PI FINANCIAL
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FIRST QUARTER 2014 TOP PICKS

Q413 Top Picks

PI Top Picks	15.1%
TSX Index	6.5%
TSX Small Cap Index	6.0%

Pricing as of December 31, 2013

Changes to Q1 2014 Top Picks

Added:

FirstService Corp. (Q-FSRV; T-FSV)
Macro Enterprises Inc. (V-MCR)
Points International Ltd. (Q-PCOM; T-PTS)
Rock Energy Inc. (T-RE)
Savanna Energy Services Corp. (T-SVY)

Removed:

Avigilon Corporation (T-AVO)
BlackPearl Resources Inc. (T-PXX)
Calfrac Well Services Ltd. (T-CFW)
ENTREC Corp. (V-ENT)
Liquor Stores N.A. Ltd. (T-LIQ)

FirstService Corp.
(Q-FSRV; T-FSV)

Macro Enterprises Inc.
(V-MCR)

Nevsun Resources Ltd.
(T-NSU)

Points International Ltd.
(Q-PCOM; T-PTS)

Rock Energy Inc.
(T-RE)

Savanna Energy Services Corp.
(T-SVY)

Silvercrest Mines Inc.
(V-SVL)

A Disclosure fact sheet is available on Pages 27-28 of this report.

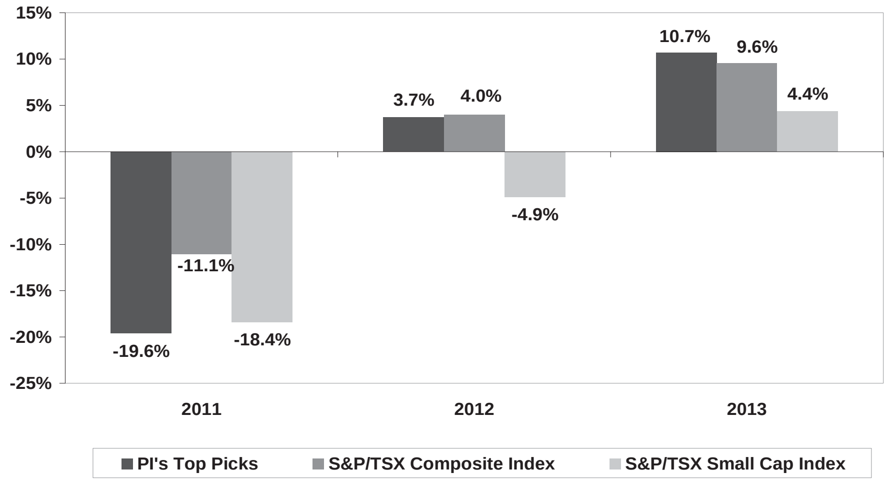
TABLE OF CONTENTS

PI TOP PICKS OUTPERFORM IN 2013 AND Q4

Driven by and improving US economy, stabilizing Eurozone and abating fiscal concerns, global equity markets, especially in the US, recorded above average returns in 2013. The S&P 500 and NASDAQ index recorded spectacular gains of 29.6% and 38.3%. In Canada, our TSX/SP Index rose a more moderate 10% due to underperformance in the mining and energy sectors.

We are pleased to report that in 2013 and the previous quarter PI Financial Top Picks finished ahead of both the TSX Composite and Small Cap Index. PI Top Picks gained 10.7%, slightly above the S&P/TSX Composite 9.6% and well above the 4.4% gain in the S&P/TSX Small Cap Index.

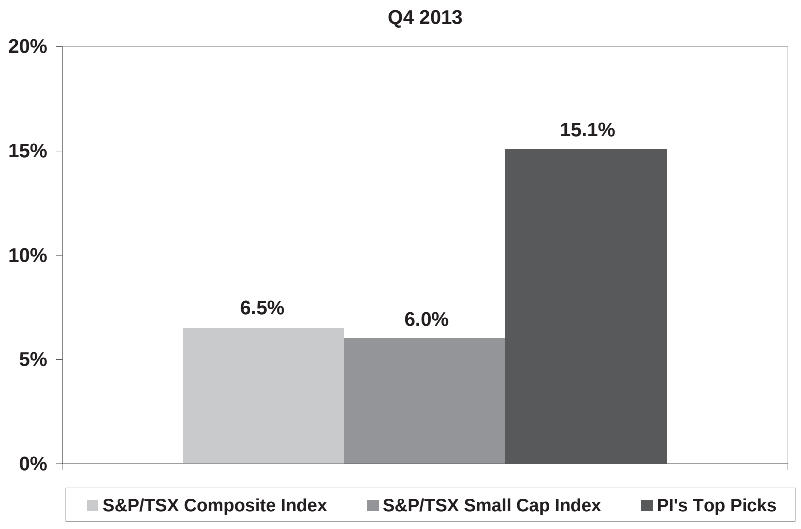
With our view of a continuing global economic recovery, especially in the US, we are expecting equities to record positive, albeit more moderate returns in 2014. With the reduction in US Federal Reserve bond purchases now in place, we expect interest rates to creep slightly higher in 2014. We remain attentive to the Chinese economy given its very substantial impact on the performance of Canada's resource equities.



Source: PI Financial Corp.

Q4 Top Picks

Our Top Picks were ahead of both the S&P/TSX Composite and the S&P/TSX Small Cap Index in the fourth quarter of 2013. PI's picks, in aggregate, gained 15.1% in the Q4 period (September 30, 2013 to December 31, 2013) versus gains of 6.5% on the S&P/TSX and 6.0% on the Canadian Small Cap Index.



Source: PI Financial Corp.

Our Technology Top Pick, **Avigilon Corporation (T-AVO)** was our top performer, increasing 62.4% in the quarter while the S&P/TSX Info-Tech sub-index increased 6.5%. Avigilon's share price increase was driven by the Company reporting exceptionally strong financial results for Q3FY13 with revenue increasing 101% YoY. During the quarter, Avigilon also closed a $69M bought deal financing.

The second best performer was our Special Situations Top Pick, **ENTREC Corp. (V-ENT)**, which increased 24.3% while the S&P/TSX Capped Industrials Index increased 15.8%. Ironically, ENTREC did not post great numbers in its Q3 results as a few clients postponed or cancelled projects over the summer. What has fuelled the stock performance is the optimism for 2014. Although the Company has not provided FY14 guidance there are almost 600 projects either underway or proposed across Alberta worth $195B including the Fort Hills megaproject in the oilsands.

Our Oil & Gas Top Pick, **BlackPearl Resources Inc. (T-PXX)** increased 20.7% while the S&P/TSX Canadian Energy Index increased only 3.4%. With heavy oil pricing (and producers) being generally weak, PXX's outperformance reflects plans to advance with a scaled down version of its thermal SAGD project at Onion. This is accretive to the valuation as the market, of late, has ascribed limited value to PXX's high quality inventory of SAGD projects. Much more upside remains, as this inventory is capable of delivering a ten-fold production increase. We are maintaining our BUY rating and $3.00 target.

Our Consumer Products Top Pick, **Liquor Stores N.A. Ltd (T-LIQ)**, declined 10.1% while the S&P/TSX Canadian Consumer Staples Index increased 3.6%.LIQ is a liquor retailer based in Alberta with 247 retail stores in Alberta (177 stores), BC (36), Alaska (22) and Kentucky (12). In the quarter, LIQ reported Q313 results in line with our expectations including revenue growth of 5.1%, adj. operating margin of 7.9% and paid dividends totalling $0.27/share in the quarter. We believe LIQ has a solid store based and is well positioned for growth, however limited share liquidity can result in significant share price volatility. We believe LIQ is undervalued at its current price and expect LIQ to focus on revenue and margin growth to drive share price gains in 2014.

Nevsun Resources Ltd. (T-NSU), our Base Metals Top Pick, increased 9.8% while the S&P/TSX Capped Diversified Mining and Metals Index lost 0.5%. During the quarter, NSU shares rallied up to $3.90/share but then came back down again to end the quarter with a 9.8% gain. The share rally was due to Nevsun being able to acheive commercial production at Bisha before the end of the year, on schedule and on budget. However, investor concern remains on not only the political risk in Eritrea, but also investor concern over Nevsun using its cash balance (US$290M) for a ill-timed acquisition which would destroy shareholder value. Those two risks are the main reasons the shares came down from the $3.90/share level reached during the midpoint of Q413.

The stock of **Calfrac Well Services Ltd. (T-CFW)**, our Top Pick for Q413 declined 1.0% in Q413 which compared to the Energy Equipment and Services Index's 3.8% performance and the S&P/TSX composite index's 6.5% gain. Our expectations for CFW's stock to be driven higher by the market's excitement about next winter's activities did not materialize because of the timing of a ramp-up in Duvernay developments is still uncertain. Moreover, it appears that LNG related developments probably will not result in a meaningful step-up in activities until 2015 at the earliest. CFW pre-warned about its Q313 results on October 3, 2013 which also offset some of the positive sentiment which investors previously had about its stock. We are maintaining a Buy rating (Above Average risk) and a $38.00 target price for the stock of CFW because we still like its long term prospects, especially with respect to its Canadian business.

Silvercrest Mines Inc. (V-SVL), our Precious Metals Top Pick, fell 1.1% during the quarter compared to a 23.8% loss in the Market Vectors Junior Gold Index. Silvercrest outperformed its peers due to continued strong production and operating earnings from its Santa Elena open pit mine in Sonora, Mexico. This, coupled with an anticipated increase to production levels in 2014, continues to support the valuation on shares of SVL.

Performance of the Q413 Top Picks

Q4/13 Top Picks	Value Sep 30/13	Value Dec 31/13	Return	Comparable Sub-index return	Sub-index
S&P/TSX Composite Index	12,787	13,622	6.5%	n/a	
S&P/TSX Cdn. Small Cap Index	576	611	6.0%	n/a	
Avigilon Corporation	$18.93	$30.75	62.4%	8.5%	Technology
ENTREC Corp.	$1.36	$1.69	24.3%	15.8%	Industrials
BlackPearl Resources Inc.	$1.88	$2.27	20.7%	3.4%	Oil & Gas
Nevsun Resources	$3.28	$3.53	9.8%	-0.5%	Diversified Metals & Mining
Calfrac Well Services Ltd.	$31.30	$31.00	-0.2%	3.8%	Energy Equipment and Services
Silvercrest Mines Inc.	$1.83	$1.81	-1.1%	-23.8%	Junior Gold Index
Liquor Stores N.A. Ltd.	$15.95	$14.07	-10.1%	3.6%	Consumer Staples
		Average	**15.1%**	**1.5%**	

Source: PI Financial Corp.

**** To calculate Top Pick performance we assume an equal weighted purchase of each of our recommendations. Top Picks are sold at the end of each quarter and the total proceeds are reinvested equally in each of our new Top Picks for the next quarter. Transaction fees are not included. The S&P/TSX Composite index is calculated based on a market capitalization weighting versus our Top Picks performance which uses an equal weighted percentage change that includes dividend payments.***

SECTOR OVERVIEW

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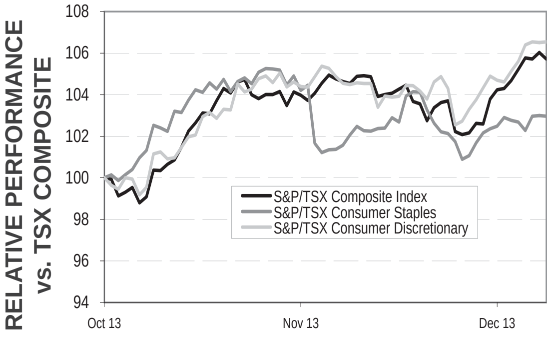
The major North American equity indices all generated positive returns in the fourth quarter and for the full year with the exception of the S&P/TSX Venture index. In the quarter, the S&P/TSX Index rose 6.5% and rose 9.6% for the full year. The returns in the US were materially stronger with the DJIA gaining 9.6% in the quarter and 27% for the full year.

The S&P/TSX Consumer Discretionary Index rose 7.4% in the quarter and a very strong 40% for the full year! The Consumer Staples Index generated a 3.6% return in the fourth quarter and a strong 21% in 2013. This year, the Consumer Discretionary and Staples indices strongly outperformed the overall Canadian market indices.



Our Consumer Products covered companies performed very strongly, generating an average return of 15% in the fourth quarter and 58% for the full year. This result handily beat both the Consumer Discretionary and Staples indices returns and was well ahead of the general market return. Our best performer in the quarter was Coastal Contacts Inc. (T-COA; Q-COA) up 35% followed by Great Canadian Gaming Corp. (T-GC) up 28%. Our best performer for the full year was CRH Medical (T-CRH) up 178% followed by SunOpta Inc. (T-SOY; Q-STKL) up 90%.

SECTOR OUTLOOK

We expect a continued recovery for both the US and overall global economies to be largely driven by continued growth in consumer confidence and demand. Improving consumer confidence helped drive strong annual gains in both the DJIA and the S&P 500 indices. Economists are forecasting 2014 US GDP growth of approximately 2.6% compared to an estimated growth of 1.7% in 2013. Economists are forecasting global growth of 3.3% in 2014 up from approximately 2.5% in 2013. This includes expectations of modest economic growth in Europe supported by expansionary monetary policies. In Canada, the IMF forecasts 2014 GDP to increase 2.25% compared to an estimated 1.6% in 2013.

Following such strong performance in 2013, we expect more moderate results in 2014 to be driven by continued gains in consumer confidence and overall economic strength. We try to focus our investment list on companies with strong operations, cash flow and capital structures that can support growth.

COVERAGE LIST OVERVIEW

Liquor Stores N.A. Ltd (T-LIQ, Price: $14.07, Target: $20.00, BUY, AVERAGE risk rating, Potential return 50%) LIQ is a liquor retailer based in Alberta with 247 retail stores in Alberta (177 stores), BC (36), Alaska (22) and Kentucky (12). LIQ was our Q313 Top Pick, however, LIQ shares generated a negative 10% return in the quarter and a negative 18% for the full year. In the quarter, LIQ reported Q313 results in line with our expectations including revenue growth of 5.1% driven by the addition of 7 new stores compared to Q312. LIQ generated an adj. operating margin of 7.9% in the quarter and paid dividends totalling $0.27/share in the quarter.

We believe LIQ has a solid store based and is well positioned for growth, however limited share liquidity can result in significant share price volatility. We expect LIQ will add 13-17 stores to its retail network over the next two years to drive growth and believe LIQ is undervalued at its current price. We expect LIQ to focus on revenue and margin growth to drive share price gains in 2014.

FirstService Corporation (T-FSV; Q-FSRV, Price: C$45.75/US$43.05, Target: US$46.00, BUY, AVERAGE risk rating, Potential return 7.8%), FSV is a diversified real estate services company providing commercial real estate services, residential and commercial property management services and property improvement services.

FSV was our Top Pick from Q1 to Q313. FSV shares generated a 15% return in Q413 and a 64% return for the full year. We are returning to FirstService as our Q114 Top Pick with our expectation of a continued US economic recovery.

FSV's commercial real estate division, Colliers International, continues to be a strong driver for FSV. We expect continued strong results from this division supported by both FirstService Residential and FSV's franchise brands in the remainder of 2013 and in 2014. In 2013 we are forecasting revenue to increased 8.1% to $2.3B and adj. EBITDA to increase 16% to $177M. In 2014 we are forecasting revenue to increase 7.2% to $2.5B, adj. EBITDA to increase 4.8% to $185M and adj. earnings of $68.2M or $1.85/share.

Coastal Contacts Inc. (T-COA, Price: $8.76, Target: $9.00, BUY, ABOVE AVERAGE risk rating, Potential return 2.7%) COA is a rapidly growing direct-to-consumer online retailer of vision care products. Online contact lens sales continue to generate steady cash flow providing financial support to drive the online glasses initiative. COA's shares rose 35% in the quarter and 46% in 2013.

We expect COA to report Q413 results on January 20th, 2014. We are forecasting FY13 revenue to increase 12% to $219M, an adj. EBITDA loss of $10.0M and a net loss of $14.8M or $0.48/share. In FY14 we are forecasting 13% revenue growth to $248M, adj. EBITDA of $1.0M and a net loss of $2.4M or $0.07/share. COA recently announced it has partnered with Overstock.com where it will provide prescription glasses to Overstock.com's website to help COA efficiently address the US market.

