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## FRC Top Picks

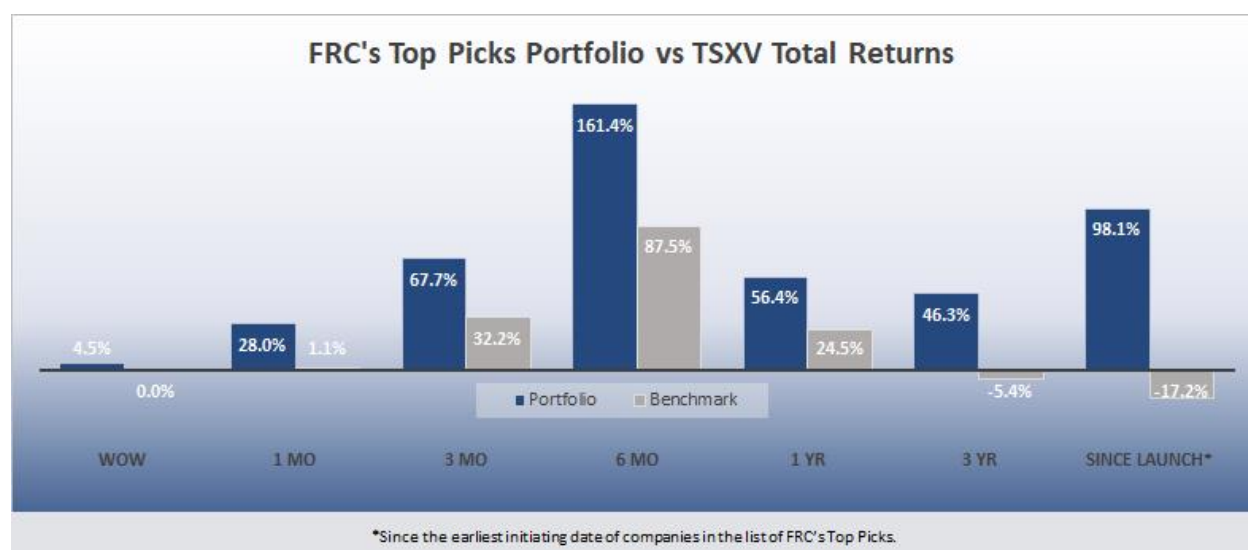
The following table shows last week's top five performers among our Top Picks, including four junior resource companies, and one technology company. The top performer, Giga Metals (TSXV: GIGA), was up 146% WoW, **based on rumours that Tesla (NASDAQ: TSLA)** is in talks with Giga to source low carbon nickel for EV batteries. Giga has not confirmed this and stated that, *"..... there is no material announcement forthcoming and we will keep regulators and investors informed of any material changes."* Giga's share price is up 445% over the past month. The company's Turnagain project in B.C is one of the largest undeveloped nickel-cobalt sulphide deposits in the world. A Preliminary Economic Assessment ("PEA") has showed an after-tax Net Present Value ("NPV") at 10% of US\$724 million, based on a nickel price of US\$8.50/lb, and a cobalt price of US\$14/lb. Giga's market cap is \$101 million. Our latest update on GIGA can be viewed [here](#).

### Top Five Performers Last Week

Top 5 Weekly Performers	WoW Returns
Giga Metals Corporation (TSXV:GIGA)	146.3%
Southern Silver Exploration Corp. (TSXV:SSV)	15.3%
Fortune Minerals Limited (TSX:FT)	13.3%
Kidoz Inc. (TSXV:KIDZ)	7.4%
Gran Colombia Gold Corp (TSX:GCM)	6.8%

\* Past performance is not indicative of future performance

**Overall, our portfolio (equally weighted) was up 4.5% in the past week versus the benchmark's (TSXV) 0.0%.** As shown below, our portfolio has outperformed the TSXV in every single time period:



### Performance by Sector

Total Return	WoW	1 Mo	3 Mo	6 Mo	1 Yr	3 Yr	Since Launch*
Mining	8.8%	38.6%	94.5%	235.5%	88.2%	110.3%	161.7%
Cannabis	-3.4%	-12.0%	-20.6%	5.0%	N/A	N/A	16.5%
Technology	-10.1%	6.4%	46.6%	37.6%	-50.8%	-46.3%	-1.2%
Special Situations	1.6%	19.5%	18.8%	15.1%	27.6%	9.1%	52.1%
Private Companies	N/A	N/A	N/A	N/A	6.9%	20.4%	23.9%
<b>Portfolio (Total)</b>	<b>4.5%</b>	<b>28.0%</b>	<b>67.7%</b>	<b>161.4%</b>	<b>56.4%</b>	<b>46.3%</b>	<b>98.1%</b>
<b>Benchmark<sup>2</sup> (Total)</b>	<b>0.0%</b>	<b>1.1%</b>	<b>32.2%</b>	<b>87.5%</b>	<b>24.5%</b>	<b>-5.4%</b>	<b>-17.2%</b>
Portfolio (Annualized)	-	-	-	-	56.4%	13.5%	10.7%
Benchmark <sup>2</sup> (Annualized)	-	-	-	-	24.5%	-1.8%	-2.8%

