

# Fundamental

## Research Corp.

*Investment Analysis for Intelligent Investors*

April 24, 2019

### Dynacor Gold Mines Inc (TSX: DNG / OTC: DNGDF) – Continuing to Trade at Low Multiples

Sector/Industry: Junior Mining

[www.dynacor.com](http://www.dynacor.com)

#### Market Data (as of April 24, 2019)

Current Price	C\$1.67
Fair Value	C\$3.00
Rating*	BUY
Risk*	3
52 Week Range	C\$1.41 - C\$1.93
Shares O/S	39,279,521
Market Cap	C\$65.60 mm
Current Yield	2.4%
P/E (forward)	8.4x
P/B	0.9x
YoY Return	-11.2%
YoY TSX	6.9%

\*see back of report for rating and risk definitions



- all the figures are in US\$ unless otherwise specified

#### Highlights

- 2018 revenues were \$105 million (up 3% YoY), beating our \$103 million forecast due to a slightly higher than expected gold price.
- EBITDA was up 3% YoY to \$10.78 million versus our forecasted \$10.10 million.
- **Net income jumped 25% YoY to \$4.82 million (EPS: \$0.12) and was in line with our \$4.80 million (EPS: \$0.12) estimate.**
- DNG's 2018 production was up 1.8% YoY to 81,314 oz, but fell short of management's 82 Koz guidance. The company expects to produce 82 Koz – 92 Koz in 2019.
- We are **lowering our 2019 revenue forecast** from \$123 million to \$108 million (due to the lower production guidance). We are also adjusting our 2019 net profit forecast from \$7.6 million (EPS: \$0.19) to \$5.9 million (EPS: \$0.15).
- The company maintains a **strong balance sheet** - at the end of 2018, the company had \$13.93 million in cash and \$19.67 million in working capital, with no debt.
- Profitability ratios continue to beat the gold industry averages. **Annual dividends of C\$0.04 per share, imply a yield of 2.4%** versus the average dividend of the major gold producers of just 0.8% p.a.

#### Key Financial Data (FYE - Dec 31)

US\$ millions except EPS	2015	2016	2017	2018	2019E	2020E
Revenues	\$78.87	\$91.30	\$101.69	\$104.65	\$107.82	\$117.79
Net Income	\$3.16	\$3.29	\$3.84	\$4.82	\$5.93	\$6.98
EPS	\$0.09	\$0.09	\$0.10	\$0.12	\$0.15	\$0.18
Cash and cash equivalents	\$6.15	\$6.19	\$4.85	\$13.93	\$15.96	\$20.08
Working Capital	\$13.01	\$15.74	\$15.97	\$19.69	\$24.21	\$29.18
LT Debt	\$0.00	\$5.90	\$0.00	\$0.00	\$0.00	\$0.00
ROE	7.8%	7.2%	7.6%	8.8%	10.0%	10.9%

**DNG  
Continues to  
Trade at Low  
Multiples**

We compared DNG to a list of small-cap dividend stocks, across a wide range of industries listed on the TSX. As shown below, DNG's EV / EBITDA and P/E are significantly lower than the averages.

Company	Revenues (\$M)	MC (\$M)	Dividend Yield	EV / EBITDA	P / E
Stuart Olson Inc. (TSX: SOX)	\$966	\$118	5.7%	6.9	22.3
Neo Performance Materials Inc. (TSX: NEO)	\$607	\$498	3.0%	5.0	9.3
Logistec Corporation (TSX: LGT)	\$585	\$561	0.9%	11.8	31.7
Velan Inc. (TSX:VLN)	\$485	\$190	1.4%	12.7	N/A
Goodfellow Inc. (TSX: GDL)	\$468	\$52	3.3%	10.9	21.2
Hammond Power Solutions Inc. (TSX:HPS.A)	\$314	\$85	3.9%	5.3	10.5
Calian Group Ltd. (TSX: CGY)	\$309	\$268	3.3%	10.6	17.4
Tree Island Steel Ltd. (TSX:TSL)	\$235	\$60	3.9%	10.2	23.3
Supremex Inc. (TSX:SXP)	\$195	\$91	8.1%	5.6	N/A
GMP Capital Inc. (TSX:GMP)	\$166	\$158	4.6%	6.0	15.5
<b>Dynacor Gold Mines Inc. (TSX:DNG)</b>	<b>\$140</b>	<b>\$66</b>	<b>2.4%</b>	<b>3.3</b>	<b>10.3</b>
PFB Corporation (TSX:PFB)	\$128	\$74	2.9%	5.3	12.0
Information Services Corporation (TSX: ISV)	\$119	\$296	4.7%	9.8	15.9
AKITA Drilling Ltd. (TSX:AKT.A)	\$118	\$129	10.5%	11.9	N/A
Holloway Lodging Corporation (TSX:HLC)	\$108	\$111	2.0%	8.3	6.0
Acadian Timber Corp. (TSX: ADN)	\$100	\$277	7.0%	16.4	10.6
Caldwell Partners International Inc.(TSX: CWL)	\$67	\$25	7.4%	4.1	15.6
Decisive Dividend Corporation (TSXV: DE)	\$32	\$45	8.8%	12.7	28.2
<b>Average</b>	<b>\$286</b>	<b>\$172</b>	<b>4.7%</b>	<b>8.7</b>	<b>16.7</b>
Min	\$32	\$25	0.9%	3.3	6.0
Max	\$966	\$561	10.5%	16.4	31.7

