Our Top Picks Include: Surge Energy Inc. (SGY), Africa Oil (AOI), Bankers Petroleum (BNK), Bellatrix Exploration (BXE), Coastal Energy (CEN), DeeThree Exploration Inc. (DTX), Parex Resources (PXT), Raging River Exploration Inc (RRX), Trilogy Energy Corp (TET), WesternZagros Resources (WZR), Whitecap Resources Inc (WCP), InterRent REIT (IIP.UN), Alderon Iron Ore Corporation (ADV), Canada Lithium (CLQ), Lundin Mining (LUN), Nevada Copper Corp (NCU), Trevali Mining Corp (TV), Ur-Energy (URE).

**OIL & GAS**

**SURGE ENERGY INC. – SGY (BUY, TARGET $7.50, HIGH RISK)**

Total return since inclusion (4-Mar-13): 100.2%

Chad Ellison ccellison@dundeesecurities.com

**Recommendation and Valuation:**

We rate Surge Energy with a BUY rating and a $7.50 target price. Our target is based on a 2014E EV/DACF multiple of 6.0x which represents a 39% premium to the recent closing price. We consider Surge to be a TOP PICK within the Dividend Paying universe.

**Corporate Profile**

Surge is a 75%+ oil weighted E&P company which has recently transitioned to a dividend paying corporation. The company was formed in April of 2010 through the recapitalization of Zapata Energy from the team responsible for Breaker Energy Ltd. The stock trades on the TSX under the symbol "SGY".

Surge has a diversified portfolio of oil weighted properties, including light oil at Valhalla, Nipisi and Windfall in western Alberta, Shaunavon in Saskatchewan and in the Williston Basin in Manitoba. In south east Alberta, the company is targeting the Cretaceous sands for medium grade oil. The company recently sold off its interest in North Dakota and closed a financing which allowed the purchase of Cenovus's Shaunavon assets.

**Reason to Buy**

We believe Surge is a BUY at current levels for the following key reasons:

1) Positioned as one of the most sustainable dividend payers in our coverage universe

2) Oil-weighted producer with diversified core areas with potential for outperformance

3) Multiple waterflood projects that will stem corporate decline and add efficient barrels

4) One of the most robust hedging portfolios insulating commodity fluctuations
**Transition into a Solid Sustainable Dividend Model**

As we previously highlighted in our recent note (Surge Scoops Shaunavon, Shifts to Solid Sustainable Dividend Model), the company has undergone a transformational change into a dividend paying company on the back of a financing and acquisition in the Shaunavon area. The company will now pay a $0.40 annual dividend beginning in August which we forecast to be fully sustainable.

The Shaunavon acquisition at $240 million adds over 3,600 Bbls/d, implying metrics of $66,667 per BOE/d and $22.59 per 2P BOE, well below and in-line with precedent transactions. At eight wells per section, there are over 210 unbooked locations which have shown no interference to date and secondary recovery is expected to increase recovery factors to 15% from 5.6%.

Surge has waterflood schemes planned or underway at its four major asset plays, which will work to stem corporate declines and add efficient barrels. We believe the most impactful waterflood will be seen at Nipisi, the highest netback property in the portfolio. Given a nearby analogue pool we expect to see a quick response within three months of injection.

**Upcoming Catalysts**

We look forward to news on its latest Valhalla wells and Nipisi waterflood results, as well as additional acquisitions that may occur given the newly re-found cost of capital advantage.
AFRICA OIL – AOI (BUY, TARGET C$14.00, SPECULATIVE RISK)

Total return since inclusion (15-July-13): 3.6%

David Dudlyke ddudlyke@dundeesecurities.com

Recommendation and Valuation

We consider Africa Oil a Top Pick in our coverage space with a BUY recommendation and a C$14.50 share target price, the latter in-line with our 'base case' risked NAV of C$14.51/share – which equates to 530 mmbbls of net WI recoverable oil, or a 5.6% chance of success across the company's entire unrisked resource base (excluding Somalia).

Our ‘floor’ valuation - based solely on the South Lokichar basin (Blocks 10BB/13T) stands at C$8.42/share, with recent success at Etuko-1 'pushing' the discovered resources within the basin well beyond the commercial threshold.

Corporate Profile

Africa Oil holds material interests in significant tracts of exploration acreage within the underexplored countries of Kenya, Ethiopia and Somalia in East Africa. The company’s Somalia (Puntland) acreage is held through its 45% equity interest in TST-listed Horn Petroleum (HRN-T).

South Lokichar Basin - Well In Excess Of Commercial 'Threshold', Ongoing Exploration

Successful exploration results from the now completed Etuko-1 exploration well have ‘pushed’ the South Lokichar Basin well over the commercial development ‘threshold’ – a noteworthy result, in our view, achieved in just 16 months with just three successful exploration wells.

Following success at Ngamia, Twiga South, and Etuko, aggregate discovered resource volumes are now well in excess of 300 mmbbls, considered to be the commercial ‘threshold’ for the basin and the JV partners plan to initiate discussions with the Kenyan government and other relevant stakeholders to consider development options.

Note that, unlike Uganda, Kenya is not land-locked and, with domestic oil demand of 82,000 bopd - ca. 5X that of Uganda, an early production option, subject to approval, could be achieved via track & rail, ahead of completion of a full pipeline development.

Exploration within the basin continues - the Ekales-1 exploration well spud recently, its objective being a 3-way closure (64 mmbbls, gross unrisked P50), akin to Ngamia & Twiga South. A second rig will soon mobilise to drill the Agete (Twiga North) prospect (112 mmbbls, gross unrisked P50).

Sabisa-1 Confirms Key Components For Future Exploration Success

Elsewhere, Africa Oil's fully-funded 2013 exploration drilling program continues to offer significant near-term upside potential: the recently drilled Sabisa-1 frontier exploration well on Ethiopia's South Omo block demonstrated that three of the four key components for future exploration success are in place – an oil-prone source rock, reservoir-quality sands and a thick shale section. The Tultule-1 well is expected to spud in late 3Q13 - the objective being a horst-block structural trap – success would thus complete the ‘jigsaw’ required for a successful discovery and thus prove up a new frontier basin.
With four active 2D seismic crews and a 3D seismic crew being mobilised to the Lokichar basin, three rigs in operation and three further rigs about to mobilise, Africa Oil's forward exploration campaign should deliver newsflow on a near-monthly basis.

**Key Upcoming Catalysts:**

- Updated CPR report – late August/early September
- Results from Ekales-1 well, 13T – late September/early October
- Tultule-1 spud – results likely late 3Q/early 4Q
- El Kuran-3 well, Block 7&8, Ethiopia - spud in August - operated by Africa Oil
- Bahasi-1 well, Block 9, Kenya - spud in September - operated by New Age
**BANKERS PETROLEUM. – BNK (BUY, TARGET C$7.20, SPECULATIVE RISK)**

**Total return since inclusion (15-July-13): 10.4%**

David Dudlyke  
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**Recommendation and Valuation**

We consider Bankers Petroleum a Top Pick in our coverage space with a BUY recommendation and a C$7.20 share target price - predicated upon a 1x multiple of our risked NAV.

