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Investment Analysis for Intelligent Investors

Analysts' Ideas of the Week

Rising Consumer Confidence Positive for Base Metals

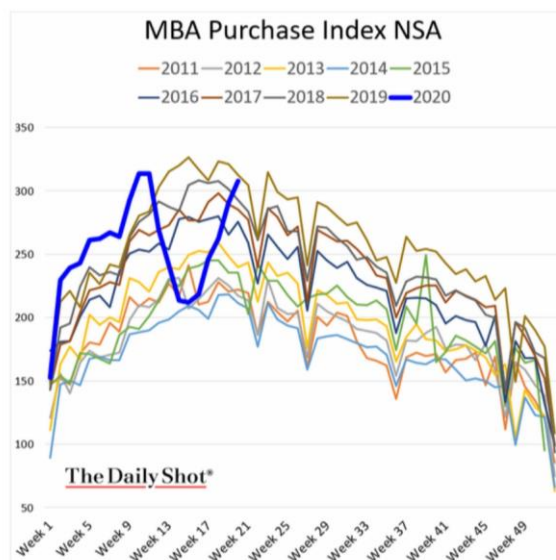
May 25, 2020

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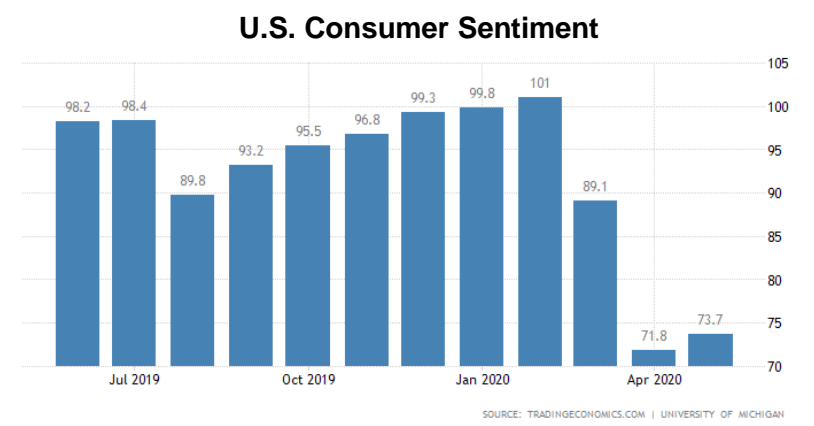
Update on COVID-19 and Weekly Mining Commentary

With North America and Europe slowly reopening businesses, consumer confidence has been rising, as shown by the following two charts.

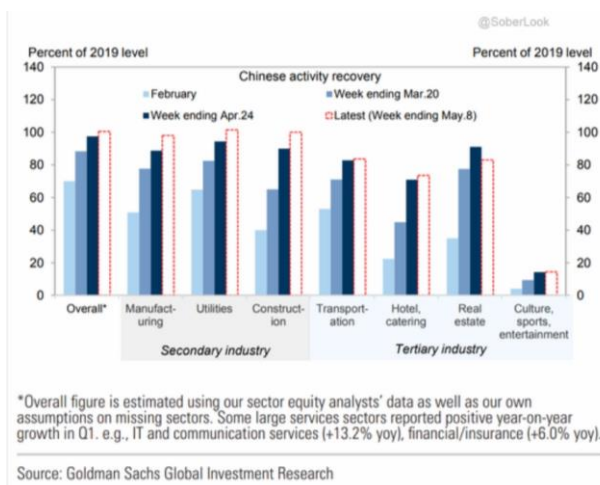
1. Mortgage applications in the U.S. have been increasing in the past few weeks, and are currently back at last year's levels.



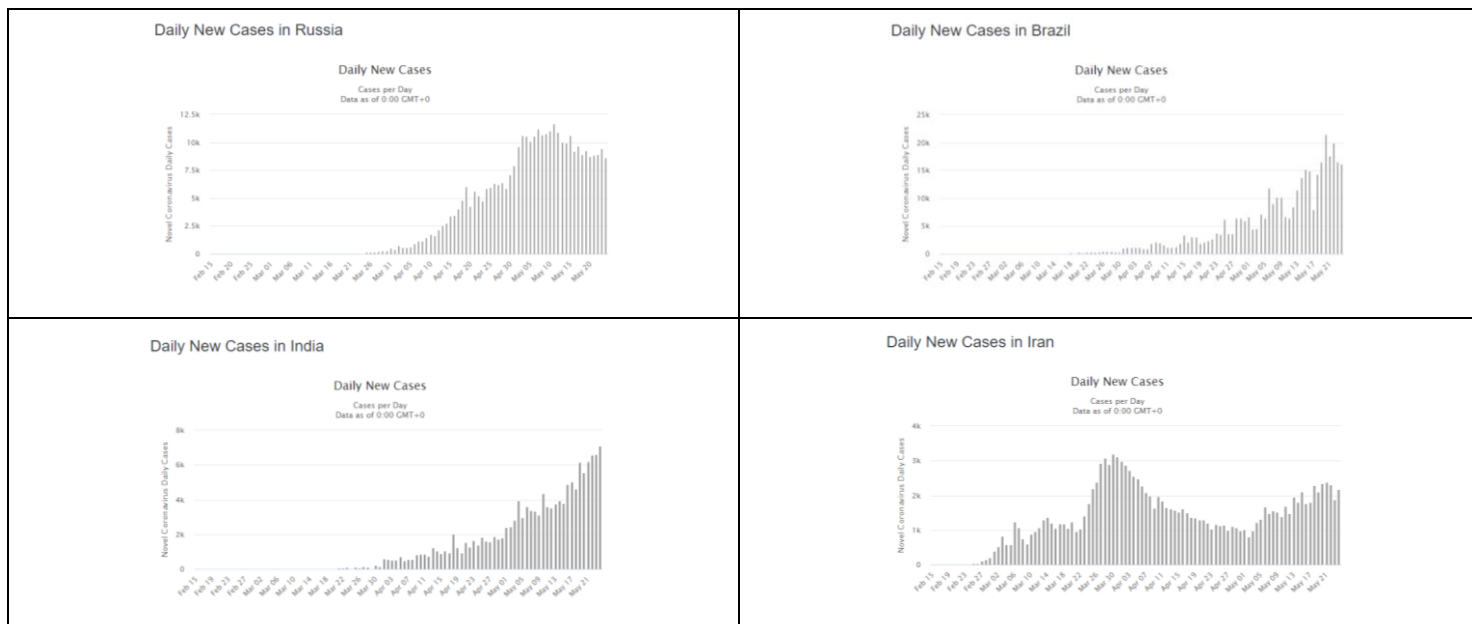
2. Consumer sentiment increased in May 2020.