Great Canadian Gaming Corp. (T-GC, Price: $14.64, Target: $13.50, NEUTRAL, AVERAGE risk rating, Potential return (7.8%)) GC operates and develops casinos and racetracks with associated hospitality and entertainment facilities in British Columbia, Ontario, Nova Scotia and Washington State. GC shares gained 28% in the quarter and 53% in 2013.

GC recently held the grand opening for the re-branded Boulevard Casino as the Hard Rock Casino Vancouver. We view GC management as solid operators and if the Company is awarded new meaningful gaming opportunities in Ontario we would expect to raise our target and recommendation.

MEGA Brands Inc. (T-MB, Price: $15.21, Target: $17.00, BUY, ABOVE AVERAGE risk rating, Potential return 12%) MB is a global designer, manufacturer and marketer of quality toys, stationery and activities products. Brands include MEGA BLOKS, MEGA PUZZLES, MEGA GAMES, ROSE ART and BOARD DUDES. MB shares were down 6.3% in the quarter but were up 55% for the full year. MEGA Brands reported lighter than expected Q313 results primarily due to softer than expected Boys and Collectors sales. We believe MB has a strong planned toy launch program to drive Q413 and 2014 sales including Halo, Hot Wheels, Skylander Swap Force and the new Call of Duty product lines.

Premium Brands Holdings Corp. (T-PBH, Price: $22.67, Target: $22.00, BUY, AVERAGE risk rating, Potential return 2.6%) PBH is a manufacturer, marketer and distributor of high quality, branded food products primarily in western Canada.

PBH shares generated a 19% return in the quarter and a 40% return for the full year. We continue to view PBH as a strong premium food operator in niche markets. PBH reported Q313 results in line with expectations and we are pleasantly surprised with the degree of PBH's return to shareholders in 2013. Our target represents an EV/EBITDA multiple of 9.6x our 2014 forecast and supports a 5.7% yield.

SunOpta Inc. (T-SOY; Q-STKL, Price: C$10.62/US$10.01, Target: US$11.00, BUY, AVERAGE risk rating, Potential return 10%) SOY is a global company focused on natural, organic and specialty foods. SOY generated a 6.2% return in the quarter and is up 90% year-to-date!

Demand growth for natural and organic foods continues to be driven by increased consumer awareness and demand for healthier eating options. We are forecasting 2013 revenue to increase 9% to $1,190M, EBITDA of $69.4M and adj. earnings from cont. ops. of $23.7M or $0.35/share. Our 2014 forecast includes revenue of $1,272M, EBITDA of $87.9M and adj. earnings of $34.5M or $0.51/share.

Whistler Blackcomb Holdings Inc. (T-WB, Price: $16.63, Target: $17.50, BUY, ABOVE AVERAGE risk rating, Potential return 11%) WB holds 75% interests in Whistler Mountain Resort LP and Blackcomb Skiing Enterprises LP and together operate the four season mountain resort. WB shares generated a 23% return in the quarter and a 43% return in 2013! WB opened two new lifts on schedule and on budget in early December to increase lift capacity and ski terrain. These lifts are examples of capital expenditures WB plans to make to increase its guest experience and support pricing to drive revenue growth. WB continues to expand its product and service offering as a diversified four season resort and activity operator.

CRH Medical Corporation (T-CRH, Price: $0.75, NON-RATED, SPECULATIVE risk rating) CRH is a direct-to-physician distributor of its proprietary product to treat hemorrhoids in the US. CRH shares appreciated 15% in Q413 and are up 178% year-to-date! We are forecasting full year revenue to increase 10% to $7.5M delivering EBITDA of $2.0M and net income of $1.7M or $0.03/share. We are forecasting 2014 revenue to increase 15% to $8.6M, leading to EBITDA of $2.5M and net income of $2.0M or $0.04/share.

Ten Peaks Coffee Company (T-TPK, Price: $3.36, NON-RATED, SPECULATIVE risk rating) TPK, based in Burnaby, BC, is a chemical free, organic decaffeinated coffee processor. TPK owns the Swiss Water Decaffeinated Coffee Company Inc. (SWDCC) and Seaforth Supply Chain Solutions Inc. TPK generated a 22% return in the quarter and a 24% return in 2013. TPK is exposed to commodity coffee price changes during decaffeination. TPK actively hedges to protect its cashflow from commodity and FX changes. We are forecast 2013 hedged EBITDA to increase 18% to $4.0M and net earnings to increase 20% to $1.8M or $0.27/share. In 2014 we are forecasting revenue to increase to $53.9M leading to hedged EBITDA of $4.4M and net earnings of $2.3M or $0.34/share. TPK pays a quarterly dividend of $0.0625/share ($0.25/share annual dividend) resulting in an approximate yield of 7.4%.

TOP PICK: FIRSTSERVICE CORPORATION (T-FSV; Q-FSRV)

CONSUMER PRODUCTS - Sheila Broughton (604) 664.2695 sheilab@pifinancialcorp.com

Company Name	Stock Symbol	Recent Price	Shares O/S FD (Million)	Market Cap. (Million)	Net Cash (Debt) (Million)	Revenue (Million) FY12A	Revenue (Million) FY13E	Revenue (Million) FY14E	Earnings Per Share (FD) FY12A	Earnings Per Share (FD) FY13E	Earnings Per Share (FD) FY14E	P/E Current FYE	12-Mos Target Price	Total Return	Stock Rating	Volatility/ Risk
Coastal Contacts Inc.	T-COA	$8.76	34.9	$306	$20.7	$196	$219	$248	($0.17)	($0.48)	($0.07)	N/A	$9.00	2.7%	BUY	ABV
CRH Medical Corp	T-CRH	$0.75	53.1	$39.8	US$6.2	US$6.8	US$7.5	US$8.6	US$0.03	US$0.03	US$0.04	25.0x	N/R	N/A	N/R	SPEC
FirstService Corp.*	Q-FSRV	US$43.05	36.5	US$1,571	(US$295)	US$2,163	US$2,338	US$2,506	US$1.58	US$1.90	US$1.85	22.7x	US$46.00	7.8%	BUY-TP ‡	AVG
Great Canadian Gaming Corp.	T-GC	$14.64	71.7	$1,050	($271)	$409	$410	$423	($0.36)	$0.99	$0.76	14.8x	$13.50	-7.8%	NEUTRAL	AVG
Liquor Stores N.A. Ltd.	T-LIQ	$14.07	23.1	$325	($152)	$630	$665	$709	$0.82	$0.86	$1.01	16.4x	$20.00	50%	BUY	AVG
MEGA Brands Inc.	T-MB	$15.21	28.6	$435	(US$69)	US$420	US$440	US$462	US$0.84	US$1.19	US$1.16	12.8x	$17.00	12%	BUY	ABV
Premium Brands Holdings Corp. †	T-PBH	$22.67	21.8	$494	($324)	$962	$1,080	$1,163	$0.73	$0.79	$1.22	28.7x	$22.00	2.6%	BUY	AVG
SunOpta Inc.	Q-STKL	US$10.01	67.8	US$679	(US$185)	US$1,091	US$1,190	US$1,272	US$0.34	US$0.35	US$0.51	28.6x	US$11.00	10%	BUY	AVG
Ten Peaks Coffee Company Inc.	T-TPK	$3.36	6.5	$21.8	($2.6)	$60	$52	$54	$0.23	$0.27	$0.34	12.4x	N/R	N/A	N/R	SPEC
Whistler Blackcomb Holdings Inc.	T-WB	$16.63	38.0	$631.9	($199.0)	$236	$241	$256	$0.41	$0.37	$0.46	44.9x	$17.50	11%	BUY	ABV

*Adj. EPS - 2012 and 2013 EPS are not adjusted for FAS disposition

FIRSTSERVICE CORPORATION (T-FSV; Q-FSRV)
Rating: BUY, Target: US$46.00

GLOBALLY DIVERSIFIED REAL ESTATE SERVICES COMPANY

- FSV is a diversified real estate services company providing commercial real estate services, residential and commercial property management services and property improvement services. FSV shares generated a 15% return in Q413 and a 64% return for the full year. We are returning to FirstService as our Q114 Top Pick with our expectation of a continued US economic recovery.

- In the quarter, FSV reported strong Q313 results. Consolidated Q313 revenue increased 8.8% to $608M, adj. EBITDA increased 11% to $55.4M, adj. net earnings increased 22% to $23.3M and adj. EPS increased 8.1% to $0.68/share beating both our and consensus estimates. Q313 results were driven by over 30% EBITDA growth from both Colliers International (CI) and FirstService Brands (FB). At the end of Q313, FSV completed the sale of Field Asset Services (FAS) to Assurant, Inc. for $55M in cash.

- FSV recently announced the acquisitions of Curry Association Management, which manages over 140 associations representing 30,000 units throughout the Kansas City metropolitan area and Bristol Management Services, the largest provider of residential property management services in Jupiter, Fla., and surrounding areas.

- FSV has over 1.2B square feet of commercial real estate under management in their commercial real estate operations and remains well capitalized for growth. FSV has strong pipelines of commercial real estate opportunities globally and we expect solid revenue and adjusted EBITDA growth in the final quarter of 2013 and in 2014.

- Our 2013 forecast includes Colliers International revenue growth of 10% to $1,289M with a 7.5% adj. EBITDA margin. In 2014 we are forecasting 7.0% CRE revenue growth to $1,379M with a 7.3% EBITDA margin. FSV's goal is to head towards a 10% EBITDA margin for the CRE division. We expect FirstService Residential to continue to generate revenue growth in the final quarter of 2013 and in 2014 from its recent acquisitions. We are forecasting FirstService Residential will grow 8.2% in 2013 to $908M generating a 7.0% EBITDA margin. Looking out to 2014, we are forecasting 7.0% revenue growth for this group to $971M, with a 7.5% EBITDA margin.

- We are forecasting the Franchise Brands group to generate full year revenue of $141M excluding all results from FAS. We are forecasting a full year EBITDA margin of 18% from this group. In 2014 we are forecasting FB revenue to increase 10% to $155M. We are forecasting a 17% EBITDA margin for the FB group in 2014.

- This leads to our consolidated FSV forecasts. In 2013 we are forecasting revenue to increased 8.1% to $2.3B and adj. EBITDA to increase 16% to $177M. In 2014 we are forecasting revenue to increase 7.2% to $2.5B, adj. EBITDA to increase 4.8% to $185M and adj. earnings of $68.2M or $1.85/share.

- We retain our **BUY** recommendation and **12-month target of US$46.00.** Our target reflects a 12x EV/EBITDA multiple based on our 2014 forecast. With a solid track record of fundamental growth we continue to view FSV as an **AVERAGE** risk for long-term investors.

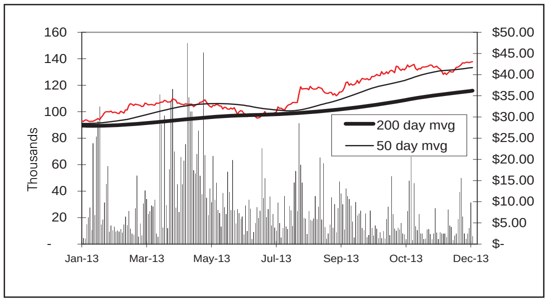
Opinion and Share Information

Risk:	AVERAGE
Current Price:	C$45.75/US$43.05
Potential Return:	7.8%
52 week High / Low:	$43.51/$26.88
Shares Outstanding:	35.6M (basic)
Shares Outstanding:	36.5M (fd)
Market Capitalization:	$1,570M
Market Float:	27.4M
Quoted Market Value:	$1,180M
30 Day Av. Daily Volume:	51,041
Net Debt:	$295M
Net Debt/Capital:	55%
Dividend Yield:	0.9%
Founder & CEO:	Jay Hennick
President:	Scott Patterson

Financial Summary

(FYE Dec. 31) **($M's except EPS)**	**2011**	**2012**	**2013e**	**2014e**
Revenue	2,224	2,163	2,338	2,506
Adj. EBITDA*	162	152	177	185
Adj. EBITDA %*	7.3%	7.0%	7.6%	7.4%
Adj. net earnings	55.4	48.0	63.7	68.2
Adj. EPS (fd)	$1.81	$1.58	$1.90	$1.85
EV/EBITDA	11x	12x	11x	11x

Quarterly FY13	**Q1**	**Q2**	**Q3**	**Q4e**
Revenue	481	583	608	666
Adj. EPS (fd)	($0.19)	$0.56	$0.68	$0.76
Adj. EBITDA	10.8	45.9	55.4	64.5



Company Description

FSV is a diversified real estate services company providing commercial real estate services, residential and commercial property management services and property improvement services.

SECTOR OVERVIEW

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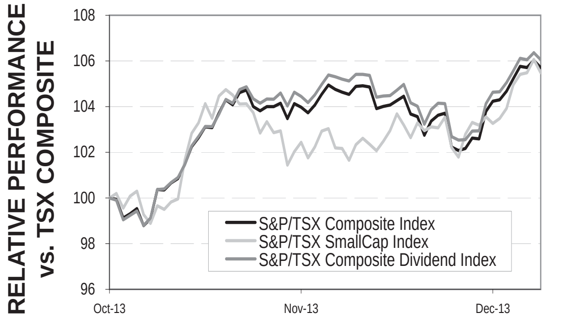


The S&P/TSX Composite ended the quarter up just 6.5% based on the gains made in October (+4.5%) as November and December showed little movement. The S&P/TSX SmallCap Index kept pace for the most part gaining 6.0%. The S&P/TSX Dividend Index posted the best gains with a return of 6.8% during Q4. For the year, the S&P/TSX Composite and S&P/TSX Dividend Index both reported gains of 9.6% whereas the SmallCap Index posted a small 4.4% gain.

From the Special Situations coverage list, Pure Technologies (T-PUR) was the biggest gainer during the quarter, up 37.2%, followed by our Top Pick for the quarter – ENTREC Corp (V-ENT), up 24.3%. Macro (V-MCR) and Cervus Equipment (T-CVL) also posted double digit gains as those stocks were up 13.8% and 15.0% respectively. The only negative returns from our coverage list were Wajax (down 2.8%) which we currently have a NEUTRAL rating on, and Winpak (also down 2.8%) which took a breather after a very strong year (up 53.1% on the year).

The common theme in two of our top three performers during the quarter was the potential of the LNG industry in Western Canada. Both Macro Enterprises (pipeline construction and integrity) as well as ENTREC Corp (heavy hauling and crane services for large industrial projects) are well positioned to benefit from future LNG projects. Pure Technologies, the third of our top three, best known for inspecting water pipelines, have also made recent inroads to the oil & gas pipeline inspection market.

SECTOR OUTLOOK

We anticipate the first quarter of 2014 may be volatile for our coverage universe as there is potential for several catalysts which could be negative or positive. In the LNG market, we are anticipating several catalysts, one of which is the BC government's export tax on LNG. We do not anticipate an onerous tax and expectations have been set that there should be movement on various LNG groups' investment decisions for liquefaction plants. Any delays or perceived inactivity may deflate the enthusiasm and result in lower stock prices. Alternatively, any positive announcement regarding investment followed by construction timelines will have a significantly positive impact.

Our agricultural stocks (Cervus, Rocky Mountain and Ag Growth) are likely to trade off of announcements surrounding planting intentions for the upcoming growing season as well as grain prices. Wheat prices have fallen 35% to $6.10 since June 2012 and any price drop below $5.50 is likely to negatively impact our recommendations. The futures markets indicate a price approaching $6.50 by the end of 2014. Falling global grain inventory and the prospects of weak international crops are needed for a rise in grain prices and a positive catalyst for our ag names.

COVERAGE LIST OVERVIEW

Ag Growth International Inc. (T-AFN, Target: $52.00, BUY, ABOVE AVERAGE risk rating. Potential return 22%) Shares were up 14.9% in Q4 and 42.4% for the year. Q3 FY13 revenue increased 39% to $116M, adjusted EBITDA increased 86% to $23.3M, and EPS increased from $0.52 to $0.95. These results were much stronger than we had anticipated. Gross margins were up 230bps to 32.8% due to higher production volumes and as the result of lean manufacturing initiatives. This increase breaks a streak of 14 straight quarters of declining year on year margins. Ag Growth also recently completed a $86M public offering of convertible unsecured subordinated debt. International sales are expected to lead the Company's growth in FY14 and we expect this trend to continue into FY15.