**Corporate Profile**

Bankers Petroleum is a Calgary-headquartered international E&P company, solely focused onshore Albania. Bankers operates and has the full rights to develop the Patos-Marinza and Kuçova heavy oilfields, pursuant to License Agreements with the Albanian National Agency for Natural Resources (AKBN) and Petroleum Agreements with the recently privatised state oil & gas company, Albpetrol.

The 'Turnaround' Is Now Underway

We believe the long-awaited 'turnaround' for Bankers Petroleum is actually underway - given the company’s recent record quarter in terms of production, sales and well count.

We believe that management has, over the last two years, identified and solved the key operational issues associated with the 'brownfield' development of the Patos Marinza oilfield.

Year-on-year, production has grown by almost 26% – a direct result of the 5-rig fleet drilling a record 135 wells over the last twelve months and a record 39 wells in the last quarter – demonstrating, in our view, not only a material improvement in field operating and logistic efficiencies but also a greater stability of ‘base’ production – fewer well failures and workovers being likely contributors.

In parallel, growth of the horizontal well population (almost 300 wells) now allows better definition of well type curves, EUR and economics - at $100/bbl Brent, a 'typical' horizontal well generates an operating netback of ca. $40/bbl, resulting in a full payout of well costs within some ten months, and a robust recycle ratio.

**Valuation – Material Discount To Peers on NAV and CF metrics**

Bankers Petroleum trades at a 9% and 53% discount to its 1P and 2P reserve valuations of C$3.70/share & C$7.16/share.

On an EV/DA CF basis, Bankers Petroleum trades on 3.0x 2013E DACF, 2.9x 2014E DACF (vs. peer group averages of 3.3x and 3.1x respectively).

Such valuation metrics, coupled with continued production growth and improved operational performance, provide a compelling entry point in our view, particularly given the incremental reserve upside potential available in the medium-term, should the water & polymer flood pilot programs currently underway prove successful.
Key Upcoming Catalysts:

- Initial results from water & polymer flood pilot projects - 2H13
- Quarterly production updates
**BELLATRIX EXPLORATION - BXE (BUY, Target $14.75, High Risk)**

**Total return since inclusion (15-July-13): 27.6%**

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**Recommendation and Valuation**

We consider Bellatrix Exploration a Top Pick in our Intermediate coverage space with a BUY recommendation and a $14.75 target price. Our target is based on a 4.5x 2014 EV/DACF multiple supplemented by $3.74 of aggregate Cardium and Notikewin risked upside and represents a 106% return to the recent close.

**Corporate Profile**

The company currently produces approximately 19,000 BOE/d (67% gas) primarily from the Cardium and Notikewin formations, and although gassy, the liquids-rich nature of the company's production provides excellent returns.

**Incredibly compelling valuation**

Bellatrix currently trades at a marked discount to its comparable Cardium peers on all market metrics, including EV/DACF, EV/BOEPD and EV/BOE of 2P reserves. The company’s gas-weighting (70% forecast in 2013) is often cited as a reason for the discount, though even a 30:1 heating equivalency ratio leaves the company relatively discounted.

**Cream of the crop in the Cardium**

Since pioneering the use of slickwater as a frac medium in the Cardium, Bellatrix has delivered some of the highest average IP rates and type-curves in the play. Economics on forthcoming wells are to be materially improved after multiple joint ventures with favorable terms were signed with a Grafton Energy and Daewoo/Devonian. The company’s high rate wells translated to industry leading F&D costs and recycle ratios in 2011 and we believe the company’s recently released 2012 figures will be tough to top.

**Considerable resource upside potential**

Bellatrix is exposed to 130 net sections of highly prospective Cardium rights and 96 net sections of Notikewin/Falher rights (respectively containing 692 and 401 net drilling locations, given varying levels of drill-density). This level of inventory and the current pace of operations (inclusive of joint venture capital) implies over an 8-year Cardium inventory and an 80-year Notikewin inventory; something, we believe, that facilitates additional or renewed future joint ventures within our forecast horizon.

**Relatively low-risk production growth**

The company’s largest contiguous block of land at Brazeau/Ferrier had been untested prior to 2011 and has subsequently been delineated with 14 wells, implying relatively lower-risk future development. This 50-section block alone could conservatively sustain 200 locations at a 4 well-per section horizontal drill-density and will see 83 wells drilled through Q1/13 with its recently announced South Korean joint venture partner.
COASTAL ENERGY. – CEN (BUY, TARGET C$27.00, SPECULATIVE RISK)

Total return since inclusion (15-July-13): 10.1%

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Recommendation and Valuation

We consider Coastal Energy a Top Pick in our coverage space with a BUY recommendation and a C$27.00 share target price. Our target is based on a 1x multiple of our risked NAV of C$27.08/share, which is predicated on a 18% chance of exploration success – well below historical levels.

We highlight Coastal’s current market valuation – the stock lies 17% below our ‘core’ 2P reserve valuation of C$18.23/share, and 36% below the reserve auditors’ 2P reserve valuation of C$23.67/share - providing a great entry point for medium-long-term investors, in our view.

Corporate Profile

Dual-listed in Toronto and London, Coastal Energy is a Houston-headquartered international E&P company with oil & gas assets located offshore and onshore Thailand and offshore Malaysia. The company’s principal oil assets by way of both reserves and production lie offshore within block G5/43, one of two oil-prone blocks operated by Coastal within the shallow waters of the Gulf of Thailand.

Recent Operational/Logistic Issues Transitory in Nature

Whilst the recent and various operational issues and logistic delays - packer-related issues at Bua Ban North, permitting delays for development wells, and repairs to MOPUs - clearly disappointed the market, they are all transitory in nature.

The prolific nature of the Songkhla basin and Coastal Energy’s strong track record of offshore exploration and swift, cost-effective field development remains undiminished - the result, historically, being substantial growth in both reserves and production, robust recycle ratios, a strong balance sheet and the prospect of significant free cashflow generation.

Activity in Malaysia to Commence in August

One of Coastal's two drilling rigs will deploy to Malaysia in August to begin the Kapal field development drilling program. Completion of the Kapal MOPU is now expected in September; assuming timely MOPU deployment to the field, first Kapal oil could be expected shortly thereafter - late 3Q13/early 4Q13.

With Kapal potentially capable of delivering ca. 7,000 bopd (net) or more, timing and scale of first oil will have a material impact on 2013E production & cashflow:

- With no Kapal production assumed until 2014, our 2013E forecast stands at 24,700 boepd, toward the lower end of company guidance (24,000 - 26,500 boepd)
- However, were first Kapal oil to commence in October 2013 at such levels, our 2013E forecast would be 25,900 boepd - toward the top end of company guidance.
Furthermore, with two rigs on contract, Coastal's drilling program over the next nine months or so should provide exposure to some 350 mmbbls or over 70% of this unrisked prospective resource potential - exploration of the Bua Ban Terrace and Benjarong South offering 88 mmbbls and 126 mmbbls of unrisked prospective potential respectively, whilst existing fields, Bua Ban North & South, also offer a further 80 mmbbls and 56 mmbbls of unrisked prospective upside respectively.

