

Jul 22, 2025

Basic Materials

HUSIF

OTCQB

Rating

Outperform

Unchanged

Current Price

\$0.51

Target Price

\$0.75

Market Capitalization

89.99m

Shares Outstanding

177.07m

Float

139.30m

Institutional Holdings

0.0001%

12-Month Low/High

\$0.15/\$0.51

Average 90-Day Volume

30560

Fiscal Year End

12/31/2025

Nicola Mining Inc.

Updating Our Sum-of-the-Parts Valuation; Raising Price Target

The Merritt Mill is processing ore. Nicola Mining's (TSX.V: NIM, OTCQB: HUSIF) 100% owned Merritt Mill in British Columbia recently began milling and processing ore from Talisker Resources Ltd.'s (TSX: TSK, OTCQX: TSKFF) Mustang mine to produce gold and silver concentrate. On May 11, Talisker began trucking material to the Craigmont Mill. The commencement of milling operations marked Nicola's transition to a long-term production plan and sustained revenue and cash flow generation.

Flow-through financing. Nicola Mining raised gross proceeds of C\$2,175,000 with a non-brokered private placement of 4,350,000 units at a price of C\$0.50 per unit. Each unit consists of one flow-through common share and one-half of one non-flow-through common share purchase warrant. Each warrant is exercisable at a price of C\$0.65 and expires two years from the date of issuance. The financing was oversubscribed by a total of 350,000 units or C\$175,000. Proceeds will be used to fund exploration at the company's New Craigmont Copper Project.

Updating our sum-of-the-parts valuation. We have increased our price target to C\$1.05 or US\$0.75 per share, from C\$0.70 or \$0.50 per share. Our increased price target is based on an updated sum-of-the-parts valuation that reflects higher long-term precious metals prices, along with higher values for the company's New Craigmont copper project and marketable securities held by Nicola in Blue Lagoon Resources Inc. (CSE: BLLG, OTCQB: BLAGF). Our valuation is summarized in the body of this report.

Rating is Outperform rating. We expect Nicola's Merritt Mill to rapidly ramp up to capacity. In addition to processing ore for Talisker, ore is expected to be sourced during the third quarter from the Dome Mountain gold mine, which is owned by Blue Lagoon Resources, and from the Dominion Creek Gold Project, of which Nicola has a 75% economic interest.

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Analyst Certification & Disclosures**

Revenues (\$ MIL)

Period	2024 A	2025 E	2026 E
Q1	0.0746 A	0.0064 A	14.0012 E
Q2	0.0000 A	0.4726 E	15.4500 E
Q3	0.0000 A	8.4701 E	15.7841 E
Q4	0.7436 A	14.2493 E	15.9407 E
	0.8182 A	23.1984 E	61.1761 E

EPS (\$)

Period	2024 A	2025 E	2026 E
Q1	(0.01) A	(0.00) A	0.03 E
Q2	(0.02) A	(0.01) E	0.04 E
Q3	(0.01) A	0.02 E	0.04 E
Q4	(0.00) A	0.03 E	0.04 E
	(0.03) A	0.04 E	0.15 E

Updating Our Sum-of-the-Parts Valuation; Raising Price Target

Nicola Mining (TSX.V: NIM, OTCQB: HUSIF) is advancing its flagship New Craigmont Copper Project and owns 100% of the past-producing Treasure Mountain high-grade silver, lead, and zinc underground mine with significant exploration potential and an active mining permit. Nicola distinguishes itself by offering investors significant discovery and value creation potential through its exploration activities at New Craigmont and Treasure Mountain while generating cash flows from the Merritt Mill, which processes ore from third parties, a sand and gravel pit, rock quarry, and ready-mix cement plant.

Nicola Mining's Merritt Mill, in British Columbia, recently began milling and processing ore from Talisker Resources' Mustang mine. On May 11, Talisker began trucking material to the Craigmont Mill. As of July 7, a total of 3,100 tonnes of material had been transported for processing.

The Merritt Mill in Merritt, British Columbia, is equipped to process 200 tonnes of ore per day and is authorized for custom milling. Notably, the Merritt Mill is the sole facility in British Columbia permitted to receive and process third-party gold and silver feed from across the province. Nicola has executed Milling and Profit Share Agreements with several key partners and a sales contract that enables global distribution of gold and silver concentrate. Nicola and its First Nations partner are in the process of applying for a permit amendment to increase mill capacity to 500 tonnes per day and to expand the tailings facility.

