples	2.02
Nama Creek	Area of 2016 samples	2.05
Nama Creek	Area of 2016 samples	2.35
Nama Creek	Area of 2016 samples	2.47
Nama Creek	Previously mapped, untested	0.21
Nama Creek	Previously mapped, untested	0.97
Nama Creek	Previously mapped, untested	1.11
Nama Creek	Previously mapped, untested	1.88
Nama Creek	New discovery	0.59
Nama Creek	New discovery	1.02
Nama Creek	New discovery	1.49
Nama Creek	New discovery	1.55
Nama Creek	New discovery	1.68
Nama Creek	New discovery	1.89
Nama Creek	New discovery	1.99
Nama Creek	New discovery	2.12

Source: Rock Tech Lithium

In January RCK released assay results from seventeen trenches completed on and in the area around mapped pegmatites located adjacent to the Nama Creek main resource zone. Trenching uncovered at least four pegmatite dykes in the region. An additional lithium-bearing pegmatite dyke, in an oblique (NW-SE trending) orientation, was observed in this area and sampled in channels NC-CH-17-09 and NC-CH-17-11 (see figure 8).

Figure 8: Trenching/channels sampling assay results from Nama Creek (January 2018)

Channel	From (m)	To (m)	Length (m)	Grade (% Li ₂ O)
CH-17-01	1.40	2.40	1.00	0.87
CH-17-02	4.00	4.70	0.70	1.06
CH-17-03	2.00	3.00	1.00	1.18
CH-17-04	0.75	2.80	2.05	0.76
CH-17-05	1.10	1.92	0.82	0.71
CH-17-06	0.00	2.20	2.20	0.29
CH-17-07	0.80	2.80	2.00	0.95
CH-17-08	1.50	3.40	1.90	1.31
CH-17-09	0.70	3.20	2.50	1.38
CH-17-10	1.50	2.70	1.20	0.48
CH-17-11	0.70	1.70	1.00	1.09
CH-17-15	1.50	4.70	3.20	1.01
CH-17-16	1.50	3.00	1.50	0.95
CH-17-17	2.50	3.00	0.50	1.56
including	0.50	3.00	2.50	2.80

Source: Rock Tech Lithium

Recent trenching and channel sampling results will guide drilling efforts over the next few months. From discussions with management, we gather that the main targets will be Aumacho, Parole Lake and Nama Creek. Drilling at Aumacho and Parole Creek is likely to start before the end of the winter as the ground at both these sites is soft when temperatures are above zero. Drilling at Nama Creek is likely from the spring onward.

We continue to expect RCK to publish an updated NI 43-101 compliant resource estimate of 15.8m tonnes of ore (163k tonnes of Li₂O in situ) later this year. The increase will stem both from bringing historically documented resource into compliance with current NI 43-101 standards and also from adding new resource from previously underexplored claim blocks. We also anticipate that measured resource will account for a substantial portion of the new resource estimate.



On 12 January RCK published an update on plans for 2018. The update references the recently proposed business combination between the Hong Kong company NextView and LithiumX of Vancouver. LithiumX' flagship project is at a similarly early stage to RCK's Georgia Lake project but NextView has nevertheless agreed to pay CAD265m to acquire LithiumX subject to the approval of two thirds of shareholders' votes at a special meeting to be held in February.

LithiumX' flagship project is the Sal de los Angeles lithium brine project located in Salta province Argentina. Sal de los Angeles has a NI 43-101 resource estimate of over 820,000 tonnes Li₂O equivalent. So far there is no feasibility study for the project.

Last year RCK management outlined a timeline for bringing Georgia Lake into production by 2021. This includes release of an expanded NI 43-101 compliant resource estimate and completion of a preliminary economic estimate by end 2017/early 2018. However, management has also indicated that it is looking to fast track production through attaining financing at the earliest stage possible. The NextView/LithiumX deal will encourage this ambition in our view.

Appointment of high calibre advisory board RCK held discussions with potential partners last year and management has indicated that these discussions are continuing this year. In December RCK announced the appointments of Professor Heinz Riesenhuber, Mr Carl-Peter Forster, Professor Jens Gutzmer and Mr Norbert Steiner to its newly constituted Advisory Board.

