



SECOND QUARTER TOP PICKS 2012

Q112 Top Picks

| | |
|---------------------|------|
| PI Top Picks | 7.7% |
| TSX Index | 5.3% |
| TSX Small Cap Index | 3.7% |

Pricing as of March 30, 2012



Changes to Q2 2012 Top Picks

Added:

Essential Energy Services Ltd. (T-ESN)
Geodrill Ltd. (T-GEO)
Pure Technologies Inc (T-PUR)
Hemisphere GPS Inc. (T-HEM)
Strategic Oil & Gas Ltd. (V-SOG)

Removed:

Arcan Resources Ltd. (V-ARN)
Bombardier Inc. (T-BBD.b)
Calfrac Well Services. (T-CFW)
Points International Ltd. (T-PTS; Q-PCOM)
Winpak Ltd. (T-WPK)

Bear Creek Mining Corporation

(V-BCM)

Coastal Contacts Inc.

(T-COA)

Essential Energy Services Ltd.

(T-ESN)

Geodrill Ltd.

(T-GEO)

Pure Technologies Inc.

(T-PUR)

Hemisphere GPS Inc.

(T-HEM)

Strategic Oil & Gas Ltd.

(V-SOG)



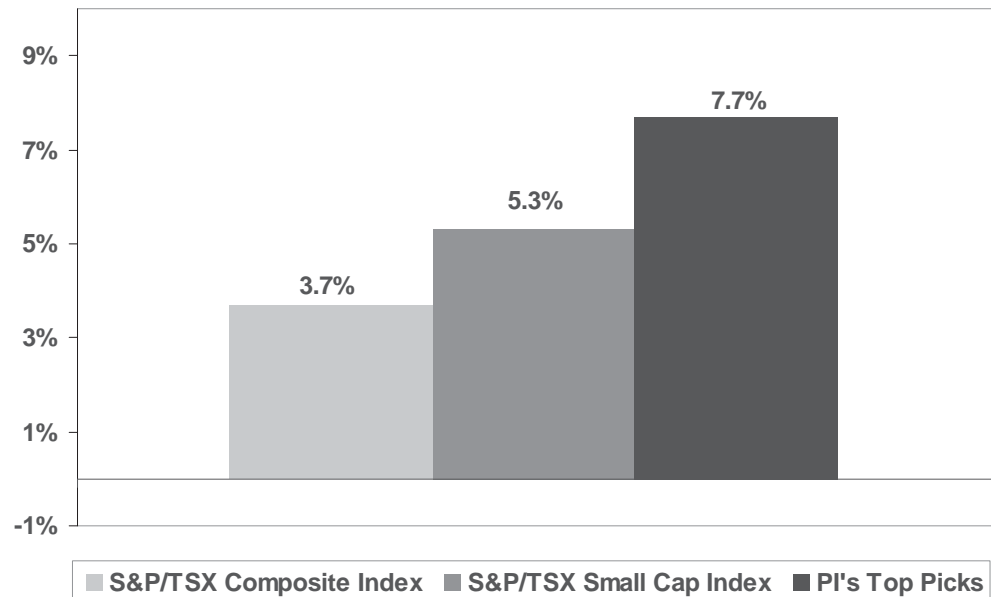
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Q1 TOP PICKS OUTPERFORM

Our Top Picks outperformed the S&P/TSX Composite and S&P/TSX Small Cap Index in the first quarter of 2012. PI's picks, in aggregate, recorded an average gain of 7.7% in the Q1 period (December 30, 2011 to March 30, 2012) versus a gain of 3.7% for the S&P/TSX and 5.3% for the Canadian Small Cap Index.



Source: PI Financial Corp.

Our top performer for the quarter was our Technology Top Pick, **Points International Ltd. (T-PTS)** which generated a 35.7% return. Its comparative index, the S&P/TSX Canadian Information Technology Index gained 9.7%. The Company's share price increase has been driven by the Company achieving its annual guidance for FY11 and giving a strong outlook for FY12.

Our second best performance for the quarter was **Winpak Ltd. (T-WPK)** which generated a 19.5% return. Its comparative index, the S&P/TSX Canadian Industrials Index rose 4.1%. This outperformance was driven largely by its strong Q4 results. Winpak reported EBITDA growth of 47% in the fourth quarter and management expects to reinvest most of its \$129.9M in cash reserves in new manufacturing facilities to fuel future growth.

The third best performer was **Coastal Contacts Inc. (T-COA)** which returned 3.9% but underperformed the S&P/TSX Canadian Consumer Discretionary which returned 13.2%. In the quarter COA reported Q112 revenue growth of 15%, driven by a 63% increase in glasses sales to \$10.3M and a 6.6% increase in contact lens sales to \$36.6M. The increase in glasses sales reflects an 85% increase in glasses shipments to 195,591 pairs in the quarter.

Bombardier (T-BBD.B), our Transportation Top Pick increased 2.0% during the quarter, though had risen 20.0% prior to its Q4CY12 earnings announcement, as investors anticipated consensus estimates to be met or exceeded. Instead investors were met with lackluster results, which were partially fuelled by a shorter quarter due to a fiscal year end change, but also a number of challenges in both operating segments. While the operational issues at Bombardier Transportation are expected to be resolved largely by H112, a lack of demand for Bombardier's Aerospace current commercial aircraft continues to weigh on share prices while the development projects are ongoing.

The share price of **Bear Creek Mining Corporation (V-BCM)**, our Mining Top Pick, remained relatively flat (+0.8%) through Q1/12, outperforming the S&P/TSX Global Gold Index, which declined 7.9% over the same time period. As we expected for the quarter, silver outperformed gold (+15.1% vs. +5.6%) and silver explorers and developers outperformed gold explorers and developers (+11.9% vs. -8.9%) as tracked by our mean EV/oz metrics. Where Bear Creek's share price is concerned, the damage had been done last year as the Company was negatively affected by the souring in perception of sovereign risk in Peru. This perception greatly improved at the end of 2011 but the jury remains out as the administration of President Humala works to balance the need to fund the social platform upon which it was elected with the reality of a segment of society vehemently and vociferously opposed to mining – the dominant contributor to the country's budget. Newmont's massive but stalled US\$4.9 billion Conga



project remains the litmus test of Humala's resolve and the investment community awaits resolution of that stalemate in April or May. Bear Creek remains our sector top pick, seeking exposure to the ongoing de-risking of Peru and the expected strengthening in the price of silver, both in absolute terms and relative to gold.

The stock price of **Calfrac Well Services Ltd (T-CFW)**, our Energy Services Top Pick, declined 2.1% in the quarter, moderately underperforming the S&P/TSX Energy Equipment and Services Index which lost 0.2% in the quarter. That said, CFW's shares rallied 23% by the beginning of March on the back of above-expectation Q411 results and the implementation of a meaningful dividend. However, CFW's shares quickly reversed course after prominent US oilfield service counterparts guided the market down on their Q112 results, which was partially caused by increased US hhp supply, equipment moving out of natural gas plays into liquids/oil areas and rising costs pinching US pressure pumping margins. That said, CFW is one of the two dominant players in Canada and we expect the Canadian pressure pumping market to remain robust in 2012.

Arcan Resources Ltd. (V-ARN), our Oil and Gas Top Pick was off 5.6% during the quarter, underperforming the S&P/TSX Capped Energy index, which was down 1.8%. Performance was strong throughout the better part of the quarter, only to see a sell off in the month of March. The lack of news and an anticipated delay to Arcan's ultimate fate (its acquisition) are largely responsible for the recent pressure on Arcan. Once Pengrowth and Crescent Point have digested their respective acquisitions, look for attention to return to Arcan. With a 12-month target of \$10.00, current pricing implies a potential return of over 100%.

Performance of the Q112 Top Picks

| Q112 Top Picks | Value | Value | Return | Comparable | Sub-index |
|------------------------------|------------|----------------|-------------|-------------|-------------------------------|
| | Dec 30 /11 | Mar 30/12 | | Sub-index | |
| S&P/TSX Composite Index | 11,955 | 12,392 | 3.7% | n/a | |
| S&P/TSX Cdn. Small Cap Index | 615 | 648 | 5.3% | n/a | |
| Points International Ltd. | \$7.75 | \$10.53 | 35.7% | 9.7% | Technology |
| Winpak Ltd. | \$12.00 | \$14.31 | 19.5% | 4.1% | Industrials |
| Coastal Contacts Inc. | \$2.55 | \$2.65 | 3.9% | 13.2% | Consumer Discretionary |
| Bombardier, Inc. | \$4.06 | \$4.14 | 2.0% | 2.7% | Transportation |
| Bear Creek Mining Corp. | \$3.54 | \$3.57 | 0.8% | -7.9% | Mining |
| Calfrac Well Services Ltd. | \$28.50 | \$27.90 | -2.1% | -0.2% | Energy Equipment and Services |
| Arcan Resources Ltd. | \$4.98 | \$4.70 | -5.6% | -1.8% | Oil & Gas |
| | | Average | 7.7% | 2.8% | |

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.**

SECTOR OVERVIEW

Markets continued with their positive trends that started in Q411. In the first quarter of 2012 the S&P/TSX rose 3.7% and the DJIA rose 8.1%. This strong start to 2012 compares to the full year 2011 decline of 11% for the S&P/TSX and 5.5% gain for the DJIA.

The S&P/TSX Consumer Discretionary Index rose 13% in the quarter. This is a marked turnaround from the 18% decline for that index in 2011. The Consumer Staples Index rose 6.8% in Q112 adding to its 2011 return of 4.8%.

As a group, our Consumer Products covered companies generated a 1.8% return in the quarter underperforming both the S&P/TSX Consumer Discretionary and S&P/TSX indices. Our BUY rated covered companies generated a return of 4.9% in the quarter, in line with the general Canadian market return.

Amongst our BUY rated stocks, Liquor Stores N.A. Ltd (T-LIQ) continued to outperform, generating a 19% return in the quarter which followed a 9.3% return generated in Q411. FirstService Corporation (T-FSV; Q-FSRV), the second best performer generated a 14% return in the quarter, SunOpta (T-SOY; Q-STKL), Premium Brands Holdings Corp. (T-PBH) and Coastal Contacts (T-COA) generated returns of 9.1%, 6.8% and 3.9% respectively. Mega Brands (T-MB) underperformed, declining 23% in the quarter. Our two Neutral rated stocks also declined in the quarter with Great Canadian Gaming (T-GC) down 3.8% and Sun-Rype (T-SRF) down 4.0%.

SECTOR OUTLOOK

While the US indices have performed well in 2012 to-date and 245,000 jobs were added in the first 2 months of the year, weak US job market growth remains a concern to investors. US consumer confidence fell slightly in March to 70.2 from 71.6 in February. This is well above the low of 25.3 in February 2009 but below the 90 target reading that generally indicates a healthy economy.

The Canadian economy grew at an annualized rate of 1.8% in Q411 down from 4.2% in Q311 and early January data suggest the Canadian economy may have contracted slightly to start 2012. Canadian retail sales were disappointing in January rising only 0.5% compared to expected growth of 1.7%. High household debt levels and weak employment growth are expected to hold back retail sales growth in the near-term.

Our 2012 outlook is cautiously optimistic for consumer products stocks. We continue to focus on companies with efficient operations, strong cash flow and solid capital structures with the capacity to support organic and acquisition based growth. We will also continue to look for opportunities amongst companies which are repositioning their businesses to better address their industries and drive shareholder value.

COVERAGE LIST OVERVIEW

Coastal Contacts Inc. (T-COA), a rapidly growing direct-to-consumer retailer of vision care products in North America, Europe and Asia Pacific was our Q112 Consumer Products Top Pick. COA generated a 3.9% return in the quarter. With a solid and growing online contact lens business in Europe and North America, Coastal Contacts is now focused on developing the online prescription glasses market. In the quarter, COA reported solid Q112 results including a 103% increase in eyeglasses sales to \$40M and consolidated sales growth of 20% to \$184M including revenue growth of 15%, driven by a 63% increase in glasses sales to \$10.3M and a 6.6% increase in contact lens sales to \$36.6M

We believe management has positioned COA well to drive online glasses sales growth in the US in 2012 building on their Canadian glasses strategies. We have again selected Coastal Contacts as our Q212 Consumer Products Top Pick. We maintain our **BUY** recommendation, **12-month target of \$3.50/share** and **ABOVE AVERAGE** risk rating.

FirstService Corporation (T-FSV; Q-FSRV) is a diversified real estate services company providing commercial real estate services, residential property management services and property improvement services. FirstService continues to rapidly build their commercial real estate operations through professional recruitment and acquisitions and have expanded their property management operations in both the US and Canada. FirstService reported solid Q411 results ending a stronger than expected year. Q4 consolidated revenue grew 7.8% to \$595M, adj. EBITDA grew 20% to \$44.5M and adj. net earnings growth to \$15.8M or \$0.52/share, FirstService shares gained 14% in the quarter.

We have a cautiously positive outlook for 2012 based on our expectation of strengthening global economic conditions. We believe FirstService's globally diverse operations will continue to drive sustainable, profitable growth. We retain our **BUY** recommendation, **12-month target of US\$40.00** and **AVERAGE** risk assessment. Our target reflects a 9.3x EV/EBITDA multiple based on our 2012 forecast.

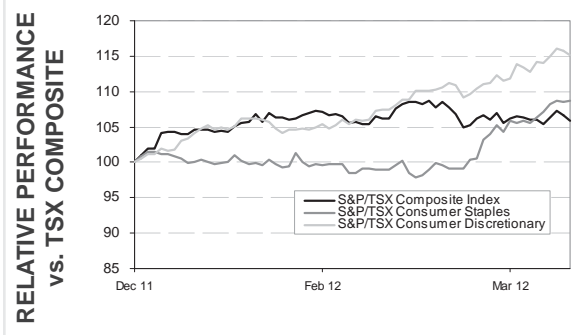
Great Canadian Gaming Corp. (T-GC) operates and develops casinos and racetracks with associated hospitality and entertainment facilities in British Columbia, Ontario, Nova Scotia and Washington state. GC recently reported Q411 results that missed expectations primarily on weaker than expected results from their flagship River Rock facility. GC shares declined 3.8% in the quarter.

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While we continue to believe Great Canadian is well positioned for long-term growth, the proposed changes to the Ontario gaming market would negatively impact GC's two Ontario racetracks. On March 30th, Great Canadian announced that the OLG will terminate its site holder agreements with GC's Georgian Downs and Flamboro Downs locations, effective March 31, 2013. GC plans to meet with the OLG to discuss both their racetrack risk and potential opportunities that may result from these changes. With the current uncertainty, we rate GC as a **NEUTRAL** with a **12-month target of \$9.60** and an **AVERAGE** risk rating. Our target reflects a 6.6x EV/EBITDA multiple and a 22x PE multiple based on our 2012 forecast.

Liquor Stores N.A. Ltd (T-LIQ) is a liquor retailer based in Alberta with operations in Canada and the US. LIQ reported strong Q411 results including 2.9% sales growth to \$168M with Canadian same store sales increasing 2.0% to \$112M and US same store sales increasing 2.3% to US\$40.3M. LIQ also opened 3 new Alberta stores and 1 new Kentucky store in the quarter. LIQ shares generated a 19% return in the quarter. LIQ's \$0.09/share monthly dividend, (\$1.08/share annually) provides approximately a 6% yield. We are currently **RESTRICTED** on Liquor Stores N.A. Ltd.

MEGA Brands Inc. (T-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. MEGA Brands reported lower Q411 sales and gross margin than we had expected. This appears to be primarily due to MB's customers reducing their inventory position as retail sell-through was higher than shipments to retailers. We estimate this could have reduced top line sales by approximately \$8-10M in the quarter. MB shares declined 23% in the quarter. MB recently announced a new licensing deal with Mattel for Barbie and Hotwheels related products. While financial forecasts have not been provided, we believe this could be a material revenue driver for MB in 2013.

Strong retail sell through combined with MB's planned product launches suggest stronger 2012 growth. Our 2012 forecast includes revenue increasing 8.1% to \$407M, EBITDA increasing 16% to \$45.5M and net earnings improving to \$13.5M or \$0.47/share (fd). We continue to recommend MEGA Brands (T-MB) as a **BUY** with a **12-month target of C\$12.00**. Our target reflects a 6.5x EV/EBITDA and a 0.8x sales multiple. We continue to assess MB as an **ABOVE AVERAGE** investment risk.

Premium Brands Holdings Corp. (T-PBH) is a manufacturer, marketer and distributor of high quality, branded food products primarily in western Canada. PBH recently reported solid Q4 results including 61% revenue growth to \$251M, 37% EBITDA growth to \$14.4M and adjusted net earnings of \$2.5M or \$0.13/share. PBH generated a 6.8% return in the quarter.

The positive impact of 2011 acquisitions, combined with operational improvements and organic growth of 6-8% provides a strong platform for 2012 growth. Management has forecast 2012 EBITDA increasing from \$54.9M in 2011 to \$75-\$80M in 2012. Our 2012 forecast includes 31% revenue growth to \$1,040M driven by recent acquisitions, 44% EBITDA growth to \$78.9M and net earnings attributable to shareholders growing to \$25.7M or \$1.27/share. We maintain our **BUY** recommendation, **AVERAGE** risk rating and **12-month target to \$21.00**.

SunOpta Inc. (T-SOY; Q-STKL) is a global company focused on natural, organic and specialty foods and natural health products. SunOpta recently reported Q4 and 2011 results. Q411 revenue increased 12% to \$259M, while adjusted earnings from continuing operations was flat at \$4.5M or \$0.07/share meeting recent guidance. Full year revenue increased 21% to \$1,082M while adjusted net earnings declined slightly to \$20.2M or \$0.30/share compared to \$21.2M or \$0.32/share in 2010. SOY shares rose 9.1% in the quarter.

SOY is streamlining its food businesses and is reducing its salaried workforce by approximately 6%. The positive impact of the reduced operating costs is expected to begin to be seen in Q312. Our 2012 forecast includes revenue increasing 11% to \$1,206M, EBITDA increasing to \$73.1M reflecting a 6.1% EBITDA margin and net earnings from continuing operations to increase to \$23.8M or \$0.36/share. We retain our **BUY** recommendation, **12-month target of US\$9.25** and **AVERAGE** risk rating for SunOpta Inc. (Q-STKL; T-SOY).

