Sep 18, 2025

Nat Resources

HUSIF

OTCQB

Rating

Outperform

Unchanged

Current Price

$0.78

Target Price

$1.05

Market Capitalization

140M

Shares Outstanding

183.8M

Float

138M

Institutional Holdings

26%

12-Month Low/High

$0.15/$0.86

Average 90-Day Volume

29940

Fiscal Year End

12/31/2025

Revenues ($ MIL)

Period	2024 A	2025 E	2026 E
Q1	0.0746 A	0.0064 A	15.4770 E
Q2	0.0000 A	0.0728 A	16.8862 E
Q3	0.0000 A	9.4475 E	17.0507 E
Q4	0.7436 A	14.8371 E	17.1933 E
	0.8182 A	24.3638 E	66.6073 E

EPS ($)

Period	2024 A	2025 E	2026 E
Q1	(0.01) A	(0.00) A	0.04 E
Q2	(0.02) A	0.01 A	0.05 E
Q3	(0.01) A	0.02 E	0.05 E
Q4	(0.00) A	0.04 E	0.05 E
	(0.03) A	0.06 E	0.19 E

Nicola Mining Inc.

Updating Our Sum-of-the-Parts Valuation; Increasing PT to US$1.05 or C$1.45

New Craigmont mining lease extensions. Nicola Mining Inc. (OTCQB: HUSIF, TSX.V: NIM) secured a five-year extension for six mining leases at its New Craigmont Property from the Ministry of Mining and Critical Minerals. The New Craigmont property encompasses over 10,800 hectares and is adjacent to Teck Resources Limited's (NYSE: TECK, TSX: TECK.A and TECK.B) Highland Valley Copper Mine, the largest copper mine in Canada. On June 1, Nicola commenced a 4,000-to-5,000-meter diamond drill program at the New Craigmont project. The mining lease extension ensures continuity through the project's lifecycle.

Shipments of gold concentrate. Earlier this month, Nicola announced that it had commenced shipping gold concentrate via a partnership with Talisker Resources Ltd. (TSX: TSK, OTCQX: TSKFF). Under a Mining, Milling, and Smelting Agreement, the parties sold 707 ounces of gold in August, generating gross proceeds of approximately US$2.3 million. Production benefited from upgrades to the Merritt Mill, including the installation of a large concentrator that optimized free gold recovery.

Updating our sum-of-the-parts valuation. We have increased our price target to US$1.05 or C$1.45 per share, from US$0.75 or C$1.05 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 greater values for the company's New Craigmont copper project, Merritt Mill, and Treasure Mountain high-grade silver project. Our valuation is summarized in the body of this report.

Investment rating is Outperform. The Merritt Mill's ramp to capacity during the third quarter represents an inflection point for the company as its revenues and cash flow are expected to grow markedly. We think Nicola Mining is in the early innings of what we consider to be a compelling revenue and cash flow growth story.

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Updating Our Sum-of-the-Parts Valuation; Increasing PT to US$1.05 or C$1.45

Nicola Mining Inc. (OTCQB: HUSIF, TSX.V: NIM) is a junior mining company focused on the exploration and development of precious and base metals mining projects in British Columbia, Canada. The company is advancing its flagship New Craigmont Copper Project, which hosts the historic Craigmont Mine and is in the prolific Quesnel Trough, a major copper belt that is home to other major copper projects. The company also 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 that processes ore from third parties, a sand and gravel pit, a rock quarry, and a ready-mix cement plant. These operations help fund Nicola’s operations and exploration activities while limiting the need to issue dilutive equity. While the flagship New Craigmont Copper Project is the company’s flagship exploration project, we think the company’s Treasure Mountain Project represents an opportunity to create value through M&A, divestiture, joint venture, or reopening the mine.