Cervus Equipment Corp. (T-CVL, Target: $29.00, BUY, ABOVE AVERAGE risk rating. Potential return 24%) Shares were up 15.0% in Q4 and 27.6% for the year. Q3 FY13 revenue increased 11% to $261M, EBITDA remained the same at $17.3M and EPS dropped one cent to $0.55. Used inventory levels decreased by 17% and used inventory turns increased to 2.3x compared to 1.8x in Q2 FY13. Revenue, EBITDA and EPS were all below our expectations but used inventory levels and construction equipment sales strength have positive implications. We feel that the industrial sales will drive growth over the next two years as Alberta and Saskatchewan economies drive strong construction and transportation sales.

ENTREC Corporation's (V-ENT, Target: $2.75, BUY, ABOVE AVERAGE risk rating. Potential return 63%) Shares were up 24.3% in Q4 and 10.5% for the year. Q3 FY13 revenue was up 63% to $59.1M, EBITDA was up 80% to $16.1M and EPS was flat at $0.04. The increase in revenue was due to the acquisitions made in the last 12 months. The Company also announced a new 5 year, $15M per year maintenance contract with Imperial Oil. Revenue guidance for FY13 was reduced to $210M- $220M from $235M to $245M) but the outlook for FY14 is robust. We are expecting a more detailed FY14 guidance in January 2014. We believe long-term outlook for ENTREC remains positive.

Macro Enterprises Inc. (V-MCR, Target: $10.00, BUY, ABOVE AVERAGE risk rating. Potential return 57%) Shares were up 13.8% in Q4 and 63.7% for the year. Q3 FY13 revenue was up 72% to $60.1M, EBITDA was up 46% to $14.3M, and EPS (fd) was $0.28 compared to $0.18 last year. Revenue growth was a result of Macro working on more projects (five versus three in Q3 FY12) as well as larger projects.

We believe Macro Enterprises is well positioned to benefit from an expanding network of pipeline infrastructure in Canada including the impending build out of BC's proposed LNG industry. Macro has a proven track record for its pipeline and facilities work and is currently developing a strong reputation in pipeline integrity work.

Parkland Fuel Corp. (T-PKI, Target: $20.50, BUY, ABOVE AVERAGE risk rating. Potential return 17%) Shares were up 1.4% in Q4 and down 2.4% for the year. Q3 FY13 revenue was up 42% to $1.5B, adjusted EBITDA was down 24% to $46.2M, and fully diluted EPS was $0.27 compared to $0.44 last year. In addition, Parkland announced the acquisition of SPF Energy based in North Dakota, a supplier and reseller of fuels and petroleum products. Q3 FY13 results were lower than our estimates but we believe the acquisition is accretive. We expect oil and gas activity to return next year providing some incremental growth in commercial volumes.

Pure Technologies (T-PUR, Target: $7.75, BUY, ABOVE AVERAGE risk rating. Potential return 17%) Shares were up 37.2% in Q4 and up 44.7% for the year. Q3 FY13 revenue increased 14% to $15.1M, EBITDA was up 67% to $3.0M and fully diluted EPS was a loss of ($0.02) similar to last year. In addition, Pure has announced contracts with a combined value of $18.5M since the beginning of September.

Pure provides considerable value to municipalities and water agencies in North America and internationally. We believe that the growth in the US water and wastewater revenue will continue to make up the majority of the revenue mix next year. We also believe that the oil & gas market represents great opportunity for Pure, especially if Pure were chosen to be part of the Northern Gateway Pipeline project.

Rocky Mountain Dealership Inc. (T-RME, Target: $15.50, BUY, ABOVE AVERAGE risk rating. Potential return 24%) Shares were up 8.9% in Q4 and 7.5% for the year. Q3 FY13 revenue was up 10% to $273M, EBITDA was down 24% to $10.3M, and EPS was down to $0.31 from $0.45 last year. These results were slightly below our expectations but more importantly, Rocky was successful at reducing its used equipment inventory by $60M and have increased use inventory turns to 2.0x (from 1.4x last quarter).

We remain bullish on the ag sector in Canada. Although grain prices are lower than last year, crop yields are expected to improve, especially canola yields. Better yields should benefit the overall crop receipts and farmer spending. In addition, Alberta's strong GDP prospects should reinvigorate construction activity next year.

Strongco Corp. (T-SQP, Target: $5.50, BUY, SPECULATIVE risk rating. Potential return 34%) Shares were up 6.8% in Q4 and down 11.8% for the year. Q3 FY13 revenue was up 11% to $132M, EBITDA was down 9% to $13.8M, and EPS was down $0.03 to $0.15 from $0.18 last year. Inventory levels were down $7.7M during the quarter and management expects significant declines next quarter. The revenue growth and inventory decline had a larger positive impact than the negative impact of missing our EBITDA and EPS estimates.

Our outlook for Strongco remains intact. Strongco's current price still represents an attractive entry point. However, its balance sheet is not ideal – debt levels are persistently high and inventory levels are still relatively high (but now moving in the right direction).

Wajax Corp.'s (T-WJX, Target: $34.50, NEUTRAL, AVERAGE risk rating. Potential return 1.2%) Shares were down 2.8% in Q4 and 10.5% for the year. Q3 FY13 revenue was down 5.0% to $340M, EBITDA decreased 15% to $23.4M and EPS(fd) was $0.68 compared to $0.95 last year. Both the Equipment and Power Systems sales were hurt by resource market weakness (oil & gas and mining) while the increase in the Industrial Components division was due to the acquisition of ACE Hydraulic and Kaman Canada.

Management maintained the weak guidance for FY13 that was given in Q1. As a result, we have made a slight downward revision to our FY14 estimates, reducing overall organic growth assumption from 4% to 2% and increasing our SG&A expenses slightly.

Winpak Ltd. (T-WPK, Target: $24.00, BUY, AVERAGE risk rating. Potential return 7.4%) Shares were down 2.6% in Q4 and up 53.1% for the year. . Q3 FY13 revenue was up 8.8% to $179.9M, EBITDA was up 4.4% to $32.8M and EPS rose a penny to $0.27. Gross margin increased 30 bps compared to Q3 last year to 29.1%. The revenue and gross margins were above our expectations while EBITDA and EPS were below. We feel that as operating expenses plateau, future growth will translate into strong EPS growth.

We expect rigid and flexible packaging to continue to replace paper, glass and metal. We believe Winpak is well positioned in this market and we expect the Company to grow faster than the overall industry through market share expansion.

TOP PICK: MACRO ENTERPRISES INC. (V-MCR)

SPECIAL SITUATIONS- Jason Zandberg (604) 718.7541 jzandberg@pifinancialcorp.com

Company Name	Stock Symbol	Recent Price	Shares O/S FD (Million)	Market Cap. (Million)	Indicated Yield	Revenue (Million) FY12A	Revenue (Million) FY13E	Revenue (Million) FY14E	Earnings Per Share (FD) FY12A	Earnings Per Share (FD) FY13E	Earnings Per Share (FD) FY14E	P/E Current FYE	12-Mos Target Price	Total Return	Stock Rating	Volatility/ Risk
Ag Growth International Inc.	T-AFN	$44.65	15.5	$692	5.4%	$314	$343	$386	$1.37	$1.84	$2.76	24.3x	$52.00	22%	BUY	ABV
Cervus Equipment Corp.	T-CVL	$23.91	15.7	$374	3.1%	$734	$892	$952	$1.58	$1.60	$1.95	14.9x	$29.00	24%	BUY	ABV
Entrec Corp.	V-ENT	$1.69	135.9	$230	N/A	$132	$210	$306	$0.17	$0.18	$0.31	9.4x	$2.75	63%	BUY	ABV
Macro Enterprises Inc.	V-MCR	$6.35	33.7	$214	N/A	$148	$222	$257	$0.58	$1.00	$1.13	6.4x	$10.00	57%	BUY-TP ‡	ABV
Parkland Fuel Corp.	T-PKI	$18.47	79.5	$1,468	5.6%	$4,134	$5,302	$6,583	$1.22	$1.20	$1.25	15.4x	$20.50	17%	BUY	ABV
Pure Technologies Ltd.	T-PUR	$6.64	54.2	$360	N/A	$58.4	$61.8	$80.0	$0.10	$0.08	$0.32	NMF	$7.75	17%	BUY	ABV
Rocky Mountain Dealerships	T-RME	$12.79	20.3	$260	3.1%	$966	$1,022	$1,074	$1.28	$1.23	$1.66	10.4x	$15.50	24%	BUY	ABV
Strongco Corp.	T-SQP	$4.10	13.2	$54	N/A	$464	$496	$530	$0.58	$0.34	$0.68	12.1x	$5.50	34%	BUY	SPEC
Wajax Corp.	T-WJX	$36.48	17.0	$620	6.6%	$1,466	$1,414	$1,448	$3.89	$3.06	$3.09	11.9x	$34.50	1.2%	NEUTRAL	AVG
Winpak Ltd.	T-WPK	$22.46	65.0	$1,460	0.5%	US$670	US$710	US$760	US$1.10	US$1.08	US$1.31	20.8x	$24.00	6.9%	BUY	AVG

MACRO ENTERPRISES INC. (V-MCR)

Rating: BUY, Target: $10.00

LNG CATALYSTS AHEAD, PIPELINE CONSTRUCTION VERY ACTIVE IN FY14

- We are selecting Macro Enterprises as our Top Pick for Q1 FY14 as we believe the Company is well positioned to benefit from the expected pipeline (and facilities) construction to support the proposed LNG industry as well as numerous oilsands projects.

- Macro Enterprises specializes in the construction and integrity of pipelines and oil & gas facilities. Based in Fort St. John, BC, the Company provides its services throughout Western Canada from Manitoba to BC.

- One of the Company's competitive strengths is its expertise working in mountainous terrain. This strength bodes well as many of the current and anticipated gas and liquids pipelines (including Enbridge's Northern Gateway) span the Province of BC which connect producers in Northeast BC and Alberta to coastal destinations and urban centres. BC's terrain is unique within North America and Macro's years of experience of dealing with the harsh climate, limited access and rocky, steep topography sets them apart from other pipeliners in North American – regardless of these competitors' size.

- We expect the development of BC's LNG market will further drive Macro's growth beginning in late 2014. The majority of new pipeline construction is expected to happen in Macro's backyard – Northern BC. Asian markets appear to have an insatiable thirst for LNG and Northeast region of BC has one of the world's largest natural gas resources. In order to get the gas to the Asian market, it may potentially require building several large pipelines and several large coastal natural gas liquefaction plants.

- We expect revenue to grow 50% in FY13 and 16% in FY14. A significant growth constraint for this market is access to equipment and labour and Macro is in an enviable position with respect to both of these variables. We are forecasting EBITDA of $52.9M and $59.9M in FY13 and FY14 respectively while our EPS forecast is $1.00 and $1.13.

- Given Macro's revenue and earnings growth profile we believe Macro shares are undervalued as the shares are trading at 3.3x EV/EBITDA and 5.6x P/E based on our FY14 estimates. Its Canadian peer group currently trades at 4.7x EV/EBITDA and 10x P/E while its US peer group trades at 7.3x EV/EBITDA and 14x P/E based on FY14 estimates.

- We recommend Macro Enterprises Inc. (V-MCR) with a **BUY** rating (risk: **ABOVE AVERAGE**) and a **12-month target of $10.00.**

Opinion and Share Information

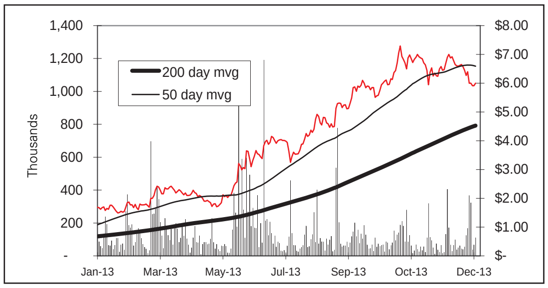
Risk:	ABOVE AVERAGE
Current Price:	$6.35
Potential Return:	57%
52-week High/Low	$7.35 / $0.59
Indicated Yield:	na
Shares o/s ('000):	29,886
Shares o/s (fd) ('000) :	33,722
Market Cap (fd) ('000):	$214,132
Market Float Value ('000):	$106,274
Average Trading Volume	882,000
Cash ('000):	$4,594
Debt ('000):	$12,218
CEO:	Frank Miles
CFO:	T. Jerrold Jackson
Shareholders:	Mgmt/Insider 44%
	Institutional 20%

Financial Summary

(YE Dec. 31st)

$CAD	**FY11a**	**FY12a**	**FY13e**	**FY14e**
Revenue ($K)	129,212	148,314	222,363	257,284
EBITDA ($K)	13,304	30,626	52,941	59,854
EBITDA (%)	10.3%	20.6%	23.8%	23.3%
Net income ($K)	6,027	19,345	33,462	38,146
EPS ($)	0.13	0.58	1.00	1.13
EV/EBITDA	15.6x	6.4x	3.7x	3.3x
P/E	51.5x	10.9x	6.4x	5.6x

Quarterly EPS ($)	**Q1**	**Q2**	**Q3**	**Q4**
FY12	0.12a	0.07a	0.18a	0.21a
FY13	0.29a	0.18a	0.28a	0.26e
FY14	0.31e	0.22e	0.30e	0.31e



Company Description

Macro Enterprises provides construction and integrity of pipelines as well as oil & gas facilities. Based in Fort St. John, BC, the Company provides its services throughout Western Canada from Manitoba to BC.

Jason Zandberg, *B.B.A, CFA*

SECTOR OVERVIEW

The S&P/TSX Energy Equipment & Services Index advanced 3.8% in Q413 which underperformed the S&P/TSX Composite's 6.5% performance. Some of the excitement toward the sector which resulted in a strong performance in the sector's index in Q313 were tempered by an uncertainty in the timing of when some of these developments will lead to an increase in activities in Canada. Moreover, US rig count has been unable to increase meaningfully because North American natural gas prices remained depressed and US oil drilling appeared to have reached a near-term plateau.

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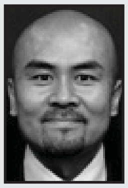
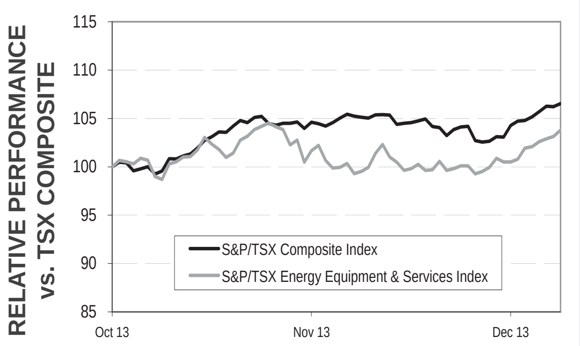




SECTOR OUTLOOK

All signs are currently pointing to an active winter drilling season in Canada that should at least match last winter's levels. As always, a prolonged winter season can extend a drilling season by a couple of weeks and conversely, an early arrival of spring could cut it short. Looking beyond the winter, we are expecting Q214 and Q314 activities to match the same periods in 2013; however, we are optimistic that we will see a positive YoY change in activities in Q414 as many Duvernay developers' programs should be advancing into their next stages of development and will thus generate incremental demand for services such as drilling and pressure pumping.

COVERAGE LIST OVERVIEW

Calfrac Well Services (T-CFW, BUY rated, ABOVE AVERAGE risk rating, $38.00 Target Price) CFW's stock had a narrow loss of 1.0% in Q413 compared to its sub-index's +3.8% performance (note: stock performance presented does not include dividend received and thus differs from the figure in our Q413 Top Picks section). CFW pre-warned about its Q313 results on October 3, 2013 which we believed at the time was already reflected in its stock's valuation. We were correct as the stock has been trading in a narrow range since October 3, 2013; however, our expectations for CFW's stock to be driven up by investors' excitement about next winter's activities did not materialize because of the timing of a ramp-up in Duvernay developments is still uncertain. Moreover, the market's positive sentiment regarding LNG related drilling have been tempered because these developments are not expected to result in a step-up in activities until 2015 at the earliest. We are maintaining a Buy rating (Above Average risk) and a $38.00 target price for the stock of CFW.

