

Analyst Ideas of the Week – ASX Listed Junior Intercepts High Grade Lithium

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Company Name:	Ticker Symbol	Current Share Price:	FRC Fair Value Estimate:	Date of PR:
Lake Resources N.L.	ASX: LKE	A\$0.067	A\$0.73	July-14-2019
PR Content Announced today the discovery of multiple lithium brines over a zone of 144 m (from 172 – 316 m) at its Cauchari lithium brine project. Lithium values from 340 to 538 mg/L were returned with low Mg/Li ratios of 2.7-3.0. Conductive brines were intersected at 356 m and 386m (results expected shortly). The hole was terminated at 460 m.		FRC Opinion Positive – The high grades over multiple zones are very encouraging. The Cauchari leases stretch over 11 km parallel to the adjoining Ganfeng Lithium (SHE: 002460) / Lithium Americas (TSX: LAC) and Advantage Lithium (TSXV: AAL) / Orocobre's (ASX: ORE) Cauchari lithium projects. We expect a number of upcoming catalysts for LKE. The company recently commenced design and engineering work for a pilot plant at its Kachi lithium project (which already has a resource estimate), also in Argentina. LKE is also planning to drill their third property (Olaroz) for the first time.		

Company Name:	Ticker Symbol	Current Share Price:	FRC Fair Value Estimate:	Date of PR:
Gran Colombia Gold Corp.	TSX: GCM	\$4.35	\$5.40	July-8-2019 July-10-2019
PR Content Produced 18,882 oz in June, bringing total Q2 production to 57,882 oz, up 9% YoY, and H1-2019 production to 118,483 oz, up 12% YoY. Management has raised their 2019 guidance from 210 – 225 Koz to 225 Koz to 240 Koz.		FRC Opinion Positive – Production continues to beat our expectations. Our revenue forecast for 2019 is \$286 million, with \$33 million (EPS: \$0.67) in earnings, which is based on 220 Koz production. We will revise our estimates after seeing the Q2 results (expected in August 2019).		

Company Name:	Ticker Symbol	Current Share Price:	FRC Fair Value Estimate:	Date of PR:
Goldplay Exploration Ltd.	TSXV: GPLY	\$0.18	\$0.98	July-9-2019

PR Content Announce discovery of a broad high-grade gold zone, on surface, at the Nava target, at the San Marcial project in Sinaloa, Mexico. Within a broad 42 m zone, 24 m at 2.1 g/t Au, 5 m at 4.0 g/t Au and an additional 5 m zone at 3.5 g/t Au were intersected. The Nava target has been estimated to be at least 500 meters long x 100 m wide.	FRC Opinion Positive - The gold discovery is approximately 1.5 kilometres to the west of the San Marcial NI 43-101 resource. San Marcial has an indicated resource of 36 Moz at an average grade of 147 gpt AgEq, and an inferred resource of 11 Moz at 108 gpt AgEq. The estimate includes a shallow, high-grade, open pittable, indicated resource of 23 Moz AgEq at 239 gpt AgEq. The company recently announced plans for a 5,000 m drill program to expand the current resource. Two shallow diamond holes will be drilled at Nava.
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Company Name:	Ticker Symbol	Current Share Price:	FRC Fair Value Estimate:	Date of PR:
Rio2 Limited	TSXV: RIO	\$0.40	\$1.54	July-15-2019

PR Content Announced that the PFS on its Fenix gold project has been delayed by a month; results are now expected in August 2019.	FRC Opinion Neutral - We believe the PFS will likely demonstrate the viability of advancing the project to production at a significantly smaller-scale, and CAPEX, focused on the higher-grade ore close to the surface. Note that a 2014 PFS showed an AT – NAV at 5% of US\$409 million, with an AT - IRR of 25%, at a US\$1,350/oz gold price. The initial CAPEX was estimated at US\$399 million.
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Company Name:	Ticker Symbol	Current Share Price:	FRC Fair Value Estimate:	Date of PR:
Kerr Mines Inc.	TSX: KER	\$0.23	\$0.49	July-15-2019
PR Content Announced the final drilling results (reverse circulation) from its expansion / upgrade program at the Copperstone mine located in Arizona. Best results were 3 meters at 27.45 g/t gold, including 1.5 meters of 52.30 g/t gold, and 6.1 meters at 3.71 g/t gold.		FRC Opinion Positive – Based on these positive results, the company is now preparing for a 10,000 m drill program to commence in Q4. The program will focus on step-out core drilling along strike and dip. A 2018 PFS showed robust economics with an after-tax Internal Rate of Return of 40.1%, at a gold price of US\$1,250 per oz. The study was based on an annual production rate of 38,347 oz for 4.4 years, with a high recovery rate estimate of 95%.		

