

Rock Tech Lithium Inc.

Canada / Mining
 Primary exchange: Toronto/ Secondary
 exchange: Frankfurt
 Bloomberg: RCK CN
 ISIN: CA77273P1027

New Resource
 Estimate

RATING
BUY

PRICE TARGET
CAD 2.10

Return Potential 76.5%
 Risk Rating High

MEASURED AND INDICATED RESOURCE DOUBLES TO 6.58M TONNES

RCK has published an updated NI 43-101-compliant resource estimate for its flagship Georgia Lake Project which shows a 40% increase in Li₂O ore to 13.30m tonnes (previously: 9.5m tonnes) while Li₂O in situ is up by 51% to 148k tonnes (previously: 98k tonnes). The measured and indicated part of the resource is 106% higher at 6.58m tonnes (previously: 3.19m tonnes). This is important because the Preliminary Economic Assessment (PEA) of the project due to be published over the next few weeks will be based mostly on the measured and indicated resource figure. The new resource estimate is part of a NI 43-101 technical report completed by the German mining consultant, DMT GmbH & Co. KG (DMT) who are also currently preparing the PEA. Based on the new information published in DMT's technical report, we have produced a DCF-based valuation for RCK's Georgia Lake project. We see fair value for the RCK share at CAD2.10. Our previous valuation, which was based on a peer group comparison, was also CAD2.10. We maintain our Buy recommendation.

Nearly 90% of resource increase in measured and indicated category Figures 1 and 2 overleaf show the updated resource update published at the end of June 2018 and RCK's previous NI 43-101-compliant resource estimate which was first published in October 2012. In figure 1 NSPA and SSPA stand for Northern Spodumene Pegmatite Area and Southern Spodumene Pegmatite Area respectively. The new resource estimate includes measured resources of 1.89m tonnes while the 2012 resource estimate included only indicated and inferred resources. Measured and indicated resources accounted for nearly 3.4m tonnes or nearly 90% of the overall 3.8m tonne increase in overall resources. As figure 1 shows, all the measured and indicated resource is located in the NSPA.

Further potential to increase resource within both NSPA and SSPA The resource estimate for the NSPA is derived from a 3D block model based on drill hole data from the 1950s as well as results acquired from November 2009 to date.

FINANCIAL HISTORY & PROJECTIONS

	2013	2014	2015	2016	2017	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	-3.28	-1.20
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	-3.28	-1.20
EPS (diluted) (CAD)	-0.53	-0.15	-0.01	-0.06	-0.12	-0.03
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	-2.63
Net gearing	36.6%	29.0%	0.5%	-62.4%	-51.7%	-58.5%
Liquid assets (CAD m)	0.01	0.27	0.14	3.09	2.90	5.98

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 a measured and indicated resource of 6.58m tonnes grading 1.01% Li₂O and an inferred resource of 6.72 m tonnes grading 1.22% Li₂O. Production is scheduled to start in 2021.

MARKET DATA

	As of 20 Jul 2018
Closing Price	CAD 1.19
Shares outstanding	33.74m
Market Capitalisation	CAD 40.15m
52-week Range	CAD 0.94 / 2.05
Avg. Volume (12 Months)	28,693

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

STOCK OVERVIEW



COMPANY DATA

	As of 31 Mar 2018
Liquid Assets	CAD 2.55m
Current Assets	CAD 2.65m
Intangible Assets	CAD 3.09m
Total Assets	CAD 5.75m
Current Liabilities	CAD 0.31m
Shareholders' Equity	CAD 5.35m

SHAREHOLDERS

Management	16.0%
Other cornerstone investors	53.5%
Free float and other	30.5%



Figure 1: Updated resource estimate (June 2018)

Project area	Category	Quantity (m tonnes)	Li ₂ O (%)	Cut-off Li ₂ O (%)
NSPA	Measured	1.89	1.04	0.65
NSPA	Indicated	4.68	1.00	0.65
Total	Measured and Indicated	6.58	1.01	0.65
NSPA	Inferred	4.18	1.10	0.65
SSPA	Inferred	2.54	1.41	0.65
of which:				
McVittie	Inferred	0.67	n.a.	0.65
Jean Lake (West)	Inferred	1.28	n.a.	0.65
Newkirk	Inferred	0.13	n.a.	0.65
Aumacho	Inferred	0.46	n.a.	0.65
Total	Inferred	6.72	1.22	0.65

