

---

### Analyst Ideas of the Week - Lake Preparing to Drill Next to SQM and Lithium Americas

[www.researchfrc.com](http://www.researchfrc.com)

---



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

**Lake Resources N.L. (ASX: LKE / Share Price: A\$0.09 per share/ FRC Fair Value Estimate: A\$0.44 per share):**

**Announcement:** On September 6, 2018, LKE announced that it identified drill hole locations for its upcoming drill program at the 100% owned Cauchari lithium brine project. Drilling is expected to commence next month. The plan is to drill three – four holes to depths of approximately 400 m.

**Impact:** Neutral to Positive

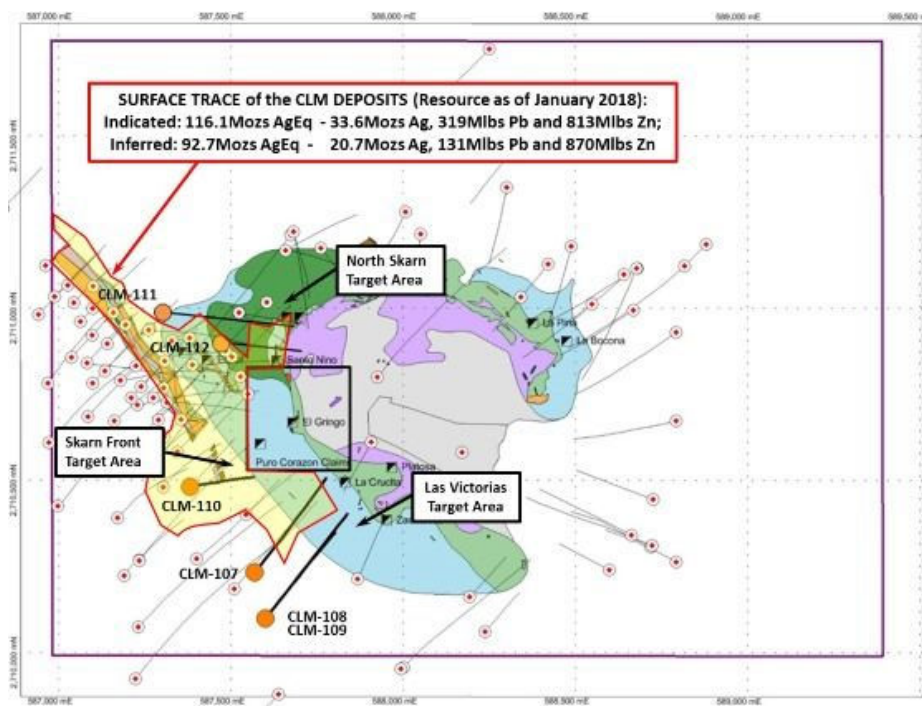
**Outlook:** LKE's leases stretch over 11 km parallel to the adjoining SQM (NYSE: SQM) / Lithium Americas Corporation (TSX: LAC), and Advantage Lithium (TSXV: AAL) / Orocobre Limited (ASX: ORE)'s Cauchari lithium projects. LKE's leases show a straight-line boundary along the recent lithium resource identified by Advantage / Orocobre, indicating potential for direct resource extensions. Advantage's drill holes (located across LKE's lease boundary) have returned high-grade lithium brine results (450-600 mg/L) with high flow rates. LKE's strategy is to drill the margins (basin boundaries), which are possible sources of lithium solutions. LKE is also working

on an initial resource estimate on its Kachi project, followed by a pre-feasibility study. We expect a number of catalysts for LKE’s shares.

**Southern Silver Exploration Corp. (TSXV: SSV/ Share Price: \$0.18 per share/ FRC Fair Value Estimate: \$0.60 per share):**

**Announcement:** On September 6, 2018, SSV announced the initial results of its 12,000 m drill campaign at the Cerro Las Minutas project in Durango, Mexico. Approximately 4,500 metres of drilling has been completed to date. One hole (18CLM-110 – see map below) returned 18.9 m of 260g/t Ag, 0.18% Cu, 0.9% Pb and 0.1% Zn (317g/t AgEq; 8.9% ZnEq), including 5.5m of 598g/t Ag, 0.4% Cu, 2.1% Pb and 0.1% Zn (720g/t AgEq; 20.3% ZnEq).

