CORMARK SECURITIES INC.

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MORNING MEETING NOTES
MARCH 13, 2014

2015 Shaping Up To Be A Banner Year For Canadian Oilfield Service Companies

Unless otherwise denoted, all figures shown in C$

Highlights:

We believe that 2014 E&P budgets were originally set with conservative natural gas price expectations. However, E&P companies have experienced significantly higher 2014 YTD cash flows than they were originally anticipating due primarily to higher natural gas pricing. Specifically, the average 12-month NYMEX natural gas strip price was US$3.86/mmBtu during the E&P budgetary process (mid-September to October 31, 2013), significantly below the current average 12-month NYMEX strip of US$4.60/mmBtu. Additionally, WTI pricing has also improved slightly since that time, with the current 2014 average monthly strip price at US$98.40/B, or ~2% higher.

Based on the combination of higher YTD cash flows, significantly improved play economics, and the ongoing removal of infrastructure bottlenecks, we believe that the potential for E&P capital budget expansion is significant in H2/14, which should lead to robust oilfield service company activity levels in 2015.

We are introducing our 2015 oilfield service company coverage group estimates today. Specifically, we forecast a 2015E WCSB well count of ~12,700 wells, up from ~12,100 wells in 2014, with the composition of the forecast increase consisting primarily of service intensive liquids-rich Duvernay Shale, Montney, and Deep Basin wells. In the US, our 2015 active average rig count estimate increases to ~1,843 rigs, from ~1,767 rigs in 2014, with the Y/Y increase driven primarily by higher natural gas-directed rig counts in the Eagle Ford, Marcellus/Utica, and "Other" plays. Our oilfield services coverage group 2015E EBITDA estimate is up by ~18% Y/Y, and corresponds to a current 2015E EV/EBITDA valuation level of 4.6x.

Based upon our analysis of: (i) ongoing well trends, including improving drilling efficiency, longer horizontal well sections, and increasing well completion intensity levels, (ii) exposure to key plays and clients, including LNG development, and (iii) several financial metrics (EBITDA margin level, ROACE, financial position, valuation level, and free cash flow yield), we believe that ◆Black Diamond Group, Calfrac Well Services, ◆Canadian Energy Services, Canyon Services Group, ◆PHX Energy Services, ◆Trinidad Drilling, and Western Energy Services should be core positions in any energy portfolio and represent "must-own" names in our oilfield services sector coverage universe.

◆During the past twenty-four months, Cormark Securities Inc., either on its own or as a syndicate member, participated in the underwriting of securities for these companies

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Oilfield Services – Summary:

Large-Caps To Account For An Increasing % Of E&D Spending

- Our expectation remains that multinationals and NOCs will account for an increasing percentage of E&D spending and oilfield service company equipment utilization levels, with important implications for oilfield service companies. We believe that the service companies with experienced Management teams, operational scale, well-developed systems and processes, efficient logistics, a focus on safety, strong balance sheets, and that have established relationships with larger operators, will be awarded incremental work.

Large-Cap E&P Management/Strategic Transitions Concluded

- Several large-capitalization E&P companies have been in strategic and/or Management transitions over the past two years, including Encana, Penn West, and Talisman, with these transitions having resulted in reduced levels of E&D capital spending levels over this period. However, we believe that the majority of these Management and/or strategic transitions are complete, with focused spending levels set to increase starting in H2/14, thereby leading to higher oilfield service company equipment utilization levels. For example, anecdotal information indicates that Encana will become increasingly active in the Deep Basin starting in H2/14, as well as in the Tuscaloosa Marine Shale and the San Juan Basin in the US.

E&P Balance Sheets Improving – Capital Will Go To Drilling

- With weak natural gas prices and volatile heavy oil price differentials negatively impacting E&P cash flows over the past two years, E&P company debt levels have been relatively high (Cormark E&P coverage universe 2.0x as at 2013 year-end), and resulted in a significant volume of E&P production being held for sale (current Cormark estimate of up to ~200,000 B/d). However, higher natural gas pricing, a weaker Canadian dollar, and a narrower WTI-WCS differential have significantly improved YTD cash flows, balance sheets (Cormark E&P coverage universe 1.5x as at 2014 year-end), and shifted sellers' expectations higher. As such, we believe the marginal E&P capital spending dollar will be directed to increasing production and reserve levels via the drill-bit as opposed to acquisitions, thereby driving higher oilfield service company equipment utilization levels.