In addition to processing ore for Talisker, ore is expected to be sourced during the third quarter from the Dome Mountain gold mine, which is owned by Blue Lagoon Resources (CSE: BLLG, OTCQB: BLAGF) and from the Dominion Creek Gold Project, of which Nicola has a 75% economic interest.

In May 2023, Blue Lagoon Resources extended its tolling agreement with Nicola Mining to March 31, 2027. Blue Lagoon recently announced the official opening of its wholly owned Dome Mountain Gold Project. Dome Mountain has permits for up to 75,000 tonnes of annual production and features 15 high-grade gold veins, with 90% of the property yet to be explored. Gold production is expected to start with an initial production of 55,000 tonnes per year. The company expects to recover 15,000 ounces of gold per year before ramping production. Dome Mountain recently received its mining permit and is one of just a few high-grade, road-accessible gold projects in British Columbia to reach production-ready status in recent years. Dome Mountain will begin mining and transition to near-term cash flow once the Moving Bed Biofilm Reactor (MBBR) system is commissioned during the next several weeks. The two-stage water-treatment facility features a functioning High-Density Sludge circuit and MBBR circuit, which uses microbes to remove blasting-related ammonia and nitrates. The MBBR's biological ramp-up phase typically takes approximately four weeks. Mining will commence immediately upon completion of the ramp-up phase.

Nicola's 75% economic interest in the Dominion Creek Gold Project is secured through a Mineral Purchase Agreement with High Range Exploration Limited. Nicola Mining and High Range Exploration have obtained a bulk sample permit to extract up to 10,000 tonnes of ore, with processing anticipated to commence at Merritt Mill in the third quarter of 2025. The company has a strong economic incentive to process high-grade ore from Dominion Creek due to its significant economic interest.

Nicola Commences 2025 New Craigmont Exploration Drilling

In June, Nicola Mining commenced the 2025 exploration and diamond drilling program at its New Craigmont Copper Project, which will entail 4,000 to 5,000 meters of drilling. The program is expected to run from June through September and cost \$1.5 million to \$2.0 million. The purpose of the 2025 program is to collect geological data for target development for a potential porphyry copper system at New Craigmont.

In collaboration with ALS Geoanalytics (formerly ALS GoldSpot), five priority targets, three of which are included in the 2025 program, were identified using artificial intelligence (AI)-based methods to analyze and correlate geophysical and geochemical data from Nicola's exploration data. The collaboration harnesses the power of AI to identify high-potential targets which could increase the probability of successful outcomes.

Management's goals include the collection of more geochemical data, expanding the extent of mineralization at the MARB and CAS targets, testing two new targets at West Craigmont, and testing two new targets generated by ALS Geoanalytics in the center of the property. Drilling will probe continuity along the trend between MARB, CAS, and the Embayment Zone.

VALUATION:

Our price target of C\$1.05 or US\$0.75 per share is based on a sum-of-the-parts valuation. It is the summation of values ascribed to the following: 1) the New Craigmont Copper Project; 2) the Merritt Mill and Tailings Facility, 3) the Sand/Gravel Pit and Rock Quarry, and 4) the Treasure Mountain Silver Mine. While we did not assign a stand-alone value for Dominion Creek, we think its value is somewhat reflected in the Merritt Mill valuation since Dominion Creek will be a source of ore for the mill. We think there could be upside to our valuation based on mill capacity expansion, better than expected mill performance, higher commodity prices, and changes in balance sheet items such as debt reduction. Our valuation is summarized below.

Nicola Mining Sum-of-the-Parts Valuation

Project:	Value (C\$ in millions)	Per Share (C\$)
New Craigmont Copper Project	75.0	0.41
Merritt Mill and Tailings Facility	103.4	0.56
Sand/Gravel Pit and Rock Quarry	3.2	0.02
Treasure Mountain Silver Project	9.3	0.05
Total Value	190.9	1.04
(+) Cash	1.3	0.01
(+) Marketable Securities	4.8	0.03
(-) Debt	(4.2)	(0.02)
Equity Value (C\$)	192.8	1.05
Equity Value (US\$)	140.8	0.77
Shares Outstanding		183.6

Source: Noble Capital Markets, Inc.

Except for shares outstanding and marketable securities, our valuation is based on balance sheet information as of March 31, 2025. Our share count is based on recent financings, which are discussed later in this report. As of July 18, we estimate the company has shares outstanding of 181,621,368. Including 3,106,977 warrants and 9,450,000 options, we estimate the fully diluted share count to be 194,178,345. Shares outstanding for the purposes of calculating our price target include the expected conversion of warrants in August 2025 as discussed in the Capital Structure and Liquidity section of this report.