China continues to report strong recovery data (as shown in the chart below), especially in the manufacturing and construction industries. **As China's recovery is a leading indicator, we expect a similar ramp up in activities in North America and Europe.**

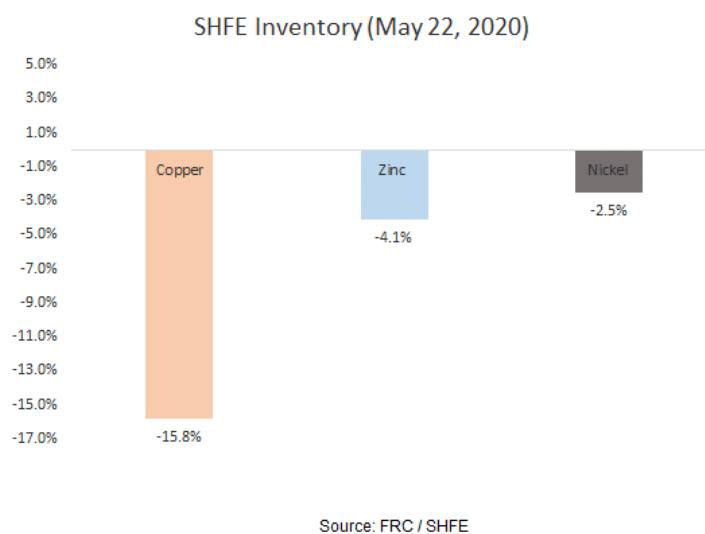
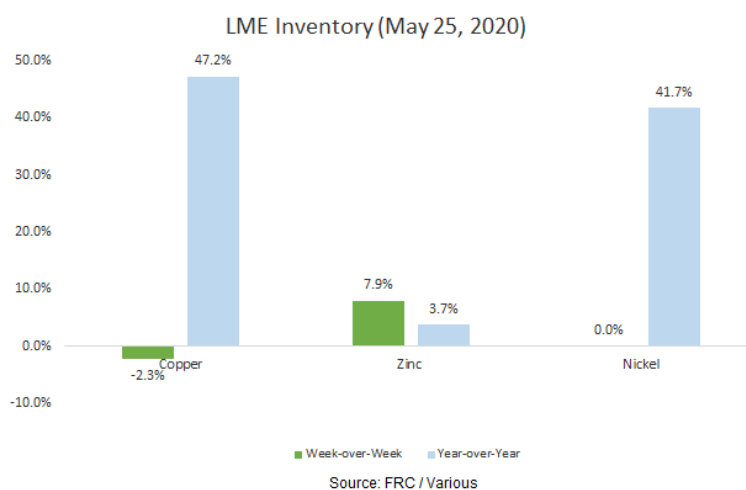


That said, **we remain cautious** on the risk of a second wave of COVID-19, and the rapid rise in new cases in India. Russia and Brazil (which are the other two countries that have been experiencing a significant increase in new cases) have started shows signs of decline. North American and European countries continue to be on a declining trend, which is a proof that the virus can be contained.

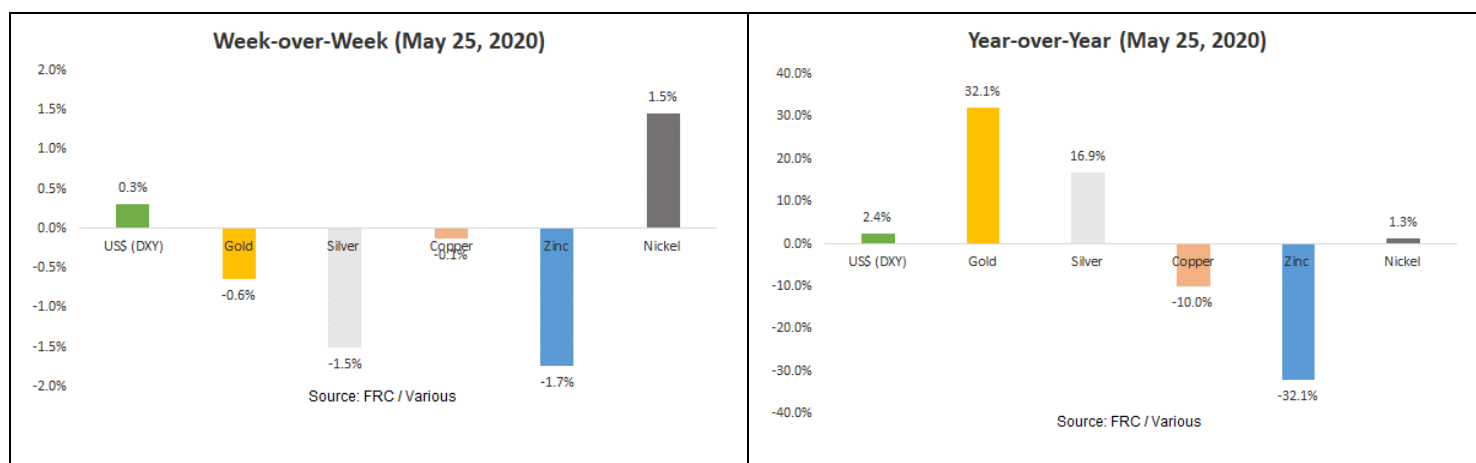


Source: <https://www.worldometers.info/coronavirus/>

The inventory levels of copper on the LME and SHFE (Shanghai Futures Exchange) declined WoW in the past week. **Based on the recovery, we expect inventory levels will continue their decline, which will be positive for base metals.**



Commodity prices were relatively flat in the past week. **On a YoY basis, gold leads other mainstream commodities by a big margin.**



As shown by our forecasts below (unchanged), we expect copper to be the best performer among base metals in the near-term.

	Current Price	FRC Forecasts	
		2020E	Long-Term (2023+)
Gold (US\$/oz)	\$1,729	\$1,700	\$1,400
Silver (US\$/oz)	\$17.10	\$17.50	\$18.00
Copper (US\$/lb)	\$2.38	\$2.70	\$3.00
Zinc (US\$/lb)	\$0.89	\$1.00	\$1.10
Nickel (US\$/lb)	\$5.50	\$6.00	\$8.00

Source: FRC

With regard to gold, we expect a short-term spike in prices as four out of the six factors in our model support gold prices.

