

Fundamental Research Corp.

Investment Analysis for Intelligent Investors

August 9, 2017

Skyharbour Resources Ltd. (TSXV: SYH / OTCQB: SYHBF / Frankfurt: SC1P) - Initiating Coverage: Building a Strong Portfolio of Uranium Assets

Sector/Industry: Junior Resource

www.skyharbourltd.com

Market Data (as of August 8, 2017)

Current Price	C\$0.49
Fair Value	C\$1.01
Rating*	BUY
Risk*	5 (Highly Spec)
52 Week Range	C\$0.24 - C\$0.70
Shares O/S	53,679,176
Market Cap	C\$26.30 mm
Current Yield	N/A
P/E (forward)	N/A
P/B	3.9x
YoY Return	36.1%
YoY TSXV	-7.0%

*see back of report for rating and risk definitions.

* All figures in C\$ unless otherwise specified.



Investment Highlights

- Skyharbour Resources (“company”, “SYH”) is advancing a portfolio of five uranium projects in the prolific Athabasca Basin in Saskatchewan, Canada. All five projects are located close to world-class uranium deposits and mines.
- Denison Mines Corp. (TSX: DML) holds 10% of the shares of Skyharbour. Denison’s CEO, David Cates, is a Director of SYH. The company has attracted a high-profile board and advisory team.
- A 15 hole drill program on its flagship Moore Uranium project, returned highly positive results. Of the 15 holes, 13 were mineralized, and seven had high grade mineralization over 1.0% U3O8, including 20.8% U3O8 over 1.5 m within 6.0% U3O8 over 5.9 m. A new discovery zone returned 9.12% U3O8 over 1.4 m within 4.17% over 4.5m. We believe the presence of shallow / high-grade uranium mineralization makes this project exciting.
- The company recently optioned out its Preston project to AREVA (ENXTPA:AREVA) and Azincourt Uranium (TSXV:AAZ). The two deals will see a total of up to \$11.50 million (\$9.8 million in exploration and \$1.7 million in cash) spent on the project and SYH received 2.25 million shares of Azincourt.
- SYH’s Falcon Point project has a NI43-101 compliant inferred resource estimate of 10.34 Mt at 0.03% U3O8 for 6.96 Mlbs, and 0.02% ThO2 for 5.34 Mlbs.
- The company is in a good position with \$3.7 million in the treasury, and can raise up to \$8.3 million if all the options and warrants, that are currently in the money, are exercised.
- We are initiating coverage with a BUY rating and a fair value estimate of \$1.01 per share.

Risks

- Although we have a positive long-term outlook, a recovery in uranium prices may take longer than expected.
- The company’s ability to advance its projects depends heavily on uranium prices.
- Exploration and development risks.
- The flagship project has yet to have a NI43-101 compliant resource estimate.
- SYH will be required to raise capital for exploration and development, so investors will be exposed to risks of share dilution.

Key Financial Data (FYE - Mar 31)

(C\$)	2016	2017
Cash	\$139,074	\$2,201,428
Working Capital	\$134,579	\$1,799,238
Mineral Assets	\$1,883,312	\$4,913,970
Total Assets	\$2,043,753	\$7,400,297
Net Income (Loss)	-\$584,237	-\$1,455,614
EPS	-\$0.03	-\$0.04

*Current cash position - \$3.7 million

Overview

Skyharbour Resources holds a portfolio of five uranium projects, covering approximately 200,000 hectares, in the prolific Athabasca Basin in Saskatchewan, Canada. Management's mandate is to build a portfolio of high quality projects, advance these projects through exploration, forge strategic partnerships with companies who can advance non-core projects, and position the company as an attractive acquisition target.

Skyharbour was incorporated in 1969 as a junior resource company. Subsequently, the company underwent management and name changes several times. The current Chairman, Jim Pettit, and Director, Don Huston, took control of the company in the late 1990s.

The company's focus was on precious metal projects until 2013, when management decided to move into the uranium space. Jordan Trimble was appointed as the new President and CEO at this time. Both Jim Pettit and Jordan Trimble were involved with Bayfield Ventures as the Chairman/CEO, and Corporate Development Manager, respectively. Bayfield was acquired by New Gold (TSX: NGD) in 2014. Bayfield had held a gold/silver project near New Gold's Rainy River project in Ontario.

The company's flagship project is the Moore uranium project. SYH entered into an option agreement in 2016 to acquire a 100% interest in the project from Denison Mines. Denison acquired this project through its acquisition of JNR Resources in 2013. JNR's CEO, Rick Kusmirski, P.Geo, M.Sc., is currently SYH's Head Geologist. Denison Mines holds 10% of the shares of Skyharbour.

SYH has attracted high-profile members to its board and advisory team, including:

- **David Cates**, President and CEO of Denison Mines and Uranium Participation Corp (TSX: U), is a Director.
- **Paul Matysek** is a member of the Advisory Board. He ran Energy Metals Corporation, Potash One Inc., Goldrock Mines Corp., and Lithium One Inc. Paul was able to successfully sell each of these companies, the largest transaction being Energy Metals, which he took from a \$10 million market capitalization in 2004, and sold to Uranium One in 2007 for \$1.8 billion.

In addition to the high-grade uranium discovery potential at the flagship Moore project, Skyharbour is employing the prospect generator model, bringing in strategic partners to fund exploration at the other projects. The recent deal with AREVA is a good example of this. **The strong board with Denison's backing, and the partnership with AREVA, we believe, is a vote of confidence for Skyharbour.**

The following map shows the locations of SYH's five projects.



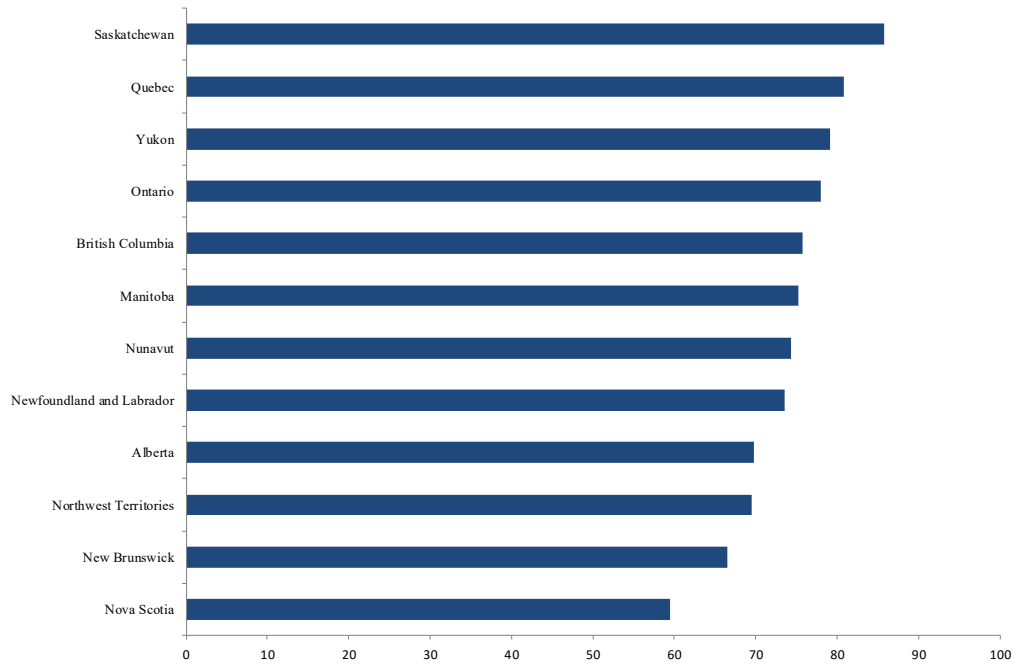
Source: Company

Athabasca Basin, Saskatchewan

The 85,000 km² Athabasca Basin in northern Saskatchewan, and northeastern Alberta, is the most significant uranium metallogenic district in Canada. It is currently the only location in the world to host very high-grade uranium deposits. The basin hosts all of Canada’s currently producing uranium mines, which account for over 15% of global production. There are several world class deposits within the Athabasca Basin, including Cameco’s (TSX:CCO) McArthur River (reserves of 337 Mlbs at 11% U₃O₈) and Cigar Lake (reserves of 222 Mlbs at 17% U₃O₈), as well as NexGen Energy and Fission Uranium’s high grade uranium deposits in the southwest portion of the Basin.

The 2016 Fraser Institute Survey of Mining Companies ranked Saskatchewan the world’s best mining jurisdiction, for investment attractiveness, out of 104 jurisdictions around the world. The ranking was based on a combination of geologic attractiveness and policy attractiveness.

Investment Attractiveness Index - Canada

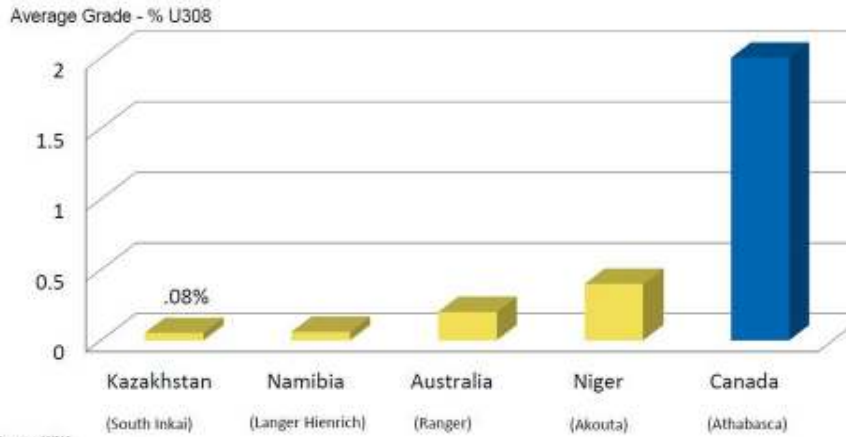


Source: Fraser Institute

All of Canada’s uranium production currently is from unconformity-related deposits, all of which are in the Athabasca Basin, Saskatchewan.

