



Fundamental Research Corp.

Investment Analysis for Intelligent Investors

Analysts' Ideas of the Week

Microsoft Eyeing U.S. TikTok / Gold & Silver M&A to Pick Up

August 4, 2020

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FRC Top Picks

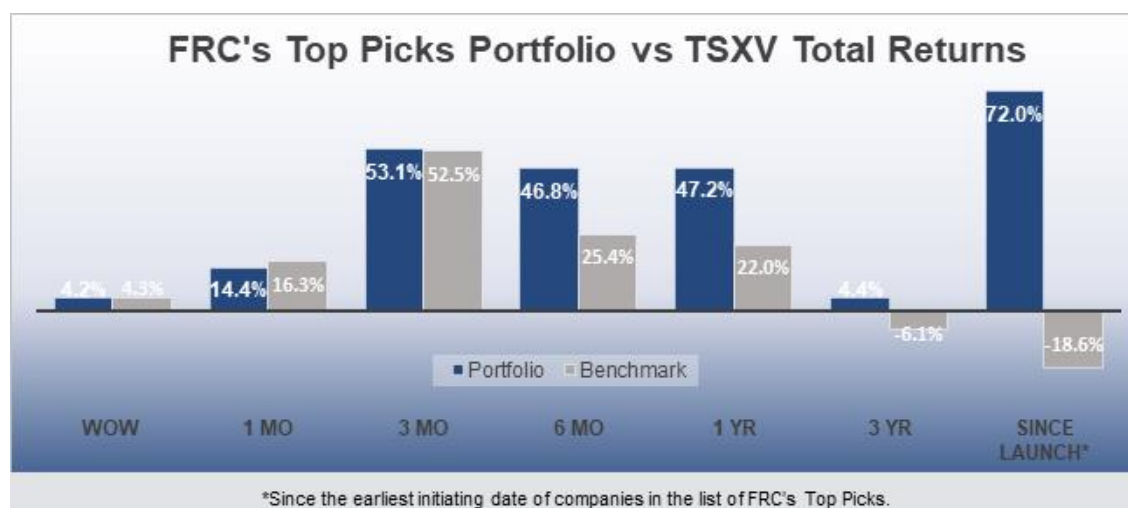
The following table shows last week's top five performers among our Top Picks, which included four junior resource companies (two gold, one copper-gold, and one nickel-cobalt) and Apple (Nasdaq: AAPL). The top performer, Thor Explorations Ltd. (TSXV: THX), an advanced stage gold company with projects in Africa, was up 27.3% WoW. Our latest update on THX can be viewed [here](#).

Top Five Performers Last Week

Top 5 Weekly Performers	WoW Returns
Thor Explorations Ltd (TSXV:THX)	27.3%
Giga Metals Corporation (TSXV:GIGA)	20.8%
Sirios Resources Inc. (TSXV:SOI)	15.6%
Apple Inc. (NasdaqGS:AAPL)	14.7%
Rockcliff Metals Corporation (CNSX:RCLF)	13.3%

* Past performance is not indicative of future performance

Overall, our portfolio (equally weighted) was up 4.2% in the past week versus the benchmark's (TSXV) 4.3%. Over the longer-term (three months, six months, one-year, three-year, and since launch), our portfolio has significantly outperformed the TSXV as shown below.



Top Picks Historical Performance

Total Return	WoW	1 Mo	3 Mo	6 Mo	1 Yr	3 Yr	Since Launch*
Mining	5.7%	24.5%	72.5%	68.8%	79.3%	26.3%	117.2%
Cannabis	4.7%	-2.4%	-4.8%	27.3%	N/A	N/A	34.0%
Technology	-0.6%	-12.3%	38.9%	-31.2%	-65.2%	-59.0%	33.9%
Special Situations	3.6%	6.6%	10.4%	-3.0%	13.6%	-6.8%	30.9%
Private Companies	N/A	N/A	N/A	N/A	6.9%	20.4%	23.9%
Portfolio (Total)	4.2%	14.4%	53.1%	46.8%	47.2%	4.4%	72.0%
Benchmark² (Total)	4.3%	16.3%	52.5%	25.4%	22.0%	-6.1%	-18.6%
Portfolio (Annualized)	-	-	-	-	47.2%	1.5%	8.5%
Benchmark ² (Annualized)	-	-	-	-	22.0%	-2.1%	-3.1%

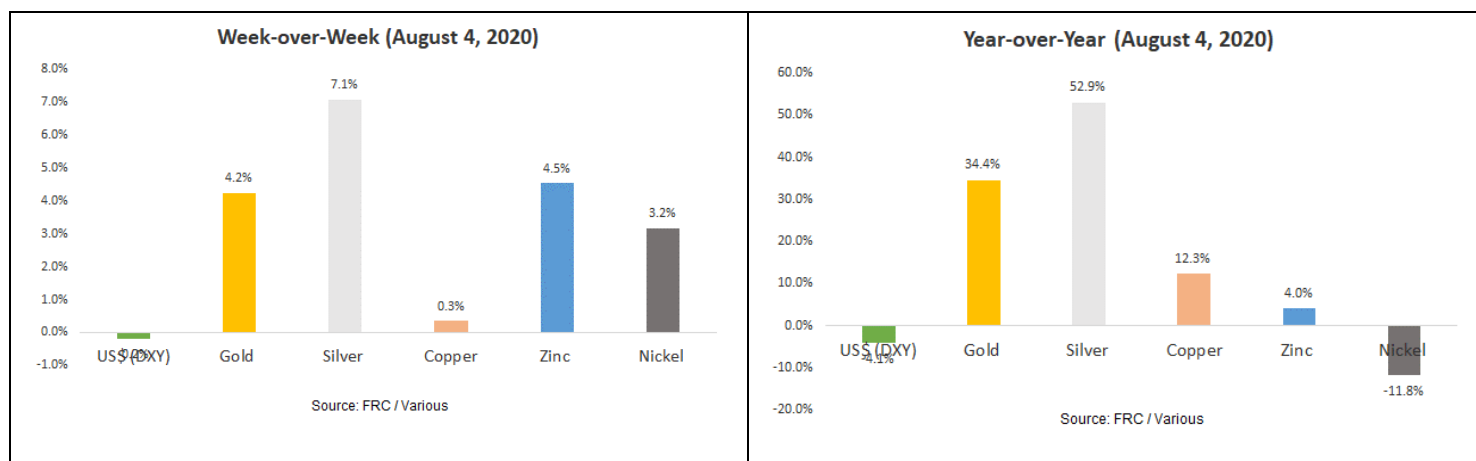
1. Since the earliest initiating date of companies in the list of Top Picks

2. Green (red) indicates FRC's picks outperformed (underperformed) the benchmark.

Our complete list of top picks (updated weekly) can be viewed [here](#).