Source: S&P Capital IQ / FRC

We also note that DNG's current dividend yield of 2.3% is approximately 50% of the 4.7% average. As shown in our projections later in this report, we believe DNG can comfortably double its dividends. Therefore, the above analysis clearly indicates DNG to be an undervalued company that has the potential to pay out dividends.

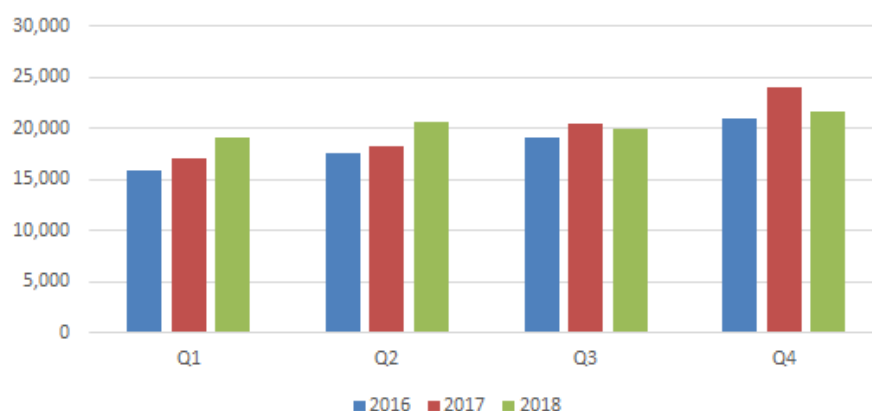
**Record  
production in  
2018, but short  
of management  
guidance**

Q4-2018 production was up 8% QoQ, to 21,650 oz; 2018 production of 81,314 oz was up 1.8% YoY, but fell short of management's guidance of 82 Koz. Management's guidance was significantly higher, at 90 Koz – 94 Koz at the beginning of 2018, but a soft Q3 had prompted them to revise their estimate down to 82 Koz. As shown below, despite a 19% YoY increase in tonnage, gold production was only up 1.8% due to a significant reduction in grades. The company stopped providing grades in 2017. However, we suspect the average grade in 2018 was close to 0.95 gpt versus 1.11 gpt in 2017.

### Production Summary

	2010	2011	2012	2013	2014	2015	2016	2017	2018
Tonnes processed	40,101	64,041	72,633	78,681	72,484	69,594	69,920	76,918	91,512
TPD	119	191	214	228	213	204	204	222	264
Grade (opt)	0.87	0.78	0.90	1.04	1.00	1.03	1.12		
Recovery	96.1%	92.1%	93.7%	94.0%	94.7%	94.3%	93.8%		
Production (Au oz)	33,525	46,026	61,274	76,883	68,923	67,604	73,476	79,897	81,314

### Production in Oz



Source: Company Data

The company has decided to take a more conservative approach with regard to their guidance, and have provided a wider range of 82 Koz – 92 Koz for 2019. Management is focused on further improving the mill to increase efficiency and lower cost.

Management does not seem to have changed any of their long-term goals, which is to expand the capacity to 600 tpd (estimated CAPEX of \$7 million). We are lowering our 2019 production forecast from 99 Koz to 85 Koz. We are introducing our 2020 forecast in this report, which is 91 Koz.