Trican Well Service (T-TCW, BUY rated, ABOVE AVERAGE risk rating, $14.25 Target Price) TCW's stock price decreased by 7.4% in Q413, which ranked the stock as the worst performing stock in our coverage universe as its Q313 results were below the Street's and our expectations. We had believed that these negative results were already reflected in TCW's stock price and thus upgraded the stock to Buy from Neutral rated on October 4, 2013. In the near-term, we are expecting TCW and its competitors to continue to work through their excess capacity issues, especially in the US, a sentiment which management echoed by announcing an ultra conservative capex budget for 2014 in early-December 2013; however, we continue to believe that Canadian operations will lead TCW out of its operational underperformance in H214.

Ensign Energy Services (T-ESI, BUY rated, ABOVE AVERAGE risk rating, $20.00 Target Price) ESI's stock price retracted by 5.2% in Q413 which underperformed its sub-index. In 2014, we are expecting international operations to lead ESI's performance as it has several regions such as Australia and the Middle East (Saudi Arabia and Kurdistan) which should add to the Company's growth profile. We are also expecting ESI to pay down its debt in 2014 which is consistent with the Company's philosophy of managing its balance sheet conservatively.

Precision Drilling (T-PD, NEUTRAL rated, ABOVE AVERAGE risk rating, $11.00 Target Price) We had downgraded PD's stock to Neutral from Buy on July 26, 2013 because we believed that that it will have limited upside for the rest of 2013. PD's stock declined 2.7% in Q413 which underperformed its sub-index's performance. PD's largest shareholder Alberta Investment Management Company exited its entire position of approximately 55.648 million shares at $9.25/share in December 2013 which may have put some near-term pressure on PD's stock. Also in December 2013, PD announced a $506M capex for 2014 which includes a $183M carryover amount from its 2013 program. The Company also lowered its 2013 capital budget guidance by $48M to $561M. The 2014 budget includes the construction of five new rigs of which four have been committed to contracts. As well, in 2014, it will finish and deploy six rigs which it began to build in 2013.

Savanna Energy Services (T-SVY, BUY rated, ABOVE AVERAGE risk rating, $10.00 Target Price) SVY's stock price increased by 11.7% in Q413 which was the top performing contract driller stock in our coverage list. We increased our target price to $10.00 from $8.50 on November 8, 2013 off the heels of SVY's strong Q313 earnings report. In Australia, we are expecting the Company to ramp up to 14 rigs in 2014 from eight which it had in Q314. We are also expecting positive news from the Company's entry into the North American AC electric triples market. SVY's 2014 capex reaffirms its corporate objectives to continue to grow its Australian operations where it is generating above industry average return on investments and to deepen its fleet through the entry into the triples market. We also view its recent announcement regarding an investment into its joint venture with the Fort McKay First Nations at the Wood Buffalo region as a positive read-through for SVY's future growth potential in the oil sands producing regions.

Trinidad Drilling (T-TDG, BUY rated, ABOVE AVERAGE risk rating, $11.25 Target Price) After achieving top performer status in Q313, TDG's stock had a respite in performance at -1.0% in Q413 compared to its sub-index's performance at +3.8%. One of the reasons may be an overhang from the Company's new issue of 17.25 million shares at $10.00 per share to help finance its new joint venture with Halliburton, building of a high spec rig for $40M+ to drill in the Liard Basin region under a five year contract and to upgrade a few rigs to improve their marketability. TDG has been paying down its debt using cash flow in the last several years and thus chose to maintain a lower debt leverage level at the expense of some near-term dilution to its shareholders. We believe that the stock's underperformance should be temporary as TDG should continue to report good positive progression in its results in 2014.

CanElson Drilling (T-CDI, BUY rated, ABOVE AVERAGE risk rating, $7.50 Target Price) CDI's stock had a further gain of 5.0% in Q413 after the stock's exceptionally strong performance in Q313. In December 2013, the Company announced its entry into the AC electric triples market in North America by acquiring privately held Highkelly Drilling which was paid for total considerations of $41.5M in shares, cash and the assumption of debt and the construction of a third AC electric triple for $18.3M. It will also be building a minimum of two additional mechanical tele-doubles for both the Canadian and west Texas markets. CDI increased its 2014 capex guidance to $52.4M from $34.1M to reflect the additional capital commitments associated with this expansion. We continue to like CDI's solid execution, above-average growth profile and solid return on capital metrics.

Essential Energy Services (T-ESN, BUY rated, ABOVE AVERAGE risk rating, $3.50 Target Price) ESN's stock gained 5.8% in Q413 which was ahead of its sub-index's performance of +3.8%. ESN reported weaker-than-expected results in Q313 as certain segments of its Well Servicing and Downhole Tools and Rentals businesses appeared to be facing some pricing competition. ESN announced a robust 2014 capex budget of $50M which will include the building of four additional masted deep coiled tubing units (CTU's) for delivery in Q2, Q3, Q4 in 2014 and Q215. It will also place deposits on additional deep CTU's for delivery in 2015 and 2016 as the Company attempts to add more Generation III and IV CTU's to deepen its fleet for the expected demand for deeper CTU's at the Montney, Duvernay and Horn River.

High Arctic Energy Services (T-HWO, BUY rated, SPECULATIVE risk rating, $4.50 Target Price) HWO's stock has advanced 208% since we initiated "un-rated coverage" on it on February 24, 2012 when the stock was trading at $1.20. In Q413, HWO's stock increased by 42% and was the top performer in our coverage list. We transitioned HWO to formal coverage on November 29, 2013 because the stock's strong performance has increased the Company's market cap to a level which warranted our formal coverage. HWO continues to generate most of its growth from its Papua New Guinea operations which accounts for ~75% of HWO's revenue. In December 2013, HWO announced the signing of a contract to commit one of its two heli-portable drilling rigs which it operates under a lease to a new customer for 2014 and will also be providing some of the essential services and rental assets to support this drilling contract. In the longer term, additional business may result from an opportunity to provide this new customer and its partner with assets to meet their longer term development requirements.

PHX Energy Services (T-PHX, NEUTRAL rated, ABOVE AVERAGE risk rating, $12.50 Target Price) The stock of PHX increased by 15.8% in Q413 which was the second best performing stock in our coverage universe. PHX reported a strong Q313 performance and appeared to be on a path of recovery after weak financial performances in 2011 and in 2012. PHX's stock is trading at 6.5x our 2014E EV/EBITDA which continues to be at a premium relative to our coverage universe that is trading at an average of 5.4x our 2014E EV/EBITDA. We are maintaining a NEUTRAL rating (Above Average risk) and a $12.50 target price.

TOP PICK: SAVANNA ENERGY SERVICES CORP. (T-SVY)

CANADIAN ENERGY EQUIPMENT & SERVICES- Roy Ma (403) 543.2823 rma@pifinancialcorp.com

						Revenue (Million)			EBITDA (Million)			EV/EBITDA				
Company Name	Stock Symbol	Recent Price	Shares O/S FD (Million)	Market Cap. (Million)	Net Cash (Debt) (Million)	FY12A	FY13E	FY14E	FY12A	FY13E	FY14E	Current FYE	12-Mos Target Price	Total Return	Stock Rating	Volatility/ Risk
Calfrac Well Services Ltd.	T-CFW	$31.00	46.1	$1,430	($561)	$1,595	$1,520	$1,875	$264	$190	$346	10.5x	$38.00	23%	BUY	ABV
CanElson Drilling Inc.	T-CDI	$6.70	90.9	$609	($13.8)	$229	$250	$310	$84.9	$86.7	$115.0	7.2x	$7.50	12%	BUY	ABV
Ensign Energy Services Inc.	T-ESI	$16.73	153	$2,553	($544)	$2,197	$2,125	$2,359	$561	$502	$593	6.2x	$20.00	20%	BUY	ABV
Essential Energy Services Ltd.	T-ESN	$2.92	125	$365	($44.7)	$349	$346	$396	$74.3	$68.7	$90.0	6.0x	$3.50	20%	BUY	ABV
High Arctic Energy SVC Inc.	T-HWO	$3.70	49.8	$184	$22.0	$146	$153	$175	$39.6	$38.2	$45.7	4.2x	$4.50	22%	BUY	SPEC
Leader Energy Services Ltd.	V-LEA	$0.09	30.8	$2.6	($25.6)	$25.0	N/A	N/A	$0.2	N/A	N/A	N/A	N/A	N/A	N/R	SPEC
Matrrix Energy Technologies Inc.	V-MXX	$0.70	30.8	$21.5	$4.3	$13.0	N/A	N/A	$1.1	N/A	N/A	N/A	N/A	N/A	N/R	SPEC
PHX Energy Services Corp.	T-PHX	$12.54	34.1	$427	($74.8)	$302	$369	$417	$50.7	$57.3	$77.0	8.8x	$12.50	-0.3%	NEUTRAL	ABV
Precision Drilling Corporation	T-PD	$9.94	288	$2,864	($1,189)	$2,041	$1,990	$2,270	$671	$599	$750	6.8x	$11.00	11%	NEUTRAL	ABV
Savanna Energy Services Corp.	T-SVY	$8.50	87.5	$744	($219)	$669	$695	$777	$144	$154	$183	6.2x	$10.00	18%	BUY-TP ‡	ABV
Trican Well Service Ltd.	T-TCW	$12.98	149	$1,933	($586)	$2,213	$2,086	$2,310	$250	$202	$328	12.5x	$14.25	10%	BUY	ABV
Trinidad Drilling Ltd.	T-TDG	$9.85	138	$1,360	($219)	$859	$840	$909	$277	$253	$283	6.3x	$11.25	14%	BUY	ABV

SAVANNA ENERGY SERVICES CORP. (T-SVY)
Rating: BUY, Target: $10.00

BUY AHEAD OF MORE AUSTRALIAN RAMP-UP

We are selecting Savanna Energy Services Corp. (T-SVY) as our Top Pick for Q114. SVY has several developments which we believe will be positive for its stock.

We are the most optimistic about the ramp-up in SVY's business volumes in Australia in 2014. In Q213 and Q313, SVY reported EBITDA of ~$5.5M EBITDA from its Australian operations while operating eight rigs. SVY has been reporting contracts to deploy additional rigs to Australia. In H214, the Company expects to have 14 rigs in the country: five drilling rigs and nine service rigs with supporting rental and ancillary services which tend to increase as more rigs are deployed. We also note that services rigs can generate similar economics as drilling rigs in Australia because of continuous 24-hour operations. We are expecting SVY to generate over $9M of quarterly run-rate EBITDA with the full deployment of 14 rigs thus providing both impressive growth and attractive return on investments which we estimate at ~25%. Additionally, SVY has been able to win more rig contracts without any success from formal tenders (i.e. the contracts were awarded by its existing customer base). If the Company is successful in its tendering process in other projects, we see additional growth opportunities for SVY. So far, SVY has been deploying reconfigured CT-1500 hybrid drilling rigs to the Queensland region of Australia to drill in this area's coal seam gas plays. We can see an opportunity for SVY to deploy an Australian version of its Top Drive Single 3000 (TDS-3000) rigs.

In North America, we are expecting SVY to keep pace with the industry's activity level. SVY has improved on its drilling fleet depth capability by reconfiguring 15 of its CT-1500 hybrid drilling rigs to TDS-3000 rigs (it has also reconfigured four CT1500's for deployment in Australia). In November 2013, SVY announced its intention to enter the "AC electric triples" market by earmarking $28M of its 2014 capex to begin building two AC electric triples. While no formal contracts have been announced, we are confident that successful contracts will follow in 2014 with opportunities in northern Alberta and BC and the US. In December 2013, SVY also announced the investment of $19.5M by the Fort McKay Savanna Energy Services LP into oilfield rental equipment, well site accommodation assets, and a contribution of two CT1500 hybrid drilling rigs (used for coring operations in the oil sands) and two service rigs by SVY to the JV. The partnership was established to pursue heavy oil development opportunities in the Wood Buffalo region which is at the heart of Alberta's oil sands.

We carry a **BUY** rating (**ABOVE AVERAGE** risk) and a **$10.00 target price** for SVY's stock. SVY's stock continues to trade at a discount to its tangible book equity value at 0.8x versus its Canadian drillers peers at 1.5x. SVY's 5.3x 2014E EV/EBITDA compares to a peer group average of 5.4x.

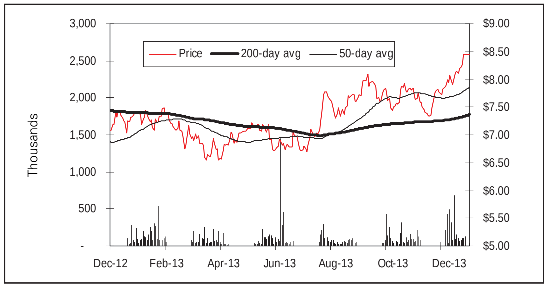
Opinion and Share Information

Risk	ABOVE AVERAGE
Total Return	21.9%
Implied Yield	4.2%
Price Return	17.6%
Shares Outstanding, Basic (MM)	87.5
Market Capitalization (MM)	$744.1
Net Debt (MM)	$218.8
Enterprise Value (MM)	$962.9
52-Week Range	$8.52 / $6.45
30-Day Average Volume	347,071

Financial Summary

(FYE Dec. 31) *(C$ MM)*	**2011A**	**2012A**	**2013E**	**2014E**
Revenue	$610.7	$669.3	$695.2	$777.1
EBITDA	$135.8	$144.3	$154.1	$182.8
Net Income	$45.7	$37.5	$33.0	$45.6
Net Debt	$194.0	$231.5	$268.2	$306.3
Organic Capex	$179.7	$167.3	$139.3	$145.6
IFRS EPS ($/Sh)	$0.55	$0.44	$0.38	$0.51
EPS ex-items ($/Sh)	$0.58	$0.56	$0.42	$0.56

Valuation				
P/E	15.4x	19.4x	22.6x	16.6x
P/E (ex-items)	14.7x	15.2x	20.3x	15.2x
EV/EBITDA	7.1x	6.7x	6.2x	5.3x



Company Description

Savanna Energy Services Corp. (T- SVY) is a Canadian-based drilling and well service provider. The Company operates the fourth largest fleet of drilling rigs and fifth largest fleet of service rigs in Canada. SVY also operates in the US and has a growing presence in Australia which it began in 2010.

SECTOR OVERVIEW

The S&P/TSX Composite index increased 6.5% during the quarter while the Capped Energy Index increased by 3.4%. Masked within the Energy index's overall performance stats was a partial recovery among gas-weighted producers offset by varying degrees of weakness from more oil-biased producers. Despite another eventful year on the geopolitical scene, world crude pricing proved to be remarkably stable in Q4 and for FY13 as a whole. By comparison, North America crude price realizations fluctuated dramatically in Q4 and the year amid varying degrees of crude transportation constraints. Summarized at the bottom of the page, North American price differentials relative to World/Brent pricing have been expanding since the summer. Meanwhile, gas-biased producers were celebrating a much needed cold start to the North American winter that resulted in record seasonally-adjusted inventory draws. Q4 saw NYMEX natural gas futures rallying to end Q4 at $4.23/MMbtu, up 19% from the Q3 exit ($3.56MMbtu). Canada's (AECO C) gas showed even more remarkable gains with exit-over-exit gains of 113% ($1.82/gj to $3.88/gj). Unfortunately, the latter was primarily attributable to an abysmal starting price, a level where essentially all producers were losing money.