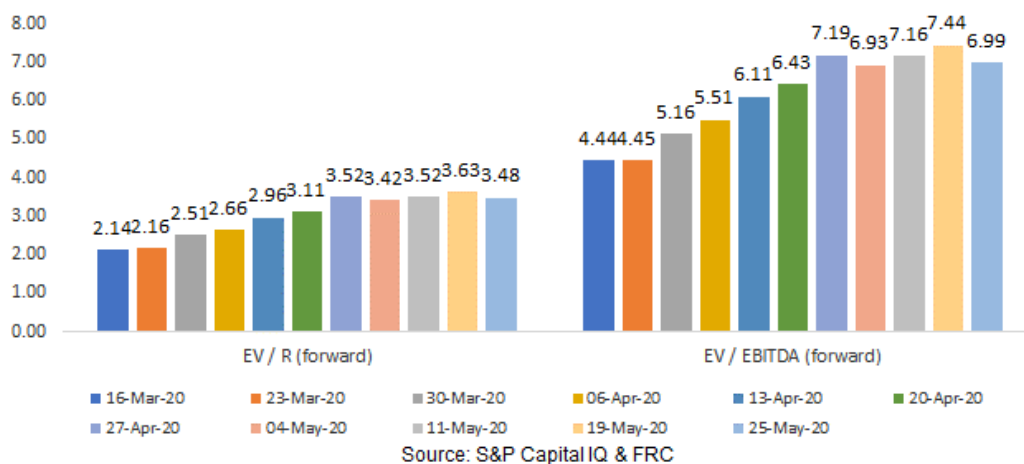
Drivers of Gold Prices	Past Week	Near-Term Forecast
US\$	↑	↑
M2 Money Supply (U.S.)	↑	↑
Oil Prices	↑	-
U.S. Consumer Confidence	↑	↓
Geopolitical Risks / Global Crisis	-	↑
Jewellery Demand	-	↓

*green implies positive, red implies negative, and black implies neutral for gold prices

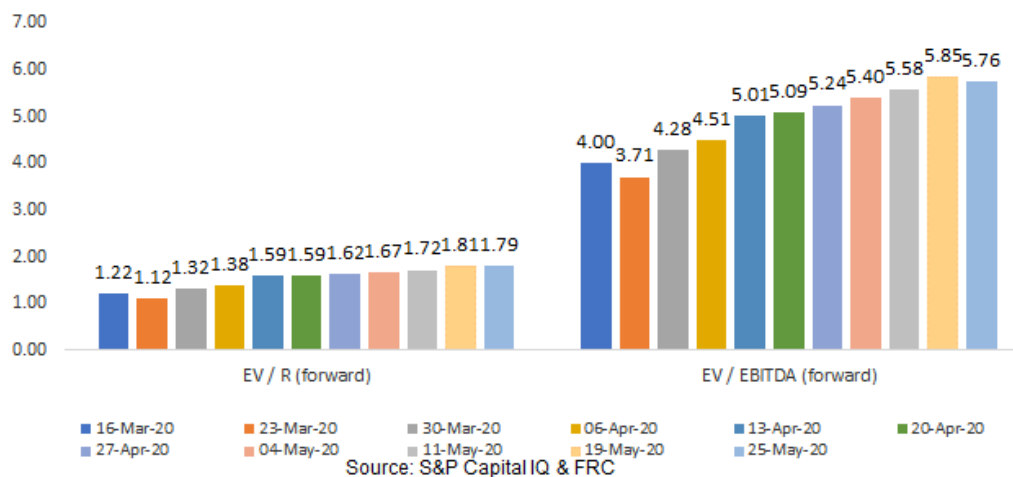
Source: FRC

Valuations – The valuations of both gold and base metals declined in the past week. 12 out of the 13 gold producers, and four out of the seven base metals producers, used in our analysis, experienced WoW declines.

Gold Producers



Base Metal Producers



Gold Producers		11-May-20		19-May-20		25-May-20	
		EV / R (forward)	EV / EBITDA (forward)	EV / R (forward)	EV / EBITDA (forward)	EV / R (forward)	EV / EBITDA (forward)
1	Barrick	5.16	10.62	5.37	11.06	5.03	10.26
2	Newmont	5.03	11.06	5.02	10.98	4.82	10.13
3	Polyus	5.47	7.95	5.58	8.09	5.52	7.94
4	Agnico Eagle	6.03	13.70	6.05	13.74	6.00	13.05
5	AngloGold	3.08	5.94	3.27	6.15	2.86	5.40
6	Kinross Gold	2.62	5.59	2.80	6.00	2.63	5.62
7	Gold Fields	2.52	5.14	2.62	5.53	2.38	4.85
8	Sibanye	0.92	2.39	1.12	3.29	0.99	2.91
9	Yamana	3.77	7.01	3.89	7.23	3.99	7.40
10	B2Gold	3.46	5.49	3.49	5.54	3.42	5.32
11	Alamos	4.42	9.14	4.63	9.59	4.43	9.15
12	Harmony	1.23	5.12	1.31	5.46	1.19	4.95
13	Eldorado Gold	2.02	3.98	2.08	4.11	1.99	3.85
Average (excl outliers)		3.52	7.16	3.63	7.44	3.48	6.99
Min		0.92	2.39	1.12	3.29	0.99	2.91
Max		6.03	13.70	6.05	13.74	6.00	13.05

Base Metal Producers		EV / R (forward)		EV / EBITDA (forward)		EV / R (forward)	
		EV / R (forward)	EV / EBITDA (forward)	EV / R (forward)	EV / EBITDA (forward)	EV / R (forward)	EV / EBITDA (forward)
1	BHP Group	2.65	5.11	2.94	5.67	2.92	5.64
2	Rio Tinto	2.22	5.01	2.49	5.63	2.46	5.50
3	South32	0.91	4.98	0.96	5.09	0.91	4.82
4	Glencore	0.30	6.08	0.32	6.35	0.32	6.19
5	Anglo American	1.30	4.19	1.41	4.63	1.39	4.54
6	Teck Resources	1.56	5.69	1.54	5.74	1.57	5.83
7	First Quantum	3.07	8.01	2.98	7.81	2.99	7.83
Average (excl outliers)		1.72	5.58	1.81	5.85	1.79	5.76
Min		0.30	4.19	0.32	4.63	0.32	4.54
Max		3.07	8.01	2.98	7.81	2.99	7.83

Source: S&P Capital IQ & FRC

We estimate that share prices of gold producers are up 45% YTD, while gold prices are up 11%, reflecting a ratio of 3.96x. In 2019, this ratio was 3.45x, and from 2014 to 2019, this ratio was 2.21x. **Based on 2019's ratio of 3.45x, we estimate the implied price of gold is US\$1,750 – US\$1,750 per oz.** As we expect a short-term spike in gold prices, we feel there is more upside for gold producers.