**Drill Hole Locations**



Source: SSV

**Impact:** Positive

**Outlook:** We consider this a very encouraging development as this hole (18CLM-110) establishes continuity between two previously drilled holes which gave 9.3 metres averaging 9.4g/t Ag, 0.13% Cu and 13% Zn – 487g/t AgEq, and 16.8 metres averaging 136g/t Ag, 0.5% Cu, 0.3% Pb and 4.5%

Zn – 361g/t AgEq. SSV also announced results of two other holes (107 and 109 – see map above) which gave reasonable results of 0.9 m averaging 733g/t AgEq, and 2.7 m averaging 257g/t AgEq. The current focus is on the North Skarn area, and results of CLM-111 and 112 are pending. Overall, we believe the company has been making good progress (on their goal of expanding the total resource to over 300 Moz silver equiv.) since our initiating report in March 2018.

**GrowMax Resources Corp. (TSXV: GRO/ Share Price: \$0.10 per share/ FRC Fair Value Estimate: N/A):**

**Announcement:** On August 28, 2018, GRO announced its plans to acquire a privately-held Brazilian producer of premium organic animal feed and plant fertilizer products in return for 50% of its outstanding shares. The target generated \$3.70 million in revenues, with a net loss of \$2.74 million in 2017. GRO's board has unanimously approved the deal. The company also stated that they have support of holders of over 32% of GRO's shares. However, a group of investors, led by Kal Malhi (Chairman of BullRun Capital Inc.), who holds about 13% of the outstanding shares, have expressed concerns stating there are significant flaws with the proposed transaction, and that the proposed transaction is not in the best interests of shareholders. The acquisition is subject to approval by Growmax's shareholders at a meeting to be held on September 25, 2018. Since we are not in a position to speculate on the outcome of this transaction, we are temporarily suspending our rating and fair value estimate on GRO's shares.



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

**Beleave Inc. (CSE: BE / Share Price: \$1.58 per share / FRC Fair Value Estimate: \$3.53 per share)** – On September 6, 2018, the company announced they had finalized plans to acquire 0.25 million square-feet of greenhouse space and 85 acres of land in London, Ontario, for the purpose of cannabis cultivation. Beleave purchased the greenhouse space and land for \$6.7 million, \$1.17

million of which is cash, \$1.17 million in Beleave common shares, and the rest in mortgage financing carrying a 6% annual interest rate.

- **Expected impact of news on valuation:** Positive.
- **Reasoning:** In our initiating report, we had outlined that apart from the existing production facility in Hamilton Ontario, we expected Beleave to build-out a second facility with Cannabis Wheaton Income Corp. (now Auxly Cannabis Group Inc. (TSXV: XLY)). Whilst it seems this facility is not in fact this joint facility, this can only add to the company's production capacity, which should positively impact the valuation given Beleave's expanding sales channels.

**Lexaria Bioscience Corp. (CSE: LXX, OTCQX: LXR) / Share Price: US\$1.97 per share / FRC Fair Value Estimate: US\$3.50 per share)** – On September 7, 2018, the company announced further additions to its patent portfolio. The company received three patent grants and two notices of allowance (which signal approval of the patent). The company now has eight issued patents, four with the US Patent and Trademark Office and four with the Australian Patent Office.

- **Expected impact of news on valuation:** Positive.
- **Reasoning:** Given the recent success in nicotine testing and growing potential of the company's DehydraTECH drug delivery technology, Lexaria is making pre-emptive moves to construct barriers around their intellectual property. Whilst there are still many question marks regarding the long-term success of DehydraTech, and whether it can deliver major active pharmaceutical ingredients, it is certain that without patent protection, larger players will be able to exploit any potential future breakthroughs Lexaria may experience.

