

Fundamental Research Corp.

Investment Analysis for Intelligent Investors

March 14, 2018

Guyana Goldstrike Inc. (TSXV: GYA / FSE: 1ZT / OTC: GYNAF) – Initial Resource and Strategic Investment

Sector/Industry: Junior Resource

www.guyanagoldstrike.com

Market Data (as of March 14, 2018)

Current Price	C\$0.21
Fair Value	C\$0.45
Rating*	BUY
Risk*	5 (Highly Spec)
52 Week Range	C\$0.14 - C\$0.38
Shares O/S	52,408,171
Market Cap	C\$11.01 mm
Current Yield	N/A
P/E (forward)	N/A
P/B	4.0x
YoY Return	-19.2%
YoY TSXV	2.5%

*see back of report for rating and risk definitions



Highlights

- Guyana Goldstrike Inc. (“GYA”, “company”) announced an initial NI 43-101 compliant resource estimate of 270 Koz indicated and 88 Koz inferred on the Mazoa Hill zone.
- Mazoa Hill is one of the two identified zones at the company’s Marudi Gold project in Guyana, South America.
- 95% of Marudi is still unexplored.
- The company has initiated a multi-phase exploration program to expand the mineralization on the property through the discovery of new zones and areas.
- Marudi also has near-term production potential from the alluvial areas, and the saprolite overlying a hard-rock host. The project has an active mining license.
- In February 2018, the company completed a \$3.48 million equity financing. Approximately \$3.20 million came as a strategic investment from the Zijin Mining Group (SEHK: 2899). Zijin now hold 24.4% of the total outstanding shares. We consider this investment not only a major vote of confidence on Guyana’s projects, but also a potential source of additional capital going forward.

Key Financial Data (FYE - June 30)

(C\$)	2017	2018 (6M)
Cash	\$208,273	\$479,912
Working Capital	-\$77,800	-\$140,386
Mineral Assets	\$2,093,567	\$2,496,298
Total Assets	\$2,742,313	\$3,414,916
Net Income (Loss)	-\$1,118,089	-\$533,478
EPS	-\$0.06	-\$0.02

Resource Estimate

In January 2018, the company announced an initial resource estimate of 270 Koz indicated and 88 Koz inferred on the Mazoa Hill zone at the company’s Marudi Gold project.

Marudi holds Iron-Formation-hosted Gold (“IFG”) mineralization, such as the Musselwhite gold mine in Ontario, Canada, and the Homestake gold mine in South Dakota, U.S.A. The primary similarities with all these projects are the association between gold and iron sulfide minerals, the presence of gold bearing quartz veins and structures, the occurrence of deposits in structurally complex terranes, and the lack of lead and zinc enrichment.

The Mazoa Hill zone has been identified over 300 meters strike, 150 meters wide, and up to a depth of 250 meters. The overlying saprolite layer is up to 30 metres thick. The resource was based on a 0.5 gpt cut-off grade, and US\$1,500/oz gold price. The following table presents the resource estimate at various cut-off grades.

Mazoa Hill Indicated Resources in Conceptual Pit					
Cutoff Au g/t	Tonnes	Au Capped g/t	Au Uncapped g/t	Ounces Capped	Ounces Uncapped
2.00	1,352,000	3.4	3.7	149,900	160,500
1.00	2,979,000	2.3	2.5	224,900	235,600
0.75	3,637,000	2.1	2.2	243,300	254,000
0.50	4,428,000	1.8	1.9	259,100	269,700
0.25	5,540,000	1.5	1.6	272,600	283,200
0.00	7,088,000	1.2	1.3	277,700	288,300

Mazoa Hill Inferred Resources in Conceptual Pit					
Cutoff Au g/t	Tonnes	Au Capped g/t	Au Uncapped g/t	Ounces Capped	Ounces Uncapped
2.00	459,000	3.2	3.3	46,700	48,100
1.00	1,009,000	2.2	2.2	71,300	72,700
0.75	1,278,000	1.9	2.0	78,800	80,100
0.50	1,653,000	1.6	1.6	86,200	87,600
0.25	2,224,000	1.3	1.3	93,000	94,300
0.00	4,182,000	0.7	0.7	97,000	98,300

Source: Company

The new (in-pit) resource had slightly lower grades; however, it contained 11% more ounces relative to the historic resource calculated in 1995. See comparison below:

Global Estimate Mazoa Hill Zone	Cutoff 1.0 g/t Au		
	Au g/t	Tonnes	Ounces Au
Kilborn 1995			
Measured + Indicated	2.9	3,381,000	319,600
Inferred	2.5	861,000	67,800

Global Estimate Mazoa Hill Zone	Cutoff 1.0 g/t Au			
	Au g/t	Tonnes	Ounces Au	Difference in Ounces %
GMRS 2017				
Indicated	2.3	3,104,000	244,100	-24
Inferred	2.2	1,301,000	93,200	+37