Sun-Rype Products Ltd. (T-SRF) is a manufacturer and marketer of fruit-based beverage and snacks. SRF shares declined 3.7% in the quarter. Sun-Rype reported flat Q411 revenue with non-branded sales from recent acquisitions offsetting declines in branded product sales. New product launches and the recent acquisitions are expected to drive 2012 growth, however without a material decline in raw material input costs limited profitability improvements are anticipated in 2012. We are forecasting 2012 revenue to increase 6% to \$157M, EBITDA loss to improve to \$1.8M and the net loss to improve to \$4.6M or \$0.43/share. We maintain our **NEUTRAL** recommendation, **\$7.00 target** and **ABOVE AVERAGE** risk assessment. Our target reflects a 0.7x EV/Sales multiple based on our 2012 forecast.

CRH Medical Corporation (V-CRM), is a direct-to-physician distributor of its proprietary product to treat hemorrhoids in the US. CRH markets a turnkey treatment solution directly to gastroenterologists. We think CRH is at an inflection point leading into a high revenue, high margin growth period as it capitalizes on its efficient distribution model. CRH is a micro-cap stock with limited share liquidity with limited cash reserves. CRH is not a rated company and we do not provide a target price. We assess an investment in CRH Medical Corporation with a **SPECULATIVE** risk rating.

TOP PICK: COASTAL CONTACTS INC. (T-COA)

| 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 Current FYE | 12-Mos Target Price | Total Return | Stock Rating | Volatility Risk |
|---------------------------------|--------------|--------------|-------------------------|-----------------------|---------------------------|-------------------|-----------|-----------|-------------------------|----------|----------|-----------------|---------------------|--------------|--------------|-----------------|
| | | | | | | FY10A | FY11E | FY12E | FY10A | FY11E | FY12E | | | | | |
| Coastal Contacts Inc. | T-COA | \$2.65 | 61.2 | \$162 | \$10.5 | \$153 | \$184 | \$214 | \$0.05 | (\$0.08) | (\$0.02) | N/A | \$3.50 | 32% | BUY | ABV |
| CRH Medical Corp | V-CRM | \$0.57 | 55.0 | \$31 | \$2.8 | \$3.6 | \$5.5 | \$7.4 | \$0.00 | \$0.02 | \$0.05 | 28.5x | N/R | N/A | N/R | SPEC |
| FirstService Corp.* | Q-FSRV | US\$30.64 | 30.4 | US\$931 | (US\$291) | US\$1,986 | US\$2,244 | US\$2,346 | US\$1.61 | US\$1.81 | US\$1.94 | 16.9x | US\$40.00 | 31% | BUY | AVG |
| Great Canadian Gaming Corp. | T-GC | \$8.06 | 90.4 | \$729 | (\$196) | \$384 | \$388 | \$399 | (\$0.10) | \$0.31 | \$0.43 | 26.0x | \$9.60 | 19% | NEUTRAL | AVG |
| Liquor Stores N.A. Ltd. | T-LIQ | \$17.57 | 22.6 | \$397 | (\$141) | \$580 | \$592 | \$621 | \$1.08 | \$1.08 | \$1.00 | 16.3x | RESTRICTED | 20% | RESTRICTED | RESTRICTED |
| MEGA Brands Inc. | T-MB | \$6.43 | 29.7 | \$191 | (US\$106) | US\$368 | US\$377 | US\$407 | US\$5.94 | US\$0.45 | US\$0.47 | 14.3x | \$12.00 | 87% | BUY | ABV |
| Premium Brands Holdings Corp. † | T-PBH | \$17.49 | 20.3 | \$355 | (\$288) | \$535 | \$794 | \$1,040 | \$0.91 | \$0.68 | \$1.27 | 25.7x | \$21.00 | 27% | BUY | AVG |
| SunOpta Inc. | Q-STKL | US\$5.47 | 66.6 | US\$364 | (US\$160) | US\$898 | US\$1,082 | US\$1,206 | US\$0.20 | US\$0.14 | US\$0.36 | 39.1x | US\$9.25 | 69% | BUY | AVG |
| Sun-Rype Products Ltd. | T-SRF | \$5.98 | 10.8 | \$65 | (\$25.0) | \$138 | \$148 | \$157 | \$0.42 | (\$0.53) | (\$0.43) | N/A | \$7.00 | 17% | NEUTRAL | ABV |

*Adj. EPS
Sheila Broughton owns shares of Coastal Contacts Inc.

† PI Financial Corp. has received compensation for acting as fiscal agent or advisor for the subject company over the preceding 12-month period

COASTAL CONTACTS INC. (T-COA)

Rating: Buy, Target: \$3.50

US FOCUS FOR 2012 GROWTH

We have again selected Coastal Contacts Inc. (T-COA) as our Consumer Products Top Pick. Coastal Contacts Inc. is a rapidly growing direct to consumer vision products company addressing a \$40B+ market opportunity. COA designs, produces, retails and distributes a broad offering of vision correction products and related accessories.

COA recently reported Q112 revenue growth of 15%, driven by a 63% increase in glasses sales to \$10.3M and a 6.6% increase in contact lens sales to \$36.6M. Q112 shipments increased 16% to 526,852 orders and eyeglasses shipments increased 85% to 195,591 pairs. We note that US glasses sales increased 111% and US glasses shipments levels were the highest of all regions in the quarter as COA targeted US market growth.

COA added approximately 204,000 new customers in Q112 to its customer base, which now totals approximately 3.5M customers. In the quarter, new orders represented approximately 38% of total orders.

Adjusted Q112 EBITDA increased to \$1.0M from \$280K in Q111 reflecting the higher revenue and increased operating leverage on the higher revenue base. This resulted in a net loss of \$0.2M or \$0.00/share in Q112 up from a net loss of \$2.4M or \$0.04/share in Q111 which included \$2.3M of one-time costs. Q112 is the first quarter of reporting under IFRS for COA and Q111 results have been restated for the adoption of IFRS.

Coastal Contacts' management remains focused on acquiring customers through effective promotions and marketing to drive eyeglasses sales growth. We expect COA to focus on driving glasses shipments and sales growth in the US in 2012.

COA recently announced a new relationship with Abenity, a managed health care services provider, offering COA's eyewear products to its 1.5M members. We expect more provider agreements will be announced this year. These programs can materially increase COA's customer base in the US with very low customer acquisition costs.

COA has nominated two new Directors for election to their Board. Mr. John Currie, who is the CFO of lululemon athletica inc. and was previously the CFO of Intrawest Corporation brings solid retail and public company experience to COA's board. Mr. Jeff Booth co-founded BuildDirect in 1999, a direct to consumer flooring and building materials distributor. Mr. Booth's business experience brings complementary online expertise to COA's board.

Our FY12 forecast includes 19% revenue growth to \$214M, adj. EBITDA of \$2.7M and a net loss of \$1.2M or \$0.02/share.

We are maintaining our **BUY** recommendation, **12-month target of \$3.50/share** and **ABOVE AVERAGE** risk rating. Our target reflects a 0.9x EV/sales multiple based on our FY12 forecast compared to COA's current EV/sales multiple of 0.7x.

Opinion and Share Information

| | |
|--------------------------|-----------------|
| Risk: | ABOVE AVERAGE |
| Current Price: | \$2.65 |
| Potential Return: | 32% |
| 52 week High / Low: | \$3.35 / \$2.16 |
| Shares Outstanding: | 56.4M (basic) |
| Shares Outstanding: | 61.2M (fd) |
| Market Capitalization: | \$162M |
| Market Float: | 41.7M |
| Quoted Market Value: | \$111M |
| 30 Day Av. Daily Volume: | 51,946 |
| Net cash: | \$10.5M |
| Net Debt/Capital: | 0.0% |
| CEO: | Roger Hardy |
| CFO: | Gordon Howie |
| Shareholders: D&O's | 14.7M |

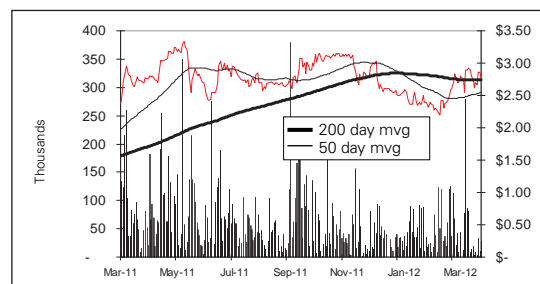
Financial Summary

(FYE Oct. 31st)

| (\$000's except EPS) | FY09 | FY10 | FY11 | FY12e |
|----------------------|---------|---------|----------|----------|
| Total Sales | 139,870 | 153,166 | 184,097 | 213,897 |
| Adj. EBITDA | 8,005 | 7,783 | 1,344 | 2,725 |
| Adj. EBITDA % | 5.7% | 5.1% | 0.7% | 1.3% |
| Net earnings | 2,747 | 3,102 | (4,703) | (1,154) |
| EPS (fd) | \$0.05 | \$0.05 | (\$0.08) | (\$0.02) |

| | | | | |
|----------|------|------|------|------|
| EV/Sales | 1.0x | 0.9x | 0.7x | 0.7x |
|----------|------|------|------|------|

| Quarterly FY12 | Q1 | Q2e | Q3e | Q4e |
|----------------|----------|----------|----------|----------|
| Total Sales | 46,849 | 50,667 | 58,008 | 58,372 |
| EPS (fd) | (\$0.00) | (\$0.00) | (\$0.01) | (\$0.01) |



Company Description

Coastal Contacts Inc. (T-COA) is a rapidly growing direct to consumer vision products company that designs, produces, retails and distributes a diversified offering of contact lenses and eyeglasses to customers in more than 150 countries.



SECTOR OVERVIEW

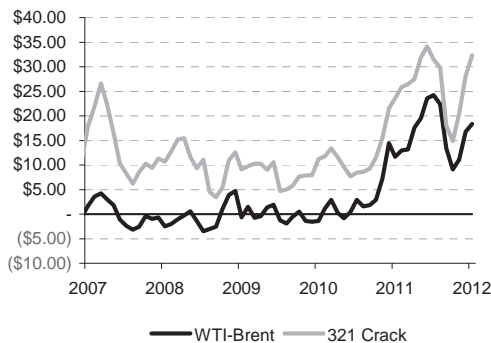
Despite increasing almost 10% for the better part of the quarter, the S&P/TSX Capped Energy Index relinquished all gains in March, to end the quarter down 1.8%, while the broader index managed to retain earlier gains and end the quarter up 3.7%.

SECTOR OUTLOOK

While our long held aversion to the liquids-rich producers did not help us in FY11, it has started to pay dividends in Q1FY12. We saw across-the-board weakness among the gas weighted names as AECO C gas prices declined ~35% during the quarter – trading at \$1.66/GJ, gas is at a level not seen since 2002. Meanwhile, an oil-weighting did not automatically beget returns even as world oil prices (Brent) moved up 14% in Q1FY12. Held down by wide differentials (and crack spreads) oil companies are being held hostage by pipeline constraints that are reducing realized prices.

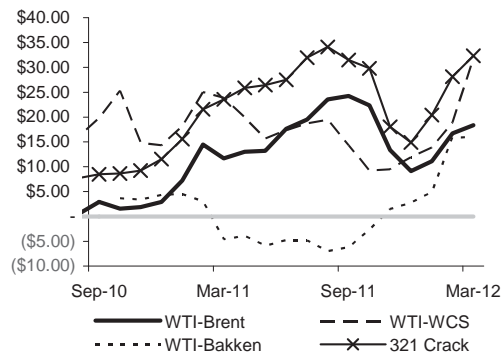
Oil Differentials Gone Wild. For the past 20 years WTI traded at a ~\$1.00/bbl premium to Brent and now we face an \$18/bbl differential. Regions relying on rail face additional differentials amid a heightened demand for rail capacity – from those looking to circumvent pipeline constraints. Nowhere was this more apparent in Q1FY12 than in North Dakota where light oil was attracting a \$30/bbl differential to WTI. That has made-in-America oil realizing a ~\$48/bbl discount to oil imported from the Middle East.

WTI – Brent Differential & 321 Crack Spread



Source: Bloomberg; PI Financial Corp.

Differentials to WTI



Source: Bloomberg; PI Financial Corp.

Alistair Toward

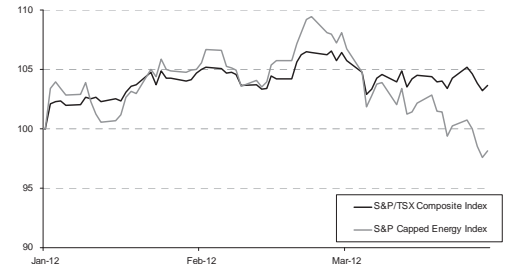
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RELATIVE PERFORMANCE vs. TSX COMPOSITE



There exist an easy fix. This phenomenon happened quite suddenly largely as a result of a politically sanctioned ploy (involving pipeline reversals and construction) aimed at welling up oil supplies in Cushing, OK. Refiners, incentivized by the potential lower feedstock swayed politicians with the logic that what drives down crude prices would reduce what voters pay for gasoline at the pumps. As we write, this faulty logic still prevails as Democrats (specifically Senator Markey of Massachusetts) is proposing a bill that would ban exports of any oil produced in the US or transported across US public lands. We believe logic will ultimately prevail, and pipeline constraints will be resolved with stocks rallying on stronger price realizations.

No panacea exists for the gas side of the business. Horizontal multi stage frac'ing has seen the industry unlock over five decades of supply in just over five years. This began as conventional and shallow inventories were made obsolete as multi-stage fracs unlocked an abundance of low cost dry gas. In turn, these inventories were rendered obsolete by inventories offering up to ~20% - 30% associated liquids. Now early indications from the Duvernay are suggesting 50% liquids may be the new norm. Even at 30% liquids, the industry could almost afford to give away the gas - as the liquids carry the well economics.

For those thinking gas can't stay down for long. Whether natural gas prices are at the lowest point (or not), we would argue that valuations have not yet bottomed out. In a case of missing the forest for the trees, we still find investors so memorized by identifying ever higher liquids content that they ignore the fact that spiraling gas prices are eating away the foundations of those corporations pursuing these high-liquid content opportunities. Meanwhile, the abundance of inventory argues against the automatic self-correcting boom-bust mechanism that many are counting on. For those still adamant about maintaining (or increasing) their gas weightings, our advice is to keep with a strict flight-to-quality regimen – generally good advice for any declining market. We would define this as: 1) Pay only for inventories with the purest exposure to the highest liquids content available; 2) Beware of debt - corporate valuations can easily fall below the value of the debt; 3) Anticipate declines - the latest wells decline at an astounding rate; 4) Expect that as long as gas prices remain low, cash flow (not inventory) will be the more important valuation consideration. Only with signs of a recovery should portfolios be expanded to include more vulnerable companies.

COVERAGE LIST OVERVIEW

Arcan Resources Ltd. (V-ARN, Target \$10.00, BUY, SPECULATIVE risk rating. Potential return – 113%) – our TOP PICK for Q112 was down 5.6% for the quarter. Retreating from an intra-quarter gain of ~25%, the stock has since sold-off on the lack of news flow and a perceived delay to the ultimate

end game expectation for Arcan - its acquisition. With would-be-suitors, Pengrowth and Crescent Point preoccupied with recent acquisitions, a takeover seems less imminent. Likewise, an April 27th reporting date supports concerns that the Company is behind in its tie-ins of recent activity – although the official explanation is to incorporate the Stimol acquisition. Given the stock has traded down to \$4.70; we believe this continues to be an attractive price-point to add to an individual position. With a 12-month target of \$10.00, current pricing implies a potential return of over 110%.

Strategic Oil & Gas Ltd. (V-SOG, Target \$1.80, BUY, SPECULATIVE risk rating. Potential return – 112%) - down 2.3% for the quarter. Strategic is our TOP PICK for Q2FY12. Strategic has been delivering some fantastic light oil rates from some very inexpensive wells drilled at Steen River. Case in point, the 102/15-22 well is still averaging over 350 boe/d after four months on production. Costing only \$1.5MM, we estimate it paid out in its second month on production. With production from only two of nine wells drilled in Q1FY12, Strategic was already at its FY12 average guidance (2,400 boe/d). We could see the Company hit its exit guidance (3,000 boe/d) by mid year - having only spent half its budget. One well soon to be tied in is the exploratory vertical well which flowed over 3,000 bbls in 27 hours (over four days) of testing. The lack of share price performance suggests the market has yet to take notice of the success being achieved in Steen. We reiterate our **BUY** rating and a **\$1.80 12-month target**.

Anglo Canadian Oil Corp. (V-ACG, RESTRICTED). Prior to being restricted, Anglo was a Watchlist company with no price target and no recommendation.

Arsenal Energy Inc. (T-AEI, Target \$1.20, BUY, SPECULATIVE risk rating. Potential return – 82%) – down 4.3% for the quarter. Arsenal’s valuation suffered in FY11 amid the slow pace of activity on its ND Bakken play. Now as activity heats up, 2 (1.6 net) wells currently drilling, the region has been hit with a \$30/bbl differential to WTI. Several factors should see these differentials narrow by the summer – when these new wells are expected to come on. We are also seeing a reversal in the cost escalation witnessed on this play. The wells currently drilling are costing \$10MM apiece, however the next well (a lower working interest non-operated location) was just AFE’d for \$8MM. In Alberta, water floods are now underway on the heavy oil assets acquired from Equal in Q4FY11 – results should be evident late in the second half. Our BUY thesis for Arsenal is based on its inventory of Bakken locations being so severely discounted by the market –as a result of present circumstances. Our 12-month target of \$1.20 (based on a ~25% discount to NAV) suggests we will see some near term improvement in these circumstances. Those with a longer investment time frame stand to do considerably better.

Equal Energy Ltd. (T-EQU, Target \$7.00, BUY, SPECULATIVE risk rating. Potential return – 87%) – down 18% for the quarter. Equal is in the unenviable position of having 50% of its production weighted to gas and a further ~35% weighted to propane. With gas trading at 10-year lows and propane trading at 40% of WTI (against a historical norm of 60%), our estimates for FY12 were reduced several times in Q1FY12. Fortunately, the expected volume changes are negligible as the budget was always to live within cash flow and a slow pace of activity in recent years means the Company is not facing steep declines on its production base. The Company already boasts seven years of mostly light oil inventory and this is expected to increase as details emerge from the Company’s Mississippian light oil play - recent filings suggest a JV partnership agreement is pending. Trading in line with the value assigned to only the oil and liquid portions of Equal’s PDP reserves, investors appear to be getting the gas reserves and all the inventory for free. While a candidate for a takeover or break-up, Equal is under no pressure from lenders – drawn ~\$120MM on lines of \$180MM and debentures (\$45MM) are not due until 2016.