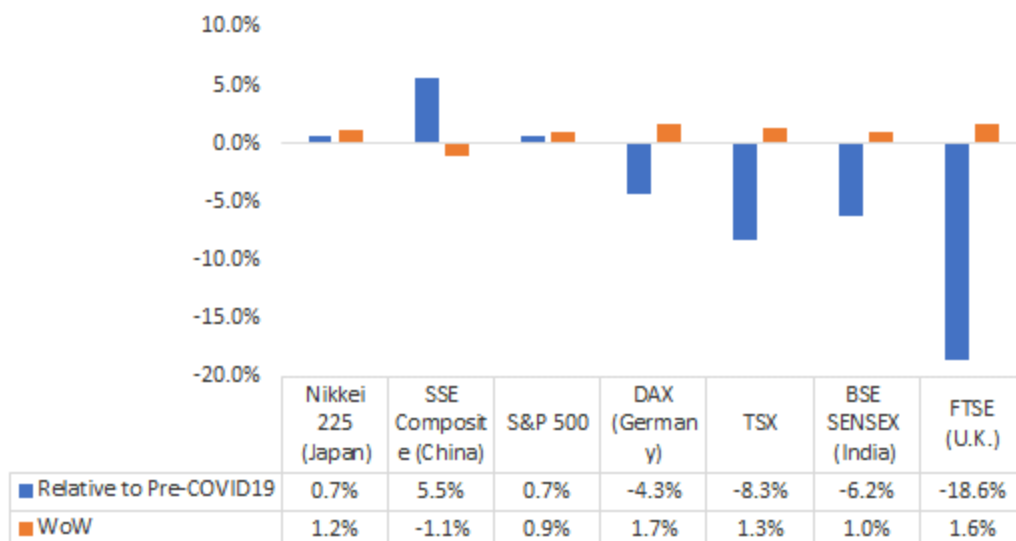
Our complete list of top picks (updated weekly) can be viewed [here](#).

### Weekly Mining Commentary

Most of the key global equity indices reported gains in the past week, as shown in the chart below.

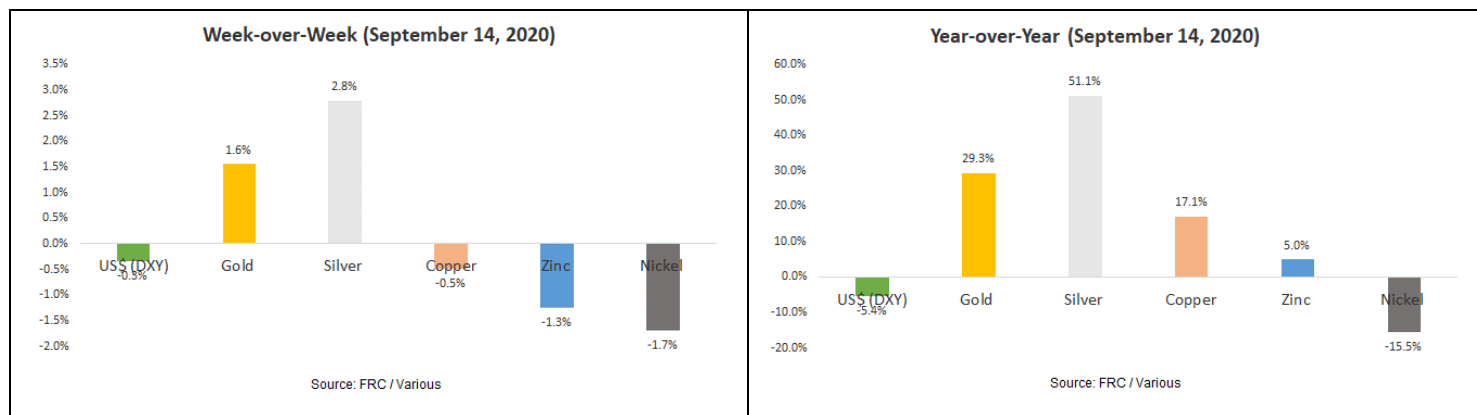


### Current Vs Pre COVID-19 (as of September 14, 2020)

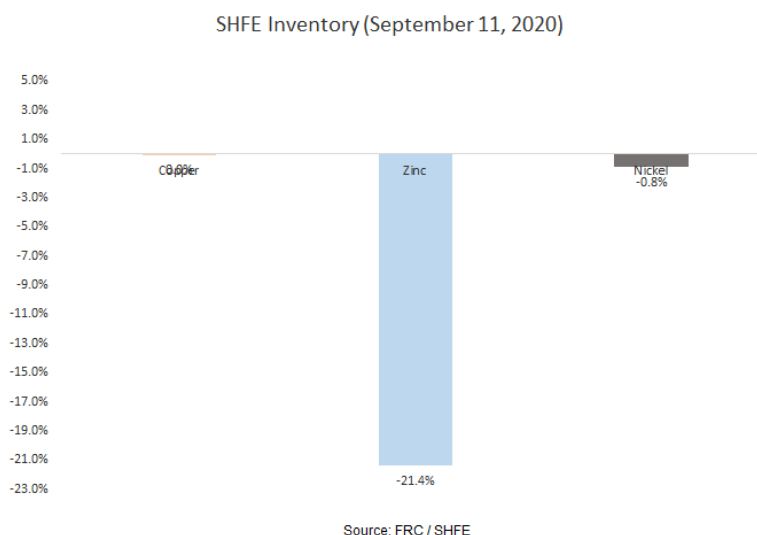
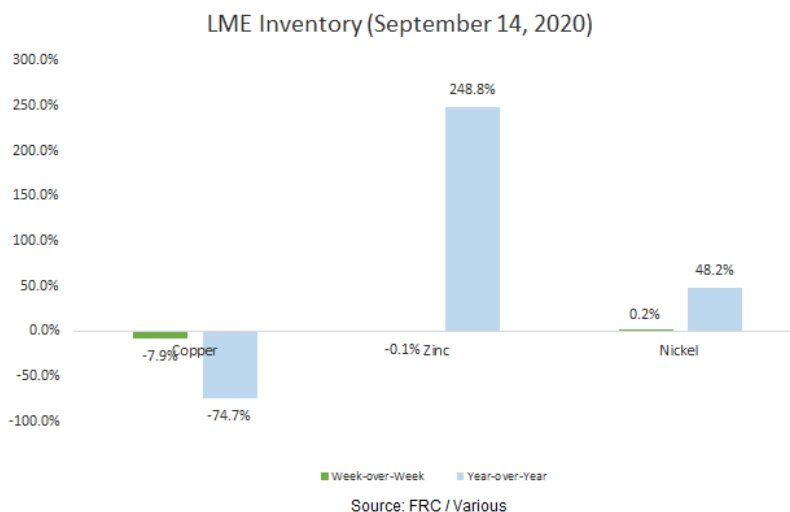


Source: FRC / Various

**Gold and silver prices reported marginal gains, primarily due to a weaker US\$, while base metals reported losses WoW.** Silver remains the top performer on a YoY basis, while nickel is the only commodity with a lower YoY change in prices.

