

### Analyst Ideas of the Week – Undervalued Gold Company Reports Record Production

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**Sid Rajeev, B.Tech, MBA, CFA**  
Head of Research

Company Name:	Ticker Symbol	Current Share Price:	FRC Fair Value Estimate:	Date of PR:
Gran Colombia Gold Corp.	TSX: GCM	\$3.53	\$5.38	Apr-11-2019
<b>PR Content</b> Produced 60,601 oz in Q1-2019, up 15% YoY and set a new quarterly record. The expansion of the Maria Dama plant to 1,500 tpd is on schedule to be completed in Q2.		<b>FRC Opinion</b> <b>Positive</b> – This is extremely positive as the annualized estimate is over 242 Koz, well over the company’s 2019 guidance of 210 Koz to 225 Koz. GCM had record production of 218 Koz in 2018, up 25% YoY. Normalized EBT was up 33% YoY to \$64 million. We estimate the company’s shares are trading at \$857 per oz annual gold production (gold producers’ average – \$4,278), \$22 per oz resources (average – \$245), 0.7x revenues (average – 2.8x), and 1.7x EBITDA (average – 7.9x).		

<b>Company Name:</b>	<b>Ticker Symbol</b>	<b>Current Share Price:</b>	<b>FRC Fair Value Estimate:</b>	<b>Date of PR:</b>
<b>Vista Gold Corp.</b>	AMEX: VGZ	US\$0.65	US\$2.06	April-8-2019
<b>PR Content</b>		<b>FRC Opinion</b>		
<p>Completes fine grinding tests on 470 kg of samples from its Mt Todd gold project. The preliminary test results confirm the potential for power requirement versus the estimates in the 2018 PFS. The final leach recovery results are expected in May.</p>		<p><b>Positive</b> – VGZ is planning to release an updated PFS in Q2. We expect the updated PFS to show strong improvements especially considering the potential for improved gold recovery rates (90% or higher) and lower power costs. The 2018 PFS, which had used a recovery of 86%, showed an after-tax Net Present Value at 5% of US\$679 million, with an after-tax Internal Rate of Return of 20.5%, at a gold price of US\$1,300 per oz. The estimated cash cost was just US\$645 per oz.</p>		

<b>Company Name:</b>	<b>Ticker Symbol</b>	<b>Current Share Price:</b>	<b>FRC Fair Value Estimate:</b>	<b>Date of PR:</b>
<b>Los Andes Copper Ltd.</b>	TSXV: LA	\$0.29	\$1.72	April-10-2019
<b>PR Content</b>		<b>FRC Opinion</b>		
<p>Received environmental approval for its previous 2015-2017 drilling from Chile's Environmental Evaluation Service. The company had received a violation notice in 2017, for not attaining environmental approval prior to drilling its Vizcachitas project in Chile.</p>		<p><b>Positive</b> – This is very encouraging as the company had been relatively inactive as a result of this for the past year or so. We expect the company to now proceed with its previously planned updated resource estimate, followed by an updated PEA. We expect a significant increase in both tonnage and grade, which will positively impact the updated PEA. Note that the Vizcachitas copper-molybdenum porphyry project is the largest undeveloped copper project in South America held by a junior.</p>		

<b>Company Name:</b>	<b>Ticker Symbol</b>	<b>Current Share Price:</b>	<b>FRC Fair Value Estimate:</b>	<b>Date of PR:</b>
<b>East Africa Metals Inc.</b>	TSXV: EAM	\$0.17	\$0.54	April-12-2019
<b>PR Content</b>		<b>FRC Opinion</b>		
<p>Scheduled an Annual General and Special Meeting on May 31, 2019, to obtain shareholder approval for the previously announced deal with Tibet Huayu Mining Co., Ltd. (SHSE:601020) on EAM's three Ethiopian projects. EAM also closed a \$2.51 million financing.</p>		<p><b>Neutral</b> – As per the agreement, in exchange for 55% in the Terakimti oxide gold mining license, and a 70% interest in the Mato Bula and Da Tambuk deposits, Tibet Huayu will provide a cash payment of US\$1.7 million to EAM, and finance and develop the three projects. EAM will retain a 15% interest in the Terakimti oxide gold mining license, and a 30% interest in the Mato Bula and Da Tambuk deposits. We had noted in a previous note that we are pleased with the transaction's terms as a 2018 PEA on the three projects had shown initial CAPEX of US\$105 million; which will now be entirely funded by Tibet Huayu (assuming LOI is finalized). Using the same inputs as the PEA, we estimate a 30% carried interest in the Mato Bula and Da Tambuk deposits, and a 15% carried interest in Terakimti, should be valued at approximately \$45 - \$55 million, using a gold price of US\$1,325 per oz. EAM's current market cap is just \$33 million.</p>		