NiMin Energy Corp. (T-NNN, Target \$0.75, SELL, SPECULATIVE risk rating. Potential return – 28%) – up 60% for the quarter. The Company’s share price has performed remarkably well on little to no new information. Day-to-day operations remain more or less idled as the Company explores strategic alternatives. Our concerns over the lack of cost control and an overly leveraged financial position did not automatically go away when the Company put itself up for sale. In fact, under the circumstances we increasingly favor the position of the debt holders over of the equity holders. Particularly amid the recent escalation in share price (on relatively low volumes) we reiterate our **SELL** recommendation.

Palliser Oil & Gas Corporation (V-PXL, Target \$1.50, BUY, SPECULATIVE risk rating. Potential return – 100%) – down 10% for the quarter. Palliser’s valuation suffered severely in the second half of 2011 amid not only delays but an unexpected spike in operating costs. Even as Palliser’s High Volume Lift (“HVL”) strategy delivered impressive production growth late in the year, the valuation has yet to recover. Recognizing the need to improve the cost structure Palliser has reduced (soon to be eliminated) its costly reliance on third-party salt-water-disposal (SWD). In the last six months Palliser has added three SWD facilities at Edam, two at Lloyd and expanded its facilities at Manitou. While the full effect was not reflected in the Q4FY11 results, the groundwork has been laid for a FY12 average of \$23/bbl. Meanwhile all future HVL initiatives will include disposal wells which should eventually see cost fall to \$17/bbl. Having already shown it can grow – we see this progress on cost control as the key valuation catalyst in the months ahead.

Sonde Resources Corp. (T-SOQ, Target \$5.00, BUY, SPECULATIVE risk rating. Potential return – 105%) – down 7.9% for the quarter. Sonde’s light oil drilling initiatives are on hold as the Company awaits the results from a data room process to find a buyer (or strategic partner) for its North Africa assets. If a deal is struck for North Africa then we can expect to see an active 2HFY12 drilling campaign pursuing light oil in both the Duvernay and the Montney. Absent a deal, Sonde’s cash (presently \$48MM with no debt) will need to be dedicated principally to its upcoming North Africa drilling commitments. The cost of all three remaining North African commitments wells is estimated at \$100MM with the cost of the first well (year end spud requirement) estimated at \$30MM. While not management’s first choice, there is a high level of confidence around the Company’s ability to fund its domestic light oil drilling initiative by way of a joint venture.

TOP PICK: STRATEGIC OIL & GAS LTD. (V-SOG)

| Company Name | Stock Symbol | Recent Price | Shares O/S FD (Million) | Market Cap. (Million) | Net Cash (Debt) (Million) | Cash Flow Per Share (FD) | | | Earnings Per Share (FD) | | | P/E Current FYE | 12-Mos Target Price | Total Return | Stock Rating | Volatility/ Risk |
|----------------------------|--------------|--------------|-------------------------|-----------------------|---------------------------|--------------------------|----------|----------|-------------------------|------------|------------|-----------------|---------------------|--------------|--------------|------------------|
| | | | | | | FY10A | FY11E | FY12E | FY10A | FY11E | FY12E | | | | | |
| Anglo Canadian Oil Corp. † | V-ACG | \$0.05 | 243.8 | \$12 | \$5.2 | N/A | N/A | N/A | N/A | N/A | N/A | N/A | RESTRICTED | N/A | RESTRICTED | RESTRICTED |
| Arcan Resources Ltd. † | V-ARN | \$4.70 | 107.5 | \$505 | (\$163.0) | \$0.32 | \$0.51 | \$1.05 | (\$0.07) | \$0.05 | \$0.40 | NMF | \$10.00 | 113% | BUY | SPEC |
| Arsenal Energy Inc. | T-AEI | \$0.66 | 172.0 | \$114 | (\$55.8) | \$0.13 | \$0.17 | \$0.20 | (\$0.06) | (\$0.02) | (\$0.03) | N/A | \$1.20 | 82% | BUY | SPEC |
| Equal Energy Ltd. † | T-EQU | \$3.75 | 37.4 | \$140 | (\$160.2) | \$1.83 | \$1.96 | \$1.42 | (\$1.40) | (\$0.44) | (\$0.14) | N/A | \$7.00 | 87% | BUY | SPEC |
| NiMin Energy Corp. | T-NNN | \$1.04 | 80.5 | \$84 | (US\$35.2) | (US\$0.06) | US\$0.02 | US\$0.04 | (US\$0.21) | (US\$0.02) | (US\$0.01) | N/A | \$0.75 | -28% | SELL | SPEC |
| Palliser Oil & Gas Corp. † | V-PXL | \$0.75 | 58.8 | \$44 | (\$20.4) | \$0.08 | \$0.10 | \$0.28 | (\$0.08) | (\$0.07) | \$0.02 | N/A | \$1.50 | 100% | BUY | SPEC |
| Sonde Resources Corp. | T-SOQ | \$2.44 | 65.3 | \$159 | \$55.7 | \$0.07 | \$0.10 | \$0.17 | (\$1.60) | (\$0.65) | (\$0.03) | N/A | \$5.00 | 105% | BUY | SPEC |
| Strategic Oil & Gas Ltd. † | V-SOG | \$0.85 | 195.2 | \$166 | \$19.4 | (\$0.02) | \$0.01 | \$0.17 | \$0.06 | (\$0.06) | \$0.05 | N/A | \$1.80 | 112% | BUY | SPEC |

† PI Financial Corp. has received compensation for acting as fiscal agent or advisor for the subject company over the preceding 12-month period.

STRATEGIC OIL & GAS LTD. (V-SOG)

Rating: Buy, Target: \$1.80

STEEN RIVER STEALING THE SHOW

Light oil achievements going unrecognized. Strategic has been delivering some fantastic light oil rates from some very inexpensive wells at Steen River. Previously we have suggested the lack of share price recognition for the progress at Steen reflected a waning interest in the Maxhamish play – amid limited drilling activity. When we consider that Steen has delivered an eightfold increase in volumes in just 14 months (over 2,400 boe/d currently from under 300 boe/d) we are left scratching our head. Most impressive is the majority of this (1,500 bbl/d) was light oil added through the drill bit – with more to follow.

Drilling costs fall as IP rates rise. The Company's drilling success since initiating at Steen now stands at 14 for 14. All but three were vertical wells targeting the Keg River formation. Initially costing \$1.6MM the last of these wells has come in at just over \$1.0MM – as IP rates appear to be on the rise. While the Company still budgets for IP's of 150 bbl/d recent results have been considerably better. Meanwhile the latest reported corporate volumes of 2,400 boe/d reflect production from only the first two of the wells drilled in Q1FY12. Strategic is positioned to hit its exit guidance (3,000 boe/d) by mid year – spending only half its budget.

More Big Wells Pending. To date the best well has been the 102/15-22 well - still averaging over 350 bbl/d after four months on production. Even as this well paid out in approximately two months, a new well into a new structure threatens to better this performance. The latest exploratory vertical well flowed 3,000 bbls in 27 hours of testing – this over four days. On stream production expectations are 300-500 bbl/d.

Resource 'like' plays currently being evaluated. As impressive as these Keg River results are, they may prove to be the tip of the iceberg in terms of Steen's overall light oil potential. Strategic has begun evaluating the non-Keg River horizons with two horizontal wells into the Sulphur Point and one in the Muskeg Stack. If successful they could validate a play that has to date been identified on close to sixty sections of Strategic's lands at Steen. Expectations are for initial rates of 125 bbl/d per location.

Look for us to update our valuation upon the release of the year-end results. Currently trading at an EV/FY12DACF of 5.3x Strategic is very inexpensive relative to its recent track record. We reiterate our **BUY** recommendation and our **12-month target of \$1.80** (**SPECULATIVE** risk ranking).

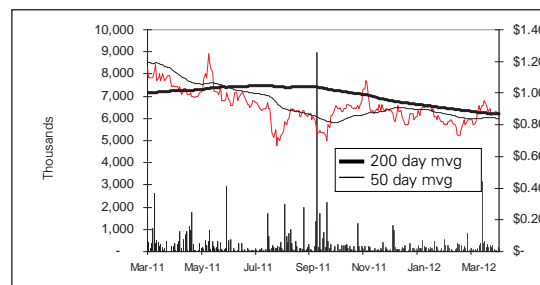
Opinion and Share Information

| | |
|---------------------------|---------------|
| Risk | SPECULATIVE |
| Current Price: | \$1.80 |
| Potential Return | 112% |
| Basic Shares O/S | 187.1MM |
| F.D. Shares O/S | 195.2MM |
| Market Capitalization | \$159MM |
| 52-week Range | \$1.40/\$0.63 |
| 30 Day Ave Trading Volume | 231,394 |
| Enterprise Value | \$140MM |

Financial Summary

(*FYE Dec. 31*)

| | FY10a | FY11e | FY12e | FY13e |
|-------------------------|--------------|--------------|--------------|--------------|
| WTI Oil (US\$/bbl) | \$79.50 | \$95.11 | \$95.00 | \$95.00 |
| Gas (US\$/mmbtu) | \$4.38 | \$4.03 | \$2.50 | \$3.00 |
| Liquids (bbl/d) | 221 | 650 | 2,150 | 2,950 |
| Gas (mcf/d) | 493 | 1,800 | 2,700 | 2,700 |
| Boe/d (6:1) | 303 | 950 | 2,600 | 3,400 |
| Cash Flow (MM) | -\$1.8 | \$2.1 | \$32.0 | \$41.4 |
| CFPS (FD) | -\$0.02 | \$0.01 | \$0.17 | \$0.22 |
| Net Debt Y/E (MM) | -\$25.3 | -\$19.4 | \$8.6 | \$7.2 |
| NAVPS (Engineering) | | \$0.76 | | |
| Price/NAVPS | | 111% | | |
| EV/P+P Reserves | | \$28.26 | | |
| EV/Prod (\$000 per boe) | \$441 | \$147 | \$64 | \$49 |
| EV/DACF | n/a | 56.6x | 5.3x | 4.0x |
| Target Implied EV/DACF | n/a | 128.5x | 11.0x | 8.5x |



PI Financial Corp. has received compensation for acting as a fiscal agent for SOG in the previous 12 months. See the disclosure section for additional details.

Company Description

Strategic Oil & Gas is a TSX-Venture listed junior purpose built to pursue large oil resource plays.

SECTOR OVERVIEW

The first quarter of 2012 can be split into two halves – the first half witnessed strong returns for both small caps and large caps followed by a poor second half which gave back all the earlier returns. The S&P/TSX Small Cap index increased by almost 10% by February 23rd only to see the quarter end at just a 5.3% overall return. The spread between the small cap return versus large cap return was similar – on February 23rd, the small cap index was ahead of the broader index by 5.3% (9.6% return for the S&P/TSX SmallCap index minus 4.3% return for the S&P/TSX Composite index). By the end of the quarter the return spread has narrowed to just 1.6%.

Agricultural stocks had a relatively strong first quarter thanks in large part to Glencore’s acquisition of Viterra (T-VT). The Canadian grain handler was acquired by Glencore (along with Agrium and Richardson Int’l) at almost 50% above Viterra’s 10-day trading average before the deal was announced. This acquisition along with the hefty valuation brought attention to the wider Canadian ag market and seemed to rise the tide and lift all boats.

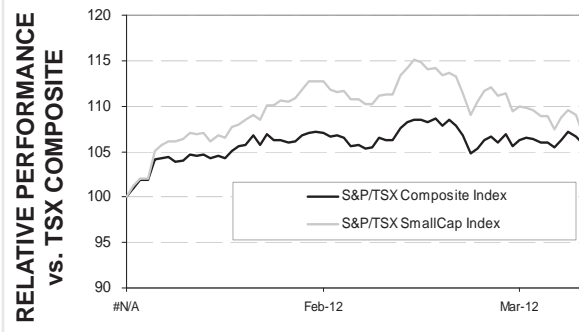
The Canadian equipment market finished 2011 off moderately strong but growth rates declined as the year went on. Strongco is a good example of this trend as year over year growth in Q1 – Q4 was 63%, 63%, 36%, 23% respectively. That being said, equipment stocks did well in the first three months of 2012 as Strongco’s shares were up 14%, Cervus’ shares were up 27% and Rocky Mountain’s shares were up 30%.

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SECTOR OUTLOOK

We had expected small cap stocks to keep up with the broad market in the first quarter after languishing for most of 2011. It turns out we were right but the second half decline for small cap stocks may indicate that this segment of the market may underperform in the coming quarter.

We expect grain prices will remain firm depending on weather. Any significant drought or crop damage to a major growing region would send grain prices much higher. Wheat, for the most part, traded between US\$6.00 -US\$7.00 during the quarter (currently at US\$6.30 per bushel) and we feel this commodity will continue to be range bound. We feel that wheat below US\$5.00 negatively impacts farmers spending including equipment purchases (CVL, RME, AFN, VT).

COVERAGE LIST OVERVIEW

Our Q212 special situations Top Pick is **Pure Technologies Inc. (T-PUR)**. The Company develops and markets products used for inspection, monitoring and management of critical infrastructure, including pipes, pipelines and bridges. Pure Technologies’ shares finished Q1 up 46%. On Mar 30th, Pure announced that it has received payment of \$16M (of the \$25M owed) from Man-made River Authority (MRA), its customer in Libya. In addition, Pure is resuming normal activities associated with the original \$30M contract with MRA. During the quarter, Pure reported weaker than expected Q4 FY11 results. Revenue declined 12% to \$14.6M, EBITDA increased 49% to \$3.9M and fully diluted EPS declined from \$0.05 to \$0.03.

Reported backlog was \$44.4M which reflects the recent string of contract wins (Pure has announced almost \$30M in new contracts since the beginning of 2012). We are bullish on the long term upside of Pure’s business given the large market opportunity in North America, South America, China and now North Africa. We continue to recommend Pure Technologies Ltd. with a **BUY** rating (risk: **ABOVE AVERAGE**) and a recently increased **12-month target of \$6.00**.

Ag Growth International Inc.’s (T-AFN) shares finished the quarter up 11%. During the quarter, the Company reported strong Q4 FY11 financial results after a very weak Q3. It appears Ag Growth has resolved most of the issues surrounding Mepu (AFN’s Finnish subsidiary) and Twister (new plants in Southern Alberta). Q4 FY11 revenue increased 31% to \$67.4M, EBITDA jumped 26% to \$8.4M and EPS increased from a loss of three cents to \$0.26 per share in net earnings. Portable grain handling sales were strong as Ag Growth’s retail channel replenished inventory while commercial sales of grain equipment continued the strong growth rates experienced throughout FY11. We expect margins in FY12 to remain consistent with FY11. We recently raised our **12-month target to \$41.00** while maintaining our **BUY** recommendation and **ABOVE AVERAGE** risk rating.

Cervus Equipment Corp.’s (T-CVL) shares were up 27% in Q1. Cervus reported better than expected Q4 FY11 results with revenue up 29% to \$141M and EPS of \$0.29 compared to \$0.15 last year. For the full year, revenue increased 19% to \$560M, EBITDA increased 26% to \$35.6M and EPS was \$1.27 versus \$0.82 in FY10. In addition, the Company announced a \$0.01 per year increase in its annual dividend.

We feel that Cervus Equipment is well positioned to capitalize on a strong agriculture market in Western Canada and the strong economic activity in Alberta. We continue to recommend Cervus Equipment with a **BUY** rating (risk: **ABOVE AVERAGE**) and a recently increased **12-month target price to \$19.50**.

Parkland Fuel Corp. (T-PKI) finished the quarter up 5.8%. During the quarter, Parkland reported Q4 FY11 results that met our expectations. Revenue was up 23% to \$1.0B, EBITDA was up 3.2% to \$36M and EPS was \$0.12 compared to \$0.21 last year. For the full year, revenue was up 38% to \$4.0B, EBITDA was up 50% to \$151M and EPS was \$0.73 compared to \$0.44 in FY10.

We are expecting commercial fuel margins and supply and wholesale fuel margins to improve in FY12. The commercial fuel margins should improve due to our expectation of better heating oil volumes as well as continued strength in the oil and gas sector (primarily propane sales). Our assumption for stronger wholesale and supply margins (refining margins) is primarily due to an improvement in Q2 FY12 over Q2 FY11 when Parkland experienced weaker than expected margins. Post earnings, we increased our **12-month target price to \$14.00** and maintained our **BUY** recommendation. We rate Parkland with an **ABOVE AVERAGE** risk rating.

Rocky Mountain Dealership Inc.'s (T-RME) shares were up 30% during the quarter. Fourth quarter results beat expectations. Revenue was up 27% to \$240.6M, EBITDA was up 28% to \$14.6M and EPS was up 36% to \$0.42 from \$0.31 last year. Used equipment sales were very strong as Rocky made a concerted effort to clear out its inventory in the fourth quarter. Margins declined 30 basis points to 15.4% during Q4. Product mix had an impact on margins as used equipment sales made up 34% of overall sales relative to 24% last year.

We remain bullish on both the ag sector and construction sector in Canada. Favourable weather conditions in Western Canada could result in an increase in seeded acreage (especially in Manitoba and parts of Saskatchewan which were flooded in 2011). The construction activity in Alberta rebounded in 2011 and CMHC expects new housing starts to increase by 15% in 2012. We continue to rate Rocky Mountain Dealerships Inc. as a **BUY** (risk: **ABOVE AVERAGE**) with a recently increased **12-month target of \$14.00**.

Strongco Corporation (T-SQP) shares were up 14% during the quarter. The Company reported Q4 FY11 results slightly shy of our estimates. Revenue was up 23% to \$113.2M, EBITDA was up 22% to \$12.5M and EPS was down to \$0.15 from \$0.17 last year. Revenue growth was relatively in line with our expectations while EPS was lower primarily due to higher income taxes (SQP's tax shelters ran out in Q4). Post earnings, we increased our **12-month target to \$9.50** and continue to recommend Strongco with a **BUY** rating (risk: **ABOVE AVERAGE**).

