

## MARKET SNAPSHOT

INDEX	Close	% Change	COMMODITIES	Close	% Change
S&P 500	1051.87	-1.45%	Gold – London AM (US\$/oz) *	1237.50	1.60%
S&P/TSX Composite	11557.35	-1.38%	Silver – London AM (US\$/oz) *	18.63	4.19%
S&P/TSX Venture	1456.85	-1.25%	Crude Oil – WTI (US\$/bbl)	71.2	-2.06%
Dow Jones	10040.45	-1.32%	Crude Oil – Brent (US\$/bbl)	71.51	-1.81%
NASDAQ	2123.76	-1.66%	Natural gas –AECO (C\$/GJ)	3.1	2.31%
Canadian Dollar	0.9421	-0.87%	Henry Hub (US\$/Mmbtu)	4.07	-1.21%

\* Priced as of this morning

## COMPANIES UNDER COVERAGE

**AEROQUEST INTERNATIONAL (AQL:TSX, \$0.57) Mkt. Cap \$21.5M**  
**Strong Buy, Target \$1.00, Potential ROR 75%**

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### *Aeroquest Signs Marketing and Operations Agreement with Spectrem Air*

- Yesterday Aeroquest announced that it has entered into an agreement with Spectrem Air, a subsidiary of Anglo American. Aeroquest and Spectrem will perform surveys using the Spectrem2000 system across North and South America, Australia and South East Asia. Previously, the Spectrem2000 was flown almost exclusively for Anglo.
- The Spectrem2000 system is a fixed-wing, time domain electromagnetic (TDEM) system that complements Aeroquest's AeroTEM helicopter-based TDEM technology. The Spectrem2000 has superior depth of penetration to many airborne EM systems and is ideal for larger, regional surveys, where helicopter surveys may be prohibitively expensive. Under the terms of the agreement, Aeroquest will manage marketing, sales, contracting and other services, while Spectrem will manage and operate the Spectrem2000 system as well as provide in-field logistics, supply and technology support.
- We view this news favourably as it provides an opportunity for future incremental revenue. However, with only one Spectrum2000 system currently available we believe the potential sales lift for Aeroquest in the near-term is small. The company continues to maintain a cautious but optimistic view on its consolidated outlook going forward. We expect that Aeroquest will report a strong Q4FY2010 (September 30th) reflecting the recent strength in backlog.
- We continue to recommend the stock with a STRONG BUY rating and a \$1.00 target price. We believe that Aeroquest remains well positioned to demonstrate strong operational improvement with the stabilization of the global economy and a return of exploration spending. Our target values the company at a 3.8x EV/EBITDA multiple against our 2011 projections. The shares currently trade at a large discount to net book value (\$1.05/share) and have downside support from tangible book value (\$0.39/share). The company has \$0.15/share in cash with no long-term debt.

**Update Post Financing and Q2 Results**

- On August 24, 2010, BioExx announced the closing of a \$30 million bought-deal financing. A week earlier, the company released its Q2FY2010 financial results. Coming off restriction, we are updating our forecasts following these recent events.
- In Q2FY2010, BXI reported a \$0.02 loss per share which was in-line with expectations albeit with lower than expected revenue. The shortfall in revenue was primarily the result of lower processing volumes as the company made the prudent choice to limit production in light of weak crush margins and focus on the extraction and protein installation and commissioning activities. We view these results as largely inconsequential as the key value driver is achieving commercial production and sale of protein isolates over the near-term.
- At June 30, 2010, BXI had \$8.5 million in cash (including restricted). The just-completed \$30 million bought-deal financing adds another \$28 million (net) which we believe is more than sufficient to bring the Saskatoon plant up to full protein producing capacity plus providing a surplus to fund a second plant to be located in Minot, North Dakota. Our forecasts assume that BXI will raise an additional \$30 million of equity before the end of next year to help finance the Minot facility with debt and cash flow from operations funding the difference.
- As the financial results and financing were fairly consistent with our view, there is little change in our medium and long-term outlook. Accordingly, we are maintaining our STRONG BUY rating and our \$3.00 target price. We remain very encouraged by the company's initial success in producing commercial-scale protein isolates at better than expected purity levels (as announced on August 9, 2010). Over the next couple of months we believe BioExx will succeed in getting the Saskatoon plant fully up and running across all three phases (crushing, extraction, protein) and will be en route to achieving commercial sales and positive cash flow for the fourth quarter of this year. We continue to see a longer term share price prospect of \$5.00 to \$10.00 as the company further executes its business plan.

**Note Published August 24, 2010**

**Energold to Report Q2 Financial Results**

- On August 26 after market close, we expect Energold to announce its Q2FY2010 financial results. We highlight our forecasts along with consensus and the previous year's comparison in the table below.