Merritt Mill

The Merritt Mill and Tailings site encompasses approximately 980 acres of freehold, I-3 industrial zoned land situated 10 kilometers northwest of Merritt, British Columbia. The facility is equipped to process 200 tonnes of ore per day through crushing, grinding, and flotation, 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. The Merritt Mill benefits from British Columbia's stringent regulatory requirements that result in multi-year approval processes and high capital costs for mill and infrastructure construction. While the Merritt Mill has a current capacity to process at a rate of 200 tonnes per day, the mill has the capacity to crush up to 650 tonnes per day, along with a flotation capacity of 1,000 tonnes per day. To expand capacity up to 650 tonnes per day, Nicola would only have to make a modest investment of ~C$1.0 million to swap out the ball mill. The company could readily expand its tailings facility capacity on its I-3 industrial zoned land. Nicola has started the process of applying for an amendment to its permit for the purpose of increasing mill throughput.

In early July, the Merritt Mill began processing ore received from Talisker Resources’ Bralorne project. The Bralorne project hosts a NI 43-101 compliant resource of 1.7 million ounces of gold with a long-term production target of 100 thousand ounces of gold per year. In addition to processing ore for Talisker, ore is expected to be received during the third quarter from Blue Lagoon’s (QTCQB: BLAGF, CSE: BLLG) Dome Mountain gold mine, and from the Dominion Creek Gold Project, of which Nicola owns a 75% economic interest. Blue Lagoon is initially targeting 55 thousand tonnes per year of mill feed with an expected recovery of approximately 15 thousand ounces of gold per year. Production at the Merritt Mill is expected to reach capacity in the third quarter of 2025.

New Craigmont Copper Project

Nicola’s claim holdings at the New Craigmont Project consist of 22 contiguous mineral claims covering approximately 10,913 hectares, and mineral leases covering approximately 347 hectares near Merritt, British Columbia. New Craigmont benefits from having a valid mine and mill permit, M-68, which covers an area of approximately 1,400 hectares. The New Craigmont Copper Project is adjacent to and shares the regional geological setting with Teck Resources' (NYSE: TECK, TSX: TECK.A and TECK.B) Highland Valley Copper District, one of North America's largest copper producers. The historic Craigmont Mine was operated by Craigmont Mines Ltd. from 1961 to 1967 as an open-pit mine before moving to an underground sub-level cave operation from 1967 to 1982. The mine produced more than 36.75 million tons of ore grading 1.28% copper. The mine was shut down in 1982 due to low copper prices. The project has had limited exploration beyond its historic operations.

On June 1, Nicola commenced a 4,000-to-5,000-meter diamond drill program at the New Craigmont project, which is expected to run from June through September and cost C$1.5 million to C$2.0 million. The goal is to vector toward a porphyry system and expand the extent of mineralization observed at the MARB and CAS targets, along with testing two new targets at West Craigmont, including Draken, and two new targets in the center of the property.

Treasure Mountain

Nicola's Treasure Mountain Project is 29 kilometers northeast of Hope, British Columbia. The company's mineral claim holdings consist of 31 contiguous mineral claims covering an area of approximately 2,200 hectares, one mining lease covering 335 hectares at the Treasure Mountain Project, of which 248 are active workings, and a Mines Act (British Columbia) permit for the Treasure Mountain Project for the removal of 60,000 tonnes per year of silver/lead/zinc mill feed from the underground mine and the transfer of the mill feed offsite for processing. The Treasure Mountain Project has been in care and maintenance since July 26, 2013. A resource update was prepared in 2009, and an updated NI 43-101 Technical Report was completed in 2012.

Management believes that Treasure Mountain's upside potential is not associated with the historic mine, but at its highest priority target, the MB Zone. While 2025 will focus on exploration at New Craigmont, Nicola received a multi-year area-based permit in June 2025 that authorizes it to conduct exploration activities for up to five years. Subsequently, exploration preparation commenced in June, which included a review of soil sampling and an electromagnetic survey in preparation for a drill program in the MB Zone. The MB Zone is approximately 800 meters northwest of the current mine workings on the undrilled northern flank of the mountain. In 2012, Coeur Mining (NYSE: CDE) invested $5.0 million into Nicola Mining's predecessor company, Huldra Silver, with an interest in exploring this area of the property. We expect Nicola's exploration program to include targets that were recommended by Coeur, along with evaluating a mining scenario for Level I of the historic mine. Along with the mining permit M-239, valid through April 26, 2032, receipt of the MYAB permit positions the company to leverage both mining and exploration options.