Company Name:	Ticker Symbol	Current Share Price:	FRC Fair Value Estimate:	Date of PR:
Ultra Lithium Inc.	TSX: ULI	\$0.075	\$0.49	July-8-2019
PR Content Announces results of rock samples from the newly acquired gold licenses in Argentina. Three samples were collected near historical mining areas, which returned gold values of 7.44 to 54.77 gpt, 54 gpt to 125 gpt silver, 0.24% to 1.24% copper, with lead, zinc, iron and vanadium. ULI has collected over 800 kg of mineralized material from existing dumps and quartz veins for metallurgical testing.		FRC Opinion Positive – The high gold values are encouraging. Note that there are several historical gold producing mines in the region. The company is currently evaluating quantities of historically mined ores to potentially install a pilot scale gold processing plant on site.		

Company Name:	Ticker Symbol	Current Share Price:	FRC Fair Value Estimate:	Date of PR:
Lomiko Metals Inc.	TSXV: LMR	\$0.045	\$0.33	July-9-2019
PR Content		FRC Opinion		
Announced results of the remaining 16 holes of a recently completed 21-hole drill program on the Refractory zone of the La Loutre graphite property. The program estimates a total strike length of 900 m. We believe the best results were: 104 m of 9.89%, 111 m of 4.93%, 130 m of 3.73%, 59 m of 8.05%. 78 m of 2.31%, and 24.5 m of 6.81% Cg.		Positive – We are encouraged by the relatively good grades; note that grades over 5% Cg are considered high. The Refractory zone is yet to have a resource estimate. The property has an indicated resource of 18.4 Mt of 3.19% carbon flake graphite, and an inferred resource of 16.7 Mt at 3.75% Cg on another zone.		

We are suspending coverage on **Arctic Star Exploration Corp. (TSXV: ADD)** as we have not been able to get in touch with management to discuss recent developments. Our rating on ADD is no longer valid.

Company Name:	Ticker Symbol	Current Share Price:	FRC Fair Value Estimate:	Date of PR:
TransCanna Holdings Inc.	CSE: TCAN	\$1.91	\$7.80	July-12-2019
PR Content		FRC Opinion		
Terminated a letter of intent (“LOI”), announced on July 2, 2019, where TransCanna was to acquire Lifestyle Delivery Systems Inc. (“LDS” / CSE: LDS). According to the press release, both TransCanna and LDS mutually agreed to terminate the LOI due to the business amalgamation not being in the best interest of shareholders.		Negative – We were surprised to see TransCanna terminate its LOI to acquire LDS. The proposed business amalgamation would have provided TransCanna with significant production capabilities, operational efficiencies, and a revenue-generating entity (LDS had reported Q1-2019 revenues of \$2.7 million). We believe that LDS shareholders were against the acquisition bid: TransCanna shares dropped 14.50% while LDS shares increased 19.23% on the day of announcement. We will publish a detailed update report shortly.		

Company Name:	Ticker Symbol	Current Share Price:	FRC Fair Value Estimate:	Date of PR:
Eve & Co Inc.	TSXV: EVE	\$0.34	\$1.08	July-11-2019
PR Content Announced that Health Canada has approved two additional drying rooms for use. The drying rooms are expected to provide 1,600 square feet of drying space and have a capacity of up to 30,000 plants.		FRC Opinion Positive – We were pleased to see Heath Canada’s approval. A drying room allows for proper drying and curing for cannabis – preventing mold contamination. The additional drying rooms, we believe, will help ensure that cannabis produced at the company’s existing 220,000 square-foot facility faces a lower risk of contamination.		

Company Name:	Ticker Symbol	Current Share Price:	FRC Fair Value Estimate:	Date of PR:
The Yield Growth Corp.	CSE: BOSS	\$0.39	\$0.55	July-11-2019 July-9-2019
PR Content <p>Announced a definitive agreement with Melorganics Hellas (“Melorganics”) for the exclusive distribution of Urban Juve (“UJ”) products in Greece and Cyprus.</p> <p>Announced that 130 retail locations in Canada and the United States have agreed to sell UJ products. Currently, 90 retail locations are live with UJ products.</p>		FRC Opinion <p>Positive – We were pleased to see the company execute on its LOI with Melorganics Hellas dated June 13, 2019. With the EU representing a massive market for cannabis products, we are excited to see the potential and reception of the company’s UJ products in Greece and Cyprus. In the agreement, Melorganics will purchase a minimum of \$0.30 million in Year 1 and \$0.5 million in subsequent years for an initial term of three years of UJ products. The first delivery date was undisclosed.</p> <p>Positive – We believe this speaks volumes to the demand of UJ products in Canada and the United States. The announcement of 130 retail locations is an increase of 20 retail locations from our initiating report dated June 25, 2019.</p> <p>For conservatism, we are maintaining our revenue forecasts and valuation. Our revenue forecasts for the company remain at \$6.1 million for 2019, and \$9.2 million in 2020.</p>		