Professor Riesenhuber is the former German Minister of Scientific Research and Technology and President of the German Parliamentary Society.

Mr. Forster is on the boards of Geely Automobile Holdings, Volvo Cars Group and is the Chairman of Chemring Plc and London Taxi Company (manufactures black cabs). Mr. Forster is the former President of General Motors Europe and the CEO of Tata Motors including JaguarLandRover.

Professor Gutzmer is a professor of economic geology and petrology at Technical University Bergakademie Freiberg. He is also the founding director of Helmholtz-Institute Freiberg for Resource Technology.

Mr. Steiner is the former CEO of K+S, a German MDAX company and the largest salt producer in the world.

The Advisory Board has been appointed to assist RCK with the growth and development of its lithium business and the wealth of contacts possessed by its members will also be helpful in securing partnership negotiations. Management has also stated that in addition to expanding the resource at Georgia Lake, it plans to make "strategic acquisitions in a variety of lithium sources and jurisdictions around the globe." We expect RCK to be able to grow the resource at Georgia Lake to 163,000 tonnes Li₂O in situ (currently: 98,000 tonnes) by the end of this year. However, this figure is under 20% of the resource which NextView is attempting to acquire with LithiumX. We think RCK's plans to acquire additional resource are sensible as potential partners are likely to want to require a certain critical mass.



FINANCIAL POSITION

RCK's cash position at the end of September was CAD1.4m. In early December RCK announced that warrant exercise had generated proceeds of CAD1.7m. Our estimate of the year-end cash position is CAD2.8m. We estimate cash consumption at CAD2.1m in 2017. For 2018 we pencil in a 44% increase in this figure to CAD3.0m due mainly to a forecast rise of 71% in exploration and evaluation expenditure to CAD1.5m (2017: CAD0.9m). We expect drilling and or trenching/channel sampling to continue beyond the winter and spring drilling programmes discussed above and also anticipate that RCK will increase funds devoted to environmental studies, metallurgy and economic assessment of the Georgia Lake project. We also continue to expect publication of a new resource estimate this year. In our 2018 cashflow forecast we model a capital increase of CAD5m. Exercise of in-the-money options and warrants due to expire this year should generate an additional CAD0.8m. On the basis of this forecast RCK's year-end cash position would be CAD5.7m. This cash position looks to be an overly generous cushion but we have also taken into account management's statement in the press release of 12 January that "strategic acquisitions in a variety of lithium sources and jurisdictions around the globe" are planned.

VALUATION

Recently published drilling, prospecting and channel sampling results suggest that RCK is well on track to achieve our target of an NI 43-101 compliant 15.8m tonnes of ore (163k tonnes Li₂O in situ). The positive market environment suggests that RCK will be at least able to maintain its current adjusted enterprise valuation of CAD477 per tonne of in situ Li₂O. Our valuation is based on the product of this figure and our exploration target. As a sense check we also provide a peer group comparison.

In our studies of 21 March and 26 June 2017 the peer group comprised Altura Mining (Australia), Critical Elements (Canada), Kidman Resources (Australia), Nemaska (Canada), Pilbara Minerals (Australia) and Sayona Mining (Canada). During the first half of 2017 all these companies were at the appraisal stage. This means that they all had resource estimates and were at various stages along the preliminary economic assessment/preliminary feasibility study/definitive feasibility study path but had still to gain the financing necessary to enter the development phase. Since the end of June all three Australian companies have secured substantial financing. This raised their valuations due to the increased probability that their projects will go into production. Because the Australian companies are no longer at the appraisal stage, we have removed them from the peer group. We have added another appraisal stage Canadian junior, Frontier Lithium.

Critical Elements filed a feasibility study with respect to its Quebec-based Rose lithium-tantalum project on 20 October 2017 and is looking for a financing partner.

Frontier Lithium is currently completing a pre-feasibility study of its Ontario-based PAK project. An off-take agreement is also expected in early 2018 and a definitive feasibility study and final engineering later this year.

