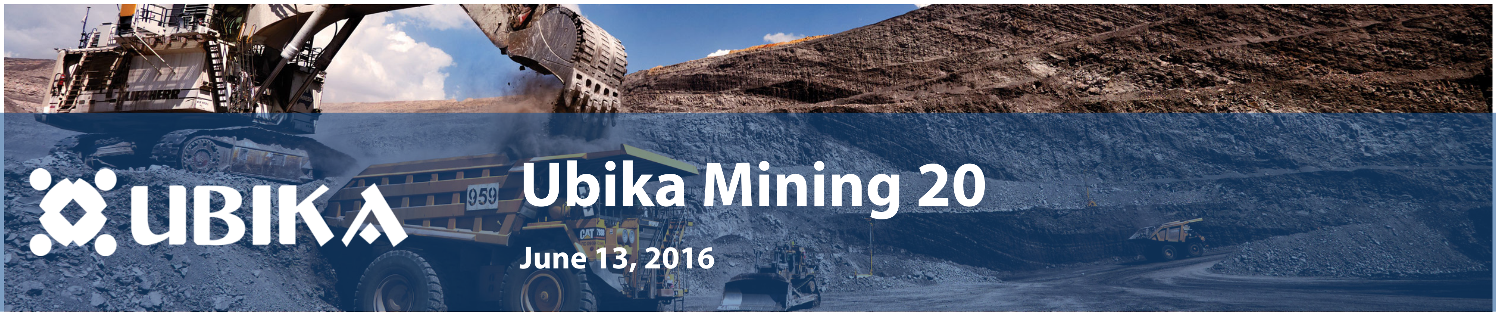
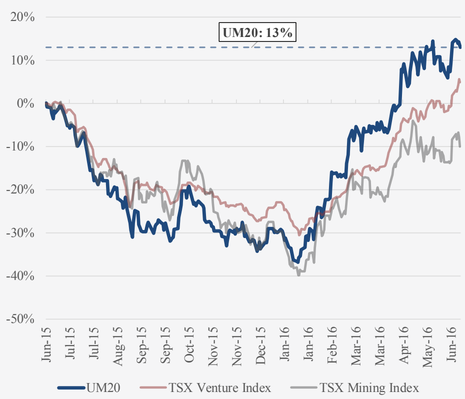


Ubika Mining 20

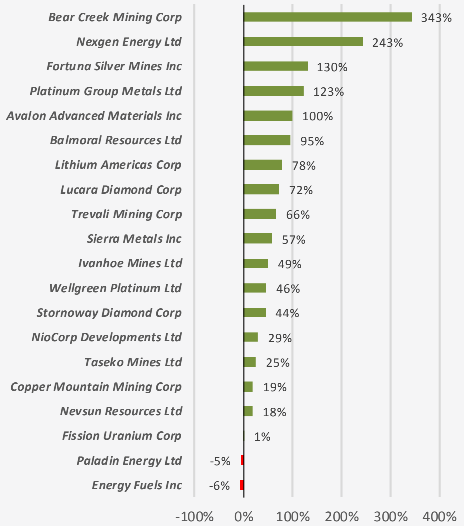
June 13, 2016

Ubika Mining 20
Mar. 14, 2016 - Jun. 13, 2016

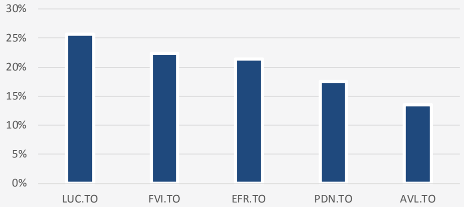
UM20:	+22.6% (+13% Y/Y)
TSX Venture:	+25.4% (+5% Y/Y)
TSX Mining:	+11.7% (-10% Y/Y)



Ubika Mining 20: Performance Distribution



Top Volume Gainers (m/m)



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Precious Metals Gains Somewhat Offset by Commodity Laggards – Copper & Uranium

The Ubika Mining 20 (UM20) index appreciated in value by 23% since the last issue on March 14, 2016. While gold and silver have surged over the past year (7.4% and 8.4%, respectively), copper and uranium have lagged behind substantially (25.5% and 21.5%, respectively), offsetting much of the gains in the UM20. While the global economy continues with a relatively high level of uncertainty, causing investors to seek safe havens in gold and silver, demand for industrial commodities (i.e. copper) continues to be depressed.

