
Analyst Ideas of the Week – Two Companies Achieve Commercial Production

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Head of Research

Company Name:	Ticker Symbol	Current Share Price:	FRC Fair Value Estimate:	Date of PR:
Atrium Mortgage Investment Corporation	TSX: AI	\$13.37	\$13.53	Dec-3-2018
PR Content Announced regular monthly dividend of \$0.075 per share. The company expects to announce a special dividend on February 28, 2019, to shareholders of record December 31, 2018.		FRC Opinion Neutral - We maintain our special dividend forecast of \$0.10 per share. Our forecast for the entire year (unchanged) is \$1.00 per share.		

Company Name:	Ticker Symbol	Current Share Price:	FRC Fair Value Estimate:	Date of PR:
Nordic Gold Corporation	TSXV: NOR	\$0.105	\$0.64	Dec-3-2018
PR Content Completes first gold pour at its wholly owned Laiva mine in Finland. A total of 1,234 ounces of doré was poured.		FRC Opinion Positive - The company has significantly de-risked the project. A July 2018 PEA, which was based on a 6 year mine life, showed an after-tax Net Present Value at 5% of \$91 million. Nordic's current market capitalization is just \$20 million.		

Company Name:	Ticker Symbol	Current Share Price:	FRC Fair Value Estimate:	Date of PR:
Golden Arrow Resources Corporation	TSXV: GRG	\$0.25	\$0.98	Dec-3-2018
PR Content: Declared commercial production at the Chinchillas silver-zinc-lead mine.		FRC Opinion Positive - As production ramps up, we expect the company to move to positive cash flows in 2019. Based on a 4,000 tpd operation, a 2017 PFS on Chinchillas estimated annual silver equivalent production of 8.4 Moz, at a cash cost of \$7.4/oz.		

Company Name:	Ticker Symbol	Current Share Price:	FRC Fair Value Estimate:	Date of PR:
Fura Gems Inc.	TSXV: FURA	\$0.33	\$1.17	Nov-29-2018
PR Content: Fura renegotiated the purchase price of nine licenses in Mozambique (announced in July 2018) from A\$15 million to A\$7.80 million.		FRC Opinion Positive - The revised pricing results in lower share dilution, and a \$0.04 per share increase in our valuation.		

Company Name:	Ticker Symbol	Current Share Price:	FRC Fair Value Estimate:	Date of PR:
Dynacor Gold Mines Inc	TSX: DNG	\$1.47	\$3.52	Nov-29-2018
PR Content: DNG announced that their second quarterly dividend payment of \$0.01 per share will be paid on January 3, 2019.		FRC Opinion Neutral - Annual dividends of C\$0.04 per share, implies a yield of 2.8%. We estimate the current average dividend yield of major gold producers is 1.0% p.a.		

Company Name:	Ticker Symbol	Current Share Price:	FRC Fair Value Estimate:	Date of PR:
Diamcor Mining Inc.	TSXV: DMI	\$0.34	\$1.75	Dec-3-2018
PR Content: DMI sold another 2,979.67 carats of rough diamonds for US\$0.65 million, or US\$218.82 per carat. The company expects to sell another 2,312.82 carats this month.		FRC Opinion Positive – We were pleased with these figures as we had noted in our November 15, 2018 update that we expect a significant increase in sales in Q4 of the calendar year. This is very encouraging as sales were soft in the past few quarters due to delays in completing modifications to its processing plants, and installation of a paste thickening plant.		

Company Name:	Ticker Symbol	Current Share Price:	FRC Fair Value Estimate:	Date of PR:
Trilogy Metals Inc.	NYSE: TMQ	US\$2.19	US\$4.11	Nov-19-2018;
PR Content: Announced results of three holes / 2,888 meters of a 12 hole / 10,123-meter drill program at Bornite. Two holes hit significant mineralization.		FRC Opinion Neutral – although one of the three holes did not intersect significant mineralization, we note that, this was the only hole that did not hit significant mineralization in the 2017/2018 drill programs. On a positive note, the company continues to hit strong cobalt intercepts. Additional results expected in the coming weeks.		

Company Name:	Ticker Symbol	Current Share Price:	FRC Fair Value Estimate:	Date of PR:
Kerr Mines Inc.	TSX: KER	\$0.13	\$0.49	Nov-28-2018
PR Content: Kerr closed an oversubscribed \$2.97 million equity financing, and a previously announced US\$2 million senior secured convertible note financing with Sprott.		FRC Opinion Positive – Insiders subscribed to 6.85 million units (32% of the total), which we believe shows their conviction, as management prepares to start a resource expansion program and advance Copperstone back into production.		

Company Name:	Ticker Symbol	Current Share Price:	FRC Fair Value Estimate:	Date of PR:
Telson Mining Corporation	TSXV: TSN	\$0.42	\$1.68	Nov-27-2018
PR Content: Telson and Nyrstar (ENXTBR:NYR) agreed to lower Telson's monthly loan repayment from US\$1 million to US\$0.50 million. Telson has to pay off the loan by October 31, 2019.		FRC Opinion Positive - We consider this to be a major relief for Telson considering the decline in commodity prices this year, as well as the fact that Telson is focused on ramping up production.		