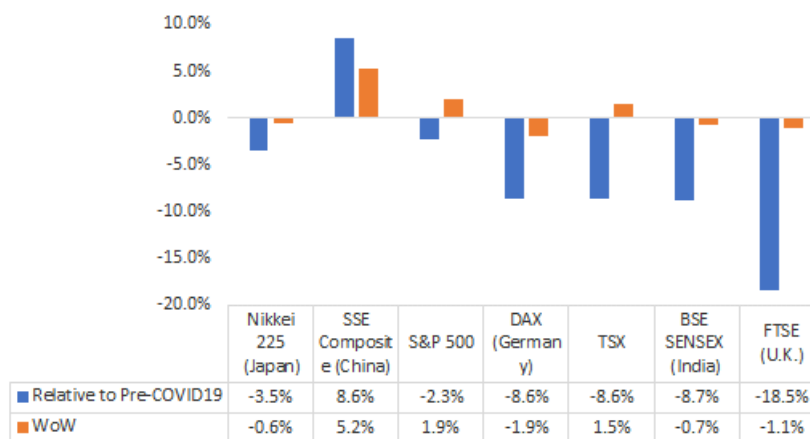
Weekly Mining Commentary

Gold prices surpassed US\$2,000 per oz today, and are currently at an all time high. Silver prices were up 7% WoW to \$26 per oz, and are at a seven-year high. With regard to base metals, copper and zinc prices are up YoY, while nickel prices are still lagging.



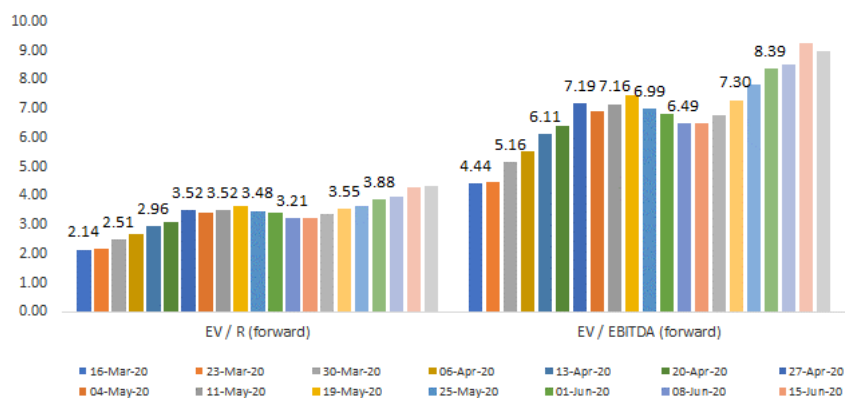
Although prices of four of the five mainstream metals reported WoW gains, equity valuations of both gold and base metals producers remained flat. This is inline with the fact that most of the global markets stayed relatively flat WoW, after reporting loses in the prior week.

Current Vs Pre COVID-19 (as of August 4, 2020)