	Q2FY2010E	Q2FY2010C*	Q2FY2009A
Revenue	\$12.9	\$12.7	\$6.3
EBITDA	\$1.7	\$1.8	\$1.7
EPS	\$0.03	\$0.03	(\$0.01)

\* Consensus figures from Bloomberg

- Recall, the company provided an operational update on July 27, 2010, which highlighted a company record of 86,000 metres drilled during the second quarter representing a 58% increase over Q1FY2010 and 131% over Q2FY2009. The previous record of metres drilled in any quarter was 73,400. Mexico remains the most active region however a significant portion continues to be "brownfield exploration" thus highlighting the competitiveness of Energold's drilling techniques in traditional markets. At the end of Q2 Energold had 94 rigs with one under construction.
- With the momentum gained in drilling activity, we are looking to see significant improvement in margins over the previous quarter's 14.7% as rig utilization rates have increased and as rig remobilization efforts have moderated. Increased volume along with a turnaround in margins should produce better bottom-line performance. Our forecasts call for EPS improving from a \$0.06 loss in FY2009 to positive \$0.08 in FY2010 and \$0.25 in FY2011.
- Our \$3.00 target values the shares at a 12x P/E multiple on FY2011 earnings and a more conservative 10x multiple once adjusting for Energold's cash balance (\$0.47/share). Notably, the company has downside protection offered by its tangible book value now at \$1.72. Energold has a strong balance sheet with working capital of \$44.7 million and cash equivalents of \$12.8 million (\$16.4 million including restricted cash and short-term investments).

**WiLAN (WIN:TSX, \$3.17) Mkt. Cap \$323M**  
**Strong Buy, Target \$4.25, Potential ROR 34%**

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### ***WiLAN a Must Buy at Current Levels***

The current bearish markets have seen WIN trading back near \$3.00. We remind investors of the following:

- The stock has very little correlation with the overall market and should trade on company specific news.
- WIN has two major litigation cases on 17 bellwether tech companies in the Texas courts. The recent Markman hearing has been ruled in favour of the company. The same judge will preside over the trial in January 2011.
- By default, both cases will go to trial by January 4, 2011 if no settlements occur between now and December 2010.
- Given the risk of possible sales injunctions on defendants, approximately 95% of the cases are settled out of court.
- WIN charges reasonable license fees so counterparties don't have a financially compelling case to go for a trial.
- The Markman win has strengthened the company's hand. We are in the "active settlements" period with a short fuse between now and December. We expect to see increased momentum in September on the return from holidays.
- Using a recent Australian case with strikingly similar counterparties, as a proxy, our conservative estimate puts the settlement windfall (if all parties settle) in the \$500-700 million range. That is \$5-7/share.
- Despite significantly stepped up litigation expenses of \$22 million/year; the company has been cash flow positive. We have estimated FY2010 pro forma earnings of \$0.11/share. In FY2011, WIN continues to grow at a 30% CAGR organically, and litigation expenses fall back to the base levels of \$7 million, pushing the FY2011 earnings to \$0.37/share. At these levels, WIN is trading at 8.6X FY2011 pro-forma earnings. Imputing nearly \$100 million in cash, the stock trades at less than 6X our FY2011 EV/pro-forma earnings. These multiples are on a base model or a 'backstop valuation' basis and the litigation windfall is only an option to get to a multiple of the current share price in less than 6 months.
- We have rarely seen valuations on any stock at such low levels. We reiterate our Strong Buy rating and \$4.25 target.

### **Note to Follow**

**PETROMINERALES (PMG:TSX, \$24.75) Mkt. Cap \$2,463M**  
**Strong Buy, Target \$40.00, Potential ROR 62%**

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### ***Petrominerales Confirms Order for Shares and Bonds of InterOil***

- This morning Petrominerales announced in connection with the private placement of equity and bonds announced on August 23, 2010 by InterOil Exploration and Production, Petrominerales has placed an order for a minimum of 23.4 million shares and maximum of 28.125 million shares of InterOil at a price of NOK16 (representing an aggregate cost to Petrominerales of approximately US\$60 million to US\$72 million) and NOK310 million (US\$49 million) principal amount of bonds of InterOil.
- The order by Petrominerales is for the entire offering of InterOil shares (US\$72 million), and is subject to Petrominerales being allocated sufficient InterOil shares such that Petrominerales will attain a minimum shareholding of 50.1% of InterOil's outstanding shares post closing of the Private Placement.
- The order placed by Petrominerales for InterOil bonds is for NOK310 million principal amount of bonds (US\$49 million), subject to receiving a minimum allocation of NOK275 million (US\$44 million) principal amount of bonds and subject to Petrominerales receiving the minimum allocation of InterOil shares.
- Petrominerales currently holds 1,696,367 InterOil shares (7.8% of the currently outstanding InterOil shares). If Petrominerales is successful in obtaining allocation of the minimum order under the Private Placement, Petrominerales will hold greater than 50.1% of the outstanding InterOil shares and will make an offer for the remaining outstanding InterOil shares at the Private Placement price in accordance with Norwegian laws.
- With Petrominerales' recent US\$550 million convertible debenture financing, the company is well funded to acquire InterOil. We continue to rate the shares a STRONG BUY with a \$40 target.

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**AND THROUGH: CAPITAL IQ/THOMSON REUTERS/FACTSET/THEMARKETS.COM**

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