Unconformity-type uranium deposits are associated with geologic unconformities. An unconformity is simply a gap in the geologic record, where geologic activity has moved metamorphosed basement rocks with the overlying rocks being deposited horizontally. In the Athabasca Basin, the unconformity is the contact between the eroded metamorphosed basement rocks and the overlying sandstone units. **Most uranium deposits in the Athabasca Basin have been found within several hundred meters of the unconformity contact.** This includes the world’s two largest high-grade uranium mines: Cameco’s Cigar Lake Mine and the McArthur River Mine. However, more recently, many companies have begun exploring deeper below the unconformity or outside of the basin sandstone cover, in the basement rock, and a number of world class discoveries have been found. Examples of basement hosted deposits are NexGen Energy’s (TSXV: NXE) Arrow deposit, Fission Uranium’s (TSX: FCU) Patterson Lake South deposit and Denison Mines’ Gryphon deposit at its Wheeler River project.

The following chart shows the average grade in Canada versus other leading uranium producing countries.



Source: WNA

Source: Company

The Athabasca basin has had significant success in recent years:

- The Arrow deposit discovered by NexGen Energy
- The Patterson Lake South discovery (Triple R deposit) by Fission Uranium
- The J-Zone discovery by Fission Uranium and KEPCO
- Cameco / AREVA / Purepoint Uranium's Hook Lake Spitfire Zone high-grade discovery
- Hathor's discovery at the Roughrider project which hosts indicated resources of 17.2M lbs U3O8 at 1.98% U3O8, and inferred resources of 40.7M lbs U3O8 at 11.2% U3O8. Hathor was acquired by Rio Tinto in 2012 for \$578 million.
- Denison Mines' Wheeler River project holds the Phoenix and Gryphon Deposits – the Phoenix deposit holds indicated resources of 70.2M lbs U3O8 at 19.1% U3O8, and the Gryphon deposit holds inferred resources of 43M lbs U3O8 at 2.3% U3O8

Moore Uranium

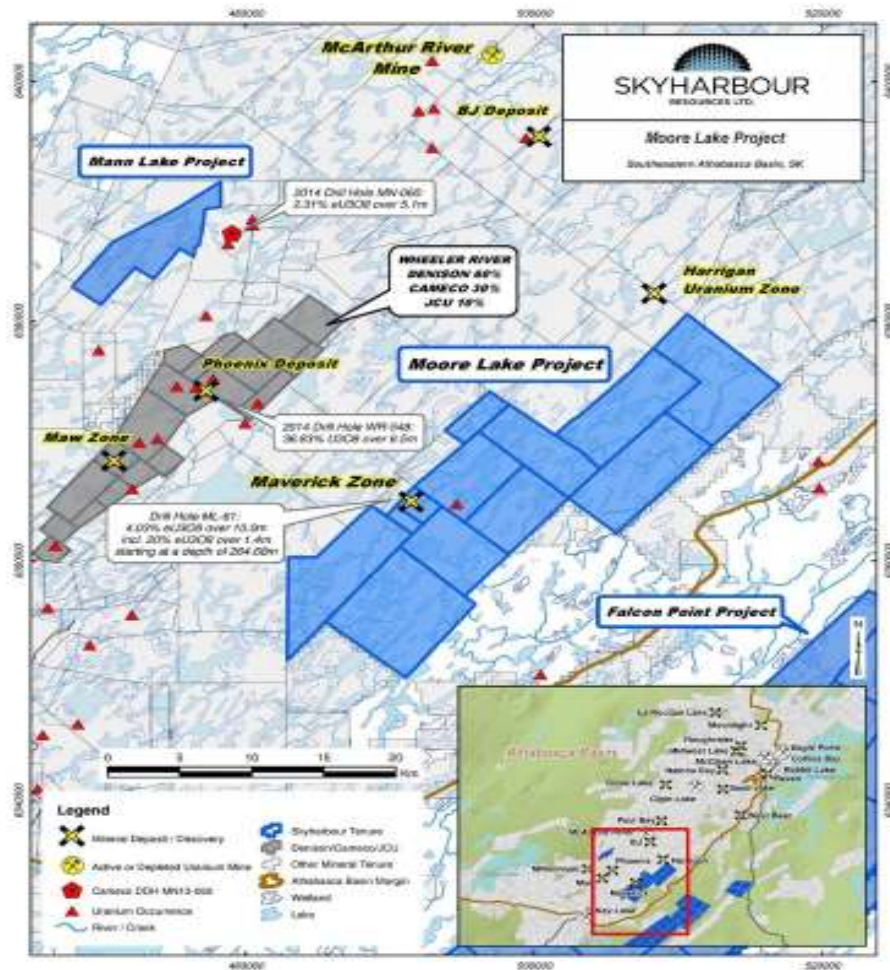
The following section presents details of SYH's projects.

Ownership

In June 2016, Skyharbour entered into an agreement with Denison Mines to acquire a 100% interest in the 35,705 hectare (12 contiguous claims) Moore Uranium project. The property is subject to a 2.5% NSR royalty. **The acquisition price was 4.5 million shares, \$0.5 million in cash (paid over 5 years - \$0.2 million already paid), and \$3.5 million in exploration expenditures over five years (\$1.5 million already incurred).** Denison has the option to repurchase a 51% interest in the property for approx. 2.5 times Skyharbour's exploration expenditures on the property. Skyharbour is the operator of the Moore project.

Location

The project is located in the southeastern portion of the Athabasca Basin, 42 km northeast of the Key Lake mill, 15 km east of the Wheeler River project, and 39 km south of the McArthur River mine. It is accessible via ice roads from the McArthur River mine road, and float or ski-equipped aircraft. Grid power is available in the area.



Source: Company

History and Geology

The main deposit type that is being explored for are unconformity related, structurally controlled deposits similar to Cameco’s McArthur River, Cigar Lake and Key Lake Deposits.

The property has been the subject of extensive historical exploration (over \$35 million spent to date), including over 380 holes / 140,000 m of drilling. Historically, most of the drilling at Moore has focused on testing unconformity targets, but there is robust discovery potential in the basement rock below the unconformity as exemplified by other recent discoveries in the basin.

The area has had over 50 years of intermitted uranium exploratory work. Several known players were involved, including NORANDA, AGIP, BRINEX, Gulf Minerals and Interuranium Canada Ltd.

JNR Resources Inc., led by Skyharbour’s Head Geologist Rick Kusmirski, discovered high-grade / unconformity hosted uranium mineralization at the Maverick zone on the

property in 2001. The best results were:

- 4.03% U3O8 over 10 m, including 20% U3O8 over 1.4 m,
- 5.14% U3O8 over 6.2 m, and
- 4.01% U3O8 over 4.7 m

In 2003, JNR optioned the property to International Uranium Corporation (IUC-Denison Mines). The option arrangement resulted in the following:

- Geophysical programs and 322 diamond drill holes totaling 119,697 m
- Delineated the main Maverick structural trend to a strike length of over 4 km, with 7 to 15 m wide mineralized lenses, and approximately 60 and 150 m long
- Confirmed the Main Maverick zone to be high grade with a best result of 4.03% eU3O8 over 10 m, including 19.96% U3O8 over 1.4 m.

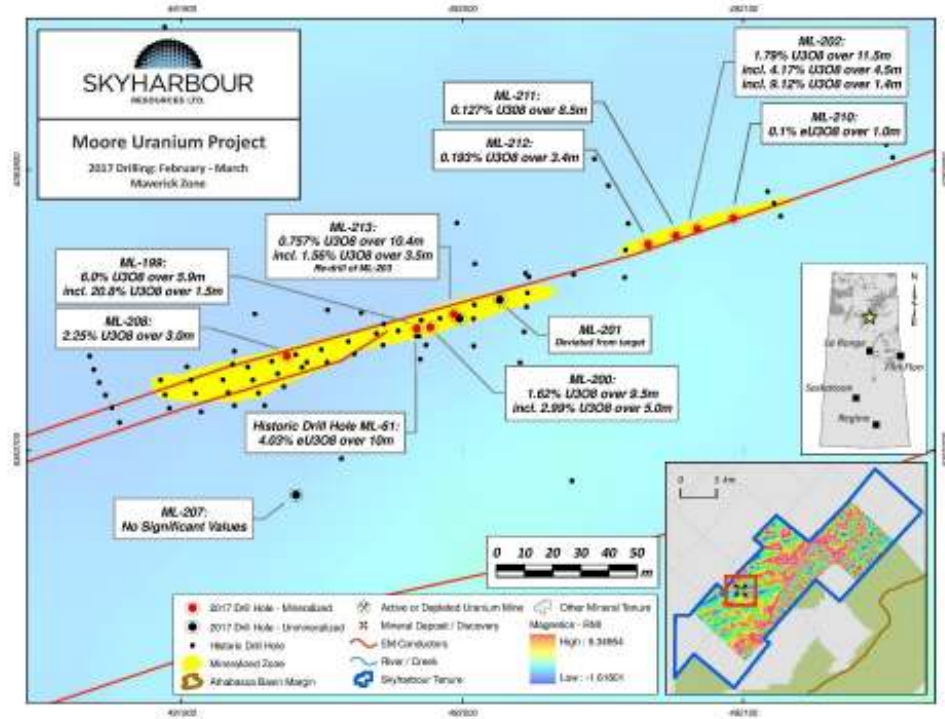
In February 2013, Denison Mines acquired JNR and became a 100% owner of the property.