Industry Highlights

- **Copper** prices are being hammered lower despite economic stimulus from China. The fact is, Chinese manufacturing is not picking up momentum, and thus demand continues to fall, while supply edges higher. Keeping in mind that China is responsible for 46% of total global copper demand, and that the country is shifting focus from an export-driven to consumption and investment based economy, we feel there is no reason for copper prices to appreciate.
- On the contrary, China's appetite for **iron-ore** seems to be improving, following its economic stimulus. The industrial metal rallied to annual highs of above $65/dry metric ton (dmt) in April. However, the commodity quickly forfeited gains in May and is now trading in the $50 range. The largest iron producer in the world – Vale – mentioned increased government infrastructure spending in China as a huge catalyst to the commodity's price.
- **Gold** and **silver** prices continue their 2016 rally in June, following a dip to near $1200/oz in May. The precious metals have been appreciating this year as investors note the increasing global and American economic uncertainties. Namely, a horrendous jobs report for the month of May dimed the light on a Fed Fund Rate hike in the summer. As interest rates rise (and thus yields increase) investors are more incentivized to drop gold and silver since they offer no income.
- The American nuclear industry suffered a blow in early June as Exelon said it would close two nuclear power plants in Illinois after the state refused to provide support. This caused a swift dip in **uranium** prices, as U3O8 trades at ~$30/lb. That being said, the Nigerian government has made a US$80 billion investment in nuclear. South Africa has also announced plans for a power plant, with several countries bidding for the construction process, at an estimated cost of $50 billion. These developments provide some bullish momentum for uranium.

Upcoming Events This Summer:

Some of the upcoming events investors should keep on their calendar is Flotation Peru 2016 (June 22, 2016 – June 24, 2016 @ Lima, Peru), Metallurgy Peru 2016 (August 24, 2016 – August 26, 2016 @ Lima, Peru), MINExpo International 2016 (September 26, 2016 – September 26, 2016 @ Las Vegas, USA).

Recently-Added Constituents Top the UM 20 Index

Bear Creek Mining (CVE:BCM)

Bear Creek Mining is engaged in the acquisition, exploration and development of precious and base metal properties located in Peru. The Company has a market cap of ~$230 million. Its development projects include Corani Silver-Lead-Zinc Project and Santa Ana Silver Project. It currently has negative earnings. The Company's exploration projects include Maria Jose Prospect, La Yegua Copper-Gold-Molybdenum Prospect and Sumi Gold Prospect.

Bear Creek was added to the UM 20 as a constituent on March 16, 2015. Since then, the Company's stock has appreciated over 343%, the majority of which can be explained by the rapid surge in silver prices. Apart from that, investors should make note of the following contributing factors to Bear Creek's rapid surge.

- A 1Q16 **cash balance of US$17.75** million opens the door to several opportunities including strategic M&A, as well as following through with more exploration and development projects. In fact, the Company's entire balance sheet is very clean. While its operations have not yet broken even and achieved profitability, they have managed their debt levels (near zero) superbly.
- Impressive ~450 million ounces of silver in flagship projects Corani and Santa Ana are near shovel-ready, as the Company awaits final permits. As the outlook for silver prices improves, the **Corani deposit is an optimal investment**: Bear Creek has calculated a ~US$120 million increase in Corani's NPV for every $1 increase in silver prices.
- **Stable and mining-friendly jurisdiction** of Peru gives investors no reason to demand a premium price for riskier assets. The Peruvian government strongly supports local mining infrastructure, and anti-mining activity is said to be site-specific and atypical.
- Strong ownership gives retail investors a positive outlook on the Company. Specifically, Canada's silver sweetheart: Silver Wheaton, holds a whopping 14% of Bear Creek.