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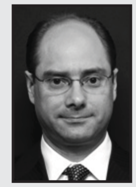
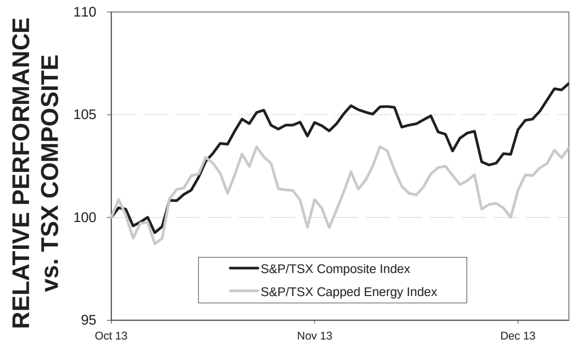




SECTOR OUTLOOK

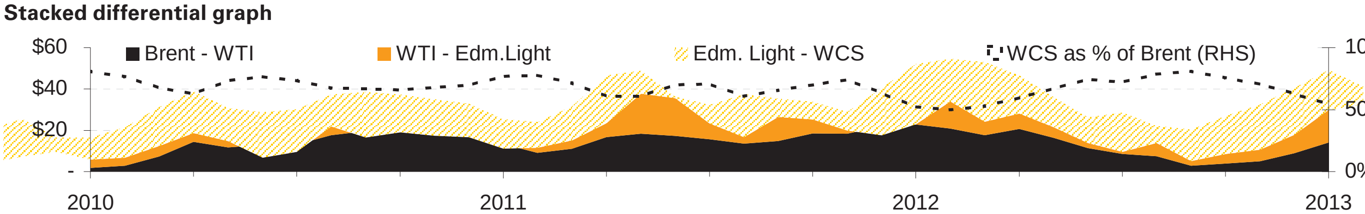
No net change to forecast. As we look to the year ahead we are increasing our FY14 WTI estimate to US$95/bbl (from $90/bb) while at the same time expanding our differential forecast to US$10/bbl (from US$5/bb) on Canadian light and US$20/bbl (from US$15/bbl) on Canadian heavy. While there is no net impact on cash flows, the change better reflects the ongoing transportation constraints faced by Canadian producers. Our FY15 (and long term) forecast remains a WTI of $90/bbl with a Canadian light differential of $5/bb and a Canadian heavy differential of $15/bbl. Our NYMEX FY14 and FY15 gas price forecasts both remain at $3.75/mmbtu, while our AECO basis assumption remains $3.25/mmbtu.

Crude Supply/Demand Appears Balanced. Looking ahead to FY14, most forecasts call for increasing global oil consumption amid an improving economic climate. This optimism regarding demand has not translated to higher price expectations as expanding exports from Iran and Libya are expected. While there is little consensus on the extent of Iran's slack capacity, recent nuclear concessions have tentatively paved the way for expanded exports. (Sanctions introduced in October 2010 have limited Iran's crude exports to ~1.0MMb/d). Libyan exports have been constrained to ~200,000 b/d since militia groups took over control of four key ports whereas in 2010 they exported over 1.5MMb/d. The US saw its crude consumption climb back above 20MMb/d in Q4 for the first time since Q1 2008. However, with domestic production expected to reach 8.5MMb/d in FY14, the US will be producing just shy of its all time record of almost 9MMb/d achieved back in 1985.

A recovery in Canada crude realizations is expected. Enbridge's Flanagan and the southern portion of TransCanada's Keystone will begin operations in Q1 and will initially collectively be draining an incremental 1.1MMb/d from PADD 2 into PADD 3 starting early in FY14. Further capacity expansions in the works should see light oil spreads narrow significantly over the course of FY14. This permanent infrastructure is expected to displace rail cars currently servicing these routes, allowing these rail cars to be redeployed on other routes such as US/Canadian cross border. Similarly, Canadian light-heavy differentials contractions are also expected to narrow in FY14 as several key refineries come back on line. Of particular note the Illinois CITGO refinery (damaged by fire in October 2013) which typically consumes 170Mb/d of heavy Canadian crude is set to resume operations in January. Additionally, a $4 billion expansion to BP Whiting in Michigan increased its capacity for Canadian heavy crude to 350,000 b/d from 80,000 b/d. Unfortunately, even as operations started in Q3, pipeline bottlenecks in PADD 2 have generally prevented this refinery from accessing the Canadian crude slate it was designed for.

After hitting an eleven year low late in Q3, AECO 'C' gas pricing recovered to achieve a 30-month high in Q4. Welcome as the rally was, there is little evidence to suggest it will be sustained. With US domestic production still on the rise Canadian producers are increasingly facing competitive pressures from US Marcellus gas being shipped north across the border. Until Canada's LNG offtake initiatives are up and running, which could still be some years out, gas price rallies are expected to be short lived weather-related events that can end just as quickly as they get started.

Stacked differential graph



Source Bloomberg and PI Financial Corp

COVERAGE LIST OVERVIEW

Our Oil and Gas Top Pick for Q3, BlackPearl Resources Inc. (T-PXX, Target $3.00, BUY, SPECULATIVE risk rating. Potential return 32%) Over and above an existing production base of ~9,500 b/d of conventional heavy oil, Blackpearl is pursuing two thermal projects (Onion and Blackrod) with the potential to deliver a ten-fold increase in volumes. In recent years BlackPearl's shares have traded down from a peak of $8.60 with debt levels remaining relatively unchanged. This as the value once assigned to its thermal opportunities had been eroded, initially by widening differentials and more recently over funding uncertainty for such projects. With prices recovering the case for funding is much improved and thus market recognition of inventory should soon follow suit.

Sonde Resources Corp. (T-SOQ, Target $0.70, NEUTRAL, SPECULATIVE risk rating. Potential return -4%) Sonde did manage to successfully sell most of its Canadian operations for cash (held by Sonde) and Marquee stock (distributed out to shareholders). Nevertheless we were forced to downgrade both our Target and rating in Q3 on the news that the North Africa farm out with Viking would not go ahead. Post the distribution of Marquee shares, and until another funding arrangement is announced, it is our intention to assign a risked value to the North African assets of just $0.47/ share --with no value ascribed to cash or other assets held for sale.

Arcan Resources Ltd. (V-ARN, Target $0.50, NEUTRAL, SPECULATIVE risk rating. Potential return 47%) Down 41.4% in Q4, with a more than ample drilling inventory but too much debt, Arcan's hopes rest on asset sales. Enthusiasm regarding plans to sell off its Deer Mountain Unit was short lived as a flooded asset market makes this a difficult time to be selling assets. Arcan is still not currently ranked among our favorites from a risk/reward perspective.

Arsenal Energy Inc. (T-AEI, Target $6.00, BUY, SPECULATIVE risk rating. Potential return 18%) We downgraded our Target for Arsenal in Q3 citing elevated debt burden and lower price realizations from both its North Dakota light and its Alberta medium gravity volumes. Meanwhile its large inventory of high quality booked reserves has been a waning source of appeal, as investors have been ascribing little value to such inventories of late.

Equal Energy Ltd. (T-EQU, Target $5.80, TENDER, SPECULATIVE risk rating. Potential return 2%) On a yearly return basis for 2013, Equal ranks among the industry's top performers up 70.1%, the product of strengthening propane prices and a strategic alternatives process that surfaced a US$5.43 cash bid for the Company. While arguably not full valuation, we endorse this takeout on the basis that the sector at large remains deeply discounted – specifically that cash proceeds can be very efficiently redeployed.

Strategic Oil & Gas Ltd. (V-SOG, Target $1.40, BUY, SPECULATIVE risk rating. Potential return 92%) Muskeg Stack drilling results continue to impress and so we maintain our enthusiasm given the scale of the assembled opportunity at Steen. That said, shares slipped 27.0% in Q4, as the gap between productive capability and reported volumes has eroded confidence to some degree.

Rock Energy Inc (T-RE, Target $4.00, BUY, SPECULATIVE risk rating. Potential return 16%) Arguably the best performing producer in the Canadian segment, shares were up 214.5% on the year. Having reinvented itself, the Company delivered tremendous absolute volume growth while at the same time increasing its reserve life and increasing its netbacks. In Q4 we increased our target EV/DACF multiple from 3X to 4X. With continued positive results from the company's Viking light oil drilling at Onward, look for us to take this multiple higher.

Twin Butte Energy (T-TBE, Target $2.40, NEUTRAL, SPECULATIVE risk rating. Potential return 15% including dividends) TBE made good use of robust commodity pricing to raise a combined $155MM in equity and debentures in 2013. While we like the direction the Company is going, a wider differential will cause the company to be less active. We think this creates some temporary vulnerability with regards to production volumes and valuation.

Southern Pacific Resources Corp (T-STP, Target $0.40, BUY, SPECULATIVE risk rating. Potential return 116%) By far the most volatile company in our E&P coverage, STP began Q4 at $0.67, before reaching a high of $0.81 on tangible demonstrations that the McKay SAGD project was starting to perform – almost doubling volumes in three months. The shares promptly crashed (trading as low as $0.10) as investors responded to STP's shift to focus on less tangible demonstrations of potential – namely science and measurements – at the expense of volumes. We lowered our volume expectations (and cut our target to $0.40 from $1.20). That said, we believe the upward momentum will resume shortly, and as such we are maintaining our BUY rating.

TOP PICK: ROCK ENERGY INC. (T-RE)

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Company Name	Stock Symbol	Recent Price	Shares O/S FD (Million)	Market Cap. (Million)	Net Cash (Debt) (Million)	Volume (boe/d)			Debt Adjusted Cash Flow (Million)			EV/DACF	12-Mos Target Price	Total Return	Stock Rating	Volatility/ Risk
						FY12A	FY13E	FY14E	FY12A	FY13E	FY14E	Current FYE				
Arcan Resources Ltd.	V-ARN	$0.34	98	$33	($344)	4,503	3,800	3,500	$54.3	$65.1	$47.6	5.8x	$0.50	47%	NEUTRAL	SPEC
Arsenal Energy Inc.	T-AEI	$5.10	16	$82.2	($68.5)	3,723	4,000	4,300	$33.7	$43.4	$51.0	3.5x	$6.00	18%	BUY	SPEC
BlackPearl Resources Inc.	T-PXX	$2.27	296	$672.2	($16.5)	9,094	9,550	10,000	$83.2	$82.8	$93.7	8.3x	$3.00	32%	BUY	SPEC
Equal Energy Ltd	T-EQU	$5.66	35	$199	($24)	8,552	6,550	7,000	$35.9	$35.8	$42.5	6.2x	$5.80	2.5%	TENDER	SPEC
Palliser Oil & Gas Corp. †	V-PXL	$0.31	64	$19.8	($41.7)	2,124	2,300	2,400	$17.8	$16.0	$15.3	3.8x	$0.40	29%	BUY	SPEC
Rock Energy Inc.	T-RE	$3.46	39	$136.1	($3.1)	2,377	3,545	4,200	$13.8	$28.2	$45.7	4.9x	$4.00	16%	BUY-TP ‡	SPEC
Sonde Resources Corp.	T-SOQ	$0.73	62	$45	$18.3	2,377	1,890	1,815	($0.3)	$0.1	$2.5	NMF	$0.70	-4.1%	NEUTRAL	SPEC
Southern Pacific Resource Corp.	T-STP	$0.19	398	$74	($357.8)	3,648	2,778	5,000	$47.6	$22.6	$65.0	19.1x	$0.40	116%	BUY	SPEC
Strategic Oil & Gas Ltd.	V-SOG	$0.75	261	$196	($74.8)	2,106	3,600	5,000	$20.5	$27.7	$60.2	9.7x	$1.40	87%	BUY	SPEC
Twin Butte Energy Ltd.	T-TBE	$2.26	342	$773	($200.5)	14,681	17,700	23,000	$142.2	$145.1	$197.8	6.7x	$2.40	6.2%	NEUTRAL	SPEC

ROCK ENERGY INC. (T-RE)

Rating: Buy, Target: $4.00

TRANSITIONING TO A MORE VALUABLE PRODUCTION MIX

- Rock Energy is a heavy oil producer operating in the Greater Lloydminster region of Saskatchewan and Alberta and the company has a growing focus on light oil from the Viking in Saskatchewan's Onward region. Led by CEO Allen Bey, Rock has been reinvented in the last two years, turning over 75% of its staff, liquidating its deep gas assets and launching off in new directions.

- Rock is currently producing over 4,000 boe/d and is expected to have averaged over 3,500 boe/d in FY13, compared to only 2,377 boe/d in FY12. All this growth was achieved without acquisition or the issuance of equity. Meanwhile, with less then $10MM of debt at the end of last reported quarter, Rock's balance sheet remains pristine.

- The bulk of this growth came from the Rock's Mantario property. Looking ahead to FY14 Mantario's growth is expected to pause (if not reverse temporarily) while the company implements a water flood and then subsequently a polymer flood. Not only is this strategy expected to almost double the reserve life of the property, it is also expected to result in much lower royalties. Initially this will be as a result of attracting a low 5% royalty on horizontal infill wells; longer term this project should qualify for Alberta's enhanced oil recovery royalty program. In short, even as volumes are expected to remain relatively flat, asset value and cash flow generation are being enhanced.

- In FY14, it is Rock's light oil initiative at Onward that is expected to move to the forefront. Following up on two wells drilled in Q3FY13, five more wells were drilled in Q4 with plans for another 10 in Q1FY14. Provided the results from these wells live up to initial expectations, the Company is expected to see 25-30 wells exploitation wells drilled in the second half. Guidance for stabilized volumes of 1,500 b/d is based on an assumption that one-third of the 37 sections will prove perspective. These Onward wells face a royalty of only 27% on the first 37,500 bbls produced.

- Our FY14 volume forecast is 4,200 boe/d. Thus, while absolute volume growth is projected to slow, Rock's blend is expected to get increasingly lighter (and thus more valuable). Meanwhile, royalties are anticipated to fall. This should, with time, see the market ascribe higher values to Rock's volumes.

- In Q4 we increased our target EV/DACF multiple from 3X to 4X. With continued positive results from the company's Viking light oil drilling at Onward, look for us to take this multiple higher. We reiterate our **BUY** recommendation and **SPECULATIVE** risk rating with a **$4.00** target. A more fulsome valuation discussion is provided in our November 11, 2013 research report (Not a Three, It's a Four – Going on Five)

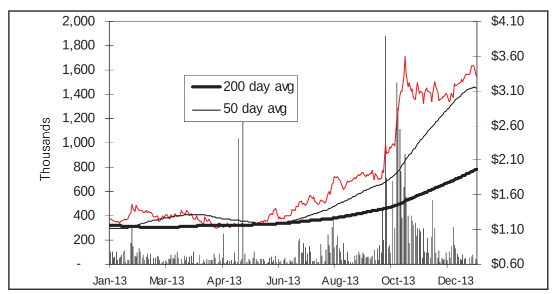
Opinion and Share Information

Risk:	SPECULATIVE
Potential Return:	16%
Basic Shares O/S:	39.3MM
F.D. Shares O/S:	42.5MM
Market Capitalization:	$136M
52-Week Range:	$3.73/$1.01
30 day Ave Trading Volume:	332,218
Enterprise Value:	$145MM

Financial Summary

(FYE Dec. 31)

	FY11a	FY12a	FY13e	FY14e
Oil (US$/bbl)	$95.11	$95.15	$98.00	$95.00
Gas (US$/MMBtu)	$4.03	$2.83	$3.75	$3.75
Liquids (bbl/d)	2,294	1,836	3,170	4,000
Gas (Mcf/d)	5,026	3,246	2,250	1,200
Boe/d (6:1)	3,132	2,377	3,545	4,200
Cash Flow (MM)	$20.5	$13.6	$27.9	$44.8
CFPS (FD)	$0.55	$0.35	$0.71	$1.14
Net Debt Y/E (MM)	-$31.6	$3.1	$12.2	$24.4
NAVPS (Engineering)		$3.79		
Price/NAVPS		91%		
EV/P+P Reserves (boe)		$18.88		
EV/Production($000s per boe/d)	$53.6	$58.6	$41.9	$38.2
EV/DACF	7.6x	10.1x	5.3x	3.5x
Target Implied EV/DACF	8.5x	11.5x	6.0x	4.0x



Company Description

Rock Energy is a heavy oil producer operating in the Greater Lloydminster region of Alberta and Saskatchewan.

Alistair Toward, *B.Comm, CFA*

SECTOR OVERVIEW

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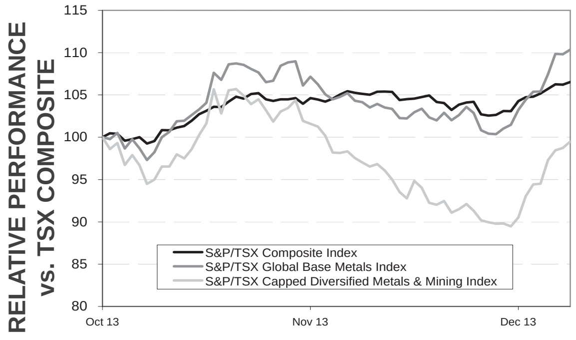
Base metal equities saw an upturn in Q4 with the S&P/TSX Global Base Metals Index increasing 10.4%. The S&P/TSX Capped Diversified Metals & Mining Index was flat with a loss of 0.5%.