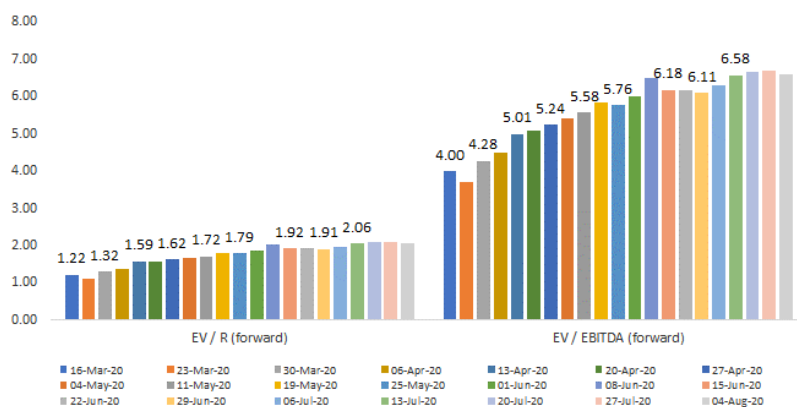
Source: FRC / Various

Gold Producers



Source: S&P Capital IQ & FRC

Base Metal Producers



Source: S&P Capital IQ & FRC

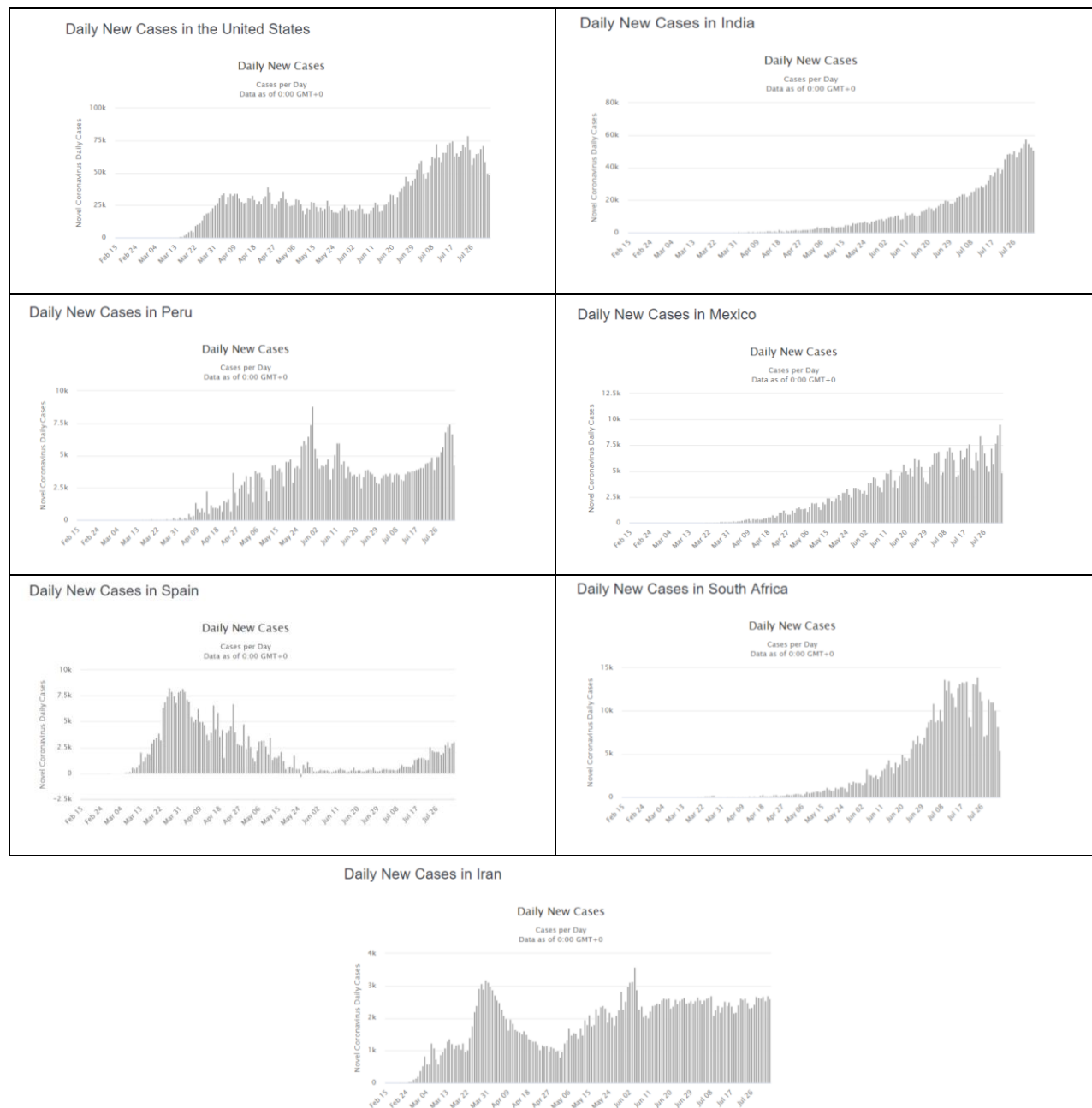
Gold Producers		20-Jul-20		27-Jul-20		04-Aug-20	
		EV / R (forward)	EV / EBITDA (forward)	EV / R (forward)	EV / EBITDA (forward)	EV / R (forward)	EV / EBITDA (forward)
1	Barrick	5.25	10.46	5.48	10.68	5.55	10.71
2	Newmont	4.80	10.89	4.90	11.11	5.15	10.80
3	Polyus	6.11	8.93	7.54	10.97	7.37	10.60
4	Agnico Eagle	5.81	13.18	6.21	14.21	6.65	14.18
5	AngloGold	3.80	8.52	4.26	9.49	3.91	7.71
6	Kinross Gold	2.88	5.93	3.10	6.34	3.22	6.46
7	Gold Fields	3.26	6.52	3.73	7.45	3.70	7.39
8	Sibanye	1.21	3.65	1.39	4.20	1.36	4.08
9	Yamana	4.18	7.65	4.48	8.36	4.61	8.49
10	B2Gold	3.83	6.05	4.05	6.22	4.29	6.51
11	Alamos	5.50	11.24	5.78	11.96	5.54	11.45
12	Hamony	2.37	13.46	2.58	14.53	2.42	13.60
13	Eldorado Gold	2.31	4.53	2.54	4.92	2.43	4.66
Average (excl outliers)		3.95	8.54	4.31	9.26	4.32	8.97
Min		1.21	3.65	1.39	4.20	1.36	4.08
Max		6.11	13.46	7.54	14.53	7.37	14.18

Base Metal Producers		EV / R (forward)	EV / EBITDA (forward)	EV / R (forward)	EV / EBITDA (forward)	EV / R (forward)	EV / EBITDA (forward)
		EV / R (forward)	EV / EBITDA (forward)	EV / R (forward)	EV / EBITDA (forward)	EV / R (forward)	EV / EBITDA (forward)
1	BHP Group	3.37	6.42	3.36	6.52	3.38	6.55
2	Rio Tinto	2.82	6.03	2.85	6.02	2.89	6.05
3	South32	1.14	6.06	1.17	6.22	1.10	5.84
4	Glencore	0.35	7.03	0.36	7.22	0.36	7.13
5	Anglo American	1.69	5.30	1.75	5.48	1.73	5.77
6	Teck Resources	1.72	6.49	1.77	6.48	1.68	6.23
7	First Quantum	3.60	9.36	3.46	8.88	3.38	8.61
Average (excl outliers)		2.10	6.67	2.10	6.69	2.07	6.60
Min		0.35	5.30	0.36	5.48	0.36	5.77
Max		3.60	9.36	3.46	8.88	3.38	8.61