Skyharbour's Work

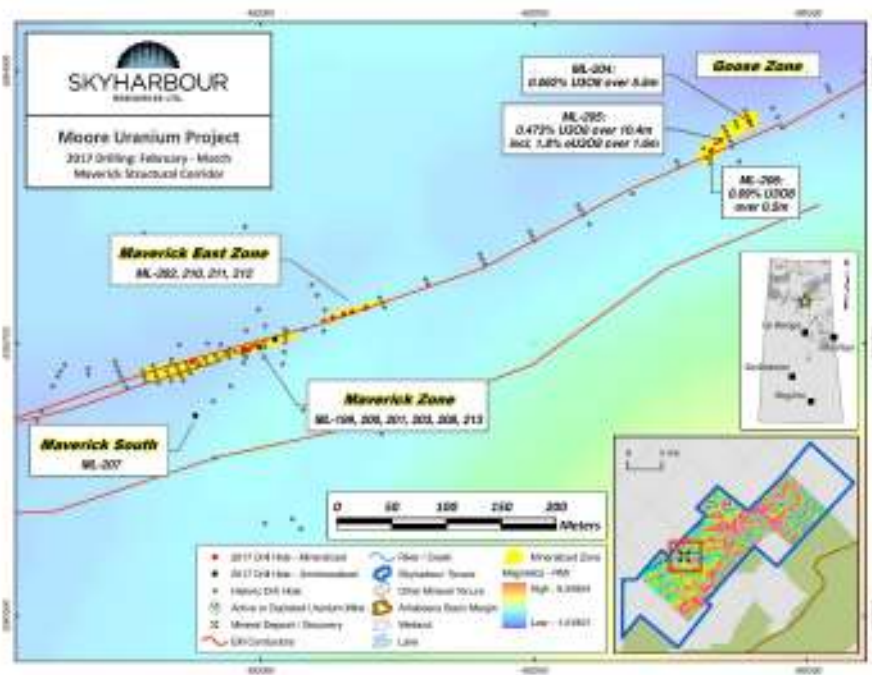
Since taking over the project, Skyharbour completed a 15 hole / 5,450 m drill program during the winter and spring of 2017, focused on the Maverick structural corridor. The holes were drilled to 200 – 350 m depth, except for one hole which was drilled to 468 m. Of the 15 holes drilled, 13 were mineralized, and seven had high grade mineralization over 1.0% U3O8. The high-grade mineralization at the unconformity is relatively shallow ranging from 250 m to 275 m vertical depth.

The best results are highlighted below:

- **ML-199**
6.0% U3O8 over 5.9 m, including 20.8% U3O8 over 1.5 m
- **ML-200**
2.99% U3O8 over 5.0 m, including 5.29% U3O8 over 2.5 m
- **ML-202**
4.17% U3O8 over 4.5 m, including 9.12% U3O8 over 1.4 m, which represents the discovery of a new high grade lens on the Maverick corridor
- **ML-208**
2.25% U3O8 over 3.0 m



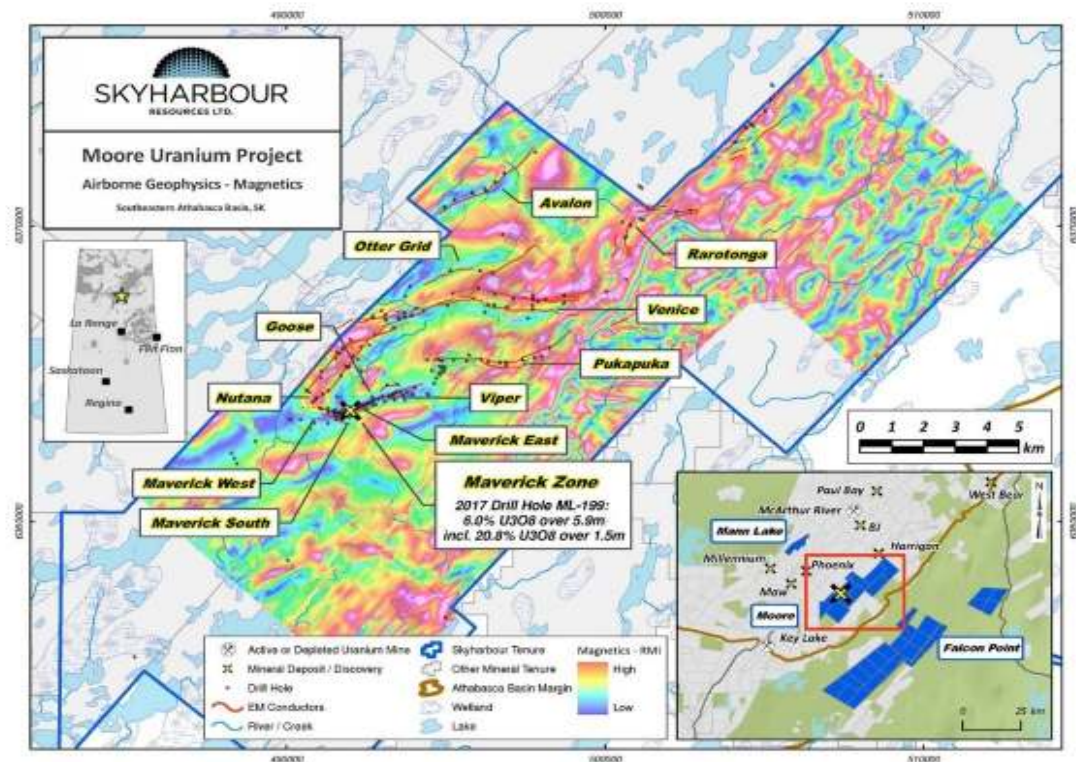
Source: Company



Source: Company

The following points highlight why we believe the project has promise:

- The presence of shallow / high-grade uranium mineralization in seven of the 15 holes is very encouraging.
- The Maverick corridor is over 4 km long, but only 1.5 km has been systematically drilled.
- In addition to Maverick, there are ten other drill targets on the project in which historical drilling has discovered uranium mineralization. These targets include the Nutana, West Venice, Venice (combined they form a 10 km long lithostructural trend), Esker, Puka Puka-MLE, Avalon, Rarotonga and Vollhoffer.



Source: Company

Future Exploration and Development Plan

Skyharbour has multiple diamond drill programs planned for Moore:

- August 2017 - plans for a summer drill program (fully funded and permitted)
- Winter 2018 - plans for a winter drill program (also fully funded)

Skyharbour is working towards an initial resource estimate on the project which it expects to have in 2018/2019.

Ownership and Location

The 74,965 hectare project (23 contiguous mineral claims) is located in northwestern Saskatchewan, 90 km north of the town of LaLoche, 30 km south of Fission Uranium's Patterson Lake South Triple R deposit, and 35km from NexGen Energy's Arrow uranium deposit. The property is accessible by various trails and roads, as well as by float and wheel equipped fixed wing aircraft and helicopter.

Skyharbour Resources and Clean Commodities Corp. (TSXV: CLE / previous name: Athabasca Nuclear Corporation) hold a 50:50 interest in the property.

The project had very limited exploratory work until 2013.

In 2013, Skyharbour and three other option partners (Noka Resources Inc., Rojo Resources, and Clean Commodities) conducted airborne EM-Magnetic and radiometric surveys, as well as extensive ground geochemical and radon surveys.

In 2014, a 9 hole / 1,571 m drill program was conducted on 4 target areas.

In 2015, a 5 hole / 1,318 m drill program was conducted.

Several holes were drilled at the Swoosh target, several holes at the Canoe Lake target, and several more at the FSA, Fin and Clearwater targets, with the FSA and Canoe targets generating the best results. Like other properties in the region such as NexGen's Rook project and Fission's PLS project, Preston is prospective for basement hosted, structurally-controlled uranium deposits.

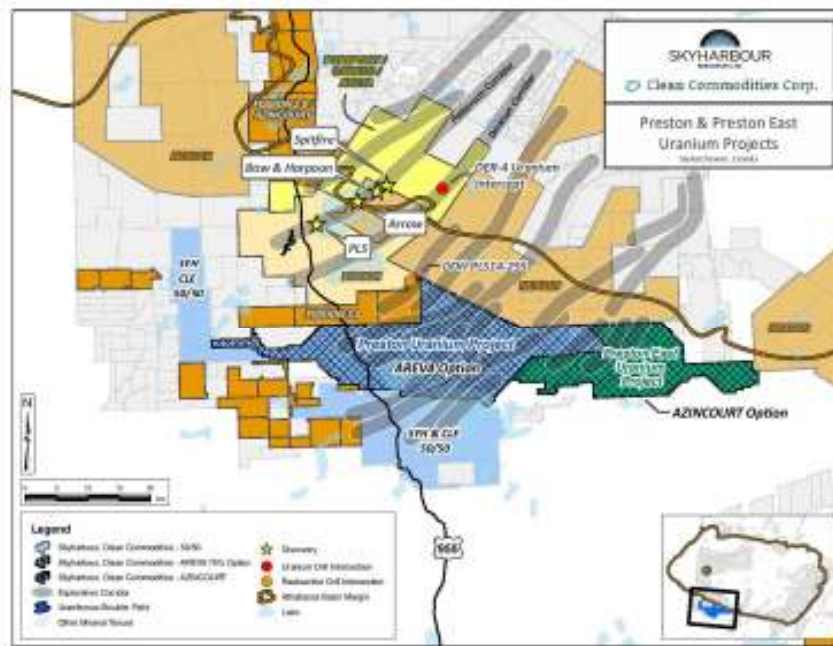
Skyharbour and its partners spent over \$4.70 million between 2013, and 2015, however, Rojo and Noka were unable to fund their option requirements resulting in Skyharbour and Clean Commodities retaining 50% each of the property.