Oilfield Service Company Pricing Power Will Return In H2/14

- Based on our 2015 estimates, oilfield service companies that have assets suited to the development of resource plays will experience higher demand, thereby garnering pricing power starting in H2/14.
    - Regarding drilling contractors, we believe that demand for high specification drilling rigs will remain strong, with our expectation being that drilling contractors will sign additional new build drilling rigs to long-term contracts. Therefore, our forecast 2015E capital budget estimates for this oilfield services sub-sector reflect continued investment into new build and upgraded drilling rigs. It is important to note that our oilfield services coverage group has not announced 2015 capital budgets, and our 2015 capital spending estimates reflect our view of the assets which we believe are in demand and can be added given each entity's forecast financial position.
    - Regarding pressure pumping companies, based on our 2014 and 2015 WCSB activity level estimates we continue to forecast a shortage of WCSB horsepower, which we forecast should lead to higher pricing. Our 2015 EBITDA estimates for this sub-sector reflect a 5% WCSB pricing level increase implemented in Q4/14.

Wells Drilled Faster

- Drilling Efficiency - As we have previously mentioned, wells continue to be drilled deeper and more quickly, with per well drilling times decreasing due to the trend toward more robust down-hole tools and drilling rig mechanization (including increasingly automated drilling rigs). Obviously, fewer drilling rigs will be required to drill more wells, thereby reinforcing our view that drilling contractors with relatively newer, deeper drilling rig fleets, an operational track record of resource drilling experience, experienced Management teams, and strong balance sheets will continue to generate relatively higher EBITDA per drilling rig and ROACE metrics relative to peers. Notably, our forecast 2015E median EBITDA per drilling rig increases by 11% Y/Y to $2.3 MM, driven by the combination of a

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$1,000/day rate increase starting in Q4/14 and a marginally higher forecast Y/Y equipment utilization level. We believe that drilling contractor 2015 EV/EBITDA valuation levels are extremely attractive, with this sub-group currently trading at a median 2015E EV/EBITDA level of 4.6x.

Optimizing Well Completions Remains A Key Focus

- Well Completion Optimization – Based on ongoing industry efforts to optimize reservoir productivity levels, we continue to expect that well completion intensity levels will increase in 2014, driven primarily by longer horizontal well sections and an increasing number of smaller volume, fracture stages per well, thereby benefiting service companies with leverage to well completion intensity. However, given the industry's focus on well completion intensity, we also anticipate that oilfield service companies that depend on the total well count to drive equipment utilization (shallower coiled tubing units and service rigs) will experience muted 2015 equipment utilization levels.

LNG Projects Potentially Add $Billions To E&P Capital Spending Levels

- LNG – As we continue to highlight, the oilfield services industry will be a direct beneficiary of potential large-scale LNG resource development, and we believe that the primary beneficiaries will be service companies with assets suited to the development of these plays and established relationships with larger E&P operators. WCSB LNG projects potentially add several billion dollars annually to E&P drilling and completion capital spending levels, thereby driving significantly higher oilfield service company equipment utilization, anticipated to start in late-2014.

Logistics Crucial To Oilfield Service Company Profitability

- Logistics Increasingly Important – We expect that oilfield service company logistics bottlenecks will become more pronounced, driven primarily by higher activity levels, the trend toward developing plays off increasingly larger pads, and 24-hour operations. Additionally, there remains a shortage of skilled labor in the industry, which will hinder service company initiatives to improve their logistics capabilities. It is interesting to note that anecdotal information indicates that oilfield service trucking companies increased prices effective March 1, 2014.

Oilfield Service Companies Enjoy Significant Forecast 2015 Financial Flexibility

- Strong Financial Position – Based on our 2015 estimates, our oilfield services group enjoys significant financial flexibility. At a minimum, we believe that each company has a sustainable dividend level, with the group's 2015E median total payout ratio being 78%. Additionally, we forecast a median 2015E dividend as a percentage of free cash flow level of 45%, highlighting the group's significant financial flexibility. As such, we expect that several service companies will increase their dividend levels, buy back shares, and/or expand their capital programs. Our oilfield service company coverage group also generates a strong return on capital employed (ROACE), with a coverage group median ROACE of 21%, up from 18% in 2014. Finally, we calculate a 2015E median free cash flow yield of 6.2% for our oilfield service coverage group.