<b>Company Name:</b>	<b>Ticker Symbol</b>	<b>Current Share Price:</b>	<b>FRC Fair Value Estimate:</b>	<b>Date of PR:</b>
<b>Golden Arrow Resources Corporation</b>	TSXV: GRG	\$0.295	\$0.98	April-11-2019
<b>PR Content</b>		<b>FRC Opinion</b>		
<p>Puna produced 2.4 Moz of silver, up 100% QoQ, and lead and zinc of 6.8 Mlbs and 1.6 Mlbs, respectively.</p>		<p><b>Positive</b> – Q1 production annualized implies 9.6 Moz, exceeding management's guidance of 6 – 7 Moz of silver. We are expecting positive free cash flows from Puna this year, which will allow GRG to focus on exploration projects. GRG holds a 25% interest in Puna.</p>		

<b>Company Name:</b>	<b>Ticker Symbol</b>	<b>Current Share Price:</b>	<b>FRC Fair Value Estimate:</b>	<b>Date of PR:</b>
<b>Bayhorse Silver Inc.</b>	TSXV: BHS	\$0.09	\$0.68	April-8-2019
<b>PR Content</b>		<b>FRC Opinion</b>		
Executed a LOI to enter into an option agreement to acquire an 80% interest in the Brandywine precious metals-rich VMS deposit near Squamish, B.C. The project has a historic resource of 112,000 tonnes at 10 oz Ag/t, 0.03 oz Au/t, 0.19% lead, and 0.34% zinc.		<b>Positive</b> – We believe the extremely high silver grades of the historic resource (note that grades over 5 opt are considered high) makes this new project very interesting. We are expecting catalysts from the company as they report additional sales from its flagship asset, the Bayhorse silver mine in Oregon.		

<b>Company Name:</b>	<b>Ticker Symbol</b>	<b>Current Share Price:</b>	<b>FRC Fair Value Estimate:</b>	<b>Date of PR:</b>
<b>MGX Minerals Inc.</b>	CSE: MXG	\$0.275	\$0.75	April-12-2019
<b>PR Content</b>		<b>FRC Opinion</b>		
Received conditional approval from the CSE to list MGX Renewables Inc. Management expects shares to commence trading shortly.		<b>Positive</b> – Shareholders of MGX, as of October 2018, will receive one share of MGX Renewable for each 59.82 shares of MGX. MGX had acquired MGX Renewables Inc. in 2017, from Teck Resources (TSX: TECK), for \$0.25 million cash and 4.78 million shares, which were then valued at \$4.78 million. MGXR’s key asset is its patented zinc-air energy storage system, wherein energy is stored in the form of zinc particles.		

<b>Company Name:</b>	<b>Ticker Symbol</b>	<b>Current Share Price:</b>	<b>FRC Fair Value Estimate:</b>	<b>Date of PR:</b>
<b>Lake Resources N.L.</b>	ASX: LKE	A\$0.061	A\$0.73	April-11-2019
<b>PR Content</b> Secured commitments for a private placement of A\$1 million. Funds to be used primarily for Cauchari drilling.		<b>FRC Opinion</b> <b>Positive</b> – We are pleased to see that the company is simultaneously advancing the Cauchari and Kachi lithium projects. Lake had recently commenced a PFS on the Kachi lithium project. The company is also in discussions with multiple parties to JV / partner on the development of Kachi. In late 2018, the company had announced 1 Mt indicated (289 mg/L), and 3.4 Mt inferred (209 mg/L) Lithium Carbonate Equivalent (LCE) resources at Kachi.		