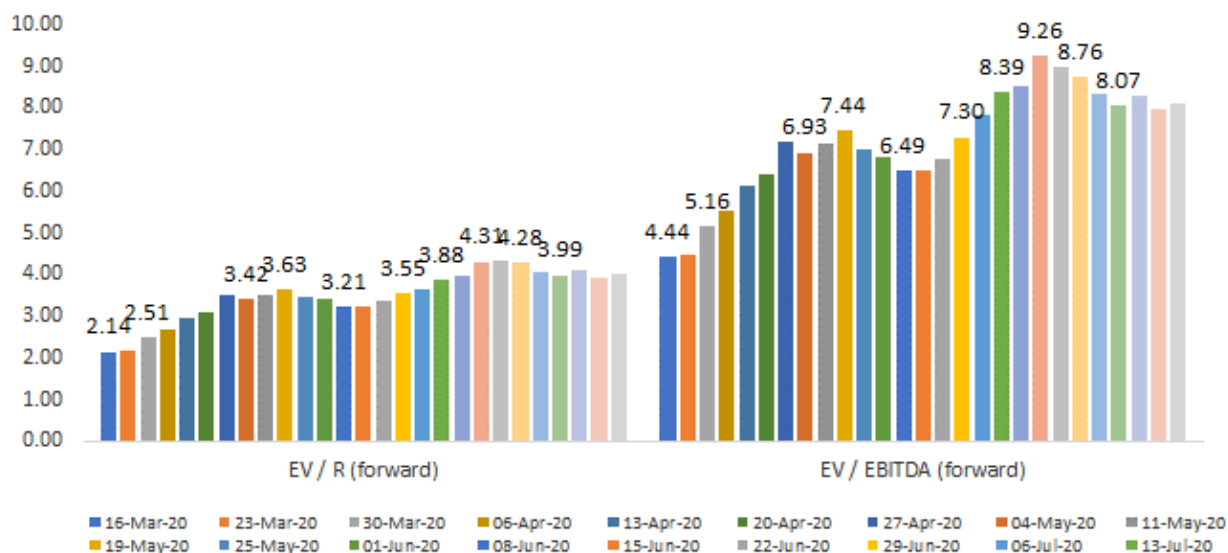


Base metals prices declined despite lower inventory levels on both the LME and SHFE (Shanghai Futures Exchange), giving us mixed signals.



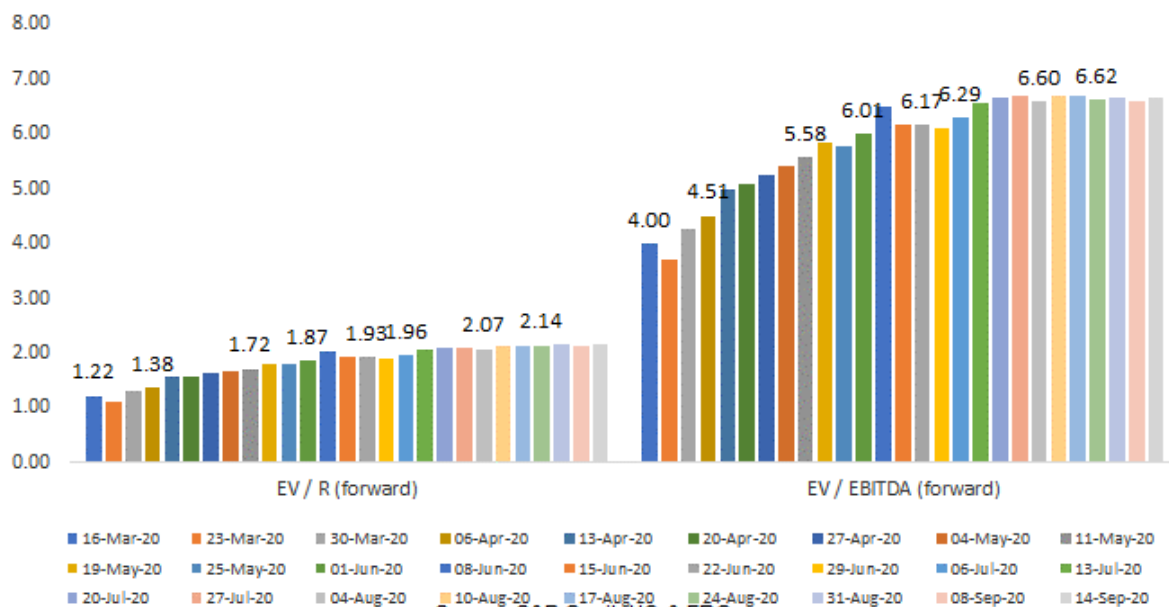
**Inline with the performance of commodity prices, the valuation of gold producers increased, while that of base metal producers remained flat or declined marginally in the past week.** The global average EV / R (1.5x) and EV / EBITDA (8.2x) of the Diversified Metals and Mining sector are in line with their past four-year averages, implying that the market does not expect any further upside in base metal prices. That said, the market has a positive outlook on gold prices as the global average EV / R (3.8x) and EV / EBITDA (11.4x) are approximately 30% higher than their four-year averages (Data Source: S&P Capital IQ).