**Key Upcoming Catalysts:**

- Commencement of the Malaysian appraisal/development drilling program
- Delivery/commissioning of two MOPUs
- Frac results at Bua Ban Main
- Further appraisal/dev't drilling at Bua Ban North & South
DEETHREE EXPLORATION LTD. – DTX (BUY, Target $11.75, High Risk)

Total return since inclusion (4-Mar-13): 40.7%

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Recommendation and Valuation

DeeThree is an oil focused junior E&P is currently producing in excess of 6,500 BOE/d. The company has been one of the most successful pioneers of the Alberta Bakken play, and has added a decades-long inventory of Belly River oil prospects at Brazeau. There is additional gas optionality in the portfolio with Montney and Doig rights in the Peace River area.

Corporate Profile

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Reason to Buy

We believe DeeThree is a BUY at current levels for the following key reasons:

1) Pioneer of the Alberta Bakken with excellent economics and big resource upside
2) Fattening up the Belly River with a decade plus drilling inventory
3) Top quartile production, cash flow per share growth

Early Pioneers of the Alberta Bakken

DeeThree has owned over 200,000 net acres of land in the Alberta Bakken since 2008. Initially planned for gas targets, the company found itself in the enviable position of land ownership during the 2010 land grab of the southern Alberta Bakken tight oil resource play. Since then, DeeThree has been successful in drilling prolific, low-decline wells for all-in costs as low as $3.0 to $4.0 million, less than half of competitors drilling deeper, tighter rock. Its latest well produced at test rates of 1,560 BOE/d, which is significantly above type curve estimates. We note that the company has not yet found the eastern edge of the Bakken pool, which opens up room for significant upside.

Belly River...The Gift that Keeps on Giving

In March of 2011, the company acquired its Brazeau property targeting the Belly River zone. The formation is unique as it has a section of stacked fluvial traps up to 250 to 500 metres thick with numerous potential sand intervals throughout the formation. The company recently reported a contingent resource study which highlighted total oil in place of 1.35 billion Bbls and over 2.1 billion BOE.

After tinkering with completion techniques, the company has since delivered strong well results with one testing over 1,400 BOE/d. DeeThree expanded its land position in late 2012 with a farm-in agreement with the right to earn up to 34 net sections of land. Ultimate full-field development could see over 338 Belly River locations (with room for inventory upside) providing a decades-long inventory to fuel continued oil-weighted per share growth of both production
and cash flow.

**Upcoming Catalysts**

Short term catalysts include additional data points on its recently drilled wells or licensed wells, both in the Belly River and Alberta Bakken.
**PAREX RESOURCES. – PXT (BUY, TARGET C$9.00, SPECULATIVE RISK)**

Total return since inclusion (15-July-13): 10.3%

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**Recommendation and Valuation**

Parex Resources is our top pick amongst the Colombian E&P players - material growth of reserves, production and RLI, coupled with a strong emphasis on costs and cycle times - all create a sustainable competitive advantage over its immediate peers.

With the targeted 5-year RLI ‘within grasp’, we believe that the near-term trading range for Parex should be C$5.90 - C$6.15/share, based on a 'peer group' rerating of Parex' EV/DACF multiple and the associated year-end 2P reserves.

We therefore recommend investing in Parex - ahead of the company's own publication of future drilling results and the year-end reserves update - to secure leverage to the company's potential rerating relative to its peers.

Our 2P 'core' NAV and risked NAV stand at C$4.36/share and C$9.02/share respectively; our C$9.00 target is set in-line with our risked NAV.

The risked exploration upside is primarily based on 22.7 mmbbls of additional net risked Colombian resource potential, in turn largely underpinned by Possible reserves of 12.7 mmbbl, as well as Parex' substantial exploration inventory base.

**Corporate Profile**

Parex Resources is a junior E&P company with a portfolio of exploration and production producing assets in the prolific Llanos Basin, and exploration assets in the Middle Magdalena Basin of Colombia and onshore Trinidad & Tobago.

**Strong Exploration/Appraisal Record - Reserves up 40% - 57% year-to-date**

In the first six months of 2013, Parex has delivered 'in spades' - across both reserves and production:

- **1P reserves** up by 40% to 14.1 mmbbls – a reserve replacement ratio of 248%
- **2P reserves** up by 47% to 23.7 mmbbls – a reserve replacement ratio of 379%
- **3P reserves** up by 57% to 36.4 mmbbls – a reserve replacement ratio of 589%

Parex’ reserve base is increasingly diverse – no single field represents more than 20% of the company’s overall reserve base.

Parex also raised its 2013E guidance for the second time this year - to 15,000 - 15,500 bopd.

With further exploration success, we expect Parex to beat this latest guidance - our current 2013E production forecast stands at 15,700 bopd.

Importantly, Parex’ reserve life index (RLI) has increased materially from 3.5 years at year-end 2012 to 4.2 years – marking the 'mid-point' toward Parex achieving its strategic goal of a 5-year RLI within 18 months.

Furthermore, with significant growth of both probable and possible reserves, as
demonstrated by the substantial reserve replacement ratios above, continued appraisal success within and beyond 2P and 3P areas should presage further material increases in RLI.

Key Upcoming Catalysts:

- Akira-4 (Cabrestero) - drilled to TD; preparing to test
- Las Maracas-11 (Los Ocarros) - currently drilling
- Celeus Sur (LLA-17) - casing, preparing to test
- La Casona-2 (El Eden) - currently drilling
- Rumi-1 (El Eden) - spud following La Casona-2
- Tarotaro-2 (LLA-34) - currently drilling
RAGING RIVER EXPLORATION INC - RRX (BUY, Target $6.85, High Risk)

Total return since inclusion (4-Mar-13): 68.8%

Brian Kristjansen bkrystjansen@dundeesecurities.com

Recommendation and Valuation

We consider Raging River Exploration a Top Pick in our junior space with a BUY recommendation and a $6.85 target price, which is based on a 6.0x 2014 EV/DACF multiple supplemented by $1.80 of risked Viking upside. We consider RRX a Top Pick.

Corporate Profile

Raging River is a pure play, Viking light oil producer operating in the Greater Dodsland area of SW Saskatchewan. Current production of approximately 4,300 BOE/d is weighted 95% to light (37° API) oil. The quality of the produced oil, significant infrastructure and low (2.5%) initial royalty rates nets RRX some of the best cash flow netbacks in the sector ($55.25 per BOE in 2014E). The company has a material cost of capital advantage, trading at premium market metrics/multiples due to this netback advantage, its lower risk program and its very well respected and successful management team.