In our Sum-of-the-Parts valuation, three components have changed. First, we have increased the value of the New Craigmont Copper project to C\$75.0 million or C\$0.41 per share from C\$68.8 million or C\$0.39 per share. In September 2023, Nicola executed a letter of intent with Nittetsu Mining Co. Ltd. to form a joint venture to advance the New Craigmont project, which was later suspended. The aggregate investment by Nittetsu implied a New Craigmont value of \$62.5 million. Since 2023, Nicola has significantly de-risked the project with the completion of several geophysical surveys and the completion of a successful 2024 drill program. Moreover, copper prices have strengthened based on a robust demand outlook driven by infrastructure spending and the need for copper in the rapid transition to electrification. During the month of September 2023, copper prices averaged US\$3.75 per pound and were US\$4.60 per pound when we initiated research coverage on May 8, 2025. To reflect the added value, we originally added a 10% premium and valued New Craigmont at C\$68.8 million or C\$0.39 per share. Since our initiation on May 8, copper prices have risen from US\$4.60 per pound to US\$5.63 per pound, and we think themes such as electrification will provide secular tailwinds for copper demand and pricing. Additionally, Nicola Mining has embarked on a well-funded and robust exploration and drilling program, which we think will further de-risk the project and offer the potential for significant discoveries. Accordingly, we increased our premium to 20% from 10%.

Second, the value of the Merritt Mill has increased to C\$103.4 million or C\$0.56 per share based, in part, on higher long-term

precious metals price, recovery, and grade assumptions, along with changes to our terminal value. We have employed a discounted cash flow framework for the Merrit Mill and Tailings facility, which follows a traditional mining model framework. It is based on mill processing capacity of 200 tonnes per day, gold equivalent ounces recovered, the price of gold, and operating costs per gold equivalent ounce. The mill has just commenced operations, and it will take some time to gauge its performance.

Third, our value of Treasure Mountain increased to C\$9.3 million or C\$0.05 per share from C\$6.1 million or C\$0.03 per share. Our valuation of the Treasure Mountain Silver Mine is based on a market value-to-silver equivalent resources framework using a comparative group of junior mining companies that are advancing primarily silver-focused projects. Since the date of our research initiation on May 8, peer group valuations have risen significantly based on rising silver prices. The price of silver increased from US\$32.62 per ounce to the recent price of US\$39.31 per ounce.

With respect to marketable securities, we estimate that Nicola Mining Inc. owns at least 7,142,857 shares of Blue Lagoon Resources Inc. with a market value of C\$4,785,714 based on a BLLG closing price of C\$0.67 on July 21. Nicola's ownership would represent approximately 5% of Blue Lagoon's 140,778,781 shares outstanding. The value of the company's marketable securities increased to C\$4.8 million or C\$0.03 per share compared to our prior valuation of C\$1.8 million or C\$0.01 per share. The company's holdings have changed, and the value of Blue Lagoon shares have risen from C\$0.28 per share on March 31 to the recent price of C\$0.67 per share.

Capital Structure and Liquidity

As of March 31, Nicola Mining reported cash and cash equivalents totaling C\$1,343,785 and marketable securities amounting to C\$1,796,999. Secured convertible debentures totaled C\$4,153,004. As of March 31, the number of common shares outstanding was 175,999,081.

On July 17, Nicola Mining raised gross proceeds of C\$2,175,000 with the closing of a non-brokered private placement of 4,350,000 units at a price of C\$0.50 per unit. Each unit consists of one flow-through common share and one-half of one non-flow-through common share purchase warrant. Each warrant is exercisable at a price of C\$0.65 and expires two years from the date of issuance. Proceeds will be used to fund exploration at the company's New Craigmont Copper Project.

On July 21, Nicola Mining announced that it was electing to accelerate the expiry of 2,019,477 outstanding common share purchase warrants originally issued under a financing announced that closed in March 2025. Nicola issued 4,038,955 units for gross proceeds of C\$1,067,080.00. Each unit consisted of one common share and one-half of one share purchase warrant. Each warrant entitles the holder to purchase one additional share of the company at a price of C\$0.40 per warrant share. Nicola expects to exercise its right to accelerate the expiry of the warrants on August 20, 2025. Warrants that remain unexercised after the accelerated expiry date will expire. We expect Nicola Mining to receive gross proceeds of C\$807,791 from the expected early conversion of the warrants. In our model, we have assumed the warrants are exercised on August 20, 2025.