## Gold Producers



Source: S&P Capital IQ & FRC

## Base Metal Producers



Source: S&P Capital IQ & FRC

Gold Producers	31-Aug-20		08-Sep-20		14-Sep-20	
	EV / R (forward)	EV / EBITDA (forward)	EV / R (forward)	EV / EBITDA (forward)	EV / R (forward)	EV / EBITDA (forward)
1 Barrick	5.22	10.50	5.13	10.32	5.28	10.59
2 Newmont	4.96	10.22	4.87	10.03	4.93	10.20
3 Polyus	7.35	10.26	6.72	9.35	6.66	9.20
4 Agnico Eagle	6.82	14.32	6.59	13.92	6.83	14.36
5 AngloGold	3.14	5.54	3.02	5.29	3.13	5.41
6 Kinross Gold	3.01	5.98	2.89	5.75	2.97	5.93
7 Gold Fields	3.37	6.90	3.21	6.57	3.54	6.11
8 Sibanye	1.30	3.78	1.33	3.96	1.33	3.69
9 Yamana	4.31	7.88	4.21	7.75	4.25	7.83
10 B2Gold	3.93	5.88	3.77	5.61	3.77	5.67
11 Alamos	5.24	10.63	5.05	10.19	4.92	9.88
12 Harmony	2.39	11.91	2.14	10.72	2.35	12.33
13 Eldorado Gold	2.17	4.22	2.07	4.04	2.04	3.97
Average (excl outliers)	4.09	8.31	3.92	7.96	4.00	8.09
Min	1.30	3.78	1.33	3.96	1.33	3.69
Max	7.35	14.32	6.72	13.92	6.83	14.36

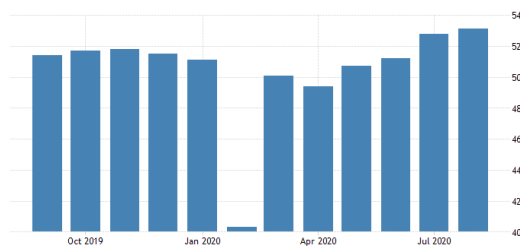
Base Metal Producers	EV / R (forward)		EV / EBITDA (forward)		EV / R (forward)		EV / EBITDA (forward)	
	EV / R (forward)		EV / EBITDA (forward)		EV / R (forward)		EV / EBITDA (forward)	
1 BHP Group	3.65	7.09	3.53	6.81	3.52	6.78	3.52	6.78
2 Rio Tinto	2.81	5.75	2.78	5.61	2.87	5.87	2.87	5.87
3 South32	1.18	5.49	1.25	5.78	1.24	5.63	1.24	5.63
4 Glencore	0.42	7.00	0.41	6.92	0.41	6.93	0.41	6.93
5 Anglo American	1.71	5.68	1.68	5.59	1.70	5.57	1.70	5.57
6 Teck Resources	1.79	6.49	1.78	6.47	1.88	6.84	1.88	6.84
7 First Quantum	3.63	9.22	3.58	9.09	3.54	8.95	3.54	8.95
Average (excl outliers)	2.17	6.67	2.14	6.61	2.17	6.65	2.17	6.65
Min	0.42	5.49	0.41	5.59	0.41	5.57	0.41	5.57
Max	3.65	9.22	3.58	9.09	3.54	8.95	3.54	8.95

Source: S&amp;P Capital IQ &amp; FRC

In a recent interview with Reuters, **gold miners indicated that they are hesitant** to spend on high OPEX and CAPEX projects despite the significant run in gold prices. We believe this is understandable as miners had overspent on acquisitions and CAPEX post the run in gold prices in 2010 - 2011, and were significantly impacted when prices subsequently dropped. **Reuters indicated that Barrick evaluates its plans based on a long-term gold price of US\$1,200 per oz.** Although this is significantly lower than our \$1,400 estimate, we are pleased to see miners taking a conservative approach this time.

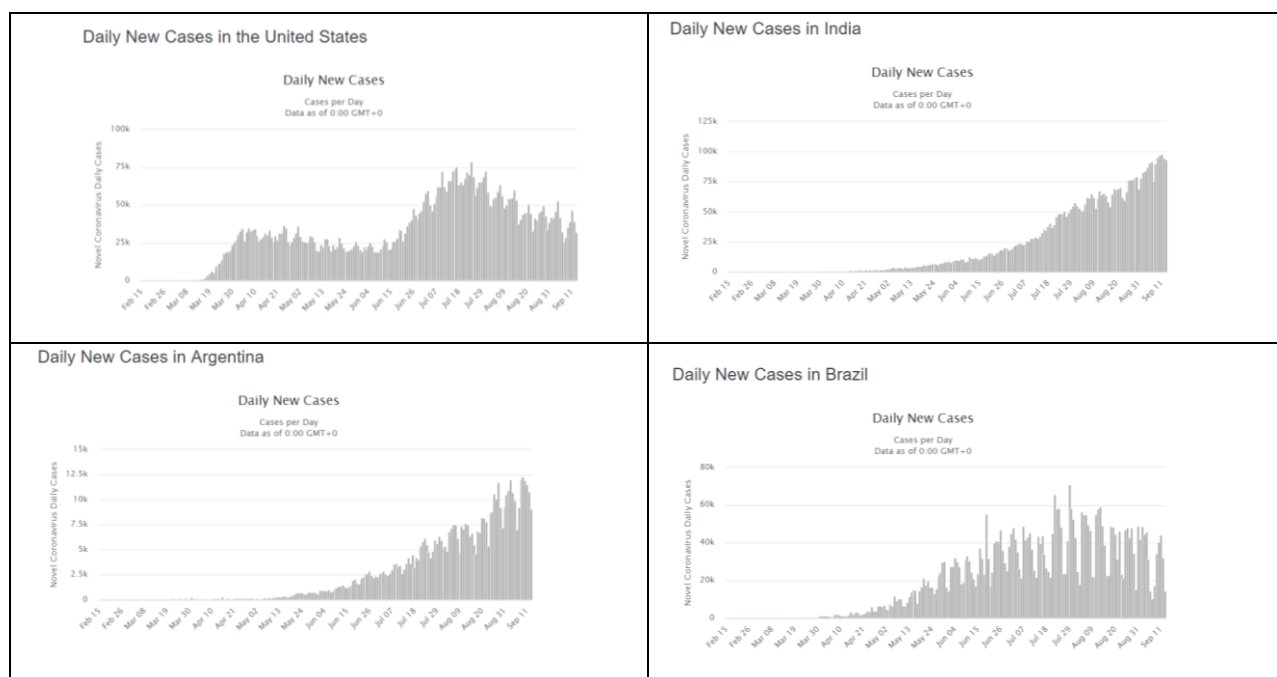
Our outlook on the economy is **gradually improving** with healthier macroeconomic data, and the declining number of daily new cases of COVID-19. As we mentioned in our note last week, both the U.S. and Canada reported stronger employment figures in August. **China's manufacturing activities in August also increased MoM, as shown below.**