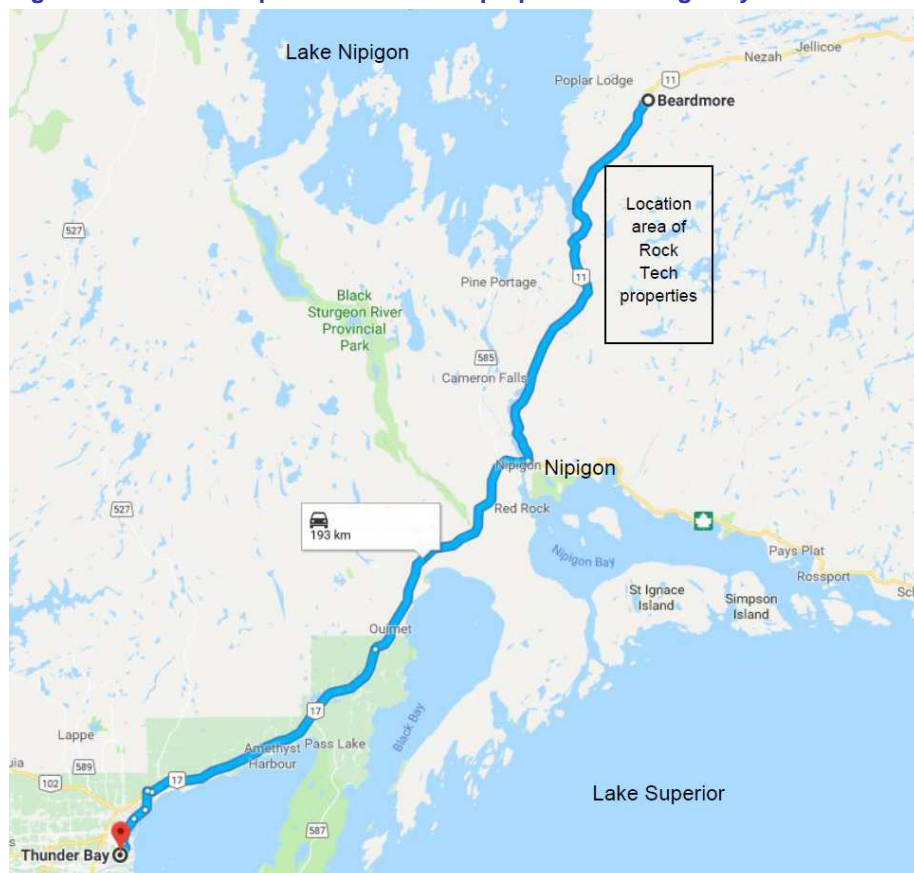
Source: Rock Tech Lithium

Figure 2: Previous resource estimate (October 2012)

Project area	Category	Quantity (m tonnes)	Li ₂ O (%)	Cut-off Li ₂ O (%)
Main Zone North (MZN)	Indicated	2.47	1.11	0.60
Conway (CON)	Indicated	0.72	1.05	0.60
Total	Indicated	3.19	1.10	0.60
Main Zone North (MZN)	Inferred	2.5	0.98	0.60
Conway (CON)	Inferred	0.59	1.02	0.60
Line 60 (LIN)	Inferred	1.3	0.93	0.60
Main Zone South West (MZSW)	Inferred	0.97	1.09	0.60
Harricana (HAR)	Inferred	0.95	1.03	0.60
Total	Inferred	6.31	1.00	0.60

Source: Rock Tech Lithium

Figure 3: Location map of the Rock Tech properties and Highway 11 access road from Thunder Bay