In March 2017, Skyharbour and Clean Commodities signed two option agreements, wherein:

- **AREVA can earn up to a 70% interest** in the central portion of Preston totaling 49,635 hectares of the total 74,965 hectare project for **\$8 million in project consideration** over six years, including \$7.30 million in exploration expenditures and \$0.70 million in cash payments.
- **Azincourt Uranium can earn a 70% interest** in East Preston totaling 25,329 hectares of the total 74,965 hectare project for 4.50 million AAZ shares (issued upfront and split between SYH and CLE), and \$3.50 million in project consideration over three years, including \$2.50 million in exploration expenditures and \$1 million in cash payments.

The above two deals will see a total of up to \$11.50 million (\$9.8 million in exploration expenditures and \$1.7 million in cash payments) in total combined project consideration and SYH received 2.25 million shares of Azincourt. The resulting claims map is shown below:

Preston Uranium Project Claims Map



Source: Company

2017 Plans

In May 2017, Azincourt announced a \$0.25 million exploration program at East Preston, which will include re-logging and sampling of the seven diamond drill holes drilled in 2014, with additional ground electromagnetic survey work (HLEM). The program is expected to be completed by the fall of this year, followed by a drill program in the winter. AREVA is planning field work in the fall of 2017, followed by drilling in early 2018.

Skyharbour acquired Falcon Point from Denison Mines in 2014. Denison obtained this project through the acquisition of JNR.

The 72,050 hectare Falcon property (covering 18 contiguous claims) is located 55 km east of the Key Lake mine in northern Saskatchewan, and 580 km north of Saskatoon. The project is accessed by float or ski equipped aircraft or by winter road from Key Lake.

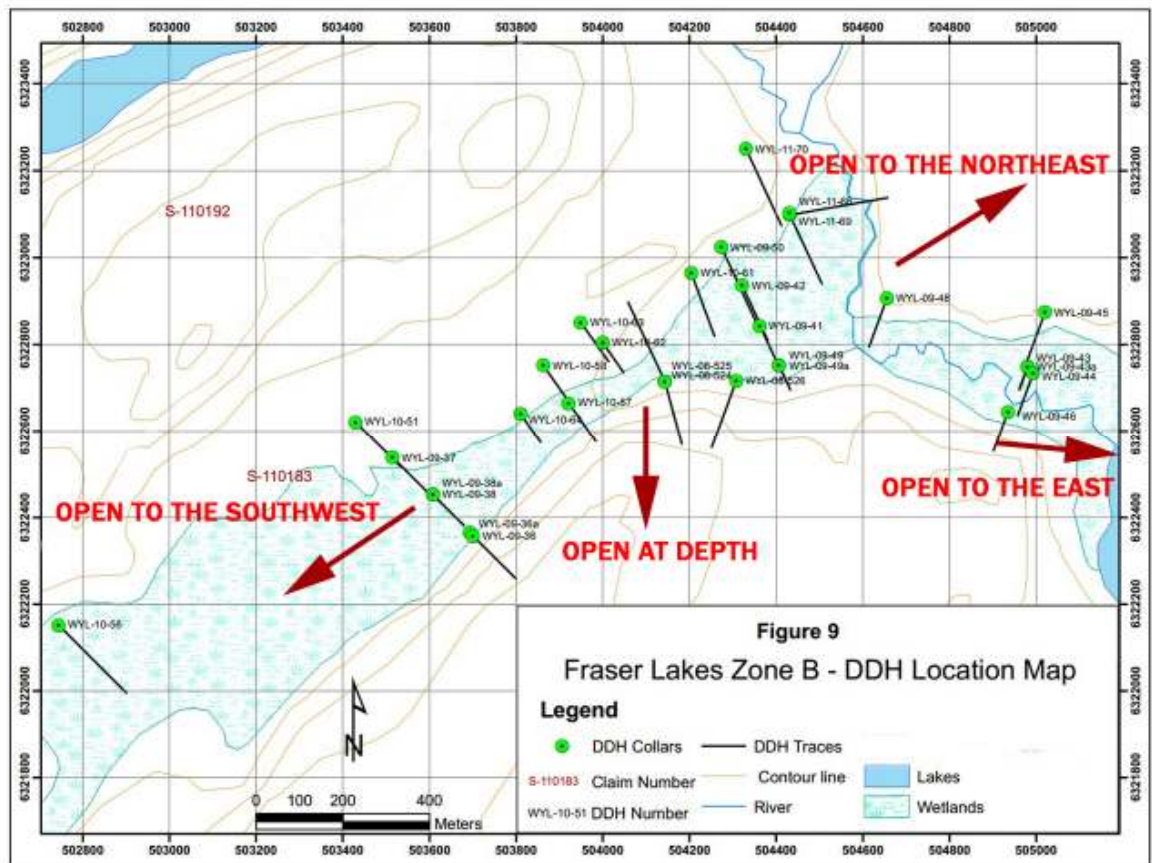
Historical exploration totals over \$15 million including previous drilling of over 22,000 m in 110 holes.

The Hook Lake target area hosts high grade uranium mineralization with grab samples returning up to 68% U₃O₈ in a massive pitchblende vein, the source of which has yet to be discovered.

Falcon

JNR explored the property between 2004, and 2011, targeting a low-grade / high-tonnage deposit at the Fraser Lakes target. Their work primarily included airborne and ground geophysics, diamond drilling, and ground based prospecting and geochemical sampling

The Fraser Lakes Zone B was discovered in 2008 through prospecting and drilling. This zone hosts a shallow, NI-43-101 inferred resource of 7 million pounds of U₃O₈ at 0.03% U₃O₈ and 5.3 million pounds of ThO₂ at an average grade of 0.023% ThO₂. The deposit is open along strike and at depth. Skyharbour carried out a drill program at the deposit area in 2015 and intersected higher grade uranium mineralization at depth, illustrating the resource expansion potential at the deposit. The style of uranium mineralization is referred to as 'Rössing type' mineralization, similar to the Rössing Mine operated by Rio Tinto in Namibia.



Source: Company

Resource Estimate

A NI43-101 compliant resource estimate at the Fraser Lakes Zone B was calculated by GeoVector in 2015. The estimate showed an inferred resource of 10.34 Mt at 0.03% U₃O₈ for 6.96 M lbs, and 0.02% ThO₂ for 5.34 M lbs.

Cut-off Grade	Tonnes	U3O8 (%)		ThO2 (%)	
		Grade	Lbs	Grade	Lbs
<0.01%	12,939,722	0.025	7,106,393	0.019	5,503,454
0.01%	10,354,926	0.030	6,960,681	0.023	5,339,219
0.02%	7,247,689	0.037	5,948,018	0.028	4,549,843
0.03%	4,248,266	0.046	4,275,145	0.034	3,164,930
0.04%	2,212,182	0.056	2,744,506	0.042	2,047,875
0.05%	1,030,273	0.069	1,576,073	0.047	1,058,855

Cut-off Grade	Tonnes	La2O3 (%)		Ce2O3 (%)		Yb2O3 (%)		Y2O3 (%)	
		Grade	Lbs	Grade	Lbs	Grade	Lbs	Grade	Lbs
<0.01%	12,939,722	0.003	749,376	0.005	808,513	0.001	329,845	0.006	1,734,571
0.01%	10,354,926	0.003	681,325	0.006	895,077	0.001	304,762	0.007	1,619,017
0.02%	7,247,689	0.003	478,275	0.006	749,829	0.002	248,278	0.008	1,295,283
0.03%	4,248,266	0.003	281,423	0.006	535,677	0.002	165,658	0.009	824,093
0.04%	2,212,182	0.003	147,628	0.005	323,996	0.002	107,082	0.011	512,639
0.05%	1,030,273	0.003	66,623	0.006	200,503	0.001	26,439	0.008	188,375

Source: Company

The estimate was based on 32 drill holes totaling 5,694 m drilled between 2008 and 2011. Zone B mineralization has a strike length of 1,400 m, and the mineralization ranges from 2 to 20 m in width, over a thickness of approximately 175 m.

Skyharbour Work

In 2015, Skyharbour completed a five hole drill program totaling 1,278 m. Four of the five holes intersected uranium and thorium mineralization. The best intersections included:

- 0.172% U3O8 and 0.112% ThO2 over 2.5 m
- 0.103% U3O8 and 0.062% ThO2 over 6.0 m, including 0.165% U3O8 and 0.112% ThO2 over 2.0 m

Subsequently, in October 2015, SYH identified the presence of high grade uranium mineralization with up to 68% U3O8 in a grab sample from a trench at the Hook Lake target, which is located approximately 35 km northeast of Zone B.