### China Caixin Manufacturing PMI

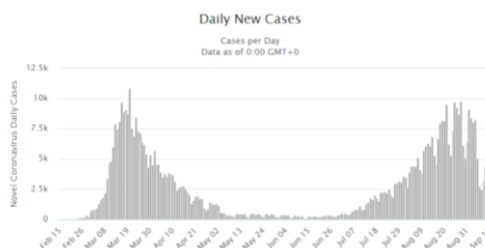


Source: [tradingeconomics.com](http://tradingeconomics.com)

Except India and Argentina, every other country in the top 15 most COVID-19 affected countries are seeing a declining trend in new cases. Spain, which had a second wave, is experiencing a significant decline in new cases, as shown below.



### Daily New Cases in Spain



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



**Gold prices continue to trade close to our Q4-2020 forecast of \$1,925 per oz.** We are not making any changes to our forecasts for base metal prices. As mentioned last week, most of the government benefit and mortgage deferral programs are expiring this month in Canada. We would like to see the impact of these on consumers in October before adjusting our forecasts.

	Current Price	FRC Forecasts	
		2020E	Long-Term (2024+)
Gold (US\$/oz)	\$1,958	\$1,730	\$1,400
Silver (US\$/oz)	\$27.19	\$20.00	\$18.00
Copper (US\$/lb)	\$3.07	\$2.70	\$3.00
Zinc (US\$/lb)	\$1.10	\$1.00	\$1.10
Nickel (US\$/lb)	\$6.77	\$6.00	\$8.00

Source: FRC

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:
<a href="#"><u>Barrick Gold</u></a>	NYSE: GOLD	US\$29.84	US\$31.71	Sept 9, 2020
<b>PR Content</b> The government of Papua New Guinea refused to extend Barrick's request for a 20 year lease on its Porgera gold mine, and instead gave it to a state-owned company.		<b>FRC Opinion</b> <b>Negative</b> – Porgera accounted for 5% of gold mined by Barrick last year, and had an all-in sustaining cost slightly above the corporate average. As Porgera has been placed under care and maintenance since April 25 <sup>th</sup> , 2020, our EPS and valuation do not include any revenue from the mine. Therefore, this development, although disappointing, has minimal impact on our valuation.		

Company Name:	Ticker Symbol	Current Share Price:	FRC Fair Value Estimate:	Date of PR:
<a href="#"><u>Gran Colombia Gold Corp.</u></a>	TSX: GCM	\$6.71	\$11.41	Sept 11, 2020
<a href="#"><u>Caldas Gold Corp.</u></a>	TSXV: CGC	\$2.98	\$3.76	
<b>PR Content</b> GCM produced 20.6Koz of gold in August (from Segovia and Marmato), up 14% MoM.Q3 production is up 5% YoY so far. Management's 2020 guidance remains unchanged at 218,000 and 226,000 ounces of gold.  As for CGC, August production was 2.7 Koz, up 66% MoM. Q3 production is up 9% YoY so far. 2020 guidance remains unchanged at 23,000 and 26,000 ounces of gold.		<b>FRC Opinion</b> <b>Positive</b> – GCM's production is line with our 2020 forecast of 222 Koz. However, we feel like CGC will beat our 22 Koz estimate.  GCM is planning to start paying quarterly dividends (\$0.015 per share) in October 2020, implying a yield of 0.89% p.a. GCM has a strong balance sheet, and our models indicate that the company will be able to easily meet the dividend payments (\$4 million per year).		

Company Name:	Ticker Symbol	Current Share Price:	FRC Fair Value Estimate:	Date of PR:
<a href="#"><u>FPX Nickel Corp.</u></a>	TSXV: FPX	\$0.81	N/A	Sept 9, 2020
<b>PR Content</b> An updated PEA on the Baptiste project showed an AT-NPV at 8% of US\$1.7 billion, and an AT-IRR of 18.3%, based on a 35-year mine life. The project is expected to produce 99 Mlbs of nickel per year. The initial CAPEX is US\$1.67 billion, with a low operating cost of US\$2.74 per lb Ni.		<b>FRC Opinion</b> <b>Positive</b> – We were very pleased with the updated PEA as the previous PEA (completed in 2013) had returned an AT-NPV at 8% of C\$579 million (AT-IRR of 13%), based on a 24 year mine life, and average annual production of 82 Mlbs nickel. NPV and IRR improvements came from recent metallurgical tests, and an updated resource estimate completed in 2018. FPX's share price is up 125% since we launched coverage on August 11, 2020. We are temporarily retracting our fair value estimate, and will publish an update report with a revised fair value estimate shortly.		