Company Profile

Nicola Mining Inc. is a junior mining company that maintains a 100% owned mill and tailings facility, located near Merritt, British Columbia. It has signed Mining and Milling Profit Share Agreements with high grade gold projects. Nicola's fully permitted mill can process both gold and silver mill feed via gravity and flotation processes. The Company owns 100% of the New Craigmont Project, a high-grade copper property, which covers an area of over 10,800 hectares along the southern end of the Guichon Batholith and is adjacent to Highland Valley Copper, Canada's largest copper mine. The Company also owns 100% of the Treasure Mountain Property, which includes 30 mineral claims and a mineral lease, spanning an area exceeding 2,200 hectares. The company's common stock is listed on the TSX Venture Exchange under the symbol "NIM", the Frankfurt Stock Exchange under the symbol "HLIA", and trades on the OTCQB in the United States under the ticker "HUSIF".

Fundamental Analysis – 3.0/5.0 Checks

Our fundamental assessment rating, separate from our investment rating and valuation, is based on five attributes. We assign 3.0 checks out of 5.0, which falls within our "Average" range of 2.5 to 3.0 checks. In our opinion, the company's corporate governance practices are shareholder friendly, including a five-member board comprised of mostly independent directors, including the chairperson. Nicola Mining operates in the mining friendly jurisdiction of British Columbia which ranked 25th out of 84 jurisdictions in terms of investment attractiveness in the Fraser Institute's Annual Survey of Mining Companies 2023. In our view, the company is unique among junior exploration companies in that it has several operations that generate cash flow that is used to support the company's operations and exploration activities and minimizes the need for dilutive equity issuance. The company has significantly de-risked its exploration projects and the fundamental outlook for metals that will be produced from its mining projects remains favorable.