Dominion Creek

Dominion Creek is a gold and silver project located 43 miles northeast of Wells, British Columbia, Canada, in a highly prospective area with significant potential for the discovery of gold and associated base metal deposits. The project area consists of 8 contiguous mineral claims totaling approximately 1,040 hectares and includes claims covering 7.5 kilometers of the Isaac Lake Fault system. Nicola Mining holds a 75% economic interest in the Dominion Creek Property through a 50% land interest and a mining and milling profit share agreement. Ore from the Dominion Creek Property will be processed at the Merritt Mill.

Sand, Gravel, Rock, and Ready-Mix Cement

Nicola Mining, in collaboration with Lower Nicola Site Services (LNSS), operates a fully permitted sand/gravel pit and rock quarry at the Merritt Mill Property. A cement and concrete plant further integrates its operations into the local supply chain. The company is developing infrastructure to support regional construction and highway projects, generating revenue and aiding local communities. This part of Nicola's business is managed in partnership with First Nations communities.

The gravel pit is fully permitted for annual production of 100,000 tonnes per year and is adjacent to the historic Craigmont Mine Site. Given that Nicola's property is adjacent to Teck Resources' Highland Valley Copper project, we expect Nicola's sand and gravel operations to benefit as a supplier of sand and gravel for Teck's C$2.1 billion to C$2.4 billion Highland Valley Copper Mine Life Extension Project to extend operations from 2028 to 2046.

Nicola possesses a permit for rock quarry operations, authorizing the extraction of up to 1,500 tonnes per day. This material is predominantly used in highway infrastructure repair projects, with Nicola receiving royalties based on the volume of extracted material.

VALUATION:

Our per share price target of US$1.05 or C$1.45 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. Cash and debt are based on June 30 balance sheet information. 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.

Sum-of-the-Parts Valuation

Project:	Value (C$ in millions)	Per Share (C$)
New Craigmont Copper Project	93.8	0.51
Merritt Mill and Tailings Facility	156.8	0.85
Sand/Gravel Pit and Rock Quarry	3.2	0.02
Treasure Mountain Silver Project	12.1	0.07
Total Value	265.8	1.45
(+) Cash	0.8	0.00
(+) Marketable Securities	4.5	0.02
(-) Debt	(4.1)	(0.02)
Equity Value (C$)	267.0	1.45
Equity Value (US$)	194.9	1.06
Shares Outstanding		183.6

Source: Noble Capital Markets Inc.

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$93.75 million or C$0.51 per share from C$75.0 million or C$0.41 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 September 2023, copper prices averaged US$3.75 per pound and were US$4.62 per pound as of September 17. We think themes such as electrification will provide secular tailwinds for copper demand and pricing. Additionally, Nicola Mining has extended its mining leases and embarked on a well-funded and robust exploration and drilling program, which we think further de-risks the project and offers the potential for significant discoveries. Accordingly, we increased our premium to the 2023 value by 50%.

Second, the value of the Merritt Mill has increased to C$156.8 million, or C$0.85 per share, from C$103.4 million, or C$0.56 per share, based in part on higher long-term precious metals prices. We have employed a discounted cash flow framework for the Merrit Mill and Tailings facility, which follows a traditional mining model framework.

Third, we increased our value of Treasure Mountain to C$12.1 million, or C$0.07 per share, from C$9.3 million, or C$0.05 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. Peer group valuations increased based on rising silver prices.