Company Name:	Ticker Symbol	Current Share Price:	FRC Fair Value Estimate:	Date of PR:
<a href="#"><u>Los Andes Copper Ltd.</u></a>	TSXV: LA	\$3.99	\$13.10	Sept 10, 2020
<b>PR Content</b> Geological and geophysical work (including mapping, sampling, and IP) on the Vizcachitas copper-molybdenum project (located in central Chile) demonstrated evidence of potentially extending known mineralization to the north, east, and south-east of the current resource estimates.		<b>FRC Opinion</b> <b>Positive</b> – This is an encouraging follow-up to a negative development last month, when it was announced that an environmental permit, originally approved in April 2020, will now have to go through a public consultation process prior to issue. A public consultation process will delay drilling, and an ongoing pre-feasibility study, by about six to eight months. A PEA, completed in 2019, had returned an AT-NPV at 8% of US\$0.81 billion at a copper price of US\$2.50 / lb. LA's current market cap is C\$108 million.		

Company Name:	Ticker Symbol	Current Share Price:	FRC Fair Value Estimate:	Date of PR:
<a href="#">New Age Metals Inc.</a>	TSXV: NAM	\$0.08	\$0.27	Sept 10, 2020
<b>PR Content</b> Planning to commence work (sampling, mapping, prospecting) on the Lithium One project in Manitoba this fall. The company recently completed a drill program on the flagship River Valley Palladium deposit near Sudbury, Ontario.		<b>FRC Opinion</b> <b>Neutral</b> - We are pleased to see the company recommence work on its lithium assets. Sprott owns 10% of NAM's equity. A recent PEA on River Valley had returned an AT-NPV at 5% of \$139 million, based on US\$1,200/oz palladium. Palladium is currently trading at US\$2,330/oz. NAM's current enterprise value of \$8 million is only 6% of the AT-NPV at US\$1,200/oz palladium.		

Company Name:	Ticker Symbol	Current Share Price:	FRC Fair Value Estimate:	Date of PR:
<a href="#">Colibri Resources Corporation</a>	TSXV: CBI	\$0.075	\$0.17	Sept 11, 2020
<b>PR Content</b> Received an exploration permit for trenching up to 13 areas on the flagship Evelyn gold project in Sonora. This program will likely enable CBI to identify targets for drilling. CBI's option partners are continuing to advance the Pilar and El Mezquite projects.		<b>FRC Opinion</b> <b>Positive</b> – We are pleased to see that the company's projects are being advanced simultaneously. CBI holds five projects, of which, two are explored by CBI, two are joint-ventured, and one is in the process of being sold by partner, Agnico Eagle Mines (NYSE: AEM). The Evelyn project is located close to Mexico's largest gold producer, Fresnillo Plc's (LSE: FRES) La Herradura and Noche Buena mines.		

## Special Situations and Technology

Company Name:	Ticker Symbol	Current Share Price:	FRC Fair Value Estimate:	Date of PR:
<a href="#"><u>Microsoft Corp.</u></a>	NASDAQ: MSFT	US\$208.21	US\$220.41	Sept 14, 2020
<b>PR Content</b> Microsoft loses bid for TikTok U.S. operation to Oracle (NYSE: ORCL).		<b>FRC Opinion</b> <b>Neutral</b> – We had not factored in TikTok acquisition in our EPS projections. In a previous note, we had estimated that the TikTok deal would have added 1% to MSFT's overall revenue in FY21. Our fair value estimate and rating are predicated primarily on continued strength in demand for its cloud services.		

## Weekly Cannabis Commentary

### Cannabis Industry Performance

Company	YTD	1-Week	1-Year
Aphria Inc.	-6%	5%	-30%
Aurora Cannabis Inc.	-69%	-7%	-89%
Canopy Growth Corp.	-17%	5%	-41%
Cronos Group Inc.	-26%	3%	-53%
Tilray Inc.	-68%	-8%	-83%
HEXO Corp.	-57%	5%	-84%
Organigram Holdings Inc.	-54%	-4%	-76%
The Supreme Cannabis Co., Inc.	-79%	-21%	-90%
<b>AVERAGE</b>	<b>-47%</b>	<b>-3%</b>	<b>-68%</b>
<b>MIN</b>	<b>-79%</b>	<b>-21%</b>	<b>-90%</b>
<b>MAX</b>	<b>-6%</b>	<b>5%</b>	<b>-30%</b>

Indexes	YTD	1-Week	1-Year
<b>HMMJ</b>	<b>-26%</b>	<b>2%</b>	<b>-57%</b>
<b>MCAN</b>	<b>NM</b>	<b>3%</b>	<b>NM</b>
<b>XCAN</b>	<b>NM</b>	<b>2%</b>	<b>NM</b>

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

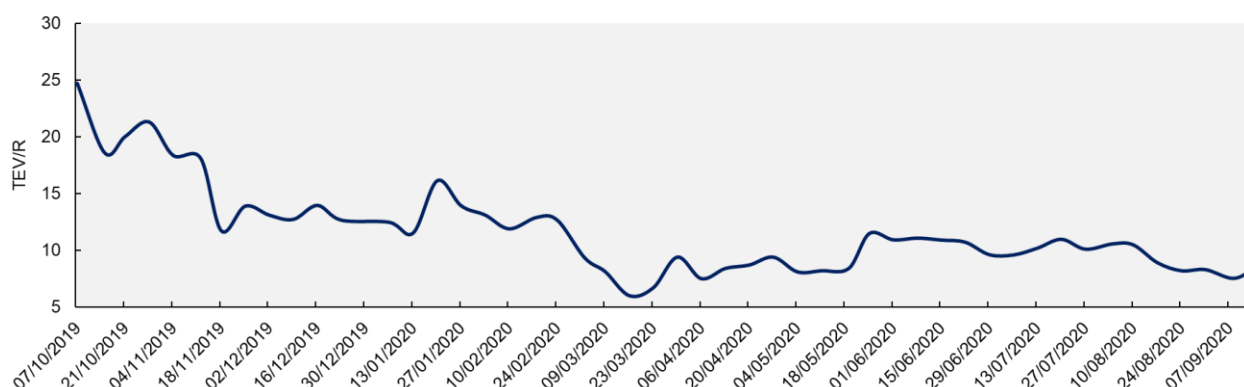


Over the past week, the Horizons Marijuana Life Sciences ETF (TSX: HMMJ / “HMMJ”), the Standard & Poor’s/MX International Cannabis Index (“MCAN”), and the Standard & Poor’s/TSX Cannabis Index (“XCAN”) generated a return of 2%, 3%, and 2%, respectively, all having positive returns as a few of the major stocks performed well. A key development in the industry this past week involved Canopy Growth Corp. (TSX: WEED), as the company launched a line of CBD Gummies with Martha Stewart. WEED shares were up 5% WoW.