### FRC's Production Forecasts

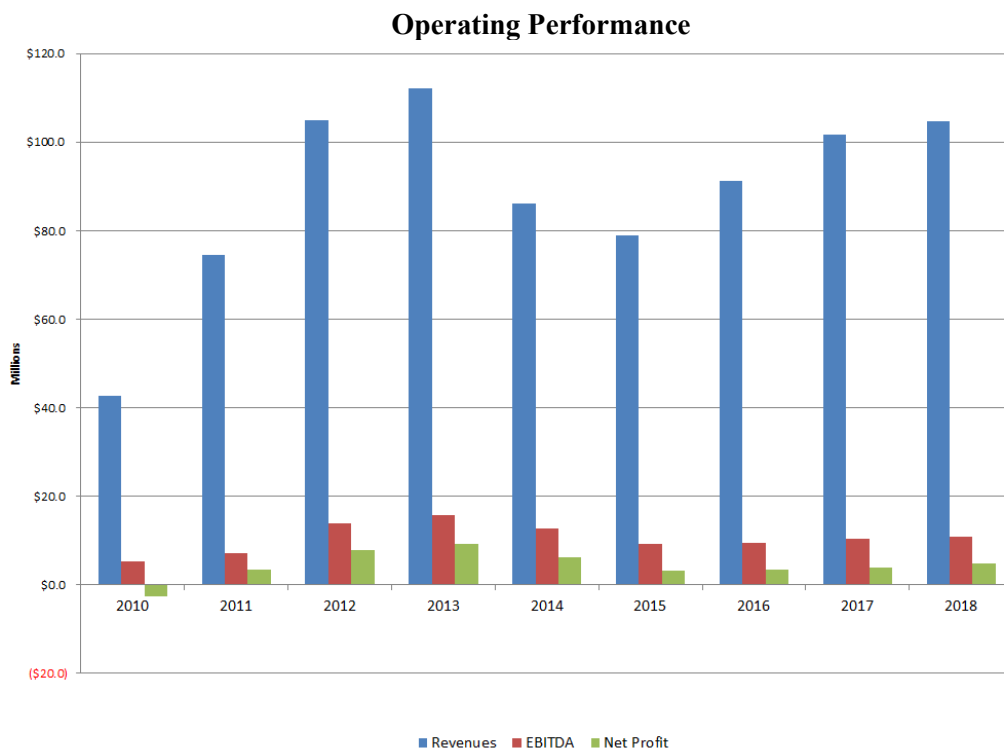
	2019E	2020E
Tonnes processed	95,200	102,000
TPD	280	300
Grade (opt)	0.95	0.95
Recovery	94.0%	94.0%
Production (Au oz)	84,566	90,607

Source: FRC and Company Data

### Production Forecasts

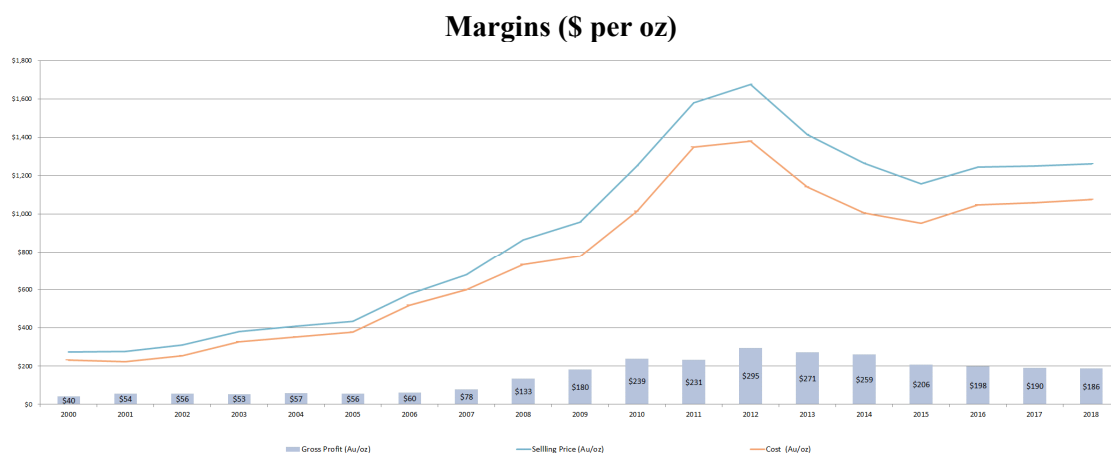
## Financials

Q4-2018 revenues were down 10% YoY to \$26 million. Q3 revenues were down 9% YoY. Overall, as a result of the strong first half, the company reported 3% YoY growth to \$105 million in 2018, beating our \$103 million forecast due to a slightly higher than expected gold price. The following chart shows a summary of the operating performance:



Source: Company Data

Margins decreased slightly YoY (from \$190 to \$186 per oz) due to an increase in costs from lower grades.