A crack team

The core team at RRX has an excellent track record of delivering shareholder value, having previously helmed successful junior operators Wild Stream Exploration (Oct ’09 to Mar ’12), Wild River Resources (Feb ’07 to Jul ’09) and Prairie Schooner (Aug ’04 to Sep ’06) and were instrumental as contributors at Great Northern Exploration (Sep ’01 to Jun ’04). These companies delivered respective share price CAGRs of 26%, 33%, 23% and 112%. The team is also well aligned with shareholders, holding 17% of the basic and 27% of the fully diluted shares O/S.

A low-risk, economic inventory providing a plethora of growth

What RRX quotes as a risked 1,000-plus location inventory is on land already well delineated with existing vertical and horizontal well control. Substantially more lands are held with limited well control, offering additional exploration upside as well. The Viking horizon itself is amenable to 16-wells per section downspacing (a recent phenomenon) and likely future waterflooding, with less than 5% of the estimated 6 billion barrels of OOIP having been recovered to date. Further reducing risk is the shallow - 700 to 750 meter - drill-depth of the formation which puts minimal capital at risk, with all-in well costs of $900,000, and excellent economics with forecast Crown NPVs of $1.0 million and 63% IRRs.

With 115 net wells planned for 2013 we are forecasting average production of 4,870 BOE/d, and an 95.3% production per share increase over 2012E; the highest level of growth forecast in our Coverage Universe.

Consolidation theme to continue

The large OOIP and early-stage nature of 16-well downspacing and waterflooding (a number of pilots are in operation, including two operated by RRX) offer considerable reserve upside in the Viking. The play is ripe for consolidation with a number of smaller players mixed in with much-larger, debt-challenged operators that may see unparalleled opportunities unlocked.
TRILOGY ENERGY CORP. – TET (BUY, Target $37.00, High Risk)

*Total return since inclusion (27-May-13): -13.4%*

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**Recommendation and Valuation**

We rate Trilogy Energy with a BUY rating and $37.00 target price. Our target is based on a 2014E EV/DACF multiple of 8.0x supplemented by $10.52/share of aggregate risked upside.

**Corporate Profile**

Trilogy is a dividend paying intermediate-sized oil and gas company with focused operations in the Kaybob area of northwest Alberta. The Company is exploiting Montney oil and gas pools and has big exposure to the emerging Duvernay shale play.

**Best Montney oil pool going**

Trilogy has grown its Montney oil pool in Kaybob from zero to 13,000 boe/d in approximately three years. It owns and operates both the oil battery and gas plant which service this pool, both of which have capacity for future growth. The pool covers 40 sections in size and has over 400 MMbbl of discovered oil-in-place. Multiple wells have had IP30 rates which exceed 1,000 bbl/d of oil, resulting in payback periods of under three months. We believe this is the best Montney pool in Western Canada and one of the best of any zone which is being exploited exclusively with horizontal multi-frac drilling.

**Exposure to liquids-rich Montney gas resource**

The Company has 50 contiguous sections of land in Kaybob which are prospective for liquids-rich Montney gas (yields of approximately 30 bbl/MMcft). The play can be exploited with five horizontal wells per section and Trilogy already has over 50 wells drilled into the play. Unfortunately the economics in the Montney oil pool are so good that it is difficult for this play to compete for capital (even though we estimate that each well generates an IRR of 87%). Management is budgeting approximately 10 wells per year for Montney gas and has decades of future low risk opportunities in this play.

**Duvernay – the future growth engine**

While the Montney oil and gas plays are in full exploitation stage with most of the geologic and economic risks minimized, there is still a lot of uncertainty about the Duvernay play. Trilogy owns approximately 200 sections of Duvernay rights across the main prospective Kaybob area which could be drilled at eight wells per section. Management’s current plans are to drill enough wells to retain its land position and gain more technical knowledge on the play (including through the swap of operational information with competitors). There have been encouraging results in the play recently and the Company expects this play to provide future growth once the Montney plays are drilled up.
WESTERNZAGROS RESOURCES. – WZR (BUY, TARGET C$3.00, SPECULATIVE RISK)

Total return since inclusion (15-July-13): -27.7%

David Dudlyke dduddyke@dundeesecurities.com

Recommendation and Valuation:

We consider WesternZagros a Top Pick in our coverage space with a BUY recommendation and a C$3.00 share target price - predicated upon a 1x multiple of our 'base case' risked NAV of C$3.03/share, which is based on a gross recoverable oil resource of 500 mmbbls.

Our 'base case' resource assumptions lies below the company's independently audited gross contingent oil resources of 569 mmbbls and completely discounts the company's independently audited gross unrisked mean prospective oil resource of 3.4 bnbbls as well as any gas resources, contingent or prospective.

Corporate Profile

WesternZagros is an international E&P company focused on the Kurdistan region of northern Iraq. The company holds two production sharing contracts with the Kurdistan Regional Government, which equate to a 40% working interest in the Garmian and Kurdamir blocks.

High Impact Drilling Program Funded to Mid-Late 2014

Several private placements, amounting to ca. $175 million over the past 12 months, from principal shareholders Crest Energy International, Richard Chandler Corporation, Paulson & Co Inc, as well as the receipt of net back costs of C$56 million from Gazprom Neft, amply fund the company's exploration and appraisal program into mid/late 2014.

The company is thus able to fund additional exploration and/or appraisal drilling beyond the current drilling program – Kurdamir-3, Hasira-1, Baram-1 and Upper Bakhtiari wells. Such additional funding is of particular importance given the pace at which WesternZagros and its partners need to explore and appraise prospects ahead of the 2014 exploration deadlines (Kurdamir: September 1st 2014, Garmian: December 31st 2014).

Potential additional exploration targets next year include Qulijan, Chwar, Alyan, Qula or the Zardi Complex.

Wells To Watch - Kurdamir-3 & Baram-1

Whilst the first two tests at Kurdamir-3 (which were both conducted below the deepest oil test at Kurdamir-2) have proven to be disappointing, the remaining Kurdamir-3 test results remain key as they will not only confirm WesternZagros' contingent resource base but, with a well profile outside of the gas cap and with a larger tubing completion, should also provide further evidence of likely oil test flow rates.

The highly anticipated Baram-1 well - which is testing a potential extension of the Oligocene oil leg of the Kurdamir discovery into the Garmian block, is currently drilling ahead and expected to reach TD by year end. Following recent results at Kurdamir-3, three distinct scenarios exist - first, Baram is an entirely distinct structure separated by a fault (management's original interpretation); second, Baram is connected to Kurdamir but a widespread oil/water contact exists above the reservoir target depth at Baram (thus decreasing the likelihood
of finding oil); and lastly, Baram is connected to Kurdamir – and the water at Kurdamir-3 is contained in a compartment – thus perched (and the results from DST #2 will thus have no impact).