<b>Company Name:</b>	<b>Ticker Symbol</b>	<b>Current Share Price:</b>	<b>FRC Fair Value Estimate:</b>	<b>Date of PR:</b>
<b>Carube Copper Corp.</b>	TSXV: CUC	\$0.05	\$0.23	April-9-2019
<b>PR Content</b> Staked 300 mineral claims covering the Stewart Brook Gold project area, totalling over 46 square kilometers in Nova Scotia. There are three historical gold districts located within 5 km. The project is also along strike of Atlantic Gold's Cochrane Hill deposit. The company plans to conduct a till sampling program over the anomalous area on the property.		<b>FRC Opinion</b> <b>Neutral</b> – Although it is too early to comment on the potential of this new project, we are pleased with this activity as in a previous note, we had mentioned that we were hoping to see an update from management regarding plans for the rest of 2019. We believe the core focus remains on its properties in Jamaica.		



**Anthony De Ruijter, B.A. (econ)**  
Analyst

Company Name:	Ticker Symbol	Current Share Price:	FRC Fair Value Estimate:	Date of PR:
Wonderfilm Media Corp.	TSXV: WNDR	\$0.26	N/A	Apr-10-2019

PR Content	FRC Opinion
<p>The company announced that a previously announced acquisition (that we had covered in our introductory note of the company) of WOL Productions and Starbury Sports is due to be completed in the near-term. The acquisition is transformative, providing the company with access to a slate of English and Chinese movie production scripts through WOL, and adding sports events, sports centres and sports broadcasting to the company’s production focus. The company will also acquire social media influencer platform Grapevine through the process, increasing the company’s advertising, marketing and data analytics capabilities. The acquisition will be completed via the issue of 33 million common shares at \$0.50 per share to the vendors, and the company’s board will be significantly altered by the acquisition.</p>	<p><b>Positive:</b> The acquisition is now significantly accretive given the common share issuance at \$0.50 per share despite the current market price of the company’s stock. This reflects the confidence in WNDR’s value that the vendors have despite the market’s current valuation. The acquisition also gives the company access to significant new horizontals, a slate of production scripts that can be converted into revenue generating production budgets, and a new digital platform that has positive synergies with the company’s existing business. The acquisition and its impact on WNDR’s business will be outlined in our upcoming initiating report.</p>

<b>Company Name:</b>	<b>Ticker Symbol</b>	<b>Current Share Price:</b>	<b>FRC Fair Value Estimate:</b>	<b>Date of PR:</b>
<b>Upco International Inc.</b>	CSE: UPCO	\$0.09	\$0.59	Apr-11-2019
<p><b>PR Content</b></p> <p>The company announced that it had appointed Mr. Gert-Jan Geels as CFO. Bio provided below:</p> <p>Gert-Jan Geels has been a finance professional for 27 years. He was a private banker at Delta Lloyd Bank from 1996 to 1999. From 1999 to 2012 he was an asset manager at Eureffect Asset Management where he was the co-owner and managed one of the largest independent asset management companies in Amsterdam for over a decade. Mr. Geels has extensive experience in financing small and medium sized companies and helping them restructure their balance sheet and improve their use of working capital. Mr. Geels is the CEO of Bullfinch Ltd. where he advises wealthy individuals from The Netherlands and Belgium in their investment strategies. Mr. Geels also served as a compliance officer for one of the largest Dutch precious metal traders. Mr. Geels obtained his bachelor's degree in Banking and Finance from the Amsterdam Academy.</p>		<p><b>FRC Opinion</b></p> <p><b>Neutral:</b> A dedicated CFO with an established track record is a necessity for any public company, but the news alone is neither an overt positive or negative for the company.</p>		