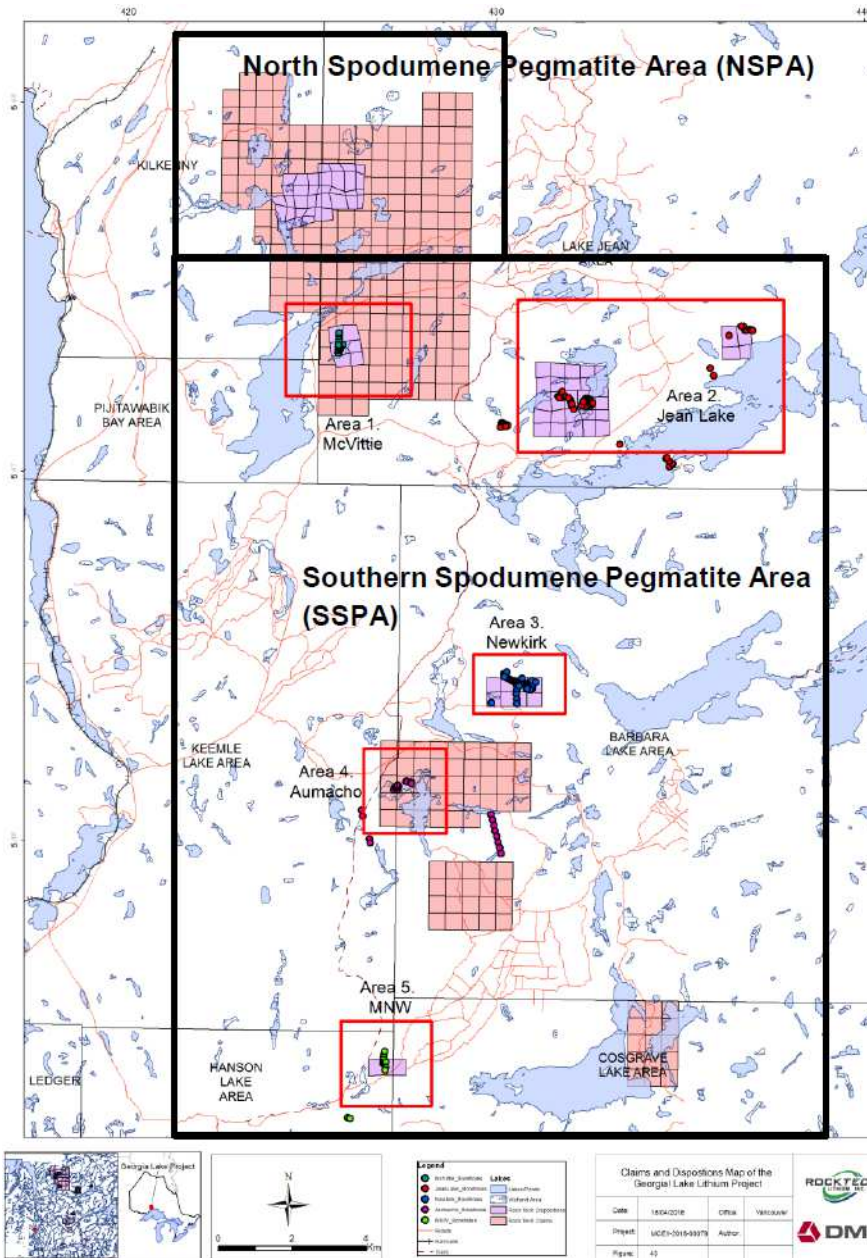


Source: Rock Tech Lithium



0.33m tonnes of resource within the NSPA 3D block model is inferred while an additional 3.85m tonnes of inferred resource within the NSPA is derived by extrapolating the pegmatites to up to 50m below the 3D model. The current resource estimate is 2.5m tonnes short of the 15.8m tonnes we targeted in our initiating coverage study of 21 March 2017 and subsequent studies of 26 June 2017 and 6 February 2018. About 30% of the shortfall (0.7m tonnes) is due to the use in the current resource estimate of a cut-off grade of 0.65% while the 2012 resource estimate was based on a cut-off grade of 0.60%. We continue to believe that a resource estimate of 15.8m tonnes and above is realistic. The DMT report explicitly recommends further exploration work at the eastern Jean Lake and MNW pegmatites (both in the SSPA). There is also further potential to increase the resource estimate through further exploration of the lithium-bearing pegmatite dike discovered in late 2016 to the south east of Main Zone North in the NSPA. So far RCK has only taken grab samples of this dike and the data generated is not sufficient to warrant inclusion in the resource estimate.