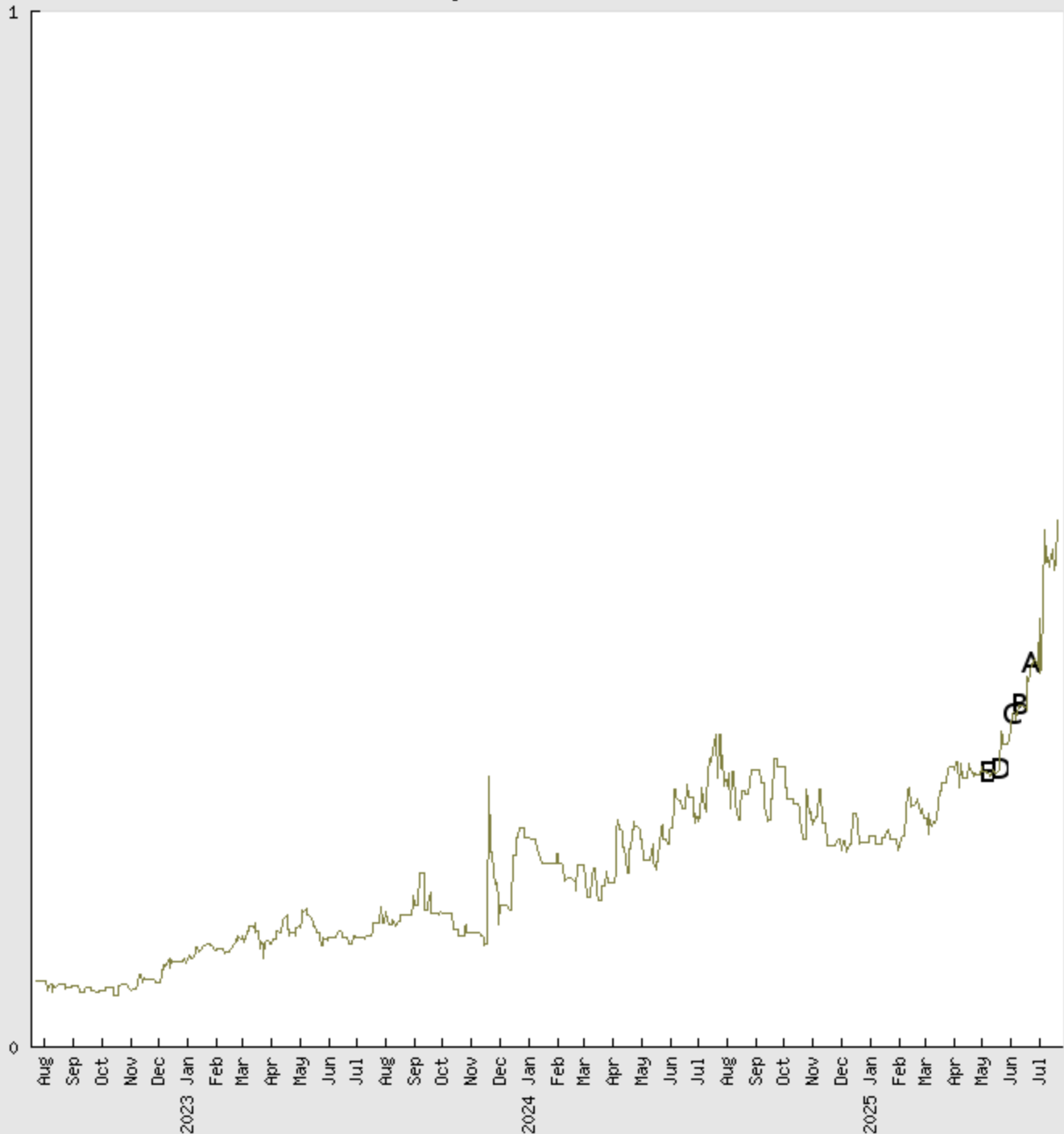
Valuation Summary

Our investment rating is an Outperform with a price target of C\$1.05 or US\$0.75 per share. Our price target is based on a sum-of-the parts valuation. It is the summation of values ascribed to the following: 1) the New Craigmont Copper Project; 2) the Merritt Mill and Tailings Facility, 3) the Sand/Gravel Pit and Rock Quarry, 4) the Treasure Mountain Silver Mine, and 4) the company's interest in the Dominion Creek Gold Project. While we did not ascribe a stand-alone value for Dominion Creek, we think its value is somewhat reflected in the Merritt Mill valuation since Dominion Creek will be a source of ore for the mill. After summing the values, we added cash, subtracted debt, and divided by the number of shares outstanding to calculate value per share and our price target.