Company Name:	Ticker Symbol	Current Share Price:	FRC Fair Value Estimate:	Date of PR:
Canarc Resources Corp	TSX: CCM	\$0.04	\$0.48	Nov-29-2018
PR Content: Canarc announced an option agreement to acquire a 100% interest in two properties in southwestern Nunavut, Canada. Management believes the properties are potentially similar to Agnico Eagle Mines' (NYSE: AEM) Meadowbank mine and the Meliadine mine in Nunavut. Canarc has to pay \$0.15 million cash and 1.50 million shares over a four year period.		FRC Opinion <i>Neutral – Negative: Although too preliminary to comment, we feel that this option agreement indicates a potential shift in focus from the core projects in Nevada and B.C. We will publish a detailed update report once the company discloses more information on the new projects.</i>		



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

Company Name:	Ticker:	Current Share Price:	FRC Fair Value Estimate:	Date of PR:
Upco International Inc.	CSE: UPCO	\$0.16	\$0.59	Nov-27-2018

<p>PR Content: The company announced that it intended to enter into a strategic joint venture with SixthContinent Inc., with the intention to merge SixtContinent’s 400,000 user base into UpcoPay, the company’s mobile payment application. SixthContinent is a social commerce platform and the largest international platform for shopping cards. Shopping cards allow users to make online purchases while also earning credits/ points which contribute to savings.</p>	<p>FRC Opinion: Positive – A large user acquisition is a necessary first move for the company in establishing a user-base from which to begin revenue generations from their mobile application. Though ARPU and other monetization factors from this deals are uncertain, we believe that the venture is likely to provide a starting point for mobile application revenues for Upco.</p>
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Company Name:	Ticker:	Current Share Price:	FRC Fair Value Estimate:	Date of PR:
Upco International Inc.	CSE: UPCO	\$0.16	\$0.59	Nov-28-2018

<p>PR Content: Upco announced that it had closed a recent financing, raising \$0.77 million via the issuance of 3.50 million common shares at \$0.22 per share.</p>	<p>FRC Opinion: Neutral – The company had previously announced their intent to raise capital. We note however, that the raise was closed at a price above the current market price.</p>
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Company Name:	Ticker:	Current Share Price:	FRC Fair Value Estimate:	Date of PR:
Abattis Biocenticals Corp.	CSE: ATT	\$0.09	\$0.30	Nov-27-2018

<p>PR Content: The company announced that it had signed a distribution agreement with Sheffield & Sons Tobacconists Inc., to sell the company’s vaporizer line in all Sheffield & Sons stores across Canada.</p>	<p>FRC Opinion: Positive – Sheffield & Sons have stores in most major cities across Canada. As a result, we believe that this distribution agreement is likely to jumpstart sales of the company’s proprietary line of vaporizers, a high-growth market segment.</p>
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Company Name:	Ticker:	Current Share Price:	FRC Fair Value Estimate:	Date of PR:
Abattis Biocenticals Corp.	CSE: ATT	\$0.09	\$0.30	Nov-27-2018

<p>PR Content: The company commented on the temporary order issued by the B.C. Securities Commission on 11 issuers. The order is in relation to stock issuance to a large group of consultants, for services ranging from accounting, finance and marketing.</p>	<p>FRC Opinion: Negative – the temporary order is sure to cast the company in a negative light whilst also raising concerns in the investing community regarding Abattis’ practice of issuing stock compensation. We had previously identified that the company had issued a large amount of stock as compensation for consultants – an unsustainable practice that exacerbated the company’s loss.</p>
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Company Name:	Ticker:	Current Share Price:	FRC Fair Value Estimate:	Date of PR:
Wi2Wi Corp.	TSXV: YTY	\$0.07	\$0.40	Nov-28-2018

<p>PR Content: The company announced that Mr. Michael Pesner and Mr. Hary Bloomfield had resigned from the Board of Directors. Mr. Gary DuBroc was elected chairman of the Board, and Mr. Francesco Ferlaino is joining the Board as a new addition.</p>	<p>FRC Opinion: Neutral – we do not believe that the resignations and new addition are likely to affect the valuation.</p>
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Cannabis Provincial Pricing Update

The below table summarizes provincial cannabis pricing across Canada as of December 3, 2018:

Province (As of 03/12/2018)	Average Price per Gram	Average Price THC per Gram	Average Price per Gram CBD	# of Products	Min. Price	Max. Price
B.C.*	\$ 10.74	\$ 10.81	\$ 10.39	121	\$ 7.23	\$ 19.80
Ontario	\$ 12.01	\$ 12.33	\$ 10.76	64	\$ 7.50	\$ 17.25
Quebec*	\$ 9.24	\$ 9.30	\$ 8.95	40	\$ 5.81	\$ 12.43
Alberta*	\$ 12.78	\$ 12.75	\$ 13.07	63	\$ 9.43	\$ 16.45
N.B.	\$ 12.35	\$ 12.17	\$ 14.00	40	\$ 8.99	\$ 15.99
P.E.I.*	\$ 10.44	\$ 10.47	\$ 10.17	57	\$ 8.13	\$ 14.33
Newfoundland*	\$ 9.60	\$ 9.75	\$ 8.42	73	\$ 6.60	\$ 14.29
Yukon*	\$ 15.15	\$ 15.47	\$ 12.65	26	\$ 10.52	\$ 21.73
Nunavut*	\$ 16.39	\$ 17.20	\$ 14.77	3	\$ 14.77	\$ 18.69
Northwest Territories*	\$ 14.44	\$ 14.44		3	\$ 14.44	\$ 14.44
CANADA (Excluding SK, MB, NS, NWT)	\$ 12.31	\$ 12.47	\$ 11.46			