Figure 4: Position of SSPA drillholes relative to the NSPA

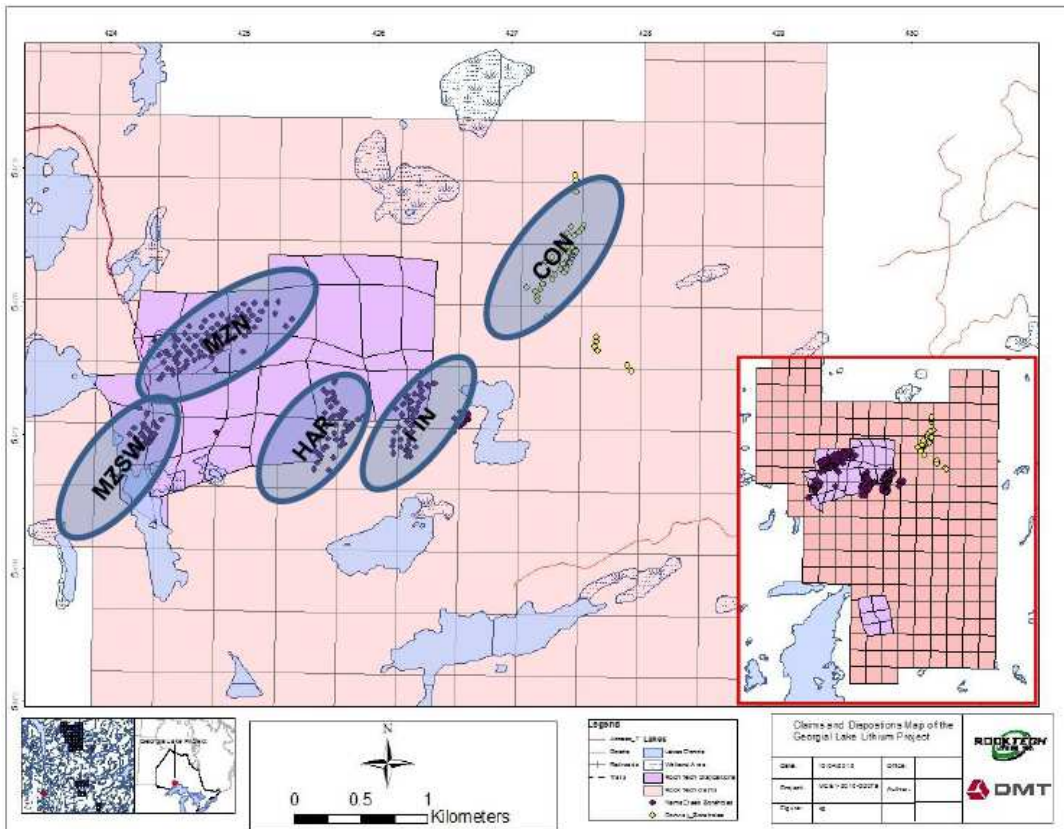


Source: Rock Tech Lithium



Figure 3 shows the location of RCK’s properties in Ontario. Figure 4 shows the SSPA drillholes and their position relative to the NSPA. Meanwhile figure 5 shows the location of drillholes in the NSPA and the five pegmatite dikes - Main Zone North (MZN), Main Zone South West (MZSW), Harricana (HAR), Line 60 (LIN), Conway (CON) - modelled in the current resource estimate.

Figure 5: Location of drillholes and the five pegmatite dikes in the NSPA



Source: Rock Tech Lithium

Figure 6 shows how the measured and indicated resource in the NSPA splits between the five dikes. We expect mining of the NSPA to proceed via a series of open pits with operations starting at MZN which accounts for over 50% of the resource. The 2D dimensions of the five dikes looking from above along dip are shown in figure 7.