Source: Company Data

Gross and EBIT margins also dropped YoY, as shown below, but were higher than our

forecasts, as we were expecting a lower average gold price.

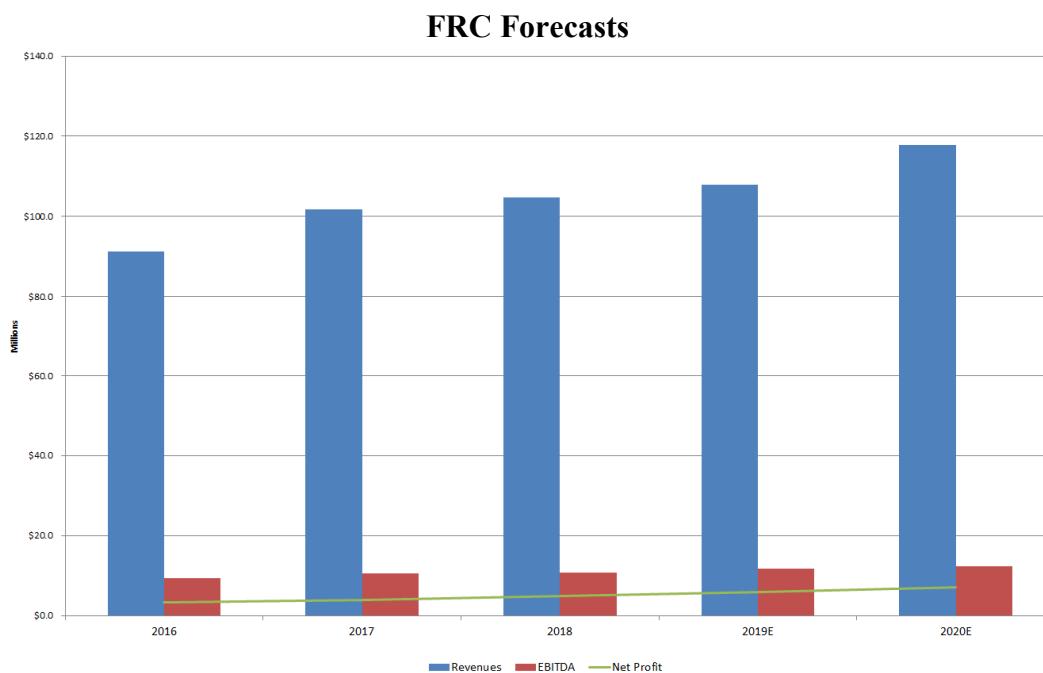
Margins	2012	2013	2014	2015	2016	2017	2018	2018E
Gross	18.2%	19.2%	20.5%	18.2%	15.9%	15.2%	14.8%	14.3%
EBITDA	13.3%	14.0%	14.5%	11.6%	10.2%	10.3%	10.3%	9.8%
EBIT	12.0%	13.1%	12.7%	9.4%	7.5%	8.3%	8.1%	7.5%
Net	7.4%	8.1%	6.9%	4.0%	3.6%	3.8%	4.6%	4.6%

\* Note that our gross margin calculations are different from the company's reported figures as we removed depreciation and amortization included in direct costs in our calculations.

*Source: Company Data*

**EBITDA was up 3% YoY to \$10.78 million versus our forecasted \$10.10 million. Net income jumped 25% YoY to \$4.82 million (EPS: \$0.12) and was in line with our \$4.80 million (EPS: \$0.12) estimate.** The increase in net income was because of a significant decrease in interest expense in 2018.