Source: S&P Capital IQ & FRC

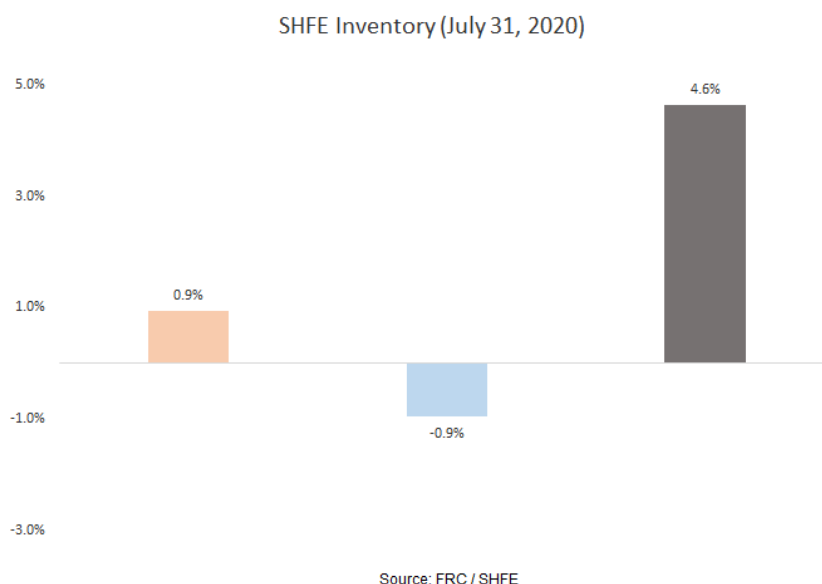
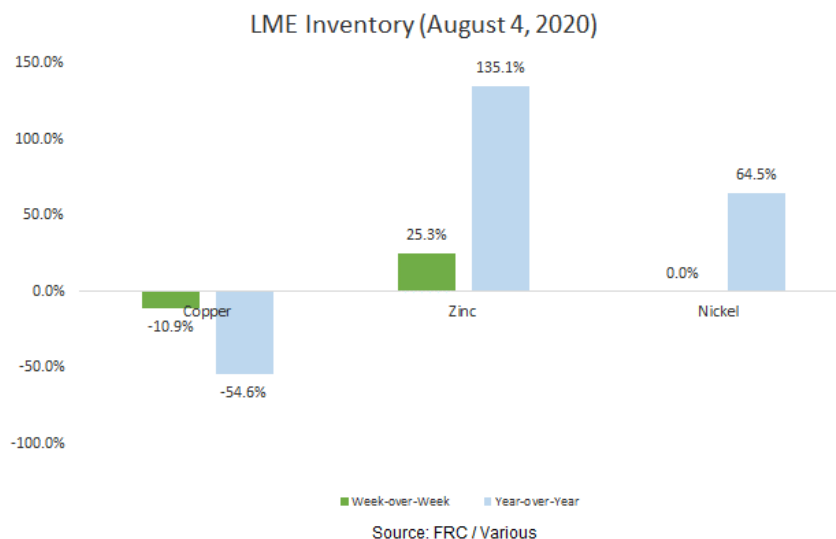
We remain concerned about the demand for base metals in the second half of 2020, as we are expecting a U-shaped recovery in business activities. Although the

number of new cases of COVID-19 in U.S., India, Mexico, and South Africa has declined in the past few days, the rise in cases in Peru and Spain is concerning. Also, the second wave in Iran seems to be persistent with no signs of a decline in new cases.



Source: <https://www.worldometers.info/coronavirus/>

Inventory levels of base metals remains volatile on both the LME and SHFE (Shanghai Futures Exchange), and are not giving us any insights on potential demand.



Based on the above, we remain cautious on base metal prices. We recently [completed a study](#) to forecast near-term and long-term gold prices using two proprietary models we developed in house. Based on our two models, we are forecasting a Q4 - 2020 average gold price of US\$1,925 per oz, a 2021 average gold price of ~US\$1,700 and a long-term (2024 average) price of ~US\$1,400.

Gold Price Forecasts (\$ per oz)	Model 1	Model 2	Average
Q4-2020 Average	\$1,930	\$1,920	\$1,925
2021 Average	\$1,624	\$1,797	\$1,711
2024 Average	\$1,303	\$1,525	\$1,414

Source: FRC

We have slightly adjusted our forecasts for gold and silver prices, while maintaining our forecasts for base-metals.

	Current Price	FRC Forecasts	
		2020E	Long-Term (2024+)
Gold (US\$/oz)	\$2,018	\$1,730	\$1,400
Silver (US\$/oz)	\$25.96	\$20.00	\$18.00
Copper (US\$/lb)	\$2.92	\$2.70	\$3.00
Zinc (US\$/lb)	\$1.04	\$1.00	\$1.10
Nickel (US\$/lb)	\$6.21	\$6.00	\$8.00

Source: FRC

We believe the strong price environment for gold / silver will prompt large and mid-tier producers to **pursue M&A, and acquire smaller players**. We expect more share transactions (rather than cash deals) considering the rich valuations and record high valuation multiples.

In the following section, we review companies that announced key developments in the past week.

Mining / Exploration

Company Name:	Ticker Symbol	Current Share Price:	FRC Fair Value Estimate:	Date of PR:
Falcon Gold Corp.	TSXV: FG	\$0.26	N/A	August 4, 2020
PR Content Sampling on its Spitfire & Sonny Boy project near Merritt, B.C. returned a very high grade value of 59.8 g/t Au over 2.2 m, including 122 g/t Au over 1 m from a past producing vein. Approximately 125 m southeast along strike, another channel sample returned 11.4 g/t Au over 1 m. Grab sampling on a new potential vein structure returned 22.8 g/t Au.		FRC Opinion Positive – These high-grade values are highly encouraging. FG’s share price is up 346% since our introductory note on June 19, 2020. FG is building a portfolio of gold and polymetallic projects in the Red Lake region in Ontario and B.C. The flagship Central Canada gold project is a historic producer, and is just 20 km from Agnico Eagle’s (NYSE: AEM) Hammond Reef gold project. FG recently completed a seven-hole drill program on the property. One hole intersected high grade values, such as 10.17 gpt Au over 3 m and 18.6 gpt Au over 1 m (in a newly discovered second zone), and a longer intercept of 1.39 gpt Au over 6.5 m. In total, the hole returned 1.21 gpt over 19 m. We will be initiating coverage on FG next week.		