**Key Upcoming Catalysts:**

- Kurdamir-3: testing results expected in late August
- Baram-1: spud early August, results by YE13/early 1Q14
- Hasira-2: results late 2013
WHITECAP RESOURCES INC – WCP (BUY, Target $14.00, High Risk)

Total return since inclusion (4-Mar-13): 29.8%

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Recommendation and Valuation

We consider Whitecap Resources a Top Pick in our dividend-paying universe with a BUY recommendation and a $14.00 target price, and consider the company to be our Top Pick in the yield space. Our target is based on a 6.0x 2014E EV/DACF multiple supplemented by $3.26 of aggregate risked upside.

Corporate Profile

Whitecap Resources is an intermediate, dividend-paying oil-weight that was formed via the reverse takeover and subsequent amalgamation of Spitfire Energy on July 1, 2010. Later that month the company consolidated its wholly-owned subsidiary Onyx, and executed a 10-for-1 share consolidation later in the same year. We are forecasting 2013 production to average 19,350 BOE/d weighted 70% to oil and liquids.

The company is active in the Cardium in Alberta at Pembina and Garrington, the Viking in Saskatchewan at Lucky Hills and Forgan and in the Montney (oil) at Valhalla North in Alberta. The currently quoted 850-plus identified well inventory provides over a decade of drilling and visibility to doubling production.

Light oil focus providing growth and yield

Whitecap is weighted 70% to light oil and liquids, providing ample cash flow netbacks, which coupled with efficiently found reserves generated a 1.8x cash recycle ratio in 2012. The management team measures its performance on per share growth in production, reserves, cash flow and NAV and has delivered on all points in 2012 (respectively returning 39%, 27%, 22% and 6%). Continued growth in all metrics is forecast through our forecast horizon, while distributing a conservative dividend currently yielding 6.9%.

The individual assets the company operates are all improving economically with completion method adjustments and cost reductions, are capitally efficient to grow, generate free cash flow and are likely amenable to future (if not existing) secondary recovery methods.

A sustainable dividend that may grow

Management holds dividend sustainability and a sub-100% total payout ratio as a key goal. We are currently forecasting total payout ratios of 93.8% and 93.3% in 2013 and 2014 and simple payout ratios of 30.0% and 31.9%. The company's total payout ratio is the best in our forecast coverage universe and fourth when including the broader dividend paying E&P group. The company announced its intention to pay dividends on November 20, 2013 with the first $0.05 monthly distribution commencing January 2013 and being paid out in February. Given the company’s low payout ratio we believe a dividend increase within our forecast horizon is a distinct possibility.
Excellent leadership

Whitecap President and CEO Grant Fagerheim has an excellent track record, delivering on his mantra of production per share, reserve per share and cash flow per share at his former companies Ketch Energy (Apr. '00 to Oct '02), Ketch Resources (Oct '02 to Jan '05), Kereco (Jan '05 to May '08) and Cadence (May '08 to Sep '08).
REAL ESTATE

INTERRENT REIT – IIP.UN (BUY, Target $7.00, Medium Risk)

Total return since inclusion (14-Jan-13): -0.9%

Frederic Blondeau, CFA, FRM fblondeau@dundeesecurities.com

InterRent was the top performing REIT in 2011 and 2012, posting total returns of 128% and 65% respectively, for good reason. We believe management has done an excellent job executing this turnaround story as highlighted by:

- FFO/unit YoY growth of 132% in 2012 and turning it around from negative cash flow two years ago
- Steady improvement in operating margins, up ~20% since taking over in late 2009 (from 45% in Q2/10 to 62% Q2/13)
- Reducing leverage to 47% D/GBV as at Q2/13, down from 55% in Q4/09

Recent Highlights:

- **Results In-Line.** InterRent reported diluted FFO/unit of $0.09 for Q2/13, a $0.01 increase over the $0.08 reported in Q2/12, and in-line with our estimate
- **Exceeding Growth Targets.** YTD InterRent has acquired 1,395 suites, for $155.5 MM ($112,179/suite). Management had targeted 1,000 suites for the year, therefore has already exceeded its goal. We forecast the REIT to acquire an additional $67.5MM of property this year and $75MM in 2014
- **Balance Sheet Provides Ample Acquisition Capacity.** InterRent's Q2/13 D/GBV stands at 46.6% and we believe management is comfortable in the 50% to 55% range. Levering its balance sheet to 55% would give InterRent the capacity to acquire an additional $277MM in properties

Recommendation:

We think InterRent continues to provide an attractive investment opportunity for the following reasons:

1) **Highest 2012-2014 AFFO CAGR.** InterRent's 2012-2014E AFFO CAGR of 24% is highest amongst its Apartment peers, which currently have a median estimated CAGR of 10%. This also compares favorably to the median for the overall Canadian REIT/REOCS universe of 5%

2) **Lowest Payout Ratio.** InterRent's current 2013E AFFO payout ratio is 63%, the lowest amongst its Apartment peer group (average ex-IIP of 89%). We continue to believe IIP is doing an excellent job of balancing its distribution yield with re deploying its cash flows back into its portfolio in order to generate stronger returns.

3) **Continued Execution on Growth Strategy.** IIP has had a strong start to what should be another robust year of acquisitions. We have confidence that the strong management team in place will be able to make accretive acquisitions and increase the scale of the REIT. The REIT should continue to diversify its asset base by investing in primary markets, which would add to the resiliency of its cash flows

Please see our Initiating Coverage note published on January 7, 2013 and our note dated May 14, 2013 for further details.
MINING

ALDERON IRON ORE CORP. – ADV (BUY, Target C$5.00, Speculative Risk)
Total return since inclusion (25-Aug-11): -53.3%

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Alderon is a Canadian-based junior iron ore exploration company operating in Canada’s most prolific and prospective iron ore district. The Company owns 100% of the Kamistiatusse ("Kami") project.

Hebei’s initial strategic investment is complete. The steelmaker owns ~19.9% of shares outstanding and now 25% of Kami, investing a total of $182.2MM. It has committed to purchasing 60% of the annual production up to a maximum of 4.8MMt of the first 8MMt produced annually. Hebei will also contribute further project financing up to a maximum of $220MM. Financing for the remainder of Capex (~$1.1B) should proceed with greater ease now that Hebei has come in, in our view. The company has ~$160MM on hand, enough to initiate pre-construction activities. We expect the company to break ground by year end, assuming final permits are received, with first production in Q1/16, contingent on Alderon obtaining the remainder of its financing needs.

Strategic partner emerges: Hebei Iron & Steel Group Co., Ltd. ("Hebei") announced 13-Apr-12 that it will buy 25% of Kami, will help finance, arrange off-takes and invest in Alderon itself. Following the initial equity investments of approximately $72MM (both Hebei and Liberty), the balance of the funds (~$119.9 MM) came in as scheduled on March 15th, 2013. Hebei has now assumed a 25% interest in Kami.

