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### Analyst Ideas of the Week - Positive Results from Aton / Shares up 90% Today

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**Head of Research**

**Aton Resources Inc. (TSXV: AAN / Share Price: \$0.095 per share/ FRC Fair Value Estimate: C\$0.13 per share):**

**Announcement:** Aton announced results of the first three (RC) drill holes of 11 holes completed to date at the Rodruin prospect in Egypt today. The results were very encouraging, and Aton's share price was up 90%, with approximately 10.6 million shares traded versus the average daily volume of 0.20 million shares. Here is a quick summary of each hole:

- **36m @ 12.47 g/t Au from 5m downhole depth.** The same hole also returned two separate very high grade intersections of **4m @ 63.15 g/t Au** from 9 m depth, and **3 m @ 40.67 g/t Au** from 22m depth. Also, individual samples over metre intervals returned **221 g/t Au** and **94.3 g/t Au**.
- **59m @ 0.90 g/t Au** from surface;
- **13m @ 1.02 g/t Au** from 10m depth, and **5m @ 2.97 g/t Au** from 50m depth.

**Impact:** Positive

**Outlook:** As mentioned, these are exciting results as Rodruin shows signs of hosting very high grade zones over a large system of gold mineralization. The outcrop of mineralized carbonates and workings at Rodruin cover a significantly larger area than at Hamama. Note that the Rodruin prospect is located approximately 18 km east of the Hamama West deposit, which has an inferred resource of 341 Koz and an indicated resource of 137 Koz at Hamama West. Ancient workings and mineralization at Rodruin have been identified over an area of 500 m x 400 m, and over a vertical elevation range of over 100m. We estimate that this could imply a potential resource of 5 to 10 Mt even if only 10% to 20% of the entire area is mineralized.

**CIBT Education Group Inc. (TSX: MBA / Share Price: \$0.81 per share/ FRC Fair Value Estimate: \$1.63 per share):**

**Announcement:** CIBT announced today that it has entered into a letter of intent to purchase two parcels of land to develop a 225 bed / 63,000 sq ft high-rise apartment building. The land package is along the Cambie Street corridor, just one-minute walk from a skytrain station. Management expects a total development budget of \$60 million. The project already has re-zoning approval. If the acquisition goes through, management expects construction to commence in early 2019.

**Impact:** Neutral-Positive

**Outlook:** This will be the ninth project under CIBT's student housing division. Despite the recent slowdown in real estate sales, Vancouver's rental market remains extremely tight with rental rates at historical highs, and vacancy remaining low. We expect high home prices and rising mortgage rates to continue to increase demand for rentals. The company is likely to report its FY2018 year end results next month. We expect revenues of \$78 million, and net income of \$17 million / EPS: \$0.22, net of non-controlling interests.

**Monarques Gold Corporation (TSXV: MQR / Share Price: \$0.16 per share/ FRC Fair Value Estimate: \$0.97per share):**

**Announcement:** Last week, MQR announced an update on its ongoing feasibility study at the Wasamac gold property. The study (6,000 tpd) is expected to be completed in December 2018. The company expects significant cost savings from multiple initiatives, such as accessing the deposit via twin ramps and the use of a new technology (Rail-Veyor system) to haul mineralized material, thereby eliminating the CAPEX associated with building a shaft.

**Impact:** Neutral-Positive

**Outlook:** Based on an Enterprise Value of under \$10 per oz, we estimate that MQR's shares are trading significantly below comparables. We expect the feasibility study results to be the next major catalyst for MQR's shares.

**White Rock Minerals Ltd - (ASX: WRM/ Share Price: \$0.007 per share/ FRC Fair Value Estimate: \$0.06 per share):**

**Announcement:** On September 24, 2018, WRM announced results from six holes on its Red Mountain polymetallic volcanogenic massive sulphide (VMS) project in central Alaska. Key highlights are shown below:

- 4.2m @ 11.4% ZnEq from the Discovery lens, Dry Creek deposit.
- 5.2m @ 3.7% ZnEq from the Foster lens, Dry Creek deposit.
- 5.2m @ for 3.9% ZnEq from the Foster lens, Dry Creek deposit.
- 7.6m @ for 2.1% ZnEq from the Ram prospect.

**Impact:** Neutral-Positive

**Outlook:** Although only one hole returned high grades, we were pleased with the results considering all of these holes were outside the existing known resource on the project. The primary objective of the current step-out and in-fill diamond drilling program is to upgrade and expand on the initial resource estimate completed in 2017, at Dry Creek and West Tundra Flats. The resource includes a high-grade portion of 9.1 Mt at 12.9% ZnEq, at a 3% Zn Cut-off. Results of another 7 holes are expected shortly.



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

**The Green Organic Dutchman Holdings Ltd. (TSX: TGOD / Share Price: \$6.75 per share / FRC Fair Value Estimate: \$9.20 per share) –** On October 1, 2018, the company announced that it would raise gross proceeds of \$75 million via a bought deal. The company will issue an aggregate 10.95 million units at \$6.85 per unit. Each unit will comprise a common share and a warrant

exercisable at \$9.00 per share. According to the company, proceeds will be used to pursue international initiatives and support general corporate purposes.

- **Expected impact of news on valuation:** Neutral-Negative.
- **Reasoning:** The raise will increase the number of shares outstanding below our estimate of the company's fair value per share as per our initiating report. However, we note that the company's asset base and operations have expanded significantly since we initiated coverage, and the market price of TGOD has now fallen below the issue price of the units. That said, the additional issue may push many investors to sell the company's shares, due to perceptions of excessive cash burn or otherwise unnecessary equity issuance.