Figure 6: NSPA measured and indicated resource by dike

	Cut-off Li ₂ O %	Grade (%)	Tonnage
NSPA measured + indicated resource	0.65%	1.01%	6.58
of which:			
Nama Creek Main Zone North	0.65%	1.01%	3.37
Nama Creek Main Zone South West	0.65%	1.02%	0.66
Harricana	0.65%	0.97%	0.54
Line 60	0.65%	1.04%	0.91
Conway	0.65%	0.99%	1.09

Source: Rock Tech Lithium



Figure 7: Dimensions of NSPA dikes looking from above along dip

Nama Creek Main Zone North	1050m x 250m
Nama Creek Main Zone South West	300m x 250m
Harricana	500m x 250m
Line 60	650m x 200m
Conway	750m x 200m

Source: Rock Tech Lithium

RCK has achieved target spodumene concentrate grade RCK is aiming in the first instance to produce spodumene concentrate which is an intermediate compound in the lithium value chain - upstream of the more highly value-added lithium carbonate and lithium hydroxide. Spodumene concentrate production is less capital intensive than lithium carbonate and lithium hydroxide production and the commodity price is correspondingly lower. However, in the near to medium term increased downstream integration may result in intensifying competition for spodumene concentrate and hence higher prices.

Tests suggest lower cost HLS process will be viable for Georgia Lake In 2011 RCK released results of metallurgical testing conducted on a bulk sample taken from Georgia Lake. The object of the test was to produce a first market sample of lithium carbonate. Two processing methods were used, heavy liquid separation (HLS) and floatation. Floatation is the more expensive of the two processes as it involves much higher electricity consumption than HLS. The advantage of floatation over HLS is that the recovery of the lithium bearing mineral spodumene from pegmatite is usually higher. Results of RCK's 2011 tests showed a higher spodumene recovery rate for floatation (81.5%) than for HLS (75.5%). But the recovery rate using HLS was high enough to suggest that this method will be viable at Georgia Lake, thereby saving RCK significant capital and operating costs.

Lithium carbonate produced is battery quality Battery manufacturers' specifications for lithium carbonate purity vary, but are usually at least 99.5%. In 2011 RCK was able to produce material to a purity of 99.963% at its first attempt without any optimisation of the Georgia Lake bulk samples. However, sodium and calcium levels within this material exceeded maximum thresholds for a battery grade product. After application of the bicarbonate polishing procedure, all solids met battery grade product specifications except iron. A second bicarbonate polishing step was completed and the resulting material met all product specifications and had a Li_2CO_3 grade of 99.988%.

Acquisition of Nogalito lithium brine exploration project In March 2018 RCK paid USD20,000 to acquire the Nogalito lithium property at Sonora, Mexico. The acquisition entails a degree of diversification, as Nogalito is a lithium brine exploration project, whereas RCK's existing project at Georgia Lake is a hard rock lithium project. In general terms lithium brine operations are more capital intensive than their hard rock counterparts but have lower operating costs and greater economies of scale. Lithium brine deposits' lower operating costs stem from the fact that the lithium is already in solution within the deposit. Processing of pegmatite on the other hand, which is the ore at hard rock projects, entails costly crushing and grinding. Another important consideration is that it takes longer to increase capacity at lithium brine operations due to technical issues. Lead times are further extended by the evaporation process which is also weather-dependent.

Lithium was originally discovered at Nogalito in 1990 by US Borax Inc., which was exploring for borate. 108 samples collected by US Borax Inc. in the course of sediment sampling showed values between 200 ppm and 498 ppm lithium, 27 samples showed values between 523 ppm and 968 ppm lithium and one sample returned a value of 1,166 ppm lithium. Values between 350-750ppm are considered good for a lithium brine deposit.



All five samples collected by RCK from unconsolidated surface sediments in the basin at Nogalito contained lithium with assays ranging from 150 ppm to 600 ppm lithium, averaging 292 ppm lithium. RCK is currently developing work programmes aimed at confirming the presence of a basin containing lithium-rich brine.