We feel an accretive acquisition would represent a positive catalyst to Strongco's stock price. Strongco management spent a few years getting the balance sheet in order and building the base business before it looked outward to acquisitions to grow the business. Other than the acquisition of Chadwick BaRoss, management has been fairly quiet on the acquisition front – we feel that could change in FY12.

Viterra Inc. (T-VT) finished the quarter up 48%. On March 20th, Viterra announced that a formal bid was made by Glencore International Plc (L-GLEN) to purchase Viterra for \$6.1B or \$16.25 per share. Glencore is partnering with Agrium and Richardson Int'l where Agrium will pay \$1.8B to purchase 90% of the Canadian and all of the Australian agri-business assets, along with Viterra's 34% interest in Canadian Fertilizer Ltd. – a fertilizer joint venture with CF Industries and Richardson will pay \$0.8B to purchase 23% of Viterra's grain handling business and most of the Canadian processing assets. Glencore will acquire the remaining Canadian assets along with the Australian assets. The formal bid of \$16.25 per share represents a significant premium as it translates to 10.7 EV/EBITDA and 23.8 P/E (based on our FY12 estimates). As a result, we recommend investors who own shares to **TENDER** with a target price of **\$16.25** (risk rating: **AVERAGE**). Also during the quarter, Viterra reported Q1 FY12 results. Revenue increased 53% to \$3.6B, EBITDA decreased 10% to \$189M while EPS declined from \$0.27 to \$0.21.

Westport Innovations Inc.'s (T-WPT) shares finished the quarter up 21%. During the quarter, the Company reported results for the 3 months ended December 31, 2011. Revenues for the quarter were \$100.6M, up 155%, E(L)BITDA was (\$7.9M) compared to (\$9.7M) and EPS was a loss of (\$0.30) versus a loss of (\$0.31). The actual loss was larger this year but was spread out over more shares outstanding – thus the drop in loss per share. Although revenue growth outpaced operating expense growth, we feel that the Company needs to continue to address expenses in order to achieve profitability. We believe that natural gas fuel transportation market will continue to break free of its niche status and become a significant fuel source in the North American market. The biggest catalyst in our opinion is when Westport changes the direction of its losses. We continue to recommend Westport with a **SELL** recommendation, **SPECULATIVE** risk-rating and **12-month target price of C\$34.00**.

Wipak Ltd. (T-WPK) ended Q1 up 19% as its earnings continue to grow. The Company reported stronger than expected Q4 FY11 financial results. Revenues were up 10.7% to \$171.5M, EBITDA was up 46.8% to \$35.2M and EPS increased from \$0.20 to \$0.28. Gross margins declined in the fourth quarter but this appears to be a revenue mix issue as opposed to higher input costs. Input costs declined during the quarter by 5% based on Wipak's purchase price index.

We feel the packaging materials market will continue to be strong with rigid and flexible packaging replacing paper, glass and metal while the trend towards single-serving food packaging should continue to propel the demand for packaging. We feel Wipak is well positioned in this market and we expect the Company to grow faster than the overall industry through market share expansion. We continue to rate Wipak with a **BUY** rating (risk: **ABOVE AVERAGE**) with a recently increased **12-month target of \$17.00**.

TOP PICK: PURE TECHNOLOGIES LTD. (T-PUR)

| Company Name | Stock Symbol | Recent Price | Shares O/S FD (Million) | Market Cap. (Million) | Indicated Yield | Revenue (Million) | | | Earnings Per Share (FD) | | | P/E Current FYE | 12-Mos Target Price | Total Return | Stock Rating | Volatility/Risk |
|------------------------------|--------------|--------------|-------------------------|-----------------------|-----------------|-------------------|----------|----------|-------------------------|------------|------------|-----------------|---------------------|--------------|--------------|-----------------|
| | | | | | | FY10A | FY11E | FY12E | FY10A | FY11E | FY12E | | | | | |
| Ag Growth International Inc. | T-AFN | \$41.71 | 12.6 | \$524 | 5.8% | \$269 | \$306 | \$345 | \$2.40 | \$1.95 | \$2.25 | 21.4x | \$41.00 | 4% | BUY | ABV |
| Cervus Equipment Corp. | T-CVL | \$18.75 | 15.5 | \$291 | 3.8% | \$469 | \$560 | \$672 | \$0.79 | \$1.22 | \$1.82 | 15.4x | \$19.50 | 8% | BUY | ABV |
| Parkland Fuel Corp. † | T-PKI | \$13.42 | 71.7 | \$962 | 7.6% | \$2,891 | \$3,980 | \$4,323 | \$0.44 | \$0.73 | \$0.76 | 18.4x | \$14.00 | 12% | BUY | ABV |
| Pure Technologies Ltd. | T-PUR | \$4.12 | 51.3 | \$211 | N/A | \$48.4 | \$43.1 | \$80.5 | \$0.06 | (\$0.14) | \$0.17 | N/A | \$6.00 | 46% | BUY | ABV |
| Rocky Mountain Dealerships | T-RME | \$11.50 | 22.6 | \$259 | 1.6% | \$633 | \$803 | \$904 | \$0.81 | \$1.12 | \$1.50 | 10.3x | \$14.00 | 23% | BUY | ABV |
| Strongco Corp. | T-SQP | \$5.99 | 13.5 | \$81 | N/A | \$295 | \$423 | \$478 | (\$0.08) | \$0.76 | \$0.94 | 7.9x | \$9.50 | 59% | BUY | ABV |
| Viterra Inc. | T-VT | \$15.91 | 372.3 | \$5,924 | 0.6% | \$8,256 | \$11,790 | \$12,918 | \$0.39 | \$0.71 | \$0.68 | 22.4x | \$16.25 | 3% | TENDER | AVG |
| Westport Innovations Inc.* | T-WPT | \$40.92 | 47.9 | \$1,961 | N/A | US\$148 | US\$227 | US\$402 | (US\$0.98) | (US\$0.96) | (US\$0.74) | N/A | \$34.00 | -17% | SELL | SPEC |
| Wipak Ltd. | T-WPK | \$14.31 | 65.0 | \$930 | 0.8% | US\$579 | US\$652 | US\$717 | US\$0.85 | US\$0.98 | US\$1.18 | 14.7x | \$17.00 | 19% | BUY | AVG |

*Westport's FY10A reflects year ending March 31, 2011. FY11e reflects nine months ending December 31, 2011.

† Jason Zandberg owns shares of Cervus Equipment Corp.

† PI Financial Corp. has received compensation for acting as fiscal agent or advisor for the subject company over the preceding 12-month period

PURE TECHNOLOGIES LTD. (T-PUR)

Rating: BUY, Target: \$6.00

PURE STANDS TO BENEFIT FROM THE GLOBAL INVESTMENT IN WATER INFRASTRUCTURES

Pure develops and markets proprietary technologies used for inspection, monitoring and management of critical infrastructure, including buildings, bridges and wastewater and oil/gas pipelines. These products provide significantly better information including the structural integrity of a customer’s infrastructure and leak detection at considerably less cost than traditional means. Key customers include major North American municipalities like, San Diego, Phoenix, Washington and Montreal and international projects in South America, Australia, North America and Asia.

We have chosen Pure Technologies as our top pick because we feel that the Company is well positioned to benefit from the expansion of water infrastructure spending and environmental contamination concerns. A significant amount of buried infrastructure in North America is at or very near the end of its expected life span. Thousand of miles of pipes that were buried over the last 100 years will need to be replaced over the next 15 years. American Water Works Association (AWWA) estimates that the price tag to replace this aging infrastructure will be about \$250B over that timeframe.

We expect FY12 to be a step-up from FY11. Following a disappointing FY11 which was impacted by the war in Libya and the resulting delay in its biggest contract (Man-made River Authority in Libya), FY12 looks promising as Pure has announced almost \$30M in new contracts within the first three months of the year.

Pure Technologies released Q4 FY11 results. Revenue declined 12% to \$14.6M, EBITDA increased 49% to \$3.9M and fully diluted EPS declined from \$0.05 to \$0.03. Although we were expecting higher revenue and EPS, the record inspection services and monitoring & technical services along with the strong backlog was encouraging.

The most significant catalyst for Pure is the payment of its \$25M accounts receivable owed from its Libya customer. Pure has recently been paid \$16M of the \$25M owed. This payment is significant for two reasons; 1) it represents a significant amount of capital that can be redeployed for growth initiatives, and 2) Pure has \$10.7M worth of equipment that is being delivered now that payment is received. This equipment was to be delivered in early 2011 but the civil war in Libya prevented the completion of this phase of the GMRA (now called MRA) project.

We are bullish on the long term upside of Pure’s business given the large market opportunity in North America, South America, China and now North Africa.

We continue to recommend Pure Technologies Ltd. (T-PUR) with a **BUY** rating (risk: **ABOVE AVERAGE**) with a **12-month target of \$6.00**.

Opinion and Share Information

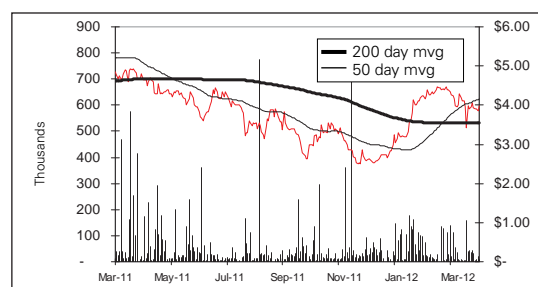
| | |
|----------------------------|---------------------------------------|
| Risk: | ABOVE AVERAGE |
| Price: | \$4.12 |
| Potential Return: | 46% |
| 52-week High/Low | \$5.05 / \$2.39 |
| Shares o/s ('000): | 49,144 |
| Shares o/s (fd) ('000) : | 51,324 |
| Market Cap (fd) ('000): | \$211,456 |
| Market Float Value ('000): | \$178,419 |
| Average Trading Volume: | 216,090 |
| Cash ('000): | 17,261 |
| Debt ('000): | - |
| CEO: | Peter Paulson |
| CFO: | Karen Keebler |
| Shareholders: | Mgmt/Insider 12% Institutional 42% |

Financial Summary

(YE Dec. 31st)

| \$CAD | FY10a | FY11a | FY12e | FY13e |
|------------------|--------------|--------------|--------------|--------------|
| Revenue (\$K) | 48,352 | 43,131 | 80,514 | 93,711 |
| EBITDA (\$K) | 4,718 | (1,737) | 17,487 | 24,797 |
| EBITDA (%) | 9.8% | -4.0% | 21.7% | 26.5% |
| Net income (\$K) | 2,348 | (6,876) | 8,735 | 3,852 |
| EPS | 0.06 | (0.14) | 0.17 | 0.27 |
| EV/EBITDA | nm | na | 11.1x | 7.8x |
| P/E | nm | na | 24.2x | 15.3x |

| Quarterly EPS | Q1e | Q2e | Q3e | Q4e |
|----------------------|------------|------------|------------|------------|
| FY12 | (0.04) | 0.11 | 0.03 | 0.07 |



Company Description

Pure Technologies develops and markets products used for inspection, monitoring and management of critical infrastructure, including pipes, pipelines and bridges. Pure operates from its headquarters in Calgary and sells its products and services worldwide through subsidiaries in Maryland, New Jersey, and the UK. Pure’s proprietary product portfolio includes SoundPrint, SoundPrint AFO and SmartBall.



SECTOR OVERVIEW

Technology stocks on the rise. The InfoTech sub-index increased 9.7% in the first quarter, outperforming the general S&P/TSX Composite index which rose 3.7% during the quarter. In the United States, the Nasdaq Tech 100 Index increased by 18.8% in Q1, beating the Dow Jones Industrial Average and the S&P500 index which rose 8.1% and 12.0% respectively. From our coverage list of companies, Points International (T-PTS, Q-PCOM), Absolute Software (T-ABT) and Hemisphere GPS (T-HEM) were our best performers, finishing the quarter with positive returns of 35.7%, 26.1%, and 25.8% respectively.

SECTOR OUTLOOK

According to a January report by industry research firm Gartner Inc., worldwide enterprise IT spending is projected to increase 3.7% to \$3.8 trillion in 2012. Hardware and PC spending remain sluggish due to the continued economic slowdown. Growth areas for the enterprise are in mobile and cloud computing related expenditures. Tablets and smartphones continue to be hot areas for consumers.

In the Canadian technology landscape, we continue to see healthy acquisition activity as RuggedCom (RCM) and Genum Corporation (GND) were both acquired in the past quarter. Miranda Technologies (MT) also recently announced it is undergoing a structured sale process. M&A activity has heated up over the past year as larger, cash rich technology companies have been acquiring a number of smaller Canadian companies.

COVERAGE LIST OVERVIEW

The fastest growing companies in our coverage list for FY12 are TransGaming (V-TNG), Points International Ltd. (T-PTS), and Tio Networks (V-TNC) with consensus growth estimates of 78.6%, 23.7% and 23.5% respectively.

Absolute Software Corp. (T-ABT) – Absolute Software finished the quarter up 26.1% as a result of reporting healthy results for Q2FY12. Absolute is successfully re-inventing itself from a laptop theft recovery company to a broad IT device management and security vendor. Sales of non-theft recovery products are experiencing strong growth which is compensating for the decline in the consumer sales segment. We currently have a **BUY** recommendation with a **SPECULATIVE** risk rating for Absolute Software (T-ABT). During the quarter, we increased our target price from \$5.50 to **\$6.75**.

Descartes Systems Group Inc. (Q-DSGX, T-DSG) – Descartes' share price increased 18.9% in the first quarter driven by the Company reporting another solid quarter for Q4FY12 and FY12. We continue to like Descartes because of the Company's impressive track record, diversified base of recurring revenues and the Company's strong balance sheet. Management provided record baseline revenue and EBITDA guidance for Q1. We currently have a **BUY** recommendation on Descartes with a **12-month price target of US\$10.00**. We rate Descartes with an **ABOVE AVERAGE** risk rating.

Hemisphere GPS Inc. (T-HEM) – Hemisphere is our top pick selection for Q2. Hemisphere's share price increased 25.8% last quarter, but declined 16.2% in the past month because the Company reported weak Q4 results that came in under consensus estimates due to a decline in European sales. We believe this decline in the Company's share price represents a buying opportunity for investors because we are expecting strong results for Q1FY12. The Company gave 25% annual guidance for FY12 and positive outlook for the industry based on "smoking hot" sales in North America in Q1. We currently have a **BUY** recommendation on Hemisphere with a **12-month target price of \$1.50** and a **SPECULATIVE** risk rating.

Norsat International Inc. (T-NII) – During the past quarter Norsat International (T-NII) reported revenue growth of 90% in FY11 driven by its Sinclair acquisition. We are forecasting modest growth of 5% in FY12 as the Company continues to face challenges in its satellite division, primarily affected by last year's slowdown in US military spending. Norsat is a micro-cap stock with small share float; hence it is a **NON-RATED** coverage company. We rate Norsat shares as **SPECULATIVE**.

Open Text Corp. (T-OTC; Q-OTEX) – During the first quarter Mr. Mark Barrenechea took over as President and CEO at Open Text following the retirement of Mr. John Shakleton. Mr. Barrenechea has put his emphasis on the core ECM market, increasing organic growth and expanding into the business process management area. Open Text's share price increased 16.7% in Q1 as the Company beat consensus estimates with record results for Q2FY12 driven by its Metastorm and Global360 acquisitions. We currently have a **BUY** recommendation with a **12-month target price of US\$76.00** for Open Text. We rate this investment with an **AVERAGE** risk rating.

Peer1 Network Enterprises Inc. (T-PIX) – Peer1's share price increased 15.4% in the quarter as the Company reported better-than-expected results for Q2FY12 with revenue growth across all core business segments and geographies. During the past quarter Peer1 also began ramping up sales in its new datacenter in Portsmouth, UK. We currently have a **BUY** recommendation (**ABOVE AVERAGE** risk rating) and a **12-month target price of \$2.75**.

PNI Digital Media Inc. (V-PN, U-PNWIF) – PNI Digital Media is currently stuck in a transition period as the Company's core business stopped growing in FY11 while revenues from the new online business printing and social stationary services have not ramped up yet. During the quarter the Company reported disappointing results which lead us to reduce our forecasts. We currently have a **NOT-RATED** recommendation on PNI Digital Media (T-PN) without a target price. We rate this investment with a **SPECULATIVE** risk rating given its limited history of profitability.

Pardeep S. Sangha

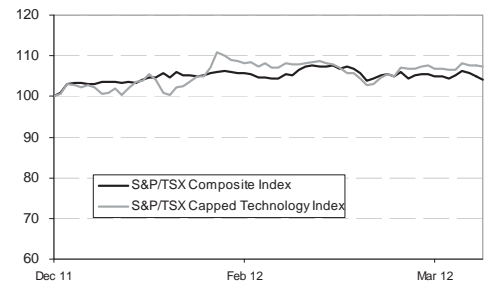
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RELATIVE PERFORMANCE
vs. TSX COMPOSITE



Points International Inc. (T-PTS, Q-PCOM) – Points International’s share price increased 35.7% in the quarter as a result of the Company’s strong outlook and large sales pipeline for 2012. During the first quarter, the Company reported record results for FY11 and achieved its annual guidance targets with FY11 revenue of \$122.9M and EBITDA of \$5.8M. We currently have a **BUY** rating with a **12-month target price of \$14.00** for Points International, and we rate this investment with a **SPECULATIVE** risk rating.

Tio Networks Corp. (V-TNC) – Tio Networks is executing to plan as the Company recently reported Q2FY12 results that were exactly inline with our estimates. We are forecasting 21% revenue growth in FY12 being driven by the expansion of its networks and the launch of new products. We currently have a **12-month target price of \$1.10** for Tio Networks, with a **BUY** recommendation and a **SPECULATIVE** risk rating.

TransGaming Inc. (V-TNG) – TransGaming had a very successful first quarter, but its share price decreased 13.5% in the quarter because the Company has not announced any new MSO partners. In January, TransGaming made headlines at the CES conference where the Company announced the acquisition of the Interactive TV division of Oberon Media and also showcased a demo of its technology working on a set-top box based on the MIPS Technologies (Q-MIPS) and Broadcom (Q-BRCM) architecture. We currently have a **12-month target price of \$1.00** for Transgaming with a **BUY** recommendation. Given the early stage and speculative nature of this investment opportunity, we have assigned a **SPECULATIVE** risk rating for TransGaming.

