
Analysts' Ideas of the Week – Lomiko Signs Agreement, Near-Term CF Potential

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Lomiko Signs Licensing Agreement With Near-Term Cash Flow Potential

Lomiko Metals Inc. (TSXV: LMR) announced today that it has entered into a licensing agreement with private company, Megahertz Power Systems Ltd. As per the agreement, LMR:

- will receive a non-exclusive license to manufacture and sell Megahertz's three power converter system designs, and
- can acquire a pending supply contract with a Canadian LED system integrator

MegaHertz Power Systems Ltd is a company focused on the development of power supply solutions, which they claim are of low cost and highly efficient. The contract mentioned above should provide cash flows to LMR within six months. Lomiko and MegaHertz will also work on new designs that power products using graphite/grapheme, to increase operating efficiencies, and reduce energy waste in the Electronic equipment, Energy Storage and Automotive Industries worldwide.

Lomiko will pay Megahertz a 15% royalty on Lomiko's net sales. Lomiko shall also pay \$0.25 million to Megahertz to organize and set up contract manufacturing, develop an e-commerce web-site for sales, establish a local office, etc.

At this time, we do not have any further details which will enable us to estimate future cash flows from this agreement.

Regarding valuation, LMR is looking attractive at the moment. Graphene 3D's shares are currently trading at \$1.93 per share, and have been holding up well since they started trading on the TSXV exchange on August 11, 2014. LMR holds 4.40 million shares (11% of the total outstanding) of Graphene 3D. We estimate that LMR's working capital, and their investment in GGG shares are currently worth \$12.20 million, or \$0.09 per LMR share. However, LMR's shares are currently only trading at \$0.08 per share, implying that the market is currently assigning zero valuation on its properties. The following table shows the sensitivity of the combined value of LMR's working capital, and the GGG investment, to changes in GGG's share price.

GGG Share Price	\$0.50	\$0.75	\$1.93	\$2.25	\$3.50	\$5.00	\$7.50
GGG shares held by LMR	4,396,970	4,396,970	4,396,970	4,396,970	4,396,970	4,396,970	4,396,970
Value of GGG shares held by LMR	\$2,198,485	\$3,297,728	\$8,486,152	\$9,893,183	\$15,389,395	\$21,984,850	\$32,977,275
LMR's working capital (est.)	\$3,715,725	\$3,715,725	\$3,715,725	\$3,715,725	\$3,715,725	\$3,715,725	\$3,715,725
Working capital + Investment in GGG	\$5,914,210	\$7,013,453	\$12,201,877	\$13,608,908	\$19,105,120	\$25,700,575	\$36,693,000
(per share)	\$0.04	\$0.05	\$0.09	\$0.10	\$0.14	\$0.19	\$0.27

We will publish a follow up report on the new licensing agreement once the company discloses more information.

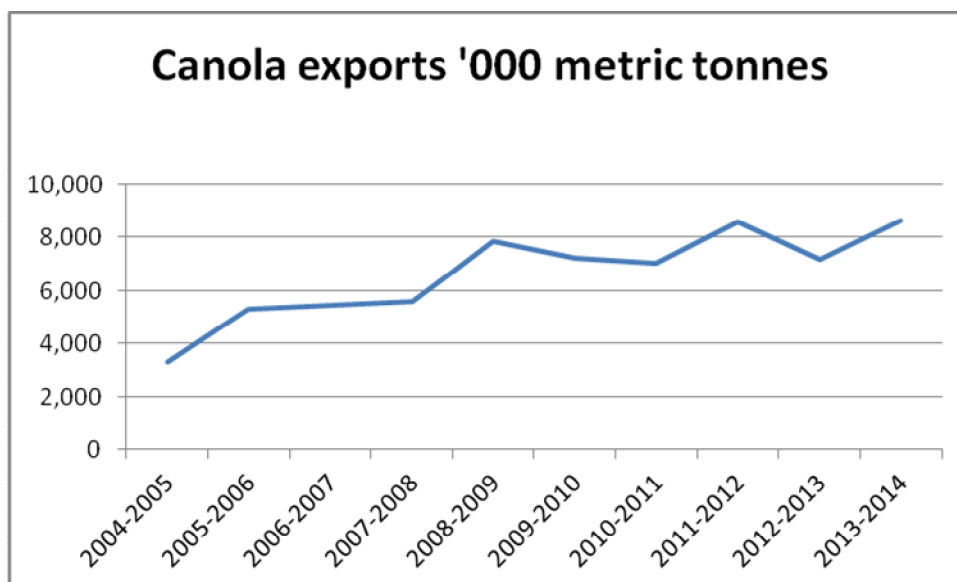


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Canola demand in China rising