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Financial Metrics:

We have provided an analysis (see Appendix A) of our oilfield services coverage group for several key financial metrics. In summary, based on our 2015 estimates, several oilfield service companies will be in a position to increase dividend levels, buy back shares, and/or expand their capital programs. Specifically:

- **2015E Total Payout Ratio:** Our forecast oilfield services coverage group median 2015E total payout ratio is 78%, down from 98% forecast in 2014. As the charts also show, we forecast only three companies to have a total payout ratio of more than 100% in 2015 (SVY – 119%, CDI – 110%, PHX – 102%), reflecting these companies strong growth prospects and ongoing expansion initiatives.
- **2015E Dividends as a percentage of Free Cash Flow (DFCF):** The group forecast median 2015E DFCF is 45%, down from an estimated 61% in 2014, and there are several companies that have a DFCF level below the 2014 median level while also trading at a discount to the group median 2015E EV/EBITDA valuation level of 4.6x. Specifically, Essential Energy Services (44%) and Calfrac Well Services (21%) have a DFCF level below the 2015E coverage group median level while also trading at a discount to the group 2015E median EV/EBITDA valuation level.
- **2015E Return on Average Capital Employed (ROACE):** Our forecast 2015 oilfield services coverage group median ROACE is 21%, up from 18% in 2014. Canyon Services, ◆Petrowest Corp., Horizon North Logistics, and PHX Energy Services are forecast to generate relatively stronger 2015 ROACE (FRC – 39%, PRW – 36%, HNL – 32%, PHX – 26%) as compared to the group 2015E median level.
- **2015E Free Cash Flow Yield**: Our forecast 2015 group median free cash flow yield is 6.2%, with Calfrac Well Services and Trican Well Service having free cash flow yields of 12.8% and 13.3%, respectively, as we estimate that these companies have minimal capital spending requirements due to the fracturing capacity added during the previous build cycle.

Recommendations:

Based upon our analysis of: (i) ongoing well trends, including improving drilling efficiency, longer horizontal well sections, and increasing well completion intensity levels, (ii) exposure to key plays and clients, including LNG development, and (iii) several financial metrics (EBITDA margin level, ROACE, financial position, valuation level, and free cash flow yield), we believe that Black Diamond Group, Calfrac Well Services, Canadian Energy Services, Canyon Services Group, PHX Energy Services, Trinidad Drilling, and Western Energy Services should be core positions in any energy portfolio and represent must-own names in our oilfield services sector coverage universe.

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2015 Operator Cash Flow & Capital Spending Levels:

Commodity prices drive operator cash flows, with these cash flows determining E&P spending levels and, ultimately, oilfield service company equipment utilization levels. Recall, we released our conservative 2015 commodity price deck outlook (see our Energy Pipeline report from February 10, 2014), with a summary of this outlook provided below:

- Regarding oil pricing, we have taken a cautious approach to our 2015 forecasts, recognizing an increase in surplus capacity among OPEC producers and some weaker-than-expected economic headlines that have recently come out of China. In 2015, non-OPEC supply growth is expected to moderate to 1.5 MMB/d (down from 2.0 MMB/d in 2014), but this growth will outstrip global demand growth by 0.1 MMB/d in 2015. However, it is worthwhile noting that North America will start to realize the benefit of significant pipeline infrastructure projects in 2015, including from the TCPL Gulf Coast access project (520 MB/d in 2015, increasing to 700 MB/d), the Seaway Twin (+0.45 MB/d), and Flanagan South (+0.6 MB/d). Additionally, Enbridge's Eastern Access initiatives should increase pipeline capacity to Central Canada by 0.5 MB/d over the course of 2015. Finally, regarding heavy oil pricing, the Western Canadian Select (WCS) spring/summer differentials are trading at ~US$20/B less WTI, a significant improvement Y/Y due to increased Gulf Coast access and refinery throughput. As such, we believe that 2014/15 could be relatively strong years for Canadian heavy oil pricing.
- Regarding natural gas pricing, our pricing outlook is considerably more constructive due to recent cold weather in North America that has significantly reduced natural gas in storage levels. While the weather will remain a wildcard for natural gas pricing, we continue to see positive structural shifts from the industrial demand and power generation sectors that should drive a sustainably higher natural gas price. Additionally, with the first LNG shipments from Sabine Pass expected in late-2015, North America will start to become increasingly connected to a robust international market for natural gas.