Within the peer group Nemaska is by some distance the most highly valued company with an adjusted EV/tonne Li₂O of CAD1,049. In our view this valuation is based on the expectation (based on company guidance) that financing for the Whabouchi project will be secured during the current quarter.

Sayona Mining published a preliminary economic assessment and a preliminary feasibility study of its Quebec-based Authier lithium project in 2012 and 2017 respectively. A definitive feasibility study is scheduled for Q2 2018.



In terms of published studies, RCK's Georgia Lake is the least far advanced of the projects in the peer group. In our view, this explains RCK's position towards the lower end of the range of peer group valuation relative to its in situ resource.

However, as RCK's management has observed, for supply security reasons end-users of lithium are now seeking much earlier involvement in the project development cycle than is the case with other commodities. RCK has already held discussions with potential partners and we expect these to continue this year. Success of these discussions may enable RCK to shorten some of the traditional development steps, thereby minimising shareholder dilution.

Figure 9 below shows the current valuation of RCK and its peer group based on EV/tonne in situ Li₂O adjusted for the issue of in-the-money options and warrants. Since our most recent note of 26 June 2017 adjusted EV/tonne Li₂O for RCK has risen by 75% from CAD272 to CAD477. For Critical Elements, Nemaska and Sayona Mining this figure has risen by -7%, 56% and 443% respectively. The valuation of the peer group has risen because of the flurry of announcements from car manufacturers of plans to electrify their model ranges as well as government mandates for vehicle electrification.

The recent flurry of carmaker electrification announcements, government mandates for automotive electrification as well as the emergence of energy storage as a significant source of demand suggest a very positive environment for the development of lithium projects over the next few years. Against this background, we expect that RCK will be at least able to maintain its current adjusted enterprise valuation of CAD477 per tonne of in situ Li₂O resource. Our valuation is based on the product of CAD477 and our exploration target of 15.8m tonnes of ore (163k tonnes Li₂O in situ). After diluting for in-the-money warrants and options, we now see fair value for the share at CAD2.10 (previously: CAD1.50). We maintain our Buy recommendation. Figure 9 shows the calculation underlying our price target while figure 10 compares RCK's current valuation with those of its peers.

Figure 9: RCK valuation calculation

A	Current share price (CAD)		1.44
B	Current no. shares (m)		33.053
C	New shares issued through option/warrant exercise (m)		2.055
D	Proforma no. shares (m)	B+C	35.108
E	Proforma mkt. cap. (CADm)	DxA	50.555
F	Current net cash (CADm)		2.822
G	Cash generated through option/warrant exercise (CADm)		0.886
H	Proforma net cash (CADm)	F+G	3.708
I	Proforma EV (CADm)	E-H	46.847
J	Total tonnes Li ₂ O in situ (m)		0.098
K	Proforma EV/tonne (CAD)	I/J	477.106
L	Exploration target tonnes Li ₂ O in situ (m)		0.163
M	Target proforma EV (CADm)	JxL	77.922
N	Target proforma mkt cap. (CADm)	M-H	74.214
O	Target proforma share price (CAD)	N/D	2.11

Source: First Berlin Equity Research estimates, RCK

**Figure 10: Current valuation of RCK and peers**

	Share price CAD	Mkt. cap. CADm	Mkt. cap. (proforma) CADm	Net cash (proforma) CADm	EV (proforma) CADm	Total tonnes Li ₂ O in situ (m)	EV/tonne (proforma) CAD
Critical Elements	1.06	158.0	169.7	6.52	163.16	0.358	456
Frontier Lithium	0.59	81.7	87.8	3.57	84.25	0.128	659
Nemaska	1.42	568.5	628.8	94.41	534.36	0.510	1049
Sayona Mining	0.06	88.3	88.3	4.93	83.33	0.187	446
			0.0				
Rock Tech Lithium (current)	1.44	47.6	50.6	3.71	46.85	0.098	477
Rock Tech Lithium (price target)	2.11	74.2	74.2	3.71	77.93	0.163	477