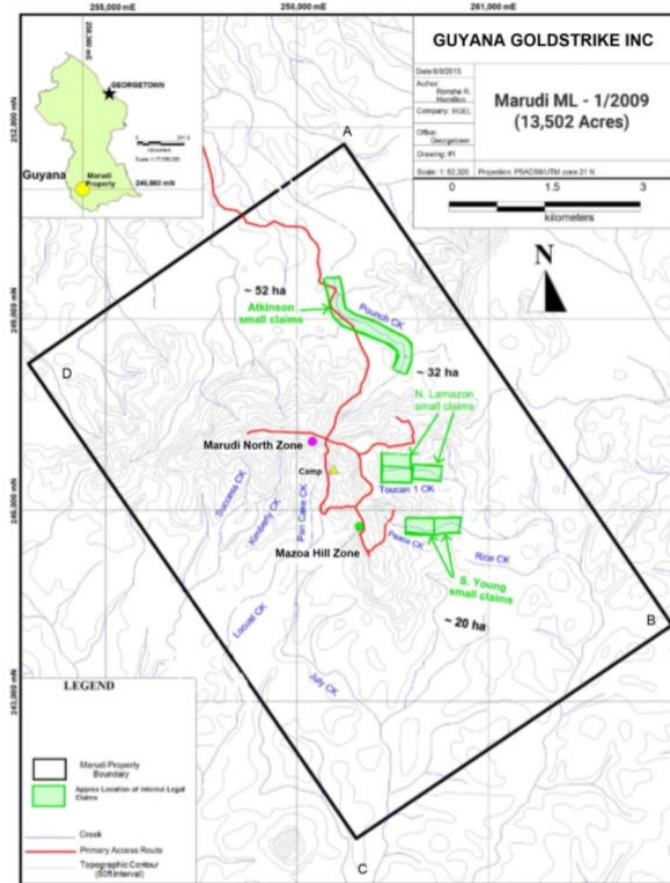
In-Pit Resource Cutoff 1 g/t Au	Au g/t	Tonnes	Ounces Au	Difference in ounces %
Kilborn 1995 (Indicated + Inferred)	2.9	2,988,000	277,700	
GMRS 2017 (Indicated + Inferred)	2.3	3,988,000	308,300	+11

Source: Company

As discussed in detail in our initiating report, the project has two mineralized zones –

Mazoa Hill and Marudi North (1.5 km northwest of Mazoa Hill), as shown in the map below:

Plan View of Marudi North and Mazoa Hill



Source: Company

The following tables summarize the resource estimates of the two zones:

NI 43-101 Resource - Mazoa Hill			
Classification	Tonnes	Average Gold Grade (g/t)	Contained Gold Ounces
Indicated	4,428,000	1.9	269,700
Inferred	1,653,000	1.6	87,600
Sutton, 1995, Marudi North			
Resource Category	Tonnes	Average Au grade (g/t)	Contained Gold Ounces
Indicated	1,419,000	1.8	84,000
Total			
Category	Tonnes	Average Gold Grade (g/t)	Contained Gold Ounces
Measured+Indicated	5,847,000	1.9	353,700
Inferred	1,653,000	1.7	87,600

Source: Company

**Phase I
Exploration**

The property is estimated to host three separate gold bearing areas - the alluvial areas, saprolite overburden, and the under-lying hard-rock. Management’s focus is to evaluate the near-term production of the alluvial areas and the saprolite overburden, expand the already identified hard-rock historic resource, and identify new mineralized zones and areas.

Both Marudi North and Mazoa Hill are estimated to be open in multiple directions, with over 95% of Marudi still unexplored. Management believes the project has a potential for another 2+ Moz gold resource.

The company recently announced a multi-phase exploration program (listed below) with the goal of identifying new hard-rock gold mineralization.

- Up to 12,000 m of trenching
- Detailed rock, soil and core sampling, and assaying
- Up to 10,000 m of diamond drilling in areas of successful trenching and sampling
- Airborne magnetic survey over the entire property

**Gold/Silver
Backed Crypto-
Currency**

In February 2018, the company and a few other juniors formed an Ethereum Blockchain Strategic Alliance for gold and silver asset backed crypto-tokens. The founding members, in addition to Guyana, are Canamex Gold Corp (TSXV: CSQ), Cabral Gold Ltd (TSXV: CBR), Arizona Silver Exploration Inc (TSXV: AZS), and Altamira Gold Corp (TSXV: ALTA). **Details were not disclosed, but it was announced that the alliance will seek to participate in future offerings of crypto-tokens and initial token offerings.**

There has been a surge in interest in gold-backed cryptocurrencies. Although several attempts have been made in the past to create digital currencies backed by gold, none of them gained real traction. However, we believe that with the development of blockchain technology, and an increasing demand in the market for a more secure and faster payment processing system, we believe that the current timeframe is conducive for such currencies. **The biggest advantage of such currencies versus other cryptocurrencies is that value is backed by a fixed asset.**