Copper prices increased 2.2% during the quarter as flat manufacturing data out of China was offset by falling inventories.On the LME, copper inventories fell 158,925 tonnes (30%) in Q4. On the Shanghai Futures Exchange, copper inventories fell 13% from approximately 151,124 tonnes at the beginning of the fourth quarter to 131,128 tonnes as of December 20, 2013.. Although the falling inventories on both exchanges represents a healthy market signal, falling LME inventories could have more to do with new LME warehousing rules brought forth earlier this year which favors inventory metal consumers and their immediate need for metal. Zinc prices increased by a 8% in Q4 as inventories on the LME dropped 7.8% from 966,425 tonnes to 890,625 tonnes. The decrease suggests to us that the market may be approaching a balanced state with the closure of two prominent zinc mines in Canada in 2013.



The Dugald River project in Australia, one of the largest zinc projects, has had its project schedule pushed back to 2016 (or beyond) from 2015 as the owner, MMG of China, identified complexities in the ore body. The Century Zinc Mine in Australia, also owned by MMG, had its closure date brought closer from 2016 to 2015. Thus, in 2014 and 2015, the Skorpion, Lisheen and Century Mines will close which could cause the market to reach a balanced state, if not a deficit, which we expect to have a positive impact on zinc prices.

SECTOR OUTLOOK

Going into 2014, the copper concentrates market appears to be headed for a surplus as a result of the opening of a number of new copper mines (Oyu Tolgoi, Toromocho, Trident, Sierra Gorda, etc). However, a tight cathodes market is still prevailing, evidenced by the high premiums, which implies a bottle-neck at the smelting/refining level of the supply chain. CRU has been reporting on a number of technological problems being experienced at new Chinese smelters causing a tight cathode market in China. As a result, TC/RC's have increased for the 2014 fiscal year. There have been many settlements between miners and consumers between the US$90/$0.90 and US$110/$1.10 levels. Currently the spot TC/RC is US$130/$1.30.

A higher TC/RC is negative for copper mining companies as they must pay higher prices to their end users/customers to process their copper concentrates. However, the fact that the cathode market remains tight, particularly in China, means the price received for the metal contained in the concentrate remains high. Thus, in 2014, we expect profit margins for copper miners to come under pressure as a result of the higher TC/RC, but a much smaller margin decrease had the commercial price of copper fell by a material amount.

Many are expecting a copper market surplus in 2014 given the amount of new capacity coming onstream.. While we concur we point out similar forecasts were made last year, so conditions can change. In 2013, the initial surplus estimate became a small deficit of 34,000 tonnes this year. The change in outcome was the result of overestimated new supply estimates.

For zinc, in 2014 we see the Lisheen Mine in Ireland to close down mid-year. The falling LME inventories are pointing to a more balanced market (down 330,100 tonnes this year, 27% of the level at the beginning of the year). The main physical market signal to look out for in 2014 is the zinc treatment charge benchmark. Given the tightening concentrates market, we expect zinc smelters/refineries, which are set to loose concentrate feed, to lower the treatment charge to zinc miners. The zinc treatment charge benchmark is typically set in the first quarter of every year between Korea Zinc and Teck Resources. We expect zinc prices to trend moderately higher in 2014.

COVERAGE LIST OVERVIEW

Copper Mountain Mining (T-CUM, Target: $2.00, BUY, SPECULATIVE risk rating, Potential Return: 19%) Management completed a $30M bought deal financing during the quarter to purchase the new crusher. Evidently, Mitsubishi wasn't fully on board with the new crusher or was taking too much time with its approval process. Management expects the new crusher to be installed and operating by H22014. 2014 production guidance is 80-90M lbs and "back-end loaded" due to the new crusher. Although the mill has been operating well since Q313, we remain skeptical. We increased our 2014 production estimate from 58M lbs to 72M lbs and reduced our applied multiples for our target price. We don't believe investors should pay up for guidance given management's track record at achieving guidance. If and when production begins to improve in 2014, we would then feel compelled to increase our applied multiples.

During the quarter, the CUM share price fell 5% from $1.76/share to $1.68/share.

Capstone Mining Ltd. (T-CS, Target: $3.00, BUY, ABOVE AVERAGE risk rating, Potential Return: 0%) The new Pinto Valley mine is expected to produce between 22-27M lbs of copper in Q413. Management stated during early December that the mill was operating at 90% of its capacity (50,000 tonnes/day) and that in 2014, the mill will be run at full design capacity. Annual guidance from Pinto remains 130-150M lbs/yr (vs. our 2014 estimate of 132M lbs); the high end of the guidance assumes the mill can be run at 58,000 tonnes/day which is hoped to the operating rate beyond 2014. In early 2014, a bankable feasibility study for the Santo Domingo project and a pre-feasibility study for the Pinto Valley mine will be released.

During the quarter, the CS shares increased 21% from $2.48/share to $3.00/share.

Taseko Mines Ltd. (T-TKO, Target: $3.60, BUY, SPECULATIVE risk rating, Potential Return: 59%) Now that the new GDP3 mill project is behind management, attention turned to New Prosperity during the second half of the year with mostly negative results. Public hearings for all stakeholders were held in Vancouver over the summer; the results of the hearings were used by the three-member panel in its report to the Federal Government. Unfortunately, the report panel report was very critical of New Prosperity with regards to the fish population in Fish Lake, the eventual fate of the lake itself, the grizzly bear population around the mine and that the site is used as traditional burial grounds for local First Nations. Although Taseko management did point out that the panel used the wrong tailings dam design in its analysis, the future for New Prosperity looks bleak. Our $3.60/share target price includes $1.74/share attributable to New Prosperity which represents 25% of our estimate of the projects net asset value.

During the quarter, the TKO shares increased 6% from $2.13/share to $2.26/share.

Trevali Mining (T-TV, Target: $1.05, BUY, SPECULATIVE risk rating, Potential Return: 14%) Management completed a $40M bought deal during the fourth quarter for the refurbishment of the Caribou Mill. Originally, debt financing from the RMB Group in South Africa was to be used for this. However, only US$30M (representing half of the originally agreed amount) has been received so far. Further, RMB's due diligence on the new mill has taken longer than expected and management would prefer to not wait any longer. The proceeds of the bought deal will be used to repay some debt but mostly for the Caribou Mill. Santandar has reached full throughput levels and well on track to produce 20M lbs of zinc this year. Although management hasn't given 2013 production guidance, year to date until December 3, 2013 Santandar produced 14.3M lbs.

During the quarter, the shares of Trevali increased 8% from $0.86/share to $0.92/share.

Nevsun Resources (T-NSU, Target: $5.80, BUY, ABOVE AVERAGE risk rating, Potential Return: 64%) The new copper mill reached commercial production levels (60% of design capacity of 6,575 tonnes/day) during the fourth quarter. An excellent sign which shows the transition risk from gold to copper is now almost behind Nevsun. 2013 copper output is still estimated to be between 30-50M lbs (vs. our estimate of 49M lbs). Next year, Nevsun will transition to one of the largest copper producers on the TSX with a guided annualized production rate of 200M lbs/yr in Q114 (vs. our FY2014 production estimate of 194M lbs). With the transition risk largely behind Nevsun, management will continue to search for accretive acquisitions which has unfortunately brought forth a "deal-overhang" on the shares. With a strong management team in place, we don't believe Nevsun will engage in a value destructive acquisition and will rather maintain its disciplined approach.

During the quarter, the NSU share price increased 8% from $3.28/share to $3.53/share. Including the $0.07/share dividend shareholders were given in the fourth quarter, the return was 9.8%.

Rathdowney Resources (V-RTH, No Target Price, BUY, SPECULATIVE risk rating) Previous CEO John Barry stepped down as President and CEO at the end of November 2013. Mr. David Copeland, the chairman of the board, assumed the role of interim President and CEO. We believe the change was due to the stocks disappointing performance as a result of the tight financing conditions for junior mining companies. The Olza project is a world class project, however we don't expect material financing for projects like this until the zinc price begins to materially increase above US$1.00/lb.

During the quarter, the shares of RTH were flat at $0.30/share.

Imperial Metals (T-III, Target: $14.20, BUY, ABOVE AVERAGE risk rating, Potential Return: -11%) Imperial Metals shares had a great fourth quarter due to a strong earnings beat when it released Q313 results. Imperial reported third quarter earnings of $0.22/share, well ahead of the consensus estimate of $0.09/share. The beat was helped by strong copper production and falling production costs at both the Mount Polley and Huckleberry Mines. In addition, Imperial's negotiations with debt lenders, for the Red Chris project, appearing to have gone well. At the time of writing (December 23, 2013), Imperial is yet to close the debt financing package but some market participants have stated this could occur before the end of 2013.

During the quarter, the shares of Imperial Metals increased 29% from $12.40/share to $15.99/share.

TOP PICK: NEVSUN RESOURCES LTD.(T-NSU)

MINING - BASE METALS- Aleem Ladak (647) 789.2415 aladak@pifinancialcorp.com

Company Name	Stock Symbol	Recent Price	Shares O/S FD (Million)	Market Cap. (Million)	Net Cash (Debt) (Million)	Revenue (Million) FY12A	Revenue (Million) FY13E	Revenue (Million) FY14E	Earnings Per Share (FD) FY12A	Earnings Per Share (FD) FY13E	Earnings Per Share (FD) FY14E	P/E Current FYE	12-Mos Target Price	Total Return	Stock Rating	Volatility/ Risk
Capstone Mining Corp.	T-CS	$3.00	379	$1,138	$457.0	$324	$344	$684	$0.15	$0.05	$0.29	NMF	$3.00	0.0%	BUY	ABV AVG
Copper Mountain Mining	T-CUM	$1.68	125	$209	$17	$229	$229	$271	$0.19	($0.04)	$0.21	N/A	$2.00	19%	BUY	SPEC
Imperial Metals Corporation	T-III	$15.99	75	$1,203	$5	$199	$190	$193	$0.43	$0.69	$0.96	23.3x	$14.20	-11%	NEUTRAL	ABV AVG
Nevsun Resources	T-NSU	$3.53	209	$739	$290	$566	$322	$729	$0.69	$0.33	$0.99	10.8x	$5.80	64%	BUY-TP ‡	ABV AVG
Rathdowney Resources Ltd.	V-RTH	$0.30	88	$26	EUR8.0	$0	$0	$0	$0.00	$0.00	$0.00	N/A	N/A	N/A	BUY	SPEC
Taseko Mines Ltd.	T-TKO	$2.26	194	$439	$84	$254	$337	$431	($0.05)	$0.01	$0.26	NMF	$3.60	59%	BUY	SPEC
Trevali Mining Corp.	T-TV	$1.01	289	$292	$4	$0	$31	$161	($0.06)	$0.02	$0.16	NMF	$1.05	4.0%	BUY	SPEC

NEVSUN RESOURCES (T-NSU)
Rating: BUY, Target: $5.80

NEWEST COPPER PRODUCER ON THE TSX

We are maintaining Nevsun Resources (T-NSU) as our top pick for Q114 now that

1. The copper mill has reached commercial production levels
2. The transition risk from gold to copper is largely behind Nevsun
3. Unit copper production costs to be maintained at between US$0.60-0.70/lb of copper produced

Commercial Production Reached. The new 6,575 tonne/day copper mill reached commercial production in early December, right on schedule. Now that this milestone has been reached, the mill is well on its way to reaching full output levels. Management has a strong track record of delivering results on time and on budget (as an example the new copper mill was US$15M under budget) – thus it is reasonable to assume full production will be reached in Q114 as per the guidance issued in the Summer. **In 2014, we expect copper output to quadruple to 194M lbs at a low cash cost.**

Forecast. In 2014 we expect copper production of 194M lbs generating revenues of $729M, EPS of US$0.99/share and CFOPS of US$1.74/share.

Dividend. Nevsun stands out from most mining companies in that it pays a dividend of $0.14/share which, at current levels, represents a dividend yield of 4%.

Transition Risk Overcome. Reaching commercial production has also shown that the transition risk is behind Nevsun and the market should now begin to give credit to management of continuing to over-achieve and over come risks. We believe the only remaining risk on the shares of Nevsun is the political risk of operating in Eritrea.

Unit Costs – Very Low. Based on previous and projected site cash costs at Bisha, production costs in the fourth quarter could be as low as US$0.60-0.70/lb of copper produced, before by-product credits. After accounting for gold and silver credits, site cash production costs could reach as low as US$0.10-0.20/lb of copper produced.

Valuation and Recommendation. Our target price of **$5.80/share** is based on our estimate of the NAV of the 60%-owned Bisha mine in Eritrea using a long-term copper price of US$2.50/lb, a long term zinc price of US$0.90/lb and a long term gold price of US$1,500/oz. From 2014 to 2024, when the mine life ends, we forecast the Bisha mine to produce an average of 70M lbs of copper and 218M lbs of zinc, both at extremely low cash production costs. In addition, an average of 28,134 ozs of gold is expected to be produced during that time frame. Our NAV estimate utilizes a CAD/USD exchange rate at par.

Opinion and Share Information

Risk:	ABOVE AVERAGE
Dividend Yield:	4.1%
52-week High/ Low:	$2.77 / $4.63
Shares Outstanding	199.3M basic 209.5M fd
Market Capitalization:	$719M
Market Float:	196.1M
3-Month Avg. Daily Volume:	428,151
Cash:	$290M
Minority Interest:	$161M
Enterprise Value:	$681M

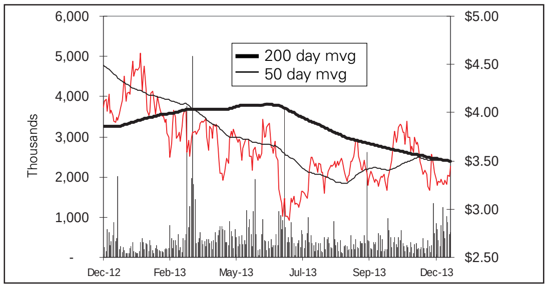
Financial Summary

(YE Dec. 31st)

	FY12	FY13e	FY14e
Revenue ($M)	$566	$322	$729
Gross profit ($M)	$406	$212	$577
Adjusted FD EPS	$0.69	$0.33	$0.99
Adjusted FD CFOPS	$1.95	$0.65	$1.74
Copper Output (M lbs)	0	49	194

EPS fd (C$M)	Q1	Q2	Q3	Q4
FY12	$0.05	$0.03	$0.01	$0.24
FY13	$0.20	$0.26	$0.27	$0.27

CFOPS fd (C$M)	Q1	Q2	Q3	Q4
FY12	$0.12	$0.07	$0.04	$0.42
FY13	$0.35	$0.46	$0.46	$0.46



Company Description

Nevsun Resources is a Canadian base metal mining company operating its 60%-owned Bisha Mine located in Eritrea, North Africa. The deposit is unique such that it can produce material amounts of gold, copper and zinc – each from different ore types. Copper and zinc production is about to come on-stream in 2013 as gold-rich oxide reserves are almost depleted.

SECTOR OVERVIEW

The final quarter of 2013 proved to be another difficult one for precious metal prices and the sector as a whole. Lower metal and equity prices were heavily impacted from a strengthening US dollar, ETF selling, reduced tapering by the U.S. Federal Reserve and tax loss selling.

The S&P/TSX Global Gold Index fell 11.1% while the resource dominated TSX-Venture Exchange decreased 1.0%. This compares to the senior and junior based ETF of the GDX and GDXJ falling 15.5% and 23.8%, and gold and silver declining 9.4% and 10.8%, respectively. 2013 marks the first decline in annual precious metals prices in the past 13 years.

In Q4/13, selling pressure on precious metals equities continued as the correlation of reduced metal holdings within various ETF's further impacted valuations across the sector. These outflows appear to be stalling into the new year as high quality operations and their underlying equities had slight relief of the bottom towards the end of the quarter. Additionally, the speculation and minor tapering of the U.S. Federal Reserves bond purchase program created selling pressure on gold pushing it below the $1,200/oz level after its tapering announcement.