We believe that 2014 E&P budgets were originally set with conservative natural gas price expectations. Specifically, the average 12-month NYMEX natural gas strip price was US$3.86/mmBtu during the E&P budgetary process (mid-September to October 31, 2013), significantly below the current average 12-month NYMEX strip of US$4.60/mmBtu. Additionally, WTI pricing has also improved slightly since that time period, with the current 2014 average monthly strip price being US$98.40/B, or ~2% higher. As such, E&P companies have experienced significantly higher YTD cash flows than they were originally anticipating. Based on the combination of higher YTD cash flows, significantly improved play economics, and the ongoing removal of infrastructure bottlenecks, we believe that, absent a seasonal collapse in commodity prices during summer 2014, the potential for E&P capital budget expansion is significant in H2/14, and leading to robust oilfield service company activity levels in 2015.

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2015E WCSB Well Count Estimate:

Based on our 2015 commodity price assumptions, we are introducing our 2015 WCSB well count forecast, which is shown in the accompanying table. As shown, we forecast a 2015 well count of ~12,700 wells, up by ~5% from ~12,100 wells in 2014, with the increase driven primarily by a higher forecast total number of Deep Basin liquids-rich gas wells, as well as resource delineation in support of future LNG export projects, including in the Montney and Horn River Basin. Consistent with 2014, oil and liquids-rich directed activity will continue to dominate 2015E WCSB activity levels, with these wells accounting for between ~80% and ~85% of the total number of forecast WCSB wells drilled. As shown in Figure 1, we forecast ~134,600 WCSB drilling days in 2015, up from ~128,200 days in 2014.

Figure 1: WCSB Well Count And Commodity Price Assumptions

Sector Assumptions		2012A	2013A	2014E	2015E
Wells Rig Released	Annual	11,035	11,091	12,082	12,682
Operating Days	Annual	134,920	116,536	128,214	134,588
WCSB Fleet Size	Average	792	814	821	828
Drilling Rig Utilization	Annual	49%	40%	43%	44%
NYMEX WTI	US$/Bbl	$94.09	$98.01	$95.00	$86.00
Edm. Light	C$/Bbl	$86.86	$93.60	$98.00	$91.00
Henry Hub Spot	US$/MMBtu	$2.75	$3.72	$4.50	$4.00
AECO-C Spot	C$/Mcf	$2.38	$3.17	$4.25	$3.85

Sources: Source: Cormark Securities Inc., CAODC

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US Average Active Drilling Rig Count:

The current US active drilling rig count stands at 1,675 rigs, including 1,361 oil and 314 natural gas-directed drilling rigs. We believe that the Q1/14 to-date average active US rig count has been negatively impacted by adverse field conditions, including in the Marcellus/Utica and US Gulf Coast. As such, we expect that the US average active drilling rig count will increase starting in Q2/14. We have updated our 2014 US active average rig count forecast, with the changes shown below in the accompanying table.

As shown, our forecast 2014 active average drilling rig count has increased by ~3% to ~1,767 rigs, up from ~1,714 rigs previously, including 1,395 oil and 373 natural gas-directed drilling rigs. The primary driver of the increase in the oil-directed drilling rig count can be attributed primarily to a forecast higher rig count in the Permian Basin (+43 rigs).

Figure 2 also provides our 2015E US average active US rig count forecast, which increases by ~4% Y/Y to 1,843 drilling rigs, with the primary driver being a higher natural gas-directed rig count. Specifically, our 2015E natural gas-directed rig count forecast has increased by ~18% Y/Y to 439 drilling rigs, driven by higher Eagle Ford (+12 rigs), Marcellus (+13 rigs), and "Other" (+23 rigs). As also shown, our 2015E oil-directed forecast remains essentially flat Y/Y at ~1,400 rigs.