### **Valuation of Select Canadian LPs**

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

**Average EV/R (October 2019 – September 2020)**



Source: S&P Capital IQ, FRC

**Sep 8, 2020**

**Sep 14, 2020**

Company	Ticker	TEV/Revenue	TEV/EBITDA	TEV/Revenue	TEV/EBITDA
Aphria Inc.	TSX: APHA	3.1	32.4	3.1	32.2
Aurora Cannabis Inc.	TSX: ACB	5.3	NM	4.7	NM
Canopy Growth Corp.	TSX: WEED	16.0	NM	15.9	NM
Cronos Group Inc.	TSX: CRON	15.6	NM	22.7	NM
Tilray Inc.	NASDAQ: TLRY	6.1	NM	5.4	NM
HEXO Corp.	NYSE: HEXO	6.3	NM	6.6	NM
Organigram Holdings Inc.	TSX: OGI	4.0	NM	4.0	NM
The Supreme Cannabis Co., Inc.	TSX: FIRE	3.8	NM	3.9	NM

<b>AVERAGE</b>	7.5	NM	8.3	NM
<b>MEDIAN</b>	5.7	NM	5.1	NM
<b>MINIMUM</b>	3.1	NM	3.1	NM
<b>MAXIMUM</b>	16.0	NM	22.7	NM

Source: S&P Capital IQ, FRC

The average EV/R, as of September 14, 2020, is 8.3x – an increase from 7.5x a week ago. The average EV/R, from October 7, 2019 to date, is 11.6x.

## Canadian Retail Cannabis Pricing

Province (As of 2020/9/14)	Average Price per Gram	Average Price per Gram THC	Average Price per Gram CBD	# of Products	Min. Price	Max. Price
B.C.	\$ 10.06	\$ 10.15	\$ 8.22	238	\$ 3.93	\$ 80.29
Ontario	\$ 9.65	\$ 9.80	\$ 8.55	257	\$ 4.20	\$ 23.98
Quebec	\$ 9.21	\$ 9.15	\$ 9.73	188	\$ 4.85	\$ 14.55
Alberta	\$ 11.40	\$ 11.41	\$ 11.39	289	\$ 3.93	\$ 22.00
N.B.	\$ 9.79	\$ 9.90	\$ 8.70	157	\$ 3.57	\$ 16.28
P.E.I.	\$ 10.23	\$ 10.29	\$ 9.49	140	\$ 2.20	\$ 23.30
Newfoundland	\$ 10.20	\$ 10.17	\$ 10.36	146	\$ 4.62	\$ 15.40
Yukon	\$ 14.73	\$ 14.81	\$ 13.95	10	\$ 12.69	\$ 16.15
N.S.	\$ 10.39	\$ 10.45	\$ 9.82	168	\$ 5.36	\$ 42.85
Nunavut	\$ 11.73	\$ 11.84	\$ 12.41	36	\$ 9.43	\$ 17.91
Northwest Territories	\$ 11.54	\$ 11.54		3	\$ 12.08	\$ 13.00
Manitoba	\$ 11.68	\$ 11.69	\$ 11.57	278	\$ 5.66	\$ 20.43
Saskatchewan	\$ 12.48	\$ 12.54	\$ 11.61	131	\$ 4.95	\$ 38.50
<b>CANADA</b>	<b>\$ 11.01</b>	<b>\$ 11.06</b>	<b>\$ 10.48</b>			