Capital Structure and Liquidity

As of June 30, cash and cash equivalents amounted to C$846,746, while marketable securities totaled C$4,255,392. Secured convertible debentures totaled C$4,095,822. On July 17, Nicola closed a non-brokered private placement with the sale of 4,350,000 units at C$0.50 per unit for gross proceeds of C$2,175,000. Each unit consists of one flow-through common share and one-half of one non-flow-through common share purchase warrant. Each whole warrant is exercisable at C$0.65 and expires on July 17, 2027. On July 21, Nicola elected to accelerate the expiry of outstanding common share purchase warrants of the company originally issued under financings completed on March 12, 2025. On August 21, 2025, a total of 2,019,477 warrants were exercised at C$0.40 per common share for gross proceeds of C$807,791.

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 full 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 10,913 hectares along the southern end of the Guichon Batholith and is adjacent to Highland Valley Copper, Canada's largest copper mine. The company 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".

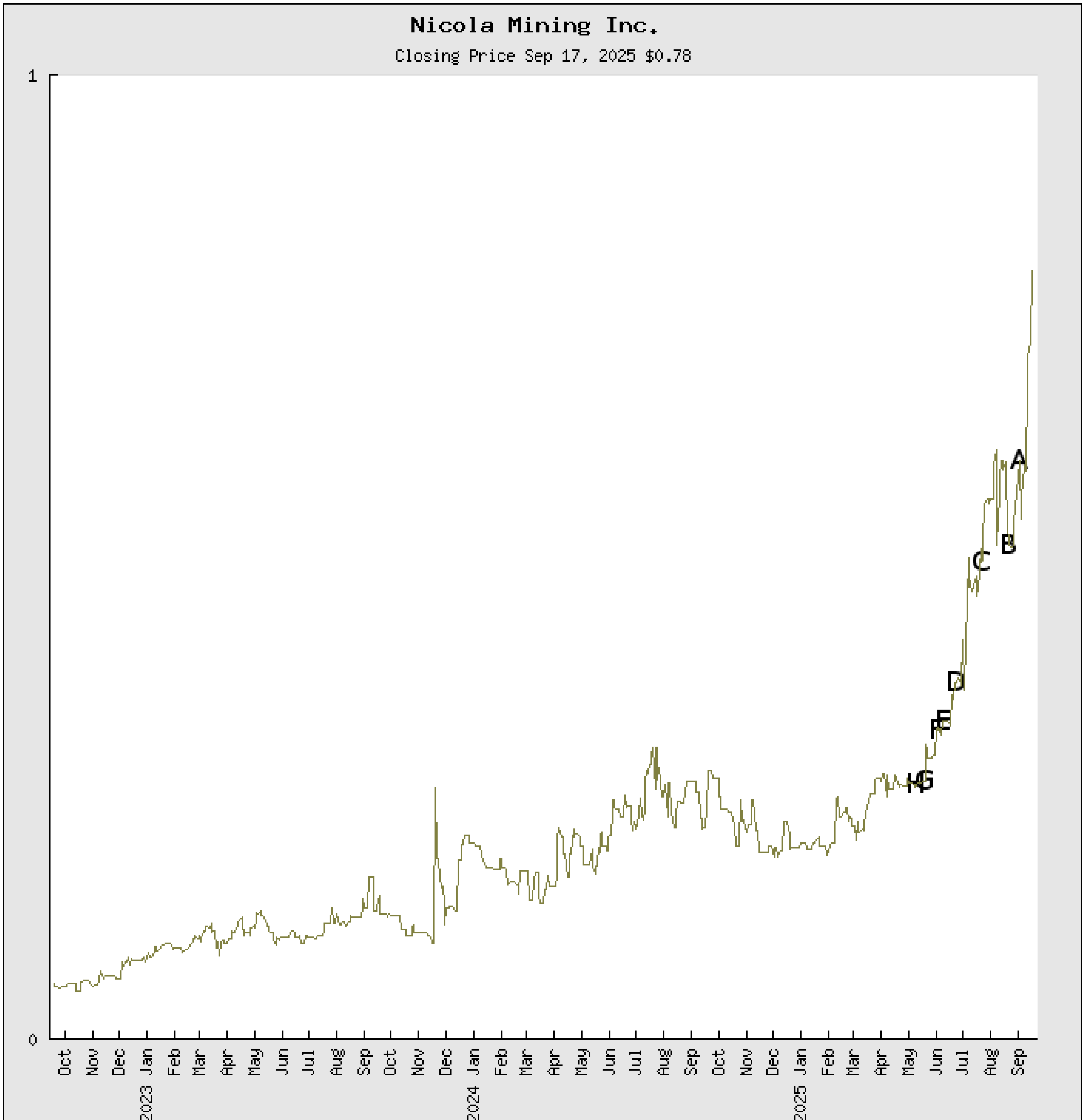
Fundamental Analysis – 3.0/5.0 Checks

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 13th out of 82 jurisdictions in terms of investment attractiveness in the Fraser Institute's Annual Survey of Mining Companies 2024. 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 US$1.05 or C$1.45 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	2023	2024	1Q 2025A	2Q 2025A	3Q 2025E	4Q 2025E	2025E	1Q 2026E	2Q 2026E	3Q 2026E	4Q 2026E	2026E
Income Statement												
Milling Revenue	1,617,911	818,157	6,398	72,842	9,447,472	14,837,102	24,363,814	15,477,043	16,886,210	17,050,711	17,193,347	66,607,311
Cost of Goods Sold:												
Mining	0	0	0	0	(2,989,503)	(4,496,922)	(7,486,424)	(4,275,242)	(4,617,262)	(4,617,262)	(4,617,262)	(18,127,028)
Milling	0	0	(391,359)	(572,926)	(767,000)	(1,153,750)	(2,885,035)	(1,170,000)	(1,170,000)	(1,170,000)	(1,170,000)	(4,680,000)
Amortization and depreciation	(184,280)	(203,832)	0	0	0	0	0	0	0	0	0	0