	YTD	2019	2014 - 2019
Gold Producers	45.13%	73.61%	73.80%
Gold Price	11.40%	21.35%	33.39%
Producers / Price	3.96	3.45	2.21

Source: FRC / Others

In the following section, we review other 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:
Gran Colombia Gold	TSX: GCM	\$7.80	\$N/A	May-19-2020
PR Content No longer pursuing previously announced bids to acquire Gold X Mining Corp. and Guyana Goldfields Inc. (TSX: GUY).		FRC Opinion <p>Neutral - GCM had announced bids on the two companies on May 11, 2020. In April 2020, Silvercorp Metals (TSX: SVM / a silver producer in China) and GUY had entered into a definitive agreement to merge. GCM's offer to GUY was \$0.90 per share, 35% higher than SVM's \$0.67 per share offer. Shortly after GCM's offer, SVM upped their offer to \$1.30 per share. We feel management made a good decision to not enter into a price war.</p> <p>This recent move reflects the company's strategy to leverage its strong balance sheet and grow through acquisitions. GCM had US\$86 million in cash at the end of Q1. All of the outstanding options and warrants are in the money, implying the company can raise up to C\$96 million when exercised. We will not be surprised if the company decides to make a go at another junior in the coming weeks / months.</p> <p>Q1 results came out last week. Q1-2020 EBITDA was up 38% YoY to \$48 million, and beat our expectations. We will publish a detailed update this week, with an updated fair value estimate.</p>		

Company Name:	Ticker Symbol	Current Share Price:	FRC Fair Value Estimate:	Date of PR:
Monarch Gold	TSX: MQR	\$0.25	\$0.60	May-20-2020
PR Content Geochemical studies showed that the Wasamac tailings are non-potentially acid generating.		FRC Opinion Positive – This is positive for MQR, especially considering that the company had recently entered into a MOU with Glencore (LSE: GLEN) to potentially use Glencore’s concentrator in Timmins, Ontario, for the treatment of ore from MQR’s Wasamac gold property. A toll milling option will allow MQR to advance its flagship asset into production quicker and at a lower CAPEX. A Feasibility Study on Wasamac, completed in late 2018, had returned an AT-NPV @ 5% of \$311 million, and an AT-IRR of 18.5%, at US\$1,300 per oz gold. The initial CAPEX was estimated at \$464 million. However, management had indicated at the time that toll milling would lower the CAPEX by about \$230 million. This new development enhances the likelihood of finding a suitable JV partner.		

Company Name:	Ticker Symbol	Current Share Price:	FRC Fair Value Estimate:	Date of PR:
Rio2 Limited	TSXV: RIO	\$0.59	\$0.93	May-19-2020
PR Content Expanded management team by adding two managers; one for Legal and Permitting and one for Construction.		FRC Opinion Positive – This is an indication that the company is on target to commence construction by late 2021. A recent Preliminary Feasibility Study on its 100% owned Fenix Gold project in Chile, which used a US\$1,300 per oz gold price, showed an AT-NPV at 5% of US\$121 million, with an AT-IRR of 27%. We believe the PFS demonstrated Fenix’s scalable development options.		

Company Name:	Ticker Symbol	Current Share Price:	FRC Fair Value Estimate:	Date of PR:
Rockcliff Metals Corporation	CSE: RCLF	\$0.09	\$0.32	May-21-2020
PR Content Completes phase one drill program at its 100% owned Freebeth property located in central Manitoba. Key intercepts were 5.28% CuEq across 2.30 m and 4.00% CuEq across 4.70 m.		FRC Opinion Positive - Mineralization is near surface and more importantly, the project is strategically located within trucking distance to the company's leased processing facility. Freebeth is one of the early-stage projects in RCLF's portfolio. RCF's key assets include three advanced stage copper projects (two high-grade copper and one gold-rich copper project), and a leased processing and tailings facility – all in the Flin Flon-Snow Lake greenstone belt in Manitoba. A production decision is expected by Q4.		

Company Name:	Ticker Symbol	Current Share Price:	FRC Fair Value Estimate:	Date of PR:
Grid Metals	TSXV: GRDM	\$0.21	\$0.54	May-19-2020
PR Content Signed a drilling contract for a new program at its East Bull Lake ("EBL") Palladium property in Sudbury. The company is also pursuing a \$550k equity financing to fund the drill program.		FRC Opinion Neutral – The company is nicely executing its original plan to focus on the early stage / relatively untested EBL property in Sudbury. Its flagship asset is the advanced stage nickel-copper-palladium asset in Manitoba, which has an indicated resource of 201 Mlbs nickel, 276 Mlbs copper, and 0.2 Moz palladium. A 2014 Preliminary Economic Assessment returned an AT-NPV of \$97 million, and an AT-IRR of 16%, based on a copper price of US\$3.4 per lb, and a nickel price of US\$8.5/lb.		

Company Name:	Ticker Symbol	Current Share Price:	FRC Fair Value Estimate:	Date of PR:
Laurion Minerals Exploration Inc.	TSXV: LME	\$0.145	\$0.33	May-19-2020
PR Content First hole of a 4,500 m diamond drill program on its 100% owned property located 220 km northeast of Thunder Bay, returned 24.4 m grading 0.67 g/t gold, 6.40 g/t silver, 0.09 % copper and 1.50 % zinc from 116.96 m to 141.5 m.		FRC Opinion Positive – The gold values are very encouraging. LME is awaiting results of six more holes. All seven holes were focussed on testing historic intercepts. Note that a preliminary target deposit estimate (completed in 2011), based on drilling completed on 400 m of one of the 3km trends, indicated potential for 40-50 Mt grading 2.5 g/t gold, 0.5% copper, 3% zinc and 30 g/t silver. The project has an indicated resource (calculated in 2013) of 281,571 tonnes grading 1.14 g/t gold for 10,327 oz on the stockpile and tailings.		