The following chart shows our revenue, EBITDA and net income forecasts:



**We are lowering our 2019 revenue forecast from \$123 million to \$108 million (due to lower production). Our 2020 forecast is \$118 million, based on a gold price forecast of \$1,300 per oz. We are also adjusting our 2019 net profit forecast from \$7.6 million (EPS: \$0.19) to \$5.9 million (EPS: \$0.15). Our 2020 forecast is \$7.0 million (EPS: \$0.18).**

Free cash flows were \$10.40 million in 2018, versus \$6.48 million in 2017. **Funds flows from operations were \$0.21 per share versus \$0.22 in 2017.**

Cash Flows (\$, mm), except per share items	2012	2013	2014	2015	2016	2017	2018
Funds Flow from Operations	9.22	10.31	8.05	5.65	6.15	8.69	8.35
Cash Flow from Operations	\$3.92	\$12.52	\$10.00	\$5.46	\$3.32	\$7.37	\$12.73
Cash Flow from Investing	(\$2.35)	(\$5.87)	(\$3.78)	(\$14.29)	(\$10.03)	(\$0.89)	(\$2.33)
Cash Flow from Financing	(\$0.42)	(\$1.44)	(\$0.60)	\$1.11	\$6.76	(\$7.87)	(\$1.27)
Foreign Exchange Rate Adj.	\$0.10	(\$0.05)	\$0.08	(\$0.14)	\$0.00	\$0.04	\$0.00
<b>Net Change in Cash</b>	<b>\$1.25</b>	<b>\$5.16</b>	<b>\$5.70</b>	<b>(\$7.86)</b>	<b>\$0.05</b>	<b>(\$1.35)</b>	<b>\$9.13</b>
Free Cash Flows	\$1.57	\$6.65	\$6.22	(\$8.83)	(\$6.71)	\$6.48	\$10.40
<b>Funds Flow from Operations / Share</b>	<b>\$0.26</b>	<b>\$0.28</b>	<b>\$0.22</b>	<b>\$0.15</b>	<b>\$0.16</b>	<b>\$0.22</b>	<b>\$0.21</b>

Source: Company Data

At the end of 2018, the company had \$13.93 million in cash and \$19.67 million in working capital, with no debt. DNG's profitability ratios continue to beat the gold industry averages (see table below).

Liquidity Analysis (\$, mm)	2016	2017	2018	Gold Industry Average
Cash And Equivalents	\$6.19	\$4.85	\$13.93	
Working Capital	\$15.74	\$15.97	\$19.67	
Current Ratio	5.09	4.91	4.86	1.40
Debt / Capital	10.91%	0.00%	0.00%	33.10%
LT Debt / Capital	10.91%	0.00%	0.00%	
<b>Profitability Analysis</b>				
Return on Avg Assets	5.8%	6.2%	7.6%	2.6%
Return on Avg Equity	7.2%	7.6%	8.8%	1.0%
Return on Average Invested Capital	12.1%	13.2%	14.0%	4.0%
<b>Activity Analysis</b>				
Days Inventory Outstanding	28	30	27	90
Days Accouts Receivable	21	23	21	13
Days Accouts Payable	17	16	17	44
<b>Cash Conversion Cycle</b>	<b>32</b>	<b>37</b>	<b>32</b>	<b>60</b>

Source: Company Data

## Stock Options and Warrants

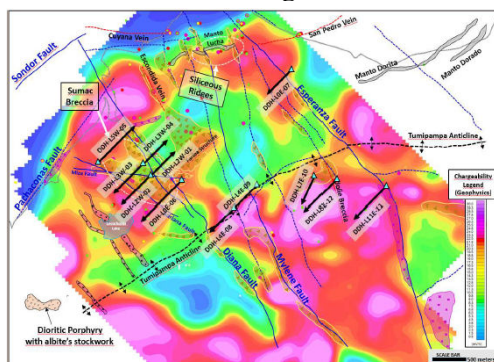
Dynacor currently has 1.22 million options (weighted average exercise price of C\$1.85) and nil warrants outstanding. 0.39 million options are in the money.

## Tumipampa

DNG is awaiting a drill permit (delayed) on its Tumipampa project. The company had completed a geophysical survey on the project last year, and is planning a 4,200 m / 12 hole

drill program. The company has budgeted to spend approximately \$2.4 million in 2019 – 2020.

### Drill Targets



Source: Company

### Valuation and Rating

As a result of the revisions to our EPS estimates, we are lowering our fair value estimate on DNG's shares from \$3.52 to \$3.00 per share, while maintaining our BUY rating.

### Risks

The following risks, though not exhaustive, will cause our estimates to differ from actual results:

- The value of the company is dependent on gold prices.
- Ability to ramp up production.
- Long-term consistent ore supply.
- Heavy rainfall (such as in Q1-2017) may impact operations.
- The company does not enter into hedging contracts.
- Exploration success.