Nicola Mining Inc. Fiscal Year End: December 31 Income Statement												
	2023	2024	1Q 2025A	2Q 2025E	3Q 2025E	4Q 2025E	2025E	1Q 2026E	2Q 2026E	3Q 2026E	4Q 2026E	2026E
Milling Revenue	1,617,911	818,157	6,398	472,599	8,470,060	14,249,312	23,198,369	14,001,180	15,450,034	15,784,147	15,940,742	61,176,103
Cost of Goods Sold:												
Mining	0	0	0	(158,342)	(2,786,825)	(4,610,928)	(7,556,095)	(4,275,242)	(4,668,565)	(4,719,868)	(4,719,868)	(18,378,792)
Milling	0	0	(391,359)	(65,000)	(715,000)	(1,196,000)	(2,367,359)	(1,170,000)	(1,183,000)	(1,196,000)	(1,196,000)	(4,745,000)
Amortization and depreciation	(184,280)	(203,832)	0	(51,085)	(51,213)	(51,341)	(153,638)	(51,469)	(51,598)	(51,598)	(51,727)	(206,391)
Power and fuel	(321,132)	(141,722)	0	(35,519)	(35,608)	(35,697)	(106,824)	(35,786)	(35,876)	(35,876)	(35,965)	(143,502)
Mill supplies and rentals	(363,089)	(415,633)	0	(104,168)	(104,428)	(104,689)	(313,286)	(104,951)	(105,214)	(105,214)	(105,477)	(420,855)
Mill repairs	(696,695)	(525,943)	0	(101,814)	(102,069)	(102,324)	(306,206)	(102,580)	(102,836)	(102,836)	(103,093)	(411,344)
Salaries and wages	(1,559,868)	(967,641)	0	(202,515)	(203,021)	(203,529)	(609,065)	(204,038)	(204,548)	(205,059)	(205,572)	(819,216)
Other	(11,309)	(2,282)	0	(572)	(573)	(575)	(1,720)	(576)	(1,725)	(578)	(1,729)	(4,608)
Milling - Cost of Sales	(3,136,373)	(2,257,053)	(391,359)	(719,015)	(3,998,737)	(6,305,082)	(11,414,194)	(5,944,642)	(6,353,360)	(6,417,027)	(6,419,430)	(25,129,709)
Gross margin	(1,518,462)	(1,438,896)	(384,961)	(246,417)	4,471,323	7,944,230	11,784,175	8,056,538	9,096,674	9,367,120	9,521,312	36,046,394
Operating Expenses:												
Care and maintenance	(957,979)	(1,045,250)	(313,462)	(125,000)	(125,000)	(125,000)	(688,462)	(125,000)	(125,000)	(125,000)	(125,000)	(500,000)
Exploration costs	(1,209,918)	(1,759,410)	(131,687)	(537,970)	(539,430)	(540,924)	(1,750,011)	(542,276)	(543,632)	(544,991)	(546,354)	(2,177,253)
Accretion of asset retirement obligation	(4,327,838)	286,545	(71,098)	(71,276)	(71,454)	(71,633)	(285,460)	(71,812)	(71,991)	(71,991)	(72,171)	(287,965)
Salaries and benefits	(167,670)	(99,412)	(6,561)	(6,577)	(6,594)	(6,610)	(26,343)	(6,627)	(6,643)	(6,643)	(6,660)	(26,574)
Share-based compensation expense	(540,914)	(756,784)	(73,973)	0	0	0	(73,973)	0	0	0	0	0
Professional fees	(207,170)	(183,607)	(14,543)	(14,579)	(14,616)	(14,652)	(58,391)	(14,689)	(14,726)	(14,726)	(14,763)	(58,903)
Consulting fees	(550,500)	(552,750)	(84,182)	(84,392)	(84,603)	(84,815)	(337,993)	(85,027)	(85,240)	(85,240)	(85,453)	(340,959)
Office and general	(129,694)	(460,536)	(92,642)	(92,874)	(93,106)	(93,339)	(371,960)	(93,572)	(93,806)	(93,806)	(94,040)	(375,224)
Travel and investor relations	(394,308)	(582,750)	(245,732)	(125,280)	(125,593)	(125,907)	(622,512)	(126,222)	(126,538)	(126,538)	(126,854)	(506,151)
Regulatory and transfer agent fees	(41,493)	(56,173)	(5,273)	(5,286)	(5,299)	(5,313)	(21,171)	(5,326)	(5,339)	(5,339)	(5,353)	(21,357)
Rent	(72,562)	(45,161)	0	0	0	0	0	0	0	0	0	0
Depreciation	(10,849)	(13,400)	(6,544)	(6,560)	(6,577)	(6,593)	(26,274)	(6,610)	(6,626)	(6,626)	(6,643)	(26,505)
Total Operating Expenses	(8,610,895)	(5,268,688)	(1,045,697)	(1,069,795)	(1,072,272)	(1,074,786)	(4,262,550)	(1,077,160)	(1,079,541)	(1,080,900)	(1,083,289)	(4,320,890)
Operating Income/Loss	(10,129,357)	(6,707,584)	(1,430,058)	(1,316,212)	3,399,051	6,869,444	7,521,625	6,979,378	8,017,134	8,286,221	8,438,022	31,725,504
Flow-through premium	29,416	4,192	51,524	0	0	0	51,524	0	0	0	0	0
Other income	8,145,935	1,968,941	218,209	334,144	335,068	335,068	1,222,490	208,219	209,144	210,068	210,068	837,500
Gain on disposal of mobile equipment	0	0	0	0	0	0	0	0	0	0	0	0
Finance costs	(1,446,059)	(591,881)	(136,874)	(95,000)	(95,238)	(95,476)	(422,587)	0	0	0	0	0
Fair value revaluation - marketable securities	0	103,897	824,319	0	0	0	824,319	0	0	0	0	0
Foreign exchange gain (loss)	5,003	(8,511)	(2,328)	0	0	0	(2,328)	0	0	0	0	0
Net Income or (Loss) before Income Taxes	(3,395,062)	(5,230,946)	(475,808)	(1,077,068)	3,638,862	7,109,037	9,195,043	7,187,597	8,226,277	8,496,289	8,648,091	32,563,004
Taxes	69,214	0	0	0	(545,832)	(1,066,356)	(1,612,188)	(1,078,140)	(1,233,942)	(1,274,443)	(1,297,214)	(4,883,738)
Net Income/(Loss)	(3,325,848)	(5,230,946)	(475,808)	(1,077,068)	3,093,050	6,042,681	7,582,855	6,317,676	7,201,480	7,431,914	7,560,946	28,516,766
Earnings per share - diluted	(0.02)	(0.03)	(0.00)	(0.01)	0.02	0.03	0.04	0.03	0.04	0.04	0.04	0.15
Weighted average number of shares - diluted	158,357,885	165,376,575	172,344,234	176,188,567	181,747,439	183,899,447	178,544,922	184,818,944	190,504,943	191,457,468	192,414,755	189,799,028

Nicola Mining Inc.