On September 27, 2018, the company announced that Aurora Inc. (TSX: ACB) insider Cam Battley had resigned from TGOD's board of directors.

- **Expected impact of news on valuation:** Negative.
- **Reasoning:** The resignation will likely cause speculation regarding the status of Aurora's strategic investment in the company, which was believed to be a long-term source of liquidity and operational growth for TGOD. Fundamentally, however, downwards movements should be temporary as our models do not incorporate investments from Aurora as future sources of cash and we believe that the company could raise the funds from alternative sources.

**RavenQuest BioMed Inc. (CSE: RQB / Share Price: \$1.04 per share / FRC Fair Value Estimate: \$2.05 per share)** – On September 25, 2018, the company announced updates regarding their supply agreement with the B.C. Liquor Distribution Branch, which will control the wholesale supply of cannabis in the province upon legalization. According to the company, the supply agreement will cover all of Bloomera's production in 2019, which we believe should total 4,000 kg.

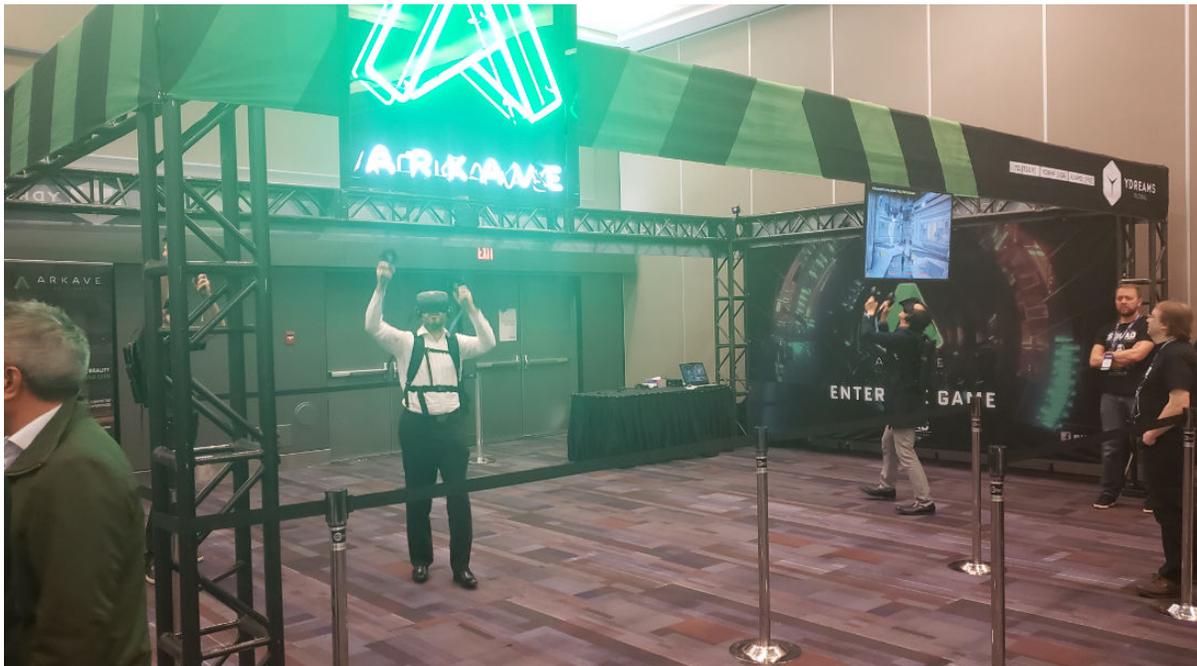
- **Expected impact of news on valuation:** Positive.
- **Reasoning:** At a potential wholesale price of between \$3,000 to \$5,000 per kilogram, we believe that the agreement represents a baseline of \$12 million to \$20 million. This is a significant portion of the \$46.42 million we had estimated for the company's FY2020.
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**Lexaria Bioscience Corp. (CSE: LXX, OTCQX: LXP / Share Price: US\$1.94 per share / FRC Fair Value Estimate: US\$3.50 per share)** – On September 28, 2018, the company announced a further addition to its patent portfolio, as pertaining to the applications of their drug delivery technology to the delivery of nicotine.

- **Expected impact of news on valuation:** Positive.
- **Reasoning:** The company appears to be accelerating the pace at which they are accumulating intellectual property protection. As pointed out in previous notes, this is a pre-emptive measure that will prevent other players from easily mimicking Lexaria's IP.

**YDreams Global Interactive Technologies Inc. (TSXV: YD / Share Price: US\$0.13 per share / FRC Fair Value Estimate: \$0.31 per share)**

The FRC team made an appearance at the YDream's booth at the Extraordinary Futures conference, where YDreams was showcasing their impressive Arkave VR arena concept.



Source: FRC

One of the striking features of the Arkave VR experience was the level of interaction exhibited. The video games used at the demonstration, which were developed internally within YDreams, were engaging and called for a level of interaction that regular console video gaming did not offer. Another important note was the level of attendance at the booth, which represented a substantial portion of the event's visitors.

Based on our experience at the showcase, we believe that the Arkave experience offers features not exhibited by regular take-home VR consoles. Furthermore, the level of physical interaction also provides a novel draw that we believe will be necessary for Arkave to succeed as a commercial

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VR concept. We advise investors to stay tuned for news regarding the opening of the company's first Vancouver store opening, which will be located in the Gastown district.

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