Power and fuel	(321,132)	(141,722)	0	0	0	0	0	0	0	0	0	0
Mill supplies and rentals	(363,089)	(415,633)	0	0	0	0	0	0	0	0	0	0
Mill repairs	(696,695)	(525,943)	0	0	0	0	0	0	0	0	0	0
Salaries and wages	(1,559,868)	(967,641)	0	0	0	0	0	0	0	0	0	0
Other	(11,309)	(2,282)	0	0	0	0	0	0	0	0	0	0
Milling - Cost of Sales	(3,136,373)	(2,257,053)	(391,359)	(572,926)	(3,756,503)	(5,650,672)	(10,371,459)	(5,445,242)	(5,787,262)	(5,787,262)	(5,787,262)	(22,807,028)
Gross margin	(1,518,462)	(1,438,896)	(384,961)	(500,084)	5,690,969	9,186,430	13,992,355	10,031,801	11,098,948	11,263,449	11,406,085	43,800,283
Operating Expenses:												
Care and maintenance	(957,979)	(1,045,250)	(313,462)	(323,191)	(125,000)	(125,000)	(886,653)	(125,000)	(125,000)	(125,000)	(125,000)	(500,000)
Exploration costs	(1,209,918)	(1,759,410)	(131,687)	(267,342)	(730,430)	(640,924)	(1,770,383)	(442,546)	(443,652)	(444,761)	(547,357)	(1,878,317)
Accretion of asset retirement obligation	(4,327,838)	286,545	(71,098)	(71,097)	(71,275)	(71,453)	(284,923)	(71,632)	(71,811)	(71,811)	(71,990)	(287,243)
Salaries and benefits	(167,670)	(99,412)	(6,561)	(6,562)	(6,578)	(6,595)	(26,296)	(6,611)	(6,628)	(6,628)	(6,644)	(26,512)
Share-based compensation expense	(540,914)	(756,784)	(73,973)	(74,795)	0	0	(148,768)	0	0	0	0	0
Professional fees	(207,170)	(183,607)	(14,543)	(48,797)	(48,919)	(49,041)	(161,300)	(49,164)	(49,287)	(49,287)	(49,410)	(197,148)
Consulting fees	(550,500)	(552,750)	(84,182)	(87,190)	(87,408)	(87,626)	(346,406)	(87,846)	(88,065)	(88,065)	(88,285)	(352,261)
Office and general	(129,694)	(460,536)	(92,642)	(105,743)	(106,007)	(106,272)	(410,665)	(106,538)	(106,804)	(106,804)	(107,071)	(427,218)
Travel and investor relations	(394,308)	(582,750)	(245,732)	(190,726)	(191,203)	(191,681)	(819,342)	(192,160)	(192,640)	(192,640)	(193,122)	(770,563)
Regulatory and transfer agent fees	(41,493)	(56,173)	(5,273)	(9,700)	(9,724)	(9,749)	(34,446)	(9,773)	(9,797)	(9,797)	(9,822)	(39,190)
Rent	(72,562)	(45,161)	0	0	0	0	0	0	0	0	0	0
Depreciation	(10,849)	(13,400)	(6,544)	(6,544)	(6,560)	(6,577)	(26,225)	(6,593)	(6,610)	(6,610)	(6,626)	(26,439)