Company Name:	Ticker Symbol	Current Share Price:	FRC Fair Value Estimate:	Date of PR:
Quaterra Resources Inc.	TSXV: QTA	\$0.13	\$0.49	July 28, 2020
PR Content Finalized the second of two previously announced sales of ground water rights associated with its copper property in Nevada for a total of US\$1.9 million.		FRC Opinion Positive - QTA had completed a similar sale of water rights last year. This is an attractive alternative to raising capital without any share dilution. The recent sale values QTA's remaining water rights at US\$18.5 million. QTA's current enterprise value is just US\$20 million, implying that the market assigns negligible value to any of the resources held by its projects. We are awaiting an update on an ongoing PFS on the oxide portion of its MacArthur deposit.		

Company Name:	Ticker Symbol	Current Share Price:	FRC Fair Value Estimate:	Date of PR:
Sonoro Metals Corp.	TSXV: SMO	\$0.26	\$0.32	July 31, 2020
PR Content Due to strong investor demand, the company has upped its previously announced private placement from \$5 to \$8 million, at \$0.22 per unit. Each unit will consist of a common share and one full warrant (\$0.30 per share for three years).		FRC Opinion Positive – This is a very encouraging development. We had mentioned in an update last month that the company is in a very tight cash position, and needs to raise capital imminently. Sonoro's immediate plan is to conduct a 6,000 m / 20-hole drill program to test the potential of high-grade mineralization at depth on its Cerro Caliche project in Mexico. Premier Gold's (TSX: PG) Mercedes underground mine, located 9 km southeast of Cerro Caliche, is in the same mineralized epithermal system that hosts the Cerro Caliche mineralized area. SMO is planning to drill 50,000 m in 2020, and 2021, to potentially expand the 2019 maiden resource estimate of 201 Koz gold at 0.55 g/t AuEq (gold equivalent).		

Company Name:	Ticker Symbol	Current Share Price:	FRC Fair Value Estimate:	Date of PR:
<u>Skyharbour Resources Ltd.</u>	TSXV: SYH	\$0.19	\$0.53	July 29, 2020
<u>Azincourt Energy Corp.</u>	TSXV: AAZ	\$0.04	N/A	August 4, 2020
PR Content SYH is planning to commence drilling (2,500 m across seven to nine holes) at its flagship Moore uranium project in Athabasca Basin, Saskatchewan. AAZ is planning a summer ground geophysical program to generate drill targets at its East Preston uranium project.		FRC Opinion Neutral - The program will follow up on the encouraging results from the winter drill program completed earlier this year. The primary focus will be on the Maverick East zone and the relatively untested Viper area . The Maverick East zone had returned an attractive intercept of 0.62% U3O8 over 12.0 m, with a high-grade basement hosted intercept of 2.5 m at 2.31% in a 2019 drill program. This is one of the broadest zones of uranium mineralization intersected on the property to date. SYH is fully funded for the drill program. Note that SYH has only systematically drilled 2.5 km of the 4.7 km long Maverick corridor. Neutral - AAZ will increase its interest to 70% by funding the upcoming summer program plus making another \$0.40 million cash payment to SYH and Dixie Gold Inc. (TSXV: DG). In 2020, AAZ completed a 2,431 m / nine-hole drill program. The project holds multiple untested conductive corridors for additional drilling.		

Company Name:	Ticker Symbol	Current Share Price:	FRC Fair Value Estimate:	Date of PR:
Noram Ventures Inc.	TSXV: NRM	\$0.19	N/A	July 29, 2020
PR Content Initiated permitting for a fall drill program (2,500 m across 16-24 holes for resource expansion) on the Zeus lithium claystone property. The company expects to produce an updated resource estimate after this drill program.		FRC Opinion Neutral - Noram's share price is up 20% since our introductory note on July 17, 2020. Zeus is located just 2 km from Albemarle Corporation's (NYSE: ALB) Silver Peak mine - the only lithium brine producer in the U.S. Zeus has a resource estimate of 0.75 Mt LCE (1,136 ppm) indicated and 0.43 Mt (1,045 ppm) inferred. Other noteworthy projects in the region include Cypress Development Corp's (TSXV: CYP) advanced stage Clayton Valley lithium project, and American Lithium Corp's (TSXV: LI) TLC lithium project. Based on their projects' similarities and proximity, we see opportunities for Noram, LI and CYP to consolidate.		

Technology and Special Situations

Company Name:	Ticker Symbol	Current Share Price:	FRC Fair Value Estimate:	Date of PR:
<u>Microsoft Corp.</u>	NASDAQ: MSFT	\$212.46	\$220.41	August 3, 2020
PR Content Announced intent to explore a proposal to acquire the TikTok service in the U.S. from Bytedance Ltd.		FRC Opinion Positive - If the TikTok deal goes through, MSFT's consumer business will get a major boost. As of July 2020, the U.S. TikTok operations accounted for 10% of global users (80 million of 800 million), with estimated revenue of \$500 million for 2020. Considering the robust outlook on increasing demand for TikTok videos, we estimate TikTok revenues to jump to ~\$1 billion for 2021 (assuming 120 million active users by July 2021 @ \$8 revenue per user). Assuming the deal is consummated in October 2020, or at the start of Q2FY21, the deal will add ~\$700 million to MSFT's revenues (3% to consumer segment and 1% to overall revenues) in FY21. Accordingly, we estimate overall revenues will increase to \$163.7 billion (vs. current forecast of \$163 billion) and EPS to grow to \$6.65 per share (current forecast of \$6.62 per share) for FY21. Considering Bytedance's estimated total value of \$50 billion (by investors seeking to take over the company), we believe the deal could be valued at \$5 billion (10% of total value), which translates into 10x 2020 revenues.		