Figure 2: 2015 US Drilling Rig Count By Play

Forecast Natural Gas Drilling Rig Count	2014 New	2014 Old	2015	2015 Y/Y Change
Barnett Shale	18	20	19	4%
Eagle Ford Shale	39	39	51	32%
Fayetteville Shale	10	10	12	22%
Woodford/Granite Wash	25	27	32	29%
Haynesville Shale	45	37	49	11%
Marcellus Shale/Utica	111	106	124	12%
DJ Niobrara	20	17	24	20%
Other	106	113	129	21%
Total Natural Gas Rig Count	**373**	368	**439**	18%

Forecast Oil Drilling Rig Count	2014 New	2014 Old	2015	2015 Y/Y Change
Williston Basin	181	188	181	0%
Eagle Ford Shale	197	201	195	-1%
Woodford/Granite Wash	87	86	90	3%
Mississippian	69	57	66	-3%
DJ Niobrara	40	30	42	6%
Other	318	323	322	1%
Permian Basin	504	461	508	1%
Total Oil Rig Count	**1,395**	1,345	**1,404**	1%
Total Oil & Natural Gas Rig Count	**1,767**	**1,714**	**1,843**	**4%**

Sources: Cormark Securities Inc., Baker Hughes

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US Drilling Efficiency:

As we have previously mentioned, wells continue to be drilled deeper and more quickly, with per well drilling times decreasing due to the trend toward more robust down-hole tools and drilling rig mechanization (including increasingly automated drilling rigs). The accompanying table (see Figure 3) quantifies the 2013 Y/Y improvement in drilling efficiency (wells drilled per drilling rig) for several US plays.

The US active average drilling rig count decreased to ~1,700 rigs in Q4/13, down from ~1,950 drilling rigs in Q1/12, but the number of wells drilled for the sub-set of plays below decreased by only ~3%, driven primarily by ongoing improvements in drilling efficiency. As shown in Figure 3, there are several US plays which have experienced significant improvements in the number of wells drilled per rig. For example, the Fayetteville, Marcellus, and Williston plays experienced quarterly average increases of 48%, 42%, and 39% in the number of wells drilled per drilling rig, respectively, as compared to the 2012 quarterly average.

Obviously, fewer drilling rigs are required to drill more wells, thereby reinforcing our view that drilling contractors with relatively newer, deeper drilling rig fleets, an operational track record of resource drilling experience, experienced Management teams, and strong balance sheets will continue to generate relatively higher EBITDA per drilling rig and ROACE metrics relative to peers.

Figure 3: US Drilling Efficiency By Play

Play	2012 Quarterly Average	2013 Quarterly Average*	Y/Y Change
Barnett	10.98	11.96	8.9%
DJ-Niobrara	9.03	5.80	-35.7%
Eagle Ford	3.99	4.79	20.1%
Fayetteville	9.49	14.06	48.2%
Granite Wash	2.03	2.27	12.3%
Haynesville	2.09	2.52	20.3%
Marcellus	4.57	6.48	41.8%
Mississippian	4.25	4.86	14.2%
Permian	4.71	4.90	4.1%
Utica	4.56	3.47	-23.8%
Williston	2.70	3.74	38.5%
Woodford	2.36	3.14	32.9%
Total Wells/Rig US Land	**4.92**	**5.23**	**6.3%**

*Note: Current quarter well count data is preliminary and is subject to revision.

Source: Baker Hughes

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2015E EBITDA Estimates:

The accompanying table provides our 2015E EBITDA estimates for our oilfield services coverage group. As shown, the median forecast Y/Y increase in EBITDA for our oilfield services coverage group is 18%, with a median 2015E EV/EBITDA valuation level of 4.6x. Note the following changes to recommendations and target prices; our target prices are based on 2015E EV/EBITDA multiples:

- Ensign Energy Services:
  - Recommendation – Market Perform (unchanged)
  - Target Price – $22.00 per share (previously $20.00 per share)
- Precision Drilling:
  - Recommendation – Market Perform (unchanged)
  - Target Price – $14.00 per share (previously $12.50 per share)
- Canadian Energy Services:
  - Recommendation – Top Pick (unchanged)
  - Target Price – $35.00 per share (previously $22.00 per share)
- Petrowest Corporation:
  - Recommendation – Buy (unchanged)
  - Target Price – $1.50 per share (previously $1.25 per share)
- PHX Energy Services:
  - Recommendation – Top Pick (previously Buy)
  - Target Price – $18.50 per share (unchanged)
- Black Diamond Group:
  - Recommendation – Top Pick (previously Buy)
  - Target Price – $36.00 per share (previously $34.00 per share)
- Horizon North Logistics:
  - Recommendation – Buy (unchanged)
  - Target Price – $10.00 per share (previously $9.00 per share)