Total Operating Expenses	(8,610,895)	(5,268,688)	(1,045,697)	(1,191,687)	(1,383,105)	(1,294,918)	(4,915,407)	(1,097,863)	(1,100,295)	(1,101,404)	(1,205,328)	(4,504,890)
Operating Income/Loss	(10,129,357)	(6,707,584)	(1,430,658)	(1,691,771)	4,307,865	7,891,512	9,076,948	8,933,939	9,998,653	10,162,045	10,200,757	39,295,394
Flow-through premium	29,416	4,192	51,524	25,000	25,125	25,251	126,900	25,377	25,504	25,568	25,631	102,080
Other income	8,145,935	1,968,941	218,209	206,229	335,068	335,068	1,094,575	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)	(128,753)	(129,075)	(129,398)	(524,099)	0	0	0	0	0
Fair value revaluation - marketable securities	0	103,897	824,319	2,772,420	0	0	3,596,739	0	0	0	0	0
Foreign exchange gain (loss)	5,003	(8,511)	(2,328)	(1,839)	0	0	(4,167)	0	0	0	0	0
Net Income or (Loss) before Income Taxes	(3,395,062)	(5,230,946)	(475,808)	1,181,286	4,538,983	8,122,434	13,366,895	9,167,535	10,233,301	10,397,681	10,436,456	40,234,973
Taxes	69,214	0	0	0	(680,847)	(1,218,365)	(1,899,213)	(1,375,130)	(1,534,995)	(1,559,652)	(1,565,468)	(6,035,246)
Net Income/(Loss)	(3,325,848)	(5,230,946)	(475,808)	1,181,286	3,858,136	6,904,069	11,467,682	8,026,001	8,932,953	9,073,665	9,106,688	35,139,307
Earnings per share - diluted	(0.02)	(0.03)	(0.00)	0.01	0.02	0.04	0.06	0.04	0.05	0.05	0.05	0.19
Weighted average number of shares - diluted	158,357,885	165,376,575	172,344,234	176,058,921	181,747,439	183,899,447	178,512,510	184,818,944	190,504,943	191,457,468	192,414,755	189,799,028



A - 09/02/2025 Outperform Target $0.75 Current $0.60	B - 08/22/2025 Outperform Target $0.75 Current $0.51
C - 07/22/2025 Outperform Target $0.75 Current $0.49	D - 06/23/2025 Outperform Target $0.50 Current $0.37
E - 06/10/2025 Outperform Target $0.50 Current $0.33	F - 06/03/2025 Outperform Target $0.50 Current $0.32
G - 05/19/2025 Outperform Target $0.50 Current $0.27	H - 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 under-served 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 cyclicality, 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	87%	14%
Market Perform: potential return is -15% to 15% of the current price	13%	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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