Plans for 2017

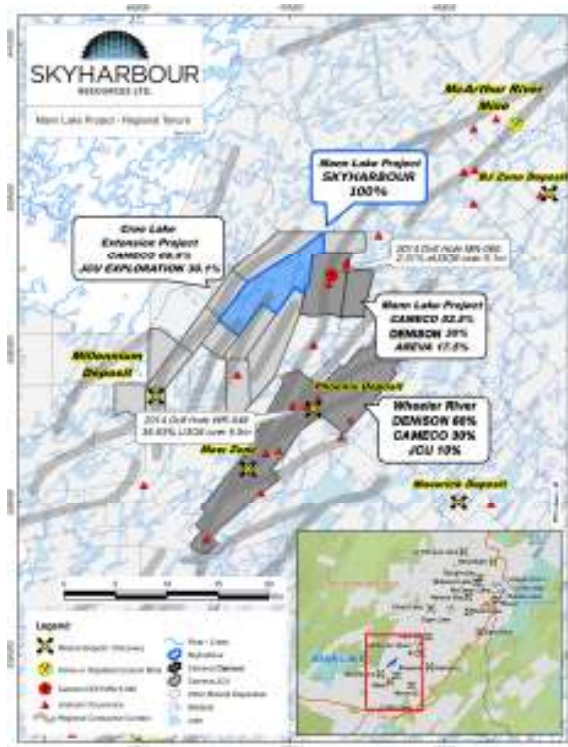
The company is actively looking for strategic partners to help advance the project. There are multiple high priority drill targets on the property including the Hook Lake target and the Fraser Lake Zone B deposit.

Skyharbour owns a 100% interest in the 3,473 hectare Mann Lake project. It is located approximately 25 km southwest of the McArthur River Mine, and 15 km to the northeast along strike of Cameco's Millennium uranium deposit. It is also adjacent to the Mann Lake Joint Venture operated by Cameco (52.5%), Denison Mines (30%) and AREVA (17.5%). Recently, Denison Mines acquired International Enxco, and its 30% interest on the project, after the 2014 winter drill program discovered high-grade, basement-hosted uranium mineralization.

The Mann Lake Uranium project has seen over \$3.5 million of previous exploration

Mann Lake

expenditures including recent geophysics and two diamond drill programs totaling 5,400 metres. Skyharbour conducted an EM survey in 2014, and several identified targets that are yet to be drill tested.



Source: Company

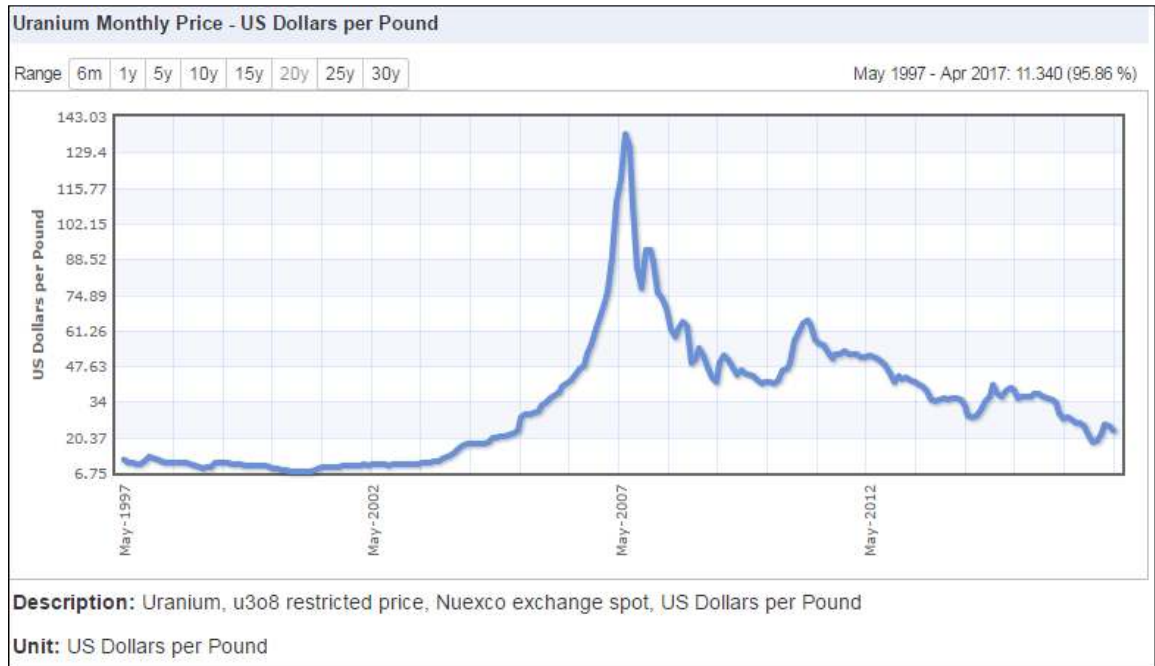
Yurchison

The 100% owned 12,660 hectare Yurchison property is located 70 km southeast of the McArthur River mine, and 35 km east of the Moore Lake property. It is considered to have potential for uranium mineralization and copper, zinc and molybdenum mineralization.

In 2008, a 13 hole / 2,902 m drill program was conducted targeting EM conductors and showings identified by a 2006 VTEM survey and surface exploration program. Two holes returned highly anomalous molybdenum (up to 3,750 ppm) and uranium values (up to 240 ppm). Prospecting near old trenches returned uranium (0.09% to 0.30% U3O8) and molybdenum (2,500 ppm to 6,400 ppm) mineralization.

Outlook on Uranium

Uranium prices (see chart below) are currently at US\$20.15/lb. Prices have been soft following the 2011 Fukushima nuclear disaster. Prices had hit an all-time high of US\$136/lb in June 2007.

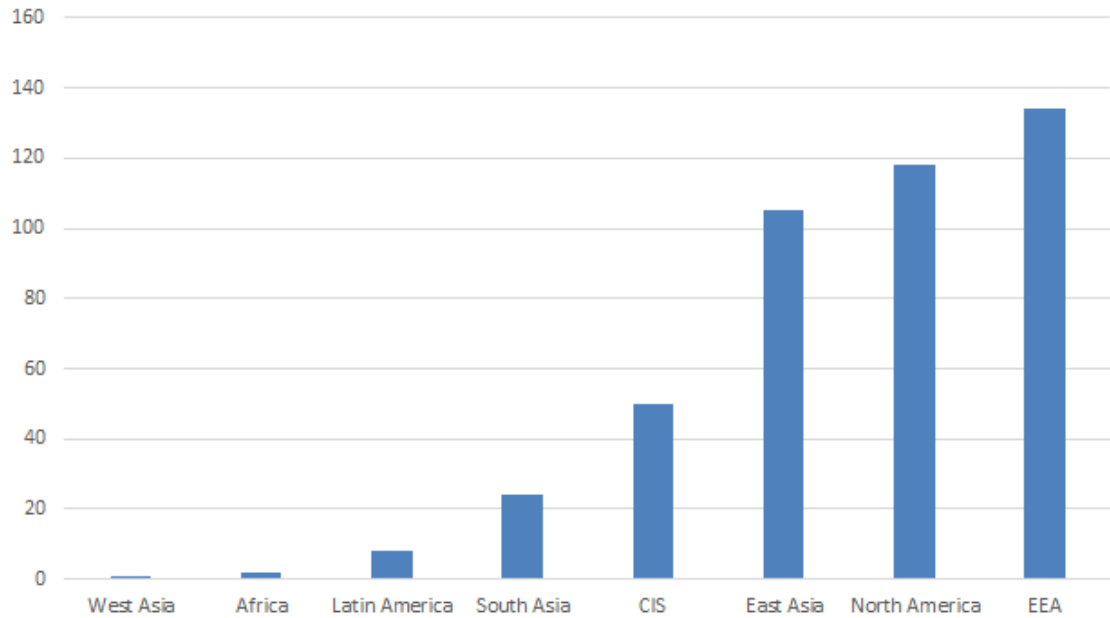


Source: <http://www.indexmundi.com>

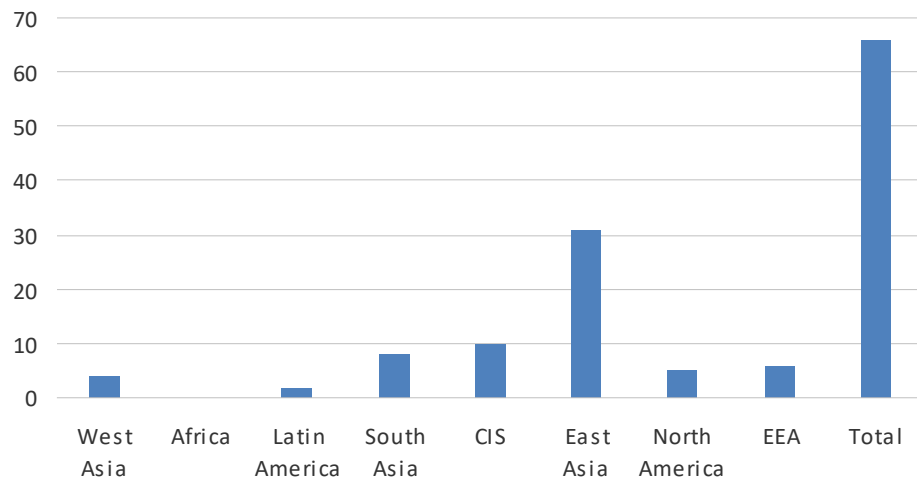
Demand: Over 90% of the use of uranium is its application for nuclear (or atomic) energy, which is a dependable and clean power source. Uranium is considered as the next alternative source of energy. There is also no direct substitute for uranium for nuclear power plants. In addition, although capital costs of nuclear power plants are high, nuclear plants tend to have lower operating costs per unit of electricity produced (compared to other plants), which makes them less dependent on uranium prices compared to plants run by fuels such as natural gas and coal.

Currently, there are 446 nuclear reactors operating requiring 75,000 tonnes of U3O8 per year. As of August 2017, the World Nuclear Association (WNA) estimates that 58 nuclear reactors are under construction, an additional 162 are planned, and 349 proposed.

Operating Nuclear Reactors



Under Construction



Source: WNA

The global annual demand is expected to grow to over 97,000 tonnes by 2035, an increase of 30% from current levels.