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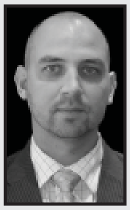
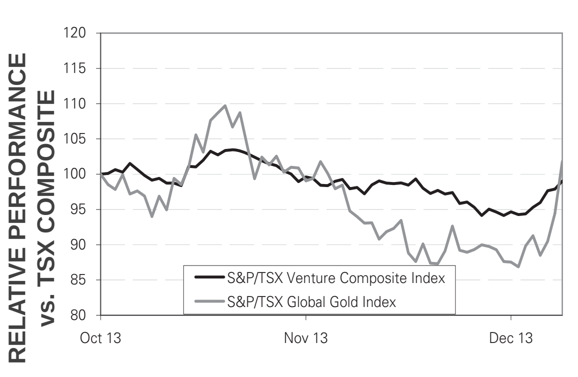




SECTOR OUTLOOK

In 2014, we expect precious metal prices and equities to continue to be strongly influenced by macro factors such as; further strengthening in the U.S. dollar, tapering by US Fed, creeping interesting rates and emerging economic growth. These macro factors are likely to continue to keep mining equity investors on the sidelines during the first half of 2014.

While gold prices may go slightly lower in the near term, we are retaining our 2014 forecast for gold and silver prices at $1,400/oz and $23.50/oz respectively which is on par with average prices realized over 2013. Our optimism hinges upon the view that the recent bear market in prices and equities has run its course and the many of the underlying financial factors still remain. We see ETF outflows (excess supply) abating next year and with investor demand coming in by mid year which should strengthen the underlying spot price of metals. On a positive note, China has more than doubled its vault capacity to store gold and the World Gold Council estimates China's gold consumption could increase 29% this year.

As margin pressure continues to weigh heavily on management teams, the higher quality lower cost producers will emerge from the current environment with stronger and improved operations while potentially bargain shopping for other accretive assets presently "on sale". Pure play explorers will continue to see the blunt of the downturn as the window to access capital remains closed. Alternative methods of financing to advance projects will still be required. However, we continue to be optimistic for gold and the junior sector as management teams have adapted to times operating with lower working capital, tighter margins and reduced profits.

COVERAGE LIST OVERVIEW

Klondex Mines Ltd. (T-KDX, $1.61, Target RESTRICTED) During the quarter, we initiated coverage on Klondex Mines who is advancing its high grade Fire Creek gold project through the bulk sample phase. More recently, Klondex entered into a definitive agreement to purchase the Midas mine and mill in Nevada from Newmont, where ore from Fire Creek was being sent for processing. We remain RESTRICTED on Klondex Mines.

Kootenay Silver Inc. (V-KTN, $0.60, Target $1.00, BUY, SPECULATIVE risk rating) Kootenay Silver's share price has slightly dipped 13.0% through Q4/13. This compares to a 1.0% decline of the TSX-V over the same period. Shares of Kootenay recently broke its 52 week low despite successfully announcing positive assay results from a 5,500m drill program which was designed to test high grade zones between the historic pit and the NE zone at Promontorio.

Luna Gold Corp. (T-LGC, $1.45, Target $1.90, BUY, SPECULATIVE risk rating) Shares of Luna Gold sold off compared to its strong quarter in Q3/13, declining 9.4% compared to a 23.8% decline of the GDXJ. Due to a strengthening Brazilian Real versus the USD, slightly higher operating costs are anticipated for Luna. We are expecting a stronger production total for Q4/13 as better access to ore supply and increased throughput due to processing the softer saprolite ore and should help keep favorable cash costs below $700/oz.

MAG Silver Corp. (T-MAG, $5.50, Target $9.00, BUY, SPECULATIVE risk rating) MAG's share price continues to be strongly correlated to the price of silver declining 9.5% over Q4/13 compared to the -10.8% performance of silver. With MAG's JV partner Fresnillo breaking ground at Juanicipio, we believe the project to be one of the highest grade undeveloped projects in Mexico. Near term catalysts for MAG on its pipeline projects and include a resolution of property access at Cinco de Mayo and commencing a drill program at Salamandra.

Silver Bull Resources Inc. (T-SVB, $0.36, Target $0.75, BUY, SPECULATIVE risk rating) Silver Bull share price was unchanged overall during the quarter by compared to the 1.0% decrease of the TSX-V over the quarter. Silver Bull successfully completed a PEA on its Sierra Mojada project which outlined favorable economics and presents itself a good candidate for future M&A. We believe that continued positive metallurgical results and better demonstrating the SART circuit process to the market, shareholders of SVB will be rewarded.

SilverCrest Mines Inc. (V-SVL, $1.81, Target $2.65, BUY, SPECULATIVE risk rating) SilverCrest's shares performed relatively flat at -1.0% during Q4/13. This compares well to 23.8% decline of the GDXJ. We continue to highlight SilverCrest as our top pick as we anticipate a strong production quarter for Q4/13 to be announced early in January as higher ore grades were to be realized at depth from the Santa Elena pit. Additionally, management once again increased its annual guidance for 2013 on the heels of steady operating performance during Q3/13 and higher grades from its mine plan for Q4/13.

Timmins Gold Corp. (T-TMM, $1.13, Target $2.30, BUY, ABOVE AVERAGE risk rating) Timmins Gold share price declined 35.1% during Q4/13 compared to the S&P/TSX Global Gold Index which decreased 11.1%. Timmins dragged due to a lengthy delivery of its new reserve and mine plan that outlined a shorter mine life unless gold prices improve as reducing ore grades continue to weigh on waste costs and increased crushing capacity. These factors, combined with further extending its obligation to pay off an $18M loan with Sprott Lending dragged negativity towards the stock. Furthermore, the reduced grades and lagging expansion to its crushing circuit left a reduced outlook for production in 2014 of ~115Koz versus the previous outlook of 130Koz.

TOP PICK: SILVERCREST MINES INC. (V-SVL)

MINING - PRECIOUS METALS -Philip Ker (647) 789.2407 pker@pifinancialcorp.com

Company Name	Stock Symbol	Recent Price	Shares O/S FD (Million)	Market Cap. (Million)	Net Cash (Debt) (Million)	Revenue (Million)			Earnings Per Share (FD)			P/E	12-Mos Target Price	Total Return	Stock Rating	Volatility/ Risk
						FY12A	FY13E	FY14E	FY12A	FY13E	FY14E	Current FYE				
Klondex Mines	T-KDX	$1.61	79	$128	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	RESTRICTED	N/A	RESTRICTED	RESTRICTED
Kootenay Silver Inc. †	V-KTN	$0.60	63	$38	$4.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	$1.00	67%	BUY	SPEC
Luna Gold Corp.	T-LGC	$1.45	105	$152	$20.9	$103	$91	$114	$0.05	$0.09	$0.11	16.1x	$1.90	31%	BUY	SPEC
MAG Silver Corp.	T-MAG	$5.50	60	$331	$33.9	N/A	N/A	N/A	N/A	N/A	N/A	N/A	$9.00	64%	BUY	SPEC
Silver Bull Resources Inc. †	T-SVB	$0.37	159	$58	$6.5	N/A	N/A	N/A	N/A	N/A	N/A	N/A	$0.75	105%	BUY	SPEC
SilverCrest Mines Inc.	V-SVL	$1.81	109	$196	$30.9	$71	$55	$88	$0.29	$0.13	$0.18	13.9x	$2.65	49%	BUY-TP ‡	SPEC
Timmins Gold Corp.	T-TMM	$1.13	144	$163	$29.4	US$156	US$160	US$161	$0.24	$0.17	$0.16	6.6x	$2.30	104%	BUY	ABOVE AVG

SILVERCREST MINES INC. (V-SVL)
Rating: BUY, Target: $2.65

TURNING A NEW STONE UNDERGROUND IN 2014

We continue to make SilverCrest Mines (V-SVL) our top pick as we expect:

1. Commissioning of a new 3,000tpd conventional mill at Santa Elena
2. Strong production from increased ore grades at depth from the open pit
3. Increase targeted annual production from ~2.4Moz Ag-Eq in 2013 to >3.5Moz Ag-Eq in 2014
4. To meet our expectations for Q4/13 EPS and CFPS of $0.02 and $0.05, respectively
5. Receipt of ~$8-10M from Sandstorm Gold for their contribution of the Phase I expansion capex
6. Commence a 2014 exploration program at targets within proximity to Santa Elena

Turning a new leaf in 2014: In 2014, SilverCrest faces the challenge of transitioning from an open pit heap leach producer, to an underground producer while shifting to a conventional mill for processing. We believe the underground development work completed to date (~2,000m), coupled with competent stopes and favorable long hole stoping mining methods, that the underground operation will adequately provide sufficient ore supplies later in 2014. Furthermore, the variability of ore supply from underground or re-processing ore from the heap leach pad, mitigates production and cash flow risk for the company.

Santa Elena Production and Growth Upside: As the new 3,000tpd mill becomes the new processing future at Santa Elena, we can expect higher recovery rates and overall higher metal production all affecting an expected increase in cash flow and earnings. We also anticipate that future expansion alternatives may arise by adding a second ramp from the depleted open pit to target higher grade ore on the west end of the deposit and provide further upside to increase underground ore output to the mill.

Valuation/Recommendation. Our target price is based on a combination and equal weighting of our NAV/sh (5% discount, $1,500 long-term gold and $25/oz silver prices) and 7.5x multiple of our 2014E CFPS of $0.33. With ~50% growth expected to silver production in 2014, we anticipate a re-rating of the stock as underground expansion and construction of the new mill becomes de-risked and a new direction is painted for SilverCrest going forward. We reiterate our **BUY** recommendation and **$2.65 target price** for SilverCrest.

Opinion and Share Information

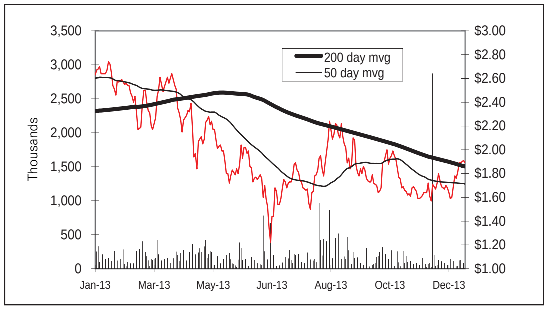
Risk:	SPECULATIVE
52-week High/ Low:	$2.96 / $1.19
Shares Outstanding	108.5M (basic)
	114.6M (fd)
Market Capitalization:	$197.5M
3-Month Avg. Daily Volume:	194.5K
Working Capital:	$41.6M
Enterprise Value:	$166.6M

Financial Summary

(YE Dec. 31st)

	2011*	2012A	2013E	2014E
Revenue ($M)	41.9	70.5	54.6	88.2
EBIT ($M)	28.9	46.3	21.9	35.3
Gold Production (K oz)	21.6	33.0	29.6	41.7
Silver Production(K oz)	287.1	579.6	730.4	1527.8
Cash Cost ($/oz Ag-Eq)	$7.79	$7.39	$6.99	$7.90
P/E	-	-	13.0	9.4
P/CF	-	-	7.0	5.0
Adj. EPS (fd)	$0.16	$0.29	$0.13	$0.18
CFPS (fd)	$0.28	$0.38	$0.24	$0.34

**FY11 was a 9month year*



Company Description

SilverCrest Mines Inc. (TSX-V: SVL) is a Canadian precious metals producer headquartered in Vancouver, BC. SilverCrest's flagship property is the 100%-owned Santa Elena Mine, which is located 150km northeast of Hermosillo, near Banamichi in the State of Sonora, Mexico. The mine is a high-grade, epithermal gold and silver deposit, with an estimated 2013 production of 675Koz silver and 33Koz gold. Presently, a 3,000tpd conventional mill is being constructed in order to increase metal production via open pit, underground and re-processing of heap leached material beginning in 2014.

SECTOR OVERVIEW

The TSX InfoTech index gained 8.5% in Q4 and ended the year with an increase of 34.9%. The InfoTech sub-index beat out the S&P/TSX Composite index which increased 6.5% in Q4 and 9.6% in 2013. The InfoTech sub-index would have done even better had it not been negatively affected by a 33.1% decline in the share price of BlackBerry Ltd. (T-BB) in 2013.

Comparatively, in the United States the Nasdaq-100 Technology Index gained 9.2% in Q4, in line with both the Dow Jones Industrial Average and the S&P 500 index, which were up by 9.6% and 9.9% respectively in the quarter. On an annual basis, the Nasdaq-100 Technology Index increased 37.0% in 2013.

From our coverage list, our top pick Avigilon Corporation (T-AVO), was the top gainer in the fourth quarter with an increase of 62.4% in its share price. Avigilon was followed by QHR Corp. (V-QHR), whose share price increased 51.2% and TECSYS Inc. (T-TCS) with an increase of 44.5%.

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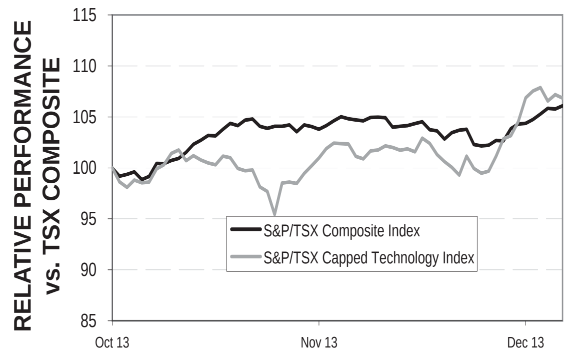


SECTOR OUTLOOK

IT spending expected to improve in 2014. In November, industry research group IDC forecast IT spending will increase by 5% in 2014 to reach $2.14 Trillion. Weak PC sales and the slowdown in emerging markets negatively impacted growth in 2013, but a rebound in China and continued momentum in the United States and Europe will positively contribute to 2014 growth. Meanwhile, market research firm Gartner predicts 3.6% overall growth in 2014.

We continue to have a positive outlook for the IT sector. We are expecting IT spending in 2014 to be bolstered by the continued growth in mobile device shipments (including smartphones and tablets) which positively impacts mobile applications and mobile device management services. Enterprises are also embracing the benefits of cloud computing and SaaS-based enterprise applications which are driving the demand for cloud computing infrastructure products and data centre hosting services. Technology trends that are still in their infancy, but worth watching are 3D printing and wearable computing devices.

We are expecting capital to continue to flow into the technology sector in 2014. Last year was a strong year for financings with $251M raised in 2013 by companies in our Canadian technology universe compared to $99M in 2012.

COVERAGE LIST OVERVIEW

Absolute Software Corp. (T-ABT, Target: $8.60, BUY, SPECULATIVE risk rating. Potential return 24%) Last month Absolute announced that John Livingston resigned as CEO and a member of the Board of Directors. Errol Olsen, CFO, will serve as interim CEO while the Board conducts a search for a new CEO. During the quarter Absolute reported Sales Contracts of $23.8M for Q1FY14, which was an increase of 15% compared to Q1FY13. Over the past year, Absolute has been going through a transition from a laptop-centric theft recovery Company to a multi-device, cross platform broader security Company. The Company has a strong balance sheet with $68.5M in cash and investments with no debt. We are forecasting overall Sales Contracts growth of 11% in FY14 and 12% in FY15. Our target price represents an EV/Sales contract multiple of 3.0x and an EV/EBITDA multiple of 19.9x our FY15 forecasts.

AgJunction Inc. (T-AJX, Target: $1.40, BUY, SPECULATIVE risk rating. Potential return 23%) AgJunction's share price increased 10.7% in Q4 and 56.2% for the full year 2013. Over the past year AgJunction has undergone a significant restructuring process which led to the Company reporting a profitable Q3 quarter. During the past quarter AgJunction also announced a major OEM deal with CLAAS of Germany. Our investment recommendation is based on the Company getting back on track for growth and profitability. Furthermore, we believe AgJunction could be an acquisition target over the next 12-18 months by a larger competitor or Agriculture OEM. Our target price represents an EV/Sales contract multiple of 1.5x and an EV/EBITDA multiple of 8.6x our FY14 forecasts.

Avigilon Corporation (T-AVO, Target: $38.00, BUY, ABOVE AVERAGE risk rating. Potential return 24%) Avigilon was the top performer on our coverage list with its share price increasing 62.4% in the fourth quarter. During the quarter, Avigilon handily beat consensus with exceptionally strong results. Revenue increased 101% and EBITDA increased 213% in Q3FY13. Avigilon has a strong balance sheet having closed a $69M bought deal financing in November. We increased our target price to $38.00 during the quarter based on continued growth in FY15. We have a positive outlook for the Company with our forecast of 77% revenue growth in FY13, 47% growth in FY14 and 36% growth in FY15. Our target price represents a 4.3x EV/Sales multiple and an 18.2x EV/EBITDA multiple of our FY15 estimates.