FINANCIAL POSITION

RCK's cash position at the end of March was CAD2.6m. Cash consumption during 2017 was CAD2.1m. For 2018 we expect a 27% increase in this figure to CAD2.6m implying cash consumption during the April-December period of CAD2.2m. Our forecast increase in cash consumption in 2018 stems mainly from a projected rise of 76% in exploration and evaluation expenditure to CAD1.5m (2017: CAD0.9m) in connection with expenditure on the updated resource estimate and PEA for the Georgia Lake project.

We model CAD5m in additional equity financing ahead of the start of production At the end of March options outstanding included 1.05m with an exercise price of CAD0.55 expiring at the end of July 2018. RCK also had 368,334 warrants outstanding with an exercise price of CAD0.50 expiring during the first week of July 2018. Exercise of these options and warrants will generate CAD0.8m. RCK is targeting the start of production at Georgia Lake in 2021. We model a CAD5m capital raise during the second half of this year to raise sufficient funds to finance cash outflows during 2019 and 2020 ahead of the scheduled start of production in 2021.

VALUATION

Buy recommendation maintained at a price target of CAD 2.10 (previously: CAD2.10)

Figure 8 below shows our DCF valuation of RCK. As we have seen above, RCK's resource estimate of 6.58m tonnes grading 1.01% Li₂O is based on a cut-off estimate of 0.65%. We expect RCK to be able to extract material down to a grade of 0.40% and so assume that a relatively low proportion of the resource is lost to mine dilution (15%) and a relatively high recovery rate of 90%. 6.58m tonnes grading 1.01% Li₂O equates to in situ Li₂O of 66,458 tonnes. After adjusting for material lost to mine dilution and in recovery, we arrive at 50,601 tonnes. We assume that the end product will be a 6% spodumene concentrate. Dividing the recovered 50,601 tonnes of Li₂O by 6% gives life of mine (LOM) spodumene concentrate output of 843,352 tonnes. We assume average annual output of 70,279 tonnes of 6% spodumene concentrate over a mine life of 12 years.

We further assume a LOM concentrate price of USD800 in line with the current market price. The pegmatites at Georgia Lake are partly exposed outcrops. The remainder is overlain by glacial deposits consisting mainly of stratified accumulations of unconsolidated sand and gravel. Management tell us that the average LOM strip ratio is likely to be 10x. We have used Frontier Lithium's PAK project located in north western Ontario as a comparator for the Georgia Lake project. Frontier Lithium's April 2018 PEA of the PAK project is based on a resource estimate of 8.5m tonnes measured and indicated. The average strip ratio during the open pit phase (10 years) of the PAK project is estimated to be 4.1x. Average operating cost per tonne concentrate during this period is put at CAD462. Given the lower grade of the Georgia Lake project (1.01% vs. 1.78%) and also the higher strip ratio, we assume a figure for Georgia Lake of CAD550 per tonne concentrate. We estimate combined capital costs for the Georgia Lake mine and processing plant at USD70m.

Our DCF model indicates fair value for the RCK share at CAD2.10. Our previous valuation, which was based on a peer group comparison, was also CAD2.10. We maintain our Buy recommendation.