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Figure 4: Oilfield Services Coverage Group – 2015E EBITDA Estimates

March 11, 2014

	Company	Symbol	Price 11-Mar-14 ($)	12-Mo. Target ($)	Rating	2014 EBITDA Current (MM)	2014 EBITDA Con. (MM)	EV/EBITDA 2014 (x)	2015 EBITDA Current ($MM)	2015 EBITDA Con. ($MM)	EV/EBITDA 2015 (x)	EBITDA Change Y/Y (%)
	Contract Drillers											
	CanElson Drilling	CDI-T	$6.97	$10.00	Buy	$115	$116	5.5	$136	$138	4.6	17.8%
	Ensign Energy Services	ESI-T	$17.58	$22.00	Mkt Pfm	$567	$561	5.2	$614	$598	4.6	8.4%
	Precision Drilling	PD-T	$11.91	$14.00	Mkt Pfm	$787	$780	5.7	$916	$873	4.7	16.3%
	Savanna Energy Services	SVY-T	$7.58	$11.00	Buy	$171	$174	5.3	$199	$201	4.7	16.5%
	Total Energy Services	TOT-T	$20.86	$24.00	Mkt Pfm	$109	$110	5.6	$131	$128	4.4	19.5%
◆	Trinidad Drilling	TDG-T	$11.35	$16.50	Top Pick	$283	$287	7.1	$366	$350	5.4	29.2%
	Western Energy Services	WRG-T	$9.40	$14.00	Top Pick	$155	$152	6.0	$174	$167	5.2	12.3%
	Xtreme Drilling and Coil Services	XDC-T	$4.40	$6.50	Buy	$85	$86	5.5	$105	$106	4.1	24.1%
	Drilling Related Services											
◆	Canadian Energy Services	CEU-T	$26.86	$35.00	Top Pick	$141	$144	13.4	$175	$184	10.7	23.7%
	Cathedral Energy Services	CET-T	$4.61	$7.00	Buy	$40	$40	4.4	$44	$47	3.8	9.6%
◆	Petrowest Corporation	PRW-T	$0.94	$1.50	Buy	$43	$44	3.4	$48	$50	2.8	9.6%
◆	PHX Energy Services	PHX-T	$13.55	$18.50	Top Pick	$74	$70	6.3	$84	$83	5.6	13.1%
	Well Services											
	Calfrac Well Services	CFW-T	$36.10	$48.50	Top Pick	$299	$281	6.5	$415	$379	4.3	38.9%
	Canyon Services Group	FRC-T	$12.29	$18.00	Top Pick	$102	$76	7.7	$164	$129	4.6	60.1%
	Essential Energy Services	ESN-T	$2.69	$4.00	Buy	$76	$82	4.1	$90	$100	3.2	17.5%
	Trican Well Service	TCW-T	$13.27	$16.00	Mkt Pfm	$287	$278	6.9	$461	$420	3.9	60.8%
	Infrastructure Support											
◆	Black Diamond Group	BDI-T	$30.27	$36.00	Top Pick	$168	$175	8.2	$188	$201	7.2	11.8%
	Horizon North Logistics	HNL-T	$7.82	$10.00	Buy	$130	$143	6.9	$158	$170	5.7	21.4%
	Group Median							**5.8**	**168.7**	**168.1**	**4.6**	
	Large-Cap Median*							**6.5**	**188.2**	**200.8**	**4.7**	
	Small-Cap Median							**4.4**	**84.3**	**83.3**	**3.8**	

* Large-cap companies have a market cap of $500 MM or greater

Source: Cormark Securities Inc., Bloomberg.

◆During the past twenty-four months, Cormark Securities Inc., either on its own or as a syndicate member, participated in the underwriting of for these companies
Source: Cormark Securities Inc.