Company Name:	Ticker Symbol	Current Share Price:	FRC Fair Value Estimate:	Date of PR:
<b>Agrios Global Holdings Ltd.</b>	CSE: AGRO	\$0.65	\$0.65	Apr-09-2019
<b>PR Content</b>		<b>FRC Opinion</b>		
Agrios announced that its recently established Missouri subsidiary had executed two license application agreements with two state license applicants to provide consulting services. Agrios will advise the applicants on their application for Missouri cultivation licenses.		<b>Positive:</b> Though the compensation for their consulting services was not disclosed, we speculate that the company may take this opportunity to consider expansion into a new U.S. state through the build-out of another facility identical to their Washington cultivation facility. This is based on the company's business model of purchasing and building efficient cultivation facilities, then leasing them to state-based growers.		

Company Name:	Ticker Symbol	Current Share Price:	FRC Fair Value Estimate:	Date of PR:
<b>Eve &amp; Co Inc.</b>	TSXV: EVE	\$0.47	\$1.13	Apr-11-2019
<b>PR Content</b>		<b>FRC Opinion</b>		
Eve announced a \$10 million special warrant bought deal financing, with the company to issue 20 million special warrants at \$0.50 per special warrant. Each special warrant may be exercised into a unit, consisting of a common share and a warrant exercisable at \$0.60 per share.		<b>Neutral:</b> Though the raise was previously dilutive, market conditions have made the issue price accretive. Furthermore, as we had forecasted, further equity financings would be needed to fund the remaining CAPEX of their facility's expansion phase.		

### Cannabis Provincial Pricing Update

The below table summarizes provincial cannabis pricing across Canada as of April 15, 2019:

Province (As of 15/04/2019)	Average Price per Gram	Average Price THC per Gram	Average Price per Gram CBD	# of Products	Min. Price	Max. Price
B.C.*	\$ 11.28	\$ 11.38	\$ 10.71	158	\$ 7.23	\$ 19.80
Ontario	\$ 12.64	\$ 12.56	\$ 13.56	70	\$ 8.10	\$ 17.25
Quebec*	\$ 9.57	\$ 9.50	\$ 9.99	58	\$ 6.29	\$ 11.75
Alberta*	\$ 13.69	\$ 13.57	\$ 14.44	106	\$ 9.43	\$ 16.65
N.B.	\$ 11.18	\$ 11.21	\$ 10.80	62	\$ 6.67	\$ 16.28
P.E.I.*	\$ 10.93	\$ 10.89	\$ 10.89	82	\$ 8.13	\$ 14.35
Newfoundland*	\$ 10.68	\$ 10.89	\$ 8.67	53	\$ 7.54	\$ 14.29
Yukon*	\$ 14.79	\$ 14.74	\$ 15.85	20	\$ 10.52	\$ 21.73
N.S.	\$ 11.89	\$ 11.79	\$ 12.49	65	\$ 8.49	\$ 14.99
Nunavut*	\$ 16.45	\$ 16.49	\$ 16.23	16	\$ 15.08	\$ 18.69
Northwest Territories*	\$ 15.26	\$ 15.26		5	\$ 14.44	\$ 16.06
<b>CANADA (Excluding SK, MB)</b>	<b>\$ 12.58</b>	<b>\$ 12.57</b>	<b>\$ 12.36</b>			

Source: FRC, Online Provincial Cannabis Stores



Our pricing information has now been updated with information for Nova Scotia. This brought down the national average price as calculated through prices given on the provincial webstores.

Similar to California’s own cannabis market, Canada’s recreational cannabis industry is purportedly off to a slow and underwhelming start. Private retailers have been slow to open in Ontario, the largest provincial cannabis market, and national prices are still not competitive against the incumbent black market. BDS Analytics and Arcview Market Research, who had forecasted that legal recreational sales in Canada since legalization was expected to reach \$400 million by now, believes that sales have only totalled \$112.5 million since October 17, 2018. Similarly, despite the Ontario Cannabis Store having held a monopoly on Ontario cannabis sales until now, the OCS now expects to report a \$25 million loss for the first full year of legal recreational cannabis.