**Figure 8: DCF valuation (CADm)**

Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Spodumene concentrate produced (t)			46,384	72,452	72,452	72,452	72,452	72,452	72,452	72,452	72,452	72,452	72,452	72,452
Revenue	48.8	76.2	76.2	76.2	76.2	76.2	76.2	76.2	76.2	76.2	76.2	76.2	76.2	76.2
Operating costs			25.5	39.8	39.8	39.8	39.8	39.8	39.8	39.8	39.8	39.8	39.8	39.8
EBITDA	23.2	36.3	36.3	36.3	36.3	36.3	36.3	36.3	36.3	36.3	36.3	36.3	36.3	36.3
Depreciation	5.1	7.9	7.9	7.9	7.9	7.9	7.9	7.9	7.9	7.9	7.9	7.9	7.9	7.9
EBIT	18.2	28.4	28.4	28.4	28.4	28.4	28.4	28.4	28.4	28.4	28.4	28.4	28.4	28.4
Tax	0.0	5.7	7.1	7.1	7.1	7.1	7.1	7.1	7.1	7.1	7.1	7.1	7.1	7.1
Operating cashflow after tax			23.2	30.6	29.2	29.2	29.2	29.2	29.2	29.2	29.2	29.2	29.2	29.2
Capital costs	-46.0	-46.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net cashflow after tax	-46.0	-46.0	23.2	30.6	29.2	29.2	29.2	29.2	29.2	29.2	29.2	29.2	29.2	29.2
PV CF	-40.1	-36.4	16.7	20.0	17.4	15.8	14.4	13.1	11.9	10.8	9.8	8.9	8.1	7.4
NPV														
Cash end March	2.554													
Proceeds of recent share issues/ dilutive option & warrant exercise	5.013													
Proceeds of assumed future share issuance	5.000													
Proforma cash	12.567													
Total equity value	90.302													
Current shares outstanding (m)	33.741													
Dilutive shares (m)	4.694													
Assumed future share issuance (m)	4.545													
Proforma share total (m)	42.980													
Value per share (CAD)	2.10													

Source: DMT, First Berlin Equity Research estimates

Figure 9: Key assumptions underlying our valuation model

Life of Mine (LOM)	12 years
In situ Li ₂ O (t)	66,458
Mining dilution	15%
Recovery	90%
LOM spodumene concentrate production (t)	843,352
Average spodumene concentrate price (USD)	800
LOM spodumene concentrate revenue (CADm)	887
Production cost per tonne spodumene concentrate (CAD)	550
LOM EBITDA (CADm)	423
Capital costs (CADm)	92
Tax rate	25%
Discount rate	10%
USDCAD FX rate	1.314
Project NPV (CADm)	77.7
Profoma net cash (CADm)	12.6
Total equity value (CADm)	90.3
Proforma no shares (m)	42.980
Value per share (CAD)	2.10

Source: First Berlin Equity Research estimates



INCOME STATEMENT

All figures in CAD	2013	2014	2015	2016	2017	2018E
Expenses						
Amortisation	17,382	9,601	2,633	3,423	2,739	2,192
Consulting	15,000	0	0	35,050	11,440	30,312
General administration	291,142	91,643	47,431	52,190	48,627	22,408
Interest	0	258,191	47,263	1,615	0	0
Management fees	12,500	0	80,000	177,379	360,000	360,000
Professional fees	121,712	60,844	51,750	36,508	40,295	25,256
Project investigations	0	0	0	0	254,645	92,412
Reverse takeover costs	0	183,349	0	0	0	0
Salaries and wages	0	105,121	124,410	109,448	180,000	180,000
Stock-based payments	0	0	68,325	648,139	2,009,801	16,217
Transfer agent & filing fees	57,038	23,313	19,534	25,004	24,155	54,988
Travel & promotion	14,752	647	27,446	105,267	347,225	528,632
EBIT	-529,526	-732,709	-468,792	-1,194,023	-3,278,927	-1,203,788
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	-3,276,032	-1,203,788
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	-1,020	0
Comprehensive income/(loss) for the period	-5,217,936	-1,666,924	163,216	-1,188,081	-3,277,052	-1,203,788
Earnings/(loss) per share - basic and diluted	-0.53	-0.15	-0.01	-0.06	-0.12	-0.03
Weighted av. no. shares outstanding - basic and diluted	9,911,984	10,860,284	15,752,874	20,736,263	27,828,487	34,709,910