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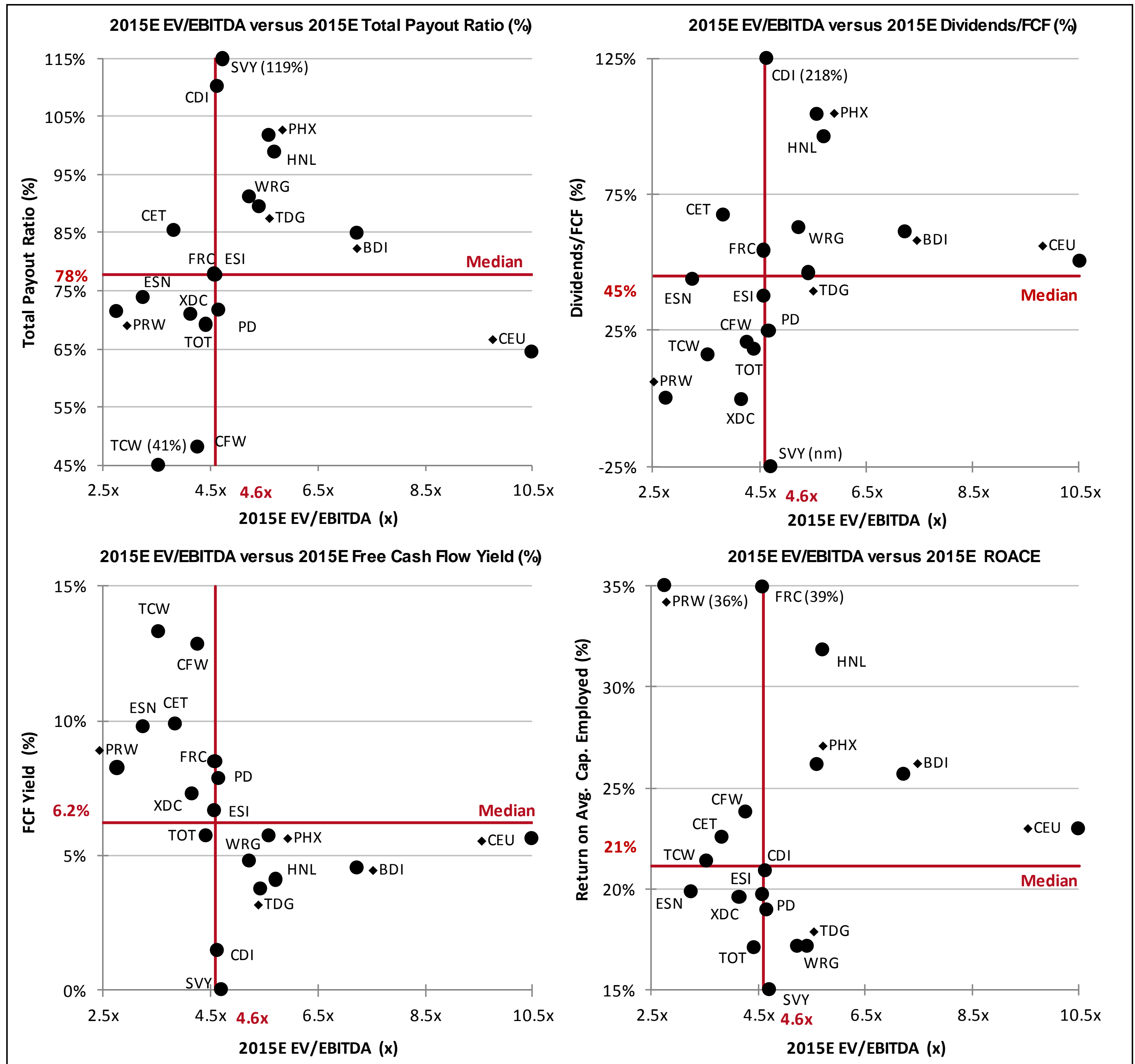
Appendix A – 2015 Financial Metrics:

The accompanying charts provide a summary of several forecast financial metrics for our oilfield service coverage group:



Sources: Company Reports and Cormark Securities

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We, Todd Garman and Brandon Friedt, hereby certify that the views expressed in this research report accurately reflect our personal views about the subject company(ies) and its (their) securities. We also certify that we have not been, and will not be receiving direct or indirect compensation in exchange for expressing the specific recommendation(s) in this report.

RECOMMENDATION TERMINOLOGY

Cormark's recommendation terminology is as follows:

Top Pick	our best investment ideas, the greatest potential value appreciation
Buy	expected to outperform its peer group
Market Perform	expected to perform with its peer group
Reduce	expected to underperform its peer group

Our ratings may be followed by "(S)" which denotes that the investment is *speculative* and has a higher degree of risk associated with it.

Additionally, our target prices are set based on a 12-month investment horizon.

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