Source: Rock Tech Lithium; peers



INCOME STATEMENT

All figures in CAD	2013	2014	2015	2016	2017E	2018E
Expenses						
Amortisation	17,382	9,601	2,633	3,423	2,632	2,632
Consulting	15,000	0	0	35,050	6,440	80,000
General administration	291,142	91,643	47,431	52,190	451,026	600,000
Interest	0	258,191	47,263	1,615	0	0
Management fees	12,500	0	80,000	177,379	360,000	460,000
Professional fees	121,712	60,844	51,750	36,508	8,934	0
Reverse takeover costs	0	183,349	0	0	0	0
Salaries and wages	0	105,121	124,410	109,448	45,000	0
Stock-based payments	0	0	68,325	648,139	49,219	0
Transfer agent & filing fees	57,038	23,313	19,534	25,004	27,616	40,000
Property investigation	0	0	0	0	0	0
Travel & promotion	14,752	647	27,446	105,267	341,353	400,000
EBIT	-529,526	-732,709	-468,792	-1,194,023	-1,292,220	-1,582,632
Other items						
Interest income	390	0	0	0	0	0
Gain on settlement of debt	0	13,080	130,940	0	0	0
Gain on disposition of exploration and evaluation assets	0	8,586	0	0	0	0
Loss on disposition of equipment	0	-15,422	0	0	0	0
Mineral property impairment	-4,688,800	-653,673	0	0	0	0
Mineral property recovery	0	0	51,008	0	0	0
Realized gain/(loss) on investments	0	-42,891	171,829	45,498	2,895	0
Write down of equipment	0	-6,240	0	0	0	0
Flow-through premium liability recovery	0	0	0	0	0	0
Result for the period	-5,217,936	-1,429,270	-115,014	-1,148,525	-1,289,325	-1,582,632
Other comprehensive income that may be reclassified to net income: Unrealized gain/(loss) on investments	0	0	278,230	-39,556	0	0
Other comprehensive income that may be reclassified to net loss: Unrealized gain/(loss) on investments	0	-237,655	0	0	0	0
Comprehensive income/(loss) for the period	-5,217,936	-1,666,924	163,216	-1,188,081	-1,289,325	-1,582,632
Earnings/(loss) per share - basic and diluted	-0.53	-0.15	-0.01	-0.06	-0.05	-0.04
Weighted av. no. shares outstanding - basic and diluted	9,911,984	10,860,284	15,752,874	20,736,263	28,542,248	35,723,531



BALANCE SHEET

All figures in CAD	2013	2014	2015	2016	2017E	2018E
ASSETS						
Current assets, total	70,862	495,708	269,050	3,241,531	2,972,000	5,872,000
Cash and cash equivalents	6,819	269,885	142,201	3,086,650	2,822,000	5,652,000
Receivables	8,275	4,001	776	105,681	30,000	70,000
Investments	0	221,812	120,613	5,250	0	0
Prepaid expenses and deposits	55,768	10	5,460	43,950	120,000	150,000
Non-current assets, total	3,419,530	1,694,750	1,528,032	2,008,402	2,874,665	4,372,033
Equipment	69,530	19,750	17,117	13,693	11,061	8,429
Exploration and evaluation assets	3,350,000	1,675,000	1,510,915	1,994,709	2,863,604	4,363,604
TOTAL ASSETS	3,490,392	2,190,458	1,797,083	5,249,933	5,846,665	10,244,033
LIABILITIES AND SHAREHOLDERS' EQUITY						
Current liabilities, total	1,889,015	1,083,839	458,922	306,244	350,101	420,101
Accounts payable and accrued liabilities	1,039,844	403,542	205,944	306,244	330,000	400,000
Convertible debt	592,329	0	0	0	0	0
Loan payable	0	590,602	148,405	0	0	0
Flow-through premium liability	0	0	0	0	0	0
Due to related parties	256,842	89,695	104,573	0	20,101	20,101
TOTAL LIABILITIES	1,889,015	1,083,839	458,922	306,244	350,101	420,101
SHAREHOLDERS' EQUITY						
Share Capital	23,024,932	24,171,105	24,171,105	28,362,125	30,206,126	36,016,126
Reserves	2,601,302	2,627,296	2,695,621	3,298,210	3,297,429	3,397,429
Accumulated other comprehensive income/(loss)	0	-237,655	40,576	1,020	0	0
Deficit	-24,024,857	-25,454,127	-25,569,141	-26,717,666	-28,006,991	-29,589,623
TOTAL SHAREHOLDERS' EQUITY	1,601,377	1,106,619	1,338,161	4,943,689	5,496,564	9,823,932
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	3,490,392	2,190,458	1,797,083	5,249,933	5,846,665	10,244,033