Company Name:	Ticker Symbol	Current Share Price:	FRC Fair Value Estimate:	Date of PR:
<u>Atrium Mortgage Investment Corporation</u>	TSX: AI	\$10.30	\$12.77	July 29, 2020
PR Content		FRC Opinion		
Q2 revenue was down 2% YoY to \$16 million. Net income was up 2% to \$10 million (\$0.23 per share). Monthly regular dividends remain unchanged YoY at \$0.075 per share.		Positive – Revenue and earnings beat our expectations as we had taken a very conservative approach in our last update, and had assumed that AI will either offer three-month deferrals or have non-repayments on 15% of its portfolio. As of July 28, 2020, AI had collected 96% of the mortgage interest due in July; which is inline with historical collection rates. Management indicated that they expect Q3 to be more active for new mortgages. We will be publishing a detailed update shortly.		

Company Name:	Ticker Symbol	Current Share Price:	FRC Fair Value Estimate:	Date of PR:
<u>Siyata Mobile Inc.</u>	TSXV: SIM	\$0.11	\$0.90	Aug 4, 2020 Jul 28, 2020
PR Content		FRC Opinion		
Closed the sale of 21.50 million units for gross proceeds of \$2.15 million. Each unit consisted of one common share and one-half of a common share purchase warrant (exercise price of \$0.18).		Positive – We are pleased to see the company improve its liquidity position. At the end of Q1-2020, the company reported working capital and a current ratio of \$5.93 million and 2.23x, respectively. We believe the funds will help accelerate the company's entry into North America with its 4G PTT products.		

Cannabis

Company Name:	Ticker Symbol	Current Share Price:	FRC Fair Value Estimate:	Date of PR:
<u>Indiva Limited</u>	TSXV: NDVA	\$0.27	\$0.59	July 29, 2020
PR Content <p>Extended the maturity of its \$7.50 million bridge loan facility and \$6.50 million secured demand loan facility until October 31, 2021 (previously due within 12 months from the date of advance) for an extension fee of \$73,450, and a coupon increase of 2% per annum.</p> <p>Provided Q2-2020 revenue guidance in the range of \$2.3 to \$2.8 million, announced receipt of initial purchase orders ("POs") for Wana Gummies in excess of \$0.75 million, and outlined up to \$1 million in annual cost savings and efficiencies to positively impact financial results starting Q3-2020.</p>		FRC Opinion <p>Positive – The company's liquidity position has been of concern to us, as the company reported a working capital deficiency of \$6.01 million at the end of Q1-2020. As a result, we are very pleased to see the company extend the maturity date of its facilities.</p> <p>Positive – The company is on track to meet our 2020 revenue forecast of \$11.22 million. We are pleased to see the company launch Wana Gummies on schedule, and expect this new product line to contribute materially to revenue (gummies are one of the most popular types of edibles in Canada, according to Deloitte). Cost saving initiatives were expected, and have already been incorporated in our financial models.</p>		

Weekly Cannabis Commentary

Cannabis Industry Performance

Company	YTD	1-Week	1-Year
Aphria Inc.	0%	-16%	-32%
Aurora Cannabis Inc.	-56%	0%	-86%
Canopy Growth Corp.	-3%	12%	-41%
Cronos Group Inc.	-4%	5%	-50%
Tilray Inc.	-49%	14%	-80%
HEXO Corp.	-57%	2%	-83%
Organigram Holdings Inc.	-44%	-3%	-78%
The Supreme Cannabis Co., Inc.	-66%	-8%	-84%
AVERAGE	-35%	1%	-67%
MIN	-66%	-16%	-86%
MAX	0%	14%	-32%

Indexes	YTD	1-Week	1-Year
HMMJ	-14%	3%	-57%
MCAN	-9%	2%	NM
XCAN	NM	0%	NM

Note: MCAN and XCAN was launched on November 18, 2019 and January 20, 2020, respectively.

Source: TMX Money, FRC

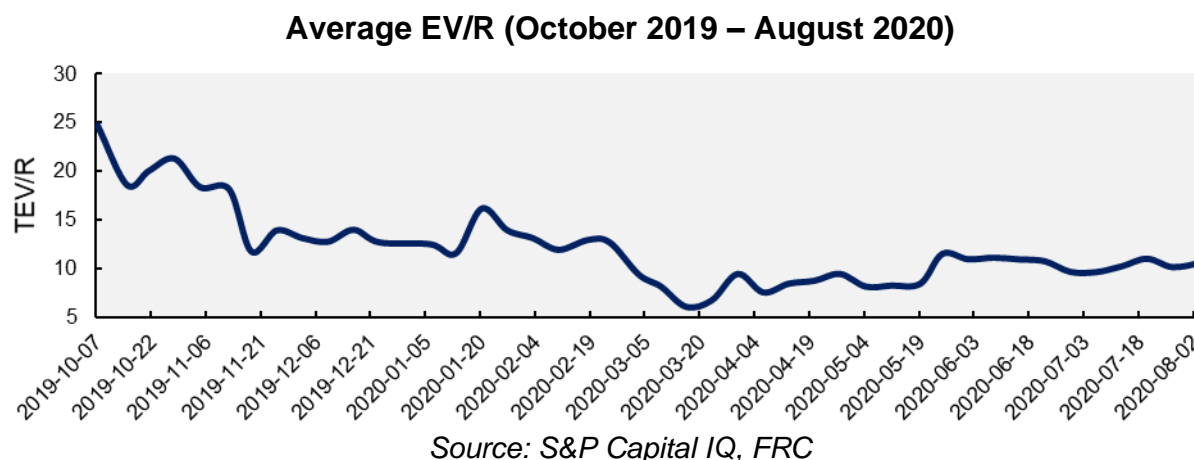
Over the past week, the Horizons Marijuana Life Sciences ETF (TSX: HMMJ / “HMMJ”), the Standard & Poor’s/MX International Cannabis Index (“MCAN”), and the Standard & Poor’s/TSX Cannabis Index (“XCAN”) generated a return of 3%, 2%, and 0%, respectively.

The worst performer on the list of companies that we track is Aphria Inc. (TSX: APHA). APHA reported financial results last week, with revenue beating estimates (as expected – see our AIW last week) but **earnings falling below expectations** (due to a non-cash impairment of \$64 million on the company’s international businesses due to the COVID-19 pandemic). APHA also initiated a US\$100 million ATM (“at the money”) equity offering, which is likely to weigh on the share price but strengthen the company’s balance sheet.