WebTech Wireless Inc. (T-WEW) – In January, the Company announced that it was reviewing strategic alternatives with respect to its NextBus division. WebTech also reported results for Q4FY11 that were inline with expectations; however, Q4 results do not have as much of an effect on the Company as the sale of NextBus will. Given the decrease in the Company’s market capitalization over the past year and the current uncertainty with the NextBus division, we changed our recommendation during the quarter to **NON-RATED** for WebTech Wireless (T-WEW). We rate this investment with a **SPECULATIVE** risk rating.

TOP PICK: HEMISPHERE GPS INC. (T-HEM)

| Company Name | Stock Symbol | Recent Price | Shares O/S FD (Million) | Market Cap. (Million) | Net Cash (Debt) (Million) | Revenue (Million) | | | EBITDA (Million) | | | EV/EBITDA Current FYE | 12-Mos Target Price | Total Return | Stock Rating | Volatility/Risk |
|-----------------------------|--------------|--------------|-------------------------|-----------------------|---------------------------|-------------------|-------------|-------------|------------------|----------|-----------|-----------------------|---------------------|--------------|--------------|-----------------|
| | | | | | | FY10A | FY11E | FY12E | FY10A | FY11E | FY12E | | | | | |
| Absolute Software Corp | T-ABT | \$6.25 | 47.7 | \$298 | \$62.2 | \$64.1 | \$79.1 | \$92.8 | \$1.8 | \$8.70 | \$18.3 | 12.9x | \$6.75 | 8% | BUY | SPEC |
| Descartes Systems Group Inc | Q-DSGX | US\$8.73 | 66.0 | US\$576 | US\$65.5 | US\$73.8 | US\$99.2 | US\$114.0 | US\$20.3 | US\$26.6 | US\$33.2 | 15.4x | US\$10.00 | 15% | BUY | ABV |
| Hemisphere GPS Inc † | T-HEM | \$0.82 | 70.5 | \$58 | US\$6.7 | US\$56.0 | US\$67.8 | US\$83.3 | (US\$4.5) | US\$3.1 | US\$11.1 | 4.6x | \$1.50 | 83% | BUY | SPEC |
| Norsat International Inc. | T-NII | \$0.47 | 58.3 | \$27 | (US\$5.9) | US\$20.2 | US\$38.4 | US\$40.1 | US\$2.9 | US\$4.1 | US\$3.3 | 9.9x | N/R | N/A | N/R | SPEC |
| Open Text Corp. | Q-OTEX | US\$61.16 | 60.4 | US\$3,694 | (US\$197.8) | US\$912.0 | US\$1,033.3 | US\$1,244.3 | US\$265 | US\$295 | US\$363.9 | 10.7x | US\$76.00 | 24% | BUY | AVG |
| Peer 1 Network Corp | T-PIX | \$2.02 | 142.1 | \$287 | (US\$53.8) | US\$97.9 | US\$112.8 | US\$134.8 | US\$24.1 | US\$25.7 | US\$36.0 | 9.4x | \$2.75 | 36% | BUY | ABV |
| PNI Digital Media Inc | T-PN | \$0.63 | 35.4 | \$19 | \$3.9 | \$25.4 | \$23.7 | \$23.0 | \$7.4 | \$3.6 | \$3.2 | 4.6x | N/R | N/A | N/R | SPEC |
| Points International Ltd. | T-PTS | \$10.63 | 15.7 | \$165 | US\$9.7 | US\$95.7 | US\$122.9 | US\$152.8 | US\$3.3 | US\$5.8 | US\$10.5 | 14.7x | \$14.00 | 33% | BUY | SPEC |
| Tio Networks Corp | V-TNC | \$0.50 | 49.1 | \$25 | \$3.4 | \$27.8 | \$36.6 | \$44.4 | \$0.6 | \$1.7 | \$2.1 | 10.1x | \$1.10 | 120% | BUY | SPEC |
| Transgaming Inc † | V-TNG | \$0.45 | 84.9 | \$38 | \$3.3 | \$3.9 | \$5.1 | \$8.7 | (\$1.9) | (\$4.2) | \$3.2 | 10.9x | \$1.00 | 122% | BUY | SPEC |
| WebTech Wireless Inc. † | T-WEW | \$0.29 | 113.9 | \$33 | \$6.4 | \$41.4 | \$41.4 | \$48.2 | (\$7.2) | \$0.8 | \$4.8 | 5.5x | N/R | N/A | N/R | SPEC |

* Pardeep Sangha owns shares in Absolute Software Corp.

† PI Financial Corp. has received compensation for acting as fiscal agent or advisor for the subject company over the preceding 12-month period

HEMISPHERE GPS INC. (T-HEM)**Rating: BUY; Target: \$1.50****STRONG FORECAST FOR 2012**

Hemisphere GPS (T-HEM) is a leading provider of GPS hardware and solutions to the Agricultural industry. We picked Hemisphere as our top pick this quarter because we are expecting the Company to report strong results for Q1FY12. We believe capital markets over reacted last month when Hemisphere's share price decreased as a result of the Company reporting weak Q4 results. We believe this decline in the Company's share price represents a buying opportunity for investors as we are expecting strong results from the Company going forward.

Expecting strong Q1 results. Hemisphere's CEO, Steven Koles recently marketed with us to clients in Vancouver. Mr. Koles re-iterated the Company's 25% annual guidance for FY12 and positive outlook for the industry. Sales in North America are "smoking hot" in Q1 (ending March 31, 2012) driven by high Net Farmer Income. Sales are still expected to be weak in Europe, but growth in Australia and emerging markets such as South America and China should counter some of this weakness.

Decline in share price represents a buying opportunity. Hemisphere's share price decreased 16.2% last month because the Company reported weak Q4 results that came in under consensus estimates. Owing largely to the uncertainty arising from the European debt crisis, the company reported Q4FY11 revenues (ending Dec. 31, 2011) of \$12.3M compared to \$12.2M from the same period last year. Revenues for the full year were \$67.8M, an increase of 21% over the previous year, but missed the 25% annual growth guidance.

Accretive Acquisition. In January, Hemisphere GPS acquired AgJunction which is expected to be immediately accretive to earnings and add approximately \$4.5M to Hemisphere's revenues in FY12. We like the AgJunction acquisition because it diversifies Hemisphere's product line, it adds high margin recurring revenue to the business, it brings relationships to Agricultural retailers and it generates positive cash flows.

Strong Comparables Results: Raven Industries (Q-RVN) recently reported that Q4FY11 revenue increased 29% in its Ag division. The CEO also echoed sentiments that industry fundamentals are sound for the next several decades and significant growth would come from emerging markets such as China, India and Brazil.

Records Revenues and Earnings forecasted for FY12. We believe that high Net Farmer Income, growth in Australia and emerging markets and the accretive AgJunction acquisition will result in record results for FY12 and FY13. We are forecasting \$83.3M in revenues, \$11.1M EBITDA and \$0.11 EPS for FY12. Our FY13 forecast is based on 17% revenue growth to \$97.5M in revenues with EBITDA of \$19.3M and \$0.22 EPS.

Hemisphere remains undervalued. Hemisphere is currently valued at a 0.5x EV/Sales and a 2.8x EV/EBITDA multiple of our FY13 estimates. We are maintaining our **BUY** recommendation for Hemisphere GPS (T-HEM) with a **12-month target price of \$1.50** and a **SPECULATIVE** risk rating. Our target price represents an EV/Sales multiple of 1.0x and an EV/EBITDA multiple of 5.1x our FY13 estimates, which is in line with the general Ag group average, but still below its direct peer group average.

Opinion and Share Information

| | |
|---------------------------|-------------------------------|
| Risk: | SPECULATIVE |
| Current Price: | \$0.82 |
| Potential Return: | 82.9% |
| 52-week High / Low: | 1.44 / 0.56 |
| Shares Outstanding: | 66.3 M (basic) 70.5 M (fd) |
| Market Capitalization: | 57.8 M (fd) |
| 30-Day Avg. Daily Volume: | 85,328 |
| Cash & Equivalents: | 6.7 M |
| Long Term Debt: | Nil |
| Insider Ownership: | 8.9% |
| President and CEO: | Steven Koles |
| CFO: | Cam Olson |

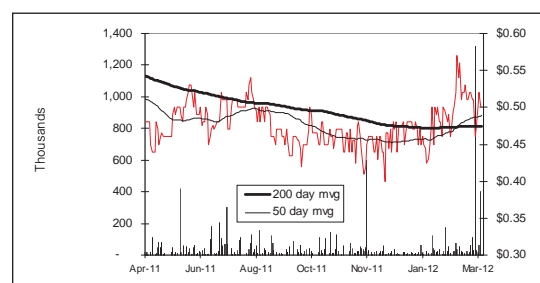
**All numbers in US\$ except share price and Market Capitalization*

Financial Summary

(FYE Dec 31st)

| | FY10 | FY11 | FY12e | FY13e |
|------------------|--------|--------|-------|-------|
| Revenue (\$M) | 56.0 | 67.8 | 83.3 | 97.5 |
| EBITDA (\$M) | (4.5) | 3.1 | 11.1 | 19.3 |
| Net Income (\$M) | (7.6) | (1.5) | 7.1 | 15.1 |
| EPS | (0.14) | (0.03) | 0.11 | 0.22 |
| P/Sales | 1.0x | 0.9x | 0.7x | 0.6x |
| EV/Sales | 0.9x | 0.8x | 0.6x | 0.5x |
| EV/EBITDA | NM | 16.9x | 4.6x | 2.7x |
| P/E | NM | NM | 7.7x | 3.8x |

| Quarterly (FY12): | Q1e | Q2e | Q3e | Q4e |
|-------------------|--------|--------|--------|----------|
| Revenue (\$M) | 25.0 | 24.2 | 17.5 | 16.7 |
| EPS | \$0.06 | \$0.05 | \$0.01 | (\$0.01) |



PI Financial Corp. has received compensation for acting as a fiscal agent for HEM in the previous 12 months. See the disclosure section for additional details.

Company Description

Headquartered in Calgary, Alberta, Hemisphere GPS designs, develops and manufactures advanced GPS and guidance products for the precision ground agriculture, air agriculture, and location/guidance industries. The company sells its own brands and it licenses its GPS technology to other leading manufacturers of GPS receivers.

SECTOR OVERVIEW

The S&P/TSX Capped Industrial Index increased 7.8% in Q112 ahead of the broader S&P/TSX Composite Index which increased by 5.0%. The majority of companies composing the Capped Industrials index experienced strong gains, though construction and infrastructure companies were the primary driver of the outperformance relative to the broader composite, whereas the Transportation index was slightly weaker than both.

The top performing company in the Industrial Index during Q112 was Transforce Inc., which experienced a 29.7% increase in share price during the quarter, followed by Superior Plus Corp with 29.4%. The worst performance of an industrials constituent was SNC Lavalin, which saw its share price decline 21.8% in Q112 following allegations of the improper use of company funds.

SECTOR OUTLOOK

We are more optimistic on the industrial sector outlook this quarter with the US economic recovery appearing to be gaining traction, as evidenced by improving employment numbers, improving consumer sentiment, and gains in manufacturing. While overall positive, the situation remains delicate given European weakness, mixed indications for Chinese growth, and inflated oil prices that could further increase in the event of geopolitical conflicts. . We continue to believe that investors should add to names that balance potential for share price appreciation from an improving economy, but have a core business that can somewhat mitigate for the macroeconomic risks that remain.

COVERAGE LIST OVERVIEW

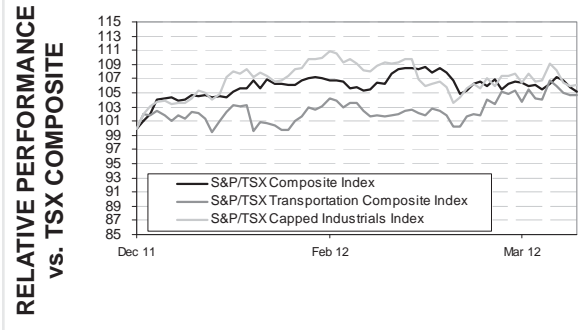
Air Canada (T-AC.A; T-AC.B) – Air Canada’s share price declined 5.1% in Q112, as labor negotiations with a number of unions have now been forced into mediation by the federal government in order to avert a strike. In spite of government intervention, employees within these groups have continued to make attempts to disrupt service, including abnormally high pilot absences due to illness, and a wildcat strike by ground staff. The Company’s reputation was further negatively impacted in the quarter by the CCAA filing of Aveos, a contracted MRO company that Air Canada has a large interest in. Over the past two years, Air Canada has shown substantial progress in improving customer service scores; however we expect recent events to significantly affect the perception of Air Canada’s reliability in the minds of consumers. Despite tight capacity constraints we believe some drop in demand related to customer perceptions could see a fall in fares relative to the price of travel, impacting profitability. We maintain our **BUY** recommendation, **SPECULATIVE** risk rating and a **12-month target price of \$1.80** based on a 4.0x multiple of our 2013e EBITDAR.

Discovery Air Inc. (T-DA.A) – Discovery Air’s shares increased by 2.6% during Q112, with the Company taking its final steps to clear the remaining legacy balance sheet issues during the quarter. With the Company’s debt now on more reasonable terms, operating results should be the chief catalyst in the coming quarters that will drive share prices. The Company is expected to report Q1FY13 on April 24, 2012, which may provide further evidence that the diversification of mining related services to South America is helping to reduce seasonality in the Northern Services Division, as well as significantly grow division revenues. Revenue and EBITDA growth, driven by Northern Services demand and the full integration of DATS should bode well for investor confidence and could reflect positively in the share price. While the ICATS contract is not expected to be resolved until June 2013, we do not foresee any new potential entrants in the bidding process that would pose a challenge to the Top Aces division. In our opinion the market continues to undervalue the Company, which has outperformed our expectations for the last three consecutive quarters. As investors continue to regain comfort with the name, we expect the operating results will finally begin to translate into the share price moving towards fundamental value. We maintain our **BUY** rating and **12-month target price of \$7.50** with a **SPECULATIVE** risk rating. Our target price is based on the average of a 4.0x multiple of our forecast forward EBITDA and a 7.0x multiple of our forward estimated adjusted FD EPS supported by our discounted cash flow methodology.

Geodrill Inc. (T-GEO) – During Q1 we initiated coverage on Geodrill Inc., one of West Africa’s premiere mining services companies supporting a varied number of exploration, development and production level projects throughout Ghana and Burkina Faso. Geodrill presently operates approximately 27 multi-purpose, core and air core rigs from a primary operating base near Kumasi, Ghana as well as other forward operating bases in Ghana and Burkina Faso. Through its brief public history, Geodrill has maintained a consistent growth trajectory. Since 2007, the Company has shown a CAGR in revenues, EBITDA and net earnings of 33%, 21% and 16% respectively, which has come concurrent with the addition of new drilling equipment and the expansion of services with consistent EBITDA margins averaging 31%. While metals prices have fallen to lower levels, management indicates there remains no shortage of demand for services. We maintain our **BUY** rating and **12-month target price of C\$5.00** with a **SPECULATIVE** risk rating. Our target price is based on the average of a 5.0x multiple of our forecast forward 2013 EBITDA and a 10.0x multiple of our forward estimated adjusted FD EPS supported by our discounted cash flow methodology, and assumes a C\$/US\$ exchange rate at par.

Bombardier (T-BBD.B) – Bombardier’s share price increased 2.0% during the quarter, though had risen 20.0% prior to the release of Q4CY11 results, as investors anticipated consensus estimates to be met or exceeded. Results were generally in-line with expectations, however the Company’s outlook for lower than expected 2012 margins in the aerospace segment and higher capital spending to support new development programs. Bombardier Transportation (BT) continued to experience manufacturing issues on four contracts, though all but one are expected to be remedied by H112. BT continues to win new orders, and as the substantial backlog will begin converting into significant revenue growth in the coming quarter. Bombardier Aerospace (BA) operational

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issues will take longer to resolve, as a lack of demand for existing commercial aviation aircraft hinders the ability of the unit to generate operating cash flow to fund development programs of BA's next generation aircraft. Share prices have fallen back to levels where the company essentially receives little to no value for the BA portion of the Company, and given that program development is on track thus far, will provide the appropriate investor an opportune time to further accumulate shares. We are maintaining our **BUY** rating and our **12-month target price of C\$6.50** with an **ABOVE AVERAGE** risk rating. Our target price is derived from the average of a 7.0x EBITDA and 13.0x EPS multiple based on our CY12 estimates and a C\$/US\$ exchange rate of \$1.02.

CAE Inc. (T-CAE) – During the first quarter of 2012 CAE's share price increased 3.4%, as the Company announced financial results for Q3FY12 that were largely inline with estimates. The civilian aviation segment outlook remains strong given an improving macroeconomic outlook. Third-party full flight simulator orders reached 37 for FY12, matching our estimate and we forecast higher order levels in FY13 as OEM's increase delivery rates. We believe the civil training services division will also see continued demand for its services and forecast higher utilization rates into FY13. Military bookings often occur in the first quarter of the calendar year, or Q4 in CAE's fiscal calendar, as contracts with various defense departments are renewed for an additional twelve months. We remain cautious however, as the significant underperformance in bookings during Q3FY12 could signify softer-than-expected demand into FY13. We currently forecast a slight decrease in defense revenues YoY, and expect book to bill ratios may remain slightly below 1.0x as many countries, including the US, deal with budget pressures. We maintain a **BUY** rating and a **\$12.50 target price** with an **AVERAGE** risk rating. Our target price is based on the average of 7.5x our estimated EBITDA and 14.0x our FD EPS estimates for the 12-month period ending December 2013, supported by our discounted cash flow methodology.