Closing Price Jul 21, 2025 \$0.51



A - 06/23/2025 Outperform Target \$0.50 Current \$0.37

B - 06/10/2025 Outperform Target \$0.50 Current \$0.33

C - 06/03/2025 Outperform Target \$0.50 Current \$0.32

D - 05/19/2025 Outperform Target \$0.50 Current \$0.27

E - 05/08/2025 Outperform Target \$0.50 Current \$0.26

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Noble is not a market maker in the Company.

FUNDAMENTAL ASSESSMENT

The fundamental assessment rating system is designed to provide insights on the company's fundamentals both on a macro level, which incorporates a company's market opportunity and competitive position, and on a micro/company specific level. The micro/company specific attributes include operating & financial leverage, and corporate governance/management. The number of check marks that a company receives is designed to provide a quick reference and easy determination of the company's fundamentals based upon the following five attributes of the company (weighting reflects the importance of each attribute in the overall scoring of company's fundamental analysis):

Attribute	Weighting
Corporate Governance/Management	20%
Market Opportunity Analysis	20%
Competitive Position	20%
Operating Leverage	20%
Financial Leverage	20%

For each attribute, the analysts score the company from a low of zero to a high of ten based upon the analysis described below. The final rating and resulting check marks is a result of dividing the overall score (out of 100%) by ten.

Rating	Score	Checks
Superior	9.1 to 10	Five Checks
Superior	8.1 to 9	Four & A Half Checks
Above Average	7.1 to 8	Four Checks
Above Average	6.1 to 7	Three & A Half Checks
Average	5.1 to 6	Three Checks
Average	4 to 5	Two & A Half Checks
Below Average	3 to 3.9	Two Checks
Below Average	2 to 2.9	One & A Half Checks
Low Quality	0 to 1.9	One Check

While these are the attributes currently used for the analyst's fundamental analysis, the attributes and weighting may be reviewed, updated with additional attributes, and/or changed in the future based on discussions with the analysts and recommendations from the Director of Research.

Following is the description of each attribute in the fundamental analysis.

Corporate Governance/Management

We believe that a review of corporate governance and assessment of the senior management are important tools to determine investment merit. Good corporate governance aligns management with the interests of stakeholders. As such, analysts are to rank the company on the basis of good corporate governance principles that may include rules and procedures, board composition and staggered term limits, rights and responsibilities, corporate objectives, monitoring of actions and policies, and accountability. In addition, analysts will assess issues with controlling shareholders and whether decisions have been made in the past that were in the interests of all shareholders. In addition, management will be assessed based on industry experience, expertise, and/or track record.

High ranking example: Board and management that is aligned with the interests of shareholders with incentives based on stock price appreciation and with an experienced management team known for exceptional shareholder returns.

Low ranking example: Concentrated ownership without independent directors that do not necessarily align with all shareholders' interests.

The Market Opportunity Analysis

In this review, the analyst assesses the company's macro environment as a measure of understanding the industry. Factors considered include the size and growth potential of the industry under various economic conditions, the emerging demands in the market, technological benefits/disruptions, competition, geographical opportunities, and customer demands/needs, and an assessment of supply and distribution channels. In addition, the analyst will review legal and regulatory trends, as well as potential shifts in consumer or social behavior and natural environment changes.

High rank example: A company in an industry that is growing revenues well above GDP rates (which are on average 2% plus) and/or may have unmet or underserved needs in a rapidly growing market opportunity.

Low rank example: A mature industry that is in secular decline and likely to grow below GDP rates.

Competitive Position

The evaluation of the company's competitive position is another macro environment attribute designed to measure the relevance, market share, position and value proposition, and sustainable differentiations of the company and its products/services within its industry. Ease of entry into the industry and the ability of other well-funded players to potentially enter the market would be determined. As such, the assessment would consider the company's strengths and advantages of its products/services against weaknesses and limitations. This may include the company's current brand awareness, pricing and cost structure, current market strategies and geographic penetration that may affect demand for its products/services. In addition, the company's competitors would be evaluated.

High rank example: An analyst would consider the company's product to be superior to its competitors and that should allow the company to gain market share.

Low rank example: A company with a "me-too" product that does not have any significant technology advantages in an industry that has low barriers to entry.