<b>Income Statement</b>					
US\$ millions except EPS	2016	2017	2018	2019E	2020E
Sales	91.30	101.69	104.65	107.82	117.79
Other Revenue					
<b>Total Revenue</b>	<b>91.30</b>	<b>101.69</b>	<b>104.65</b>	<b>107.82</b>	<b>117.79</b>
Cost of sales	76.74	86.23	89.15	91.33	100.12
<b>Cost Of Goods Sold</b>	<b>76.74</b>	<b>86.23</b>	<b>89.15</b>	<b>91.33</b>	<b>100.12</b>
<b>Gross Profit</b>	<b>14.56</b>	<b>15.46</b>	<b>15.50</b>	<b>16.49</b>	<b>17.67</b>
G&A	4.12	3.86	4.72	4.85	5.30
Selling and Others	1.12	1.13		0.00	0.00
<b>Total</b>	<b>5.24</b>	<b>4.98</b>	<b>4.72</b>	<b>4.85</b>	<b>5.30</b>
<b>EBITDA</b>	<b>9.32</b>	<b>10.48</b>	<b>10.78</b>	<b>11.64</b>	<b>12.37</b>
Depreciation & Amort.	2.49	2.06	2.33	2.51	2.40
<b>EBIT</b>	<b>6.84</b>	<b>8.42</b>	<b>8.45</b>	<b>9.13</b>	<b>9.97</b>
Interest	-0.79	-1.33	-0.20	0.00	0.00
Currency Exchange Gains (Loss)			-0.32		
Other	0.03				
<b>EBT Excl. Unusual Items</b>	<b>6.08</b>	<b>7.10</b>	<b>7.94</b>	<b>9.13</b>	<b>9.97</b>
Unusual Items	-0.51	-0.33			
<b>EBT Incl. Unusual Items</b>	<b>5.57</b>	<b>6.77</b>	<b>7.94</b>	<b>9.13</b>	<b>9.97</b>
Income Tax	2.28	2.92	3.11	3.19	2.99
<b>Net Income</b>	<b><u>3.29</u></b>	<b><u>3.84</u></b>	<b><u>4.82</u></b>	<b><u>5.93</u></b>	<b><u>6.98</u></b>
Basic EPS	\$0.09	\$0.10	\$0.12	\$0.15	\$0.18



<b>Balance Sheet</b>					
US\$ millions	2016	2017	2018	2019E	2020E
<b>ASSETS</b>					
Cash And Equivalents	6.19	4.85	13.93	15.96	20.08
Accounts Receivable	5.22	7.53	4.57	6.47	7.07
Others	0.98	0.43			
Inventory	6.98	7.09	6.17	6.85	7.51
Prepaid Exp.	0.22	0.15	0.12	0.32	0.35
<b>Total Current Assets</b>	<b>19.59</b>	<b>20.05</b>	<b>24.80</b>	<b>29.60</b>	<b>35.01</b>
Property, Plant & Equipment	26.07	23.24	22.61	21.60	21.20
Other Intangibles	17.05	17.44	18.54	19.54	20.54
Deferred Tax Assets, LT	0.75	0.34	0.40	0.40	0.40
<b>Total Assets</b>	<b><u>63.46</u></b>	<b><u>61.07</u></b>	<b><u>66.35</u></b>	<b><u>71.14</u></b>	<b><u>77.15</u></b>
<b>LIABILITIES</b>					
Accounts Payable	3.56	3.82	4.27	4.57	5.01
Lease	0.29	0.27	0.44	0.44	0.44
Loans					
Current Income Tax / Others			0.39	0.39	0.39
<b>Total Current Liabilities</b>	<b>3.85</b>	<b>4.08</b>	<b>5.10</b>	<b>5.39</b>	<b>5.83</b>
Long-term Debt	5.90				
ARO	5.22	4.37	3.78	3.78	3.78
Lease / Others	0.30	0.23	0.58	0.58	0.58
<b>Total Liabilities</b>	<b>15.27</b>	<b>8.68</b>	<b>9.46</b>	<b>9.75</b>	<b>10.19</b>
Share Capital	19.95	20.16	20.96	20.96	20.96
Retained Earnings/Deficit	24.85	28.70	32.59	36.94	42.33
Comprehensive Inc. and Other	3.39	3.54	3.33	3.49	3.67
<b>Total Common Equity</b>	<b>48.19</b>	<b>52.39</b>	<b>56.89</b>	<b>61.39</b>	<b>66.96</b>
<b>Total Equity</b>	<b><u>48.19</u></b>	<b><u>52.39</u></b>	<b><u>56.89</u></b>	<b><u>61.39</u></b>	<b><u>66.96</u></b>
<b>Total Liabilities And Equity</b>	<b><u>63.46</u></b>	<b><u>61.07</u></b>	<b><u>66.35</u></b>	<b><u>71.14</u></b>	<b><u>77.15</u></b>