From the list of companies that we track, Tilray Inc. (NASDAQ: TLRY) was the best performer. We were unable to find material news that contributed to this strong weekly performance but do note that there have been speculations of a joint venture (“JV”) with a cannabis MSO (multi-state operator) based on forum discussions.

Valuation of Select Canadian LPs

The following shows the average Enterprise Value to Revenue (“EV/R”) of the cannabis companies that we track.



July 27, 2020				Aug 4, 2020	
Company	Ticker	TEV/Revenue	TEV/EBITDA	TEV/Revenue	TEV/EBITDA
Aphria Inc.	TSX: APHA	3.8	43.5	3.3	34.7
Aurora Cannabis Inc.	TSX: ACB	6.4	NM	6.2	NM
Canopy Growth Corp.	TSX: WEED	17.9	NM	20.1	NM
Cronos Group Inc.	TSX: CRON	30.4	NM	33.2	NM
Tilray Inc.	NASDAQ: TLRY	6.7	NM	6.9	NM
HEXO Corp.	NYSE: HEXO	6.6	NM	6.3	NM
Organigram Holdings Inc.	TSX: OGI	4.8	NM	4.4	NM
The Supreme Cannabis Co., Inc.	TSX: FIRE	4.2	NM	4.2	NM
AVERAGE		10.1	NM	10.6	NM
MEDIAN		6.5	NM	6.3	NM
MINIMUM		3.8	NM	3.3	NM
MAXIMUM		30.4	NM	33.2	NM

Source: S&P Capital IQ, FRC

The average EV/R, as of August 4, 2020, is 10.6x – an improvement from 10.1x on July 27, 2020. The average EV/R, from October 7, 2019 to date, is 12.0x. As a number of companies are not EBITDA positive, we have refrained from tracking the average Enterprise Value to EBITDA (“EV/EBITDA”).

There was no material industry news related to cannabis this week.

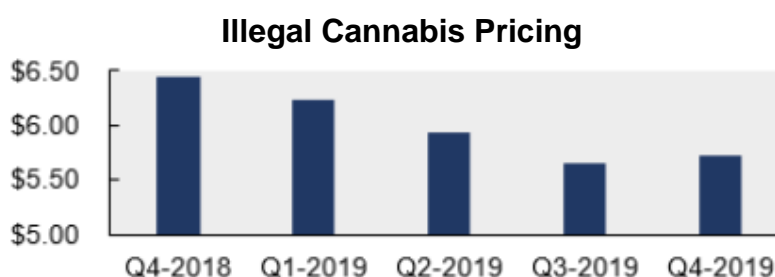
Canadian Retail Cannabis Pricing

Province (As of 2020/8/4)	Average Price per Gram	Average Price per Gram THC	Average Price per Gram CBD	# of Products	Min. Price	Max. Price
Alberta	\$ 11.54	\$ 11.55	\$ 11.30	296	\$ 3.93	\$ 22.00
B.C.	\$ 10.24	\$ 10.34	\$ 8.22	219	\$ 4.48	\$ 80.29
Manitoba	\$ 11.77	\$ 11.79	\$ 11.57	265	\$ 5.66	\$ 20.43
N.B.	\$ 10.09	\$ 10.21	\$ 8.90	149	\$ 3.57	\$ 16.28
N.S.	\$ 10.51	\$ 10.58	\$ 9.82	163	\$ 5.36	\$ 42.85
Newfoundland	\$ 10.16	\$ 10.17	\$ 10.19	131	\$ 5.64	\$ 15.40
Northwest Territories	\$ 11.54	\$ 11.54		3	\$ 12.08	\$ 13.00
Nunavut	\$ 11.73	\$ 11.84	\$ 12.41	36	\$ 9.43	\$ 17.91
Ontario	\$ 9.87	\$ 10.06	\$ 8.41	245	\$ 4.20	\$ 23.98
P.E.I.	\$ 10.53	\$ 10.59	\$ 9.85	134	\$ 4.46	\$ 23.30
Quebec	\$ 9.26	\$ 9.19	\$ 9.83	181	\$ 4.85	\$ 14.55
Saskatchewan	\$ 12.37	\$ 12.39	\$ 12.06	73	\$ 5.66	\$ 38.50
Yukon	\$ 14.30	\$ 14.81	\$ 12.76	12	\$ 10.97	\$ 16.15
CANADA	\$ 11.07	\$ 11.16	\$ 10.44			

Province (As of 2020/7/27)	Average Price per Gram	Average Price per Gram THC	Average Price per Gram CBD	# of Products	Min. Price	Max. Price
Alberta	\$ 11.65	\$ 11.68	\$ 11.30	289	\$ 4.32	\$ 22.00
B.C.	\$ 10.27	\$ 10.38	\$ 8.22	214	\$ 4.48	\$ 80.29
Manitoba	\$ 11.77	\$ 11.79	\$ 11.57	265	\$ 5.66	\$ 20.43
N.B.	\$ 10.17	\$ 10.28	\$ 9.09	149	\$ 3.57	\$ 16.28
N.S.	\$ 10.51	\$ 10.58	\$ 9.82	163	\$ 5.36	\$ 42.85
Newfoundland	\$ 10.16	\$ 10.17	\$ 10.19	131	\$ 5.64	\$ 15.40
Northwest Territories	\$ 11.54	\$ 11.54		3	\$ 12.08	\$ 13.00
Nunavut	\$ 11.73	\$ 11.84	\$ 12.41	36	\$ 9.43	\$ 17.91
Ontario	\$ 9.89	\$ 10.09	\$ 8.41	238	\$ 4.20	\$ 23.98
P.E.I.	\$ 10.54	\$ 10.60	\$ 9.85	134	\$ 4.46	\$ 23.30
Quebec	\$ 9.28	\$ 9.21	\$ 9.83	180	\$ 4.85	\$ 14.55
Saskatchewan	\$ 12.57	\$ 12.61	\$ 12.06	61	\$ 5.81	\$ 38.50
Yukon	\$ 14.30	\$ 14.81	\$ 12.76	12	\$ 10.97	\$ 16.15
CANADA	\$ 11.11	\$ 11.20	\$ 10.46			