Financials

At the end of FY2017 (ended December 31, 2017), the company had cash and working capital of \$0.48 million and -\$0.14 million, respectively. The following table summarizes the company’s liquidity position:

(in C\$)	2017	2018 (6M)
Cash	\$208,273	\$479,912
Working Capital	-\$77,800	-\$140,386
Current Ratio	0.77	0.78
Monthly Burn Rate (incl. investing activities)	\$123,196	\$110,229
Cash from Financing Activities	\$1,681,004	\$933,014

In February 2018, the company completed a \$3.48 million financing by issuing 13.90 million units at \$0.25 per unit. Each unit consisted of a common share and a full warrant (exercise price of \$0.35 for 2 years). **Approximately \$3.20 million came as a strategic investment**

Stock Options and Warrants

Valuation and Rating

Risks

from the Zijin Mining Group. Zijin now holds 24.4% of the total outstanding shares. One of Zijin’s representatives joined the company’s board of directors.

The company currently has 2.70 million options outstanding (weighted average exercise price of \$0.25 per share) and 20.45 million warrants (weighted average exercise price of \$0.34 per share) outstanding. At this time, nil options and 0.47 million warrants are ‘in-the-money’.

The following table shows the Enterprise Value (“EV”) to resource ratio of companies operating in Guyana. The average EV is currently \$46.34 per oz (previously \$46.26 per oz). At a comparables average of \$46.34 per oz, we believe GYA should be valued at \$0.45 per share (previously \$0.58 per share). The significant decline in our estimate was a result of a 39% increase in the number of shares due to the recent equity financing.

Company	EV (\$, M)	EV/Resource
Guyana Goldfields Inc. (TSE: GUY)	\$816.20	\$107.86
Sandspring Resources Ltd. (TSXV: SSP)	\$39.40	\$4.50
Goldsource Mines Inc. (TSXV: GXS)	\$15.80	\$27.05
Troy Resources Ltd. (ASX: TRY)	\$62.50	\$78.91
Guyana Goldstrike (TSXV: GYA)	\$7.89	\$17.87
Average (excl outliers)		\$46.34
Guyana Goldstrike's Resources (oz, 000s)		441
Average EV/ Resource Ratio (comparables)		\$46.34
Fair Value of Assets		\$20,449,337
Working Capital, net of debt		\$3,119,614
Fair Value of GYA Shares		\$23,568,951
No. of Shares*		52,430,492
Fair Value per Share		\$0.45

* calculated based on the treasury stock method

Source: Company

We believe the company is exposed to the following key risks (not exhaustive):

- The value of the company is highly dependent on gold prices.
- Exploration and development risks.
- The production potential of the alluvial areas and the saprolite overburden is currently unknown.
- Although Marudi has been subject to exploration in the past, the region is relatively underexplored.
- Access to capital and share dilution.

As with most junior exploration / development companies, we assign a risk rating of 5 (Highly Speculative) on Guyana's shares.

Fundamental Research Corp. Equity Rating Scale:

Buy – Annual expected rate of return exceeds 12% or the expected return is commensurate with risk

Hold – Annual expected rate of return is between 5% and 12%

Sell – Annual expected rate of return is below 5% or the expected return is not commensurate with risk

Suspended or Rating N/A— Coverage and ratings suspended until more information can be obtained from the company regarding recent events.

Fundamental Research Corp. Risk Rating Scale:

1 (Low Risk) - The company operates in an industry where it has a strong position (for example a monopoly, high market share etc.) or operates in a regulated industry. The future outlook is stable or positive for the industry. The company generates positive free cash flow and has a history of profitability. The capital structure is conservative with little or no debt.

2 (Below Average Risk) - The company operates in an industry where the fundamentals and outlook are positive. The industry and company are relatively less sensitive to systematic risk than companies with a Risk Rating of 3. The company has a history of profitability and has demonstrated its ability to generate positive free cash flows (though current free cash flow may be negative due to capital investment). The company’s capital structure is conservative with little to modest use of debt.

3 (Average Risk) - The company operates in an industry that has average sensitivity to systematic risk. The industry may be cyclical. Profits and cash flow are sensitive to economic factors although the company has demonstrated its ability to generate positive earnings and cash flow. Debt use is in line with industry averages, and coverage ratios are sufficient.

4 (Speculative) - The company has little or no history of generating earnings or cash flow. Debt use is higher. These companies may be in start-up mode or in a turnaround situation. These companies should be considered speculative.

5 (Highly Speculative) - The company has no history of generating earnings or cash flow. They may operate in a new industry with new, and unproven products. Products may be at the development stage, testing, or seeking regulatory approval. These companies may run into liquidity issues, and may rely on external funding. These stocks are considered highly speculative.

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