Company Name:	Ticker Symbol	Current Share Price:	FRC Fair Value Estimate:	Date of PR:
West Red Lake Gold Mines Inc.	CSE: RLG	\$0.08	\$0.35	May-19-2020
PR Content Planning to initiate a 3,000 m exploration drill program on the NT zone in June to follow up on positive results from the last program.		FRC Opinion Neutral - The NT zone is located approximately 800 m south of RLG's Rowan mine located at the west-end of the Red Lake Gold District of Northwestern Ontario. The Rowan project has a 2016 inferred resource of 4.45 Mt at 7.57 gpt for 1.09 Moz of gold. We believe the upcoming drill program will provide us an indication when the company will proceed to a maiden resource on the NT zone.		

Special Situations

Company Name:	Ticker Symbol	Current Share Price:	FRC Fair Value Estimate:	Date of PR:
Micron Waste Technologies Inc.	CSE: MWM	\$0.20	N/A	May 19, 2020
PR Content		FRC Opinion		
<p>Entered into a definitive purchase agreement to fully acquire Covid Technologies Inc. ("Covid"), a manufacturer of personal protective equipment ("PPE"). Prior to the closing of this acquisition, Micron is expected to conduct a 2:1 share consolidation and issue 16.50 million post-consolidated shares at a price of \$0.08 per share (value of \$1.32 million) and 16.50 million share purchase warrants with an exercise price of \$0.10 per share.</p> <p>Announced that one of its digestors are anticipated to enter testing and trials imminently.</p>		<p>Neutral – We would have liked to see the company focus on its main business rather than dilute their focus by acquiring an unrelated company. From the website of Covid (covidtechnologies.com), it is unclear whether they are presently in commercial operations. Although demand for PPE is currently high (due to the COVID-19 pandemic), the number of mask manufacturers has also increased dramatically. Covid is expected to operate in a highly competitive market against mask manufacturers with significant economies of scale.</p> <p>Positive – We are pleased to see progress being made in regard to the company's main business. With that said, the path to commercialization still remains uncertain.</p>		

Cannabis

Company Name:	Ticker Symbol	Current Share Price:	FRC Fair Value Estimate:	Date of PR:
AgraFlora Organics International Inc.	CSE: AGRA	\$0.07	\$0.38	May 19, 2020
				May 20, 2020
PR Content		FRC Opinion		
The Delta Facility received its standard cultivation license from Health Canada.		Neutral – Receipt of the license was long overdue (we forecasted the license to be received in Q1-2020). We expect the company to commence the cultivation of cannabis at the Delta Facility imminently.		
Entered into an extraction partnership for hemp processing with a Quebec-based extractor (name undisclosed). This partnership is in conjunction with Micro C45 Inc. (“MC45”), a joint venture partner of Sustainable Growth Strategic Capital Corp. (“SGSC” / a wholly-owned subsidiary of AgraFlora). MC45 will supply 44,000 kg of hemp biomass for extraction while SGSC will serve as the funding partner. We are not privy to the financial details of this partnership.		Positive – This partnership is expected to provide another avenue of revenue generation for AgraFlora. With that said, the quality of products to come out of this extraction partnership hinges on MC45 – the supplier, and the Quebec-based extractor. We have limited information on the quality of MC45’s hemp biomass, as their website (microc45.com) has very limited information. Furthermore, we do not have details on the extraction technologies used by the Quebec-based extractor.		
		AgraFlora’s audited financials are expected to be released by June 15, 2020, to which we will provide an update report.		

Weekly Cannabis Commentary

Cannabis Industry Performance

As a proxy for performance of the cannabis market, we show the performances of:

- Horizons Marijuana Life Sciences Index ETF (TSX: HMMJ / “HMMJ”),
- Standard & Poor’s/MX International Cannabis Index (“MCAN”),
- Standard & Poor’s/TSX Cannabis Index (“XCAN”).

Company	YTD	1-Week	1-Year
Aphria Inc.	-11%	18%	-44%
Aurora Cannabis Inc.	-27%	12%	-83%
Canopy Growth Corp.	12%	21%	-52%
Cronos Group Inc.	1%	23%	-55%
Tilray Inc.	-37%	29%	-76%
HEXO Corp.	-62%	-16%	-91%
Organigram Holdings Inc.	-19%	15%	-76%
The Supreme Cannabis Co., Inc.	-41%	25%	-79%
AVERAGE	-23%	16%	-70%
MIN	-62%	-16%	-91%
MAX	12%	29%	-44%

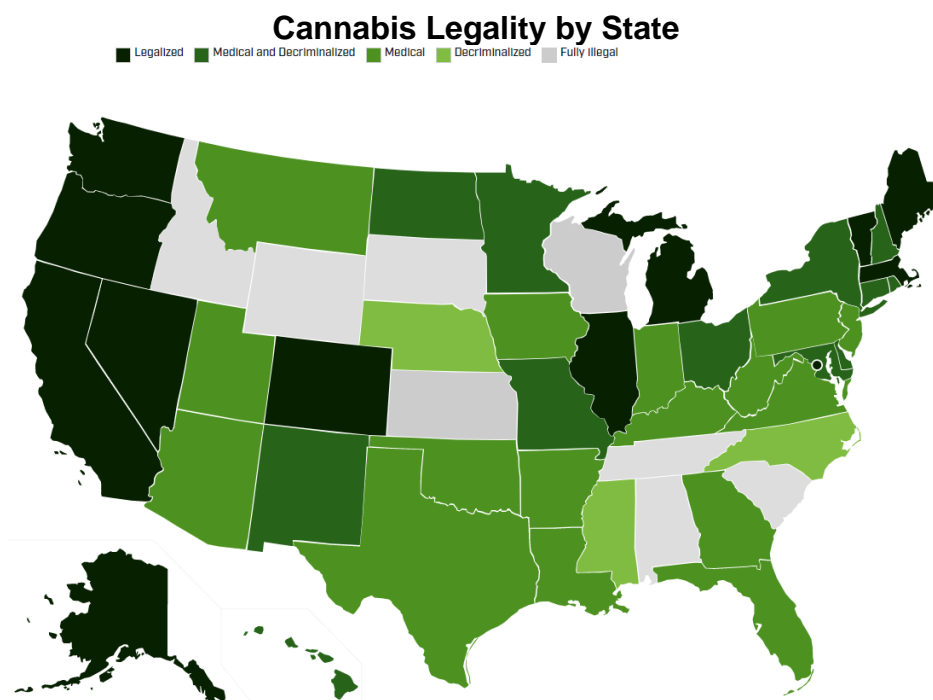
Indexes	YTD	1-Week	1-Year
HMMJ	-3%	19%	-59%
MCAN	2%	17%	NM
XCAN	NM	20%	NM

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

Source: TMX Money, FRC

Over the past week, the HMMJ, MCAN, and XCAN generated a return of 19%, 17%, and 20%, respectively. **Performance of the cannabis market improved week-over-week due to (1) growing speculation that more U.S. states will support cannabis legalization as a means to generate tax revenue and (2) strong retail cannabis sales in Canada for the month of March 2020** (discussed further below).