Figure 1. Bear Creek's Corani and Santa Ana Silver Exploration Mines in Peru

Source: Company Filings, Ubika Research

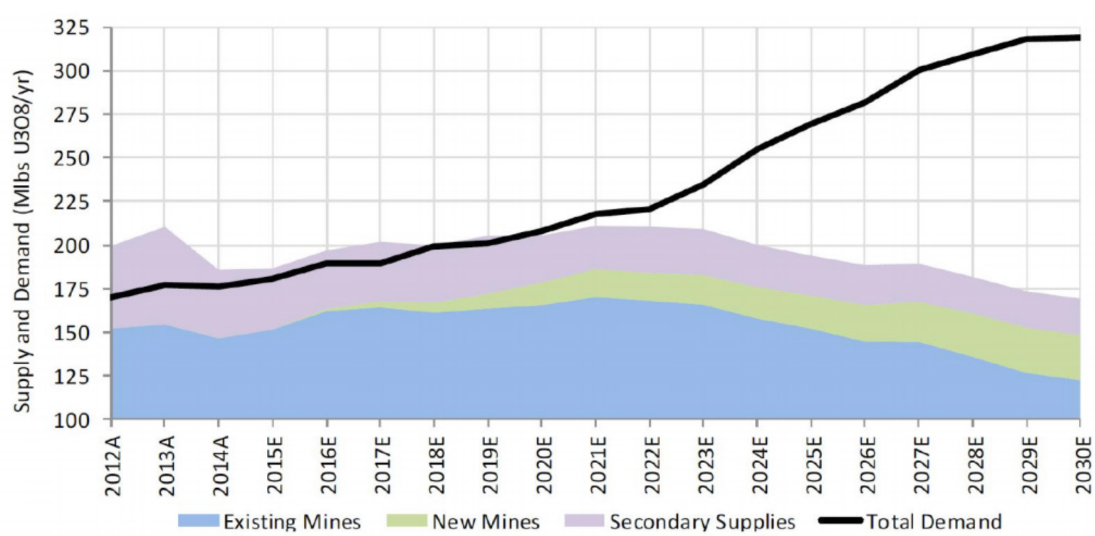
NexGen Energy (CVE:NXE)

Since March 14, 2016, NexGen Energy has surged 243%, fueled by a successful 2016 winter drilling program at its property in the Athabasca Basin, Saskatchewan. Better yet, on June 7, 2016, Hong Kong's richest man – Li Ka-shing – made a $60 million convertible debenture investment into NexGen. The investment is to be used primarily for continued drilling on its Athabasca Basin property, while holds an estimated 201.9 million pounds of uranium.

NexGen is appealing to investors as an alternative energy play in a world flooded with greenhouse gas-inducing fossil fuels. Specifically, the following facts are used to make a bullish, long-term case for the Company:

- Top of the line jurisdiction. NexGen's operation in Saskatchewan was rated as 2nd best in the world by the Fraser Institute in 2015. Moreover, the province is home to the 2nd largest uranium production jurisdiction in the world. In particular, Saskatchewan is responsible for 16% of the world's uranium production.
- The shift away from fossil fuels due to environmental pressures from all sides, global economics are becoming more likely to establish a strong nuclear energy environment in order to generate power.
- While supply and demand are roughly equal in the current uranium environment, the World Nuclear Association has forecasted a linear growth model for uranium demand, coupled with lower supply. This imbalance will help NexGen become an industry leader in uranium supply.

Figure 2. Actual and Estimated Uranium Supply and Demand



Source: Company Filings, Ubika Research

Lithium Americas Corp (TSE:LAC)

Lithium Americas is an Argentinian-based lithium producer. The Company's stock has soared 78% since we began covering the Company on March 13, 2016. The Company sports a 2015 total revenue profile of US$1.8 billion, with an outstanding 41% EBITDA margin. In the last 12 months, SQM reports Western Lithium having 27% of lithium production market share.