Operating Leverage

Simplistically, operating leverage is determined by the operating income relative to changes in revenue. The analyst will calculate the impact on sensitivity on gross margins and variable costs to determine operating leverage. The analyst will take into account the ability of the company to cut fixed and variable costs in a challenged revenue environment and technological changes that may impact operating expenses. In addition, the analyst is to assess corporate strategies that include capital investment, which may be required for sustainable revenue growth, marketing expenses, and the company's ability to attract and retain talent and/or employees. The analyst should focus on the revenue opportunity and determine the price elasticity of demand for the company's products or services. In other words, the analyst is to rank the company based on improved operating margins going forward on an absolute and relative basis.

High rank example: A company that has improving margins for the foreseeable future, with significant price elasticity.

Low rank example: A company that is in a challenged revenue environment with a fixed cost structure and limited ability to cut costs, indicating an outlook for declining margins.

Financial Leverage

A strict definition of financial leverage is total debt divided by total shareholder's equity. Financial leverage analysis is to determine the company's ability to improve shareholder value by means of utilizing its balance sheet to grow organically or to acquire assets. Analysts may look at the company's debt to cash flow leverage ratio, interest coverage ratios, or debt to equity ratios. In addition, the interest rate environment and the outlook for interest rates are a factor in determining the company's ability to manage financial leverage. Finally, the analyst is expected to determine the ability to service the debt given the industry and/or company profile, such as cyclicity, barriers to entry, history of bankruptcy, consistency in revenue and profit growth, or predictability in sales and profits and large cash reserves. The analyst is expected to take into account capital intensity of the company and the anticipated of capital allocation decisions.

High rank example: A company with predictable and growing revenue and cash flow with modest debt levels. This may indicate that the company could improve shareholder value through growth investments, including acquisitions, using debt financing.

Low rank example: A company in a cyclical industry in a late stage economic cycle that has above average debt leverage and is in an industry that has a history of financial challenges, including bankruptcies.

ANALYST CREDENTIALS, PROFESSIONAL DESIGNATIONS, AND EXPERIENCE

Senior Equity Analyst focusing on Basic Materials & Mining. 20 years of experience in equity research. BA in Business Administration from Westminster College. MBA with a Finance concentration from the University of Missouri. MA in International Affairs from Washington University in St. Louis.

Named WSJ 'Best on the Street' Analyst and Forbes/StarMine's "Best Brokerage Analyst."

FINRA licenses 7, 24, 63, 87.

CONTINUING COVERAGE

Unless otherwise noted through the dropping of coverage or change in analyst, the analyst who wrote this research report will provide continuing coverage on this company through the publishing of research available through Noble Capital Market's distribution lists, website, third party distribution partners, and through Noble's affiliated website, channelchek.com.

WARNING

This report is intended to provide general securities advice, and does not purport to make any recommendation that any securities transaction is appropriate for any recipient particular investment objectives, financial situation or particular needs. Prior to making any investment decision, recipients should assess, or seek advice from their advisors, on whether any relevant part of this report is appropriate to their individual circumstances. If a recipient was referred to by an investment advisor, that advisor may receive a benefit in respect of transactions effected on the recipients behalf, details of which will be available on request in regard to a transaction that involves a personalized securities recommendation. Additional risks associated with the security mentioned in this report that might impede achievement of the target can be found in its initial report issued by . This report may not be reproduced, distributed or published for any purpose unless authorized by .

RESEARCH ANALYST CERTIFICATION**Independence Of View**

All views expressed in this report accurately reflect my personal views about the subject securities or issuers.

Receipt of Compensation

No part of my compensation was, is, or will be directly or indirectly related to any specific recommendations or views expressed in the public appearance and/or research report.

Ownership and Material Conflicts of Interest

Neither I nor anybody in my household has a financial interest in the securities of the subject company or any other company mentioned in this report.

NOBLE RATINGS DEFINITIONS	% OF SECURITIES COVERED	% IB CLIENTS
Outperform: potential return is >15% above the current price	88%	14%
Market Perform: potential return is -15% to 15% of the current price	12%	5%
Underperform: potential return is >15% below the current price	0%	0%

NOTE: On August 20, 2018, Noble Capital Markets, Inc. changed the terminology of its ratings (as shown above) from "Buy" to "Outperform", from "Hold" to "Market Perform" and from "Sell" to "Underperform." The percentage relationships, as compared to current price (definitions), have remained the same.

Additional information is available upon request. Any recipient of this report that wishes further information regarding the subject company or the disclosure information mentioned herein, should contact Noble Capital Markets, Inc. by mail or phone.

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