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**Analyst Ideas of the Week - Quaterra to Raise \$6.3M from Sale of Water Rights / Market Cap Only \$12M**

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**Head of Research**

**Quaterra Resources Inc. (TSXV: QTA / Share Price: \$0.06 per share/ FRC Fair Value Estimate: \$0.49 per share):**

**Announcement:** QTA announced today that it has entered into an agreement to sell certain ground water rights associated with its Yerington property in Nevada to Desert Pearl Farms LLC for \$6.26 million. Desert Pearl is a Yerington-based company involved in agriculture in the district. The sale is subject to approval from the State of Nevada Division of Water Resources to change the manner of use of the water from mining to agriculture. QTA will retain rights to about 6,700 acre-feet per year of primary ground water that it can use once its project is in production.

**Impact:** Very Positive

**Outlook:** This is a very positive development as it is a non-dilutive way to fund advancement of the MacArthur copper project. A prefeasibility study ("PFS") on the MacArthur deposit was

initiated in January 2018. We expect significant improvements in the PFS from lower CAPEX and higher grades and recovery rates.

**Ultra Lithium Inc. (TSXV: ULI / Share Price: \$0.18 per share/ FRC Fair Value Estimate: \$0.49 per share):**

**Announcement:** On September 11, 2018, ULI announced an agreement with International Lithium Corp. (TSXV: ILC) to acquire a 100% interest in the 256 ha Forgan Lake lithium property, located in the Thunder Bay Mining District in Northwestern Ontario, Canada. The property is adjacent to ULI's Georgia Lake property.

**Impact:** Positive

**Outlook:** We are encouraged by this new acquisition as it enhances the exploration potential of ULI's Georgia Lake project. Historical work (including 39 drill holes / 3,219 m) on the eastern portion of the Forgan Lake property has identified six spodumene-bearing pegmatites. Channel samples averaged between 1.98% to 4.23% Li<sub>2</sub>O. The company is planning to commence a work program shortly. Note that the company also holds five brine lithium properties covering over 25,000 hectares in Catamarca province, Argentina, and one brine lithium property in Nevada. We are awaiting results of the geophysical surveys conducted on its projects in Argentina.



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

**Beleave Inc. (CSE: BE / Share Price: \$1.46 per share / FRC Fair Value Estimate: \$3.53 per share)** – On September 14, 2018, the company announced they had entered into a non-exclusive investment agreement with Alumina Partners LLC, a New York based private equity group. Beleave will have access to up to \$20 million over a 2 year period, which can be drawn down at

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will through a series of minimum \$2 million private placements. Alumina will be able to purchase units with common shares at a 25% discount to market price, and with warrants possessing strike prices at a 25% premium to market price.

- **Expected impact of news on valuation:** Positive.
- **Reasoning:** Though these financings will be dilutive due the terms of the agreement ensuring that Alumina may purchase shares at a discount, a flexible \$20 million that can be drawn down over a 2-year period should effectively satisfy Beleave's capital requirements during the period.

**The Green Organic Dutchman Holdings Ltd. (TSX: TGOD / Share Price: \$7.54 per share / FRC Fair Value Estimate: \$9.20 per share)** – On September 12, 2018, the company announced that it had launched its premium organic cannabis brand, and also announced that 200 beta patients would be selected to test the brand in January of 2019.

- **Expected impact of news on valuation:** Neutral.
- **Reasoning:** The company appears to be taking its first steps in preparing operations for a retail launch. The beta testing of their product allows for early product development and building brand awareness. However, TGOD's full scale production facilities will not be coming online until FY2019.

**Canada Jetlines Ltd. (TSXV: JET / Share Price: \$0.50 per share / FRC Fair Value Estimate: \$2.57 per share)** – On September 13, 2018, the company announced that it had submitted operations manuals to Transport Canada in order to receive its Air Operator Certificate in preparation for a first flight in 2019.

- **Expected impact of news on valuation:** Positive.
- **Reasoning:** The company has advanced the roll-out of their airline, with the next steps upon approval of their manuals being the training and hiring of staff. With the delivery of aircraft expected during Q2-FY2019, we expect Jetlines to achieve these milestones within the next 6 months.

In addition, the company also announced that Mr. Javier Suarez would be succeeding Mr. Lukas Johnson as CEO of the company, as Mr. Johnson steps down for personal and family reasons. Mr. Suarez is being promoted from his previous role as the company's Chief Commercial Officer. Mr. Johnson, though leaving, will continue to invest \$0.70 million in the company via a private placement to acquire common shares priced at \$0.43 per share. This is a restructuring of a previous agreement in which Mr. Johnson would have acquired a 5% controlling interest in a subsidiary of the company.

- **Expected impact of news on valuation:** Neutral.
- **Reasoning:** Mr. Suarez carries an impressive track record, which was summarized in our most recent update report. However, the quick turnover of the CEO position at Jetlines may alarm some investors, who may perceive the short tenures of recent holders as indications of higher than expected risk. Given the track record of Mr. Suarez, however, we do not believe that the fundamentals or operating potential of the company are in any way hindered.

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