There are two main contributors to the recent success story at Lithium Americas:

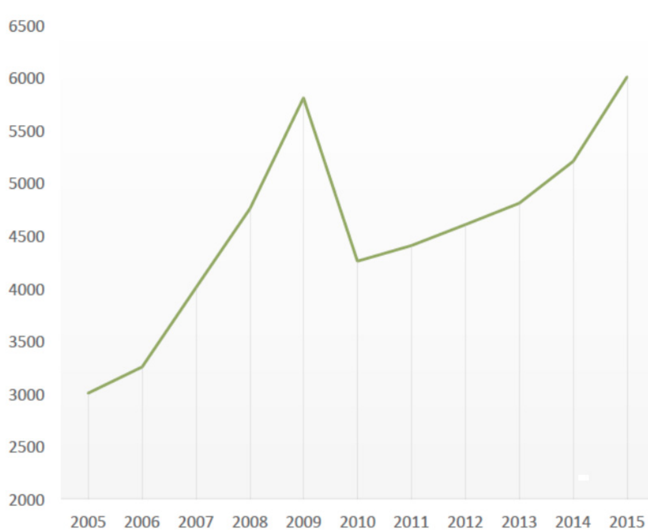
Positive macro tailwinds from Argentina

Similar to the South American continent as a whole, Argentina is experiencing a significant economic downturn. Economic growth, while stagnant, also was coupled with annual inflation of ~25%. However, with a huge shift in elected government (from social to conservative), the Argentinian President has promised to shock the highly-regulated economy back into its market-based reality. Since taking office in December 2015, President Macri has abolished most export duties and trade controls. He has also eliminated exchange rate and capital controls, making the country infinitely more accessible by foreign investors. This shift to a more business-friendly jurisdiction is a huge positive for Lithium Americas.

Increasing profitability in lithium fundamentals

Demand for lithium has been upward trending for the past few years. In fact, in 2015 it was the only commodity to show positive price movements. A rising amount of Li-ion users are building their own mega factories. Tesla tops that list with their $5 billion investment in the factory in Nevada. In the end of 2015, Goldman Sachs forecasted Lithium demand for EVs to grow 11x by 2025. While certainly supply has been climbing in such a market, it is without a doubt demand has been trending far ahead. For this reason, since 2010, the commodity's price has climbs from the $4500/tonne to ~$6000/tonne by the end of 2015.

Figure 3. Lithium Carbonate Price Trend: 2005-2015 ($/tonne)



Source: Company Filings, Ubika Research

Other Notable Movers

Trevali Mining (TSE:TO) shot up 66% since the last UM 20 issue. On June 2nd, the Company released positive results from underground exploration drill program at its flagship Santander Zinc Mine in Peru. As a result, research analysts raised earnings estimates and the stock price consequently shot up.

Lucara Diamond (TSE:LUC) has soared 72% since we last covered them on March 13, 2016. The diamond producer was featured as part of a Bloomberg article after unearthing the biggest diamond in over a century: a 1,109-carat gem-quality stone (the size of a tennis ball), which is expected to fetch more than $70 million at an auction scheduled at the end of June. Lucara is expected to keep $35 million of that. While global diamond demand seems to be stagnant, this one sporadic win could boost Lucara's balance sheet to explore more opportunities.

Avalon Advanced Materials (TSE:AVL) has climbed almost 100% during our focus period. The share price appreciation can be attributed to the Company's shift of priority onto its Separation Rapids lithium play. Avalon plans to leverage its 100% owned Lithium play by further exploration and drilling programs throughout the next few years

Concluding Thoughts on Mining

As the precious metals space continues its surge, we are constantly posing the question: are the new prices sustainable? In our opinion, the rise in gold and silver prices can be explained largely by the delayed interest rate hikes in the US, as well as global central bank purchases. However, we feel as though one of those two factors will soon be meeting reality. The US (and entire global economy) is experiencing unconventionally low interest rates. When (not if) the reversion occurs, safe havens like gold and silver will take a big hit. We would also like investors to note that when the Fed does decide to lift-off this year, it is likely that additionally rate hikes will occur, consecutively. This puts us under alert for bearish sentiment in the precious metals market.

On the other side, industrial metals will continue being hit (or remain constant). We believe a relatively stagnant Chinese economy is responsible. Seeing no signs of relief from their economy (in fact the shift in trade-focus to consumption may prove detrimental according to senior German officials), we are left with additional bearish sentiment across the board on industrials.

About the Index

We believe that there is a lack of high quality, widely available research of promising small cap Canadian companies. To fill this gap, we have come up with various industry reports, such as the Ubika Mining 20, to provide coverage of quality Canadian mining juniors. We hope that our work, meets your investment standard.