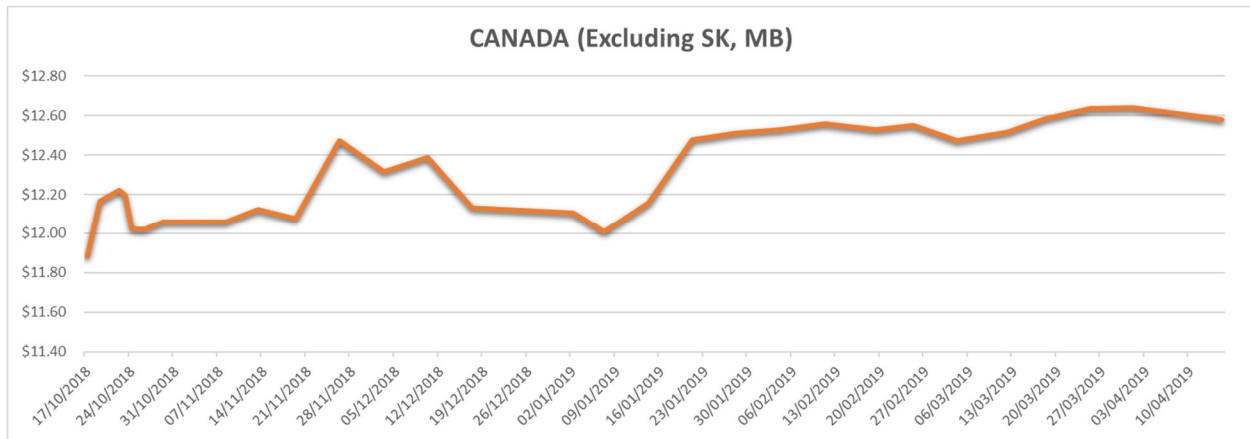
So, what went wrong? There are a multitude of factors and we cannot begin to account for all of them. However, lack of supply, uncompetitive pricing, and a lack of retail presence strike us as significant factors. The lack of diverse product choices is another factor – though LPs are restricted from products that aren’t fresh or dried flower, or oil, the same cannot be said for the black market and unprosecuted illegal dispensaries throughout the nation. We have seen infused edibles available and readily accessible to Canadians, and until LPs are permitted to do the same, or the black market is forced into extinction through law enforcement and more competitive pricing from cannabis retailers, the legal cannabis market in Canada will continue to underperform.

Last weeks pricing information is shown below:

Province (As of 08/04/2019)	Average Price per Gram	Average Price THC per Gram	Average Price per Gram CBD	# of Products	Min. Price	Max. Price
B.C.*	\$ 11.31	\$ 11.35	\$ 11.07	161	\$ 7.23	\$ 19.80
Ontario	\$ 12.21	\$ 12.25	\$ 11.98	77	\$ 8.10	\$ 17.25
Quebec*	\$ 9.58	\$ 9.52	\$ 9.90	61	\$ 6.29	\$ 11.75
Alberta*	\$ 13.77	\$ 13.68	\$ 14.44	102	\$ 9.43	\$ 16.65
N.B.	\$ 11.30	\$ 11.26	\$ 11.42	58	\$ 6.67	\$ 16.28
P.E.I.*	\$ 10.89	\$ 10.87	\$ 10.87	87	\$ 8.13	\$ 14.35
Newfoundland*	\$ 10.73	\$ 10.95	\$ 8.67	53	\$ 7.54	\$ 14.29
Yukon*	\$ 15.12	\$ 15.07	\$ 15.85	16	\$ 10.52	\$ 21.73
Nunavut*	\$ 16.79	\$ 16.98	\$ 16.23	12	\$ 15.08	\$ 18.69
Northwest Territories*	\$ 15.26	\$ 15.26		5	\$ 14.44	\$ 16.06
<b>CANADA (Excluding SK, MB, NS)</b>	<b>\$ 12.70</b>	<b>\$ 12.72</b>	<b>\$ 12.27</b>			

*Source: FRC, Online Provincial Cannabis Stores*

The below chart shows average price per gram nationwide since we began price coverage:



Source: FRC, Online Provincial Cannabis Stores

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