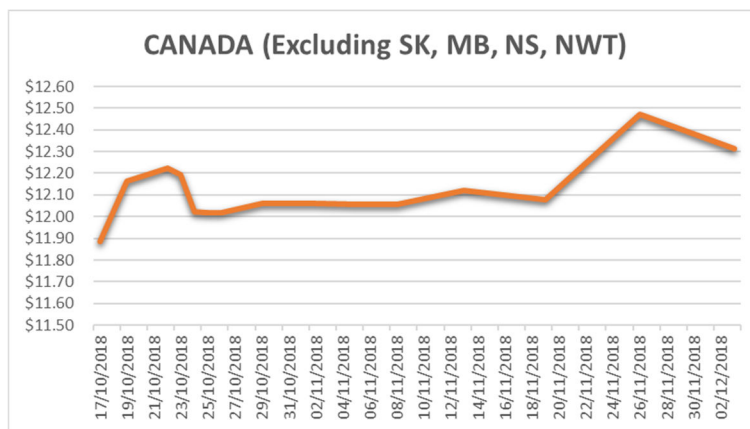
Source: FRC, Online Provincial Cannabis Stores

The average price of cannabis nationwide has diminished slightly from \$12.47 per gram to \$12.31 per gram. The overall distribution of products appears to be similar to last week, though the Ontario Cannabis Store appears to have removed a large number of products from the shelves. The table below outlines the pricing summary in last week's AIW.

Province (As of 26/11/2018)	Average Price per Gram	Average Price THC per Gram	Average Price per Gram CBD	# of Products	Min. Price	Max. Price
B.C.*	\$ 10.99	\$ 11.04	\$ 10.74	120	\$ 7.23	\$ 19.80
Ontario	\$ 11.89	\$ 12.19	\$ 10.57	76	\$ 7.50	\$ 16.14
Quebec*	\$ 9.31	\$ 9.38	\$ 8.95	40	\$ 5.81	\$ 12.47
Alberta*	\$ 12.67	\$ 12.62	\$ 13.07	65	\$ 9.43	\$ 17.60
N.B.	\$ 12.46	\$ 12.30	\$ 14.00	42	\$ 9.89	\$ 17.59
P.E.I.*	\$ 10.36	\$ 10.38	\$ 10.17	55	\$ 8.13	\$ 14.33
Newfoundland*	\$ 9.60	\$ 9.74	\$ 8.32	73	\$ 6.60	\$ 14.29
Yukon*	\$ 15.19	\$ 15.47	\$ 12.54	21	\$ 10.52	\$ 21.73
Nunavut*	\$ 17.20	\$ 17.20		2	\$ 15.71	\$ 18.69
Northwest Territories*	\$ 15.06	\$ 15.06		4	\$ 14.44	\$ 16.93
CANADA (Excluding SK, MB, NS)	\$ 12.47	\$ 12.54	\$ 11.04			

Source: FRC, Online Provincial Cannabis Stores

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



Source: FRC, Online Provincial Cannabis Stores

Notable Developments

Apart from pricing trends, other interesting developments pertain to two of the top 5 Canadian Licensed Producers, Cronos Group Inc. (NASDAQ: KRON) and Aphria Inc. (TSX: APH).

Cronos Group's shares surged sharply to a peak of US\$15.52 in intraday trading on rumours that tobacco giant Altria Group Inc. (NYSE: MO) were in talks with the company to acquire the producer. Reports suggest that the cigarette giant behind the established Marlboro brand were in early stage discussions with Cronos Group with the intention of diversifying revenue streams and unlocking new market segments via a potential acquisition. This is not the first time a tobacco company has taken interest in the cannabis space, with Pyxus International Inc. (NYSE: PYX) having completed cannabis acquisitions earlier this year. We believe that many big tobacco companies will follow suit, in a similar fashion to big alcohol companies, as the target markets are similar.

On the other end of the spectrum, Aphria (TSX: APHA) was hammered in intraday trading as reports came out that Gabriel Grego of Quintessential Capital Management had taken a short position in the company, calling it a "black hole" for investors' money. According to Mr. Grego, Aphria's numerous international acquisitions add no value to shareholders, and similarly, were purchased in such a way as to benefit insiders. We are unable to verify the truth of the short seller's claims, though the market appears to have reacted in Mr. Grego's favour, wiping out 28.16% of Aphria's market cap to bring their stock to a \$7.56 per share close.

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