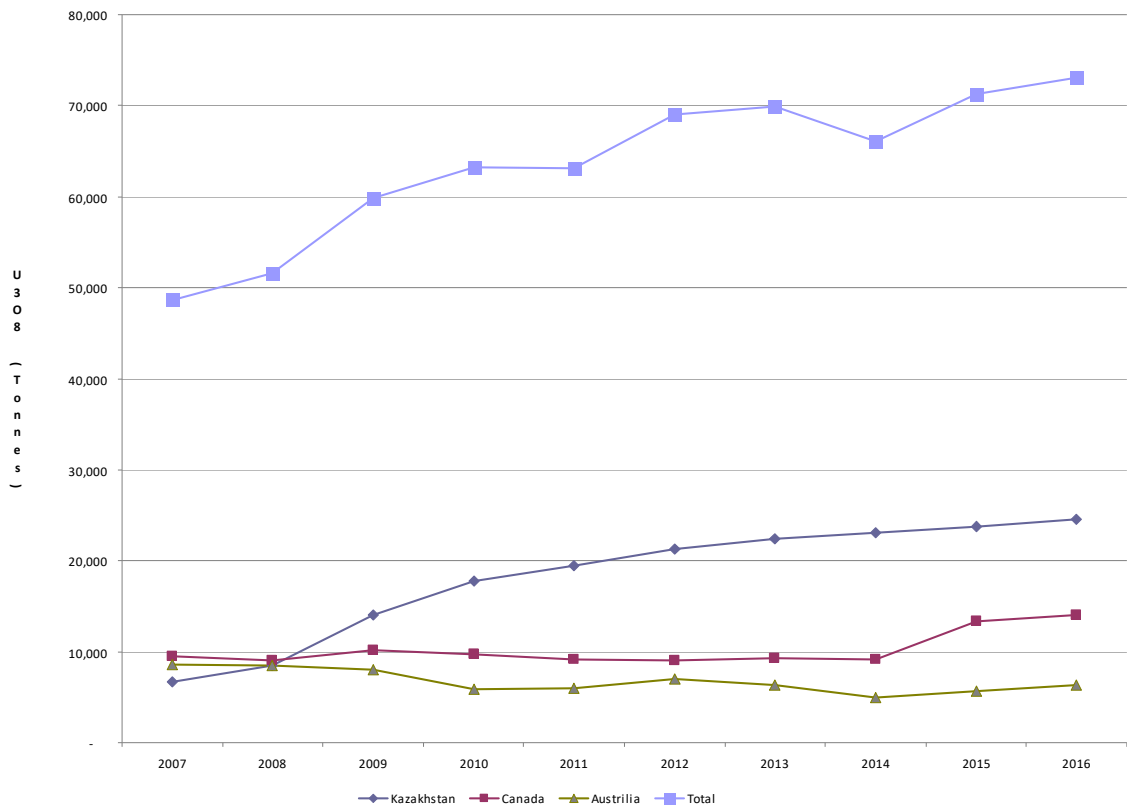
Year	# of reactors	Gwe	U308 Required (tonnes)
2016	445	390	75,000
2020	450	404	72,277
2025	452	490	90,042
2030	n/a	541	97,902
2035	n/a	538	97,157

Source: OECD and NEA

Supply

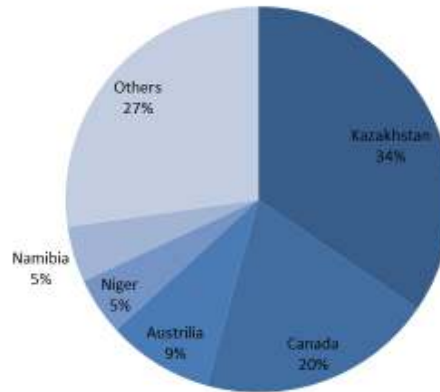
The table below shows uranium production history. Production has increased at 4.2% p.a. from 2007 (48,683 tonnes) to 2016 (73,130 tonnes)

Production of Uranium



Kazakhstan, Canada and Australia are the top three producers.

Top 5 Uranium Producing Countries (2016)



Source: USGS

The global identified uranium resource is shown below.

Figure 1.1. Global distribution of identified resources
(\leq USD 130/kgU as of 1 January 2015)



Source: OECD and NEA

The following table shows the recoverable global resource by cost of extraction. Low cost recoverable resources are just 0.65 Mt.

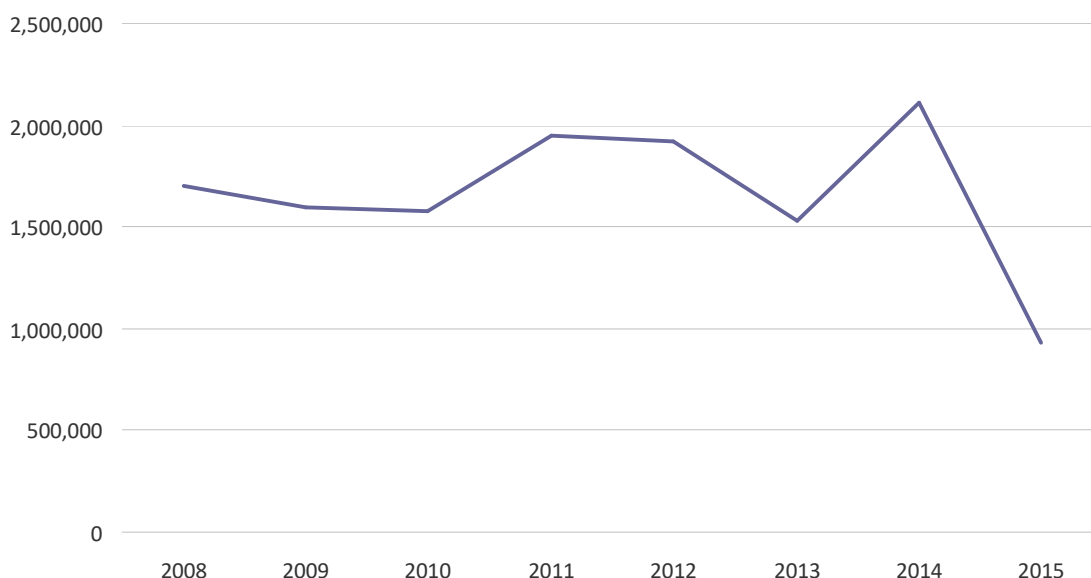
(as of 1 January 2015)

Identified resources	<USD 40/kgU	<USD 80/kgU	<USD 130/kgU	<USD 260/kgU
Total in situ (tU)	841 000	2 695 300	7 659 400	10 188 700
Total recoverable (tU)	646 900	2 124 700	5 718 400	7 641 600
Difference (tU)	194 100	570 600	1 941 000	2 547 100
% difference	30.0	26.9	33.9	33.3

Source: OECD and NEA

The soft uranium price environment has resulted in a significant decline in exploration spending.

Exploration Spending (\$, 000s)



Source: OECD and NEA

As a result, total identified uranium resources have increased by only 0.1% since 2013.

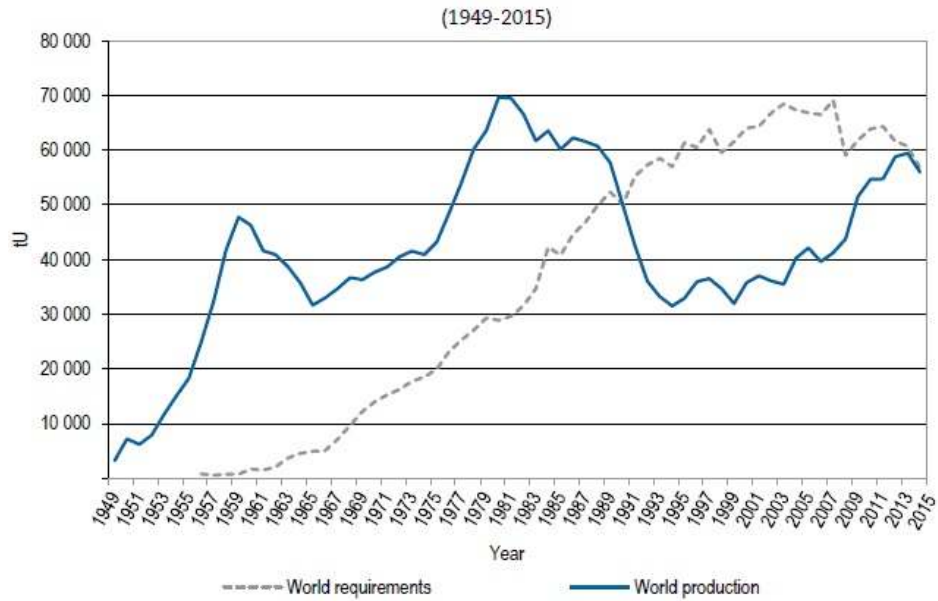
The following chart shows Cameco’s declining margins. The production cost was approximately US\$29/lb in Q1-2017 – significantly higher than the spot price of US\$24/lb in the quarter.