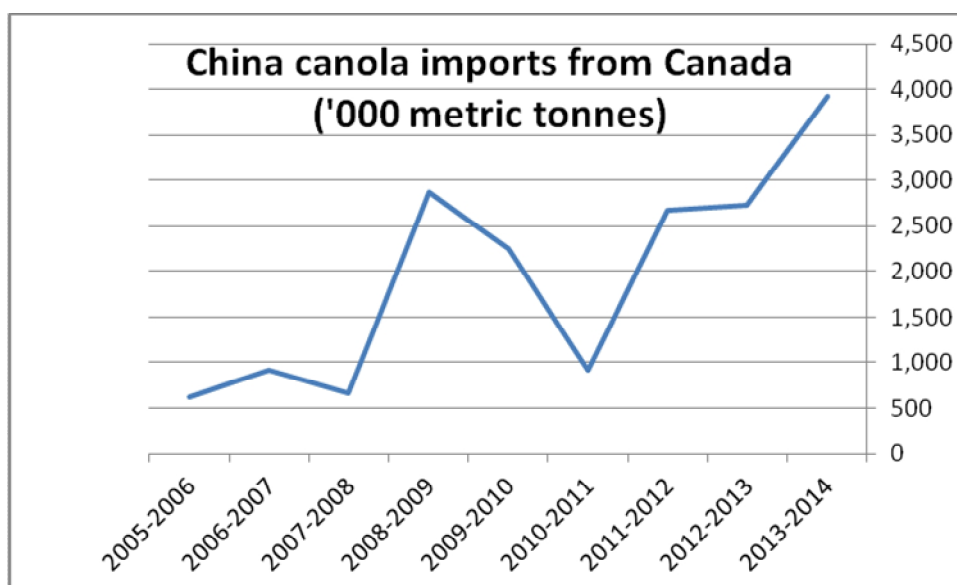
Recent press has focused on the growing demand for Canola in China. There is significant capital investment by Pacific Coast Terminals and West Coast Reduction to expand their ability to house and ship canola to China. China is the leading export destination for Canadian Canola. In 2013, it was estimated that Canada exported \$2 billion worth of canola to China. China represents a growing market and we feel continued growth in demand for canola in China will help canola prices.

The following shows Canada's historical exports of Canola annually.



Source: Canadian Grains Commission

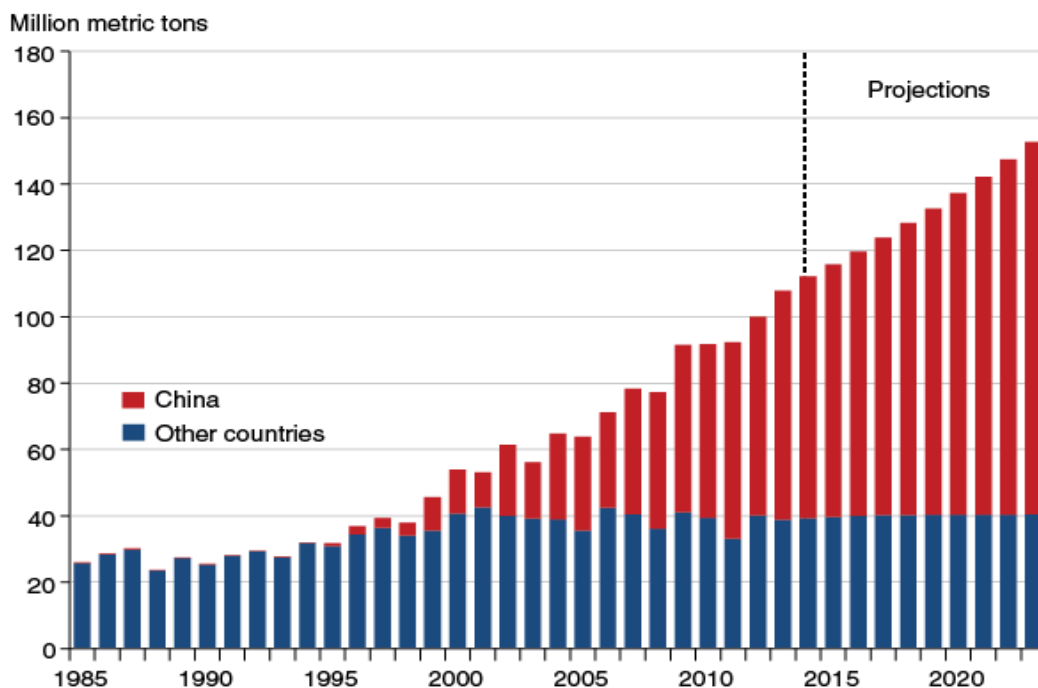
As shown above, canola exports have steadily been growing. Shown below are exports to China. China accounted for 45.6% of Canada's Canola exports in 2013-2014.



Source: Canadian Grains Commission

Shown below are U.S. exports of soy beans. As shown, U.S. exports to China have increased steadily and are expected to continue growing. We have mentioned in previous articles, canola and soy beans are highly correlated because of their similar uses. Therefore, we believe the graph gives us a good indication of the potential growth and demand for Canola to China from Canada.

Soy Exports U.S.



Source: USDA Production, Supply and Distribution database and projections.

We feel the growing demand in China will help Canola prices and the industry overall. We feel this is beneficial for Input Capital (TSXV:INP) as we see long-term growth for the company.

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