Source: Online Provincial Cannabis Stores, FRC

The average retail price per gram decreased 0.33% week-over-week to reach **\$11.07**. Over the long-term, we continue to reiterate our view that the retail price per gram of cannabis will decrease to combat the black market for cannabis. According to Statistics Canada, the average per gram price of illegal cannabis in Q4-2019 was **\$5.73**. The following shows the trend in pricing for illegal cannabis:



Source: Statistics Canada, FRC

Canadian Retail Cannabis Stores

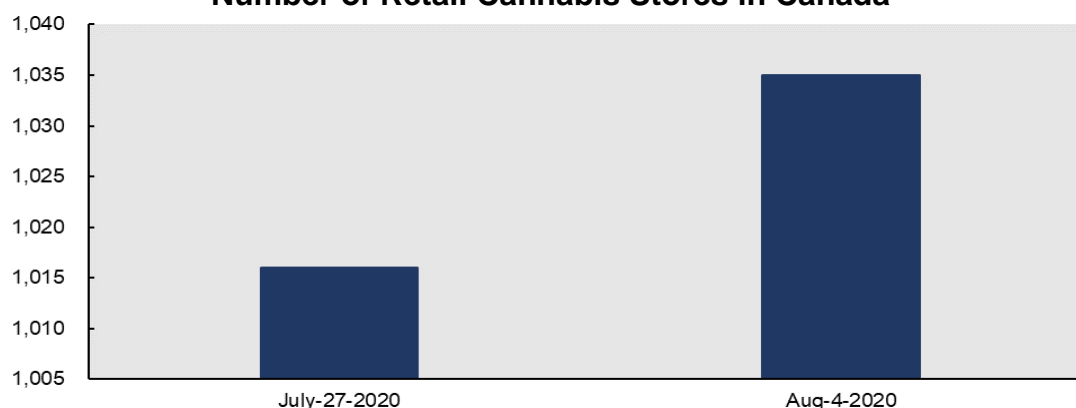
As of August 4, 2020, there are 1,035 retail cannabis stores across Canada – a 1.87% increase from a week ago. The following shows the week-over-week growth rates:

Week-over-Week Store Count Change

July 6, 2020	July 13, 2020	July 20, 2020	July 27, 2020	Aug 4, 2020
2.4%	1.8%	0.7%	0.4%	1.9%

Source: Provincial Websites, FRC

Number of Retail Cannabis Stores in Canada



Source: Provincial Websites, FRC

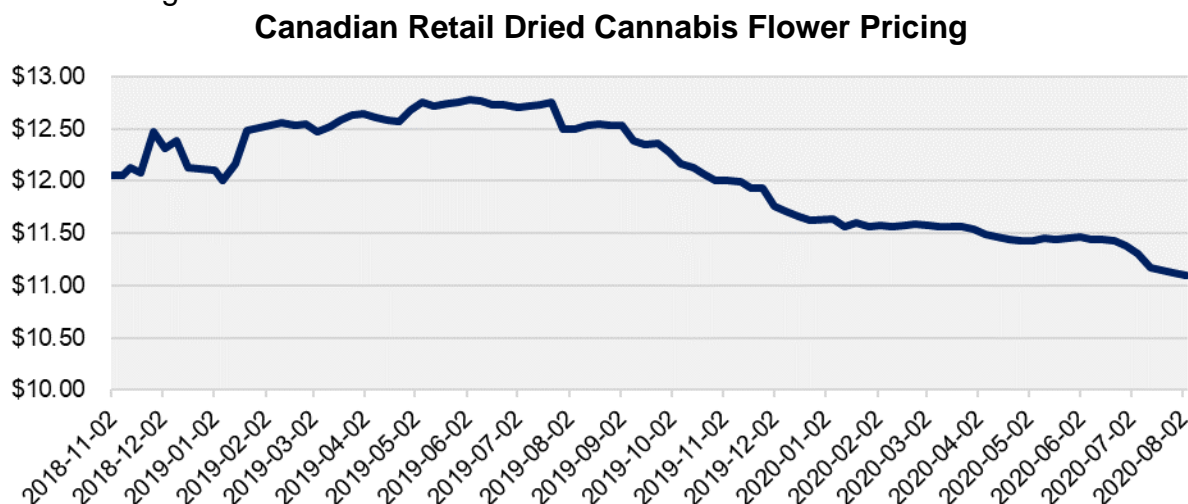
The following shows the number of retail cannabis stores by province/territory:

Geography	July-27-2020 Store Count	Aug-4-2020 Store Count	Population	Population / Store
Alberta	497	507	4,428,247	8,734
B.C.	214	220	5,120,184	23,274
Manitoba	30	30	1,379,121	45,971
N.B.	20	20	780,890	39,045
N.S.	12	12	978,274	81,523
Newfoundland	25	25	520,437	20,817
Northwest Territories	5	5	44,982	8,996
Nunavut	N/A	N/A	39,486	N/A
Ontario	118	121	14,745,040	121,860
P.E.I.	4	4	158,717	39,679
Quebec	42	42	8,552,362	203,628
Saskatchewan	44	44	1,181,987	26,863
Yukon	5	5	41,293	8,259
CANADA	1,016	1,035	37,971,020	36,687

Source: Provincial Websites, FRC

As shown above, Ontario and Quebec are the two largest underserved provinces for cannabis, with a population / store (“P/S”) of 121k and 204k, respectively. **Growth in Canada’s cannabis market hinges on more retail cannabis store openings in the two aforementioned provinces.**

The below chart shows Canadian retail dried cannabis flower pricing since we began price coverage.



Source: Online Provincial Cannabis Stores, FRC

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