Company Name:	Ticker Symbol	Current Share Price:	FRC Fair Value Estimate:	Date of PR:
Kontrol Energy Corp.	CSE: KNR	\$0.73	\$2.22	July-10-2019 July-9-2019
PR Content Provided an update relating to its Smart Factory platform. Highlights regarding its Smart Factory platform: <ul style="list-style-type: none"> • Four facilities reviewed; • Two pilots completed; • Up to \$700,000 in revenue opportunities based on two facilities; and • Up to \$2 million in revenue opportunities for 2019. Provided an update regarding its LOI on March 14, 2019, to acquire a provider of electrical retrofit services. The company anticipates this acquisition to close near the end of July 2019.		FRC Opinion Positive – We are delighted to see further developments in the company’s strategic partnership with Toyota Tsusho Canada Inc. (“TTCP”), a subsidiary of Toyota Motor Corp (TYO: 7203). Positive – The purchase price is \$3 million, implying an acquisition price of approximately 4x EBITDA. Highlighted in our previous reports, this is in line with Kontrol’s original acquisition strategy.		

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

Province (As of 15/07/2019)	Average Price per Gram	Average Price THC per Gram	Average Price per Gram CBD	# of Products	Min. Price	Max. Price
B.C.*	\$ 11.51	\$ 11.64	\$ 10.80	161	\$ 7.54	\$ 19.80
Ontario	\$ 12.71	\$ 12.78	\$ 12.39	93	\$ 8.28	\$ 22.66
Quebec*	\$ 10.38	\$ 10.35	\$ 10.53	92	\$ 6.29	\$ 14.55
Alberta*	\$ 13.77	\$ 13.75	\$ 13.95	189	\$ 7.70	\$ 22.00
N.B.	\$ 11.32	\$ 11.33	\$ 11.22	86	\$ 6.67	\$ 16.28
P.E.I.*	\$ 11.10	\$ 11.07	\$ 11.35	100	\$ 8.13	\$ 18.04
Newfoundland*	\$ 10.25	\$ 10.33	\$ 9.30	77	\$ 7.38	\$ 14.29
Yukon*	\$ 15.52	\$ 15.65	\$ 13.90	26	\$ 10.97	\$ 22.28
N.S.	\$ 11.78	\$ 11.71	\$ 12.32	97	\$ 7.64	\$ 14.99
Nunavut*	\$ 16.36	\$ 16.42	\$ 16.18	18	\$ 15.08	\$ 18.69
Northwest Territories*	\$ 15.44	\$ 15.44		5	\$ 14.44	\$ 16.93
CANADA (Excluding SK, MB)	\$ 12.74	\$ 12.77	\$ 12.20			

Province (As of 08/07/2019)	Average Price per Gram	Average Price THC per Gram	Average Price per Gram CBD	# of Products	Min. Price	Max. Price
B.C.*	\$ 11.54	\$ 11.67	\$ 10.80	160	\$ 7.54	\$ 19.80
Ontario	\$ 12.60	\$ 12.64	\$ 12.39	103	\$ 8.28	\$ 22.66
Quebec*	\$ 10.08	\$ 10.03	\$ 10.38	84	\$ 6.29	\$ 14.41
Alberta*	\$ 13.86	\$ 13.82	\$ 14.18	176	\$ 7.70	\$ 22.00
N.B.	\$ 11.32	\$ 11.33	\$ 11.22	86	\$ 6.67	\$ 16.28
P.E.I.*	\$ 11.12	\$ 11.09	\$ 11.35	99	\$ 8.13	\$ 18.04
Newfoundland*	\$ 10.25	\$ 10.95	\$ 9.30	77	\$ 7.38	\$ 14.29
Yukon*	\$ 15.39	\$ 15.53	\$ 13.90	23	\$ 10.97	\$ 22.28
N.S.	\$ 11.98	\$ 11.91	\$ 12.50	96	\$ 8.49	\$ 14.99
Nunavut*	\$ 16.30	\$ 16.35	\$ 16.10	19	\$ 15.08	\$ 18.69
Northwest Territories*	\$ 15.44	\$ 15.44		5	\$ 14.44	\$ 16.93
CANADA (Excluding SK, MB)	\$ 12.72	\$ 12.80	\$ 12.21			

Source: FRC, Online Provincial Cannabis Stores

Average price per gram increased marginally week-over-week, at \$12.74 from \$12.72 last week.