Last week, the governor of New York (Andrew Cuomo) stated his desire to legalize recreational cannabis as a way to generate revenue for economic relief rather than depend on federal funds. **The legalization of recreational cannabis in New York is expected to create a domino effect for recreational cannabis legalization in other states.** A significant number of states have yet to legalize recreational cannabis, as shown below.



Source: DISA

Of the companies that we track, HEXO Corp. (NYSE: HEXO) was the worst performer due to a dilutive capital raise on May 19, 2020.

Hexo Corp.

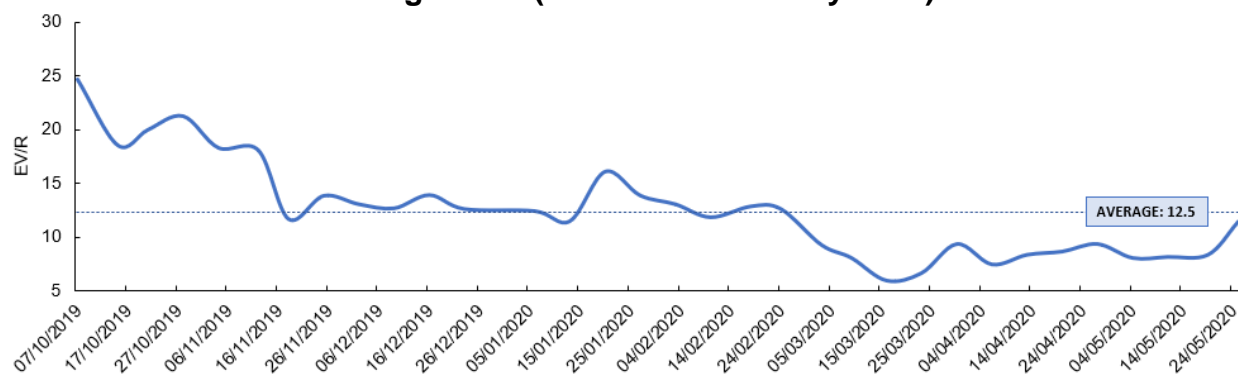


Source: Google

Valuation of Select Canadian LPs

The following shows the average Enterprise Value to Revenue (“EV/R”) that the aforementioned cannabis companies are currently trading at.

Average EV/R (October 2019 – May 2020)



Source: S&P Capital IQ, FRC

May 19, 2020				May 25, 2020	
Company	Ticker	TEV/Revenue	TEV/EBITDA	TEV/Revenue	TEV/EBITDA
Aphria Inc.	TSX: APHA	2.5	27.8	3.0	35.1
Aurora Cannabis Inc.	TSX: ACB	6.2	NM	8.5	NM
Canopy Growth Corp.	TSX: WEED	16.9	NM	21.2	NM
Cronos Group Inc.	TSX: CRON	20.3	NM	34.0	NM
Tilray Inc.	NASDAQ: TLRY	7.3	NM	8.9	NM
HEXO Corp.	NYSE: HEXO	4.7	NM	6.4	NM
Organigram Holdings Inc.	TSX: OGI	4.5	NM	5.1	NM
The Supreme Cannabis Co., Inc.	TSX: FIRE	4.4	NM	4.7	NM
AVERAGE		8.4	NM	11.5	NM
MEDIAN		5.5	NM	7.5	NM
MINIMUM		2.5	NM	3.0	NM
MAXIMUM		20.3	NM	34.0	NM

Source: S&P Capital IQ, FRC

The average EV/R, as of May 25, 2020, is 11.5x – a improvement from an average EV/R of 8.4x as of May 19, 2020. The average EV/R, from October 7, 2019 to date, is 12.5x. As a number of companies are not EBITDA positive, we have refrained from tracking the average Enterprise Value to EBITDA (“EV/EBITDA”).

Below, we discuss Canadian cannabis retail sales.

Retail Cannabis Sales Exceeding Retail Alcohol Sales

Due to the COVID-19 pandemic, overall **Canadian retail sales declined 10% month-over-month** (“MoM”) from February 2020 to March 2020. However, over the same period, **Canadian retail cannabis sales increased 19% MoM**. **From March 2019 to March 2020, Canadian retail cannabis sales increased 197%**. The following shows how retail sales of different Canadian industries performed from February 2020 to March 2020.

North American Industry Classification System (NAICS)	Feb-20	Mar-20	MoM
Retail trade [44-45]	52,315,534	47,074,053	-10%
Automobile dealers [4411]	12,545,340	7,740,663	-38%
Other motor vehicle dealers [4412]	889,657	696,004	-22%
Automotive parts, accessories and tire stores [4413]	877,967	777,392	-11%
Furniture stores [4421]	1,024,738	771,545	-25%
Home furnishings stores [4422]	581,579	441,334	-24%
Electronics and appliance stores [443]	1,135,086	1,144,021	1%
Building material and garden equipment and supplies dealers [444]	3,283,262	3,284,602	0%
Grocery stores [4451]	8,179,947	10,224,734	25%
Specialty food stores [4452]	670,633	748,152	12%
Beer, wine and liquor stores [4453]	2,043,202	2,401,014	18%
Health and personal care stores [446]	4,069,411	4,257,079	5%
Gasoline stations [447]	5,368,890	4,307,592	-20%
Clothing stores [4481]	2,300,256	1,104,440	-52%
Shoe stores [4482]	326,017	158,440	-51%
Jewellery, luggage and leather goods stores [4483]	313,487	168,598	-46%
Sporting goods, hobby, book and music stores [451]	1,069,120	814,364	-24%
Cannabis stores [453993]	151,930	181,071	19%