Margins	2014	2015	2016
GROSS	40.7%	36.7%	37.2%
EBITDA	30.4%	27.4%	28.2%
EBIT	16.2%	16.0%	2.5%

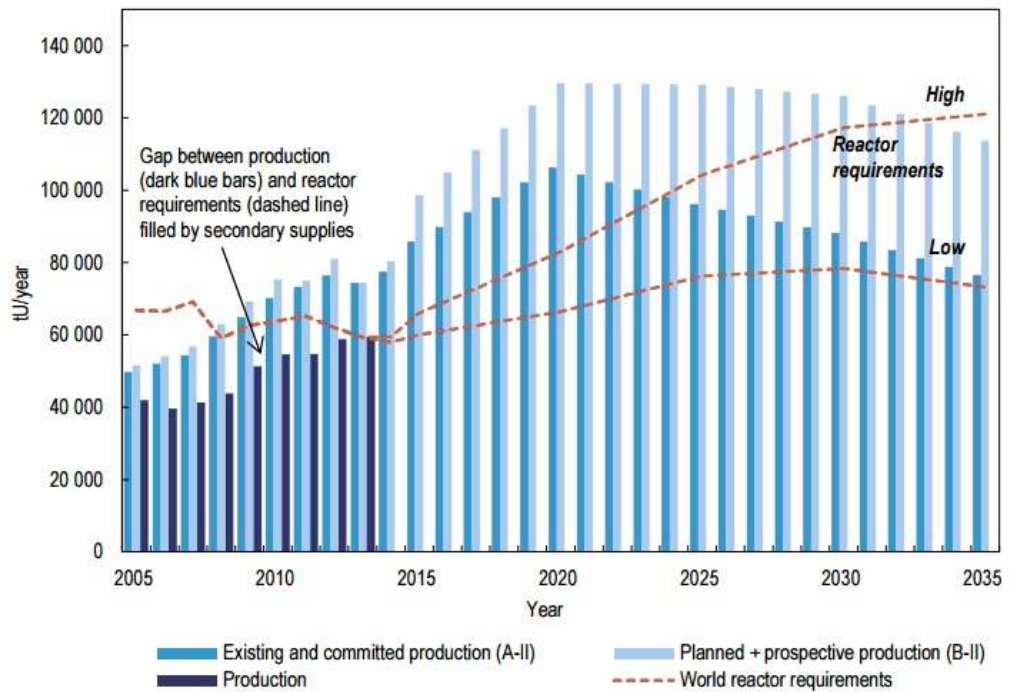
Source: Cameco’s Financial Statements

Global production and demand forecasts are shown below:

Uranium Production and Demand



Uranium Supply and Production Forecast



Source: OECD and NEA

Overall, we have a positive outlook on long-term uranium prices based on the following key factors:

Management

- Nuclear energy is a dependable and clean power source
- Rising demand for nuclear energy
- Expected increase in mining costs
- Uranium has no direct substitute for use in nuclear power plants
- A major concern regarding the supply of uranium is that it typically takes up to 10 years from discovery to production for a uranium mine.
- The current spot price is lower than the global average production costs.
- Uranium prices need to be at least US\$60/lb for projects that are currently in exploration/development stages to be economic.

Management, board members and insiders hold 9.81 million shares, or 18.3% of the total outstanding shares. Management and the board’s ownership is shown below. In addition, Denison Mines owns 5.4 million shares.

Management / Directors	Shares	% of Total
Jordan Trimble	743,000	1.4%
James G. Pettit	208,000	0.4%
Donald C. Huston	132,000	0.2%
Richard T. Kusmirski	488,000	0.9%
David D. Cates	140,000	0.3%
Total	1,711,000	3.2%

Brief biographies of the management team and board members, as provided by the company, follow:

Jordan Trimble, B.SC., CFA - Director, President and CEO

Jordan Trimble is the President and Chief Executive Officer of Skyharbour Resources. Mr. Trimble holds a Bachelor of Science Degree with a Minor in Commerce from UBC and he is a CFA® charterholder and serves as a director of the CFA Society Vancouver. He has worked in the resource industry in various roles with numerous TSX Venture listed companies specializing in corporate finance and strategy, shareholder communications, marketing, deal structuring and capital raising. Previous to Skyharbour, he managed the Corporate Development for Bayfield Ventures, a gold company with projects in Ontario which was acquired by New Gold (TSX: NGD). Mr. Trimble has an extensive network of institutional and retail investors as well as resource industry professionals bringing valuable relationships to the Company. He has appeared on BNN several times and has given presentations at numerous resource conferences across North America. Mr. Trimble has completed the Canadian Securities Course and Technical Analysis Course offered through CSI as well as several geology, exploration and mining courses.

Jim Pettit - Director, Chairman of the Board

Jim Pettit is the Chairman of the Board of Skyharbour Resources Ltd. Mr. Pettit is currently serving as a Director on the Boards of several public resource companies and offers over 30 years experience within the industry specializing in finance, corporate governance, management, and compliance. He specializes in the early stage development of private, as well as public companies. His background over the past 30 years has been focused primarily within the resource sector and he was previously Chairman and CEO of Bayfield Ventures Corp. which was sold to New Gold in 2014.

Rick Kusmirski, P.Geo, M.Sc. - Director, Head Geologist

Rick Kusmirski, P.Geo, M.Sc., is Skyharbour's Head Geologist and has over 40 years of exploration experience in North America and overseas having actively participated in the discovery of a number of uranium, gold and base metal deposits. Previously he was Cameco Corporation's (TSX: CCO) Exploration Manager and directed the company's uranium exploration projects in the eastern Athabasca Basin. Rick then joined JNR Resources becoming the CEO in 2001. He directed the exploration program that led to the discovery of the high grade Maverick Zone on the Moore Lake uranium project in the Athabasca Basin in Saskatchewan. In February of 2013, Denison Mines Corp. acquired all of the outstanding shares of JNR by way of a friendly all-share take-over bid.

David Cates, CPA, MACC - Director

David Cates, CPA, MAcc, is a Director of Skyharbour. He is the President and CEO of Denison Mines and Uranium Participation Corp (TSX: U). Prior to being appointed the President and CEO position Mr. Cates served as Denison's Vice President Finance, Tax and Chief Financial Officer. As Chief Financial Officer, Mr. Cates played a key role in the company's mergers and acquisitions activities - leading the acquisition of Rockgate Capital Corp. and International Enxco Ltd. Mr. Cates joined Denison in 2008 and held the position of Director, Taxation prior to his appointment as Chief Financial Officer. Prior to joining the Company, Mr. Cates held positions at Kinross Gold Corp. and PwC LLP with a focus on the resource industry.

Don Huston - Director

Don Huston is a Director of Skyharbour Resources Ltd. He has been associated with the mineral exploration industry for over 30 years and has extensive experience as a financier and in-field manager of numerous mineral exploration projects in North America. He was born and raised in Red Lake, Ontario and spent 15 years as a geophysical contractor with C.D. Huston & Sons Ltd. as mineral exploration consultants in northern Ontario, Manitoba, and Saskatchewan. Mr. Huston serves as a Director of several Canadian public resource companies.

Amanda Chow, CPA, CMA - Director

Amanda Chow serves as an independent Director of Skyharbour Resources Ltd. Ms. Chow is a Chartered Professional Accountant (CPA, CMA) and a graduate of Simon Fraser University where she earned her Bachelor of Business Administration degree. She began working with public companies in 1999.

Paul Matysek, M.Sc., P.GEO - Advisory Board

Paul Matysek is a Strategic Advisor for Skyharbour and is a mining entrepreneur, professional geochemist and geologist with over 35 years of experience in the mining industry. He was the Founder, President and CEO of Energy Metals Corporation ("EMC"), a premier uranium company that traded on the New York and Toronto Stock Exchanges. Mr. Matysek led EMC as one of the fastest growing Canadian companies in recent years, increasing its market capitalization from \$10 million in 2004 to approximately \$1.8 billion when it was acquired by a larger uranium producer, Uranium One Inc., in 2007. Mr. Matysek was recently the President and CEO of Goldrock Mines Corp. which on June 7th, 2016 announced it had entered into a definitive agreement to be acquired by Fortuna Silver Mines (NYSE:FSM) (TSX:FVI) for \$129 million on a fully-diluted in-the-money basis. Previously, Mr. Matysek was the President and CEO of Lithium One Inc., which developed a high quality lithium project in northern Argentina. In July 2012, Lithium One and Galaxy Resources merged with a \$112 million plan to create a fully integrated lithium company. Prior to Lithium One, Mr. Matysek was the President and CEO of Potash One Inc. where he was the architect of the \$434 million friendly takeover of Potash One by K+S Ag, which closed in early 2011.

Thomas S. Drolet B.Eng, M.Sc., DIC - Technical Advisor

Mr. Drolet is a uranium and nuclear industry specialist and principal of energy consultancy Drolet & Associates Energy Services Inc. Mr. Drolet has had a plus-40-year career in the energy sector, where he spent 26 years with Ontario Hydro in various engineering, research and operations functions. He formed and headed Canada's research and development program into fusion (CFFTP) in 1982 and then moved into international commercial work with Ontario Hydro International, where he was named president and CEO in 1993. Mr. Drolet was then appointed managing director of American Electric Power Canada, and president of Canadian Energy Opportunities Inc. where he was involved in mergers, acquisitions and other consulting activities in the Canadian and U.S. power sectors. Mr. Drolet earned a bachelor's degree in chemical engineering from Royal Military College of Canada, a master of science degree in nuclear technology/chemical engineering, and a DIC from Imperial College, University of London, England. He is a frequent guest and keynote speaker on nuclear energy at global conferences.