We see this as a positive deal for Alderon... not so much on its valuation as we believe that it is buying into Alderon and the Kami project at prevailing market levels. While the terms of the equity investments are an improvement over assumptions that we had used within our 10% DCF model, we do believe that the non-tangible benefits of the deal are ultimately going to be the real drivers for future value. Being aligned with China’s largest steel producer brings credibility for Alderon and a stamp of approval for the Kami project and investment in BIF projects in Canada. Its sheer size should cast Alderon in a positive light on the world stage. This deal also reduces project financing risk. It is a partner with deep pockets and access to considerable capital in China. Alderon gains its best efforts help for raising funds when it comes to raising funds for its 75% share of the project. Off-take arrangement for up to 60% of production (4.8 MM tpa of the initial 8 MM tpa) at a 5% discount to the Platts 62% Fe fines index.

Highlights of the recently released DFS include:

- NPV (at 8%) of US$3.2B with a pre-tax IRR of 29.3%
- Production: 8MMtpa concentrate with a final product grade of 65.2% Fe
- Initial capital cost of US$1,272.9MM; operating costs US$42.17/t
- Proven and probable reserves: 668.5MMt at 29.5% Fe, Measured and Indicated: 1,093.2MMt at 29.6% Fe (Figure 1)
- Anticipated start date of Q4/15 with revenue commencement Q1/16

Management and Board Experience: The team is led by Mark Morabito (Exec. Chairman) and Tayfun Eldem (President, CEO) and includes capital markets and iron ore industry veterans who are fully capable of financing, building, and operating a new mine. Bernard Potvin has joined the team as EVP Project Execution. He has significant mega-project construction experience. Alderon
recently appointed Danny Williams as Special Advisor to the Chairman of the company. Mr. Williams was the former Premier of Newfoundland and Labrador and retired from this position at a time when his government had an approval rating over 80%. He is likely to be instrumental in negotiating strategic alliances, offtakes, and forging ties with local stakeholders.

**Regional Infrastructure in Place and Capacity Available:** The project is in close proximity to three towns with a combined population of 15,000, paved roads, an airport, low cost hydro-power, a common carrier railway with adequate capacity, and a public port that will be undergoing a significant expansion. A memorandum of understanding ("MOU") is in place to benefit the Labrador Innu, an aboriginal group. The three key “enablers” for the project are access to economical power, access to rail and access to port facilities.

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**Capital Intensity in-line with Peers:** With significant infrastructure in place, we have estimated capital costs of approximately US$159 per annual tonne of concentrate capacity. With a capital cost of under US$1.3 billion, we perceive financing and execution risk as lower than for many other projects advertising capital costs in the US$2-5 billion range.

**Short Timeline to Production:** With the feasibility study behind use, we expect construction could start by Q4/13 and be completed in 2015. The Bloom Lake Mine was completed in a similar timeframe, and is a recent and relevant benchmark.

**Merger or Acquisition Target:** Iron ore companies in Canada have seen significant investments by major players in recent years, several takeovers and the major producers, Rio Tinto and ArcelorMittal, are engaged in expansions at their existing mines. The Kami project is a logical extension to the Wabush (Scully) Mine owned by Cliffs, who recently acquired Consolidated Thompson Mines at a premium of ~30%, or an EV of US$8.45/t Fe.

**Upcoming Catalysts**

- Access agreement with the Quebec North Shore & Labrador Railway;
- Discussions with potential offtake and/or strategic partners (ongoing - agreement expected by mid-2013);
- Signed EIA by Sept/13-Oct/13;
- Final permits by November 2013; and
- Construction before year end 2013
CANADA LITHIUM – CLQ (BUY, Target C$0.75, High Risk)

Total return since inclusion (1-Apr-13): -37.1%

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We have covered CLQ for some time now and have been impressed with the company’s focused execution on developing its Quebec Lithium project over the past few years. While many promise a quick turnaround, steering a junior mining company from exploration through to production within a matter of three years is a feat that is rarely seen. As the company enters production, its stock has come under pressure, however, as some worry about whether the company can meet its timeline for ramp up and delivery.

Canada Lithium announced plans for a three week plant shut down for both maintenance and upgrades of certain circuits at its Quebec Lithium process plant. We suspect the process plant upgrade program is being led by recently appointed (12-Aug-13) Plant Manager Michael Seawright, a former FMC lithium process veteran, and his team. The main focus will be to install an acid cleaning circuit, a bicarbonate recovery circuit and an upgrade to some of the pumping capacity. This should help ensure product quality lands in the 99.5%-99.9% sweet spot. We suspect the company will required additional financing to get through what has become a fragile commissioning, potentially in the order of $20-$30 MM to be safe (we expect the company is looking into equity or rights offering - preferring dilution over additional debt).

Reasons to Buy

At current prices, we believe CLQ’s stock represents compelling value for investors. We highlight three primary reasons why investors should take a hard look.

1. Production imminent – CLQ is currently in the midst of its initial ramp up at its processing plant having made its first shipment in late July. While this was later than expected, it had more to do with last minute specialty requests by its client. This shows us commissioning is taking hold, with the kiln working well and hydrometallurgical circuit running. The company plans on ramping up production by about 10% per month, with full capacity hit Q1/14. Our 2013 production assumption of 2,000t still holds. We expect the initial commercial run to be the single largest de-risking event remaining for the company. With upgrades expected to take three weeks we can expect the first shipment in early October.

2. Potential takeover target – On the back of Rockwood’s (ROC-N, Not rated) takeover attempt of Talison that was subsequently trumped by Tianqi Lithium, we had noted back in December that we believe CLQ could make for an attractive takeover target. We had noted that the two primary reasons driving Rockwood’s bid for Talison could arguably apply to CLQ as well – 1) access to Chinese markets, 2) diversifying out of the US and South America. ROC continues to be sold out of their lithium carbonate production and their cash hoard of ~$1B+ is worth noting. Aside from ROC, there could be other strategic players interested in having their own secure source of LCE supply. On this front, we would not be surprised to see either Tewoo or Marubeni take an equity position.
3. Valuation upside potential – One of the key drivers of our DCF valuation would be steady to rising LCE prices. We currently use a rather conservative $5875/t of lithium carbonate as compared to the $6,500/t going price today. On a multiples basis, CLQ currently trades at around 7x EV/EBITDA (F14) by our estimates. Talison was taken out at 12x. Given their production is mostly sold out in off-take contracts, assuming CLQ can ramp up successfully and produce ~$50MM+ in EBITDA, we believe we could see the stock fetch around $1.50 in a few years’ time.
LUNDIN MINING – LUN (BUY, Target $4.75, High Risk)

Total return since inclusion (7-Aug-12): 6.8%

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LUN is Playing to its Strengths

We believe LUN deserves a premium given its strong financial condition and the lower development risk compared to its peers (which investors seem to appreciate in the current economic environment). We also believe that the recent Eagle Mine transaction was disciplined and met all LUN’s previously-stated criteria as CEO Paul Conibear has a conservative and measured approach to transactions. We further believe that Lundin will have no problem in securing a $250M credit facility expansion. We have a BUY recommendation and target of C$4.75/share based on a 6.5x EV/EBITDA multiple to our 2014 EBITDA of $448M.