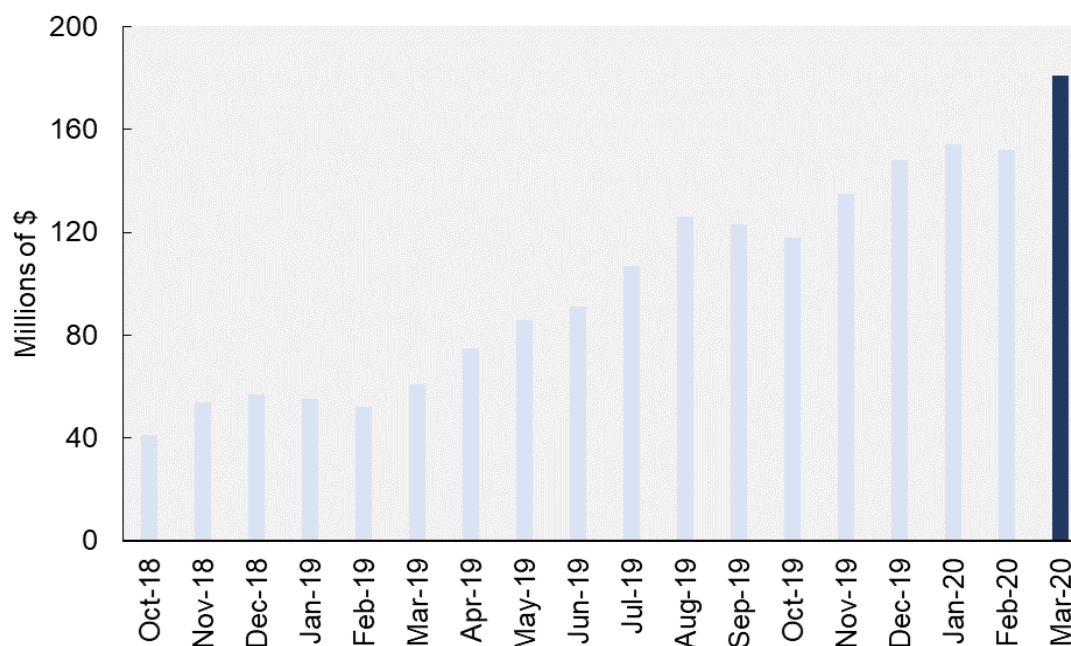
Source: Statistics Canada, FRC (figures above in 000's)

The best performers were grocery stores, which saw a 25% MoM increase (this is unsurprising to see). **Cannabis stores were the second best-performer – a tick above beer, wine and liquor stores.** This is interesting to see and supports our thesis that cannabis sales are likely to closely follow alcohol sales during an economic downturn (i.e. increase).

Although it is unclear what percentage of the increase is attributed to hoarding, the data is supportive of resilient cannabis demand during an economic downturn. Major cannabis companies have indicated that cannabis sales in April 2020 have largely come down to pre-COVID-19 levels. To that, we believe cannabis sales in April 2020 will soften compared to March 2020. If we assume sales in the remaining months of 2020 will mimic that of February 2020 (i.e. pre-COVID-19 sales), **the cannabis market, assuming zero monthly growth, is expected to grow 54% from 2019 to 2020.** This is an extremely attractive growth rate and outlines the huge potential of cannabis.

The following shows Canadian retail cannabis sales since legalization in October 2018.

Canadian Retail Cannabis Sales



Source: Statistics Canada, FRC

Canadian Retail Cannabis Pricing

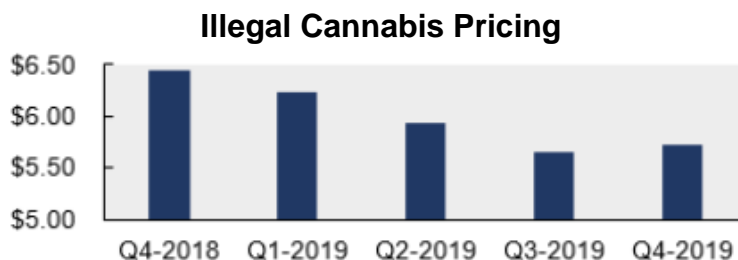
Province (As of 2020/5/25)	Average Price per Gram	Average Price per Gram THC	Average Price per Gram CBD	# of Products	Min. Price	Max. Price
B.C.*	\$ 10.40	\$ 10.50	\$ 7.80	175	\$ 4.48	\$ 19.80
Ontario	\$ 10.35	\$ 10.60	\$ 8.54	241	\$ 4.20	\$ 23.98
Quebec*	\$ 9.52	\$ 9.48	\$ 9.78	159	\$ 4.94	\$ 14.55
Alberta*	\$ 12.23	\$ 12.27	\$ 11.68	246	\$ 4.91	\$ 22.00
N.B.	\$ 10.32	\$ 10.47	\$ 8.86	146	\$ 4.43	\$ 16.00
P.E.I.*	\$ 10.73	\$ 10.81	\$ 9.85	116	\$ 4.71	\$ 23.30
Newfoundland*	\$ 10.23	\$ 10.24	\$ 10.22	124	\$ 5.97	\$ 15.40
Yukon*	\$ 14.29	\$ 14.86	\$ 12.76	11	\$ 10.97	\$ 16.15
N.S.	\$ 10.57	\$ 10.65	\$ 9.82	155	\$ 5.71	\$ 42.85
Nunavut*	\$ 11.69	\$ 11.78	\$ 12.41	37	\$ 9.43	\$ 17.91
Northwest Territories*	\$ 13.13	\$ 13.13	\$ 3	\$ 14.44	\$ 14.44	
Manitoba	\$ 12.78	\$ 12.90	\$ 12.24	233	\$ 6.60	\$ 21.68
Saskatchewan	\$ 13.22	\$ 13.33	\$ 12.73	150	\$ 8.49	\$ 21.37
CANADA	\$ 11.50	\$ 11.62	\$ 10.56			

Province (As of 2020/5/18)	Average Price per Gram	Average Price per Gram THC	Average Price per Gram CBD	# of Products	Min. Price	Max. Price
B.C.*	\$ 10.46	\$ 10.54	\$ 7.85	165	\$ 4.48	\$ 19.80
Ontario	\$ 10.42	\$ 10.65	\$ 8.68	240	\$ 4.20	\$ 23.98
Quebec*	\$ 9.52	\$ 9.48	\$ 9.78	159	\$ 4.94	\$ 14.55
Alberta*	\$ 12.21	\$ 12.25	\$ 11.68	248	\$ 4.91	\$ 22.00
N.B.	\$ 10.28	\$ 10.45	\$ 8.60	147	\$ 4.43	\$ 16.00
P.E.I.*	\$ 10.64	\$ 10.75	\$ 9.41	110	\$ 4.71	\$ 23.30
Newfoundland*	\$ 10.27	\$ 10.28	\$ 10.22	123	\$ 5.97	\$ 15.40
Yukon*	\$ 14.12	\$ 15.05	\$ 12.02	13	\$ 9.80	\$ 16.15
N.S.	\$ 10.82	\$ 10.93	\$ 10.00	136	\$ 5.71	\$ 18.43
Nunavut*	\$ 11.58	\$ 11.64	\$ 12.51	28	\$ 9.43	\$ 17.91
Northwest Territories*	\$ 13.13	\$ 13.13	\$ 3	\$ 14.44	\$ 14.44	
Manitoba	\$ 12.66	\$ 12.86	\$ 11.72	233	\$ 6.28	\$ 21.68
Saskatchewan	\$ 13.25	\$ 13.33	\$ 12.84	146	\$ 8.49	\$ 21.37
CANADA	\$ 11.49	\$ 11.64	\$ 10.44			

Source: Online Provincial Cannabis Stores, FRC

The average retail price per gram increased nominally from \$11.49 to \$11.50 – a week-over-week increase of 0.07%.