CASH FLOW STATEMENT

All figures in CAD	2013	2014	2015	2016	2017E	2018E
Operating activities						
Net income/(loss) for the period	-5,217,936	-1,429,270	-115,014	-1,148,525	-1,289,325	-1,582,632
Adjustments for non-cash items						
Amortisation	17,382	9,601	2,633	3,423	2,632	2,632
Accretion	0	33,665	0	0	0	0
Stock-based payments	0	0	68,325	648,139	49,219	100,000
Mineral property impairment (recovery)	4,688,800	653,673	-51,008	0	0	0
Write down of equipment	0	6,240	0	0	0	0
Flow-through premium liability recovery	0	0	0	0	0	0
Accretion	42,329	0	0	0	0	0
Loss on disposition of equipment	0	15,422	0	0	0	0
Gain on settlement of debt	0	-13,080	-130,940	0	0	0
(Gain)/loss on sale of investments	0	42,891	-171,829	-45,498	-2,895	0
Non-cash interest	0	9,205	47,263	1,615	0	0
Unrealized (gain)/loss on sale of investments	0	0	0	0	0	0
Foreign exchange loss	0	0	0	0	0	0
Shares issued for service	0	0	0	0	0	0
Changes in non-cash working capital items						
Receivables	166,450	4,274	3,225	-104,903	75,681	-40,000
Prepaid expenses and deposits	-36,099	55,758	-5,450	-38,490	-76,050	-30,000
Accounts payables and accrued liabilities	-144,296	475,246	-101,071	101,385	23,756	70,000
Due to related parties	0	-167,147	14,878	-104,573	20,101	0
Net cash flows used in operating activities	-483,370	-303,522	-438,988	-687,427	-1,196,881	-1,480,000
Investing activities						
Disposition of investments	0	53,244	666,210	121,305	7,125	0
Disposition of equipment	0	18,517	0	0	0	0
Disposition of exploration and evaluation assets	0	300,000	0	0	0	0
Recovery (expenditures) on exploration and evaluation assets	0	-3,673	65,093	0	0	0
Expenditures on exploration and evaluation assets	-221,598	0	0	-461,294	-876,020	-1,500,000
Expenditures on property, plant, equipment	0	0	0	0	0	0
Net cash flows from/used in investing activities	-221,598	368,088	731,304	-339,989	-868,895	-1,500,000
Financing activities						
Loan payments	0	0	-420,000	0	0	0
Proceeds from stock option exercise	0	0	0	50,000	55,000	660,000
Proceeds from warrant exercise	0	0	0	55,071	1,700,000	150,000
Proceeds from equity issuance	0	150,000	0	3,866,794	0	5,000,000
Proceeds from convertible debt	600,000	48,500	0	0	0	0
Due to related parties	16,403	0	0	0	0	0
Other	0	0	0	0	46,126	0
Net cash flow from/used in financing activities	616,403	198,500	-420,000	3,971,865	1,801,126	5,810,000
Increase/(decrease) in cash and cash equivalents	-88,565	263,066	-127,684	2,944,449	-264,650	2,830,000
Cash and cash equivalents, beginning	95,384	6,819	269,885	142,201	3,086,650	2,822,000
Cash and cash equivalents, ending	6,819	269,885	142,201	3,086,650	2,822,000	5,652,000

FIRST BERLIN RECOMMENDATION & PRICE TARGET HISTORY

Report No.:	Date of publication	Previous day closing price	Recommendation	Price target
Initial Report	21 March 2017	CAD0.97	Buy	CAD1.50
2	26 June 2017	CAD0.94	Buy	CAD1.50
3	Today	CAD1.44	Buy	CAD2.10

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