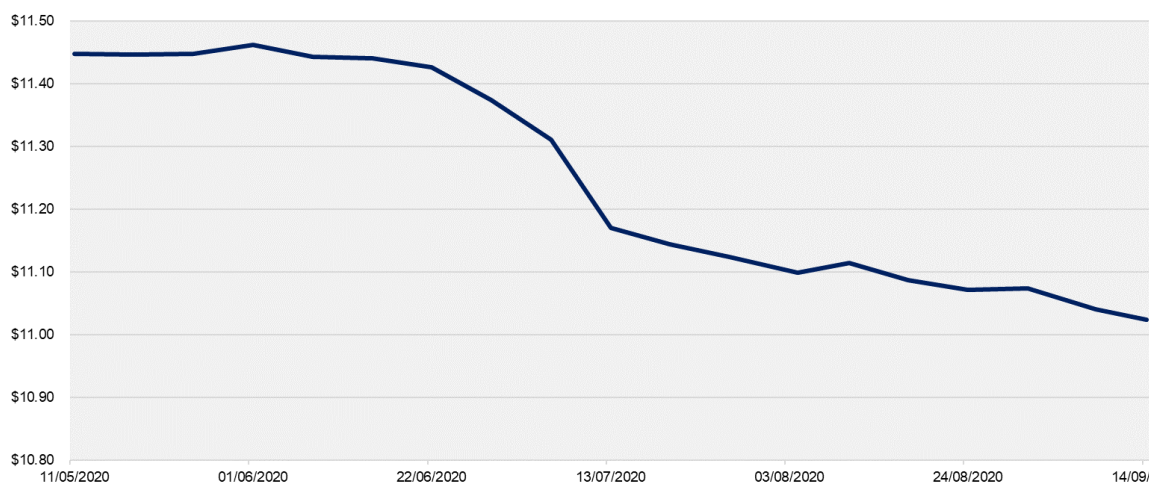
Province (As of 2020/9/8)	Average Price per Gram	Average Price per Gram THC	Average Price per Gram CBD	# of Products	Min. Price	Max. Price
B.C.	\$ 10.13	\$ 10.23	\$ 8.22	234	\$ 3.93	\$ 80.29
Ontario	\$ 9.72	\$ 9.87	\$ 8.55	256	\$ 4.20	\$ 23.98
Quebec	\$ 9.19	\$ 9.13	\$ 9.73	187	\$ 4.85	\$ 14.55
Alberta	\$ 11.46	\$ 11.47	\$ 11.39	290	\$ 3.93	\$ 22.00
N.B.	\$ 9.79	\$ 9.90	\$ 8.70	157	\$ 3.57	\$ 16.28
P.E.I.	\$ 10.25	\$ 10.31	\$ 9.50	136	\$ 2.20	\$ 23.30
Newfoundland	\$ 10.20	\$ 10.17	\$ 10.36	146	\$ 4.62	\$ 15.40
Yukon	\$ 14.73	\$ 14.81	\$ 13.95	10	\$ 12.69	\$ 16.15
N.S.	\$ 10.38	\$ 10.43	\$ 9.82	165	\$ 5.36	\$ 42.85
Nunavut	\$ 11.73	\$ 11.84	\$ 12.41	36	\$ 9.43	\$ 17.91
Northwest Territories	\$ 11.54	\$ 11.54		3	\$ 12.08	\$ 13.00
Manitoba	\$ 11.68	\$ 11.69	\$ 11.57	278	\$ 5.66	\$ 20.43
Saskatchewan	\$ 12.82	\$ 12.84	\$ 12.46	124	\$ 5.66	\$ 38.50
<b>CANADA</b>	<b>\$ 11.05</b>	<b>\$ 11.10</b>	<b>\$ 10.55</b>			

Source: Online Provincial Cannabis Stores, FRC

The average retail price per gram continued its week-over-week decreasing trend coming down to \$11.01.

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

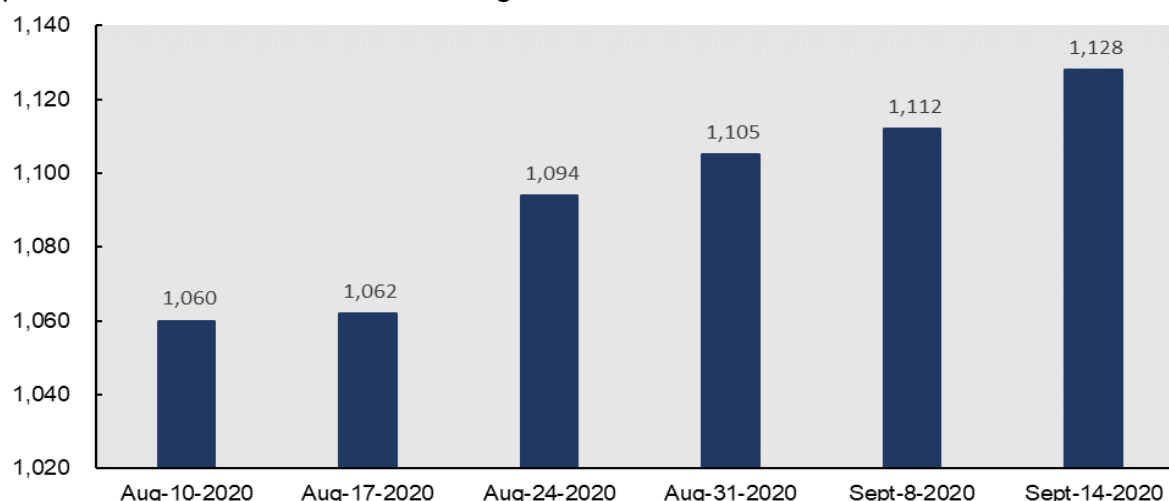
## Canadian Retail Dried Cannabis Flower Pricing



Source: Online Provincial Cannabis Stores, FR

## **Canadian Retail Cannabis Stores**

As of September 14, 2020, there are 1,128 retail cannabis stores across Canada. The week-over-week increase of store numbers was 16, a higher increase compared to the previous three weeks. The following shows the number of stores over the last six weeks:



Source: Provincial Websites, FRC

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

Geographic Region	Aug-31-2020 Store Count	Sept-8-2020 Store Count	Sept-14-2020 Store Count	Population	Population / Store
Alberta	517	517	520	4,428,247	8,700
B.C.	247	252	254	5,120,184	22,656
Manitoba	30	30	30	1,379,121	45,971
N.B.	20	20	20	780,890	39,045
N.S.	12	12	12	978,274	81,523
Newfoundland	26	26	26	520,437	20,817
Northwest Territories	5	5	5	44,982	8,996
Nunavut	N/A	N/A	N/A	39,486	N/A
Ontario	152	152	163	14,745,040	105,322
P.E.I.	4	4	4	158,717	39,679
Quebec	45	45	45	8,552,362	203,628
Saskatchewan	44	44	44	1,181,987	26,863
Yukon	5	5	5	41,293	8,259
<b>CANADA</b>	<b>1,107</b>	<b>1,112</b>	<b>1,128</b>	<b>37,971,020</b>	<b>35,754</b>

Source: Provincial Websites, FRC

Of the 16 new stores opened in Canada last week, Ontario had 11, while Alberta and B.C. had 3 and 2 additional stores, respectively. Ontario and Quebec are expected to have the highest growth in store openings over the next 12 to 24 months.

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