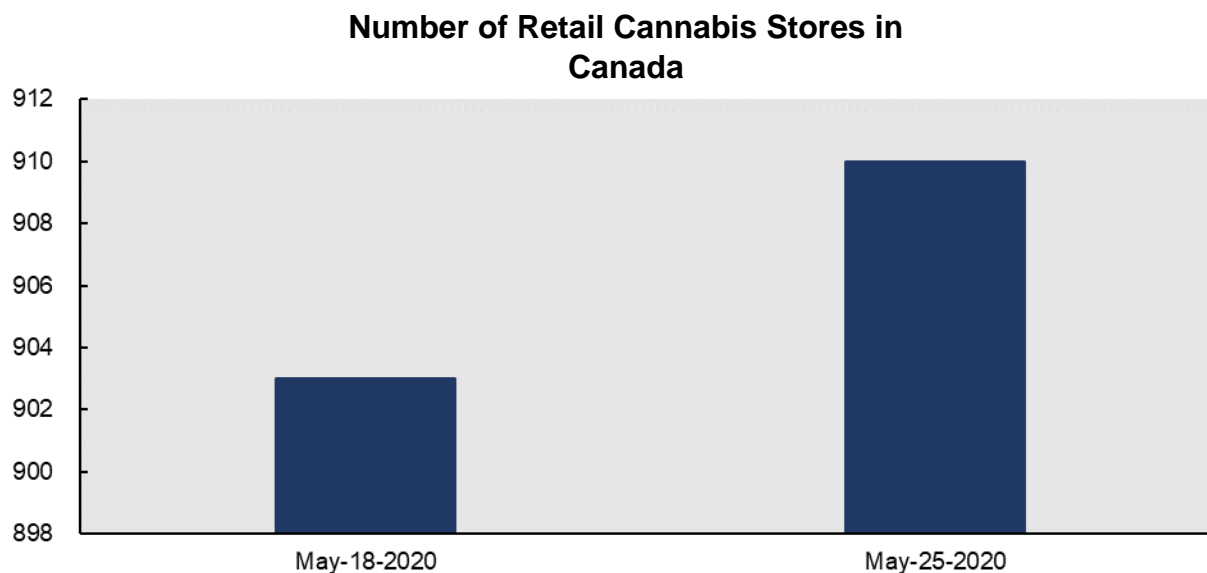
In the long-term, we continue to reiterate our view that the retail price per gram of cannabis will decrease to combat the black market for cannabis. **According to Statistics Canada, the average price of illegal cannabis in Q4-2019 was \$5.73.** The following shows the trend in pricing for illegal cannabis:



Source: Statistics Canada, FRC

Canadian Retail Cannabis Pricing

As of May 25, 2020, there are 910 retail cannabis store across Canada. **This is a 1% increase from a week ago.**



Source: Provincial Websites, FRC

The following shows retail cannabis stores by province/territory:

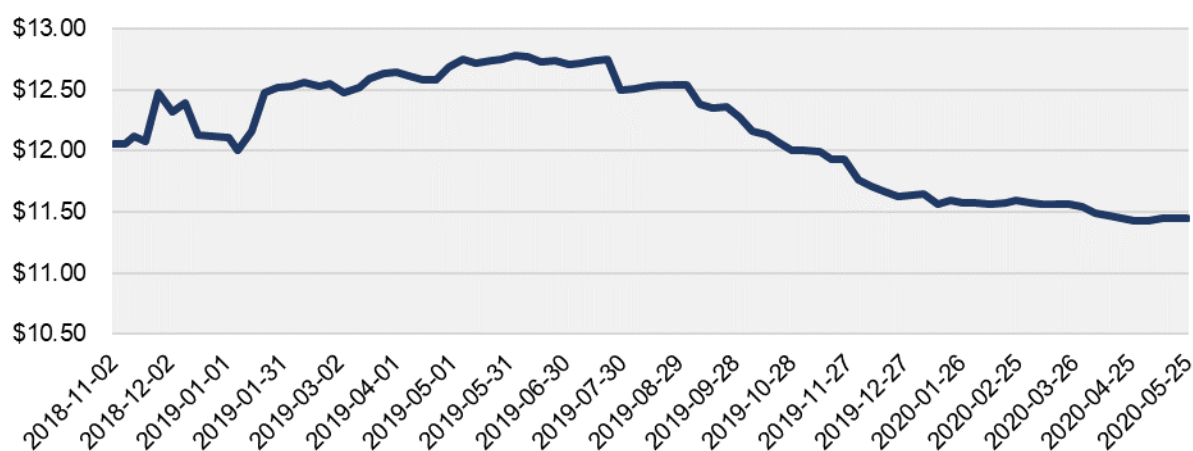
	May-18-2020 Store Count	May-25-2020 Store Count	Population	Population / Store
B.C.	195	196	5,071,000	25,872
Ontario	63	66	14,570,000	220,758
Quebec	42	42	8,485,000	202,024
Alberta	458	461	4,371,000	9,482
N.B.	20	20	776,827	38,841
P.E.I.	4	4	156,947	39,237
Newfoundland	25	25	521,542	20,862
Yukon	5	5	35,874	7,175
N.S.	12	12	971,395	80,950
Nunavut	N/A	N/A	38,780	N/A
Northwest Territories	5	5	44,826	8,965
Manitoba	30	30	1,369,000	45,633
Saskatchewan	44	44	1,174,000	26,682
CANADA	903	910	37,586,191	41,304

Source: Provincial Websites, FRC

Growth in Canada's cannabis market hinges on more retail cannabis store openings in Ontario, which is currently the most underserved province in terms of population to store.

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

Canadian Retail Dried Cannabis Flower Pricing



Source: Online Provincial Cannabis Stores, FRC

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