Descartes Systems Group Inc. (Q-DSGX; T-DSG, Target: US$17.00, BUY, AVERAGE risk rating. Potential return 27%) Descartes shares increased 17.6% in the fourth quarter driven by the Company reporting another record quarter in Q3FY14 with revenue of $38.8M, which was 19% higher than the $32.7M reported in Q3 of last year. Most recently, Descartes announced two new acquisitions: Compudata in Switzerland for US$17.9M and Impatex in the UK for US$8.3M. Also during the quarter, Descartes announced the retirement of Art Mesher due to health and personal issues and the appointment of Ed Ryan as the Company's CEO. This transition is part of the Company's succession plan. We are expecting business to continue as usual under the new leadership team. We are forecasting 18% revenue growth in FY15 and 12% revenue growth in FY16. Our target price represents a 5.5x EV/Sales multiple and a 18.1x EV/EBITDA multiple of our FY16 estimates.

Mediagrif Interactive Technologies Inc. (T-MDF, Target: $22.00, BUY, ABOVE AVERAGE risk rating. Potential return 17%) Mediagrif's shares declined 5.2% in the past quarter as the Company missed consensus expectations for Q2F14 because of an adjustment made to the recognized revenue associated with deferred revenues of the Jobboom acquisition. Revenue of $16.0M was 6% higher than the same quarter last year while EBITDA of $6.2M was slightly below last year's $6.5M level. During the quarter, Medagrif closed its previously announced acquisition of Reseau Contact. We are forecasting 5% revenue growth for FY14 and 13% revenue growth in FY15 for Mediagrif. Our target price represents an EV/Sales multiple of 5.2x and an EV/EBITDA multiple of 11.9x our FY15 estimates.

OpenText Corp. (Q-OTEX; T-OTC, Target: US$95.00, NEUTRAL, AVERAGE risk rating. Potential return 3%) During the quarter OpenText's share price increased 23.2% primarily due to the Company's announcement of its acquisition of GXS Group for $1.165 Billion. We are expecting GXS to bring a significant improvement to FY15 results, but we continue to maintain a NEUTRAL recommendation on OpenText because of the Company's weak License revenue growth and it is trading close to our target price. We are modeling overall revenue growth of 10% in FY14 and 23% in FY15. Our target price represents a 3.0x EV/Sales multiple and 10.0x EV/EBITDA multiple of our FY15 estimates.

Points International Ltd. (Q-PCOM; T-PTS, Target: US$33.00, BUY, SPECULATIVE risk rating. Potential return 30%) Points' share price increased 145.4% in 2013, driven by its launch with Southwest Airlines. We continue to like Points because the Company has a large sales pipeline with opportunities that are bigger than any that Points has had in the past. We are forecasting 44% revenue growth for FY14 with strong growth in the first half of FY14 due to Southwest Airlines. We are conservatively forecasting 25% revenue growth in FY15. Our target price represents an EV/Sales multiple of 1.4x and an EV/EBITDA multiple of 20.6x our FY15 estimates.

QHR Corp. (V-QHR, Target: $1.70, BUY, SPECULATIVE risk rating. Potential return 34%) QHR's shares increased 51.2% in the fourth quarter as the Company reported strong results for Q3FY13 with revenue increasing 22% compared to last year. QHR also announced the divestment of its EMS division to Logibec for $20M cash. We lowered our FY14 forecast because of the EMS divestment, but increased our target price as the Company will have stronger margins and growth in FY15. Going forward QHR has a strong cash balance for doing additional acquisitions. We are forecasting a decline in revenue for FY14, but with an increase of 19% in FY15 to $33.5M with EBITDA of $5.9M. QHR is currently trading at a multiple of 1.6x EV/Sales and 15.1x EV/EBITDA of our FY14 estimate, while our target price represents 2.0x EV/Sales multiple and 11.6x EV/EBITDA multiple.

Solium Capital Inc. (T-SUM, Target: $8.25, BUY, SPECULATIVE risk rating. Potential return 10%) Solium's share price increased 37.8% during the fourth quarter and 183.4% for the year. During the quarter Solium reported Q3 revenue growth of 37%, driven by the acquisitions made over the past year. On Nov. 26th, Solium closed a bought deal financing for $23M which allows the Company to execute on future acquisitions and fund its geographic expansion plans. We are forecasting 35% revenue growth in FY13 to $67.9M with Adj. EBITDA of $17.4M. We are expecting 16% revenue growth in FY14 and 13% revenue growth in FY15, not including any new large acquisitions. Our target price represents an EV/Sales multiple of 4.3x and EV/EBITDA multiple of 16.4x our FY15 estimates.

TIO Networks Corp. (V-TNC, Target: $0.85, BUY, SPECULATIVE risk rating. Target return 64%) TIO's share price increased 36.8% in Q4 in anticipation of the Globex acquisition which closed at the end of December. We like this acquisition because it reduces TIO's biller concentration, increases the Company's margins and reduces the impact of the declining Cricket Wireless revenue. Meanwhile, AT&T is expected to close on its acquisition of Cricket Wireless which is also viewed as a positive event for TIO. We are forecasting a revenue decline in FY14 but then return to growth of 23% in FY14 due to the Globex acquisition. Our target price represents an EV/Sales multiple of 0.8x and EV/EBITDA multiple of 6.0x our FY15 estimates.

TOP PICK: POINTS INTERNATIONAL LTD. (Q-PCOM; T-PTS)

TECHNOLOGY - Pardeep Sangha (604) 718.7528 psangha@pifinancialcorp.com

Company Name	Stock Symbol	Recent Price	Shares O/S FD (Million)	Market Cap. (Million)	Net Cash (Debt) (Million)	Revenue (Million) FY12A	Revenue (Million) FY13E	Revenue (Million) FY14E	EBITDA (Million) FY12A	EBITDA (Million) FY13E	EBITDA (Million) FY14E	EV/EBITDA Current FYE	12-Mos Target Price	Total Return	Stock Rating	Volatility/ Risk
Absolute Software Corp.	T-ABT	$6.93	46.8	$324	US$68.5	US$88.7	US$88.3	US$98	US$11.7	US$11.7	US$13.5	18.9x	$8.60	28%	BUY	SPEC
AgJunction Inc. †	T-AJX	$1.14	73.7	$84	US$11.8	US$55.4	US$56.7	US$60.9	US$2.2	US$5.4	US$10.6	14.4x	$1.40	23%	BUY	SPEC
Avigilon Corporation †	T-AVO	$30.75	45.7	$1,405	$112.0	$100.3	$177.3	$261.3	$12.7	$34.5	$55.6	37.5x	$38.00	24%	BUY	ABV
Descartes Systems Group Inc	Q-DSGX	US$13.39	65.1	$872	US$32.1	US$114.0	US$126.9	US$150.5	US$33.2	US$38.2	US$44.5	18.9x	US$17.00	27%	BUY	AVG
Mediagrif Interactive Technologies Inc.	T-MDF	$18.80	15.9	$299	($37.7)	$53.8	$61.3	$64.5	$17.4	$25.2	$24.6	13.7x	$22.00	19%	BUY	ABV
Open Text Corp.	Q-OTEX	US$91.96	59.7	$5,490	(US$66.9)	US$1,208	US$1,363	US$1,534	US$333.4	US$408.6	US$449.0	12.4x	US$95.00	4.6%	NEUTRAL	AVG
Points International Ltd.	Q-PCOM	US$25.41	15.8	$401	US$16.2	US$139.5	US$200.6	US$290	US$6.3	US$8.8	US$18.9	43.8x	US$33.00	30%	BUY-TP ‡	SPEC
QHR Corp.	V-QHR	$1.27	52.0	$66	$20.1	$29.5	$34.1	$28.1	$2.7	$4.5	$3.1	10.2x	$1.70	34%	BUY	SPEC
Solium Capital Inc. †	T-SUM	$7.51	51.3	$385	$45.9	$50.3	$67.9	$78.7	$11.9	$17.4	$20.2	19.5x	$8.25	10%	BUY	SPEC
TECSYS Inc.	T-TCS	$5.65	11.5	$65	$0.1	$39.5	$43.8	$46.2	$3.1	$3.0	$4.2	15.4x	N/R	N/A	N/R	SPEC
TeraGo Inc.	T-TGO	$6.61	12.6	$83	($17.1)	$49.2	$52.0	$56.2	$15.3	$18.2	$22.9	5.5x	$10.00	51%	BUY	SPEC
TIO Networks Corp.	V-TNC	$0.52	48.6	$25	$5.5	$42.2	$40.5	$38.7	$1.4	$0.0	$2.4	N/A	$0.85	63%	BUY	SPEC

POINTS INTERNATIONAL LTD. (Q-PCOM; T-PTS)
Rating: BUY; Target: US$33.00

BIG PIPELINE TO DRIVE GROWTH IN 2014

- **Points International (T-PTS; Q-PCOM) is a rapidly growing Canadian technology Company that allows loyalty programs and their members to manage, buy, redeem and transact loyalty miles or points.** The Company offers its services to some of the top loyalty programs in the world including American Airlines, Southwest Airlines, British Airways, Starwood SPG Points, Best Buy and many others.

- **Points' share price increased 145% in 2013 driven by its launch with Southwest Airlines.** We have chosen Points as our Top Pick because the Company is enjoying strong YoY growth and the Company has a large sales pipeline with opportunities that are bigger than any that Points has had in the past. We are also expecting the Company to announce positive 2014 guidance during the first quarter.

- **Last quarter Points reported strong results for Q3FY13 with revenue growing 59% and EBITDA growing by 50%.** Points reported revenue of $54.4M in Q3 compared to $34.3M reported in the same period last year. The Company reported quarterly EBITDA of $2.3M in Q3FY13 which was a great improvement from the EBITDA of $1.6M reported last year.

- **We are expecting Points to report positive FY13 annual results in the first quarter.** Management has provided FY13 guidance for revenue of $195-205M and expects to exit FY13 with a $270M annual revenue run-rate. Our FY13 forecast is within the Company's guidance with 44% revenue growth to $200.6M and an annualized run-rate of $269.4M at the end of FY13.

- **The first half of 2014 will have strong growth due to Southwest Airlines and the second half will include new partners.** This results in our FY14 forecast of 44% revenue growth to $289.5M with EBITDA of $18.9M. Our FY15 forecast is based on 25% revenue growth to $361.8M and EBITDA of $24.6M. We assumed 15% organic growth in FY15 with the remaining growth coming from new deals in the pipeline. We expect the Company's gross margin to decline to 16% in FY14 and 15% in FY15. We are forecasting EBITDA margin improvement from 4.4% in FY13 to 6.5% in FY14 to 6.8% in FY15.

- We currently have a **BUY** recommendation for Points International (T-PTS; Q-PCOM) with a **12-month target price of US$33.00**. Our target price represents an EV/Sales multiple of 1.4x and an EV/EBITDA multiple of 20.6x our FY15 estimates. We assign a high EBITDA multiple to Points given its growth profile and large pipeline. We rate this investment opportunity with a **SPECULATIVE** risk rating.

Opinion and Share Information

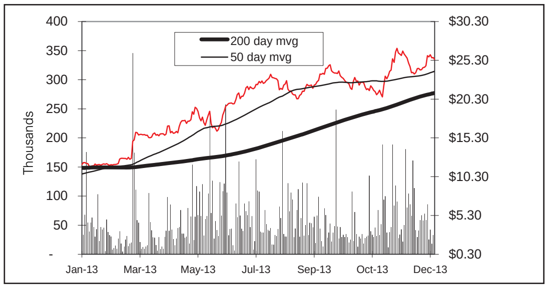
Risk:	SPECULATIVE
52-week High / Low:	$27.00 / $10.90
Shares Outstanding:	15.3 M (basic)
	15.8 M (fd)
Market Capitalization:	$402.5 M
30-Day Avg. Daily Volume:	80,433
Net Cash:	$16.2 M
CEO:	MacLean, Rob
CFO:	Lam, Anthony
Insider Ownership:	10%

Financial Summary

(FYE Dec 31st)

	FY12	FY13e	FY14e	FY15e
Revenue ($M)	139.5	200.6	289.5	361.8
EBITDA ($M)	6.3	8.8	18.9	24.6
Net Income ($M)	8.3	4.2	11.5	15.5
EPS	0.54	0.27	0.73	0.97
EV/Sales	2.8x	1.9x	1.3x	1.1x
EV/EBITDA	NMF	NMF	20.4x	15.7x
P/E	NMF	NMF	36.8x	27.7x

Quarterly (FY13)	Q1	Q2	Q3	Q4e
Revenue ($M)	36.9	41.9	54.4	67.3
EBITDA ($M)	0.5	1.2	2.3	4.8



Company Description

Points International provides software, solutions and services to the loyalty program industry. The Company has contractual agreements to transact, wholesale and retail loyalty program miles or points with various loyalty brands. The Company also operates www.points.com.

Disclosure Fact Sheet

Ratings

BUY : recommendation: stock is expected to appreciate from its current price level at least 10-20% in the next 12 months.
NEUTRAL : recommendation: stock is expected to trade in a narrow range from its current price level in the next 12 months.
SELL : recommendation: stock is expected to decline from its current price level at least 10-20% in the next 12 months.
U/R : Under Review
N/R : No Rating
TENDER : Investors are guided to tender to the terms of the takeover offer.
Analyst recommendations and targets are based on the stock's expected return over a 12-month period or may be based on the company achieving specific fundamental results. Under certain circumstances, and at the discretion of the analyst, a recommendation may be applied for a shorter time period. The basis for the variability in the expected percentage change for a recommendation, relates to the differences in the risk ratings applied to individual stocks. For instance stocks that are rated Speculative must be expected to appreciate at the high end of the range of 10-20% over a 12-month period.

Price Volatility / Risk

SPECULATIVE : The Company has no established operating revenue, and/or balance sheet or cash flow concerns exist. Typically low public float or lack of liquidity exists. Rated for risk tolerant investors only.
ABOVE AVERAGE : Revenue and earnings predictability may not be established. Balance sheet or cash flow concerns may exist. Stock may exhibit low liquidity.
AVERAGE : Average revenue and earnings predictability has been established; no significant cash flow/balance sheet concerns are foreseeable over the next 12 months. Reasonable liquidity exists. Price Volatility/Risk analysis while broad based includes the risks associated with a company's balance sheet, variability of revenue or earnings, industry or sector risks, and liquidity risk.

Analyst Certification

I, Sheila Broughton, Philip Ker, Aleem Ladak, Roy Ma, Chris Murray, Pardeep Sangha, Alistair Toward, and Jason Zandberg, hereby certify that all of the views expressed in this report accurately reflect my personal views about the subject securities or issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly related to the specific recommendations or views expressed in this report. I am the research analyst primarily responsible for preparing this report.

Research Disclosures

Company	Disclosure	Particulars
FirstService Corp.	4	
Macro Enterprises	1, 4	
Nevsun Resources	4	
Points International Ltd.	1, 4	
Rock Energy Inc.	4	
Savanna Energy Services Corp.	4	
Silvercrest Mines Inc.	2, 4	

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9) Company has partially funded previous analyst visits to its projects.
10) Additional disclosure:

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The attached summarizes PI's analysts review of the material operations of the attached company(s).

Analyst	Company	Type of Review	Operations / Project	Date
Sheila Broughton	FirstService Corp.	Management Call	Vancouver BC	10/13
Jason Zandberg	Macro Enterprises Inc..	Company Visit	Ft. St. John BC	07/13
Aleem Ladak	Nevsun Resources Ltd.	Management Mtg	Conference Call	01/13
Pardeep S. Sangha	Points International Ltd.	Management Update Call	Vancouver	12/13
Alistair Toward	Rock Energy Inc.	Management Mtg	Calgary, AB	10 /13
Roy Ma	Savanna Energy Services Corp.	Management Mtg	Calgary AB	09/13
Phil Ker	SilverCrest Mines Inc.	Update with Management	Santa Elena	07/13

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Global Stock Distribution

Recommendations	Number of Recommendations	Percentage
BUY	53	76.81%
NEUTRAL	9	13.04%
SELL	0	0.00%
TENDER	1	1.43%
U/R	0	0.00%
N/R	6	8.70%
TOTAL	**69**	

Stock Rating and Target Changes

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