WestJet Airlines Inc. (T-WJA) – WestJet's share price increased 2.2% in Q112, which compared to peers who largely saw declines, signifies the strength of the operating model. The Company reported stronger than expected Q4FY11 operating results, but more importantly, has provided investors with a blueprint on how it expects to grow the business in coming years. Additional capacity is expected to be directed towards the transborder markets served by WestJet, and the new slots at LaGuardia International Airport and the entry into the Quebec leisure travel market provide the added benefit of potential margin expansion. The Company also announced and received approval from its employees to start a separately branded regional airline which we believe is a logical extension of the Company's growth strategy as it seeks to move to a 45% share of the Canadian market. We believe WestJet's brand strength could drive penetration with an appropriately sized aircraft, both stimulating demand and taking share from other regional carriers. Connecting flow traffic represents approximately 40% of travel in Canada offering WestJet further opportunities to drive growth throughout its network. We maintain our **BUY** recommendation, **ABOVE AVERAGE** risk rating and **12-month target price of \$17.00**. Our target price is based on a 5.0x multiple of our 2012e EBITDAR and a 14.0x multiple of our 2012e FD EPS supported by our discounted cash flow analysis.

Progressive Waste Solutions (T-BIN) – Progressive Waste shares increased 8.7% in Q112, though share prices likely reflect the improving economic sentiment rather than the strength of results during the quarter. While softer commodity pricing weighed on the Company's Q4FY11 results as it did for peers, challenges continued to persist in the Company's US Northeast segment, resulting in a \$360.6M goodwill impairment charge. Management remains committed the US Northeast segment despite the earnings issues of the past quarters, which are expected to continue through at least H212. We believe more clarity on a return to improved profitability will serve as a catalyst for share prices in 2012. We are maintaining a **BUY** rating and **AVERAGE** risk rating with a **12-month target price of C\$24.00**. Our target price is based on the average of a 7.0x EV/EBITDA multiple of our 2013e EBITDA supported by our discounted cash flow analysis and assumes a C\$/US\$ exchange rate at par supported by our discounted cash flow analysis.

New Flyer Industries (T-NFI) – New Flyer Industries shares increased 19.8% in Q112, in spite of weak Q4FY11 financial results as FY11 proved to be a challenging year for the industry and New Flyer. The Company reported a 5.8% decrease in revenue driven entirely by lower production rates, which fell to 1,811 equivalent units (EU) from the 2,023 EU delivered in FY10. The operating results and management commentary lead us to believe that in spite of improving data points (employment, ridership, etc.) it may take two to three more quarters before we begin to see some fundamental improvement in orders and pricing. The other major concern to investors remains the dividend. We expect the Company has sufficient liquidity in order to maintain dividends over FY12, although we are expecting Q112 free cash flows to not completely cover the first quarter's entire payment. We maintain our **BUY** recommendation, **ABOVE AVERAGE** risk rating and **12-month target price of C\$9.00**. Our price target is based on blend of a 7.0x 2012e and 5.75x 2013e EBITDA and a price to earnings based multiple of 15.0x our 2012e and 11.0x our FY13e adjusted FD EPS as well as a C\$/US\$ exchange rate at par.

Northstar Aerospace (T-NAS) – Northstar's shares decreased 58.8% during the quarter, as the Company's financial challenges were increased when it was forced into forbearance by a creditor and a major customer. The Company has been in violation of its financial covenants since January 31, 2012 and under the forbearance agreement will avoid default temporarily as the lenders have agreed not to enforce their rights under the credit facility. Forbearance has been extended twice, and is currently extended to April 6, 2012. The Company has delayed filing its year end statements at this time, and they are currently under delisting review by the TSX. We maintain our **12-month target price of C\$0.70**, our **NEUTRAL** rating and **SPECULATIVE** risk rating. Our target price is based on a 4.0x multiple of our 2012e EBITDA reflecting the further uncertainty and heightened risk profile inherent in the Company's operation and financial position.

TOP PICK: GEODRILL LTD. (T-GEO)

| Company Name | Stock Symbol | Recent Price | Shares O/S FD (Million) | Market Cap. (Million) | Indicated Cash Yield | Revenue (Million) | | | EBITDA* (Million) | | | EV/EBITDA Current FYE | 12-Mos Target Price | Total Return | Stock Rating | Volatility/Risk |
|-------------------------------|--------------|--------------|-------------------------|-----------------------|----------------------|-------------------|------------|------------|-------------------|-----------|-----------|-----------------------|---------------------|--------------|--------------|-----------------|
| | | | | | | FY10A | FY11E | FY12E | FY10A | FY11E | FY12E | | | | | |
| Air Canada | T-AC.B | \$0.94 | 369.0 | \$347 | N/A | \$10,786 | \$11,612 | \$12,164 | \$1,386 | \$1,242 | \$1,151 | 4.1x | \$1.80 | 91% | BUY | SPEC |
| Bombardier Inc. | T-BBD.B | \$4.14 | 1,754.7 | \$7,264 | 2.4% | US\$17,892 | US\$18,347 | US\$18,907 | US\$1,612 | US\$1,526 | US\$2,086 | 4.8x | \$6.50 | 57% | BUY | ABV |
| CAE Inc. | T-CAE | \$10.23 | 260.6 | \$2,666 | 1.0% | \$1,526 | \$1,631 | \$1,796 | \$355 | \$373 | \$414 | 7.9x | \$12.50 | 22% | BUY | AVG |
| Discovery Air Inc.† | T-DA.A | \$3.98 | 14.6 | \$58 | 2.5% | \$123 | \$151 | \$189 | \$28.8 | \$41.9 | \$47.5 | 4.0x | \$7.50 | 88% | BUY | SPEC |
| Geodrill Ltd. | T-GEO | \$3.32 | 43.0 | \$143 | 3.0% | \$45.1 | \$70.1 | \$120.6 | N/A | \$21.7 | \$37.4 | 3.7x | \$5.00 | 51% | BUY | SPEC |
| Progressive Waste Solutions L | T-BIN | \$21.67 | 121.7 | \$2,637 | 0.5% | US\$1,430 | US\$1,840 | US\$1,982 | US\$414 | US\$546 | US\$574 | 2.4x | \$24.00 | 11% | BUY | AVG |
| New Flyer Industries | T-NFI | \$6.95 | 44.4 | \$309 | 1.4% | US\$984 | US\$926 | US\$907 | US\$97 | US\$80 | US\$82 | 5.7x | \$9.00 | 29% | BUY | AVG |
| Northstar Aerospace Inc. | T-NAS | \$0.28 | 31.4 | \$9 | 35.7% | US\$201 | US\$190 | US\$189 | US\$22 | US\$18 | US\$19 | 3.7x | \$0.70 | 150% | NEUTRAL | SPEC |
| WestJet Airlines Ltd. | T-WJA | \$13.55 | 150.1 | \$2,034 | 0.7% | \$2,607 | \$3,247 | \$3,367 | \$505 | \$597 | \$625 | 4.9x | \$17.00 | 25% | BUY | ABV |

* Adj. EBITDA for New Flyer Industries and EBITDAR for WestJet Airlines and Air Canada.
† PI Financial Corp. has received compensation for acting as fiscal agent or advisor for the subject company over the preceding 12-month period.

GEODRILL LTD. (T-GEO)

Rating: BUY; Target: C\$5.00

FIRST QUARTER EXPECTATIONS MAKE GEODRILL THE TOP PICK

During Q1 we initiated coverage on Geodrill Inc., one of West Africa’s premiere mining services companies supporting a varied number of exploration, development and production level projects throughout Ghana and Burkina Faso. Geodrill presently operates approximately 27 multi-purpose, core and air core rigs from a primary operating base near Kumasi, Ghana as well as other forward operating bases in Ghana and Burkina Faso. Since 2007, the Company has shown a CAGR in revenues, EBITDA and net earnings of 33%, 21% and 16% respectively, which has come concurrent with the addition of new drilling equipment and the expansion of services with consistent EBITDA margins averaging 31%.

Over the past two years, Geodrill has demonstrated superior financial performance to its peers. While the impact of leverage plays a more limited role in the drilling space as opposed to other heavy industrial industries, the Company’s ability to generate above average EBITDA margins and particularly substantially higher return on capital demonstrates to us the value in the Company’s shares. Geodrill currently is trading at 4.1x forward enterprise value to 2012e EBITDA versus peers at 5.8x. While the Company has limited history given its short time in public markets, peers have traded at an average of 5.2x, which we believe is a useful long-run benchmark.

While metals prices have fallen to lower levels during the quarter, and economic data coming from Asia and Europe is somewhat mixed, management indicates there remains no shortage of demand for services. The primary catalyst for the quarter will be the reporting of Q112 results, which we believe will meet or exceed consensus expectations, further reinforcing the superior operating profile of the Company and ongoing demand for its services.

We maintain our **BUY** rating and **12-month target price of C\$5.00** with a **SPECULATIVE** risk rating. Our target price is based on the average of a 5.0x multiple of our forecast forward 2013 EBITDA and a 10.0x multiple of our forward estimated adjusted FD EPS supported by our discounted cash flow methodology, and assumes a C\$/US\$ exchange rate at par.

Opinion and Share Information

| | |
|----------------------------|-----------------------------|
| Risk: | SPECULATIVE |
| Current Price: | \$3.30 |
| Potential Return: | 52% |
| 52-week High/ Low: | \$3.75 / \$1.76 |
| Cash Yield | 0.0% |
| Shares Outstanding | 42.5M (basic) 43.2M (FD) |
| Market Capitalization: | C\$152.5M |
| Insider Ownership | 45.9% |
| 3-Month Avg. Daily Volume: | 167.8K |
| Net Cash (MRQ): | \$5.1M |
| Enterprise Value: | \$148.4M |

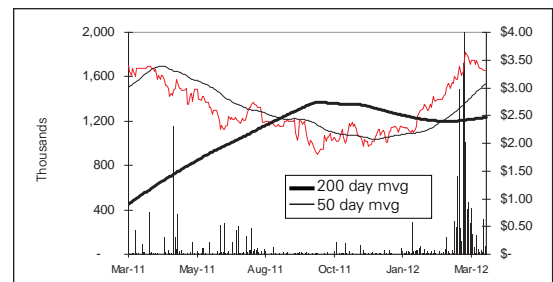
Financial Summary

(FYE Dec. 31st)

| | FY11 | FY12e | FY13e |
|-----------------------|--------|--------|--------|
| Revenue (\$M) | 70.1 | 120.6 | 143.6 |
| Adjusted EBITDA (\$M) | 21.7 | 37.4 | 43.1 |
| Adjusted FD EPS | \$0.21 | \$0.50 | \$0.58 |

| EBITDA (\$M) | Q1 | Q2 | Q3 | Q4 |
|--------------|------|------|------|------|
| FY11 | 3.9 | 5.3 | 6.1 | 6.5 |
| FY12 | 7.3 | 8.6 | 10.4 | 11.1 |
| FY13 | 10.8 | 10.8 | 10.8 | 10.8 |

| Adjusted FD EPS | Q1 | Q2 | Q3 | Q4 |
|-----------------|--------|--------|--------|----------|
| FY11 | \$0.07 | \$0.08 | \$0.07 | (\$0.00) |
| FY12 | \$0.09 | \$0.11 | \$0.14 | \$0.16 |
| FY13 | \$0.15 | \$0.15 | \$0.15 | \$0.13 |



Company Description

Geodrill Limited provides exploration, drilling, and mining support services to intermediate and junior gold mining companies with exploration and development operations primarily in Ghana and Burkina Faso.



SECTOR OVERVIEW

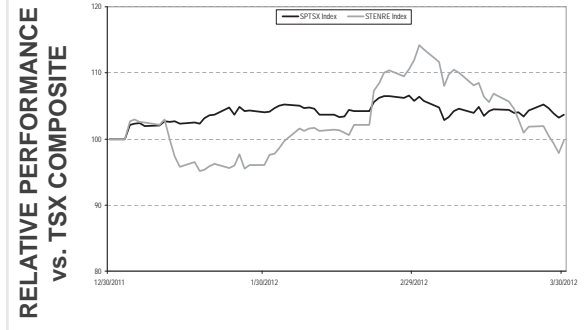
The S&P/TSX Energy Equipment & Services Index declined 0.2% in Q112, which compares with positive 3.7% performance posted by the S&P/TSX Composite. While equity prices in the sector started the year well gaining 14% until March 1, 2012, they then lost positive momentum declining 13% over the remainder of March. One of the drivers of the stock price advances was a large number of service companies either initiating sizable dividends or dramatically increasing their dividend payouts. In our coverage universe, CanElson Drilling (T-CDI), Essential Energy Services (T-ESI) and Savanna Energy Services (T-SVY) initiated dividends. Calfrac Well Service (T-CFW), PHX Energy Services (T-PHX) and Trican Well Service (T-TCW) announced dividend increases. Ensign Energy Services (T-ESI) already announced its “yearly” dividend increase in 2011. Unfortunately, the early announcers stole the thunder for those who came late to the party as the early announcers saw much bigger advances in their stock prices. As we have been calling for, Flint Energy Services (T-FES) was the winner of the US acquisition sweepstakes – URS Corporation (N-URS) has offered to acquire FES at \$25.00/share, a 67.8% premium to FES’ closing price prior to the announcement.

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SECTOR OUTLOOK

“Sell in March, Gone Fishing” is the posture to adopt in the Canadian service sector. Spring break-up arrived about a week or two earlier than normal this year. Couple this with sub-\$2 AECO gas, the sector is lacking positive catalysts. Several US multinational service firms gave profit warnings for Q112, mostly citing weakness in their US well completion operations (price competition in the liquids rich and oil regions from equipment coming out of the dry gas regions and cost inflation that cannot be fully passed on). While we do not think that the Canadian pressure pumping space will be hit by the same degree, these announcements nevertheless cast another layer of doubt on the sector. Our expectation is for Q112 results to hold their own but for activities to flatten out for the remainder of the year, especially in their year-over-year comparisons. While oilfield services stocks are cheap based on their forward earnings trading multiples by historical standards, the market continues to view the current earnings as “top of the cycle” levels, thus is unwilling to pay up for these earnings. Our view is earnings may stay aloft longer than most investors anticipate, albeit earnings growth has already begun to slow.

COVERAGE LIST OVERVIEW

Calfrac Well Services (T-CFW) – CFW’s shares had a seesaw quarter as the shares finished down 2% in the quarter after rallying as much as 23% in Q112. CFW reported better-than-expected Q411 results as both Canada and US ops exhibited a strong performance and US op margins surprised to the upside after the market expected margins to face downward pressure. After increasing its semi-annual dividend to \$0.10/share from \$0.075/share in December, CFW sought to return additional capital to shareholders by further increasing the dividend to \$0.50/share, which equates to a 3.6% yield. We expect CFW to report strong Q112 results, however with the broad-based shift in activity in the US from gas developments to oil and liquids developments, we expect CFW to face some pricing/margin headwinds. That said, CFW is one of the dominant players in Canada and we expect the company to post solid CDN results again in 2012, albeit their pricing power may also come under pressure. Our 12-month target price for CFW is **\$47.00** and we carry a **BUY** rating (**ABOVE AVERAGE** Risk).

Trican Well Service (T-TCW) – TCW’s shares exhibited a lackluster performance in Q112, falling 17%, which is well-below the performance of the S&P/TSX Equipment & Services Index. During the quarter TCW reported Q411 results that were below our expectations, that said, Canadian ops continued to exhibit strength, however one-time items and startup costs ate into US op margins. TCW too announced its intention to return capital back to its shareholders by increasing its semi-annual dividend 200% to \$0.15/share. While the decelerating growth rate for TCW and the North American pressure pumping business is evident, at this juncture the company is set to spend \$582M on its 2012 capital expansion program. It appears that TCW is willing to give up near-term margin in the US in order to gain market share and geographic exposure. This stance appears to be causing pressure on TCW’s stock. We rate TCW with a **BUY** rating and **\$25.00** 12-month target price (**ABOVE AVERAGE** Risk).

Ensign Energy Services (T-ESI) – ESI’s shares gave up 9% during Q112, underperforming the S&P/TSX Energy Equipment & Services Index. ESI reported Q411 results that fell short of our expectations. Delays in the commencement of some of its clients’ Canadian winter drilling programs negatively impacted Q411 op days, and resulted in a sequential decline in op days. In Q112 ESI could post lower op days in Canada YoY because of the warmer winter weather and the early-onset of spring breakup, however improved margins could help offset this. US and International ops should exhibit a positive progression throughout the year as new equipment is deployed and country-specific events are reconciled. We carry a **NEUTRAL** rating and **12-month target price of \$20.50** per share (**ABOVE AVERAGE** Risk) on an investment in ESI.

Precision Drilling (T-PD) – PD’s shares fell 5% during Q112, which compares with a negative 1% performance for the S&P/TSX Equipment & Services Index. PD reported solid Q411 results that exceeded our forecast. Higher than forecast rates both North and South of the border resulted in higher margins and contributed to the outperformance. We expect that PD will report robust activity levels for Q111, albeit the early onset of spring break-up will reduce drilling days in Canada, however PD should post strong results in the US in Q112 which is aided by its equipment upgrade and new build initia-

tives. PD reiterated its aggressive 2012 capex program of \$1.1B, which we expect to be financed from its cash flow and cash on-hand. Management communicated that ~\$400M of the 2012 capex is flexible should market conditions change materially. We carry a **BUY** rating and **12-month target price of \$15.00** per share on an investment in PD (**ABOVE AVERAGE** Risk).

Savanna Energy Services (T-SVY) – SVY’s shares ended the quarter up 5%, which outperformed the Energy Equipment & Services index. SVY reported in-line Q411 results and continues to make progress on its transformational initiatives, which includes the TDS 3000 rig conversions and a ramp-up of operations in Australia. SVY should report strong YoY results for Q112 as a result of these initiatives and the two service rig acquisitions undertaken last year. However, the onset of an earlier Canadian Spring Break-up and service rig staffing issues could take a bit of the wind out of the company’s sails. Additionally, SVY joined the dividend parade by making a big splash with a \$0.03/share monthly dividend, which equates to a 4.6% yield. We recommend SVY as a **NEUTRAL** rated stock with a **12-month target price of \$9.75** (**ABOVE AVERAGE** Risk).

Trinidad Drilling (T-TDG) – TDG’s shares exhibited a poor performance in the quarter, falling 16%, lagging the S&P/TSX Energy and Equipment Index performance. TDG reported Q411 results that were slightly short of our expectations, EBITDA of \$74.4M, was below our estimate of \$78.4M. The EBITDA shortfall was mainly due to higher G&A costs and training costs ahead of the winter drilling season. The market can expect to see progressively stronger quarterly results going forward as the Company has negotiated a ~\$2.5K/day pricing improvement on 18 US rigs that was in place for 2012. TDG has ~65% of its fleet under take-or-pay contracts with an average term of 2+ years and minimal rollovers in 2012, the highest contracted percentage in our coverage universe, which will secure at least 24,845 working days and ~\$248M of contribution margin (before G&A) for TDG in 2012 or 75%/71% of our 2012 forecast. We maintain a **BUY** rating and a **12-month target price of \$10.75** on TDG (**ABOVE AVERAGE** Risk).