**Disclaimers and Disclosure**

The opinions expressed in this report are the true opinions of the analyst(s) about any companies and industries mentioned. Any “forward looking statements” are our best estimates and opinions based upon information that is publicly available and that we believe to be correct, but we have not independently verified with respect to truth or correctness. There is no guarantee that our forecasts will materialize. Actual results will likely vary. Companies mentioned in this report may be covered by FRC under an issuer paid model or be candidates for coverage. FRC or companies with related management, may hold shares in some companies mentioned in this report. Distribution procedure: our reports are distributed first to our web-based subscribers on the date shown on this report then made available to delayed access users through various other channels for a limited time. The performance of FRC’s research is ranked by Investars. Full rankings and are available at [www.investars.com](http://www.investars.com).

To subscribe for real-time access to research, visit <http://www.researchfrc.com> for subscription options.

This report contains "forward looking" statements. Forward-looking statements regarding the Company, industry, and/or stock’s performance inherently involve risks and uncertainties that could cause actual results to differ from such forward-looking statements. Factors that would cause or contribute to such differences include, but are not limited to, continued acceptance of the Company's products/services in the marketplace; acceptance in the marketplace of the Company's new product lines/services; competitive factors; new product/service introductions by others; technological changes; dependence on suppliers; systematic market risks and other risks discussed in the Company's periodic report filings, including interim reports, annual reports, and annual information forms filed with the various securities regulators. By making these forward-looking statements, Fundamental Research Corp. and the analyst/author of this report undertakes no obligation to update these statements for revisions or changes after the date of this report.

Fundamental Research Corp DOES NOT MAKE ANY WARRANTIES, EXPRESSED OR IMPLIED, AS TO RESULTS TO BE OBTAINED FROM USING THIS INFORMATION AND MAKES NO EXPRESS OR IMPLIED WARRANTIES OR FITNESS FOR A PARTICULAR USE. ANYONE USING THIS REPORT ASSUMES FULL RESPONSIBILITY FOR WHATEVER RESULTS THEY OBTAIN FROM WHATEVER USE THE INFORMATION WAS PUT TO. ALWAYS TALK TO YOUR FINANCIAL ADVISOR BEFORE YOU INVEST. WHETHER A STOCK SHOULD BE INCLUDED IN A PORTFOLIO DEPENDS ON ONE’S RISK TOLERANCE, OBJECTIVES, SITUATION, RETURN ON OTHER ASSETS, ETC. ONLY YOUR INVESTMENT ADVISOR WHO KNOWS YOUR UNIQUE CIRCUMSTANCES CAN MAKE A PROPER RECOMMENDATION AS TO THE MERIT OF ANY PARTICULAR SECURITY FOR INCLUSION IN YOUR PORTFOLIO. This REPORT is solely for informative purposes and is not a solicitation or an offer to buy or sell any security. It is not intended as being a complete description of the company, industry, securities or developments referred to in the material. Any forecasts contained in this report were independently prepared unless otherwise stated, and HAVE NOT BEEN endorsed by the Management of the company which is the subject of this report. Additional information is available upon request. THIS REPORT IS COPYRIGHT. YOU MAY NOT REDISTRIBUTE THIS REPORT WITHOUT OUR PERMISSION. Please give proper credit, including citing Fundamental Research Corp and/or the analyst, when quoting information from this report. The information contained in this report is intended to be viewed only in jurisdictions where it may be legally viewed and is not intended for use by any person or entity in any jurisdiction where such use would be contrary to local regulations or which would require any registration requirement within such jurisdiction.

---

©2018 Fundamental Research Corp. “ 10+ Years of Bringing Undiscovered Investment Opportunities to the Forefront “

[www.researchfrc.com](http://www.researchfrc.com)

**PLEASE READ THE IMPORTANT DISCLOSURES AT THE BACK OF THIS REPORT**