<b>Cash Flow</b>					
US\$ millions	2016	2017	2018	2019E	2020E
<b>Net Income</b>	<b>3.29</b>	<b>3.84</b>	<b>4.82</b>	<b>5.93</b>	<b>6.98</b>
Depreciation & Amort.	2.63	2.87	2.41	2.51	2.40
Depreciation & Amort., Total	2.63	2.87	2.41	2.51	2.40
(Gain) Loss From Sale Of Assets	-0.04	0.33	0.03		
Deferred income tax recovery	-0.26				
Interest on term facility	0.25	0.97			
Asset retirement obligation	0.07	0.12	0.03		
Receivable withheld					
Share-based compensation	0.20	0.14	0.14	0.16	0.17
Deferred share unit expense	-0.03	0.11	0.14		
Others	0.04	0.31	0.77		
Total change in non-working capital	-2.83	-1.32	4.38	-2.48	-0.85
<b>Cash from Ops.</b>	<b>3.32</b>	<b>7.37</b>	<b>12.73</b>	<b>6.12</b>	<b>8.70</b>
Property, plant and equipment	-8.80	-0.70	-1.43	-1.50	-2.00
Sale of property, plant and equipment	0.09	0.42	0.14		
Revaluation and exploration assests	-1.32	-0.60	-1.04	-1.00	-1.00
Invest. in securities	-				
Other Investing Activities	-				
<b>Cash from Investing</b>	<b>-10.03</b>	<b>-0.89</b>	<b>-2.33</b>	<b>-2.50</b>	<b>-3.00</b>
Total Debt Repaid	-0.96	-7.03			
Issuance of Common Stock	7.00	0.09	-0.56		
Options / Warrants	1.35		0.54		
Other Financing Activities	0.15	-0.93	-1.25	-1.59	-1.59
<b>Cash from Financing</b>	<b>6.76</b>	<b>-7.87</b>	<b>-1.27</b>	<b>-1.59</b>	<b>-1.59</b>
Foreign Exchange Rate Adj.	0.00	0.04	0.00	0.00	0.00
<b>Net Change in Cash</b>	<b><u>0.05</u></b>	<b><u>-1.35</u></b>	<b><u>9.13</u></b>	<b><u>2.03</u></b>	<b><u>4.12</u></b>

#### Fundamental Research Corp. Equity Rating Scale:

**Buy** – Annual expected rate of return exceeds 12% or the expected return is commensurate with risk

**Hold** – Annual expected rate of return is between 5% and 12%

**Sell** – Annual expected rate of return is below 5% or the expected return is not commensurate with risk

**Suspended or Rating N/A**— Coverage and ratings suspended until more information can be obtained from the company regarding recent events.

#### Fundamental Research Corp. Risk Rating Scale:

**1 (Low Risk)** - The company operates in an industry where it has a strong position (for example a monopoly, high market share etc.) or operates in a regulated industry. The future outlook is stable or positive for the industry. The company generates positive free cash flow and has a history of profitability. The capital structure is conservative with little or no debt.

**2 (Below Average Risk)** - The company operates in an industry where the fundamentals and outlook are positive. The industry and company are relatively less sensitive to systematic risk than companies with a Risk Rating of 3. The company has a history of profitability and has demonstrated its ability to generate positive free cash flows (though current free cash flow may be negative due to capital investment). The company's capital structure is conservative with little to modest use of debt.

**3 (Average Risk)** - The company operates in an industry that has average sensitivity to systematic risk. The industry may be cyclical. Profits and cash flow are sensitive to economic factors although the company has demonstrated its ability to generate positive earnings and cash flow. Debt use is in line with industry averages, and coverage ratios are sufficient.

**4 (Speculative)** - The company has little or no history of generating earnings or cash flow. Debt use is higher. These companies may be in start-up mode or in a turnaround situation. These companies should be considered speculative.