BALANCE SHEET

All figures in CAD	2013	2014	2015	2016	2017	2018E
ASSETS						
Current assets, total	70,862	495,708	269,050	3,241,531	2,959,382	6,147,670
Cash and cash equivalents	6,819	269,885	142,201	3,086,650	2,897,532	5,977,670
Receivables	8,275	4,001	776	105,681	19,388	70,000
Investments	0	221,812	120,613	5,250	0	0
Prepaid expenses and deposits	55,768	10	5,460	43,950	42,462	100,000
Non-current assets, total	3,419,530	1,694,750	1,528,032	2,008,402	2,988,801	4,486,609
Equipment	69,530	19,750	17,117	13,693	10,955	8,763
Exploration and evaluation assets	3,350,000	1,675,000	1,510,915	1,994,709	2,977,846	4,477,846
TOTAL ASSETS	3,490,392	2,190,458	1,797,083	5,249,933	5,948,183	10,634,279
LIABILITIES AND SHAREHOLDERS' EQUITY						
Current liabilities, total	1,889,015	1,083,839	458,922	306,244	343,649	421,866
Accounts payable and accrued liabilities	1,039,844	403,542	205,944	306,244	321,783	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	21,866	21,866
TOTAL LIABILITIES	1,889,015	1,083,839	458,922	306,244	343,649	421,866
SHAREHOLDERS' EQUITY						
Share Capital	23,024,932	24,171,105	24,171,105	28,362,125	30,424,121	36,135,788
Reserves	2,601,302	2,627,296	2,695,621	3,298,210	5,174,111	5,274,111
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	-29,993,698	-31,197,486
TOTAL SHAREHOLDERS' EQUITY	1,601,377	1,106,619	1,338,161	4,943,689	5,604,534	10,212,413
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	3,490,392	2,190,458	1,797,083	5,249,933	5,948,183	10,634,279



CASH FLOW STATEMENT

All figures in CAD	2013	2014	2015	2016	2017	2018E
Operating activities						
Net income/(loss) for the period	-5,217,936	-1,429,270	-115,014	-1,148,525	-3,276,032	-1,203,788
Adjustments for non-cash items						
Amortisation	17,382	9,601	2,633	3,423	2,739	2,192
Accretion	0	33,665	0	0	0	0
Stock-based payments	0	0	68,325	648,139	2,009,801	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	86,293	-50,612
Prepaid expenses and deposits	-36,099	55,758	-5,450	-38,490	1,488	-57,538
Accounts payables and accrued liabilities	-144,296	475,246	-101,071	101,385	-61,271	78,217
Due to related parties	0	-167,147	14,878	-104,573	21,866	0
Net cash flows used in operating activities	-483,370	-303,522	-438,988	-687,427	-1,218,011	-1,131,529
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	-854,327	-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	-847,202	-1,500,000
Financing activities						
Loan payments	0	0	-420,000	0	0	0
Proceeds from stock option exercise	0	0	0	50,000	146,800	577,500
Proceeds from warrant exercise	0	0	0	55,071	1,729,296	134,167
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	0	0
Net cash flow from/used in financing activities	616,403	198,500	-420,000	3,971,865	1,876,096	5,711,667
Increase/(decrease) in cash and cash equivalents	-88,565	263,066	-127,684	2,944,449	-189,118	3,080,138
Cash and cash equivalents, beginning	95,384	6,819	269,885	142,201	3,086,650	2,897,532
Cash and cash equivalents, ending	6,819	269,885	142,201	3,086,650	2,897,532	5,977,670

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	6 February 2018	CAD1.44	Buy	CAD2.10
4	Today	CAD1.19	Buy	CAD2.10

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Category		1	2
Current market capitalisation (in €)		0 - 2 billion	> 2 billion
Strong Buy ¹	An expected favourable price trend of:	> 50%	> 30%
Buy	An expected favourable price trend of:	> 25%	> 15%
Add	An expected favourable price trend of:	0% to 25%	0% to 15%
Reduce	An expected negative price trend of:	0% to -15%	0% to -10%
Sell	An expected negative price trend of:	< -15%	< -10%

¹ The expected price trend is in combination with sizable confidence in the quality and forecast security of management.

Our recommendation system places each company into one of two market capitalisation categories. Category 1 companies have a market capitalisation of €0 – €2 billion, and Category 2 companies have a market capitalisation of > €2 billion. The expected return thresholds underlying our recommendation system are lower for Category 2 companies than for Category 1 companies. This reflects the generally lower level of risk associated with higher market capitalisation companies.

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Legally required information regarding

- key sources of information in the preparation of this research report
- valuation methods and principles
- sensitivity of valuation parameters

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