Valuation and Recent Performance

We highlight that over the last 3-month LUN outperformed (+6.3%) compared to its peers (-7.9%, TSX Metals & Mining Index) and to copper (+0.7%). Given the recent performance the stock is currently trading at a premium to its peers. But while the valuation is not cheap, we believe LUN deserves a premium as noted above. At $4.21/sh and using 2014 consensus multiples, the stock is trading at 6.7x EV/EBITDA, 12.8x EPS and 8.5x CFPS (compared to peers at 4.7x, 11.3x and 5.7x respectively). It is worth noting that we believe analysts do not include Tenke’s contribution in LUN's EBITDA as LUN reports it as “income from equity investment”. We believe this significantly understates LUN’s EBITDA when looking at consensus.

Lundin and Freeport now looking at Tenke as a cash cow

While Tenke remains a growth project, given their respective recent acquisitions both Freeport McMoRan (oil & gas acquisition) and Lundin (Eagle Mine) are coordinated in agreeing to postpone near term expansion plans and treat Tenke as a “cash cow”. Even at current copper prices (~$3.15/lb), Tenke should still be able to generate close to $120M in cash distribution to LUN this year. In fact in Q2, LUN received $27.3M in cash distribution (down from $45M in Q1), more than the operating cashflow from all its wholly-owned mines.

The Eagle acquisition – high grades, 50% built with excellent exploration upside

We believe that LUN has done well to acquire the high grade Eagle mine from Rio Tinto (not covered) at an attractive price avoiding a premium. LUN will use its FCF to play to its strengths by completing the development of this underground nickel-copper deposit that is 50% complete with excellent regional exploration upside. Based on recent management comments, we believe remaining capex and future TC charges for the Eagle Mine could potentially be revised downward, leaving further upside to our current valuation.

Blue Sky - The Kokkola Cobalt Refinery already contributing to cash flow

Interestingly, we note that the Kokkola Cobalt Refinery (now renamed “Freeport Cobalt”) already made its first cash distribution to LUN of $1M in Q2. That said, LUN’s attributable share of earnings from Freeport Cobalt was a loss of $2.5M but it will nonetheless be interesting to see how much cash distribution this operation could generate for LUN. This is especially true given the recent recovery in cobalt price.
NEVADA COPPER CORP - NCU (BUY, Target $5.25, High Risk)

Total return since inclusion (7-Aug-12): 0.5%

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We rate Nevada Copper Corp. with a BUY rating and a $5.25/sh based on a 0.7x multiple to our NAV of $7.37/sh. Nevada Copper is our top copper development pick given the company's ability to we believe offer excellent leverage to a large scale copper project that has significant exploration upside, clear path to production and the right address.

NCU's 100%-owned Pumpkin Hollow project is the best development-stage copper project around

Nevada Copper's key asset, the Pumpkin Hollow project, is located in Yerrington, Nevada which is a mine-friendly jurisdiction with developed infrastructure and available workforce. We believe NCU's staged approach to production, which includes a high grade underground operation followed by a large open pit, is disciplined and robust under a variety of economic conditions.

We expect NCU to develop the underground phase first at a rate of 6,500 tpd by 2018. However, the Pumpkin Hollow project has the potential to hold a high grade underground mine and a large scale open pit operation that could produce at a combined rate of 67,500tpd. In the future, NCU can develop these two resources in tandem by developing a large integrated mine after beginning production at the underground resource before commencing surface operations later in the mine-life. We like this optionality as it gives NCU the ability to defer significant capex until the project is largely de-risked and financing can be found at rates more attractive than those available in the current environment. A stand-alone feasibility study is to be released for integrated option in H2 of 2013.

Currently Pumpkin Hollow boasts 2P reserves of 4.29B lbs of copper and, given a 2012 update that increased the M&I resource by 1.1 billion pounds of copper, there exists the potential to add significantly to copper as well as iron reserves (we currently attribute no value in our model). The updated integrated feasibility study will incorporate the new resources and we expect a larger reserve. We believe that the addition of this resource to the mine plan will reduce stripping and operating costs and increase mine life while lowering incremental capex and pushing out sustaining capital.

Clear path to production

Unlike many of today's large projects facing political and environmental setbacks, Pumpkin Hollow has low political risk and is well on its way to being permitted for development.

NCU and the City of Yerrington are currently pushing for the acceptance of a bill that, if passed, would give the City of Yerrington the right to purchase Federal land covering a portion of the Pumpkin Hollow resource. This will put Pumpkin Hollow entirely on state-owned land and eliminate NCU's need for Federal permitting. The project would then only be subject to the shorter local process. This bill has a great deal of support and we believe that the land transfer could be completed in H2/2013.
Valuation attractive

Using a long term copper price of US$2.75/lb and a 10% discount rate, we estimate NCU's NAV to be $7.37 per share on a fully diluted basis. We believe that our NAV is conservative as it does not take into account NCU's iron resource or exploration upside.

At NCU's current price the stock is trading at 0.29x NAV compared to our base metals universe average of 0.53x-one of the lowest multiples in our copper universe. We believe that this discount is unwarranted given NCU's quality asset, clear path to production and favorable jurisdiction.
TREVALI MINING CORP – TV (BUY, Target $1.50, High Risk)

Total return since inclusion (7-Aug-12): --11.5%

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Trevali is our Top Pick in the junior mining space based on its unique zinc leverage and relationship with Glenstrata. We rate TV with a BUY and have a target price of $1.50/share based on a 0.7x multiple to our NAV of $2.17/share.

Given that there are few remaining major zinc producers and that the company’s future revenue is heavily weighted towards zinc (~50%), TV provides a unique and inexpensive opportunity for near-term zinc production leverage.

Strong partners in Glencore and Xstrata

Trevali has the advantage of having Xstrata and Glencore as offtake partners. Glencore has agreed to purchase LOM offtake at Santander and the Caribou Mine. Both deals stipulate that the offtake is to be purchased at benchmark rates; i.e. no hedging is required which is very favorable. Further, Glencore has the right of first refusal at Halfmile on the offtake. We expect that Glencore will purchase all the offtake.

We like these partnerships as they give Trevali access to a cheap milling alternative, technical ability in a foreign jurisdiction and potential access to capital.

Producing in Peru

Santander is in production Peru. We believe that the company is in a position to follow through on its objectives of: ramping up Santander, Developing Halfmile, upgrading the Caribou and Santander mills, and proceeding with further resource expansion.

Low capex options delivered.

The purchase of the Caribou mill is a prime example of Trevali’s ability to deliver on its goals while reducing capex requirements. With the Caribou acquisition the company obtained a practically unused, modern mill for 20mm TV shares (~$23.8mm based on share price on transaction date) instead of having to spend an estimated $150mm to build a new facility.

The Tingo power plant: a hidden asset.