**5 (Highly Speculative)** - The company has no history of generating earnings or cash flow. They may operate in a new industry with new, and unproven products. Products may be at the development stage, testing, or seeking regulatory approval. These companies may run into liquidity issues, and may rely on external funding. These stocks are considered highly speculative.

#### Disclaimers and Disclosure

The opinions expressed in this report are the true opinions of the analyst about this company and industry. Any "forward looking statements" are our best estimates and opinions based upon information that is publicly available and that we believe to be correct, but we have not independently verified with respect to truth or correctness. There is no guarantee that our forecasts will materialize. Actual results will likely vary. The analyst and Fundamental Research Corp. "FRC" does not own any shares of the subject company, does not make a market or offer shares for sale of the subject company, and does not have any investment banking business with the subject company. Fees were paid by DNG to FRC. The purpose of the fee is to subsidize the high costs of research and monitoring. FRC takes steps to ensure independence including setting fees in advance and utilizing analysts who must abide by CFA Institute Code of Ethics and Standards of Professional Conduct. Additionally, analysts may not trade in any security under coverage. Our full editorial control of all research, timing of release of the reports, and release of liability for negative reports are protected contractually. To further ensure independence, DNG has agreed to a minimum coverage term including four updates. Coverage cannot be unilaterally terminated. Distribution procedure: our reports are distributed first to our web-based subscribers on the date shown on this report then made available to delayed access users through various other channels for a limited time.

The distribution of FRC's ratings are as follows: BUY (71%), HOLD (7%), SELL / SUSPEND (22%).

To subscribe for real-time access to research, visit <http://www.researchfrc.com/subscribe.php> for subscription options.

This report contains "forward looking" statements. Forward-looking statements regarding the Company and/or stock's performance inherently involve risks and uncertainties that could cause actual results to differ from such forward-looking statements. Factors that would cause or contribute to such differences include, but are not limited to, continued acceptance of the Company's products/services in the marketplace; acceptance in the marketplace of the Company's new product lines/services; competitive factors; new product/service introductions by others; technological changes; dependence on suppliers; systematic market risks and other risks discussed in the Company's periodic report filings, including interim reports, annual reports, and annual information forms filed with the various securities regulators. By making these forward looking statements, Fundamental Research Corp. and the analyst/author of this report undertakes no obligation to update these statements for revisions or changes after the date of this report. A report initiating coverage will most often be updated quarterly while a report issuing a rating may have no further or less frequent updates because the subject company is likely to be in earlier stages where nothing material may occur quarter to quarter.

Fundamental Research Corp DOES NOT MAKE ANY WARRANTIES, EXPRESSED OR IMPLIED, AS TO RESULTS TO BE OBTAINED FROM USING THIS INFORMATION AND MAKES NO EXPRESS OR IMPLIED WARRANTIES OR FITNESS FOR A PARTICULAR USE. ANYONE USING THIS REPORT ASSUMES FULL RESPONSIBILITY FOR WHATEVER RESULTS THEY OBTAIN FROM WHATEVER USE THE INFORMATION WAS PUT TO. ALWAYS TALK TO YOUR FINANCIAL ADVISOR BEFORE YOU INVEST. WHETHER A STOCK SHOULD BE INCLUDED IN A PORTFOLIO DEPENDS ON ONE'S RISK TOLERANCE, OBJECTIVES, SITUATION, RETURN ON OTHER ASSETS, ETC. ONLY YOUR INVESTMENT ADVISOR WHO KNOWS YOUR UNIQUE CIRCUMSTANCES CAN MAKE A PROPER RECOMMENDATION AS TO THE MERIT OF ANY PARTICULAR SECURITY FOR INCLUSION IN YOUR PORTFOLIO. This REPORT is solely for informative purposes and is not a solicitation or an offer to buy or sell any security. It is not intended as being a complete description of the company, industry, securities or developments referred to in the material. Any forecasts contained in this report were independently prepared unless otherwise stated, and HAVE NOT BEEN endorsed by the Management of the company which is the subject of this report. Additional information is available upon request. THIS REPORT IS COPYRIGHT. YOU MAY NOT REDISTRIBUTE THIS REPORT WITHOUT OUR PERMISSION. Please give proper credit, including citing Fundamental Research Corp and/or the analyst, when quoting information from this report.

The information contained in this report is intended to be viewed only in jurisdictions where it may be legally viewed and is not intended for use by any person or entity in any jurisdiction where such use would be contrary to local regulations or which would require any registration requirement within such jurisdiction.