CanElson Drilling (T-CDI) – CDI shares gained 15% in Q112, handily outperforming the S&P/TSX Energy and Equipment Index. CDI reported strong Q411 results, EBITDA of \$24.8M exceeded our expectations of \$21.7M, on the back of industry leading rig utilization rates. The company also initiated a \$0.05/share quarterly dividend, which equates to a yield of 4.4%. For Q112, CDI preannounced that their utilization in Canada was 72% and 83% in the US. The utilization in the US is flat QoQ, however Canada has been negatively impacted by the Spring Break-up commencing one week prior to last year (utilization was 77% in Q411). We believe CDI will continue to exhibit industry leading-utilization rates as we like the company’s exposure to pure oil plays (88% of its fleet) and the remainder of the fleet is directed at liquids rich natural gas plays. We think that CDI has a superior growth profile compared to other drillers that we cover because of its smaller size, the company currently plans to add three rigs (with a potential additional rig pending a signed contract). We maintain a **BUY** recommendation and **12-month target price of \$7.00** on CDI (**ABOVE AVERAGE** Risk).

Essential Energy Services (T-ESN) – ESN’s shares outperformed its peers in Q111 by advancing 14%. ESN is our top pick for Q212. The Company outperformed the market’s expectations in H211 because of its acquisition of Technicoil and success in its organic growth initiatives, which include the Tryton Multi-Stage Fracturing System and fluid and nitrogen pumping equipment build out. We think ESN will exhibit above-average growth momentum in 2012 because of these initiatives and the effect of YoY pricing increases. Additionally, in March, the Company initiated a quarterly dividend of \$0.025/sh which translates into a yield of 4.3% and is well supported from our forecast cashflow. We carry a **BUY** rating on ESN (**ABOVE AVERAGE** Risk) with a **\$3.75 12-month target price**.

Flint Energy Services (T-FES) – As a result of the takeover proposal from URS Corporation FES was the top-performing stock in our coverage universe in Q112 – gaining 95%. On February 20th FES announced that it had reached an agreement to be acquired by URS for \$25.00/sh cash or \$1.25B, which represented a 67.8% premium to FES’ prior day closing price. We believe that the offer fairly values FES and that there is a low-probability that the deal will not proceed. The special shareholders meeting, where 66 2/3% of FES’ shareholders must vote in favour of the deal for it to proceed will be held on April 3, 2012. With approval, the deal is expected to close during Q212. Management, the Board and certain related shareholders, representing ~8% of FES’ outstanding shares, have agreed to vote in favor of the deal. We carry a **NEUTRAL** rating and **12-month target price of \$25.00** on FES. (**ABOVE AVERAGE** Risk).

PHX Energy Services (T-PHX) – PHX’s shares slid 4% in Q112. PHX reported Q411 results that fell well short of our expectation; EBITDA was \$13.3M vs. our estimate of \$20.3M. PHX experienced operational issues in the US and was stung by a slowdown in the Marcellus region. PHX also announced a 50% increase in its monthly dividend from \$0.04/sh to \$0.06/sh, which brings its yield to 7.1%. Post PHX’s results we downgraded the company to NEUTRAL from BUY as we believed the stock-price was ahead of the company’s fundamentals. We look for evidence that the company is on-track to reach its 2012 goals before evaluating our rating: 1) recapturing US market share; 2) turning Russian ops into a profitable unit, and; 3) returning EBITDA margin to the mid-20% range (18.7% in Q411). We carry a **NEUTRAL** rating on PHX with a **\$13.00 per share 12-month target price** (**ABOVE AVERAGE** Risk).

TOP PICK: ESSENTIAL ENERGY SERVICES LTD. (T-ESN)

| Company Name | Stock Symbol | Recent Price | Shares O/S FD (Million) | Market Cap. (Million) | Net Cash (Debt) (Million) | Revenue (Million) | | | EBITDA (Million) | | | EV/EBITDA Current | 12-Mos Target Price | Total Return | Stock Rating | Volatility/Risk |
|-------------------------------------|--------------|--------------|-------------------------|-----------------------|---------------------------|-------------------|-----------|-----------|------------------|---------|---------|-------------------|---------------------|--------------|--------------|-----------------|
| | | | | | | FY10A | FY11E | FY12E | FY10A | FY11E | FY12E | | | | | |
| Calfrac Well Services Ltd. | T-CFW | \$27.90 | 43.7 | \$1,219 | (\$322.7) | \$935.9 | \$1,537.4 | \$1,829.5 | \$192.4 | \$421.3 | \$497.8 | 3.7x | \$47.00 | 68% | BUY | ABV |
| Canelson Drilling Inc. | T-CDI | \$4.59 | 75.4 | \$346 | (\$4.1) | \$73.3 | \$189.1 | \$239.8 | \$13.9 | \$66.1 | \$82.2 | 5.3x | \$7.00 | 53% | BUY | ABV |
| Ensign Energy Services Inc. | T-ESI | \$14.91 | 152.8 | \$2,279 | (\$641.8) | \$1,355.7 | \$1,890.4 | \$2,230.7 | \$310.0 | \$497.2 | \$596.3 | 5.9x | \$20.50 | 37% | NEUTRAL | ABV |
| Entrec Transportation Services Ltd. | V-ENT | \$1.25 | 78.2 | \$98 | (\$48.6) | \$0.0 | \$19.7 | \$132.0 | \$0.0 | \$2.8 | \$29.2 | 52.5x | N/A | N/A | N/R | SPEC |
| Essential Energy Services Ltd. | T-ESN | \$2.34 | 123.4 | \$289 | (\$55.9) | \$166.6 | \$317.2 | \$369.9 | \$29.4 | \$72.4 | \$100.2 | 4.8x | \$3.75 | 60% | BUY | ABV |
| Flint Energy Services Ltd. | T-FES | \$24.92 | 48.0 | \$1,197 | (\$257.2) | \$1,876.5 | \$0.0 | \$1,923.3 | \$149.2 | \$160.9 | \$152.6 | 9.0x | \$25.00 | 0% | NEUTRAL | ABV |
| High Arctic Energy SVC Inc. | T-HWO | \$1.36 | 46.1 | \$63 | (\$0.7) | \$119.3 | \$127.2 | \$145.2 | \$34.3 | \$33.4 | \$40.3 | 1.9x | N/A | N/A | N/R | SPEC |
| HSE Integrated Ltd. | T-HSL | \$1.13 | 42.7 | \$48 | (\$3.9) | \$82.0 | \$98.2 | \$119.3 | \$6.8 | \$13.1 | \$17.1 | 4.0x | N/A | N/A | N/R | SPEC |
| Leader Energy Services Ltd. | V-LEA | \$0.69 | 30.8 | \$21 | (\$16.1) | \$26.5 | \$34.3 | \$39.1 | \$8.3 | \$10.5 | \$13.6 | 3.6x | N/A | N/A | N/R | SPEC |
| Matrix Energy Technologies Inc. | V-MXX | \$1.42 | 30.8 | \$44 | \$17.4 | \$0.0 | \$3.8 | \$0.0 | \$0.0 | -\$0.1 | \$0.0 | 0.0x | N/A | N/A | N/R | SPEC |
| PHX Energy Services Corp. | T-PHX | \$10.19 | 28.1 | \$286 | (\$47.6) | \$197.3 | \$260.1 | \$333.3 | \$28.0 | \$44.2 | \$65.7 | 7.6x | \$13.00 | 28% | NEUTRAL | ABV |
| Precision Drilling Corporation | T-PD | \$10.02 | 276.1 | \$2,766 | (\$772.1) | \$1,429.7 | \$1,951.0 | \$2,341.9 | \$435.4 | \$678.8 | \$873.6 | 5.2x | \$15.00 | 50% | BUY | ABV |
| RMS Systems Inc. | V-RMS | \$0.38 | 49.4 | \$19 | (\$0.2) | \$2.8 | \$4.7 | \$7.5 | -\$0.5 | -\$1.6 | -\$0.3 | nm | N/A | N/A | N/R | SPEC |
| Savanna Energy Services Corp. | T-SVY | \$7.84 | 84.8 | \$665 | (\$191.9) | \$438.4 | \$610.7 | \$749.6 | \$75.4 | \$135.8 | \$179.6 | 6.3x | \$9.75 | 24% | NEUTRAL | ABV |
| Trican Well Service Ltd. | T-TCW | \$14.65 | 146.9 | \$2,152 | (\$308.7) | \$1,478.3 | \$2,309.6 | \$2,730.7 | \$359.2 | \$626.9 | \$725.4 | 3.9x | \$25.00 | 71% | BUY | ABV |
| Trinidad Drilling Ltd. | T-TDG | \$6.48 | 120.9 | \$783 | (\$585.3) | \$669.7 | \$797.3 | \$847.4 | \$201.7 | \$252.5 | \$295.7 | 5.4x | \$10.75 | 66% | BUY | ABV |
| Wenzel Downhole Tools Ltd. | T-WZL | \$2.40 | 35.3 | \$85 | (\$13.8) | \$61.4 | \$90.7 | \$99.1 | \$17.9 | \$27.1 | \$29.9 | 3.6x | N/A | N/A | N/R | SPEC |

ESSENTIAL ENERGY SERVICES LTD. (T-ESN)

Rating: **BUY**, Target: **\$3.75**

LAST YEAR'S ACQUISITION WILL CREATE POSITIVE EARNINGS MOMENTUM

Essential Energy Services Ltd. (T-ESN) is our top pick for Q212. The Company has outperformed the market's expectations in H211 because of its acquisition of Technicoil in Q211 and continued success in its organic growth initiatives, which include the Tryton Multi-Stage Fracturing System and the build-out of additional fluid and nitrogen pumping equipment. While growth rates may be beginning to slow for many of the drillers and services providers in 2012, we think ESN will exhibit better-than-average growth momentum. Firstly, Technicoil was not in last year's Q1 results as the acquisition closed in late May 2011. Secondly, last year's results did not reflect the additional fluid and nitrogen pumpers that both companies were constructing with delivery of the equipment occurring after Q111. Furthermore, service rig rates received a boost late last fall. These factors should contribute to a much more robust YoY comparison for ESN when it reports its Q112 results in May.

ESN's stock continues to trade at a discount to our coverage universe at 3.4x our 2012E EV/EBITDA and 6.4x P/E which compares with our coverage universe (ex-FES) at 4.3x and 8.5x, respectively. We think that its stock should be trading at a higher level based on the successful execution of the Technicoil acquisition and the Company's above average growth profile.

In March, the Company initiated a quarterly dividend of \$0.025/sh which equates to a yield of 4.3%, one that the market shrugged off because ESN was a latecomer to the dividend announcement party. Our 2012E forecast cash flow of \$84M suggests that the Company should be able to fund its 2012 capital program of \$60M and \$9.3M of dividends (there are only three quarters of dividends because the Company will pay its first in April). Furthermore, we think that ESN's management tends to be conservative with its capital; therefore, we can see them scaling back capital spending should industry activity moderate below the threshold management is comfortable with. ESN's debt-to-LTM-EBITDA proforma Technicoil is about 0.6x, and dropping, thus it is in a sound financial position. Therefore, we think that ESN's dividend is well supported and will matter for the stock in the slower growth environment we expect to see for the remainder of 2012.

We carry a **BUY** rating on ESN (**ABOVE AVERAGE** Risk) with a **\$3.75 12-month target price**. Our target price calculation is based on 5.0x 2012E EV/EBITDA and 4.5x 2013E EV/EBITDA weighted 75/25.

Opinion and Share Information

| | |
|---------------------------------|-----------------|
| Risk: | ABOVE AVERAGE |
| Current Price: | \$2.34 |
| Total Return: | 64.5% |
| Implied Yield: | 4.3% |
| Price Return: | 60.3% |
| Shares Outstanding, Basic (MM): | 123.4 |
| Market Capitalization (MM): | \$288.8 |
| Net Debt (Debt Less Cash) (MM): | \$55.9 |
| Enterprise Value (MM): | \$344.8 |
| 52-Week Range: | \$2.92 / \$1.17 |
| 30-Day Average Volume: | 403,871 |

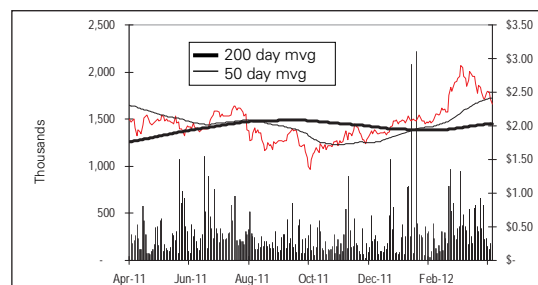
Financial Summary

(YE Dec. 31st) (C\$ MM Unless Noted)

| | 2010A | 2011A | 2012E | 2013E |
|---------------|---------|---------|---------|---------|
| Revenue | \$166.6 | \$317.2 | \$369.9 | \$402.3 |
| EBITDA | \$29.4 | \$72.4 | \$100.2 | \$112.7 |
| Net Income | \$12.0 | \$30.8 | \$46.2 | \$55.1 |
| Net Debt | -\$2.4 | \$63.4 | \$41.9 | \$15.6 |
| Organic Capex | \$20.5 | \$46.9 | \$60.0 | \$50.0 |
| EPS (\$/Sh) | \$0.17 | \$0.30 | \$0.37 | \$0.44 |
| CFPS (\$/Sh) | \$0.41 | \$0.61 | \$0.67 | \$0.76 |

Valuation

| | | | | |
|-----------|-------|------|------|------|
| P/E | 13.5x | 7.9x | 6.4x | 5.3x |
| P/CFPS | 5.7x | 3.8x | 3.5x | 3.1x |
| EV/EBITDA | 11.7x | 4.8x | 3.4x | 3.1x |



Company Description

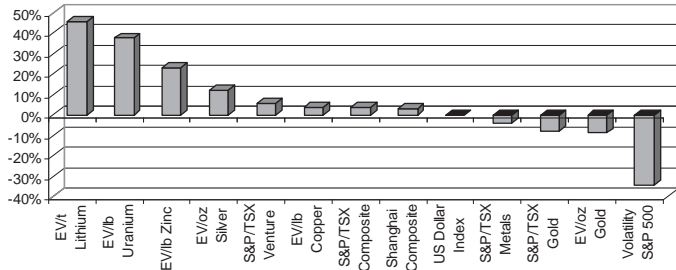
Essential Energy Services Ltd. (T-ESN) operates the seventh largest well servicing fleet in the WCSB and the largest coil tubing service rig fleet. ESN operates a Downhole Services & Rentals division, which includes Tryton Tool Services and DeCarson Equipment Rentals.

SECTOR OVERVIEW

The senior US equity market extended its Q4/11 rebound through Q1/12 (e.g. DJIA +7.6% in Q1/12) on low interest rates, strong corporate earnings growth and improving sentiment. With US confidence waxing and European angst waning, the Volatility S&P 500 Index (VIX, Exhibit 1) continued its decline through the quarter, dropping 34.2%, suggesting an opening for risk to creep back into the investor mindset. An appetite for growth, however, remains elusive. China has supplied most of the incremental growth over the past decade and the Shanghai Composite managed a meagre 2.9% return through the quarter on “weak” official forward looking guidance of 7.5% GDP growth. This depressed the outlook for many commodities and the previously winning S&P/TSX Diversified Metals & Mining Index lost 4.2% through the quarter. The S&P/TSX Capped Gold Index (-7.9%) also lost ground; senior gold companies’ multiples continue to collapse as investors switch to lower-risk ETFs for gold exposure. This was echoed in the performance of gold explorers and developers as their mean EV/oz metric lost 8.9% through Q1/12. All the other metal EV per unit mass metrics we track, however, gained with lithium and uranium explorers and developers continuing their great rebounds from 2011 nadirs, 46% and 37% respectively, both supported by M&A activity. One viable mining sector investment strategy that has emerged features an ETF core spiced with a basket of quality exploration and development companies.

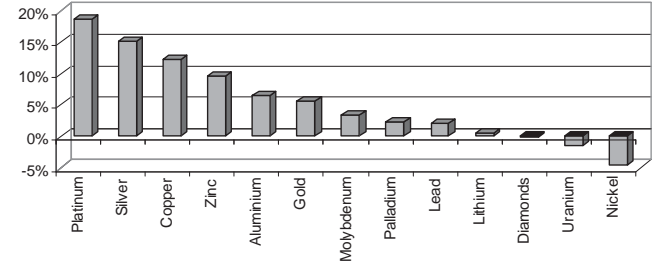
Although the growth-oriented diversified metals and mining equities did not perform through the quarter, precious metals with industrial applications like platinum (+18.8%) and silver (+15.1%) performed well, as did the industrial stalwarts copper (+12.3%), zinc (+9.6%) and aluminum (+6.5) as seen in Exhibit 2. Reported copper inventories plunged strikingly through Q1/12. To some extent, platinum prices were supported by labour disruptions in South Africa. Uranium prices have been eerily stable, suggesting an orderly movement of uranium in the wake of Fukushima and in anticipation of the end of secondary uranium supply from Russia.

Exhibit 1: Q4 – 2011 Performance of Metal-Related Equities



Source: Capital IQ, company releases and reports, PI Financial Corp

Exhibit 2: Q4 – 2011 Performance of Metal Prices



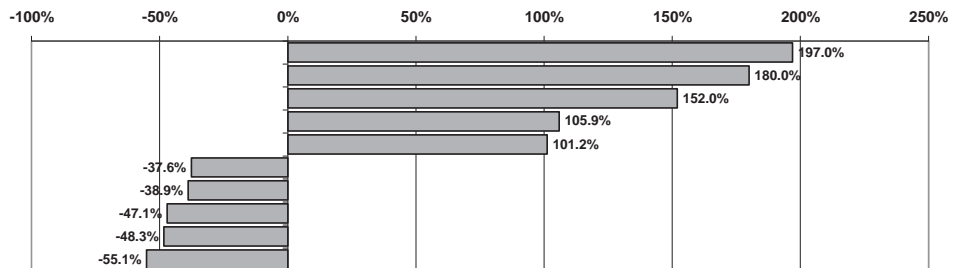
LME, Kitco, metalprices.com, Ux Consulting and www.polisheddiamonds.com

Exhibit 3 lists the top and bottom five stock performances of the almost 300 companies we track. New discoveries powered Calibre and Gold Standard, Cue was acquired by Uranium Energy Corp., Platinum Australia published dramatic productivity improvements at its Smokey Hills mine and Powertech became a poster-child for the post-Fukushima uranium equity rebound.