TV also owns the 1.6MW Tingo power station that can provide cheap reliable power to the Santander operation. Trevali is working to expand power capacity to 10MW, at a capex of ~$22mm, of which roughly $7mm has been spent and the remaining $15mm will be funded with local debt. There is the potential that power in excess of Trevali’s needs would be sold back into the Peruvian grid. We estimate that Tingo could reduce power costs at Santander to ~$0.03 from ~$0.08 (power currently accounts for ~30% of Santander’s costs). We have conservatively not included Tingo’s cost savings in the calculation of our NAV.
**TV is the most inexpensive base metals play in our universe. This is unwarranted.**

Using a long term zinc price of US$0.90/lb and a 10% discount rate, we estimate Trevali's NAV to be CDN$2.17 per share on a fully diluted basis. We believe that our NAV is conservative as it does not take into account possible exploration upside and attributes no value to TV's other assets. At TV's current price the stock is trading at 0.32x NAV compared to our base metals universe average of 0.57x-one of the lowest multiples among the producers/developers in our base-metals universe. We believe that this discount is unwarranted given Trevali's unique exposure to zinc, strong performance and the company's timely delivery on key milestones.
**UR-ENERGY INC. – URE (BUY, TARGET C$2.30, HIGH RISK)**

**Total return since inclusion (22-July-13):**

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**Recommendation and Valuation**

Ur Energy is our Top Pick in the Uranium space based on its near-term production potential, and sector outperformance. We rate URE with a BUY and C$2.30 Target based off a 1x NAV multiple on our 10% DCF. URE continues to trade at a discount to its producer peers at an EV/lb of US$3.03 vs. $4.19, and 0.5x P/NAV vs. 0.6x. We believe this is part of its re-rating as it moves towards production.

**Reasons to BUY URE:**

We believe URE is positioned for continued share price appreciation.

1) **Production initiated.** URE has officially entered production, on schedule, with deliveries expected in October. We model 200,000lbs production this year and 800,000lbs in 2014.

2) **Low cost.** Including well field costs we estimate <$35/lb total cash costs for Lost Creek, and only $25/lb cash costs. Shirley Basin, its primary pipeline asset, has even lower cost potential, potentially $25/lb including well field expenditures.

3) **Innovative mine design.** That includes leak detections at all well heads, filtering via sand packing of wells (replacing sand filters at the plant), filtering via cone bottomed tanks (reduces electrical costs), immediate restoration of well fields possible, advanced collection instrumentation, and streamlined IX column and well designs to name a few. This all bodes for lower costs, more infrequent issues, and efficient operations.

4) **Uranium sold forward.** About 40% of production is sold between 2014-2016 at ~$60/lb. Given today’s uncertain uranium price environment we view these contracts positively. Its 60% un-hedged position still gives the company exposure to rising uranium prices.

5) **Near final NRC sign-off.** Having recently undergone its NRC pre-operations review, the company is now completing its to-do list of fixes, modifications, and additional documentation that is required by the NRC. The company hopes to have this audit wrapped up by month end (July-end).

6) **Shirley Basin up next.** Shirley Basin is likely the next asset to be developed, and comprises ~50% of our NAV. We expect Shirley Basin could come online in 2015, ramping up to 1 MM lbs pa production within two years. The project hosts ~10 MM lbs at 0.21% U3O8, making it significantly higher grade than Lost Creek (at 0.05%).

**Cash Position remains tight.** URE closed a second US$15 MM loan facility with RMB Australia. While this has relieved some pressure during commissioning it is still relying on the State Loan to close the Pathfinder transaction. The loan is taking longer than expected and without it Ur Energy would still have difficulty funding both commissioning and the Pathfinder acquisition. AREVA has been patient in waiting for payment despite the deal receiving NRC approval for transfer of this license.
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**Recommendations:** BUY: Total returns expected to be materially better than the overall market with higher return expectations needed for more risky securities. NEUTRAL: Total returns expected to be in line with the overall market. SELL: Total returns expected to be materially lower than the overall market. TENDER: The analyst recommends tendering shares to a formal tender offer. UNDER REVIEW: The analyst will place the rating and/or target price Under Review when there is a significant material event with further information pending; and/or when the analyst determines it is necessary to await adequate information that could potentially lead to a re-evaluation of the rating, target price or forecast; and/or when coverage of a particular security is transferred from one analyst to another to give the new analyst time to reconfirm the rating, target price or forecast.

**Risk Ratings:** risk assessment is defined as Medium, High, Speculative or Venture. Medium: securities with reasonable liquidity and volatility similar to the market. High: securities with poor liquidity or high volatility. Speculative: where the company's business and/or financial risk is high and is difficult to value. Venture: an early stage company where the business and/or financial risk is high, and there are limited financial metrics upon which to base a reasonable valuation.
Investors should not deem the risk ratings to be a comprehensive account of all of the risks of a security. Investors are directed to read Dundee Capital Markets Research reports that contain a discussion of risks which is not meant to be a comprehensive account of all the risks. Investors are directed to read issuer filings which contain a discussion of risk factors specific to the company's business.

Medium and High Risk Ratings Methodology: Medium and High risk ratings are derived using a predetermined methodology based on liquidity and volatility. Analysts will have the discretion to raise but not lower the risk rating if it is deemed a higher risk rating is warranted. Risk in relation to forecasted price volatility is only one method of assessing the risk of a security and actual risk ratings could differ.

Securities with poor liquidity or high volatility are considered to be High risk. Liquidity and volatility are measured using the following methodology: a) Price Test: All securities with a price <= $3.00 per share are considered high risk for the purpose of this test. b) Liquidity Test: This is a two-tiered calculation that looks at the market capitalization and trading volumes of a company. Smaller capitalization stocks (<$300MM) are assumed to have less liquidity, and are, therefore, more subject to price volatility. In order to avoid discriminating against smaller cap equities that have higher trading volumes, the risk rating will consider 12 month average trading volumes and if a company has traded >70% of its total shares outstanding it will be considered a liquid stock for the purpose of this test. c) Volatility Test: In this two step process, a stock’s volatility and beta are compared against the diversified equity benchmark. Canadian equities are compared against the TSX while U.S. equities are compared against the S&P 500. Generally, if the volatility of a stock is 20% greater than its benchmark and the beta of the stock is higher than its sector beta, then the security will be considered a high risk security. Otherwise, the security will be deemed to be a medium risk security. Periodically, the equity risk ratings will be compared to downside risk metrics such as Value at Risk and Semi-Variance and appropriate adjustments may be made. All models used for assessing risk incorporate some element of subjectivity.

**SECURITY ABBREVIATIONS:** NVS (non-voting shares); RVS (restricted voting shares); RS (restricted shares); SVS (subordinate voting shares).

**Dundee Capital Markets Equity Research Ratings**

<table>
<thead>
<tr>
<th>Rating</th>
<th>% of companies covered by Dundee Capital Markets in each rating category</th>
<th>% of companies within each rating category for which Dundee Capital Markets has provided investment banking services for a fee in the past 12 months.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buy</td>
<td>78%</td>
<td></td>
</tr>
<tr>
<td>Neutral</td>
<td>35%</td>
<td></td>
</tr>
<tr>
<td>Sell</td>
<td>9%</td>
<td></td>
</tr>
</tbody>
</table>

As at June 30, 2013

**Source:** Dundee Capital Markets