British Columbia

As predicted, average price per gram in British Columbia increased marginally from \$11.54 to \$11.51. The minimum and maximum price per gram remained the same – we believe that average price per gram will continue to exhibit marginal movements up and down in the short-term.

Published by Marijuana Business Daily on July 14, 2019, British Columbia has yet to issue a call for new cannabis-infused products. With the impending legalization of cannabis-infused products in October 2019, other provinces such as Ontario have already issued a product call for new cannabis products. Given the slow call for new cannabis-infused products, we believe it is likely that British Columbia will suffer a supply shortage of cannabis-infused products come legalization in October 2019.

Ontario

Average price per gram in Ontario increased marginally from \$12.60 to \$12.71. Although the minimum and maximum price per gram remained the same, the number of available products decreased from 103 to 93. We believe that the decrease in the number of available products stems from an issue with CannTrust – The Ontario Cannabis Store, according to Global News on July 10, 2019, removed certain CannTrust products from its online store due to an investigation regarding CannTrust cultivating cannabis in unlicensed rooms.

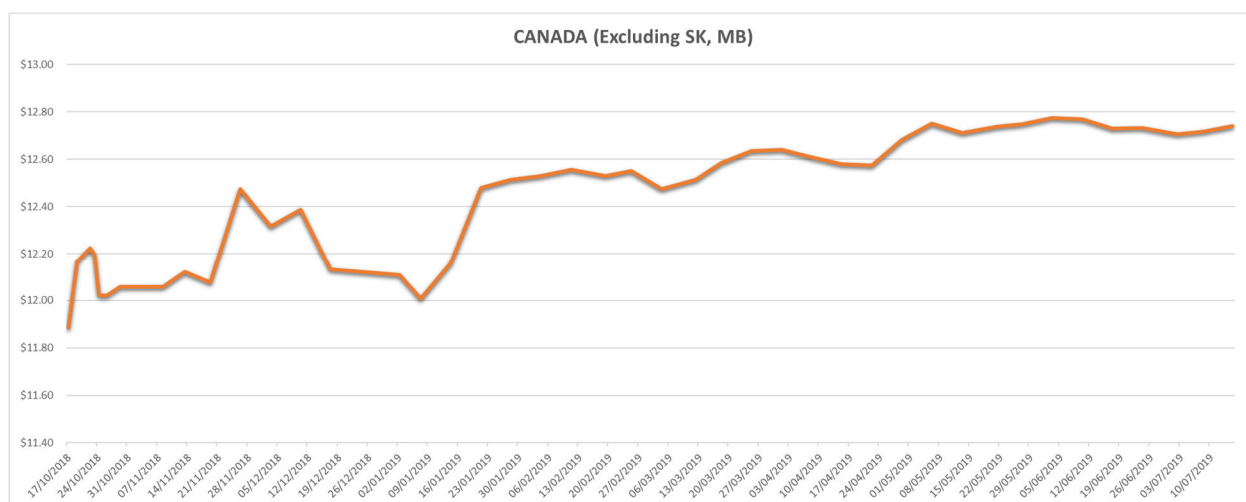
The Financial Post outlined, on July 8, 2019, that Ontario is suffering from a slow rollout of retail outlets. The Financial Post writes: “*Canada became the first G7 country to legalize recreational marijuana in October 2018, but sales have been dampened by supply constraints and prices that are higher than those on the black market*”. Last week, we outlined that Ontario was expected to issue 50 new cannabis store licenses. As such, we believe that the average price

per gram in Ontario will continue exhibiting marginal movements in the short-term but decline over the long-term.

Quebec

Average price per gram in Quebec increased from \$10.08 to \$10.38. We believe that the increase in average price per gram is caused by (1) an increase in maximum price from \$14.41 to \$14.55 and (2) supply constraints. We suspect that the increase in maximum price may be due to higher quality cannabis products being available for sale. CTV News outlined, on July 10, 2019, that the delay in new cannabis stores has created supply problems. Currently, the SQDC has 16 cannabis stores in Quebec with plans to open 40 more by March 2020. The opening of 40 more stores in March 2020, outlined by CTV News, detracts from SQDC's original plan of opening 50 stores. Therefore, we believe that Quebec will continue to exhibit short and long-term average price per gram increases.

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



Source: FRC, Online Provincial Cannabis Stores

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