Exhibit 3: Top and Bottom Q4 – 2011 Metal Equity Performances


Highlight 1-Quarter Performances

| | |
|-----------------------------|----------|
| Calibre Mining Corp. | TSXV:CXB |
| Cue Resources Ltd | TSXV:CUE |
| Gold Standard Ventures Corp | TSXV:GV |
| Powertech Uranium Corp. | TSX:PWE |
| Platinum Australia Limited | ASX:PLA |
| Levon Resources Ltd. | TSX:LVN |
| Avion Gold Corporation | TSX:AVR |
| Blue Sky Uranium Corp. | TSXV:BSK |
| White Tiger Gold Ltd. | TSX:WTG |
| Guyana Goldfields Inc. | TSX:GUY |



Source: Capital IQ, PI Financial Corp.

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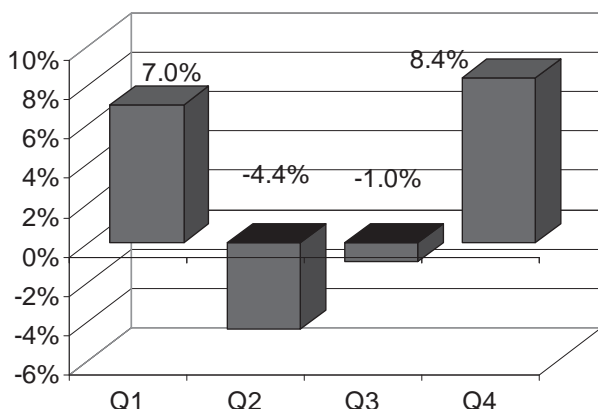


RELATIVE PERFORMANCE vs. TSX COMPOSITE



SECTOR OUTLOOK

Exhibit 4: Q4 – S&P/TSX Venture Composite Quarterly Return Seasonality



Source: Capital IQ, PI Financial Corp.

Over the last ten years, the fourth and first quarters of the following year generated the highest returns on the S&P/TSX Venture Composite, combining for an average return of 14.4% (Exhibit 4). The second and third quarters on average combined for a -3.7% return, supporting the adage, “sell in May and go away”. This seasonality may be explained by the burden of tax-loss selling in December, the flurry of news releases in the first quarter leading up to the Prospectors and Developers Association of Canada convention in March, followed by the “4-month hold hangover” from financings in November and December. In four of the years, the first and fourth quarters combined for sub-standard returns, like the period Q4/11 and Q1/12 just completed with a 5.6% return. In three of the four sub-standard years (2003, 2005 and 2009), the subsequent two quarters combined for an average gain of 25.8%. Q212 to Q312 may deliver a robust return if this empirical relationship holds.

We continue to expect a volatile but more positive market environment through 2012, as plans to address the current economic crises crystallize. This environment should allow for supportive conditions for junior mining equities. We continue to target investments with projects with world-class potential, proven management and strong balance sheets or access to capital. The greatest risk, outside of a failure to sufficiently address the European debt crisis, remains social turmoil in China, the engine of growth.

Civil unrest has been fomenting and it will be crucial to watch how the government responds, especially as control of the Politburo is in transition in 2012. Outside of China, the rest of BRIC plus the CIVETS (Colombia, Indonesia, Vietnam, Egypt, Turkey and South Africa) constitute a hefty portion of demand.

COVERAGE LIST OVERVIEW

Alexco Resource Corp. (T-AXR, Target: \$9.25, BUY, Speculative risk rating) – Over the quarter Alexco remained relatively flat, gaining only 1.0% as compared to -7.9% for the S&P/TSX Global Gold Index. This superior relative performance reflects a continued ramp up in production at the Bellekeno mine and mill, part of Alexco’s wholly-owned Keno Hill Silver Project, Yukon Territory and very positive exploration results. The Keno Hill District, which Alexco’s project covers, yielded 217 million ounces of silver from 1913 to 1989 from 35 high-grade mines plus significant lead and zinc by-products credits. The district is only now being explored in a modern efficient manner and excellent results are being generated. We expect Alexco to publish Q1/12 production numbers in the third week of April and we are looking for upside surprises to our current conservative estimates of 460,000 ounces silver, 3.9 million pounds lead and 1.4 million pounds zinc. By mid-year and into H2/12 we expect production decisions on Lucky Queen and Onek.

Amarillo Gold Corp. (V-AGC, Target: \$3.75, BUY, Speculative risk rating) – We initiated coverage of Amarillo Gold on 18 January 2012 and the stock has retreated 11.5%, slightly underperforming peer gold explorers and developers (-8.9%), likely on financing pressures. The Company delivered a prefeasibility study on the Mara Rosa gold project in Brazil, which we model entering production in mid-2014. Over the first five full years Mara Rosa is expected to produce an average of 119,000 oz gold per annum at cash costs averaging US\$495/oz or US\$641/oz after royalties. The Lavras do Sul project in southern Brazil is highly prospective with the potential to host 2 million oz or more in multiple deposits. Further, we believe it possible that these deposits could support a central mill facility benefiting from the district’s excellent infrastructure. We foresee a regular schedule of news flow from ongoing drilling and resource updates on both projects. Amarillo Gold is trading attractively at 0.26x P/NAV. Amarillo is trading at \$45 and \$32/oz for measured and indicated and global, respectively. In our opinion, these represent unwarranted discounts, 70% and 45% respectively, when compared to peer explorers and developers.

Bear Creek Mining Corporation (V-BCM, Target: \$6.25, BUY, Speculative risk rating) – Bear Creek’s share price remained relatively flat (+0.8%) through Q1/12, outperforming the S&P/TSX Global Gold Index, which declined 7.9% over the same time period. Silver outperformed gold (+15.1% vs. +5.6%) and silver explorers and developers outperformed gold explorers and developers (+11.9% vs. -8.9%) as tracked by our mean EV/oz metrics. We expect silver and silver equities to outperform on both absolute and relative bases. The Company continued to advance its primary Corani project, conduct exploration on its pipeline projects and advance discussions with the Government of Peru with regard to a resolution with regard to the Santa Ana project. The primary driver of Bear Creek’s valuation remains the de-risking of Peru. President Humala needs to demonstrate that the rule of law is being followed, mining remains a cornerstone of Peru’s economy and foreign investment in new projects is welcome. Key to all of these is the satisfactory resumption of Newmont’s US\$4.8 billion Conga project. An independent review is being made of the Conga’s projects plans. We expect the project’s plans to be largely validated, the project’s opponents to vociferously oppose the findings and the Government to firmly support the project.

TOP PICK: BEAR CREEK MINING CORPORATION (V-BCM)

| Company Name | Stock Symbol | Recent Price | Shares O/S FD (Million) | Market Cap. (Million) | Net Cash (Debt) (Million) | Revenue (Million) | | | Earnings Per Share (Basic) | | | P/E Current FYE | 12-Mos Target Price | Total Return | Stock Rating | Volatility Risk |
|----------------------------|--------------|--------------|-------------------------|-----------------------|---------------------------|-------------------|---------|---------|----------------------------|------------|------------|-----------------|---------------------|--------------|--------------|-----------------|
| | | | | | | FY10A | FY11E | FY12E | FY10A | FY11E | FY12E | | | | | |
| Alexco Resources Corp. | T-AXR | \$7.00 | 64.6 | \$452 | \$50.4 | \$4.6 | \$89.1 | \$117.7 | (\$0.11) | \$0.29 | \$0.90 | 7.8x | \$9.25 | 32% | BUY | SPEC |
| Bear Creek Mining Corp. | V-BCM | \$3.57 | 95.6 | \$341 | US\$101.6 | US\$0.0 | US\$0.0 | US\$0.0 | (US\$0.24) | (US\$0.21) | (US\$0.21) | N/A | \$6.25 | 75% | BUY | SPEC |
| Amarillo Gold Corporation† | V-AGC | \$1.00 | 71.0 | \$71 | \$5.8 | \$0.0 | \$0.0 | \$0.0 | (\$0.03) | (\$0.05) | (\$0.02) | N/A | \$3.75 | 275% | BUY | SPEC |

† PI Financial Corp. has received compensation for acting as fiscal agent or advisor for the subject company over the preceding 12-month period.

BEAR CREEK MINING CORPORATION (V-BCM)

Rating: BUY, Target: \$6.25

JOINING THE CONGA LINE

Bear Creek is a Vancouver-based company with very strong management possessing an excellent track-record of success in entrepreneurialism, finance, exploration and mine development. The Company has assembled an excellent portfolio of precious-metal focused projects in Peru, which collectively have 333 million ounces of silver in proven and probable reserves plus 161 million ounces of silver in measured and indicated resources and 76 million ounces of silver in inferred resources. The Corani project also hosts 7.8 billion pounds of lead and 4.6 billion pounds of zinc in all categories. Few companies on the market today boast larger undeveloped silver reserves and resources and the Company's substantive exploration prospects bode well for future growth.

We model both the Santa Ana and Corani mines entering production through 2014 and 2015 with combined production of 15 to 20 million ounces of silver by 2015. Silver cash costs net of lead and zinc by-product credits are expected to average \$4.15/oz in 2015. In initial years we can expect Bear Creek to generate net revenue exceeding \$800 million per annum under our price deck, resulting in annual cash flow from operations of approximately \$450 million or \$3.44 per adjusted fully diluted share.

We have valued Bear Creek's two main assets on a discounted cash flow basis. Since President Humala's election, we have applied the common precious metal discount rate of 5% and added 5% incremental sovereign risk for Peru. There is a sense that sovereign risk for Peru is declining and we expect to adjust this risk accordingly. At a 10% discount rate, we value Corani at \$483 million. We continue to believe that a political solution will be found for the Santa Ana project, for which the mining licence was revoked during pre-election upheavals. Our valuation for Santa Ana is now modest, \$17 million at a 40% discount rate as compared to \$403 million at a 5% discount rate, highlighting excellent upside potential with a positive resolution. It is important to note that removal of both the general Peruvian risk premium and the Santa Ana specific risk premium would result in a corporate NAVPS of \$11.94 and a price target of \$12.00 per share.

The key event near-term catalyst is the publication of an independent, international review of the \$4.9 billion Conga gold project in northern Peru, majority owned by Newmont. The project has been held up for months by local and NGO opponents. We believe that the review, expected by mid- to late-April, will support proceeding with the Conga project but that project will object vehemently to the finding. In our opinion, the government will protect the project's advancement forcefully leading to near-term challenges but a longer-term improvement in the country's sovereign risk profile. The advancement will be a template for how projects will proceed in Peru and Bear Creek's Santa Ana and Corani projects should follow in line thereafter.

We maintain a price target of **\$6.25** based upon a 1.0x target multiple applied to our \$6.16 corporate NAVPS estimate. Our NAV estimate is largely driven by discounted cash flow analyses of the Corani and Santa Ana silver projects, employing our model metal pricing deck including US\$35.00/oz silver, discounted at 10% and 40%, respectively. The abnormally high discount rates reflect continued sovereign risk in Peru. Despite these risks, the price target continues to generate a 77% projected 12-month return, justifying a **BUY** rating. The Company's pre-cash flow status requires a **SPECULATIVE** risk rating. We recommend purchase to investors aware of attendant risks but seeking exposure to substantive silver project developments and the potential for significant revaluation as sovereign risk abates.

Opinion and Share Information

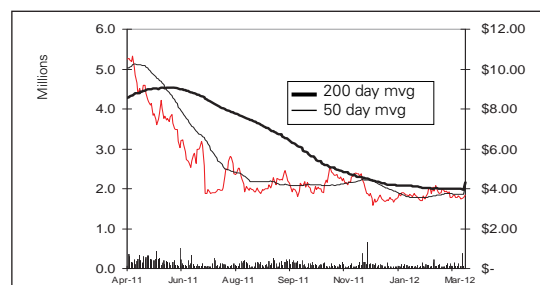
| | |
|-----------------------------------|--------------------|
| Risk: | SPECULATIVE |
| Current Price: | \$3.57 |
| Shares Outstanding: | 92,161,640 |
| Fully Diluted: | 95,610,140 |
| Market Capitalization: | \$329,017,055 |
| Enterprise Value: | \$235,603,055 |
| Working Capital: | \$93,414,000 |
| Long-Term Liabilities: | \$0 |
| 52-Week Range: | \$10.85 - \$3.16 |
| 30-Day Avg Daily Trading Volume: | 142,430 |
| Mgmt + Insider Shareholding: | 18.5% |
| Including Silver Wheaton | 14.4% |
| Institutional Shareholding: | 42.4% |
| Top 3 Institutional Shareholders: | Sprott (12.7%) |
| (Bloomberg, 10/03/11) | Van Eck (7.8%) |
| | Oppenheimer (5.1%) |

Note: All Amounts in Canadian Dollars unless otherwise noted

Financial Summary

(FYE Dec. 31st) (US\$M Unless Noted)

| | 2012E | 2013E | 2014E | 2015E |
|---------------------------------|----------|----------|---------|---------|
| Silver realized (\$/oz) | \$39.88 | \$35.25 | \$34.50 | \$37.50 |
| <u>Silver production (Moz)</u> | | | | |
| Santa Ana Silver | | | 2.2 | 5.0 |
| Corani Silver | | | | 7.0 |
| Total | | | 2.2 | 11.9 |
| <u>Corani By-Products (Mlb)</u> | | | | |
| Lead | | | | 54.7 |
| Zinc | | | | 21.0 |
| <u>Cash cost, net (US\$/oz)</u> | | | | |
| Santa Ana | | | \$8.94 | \$8.43 |
| Corani | | | | \$1.08 |
| Average | | | \$8.94 | \$4.15 |
| Revenue | \$0.0 | \$0.0 | \$74.9 | \$442.2 |
| EBITDA | (\$24.8) | (\$27.3) | \$17.4 | \$245.4 |
| Net Income | (\$24.2) | (\$26.1) | \$15.7 | \$191.2 |
| EPS (Basic) | (\$0.22) | (\$0.20) | \$0.12 | \$1.45 |
| Cash Flow (Operations) | (\$22.1) | (\$23.8) | \$20.1 | \$217.1 |
| CFPS | (\$0.20) | (\$0.18) | \$0.15 | \$1.64 |
| P/E | NA | NA | 30.1x | 2.4x |
| P/CF | NA | NA | 23.5x | 2.2x |
| EV/EBITDA | NA | NA | 13.5x | 0.9x |



Company Description

Bear Creek is a Vancouver-based junior mining company developing the Corani silver-lead-zinc and Santa Ana silver heap leach projects in Peru. Corani hosts 270 Moz in reserves plus 137 Moz Ag in resources, as well as lead & zinc by-product credits. Santa Ana hosts 63.2 Moz Ag in reserves plus 101 Moz in resource.

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

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, Roy Ma, Chris Murray, Pardeep Sangha, Alistair Toward, Jason Zandberg, and Eric Zaunscherb, 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 |
|--------------------------------|------------|-------------|
| Bear Creek Mining Corporation | 4 | |
| Coastal Contacts Inc. | 4 | |
| Essential Energy Services Ltd. | 4 | |
| Geodrill Ltd. | 4 | |
| Hemisphere GPS Inc. | 3, 4 | |
| Pure Technologies Ltd. | 4 | |
| Strategic Oil & Gas Ltd. | 3, 4 | |

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- 1) PI Financial Corp. and its affiliates' holdings in the subject company's securities, in aggregate exceeds 1% of each company's issued and outstanding securities.
- 2) The analyst(s) responsible for the report or recommendation on the subject company, a member of the research analyst's household, and associate of the research analyst, or any individual directly involved in the preparation of this report, have a financial interest in, or exercises investment discretion or control over, securities issued by the following companies.
- 3) PI Financial Corp. and/or its affiliates have received compensation for investment banking services for the subject company over the preceding 12-month period.
- 4) PI Financial Corp. and/or its affiliates expect to receive or intend to seek compensation for investment banking services from all companies under research coverage within the next 3 months.
- 5) PI Financial Corp. and/or its affiliates have managed or co-managed a public offering of securities for the subject company in the past 12 months.
- 6) The following director(s), officer(s) or employee(s) of PI Financial Corp. is a director of the subject company in which PI provides research coverage.
- 7) A member of the research analyst's household serves as an officer, director or advisory board member of the subject company.
- 8) PI Financial Corp. and/or its affiliates makes a market in the securities of the subject company.
- 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 |
|-------------------|--------------------------------|-------------------|----------------------|-------|
| Eric Zaunserch | Bear Creek Mining Corporation | Site Visit | Santa Ana Project | 09/09 |
| | | Site Visit | Corani Project | 09/09 |
| Sheila Broughton | Coastal Contacts Inc. | Site Visit | Vancouver BC | 09/11 |
| Roy Ma | Essential Energy Services Ltd. | Management Mtg | Calgary AB | 11/10 |
| Chris Murray | Geodrill Ltd. | Analyst Tour | Kumasi, Ghana | 01/12 |
| Pardeep S. Sangha | Hemisphere GPS Inc. | Conference Call | Vancouver BC | 02/12 |
| Jason Zandberg | Pure Technologies Ltd. | Management Update | Vancouver BC | 03/11 |
| Alistair Toward | Strategic Oil & Gas Ltd. | Management Mtgs | Calgary AB | 08/10 |

Disclosure to US Residents

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Global Stock Distribution

| Recommendations | Number of Recommendations | Percentage |
|-----------------|---------------------------|------------|
| BUY | 44 | 66.67% |
| NEUTRAL | 7 | 10.61% |
| SELL | 3 | 4.55% |
| U/R | 0 | 0.00% |
| N/R | 12 | 18.18% |
| TOTAL | 66 | |

Stock Rating and Target Changes

For reports that cover six subject companies or more, the reader is referred to our corporate web site for information regarding stock ratings and target changes. www.pifinancialcorp.com (Research: Research and Conflict Disclosure)

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