Tamas Bakacs, MBA - Advisory Board

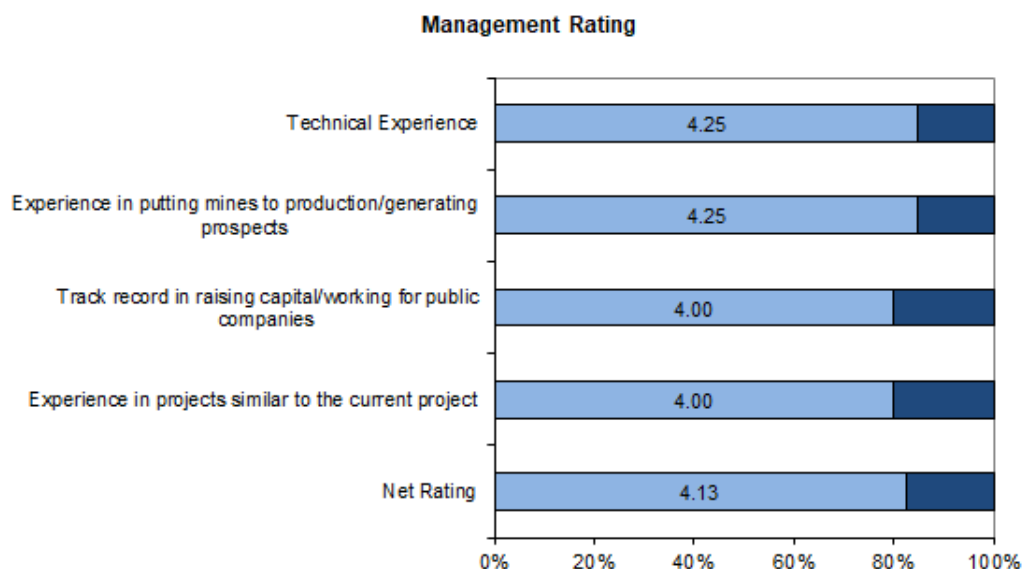
Mr. Bakacs is an experienced and successful global resource fund manager who started his

career in mergers and acquisitions at Arthur Andersen LLP. Following the completion of his MBA studies in 2004, Mr. Bakacs joined Baillie Gifford & Co. in Edinburgh, United Kingdom, where he became the global equities analyst for the firm’s flagship Long-Term Global Growth portfolio (Funds Under Management, “FUM”, of \$14 billion) covering mid-to large-cap equities in various markets and indexes. Subsequently, he was chosen to be the head of the firm's specialist Oil and Gas Energy sector group (FUM of \$15 billion). Recently, Mr. Bakacs was an investment manager and senior analyst at Compass Asset Management JSC in Almaty, Kazakhstan (FUM of \$250 million), a frontier emerging-markets-based hedge fund focusing on commodity-linked equity investments. Mr. Bakacs is currently a portfolio manager at ACCESS Fund Management Ltd., where he manages a junior-mining-focused commodity equity fund in Budapest, Hungary. Mr. Bakacs is a graduate of St. Francis College (BS, Accounting, 1999, Summa Cum Laude) and the University of California, Los Angeles (MBA, 2004).

Andreas Norlin - Advisory Board

Mr. Norlin is the founder and Managing Director of the International Thorium Energy Organization, an international and multi-stakeholder advocacy platform with the goal of facilitating the pathway to power the world with thorium fueled nuclear energy. Through the organization, Mr. Norlin has aided development in the area of nuclear energy since 2009 with a continuously growing community of nuclear proponents. He has a vision to power the world with clean, safe and affordable energy. Mr. Norlin has a background in Physics and Technology Development from Lund University and has been published in Nature. He also holds a patent for a laser plasma wakefield accelerator technology he developed in laboratories at Ecole Polytechnique in Paris. Through his unique network and experience in the fields of energy, nuclear and thorium he can advise on related matters.

Our net rating on the company’s management team is 4.1 out of 5.0 (see below).



Source: FRC

The company’s board has six members, of which, four are independent. We believe that the Board of Directors of a company should include independent or unrelated directors who are free of any relationships or business that could materially interfere with the director’s ability to act in the best interests of the company. An unrelated/independent director can be a shareholder. The following table shows our analysis on the strength of the company’s board.

	Poor	Average	Good
Four out of six directors are independent			X
Five out of six directors hold shares of the company		X	
The Audit committee is composed of three board members, two are independent			X
The Compensation committee is composed of two board members, both are independent			X

At the end of FY2017 (ended March 31, 2017), the company had cash and working capital of \$2.20 million and \$1.80 million, respectively. We estimate the company had a burn rate (cash spent on operating and investing activities) of \$140k per month in FY2017. The following table summarizes the company’s liquidity position:

(in C\$)	2016	2017
Cash	\$139,074	\$2,201,428
Working Capital	\$134,579	\$1,799,238
Current Ratio	9.91	3.65
LT Debt / Assets	-	-
Monthly Burn Rate (incl. investing activities)	\$99,214	\$140,440
Cash from Financing Activities	\$302,691	\$3,899,650

Subsequent to the quarter end, the company raised approximately \$2.7 million through financings as follows:

- Closed a \$2.1 million financing in April 2017 by issuing 2.45 million flow-through shares at \$0.60 per share, and 1.26 million units at \$0.50 per unit. Each unit consisted of a common share and a one-half common share purchase warrant (exercise price - \$0.75 for 2 years).
- Closed a \$0.60 million flow-through financing by issuing 1 million flow-through shares at \$0.60 per share.

The company currently has \$3.7 million in cash. Working capital was \$3.8 million. The

Financials

Stock Options and Warrants

Valuation & Rating

company is fully funded for its upcoming summer 2017 drill program at Moore as well as the winter 2018 drill program at Moore. Cash payments are expected to come in from option partners, so the company is fully funded well into 2018.

We estimate the company currently has 4.22 million options outstanding (weighted average exercise price of \$0.37 per share) and 24.70 million warrants (weighted average exercise price of \$0.31 per share) outstanding. Approximately 3.82 million options and 23.87 million warrants are in the money. If these options and warrants are exercised, the company can raise up to \$8.3 million.

The following table shows the Enterprise Value (“EV”) to resources of larger juniors operating in the space. As shown below, high-grade resources are trading at over \$6 / lb, while total resources are trading at \$3.4 to \$4.3 / lb.

	M&I (milions lbs)	Grade	Inferred (million lbs)	Grade	Net Resource (million lbs)	EV (\$, millions)	EV / Resource (\$ / lb)
Fission Uranium Corp							
Global resource	81.1	1.83%	27.2	1.57%	94.7	\$324	\$3.42
High-grade resource	45.079	18.22%	13.898	25.06%	52.028	\$324	\$6.22
Denison Mines Corp.	42.1	19.10%	26.5	2.39%	55.35	\$286	\$5.17
NexGen Energy Ltd.							
Global resource	179.5	6.88%	122.1	1.30%	240.55	\$1,028	\$4.28
High-grade resource	164.9	18.84%			164.9	\$1,027	\$6.23

Average **\$5.06**

- Net Resource = 100% Measured and Indicated and 50% Inferred Resources

Based on the above, we assign a speculative fair value estimate of \$52.5 million on the Moore Uranium project (based on a \$3.5 / lb multiple).

We assign Falcon’s inferred resource of 6.96 Mlbs, discounted by 50%, at \$2.5 / lb, a valuation of \$8.70 million.

Our overall valuation on Skyharbour is \$1.01 per share. For conservatism, we have not accounted for any value from the company’s other projects.

Risks

Valuation Summary	
Moore Uranium (\$, millions)	\$52.50
Falcon (\$, millions)	\$8.70
Working Capital (\$, millions)	\$3.80
Fair Value (\$, millions)	\$65.00
Shares	64.27
Fair Value (\$ per share)	\$1.01

We are initiating coverage with a BUY rating and a fair value estimate of \$1.01 per share.

We believe the company is exposed to the following key risks (not exhaustive):

- Although we have a positive long-term outlook, a recovery in uranium prices may take longer than expected.
- The company’s ability to advance its projects depends heavily on uranium prices.
- Exploration and development risks.
- The flagship project has yet to have a NI43-101 compliant resource estimate.
- SYH will be required to raise capital for exploration and development, so investors will be exposed to risks of share dilution.

As with most junior exploration companies, we rate SYH’s shares a risk of 5 (Highly Speculative).

Fundamental Research Corp. Equity Rating Scale:

Buy – Annual expected rate of return exceeds 12% or the expected return is commensurate with risk

Hold – Annual expected rate of return is between 5% and 12%

Sell – Annual expected rate of return is below 5% or the expected return is not commensurate with risk

Suspended or Rating N/A— Coverage and ratings suspended until more information can be obtained from the company regarding recent events.

Fundamental Research Corp. Risk Rating Scale:

1 (Low Risk) - The company operates in an industry where it has a strong position (for example a monopoly, high market share etc.) or operates in a regulated industry. The future outlook is stable or positive for the industry. The company generates positive free cash flow and has a history of profitability. The capital structure is conservative with little or no debt.

2 (Below Average Risk) - The company operates in an industry where the fundamentals and outlook are positive. The industry and company are relatively less sensitive to systematic risk than companies with a Risk Rating of 3. The company has a history of profitability and has demonstrated its ability to generate positive free cash flows (though current free cash flow may be negative due to capital investment). The company's capital structure is conservative with little to modest use of debt.

3 (Average Risk) - The company operates in an industry that has average sensitivity to systematic risk. The industry may be cyclical. Profits and cash flow are sensitive to economic factors although the company has demonstrated its ability to generate positive earnings and cash flow. Debt use is in line with industry averages, and coverage ratios are sufficient.

4 (Speculative) - The company has little or no history of generating earnings or cash flow. Debt use is higher. These companies may be in start-up mode or in a turnaround situation. These companies should be considered speculative.

5 (Highly Speculative) - The company has no history of generating earnings or cash flow. They may operate in a new industry with new, and unproven products. Products may be at the development stage, testing, or seeking regulatory approval. These companies may run into liquidity issues, and may rely on external funding. These stocks are considered highly speculative.

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