



# Ubika Gold 20

August 15, 2016



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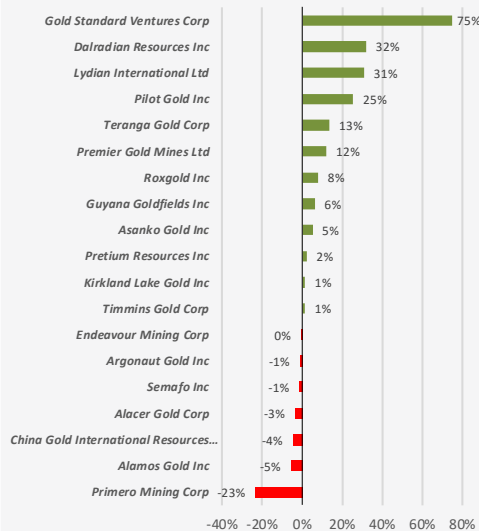
July 18, 2016 - August 15, 2016

UG20: +0.3% (110% Y/Y)  
 Gold: +0.6% (20% Y/Y)  
 TSX Gold Index: +2.6% (112% Y/Y)

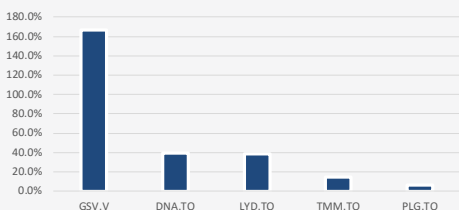
*Dollar amounts in CAD unless otherwise stated.*



## UG20: Performance Distribution



## Top Volume Gainers (m/m)



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## UG20 Holds Steady Despite Lowered Volatility

The UG20 remained relatively flat during the period of July 18, 2016 to August 15, 2016. In the small cap universe, aside from significant asset development news releases, stock prices in the gold sector are largely determined by the price of the bullion commodity. Since July 18th, gold has increased by 0.6% and the TSX Gold Index has appreciated by 2.6%.

Gold prices seem to have leveled off, at least in the short-term. Volatility has become relatively scarce and although yields have indeed fallen, investors are cautious to believe they can possibly fall any further. Without such tailwinds, we believe the fundamentals for gold are somewhat muted. In the medium term, we see an interest rate increase by the Fed, signalling the beginning of a probable series of consecutive hikes. This will, in effect, reduce investors' incentives to hold gold. All told, we continue to closely monitor the commodity and its drivers closely during this seasonally-weak period.

## Industry Highlights

- According to the World Gold Council, this year's rally can be attributable to three principal factors:
  - Widening landscape of negative interest rates in Japan and Europe,
  - Devaluation of China's Yuan, and
  - A certain feeling of realization in terms of the Fed's prior calls on consecutive interest rate hikes.
- Gold prices have remained relatively flat since the last issue on July 18, 2016: the bullion commodity has increased by 0.6%.
- The U.S.'s most recent jobs report yielded some extremely positive numbers. In fact, after discouraging April and May labour data, the June one came in at 287,000 job creations. The most recent one was 255,000, shattering expectation of 180,000.
- In light of this, the possibility of a rate hike in September has increased. That being said, the market still does not believe in a hike in any part of 2016. However, once the ball starts rolling in 2017, we believe a series of consecutive hikes are on the table for the Fed due to a very healthy jobs market, bringing significant headwinds for the bullion commodity.
- The VIX index has been priced at historically low levels, signifying a depressed level of volatility. This has an indirect negative effect on the price of gold, and thus our portfolio at hand.
- European stability continues to be on edge as the Turkish coup has resulted in thousands fleeing the country that links Europe and Asia. The number of people detained has now passed 26,000 amid international concern over the crackdown. Of course, the result of less stability is more uncertainty and thus higher potential gold prices.

## Notable Outperformers

### Gold Standard Ventures Corp. (TSE:GSV)

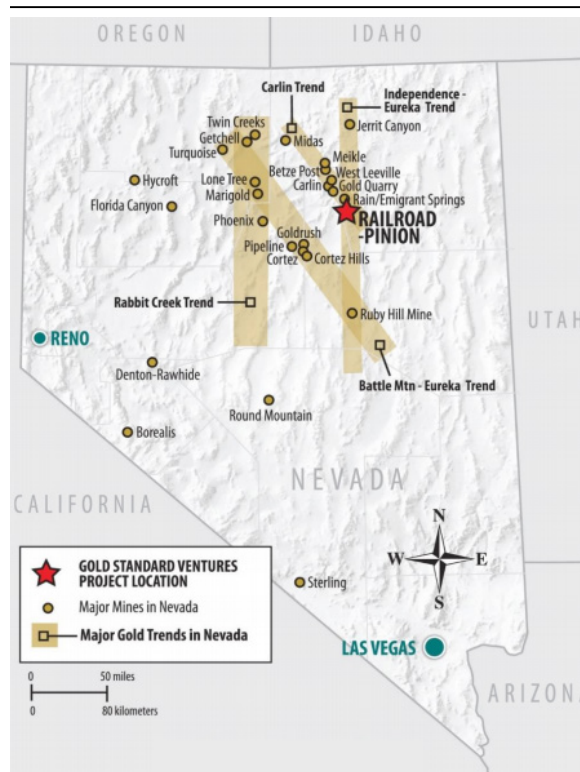
Gold Standard Ventures Corp. is focused on acquiring and exploring gold-bearing mineral resource properties in Nevada. The stock has skyrocketed 75% since we last covered them on July 18, 2016.

Its Railroad-Pinion Project is an early to intermediate stage gold exploration project situated at the southeast end of the Carlin Trend of north-central Nevada. The Railroad-Pinion project straddles the Pinion Range in the Railroad Mining District of Nevada. The land position is approximately 30,404 gross acres in Elko County, Nevada.

The Company's stock price has soared recently due to the 'monster' of a hole they uncovered at their North Dark Star deposit in Nevada. The results were 126.2 meters of 3.95 g/t graded gold. With the first few holes, the Company has solidified the orientation of the thick, high-grade mineralized zone that was discovered last year.

The Company has decided to spend US\$13.4 million on its exploration program. The funds will primarily go towards reverse-circulation (RC) and core drilling in ~100 holes. Most importantly, the Dark Star and North Dark Star oxide gold resource is well positioned for discovery expansion. Of note is the Company's cash and equivalents of \$39 million, more than enough to cover the current plans of exploration.

Figure 1. Gold Standard Venture's Optimal Positioned Assets



Source: Company Filings, Ubika Research

### Dalradian Resources Inc. (TSE:DNA)

Dalradian Resources is a gold development and exploration company. The Company is engaged in the acquisition, exploration of properties in Northern Ireland. Operations are focused on the Curraghinalt gold project in Northern Ireland. The Curraghinalt gold deposit is a lode gold system consisting of a series of structurally controlled, high-grade gold bearing quartz-carbonate veins.

Dalradian has surged 32% since the last issue on July 18, 2016. Year-to-date, the stock has performed phenomenally, rising almost 80%.

There are two key reasons we can rationalize an investment in Dalradian Resources:

- Its flagship Curraghinalt asset is a high-grade, low expenditure-required gold deposit. An NI 43-101 of the asset noted that:
  - There are a Measured 25,000 ounces of contained gold (0.03 million tonnes at 26.99 g/t),
  - Indicated resources include 2.07 million ounces (5.58 million tonnes at 11.53 g/t), and
  - Inferred resources include 2.31 million ounces of gold (7.13 million tonnes at 10.06 g/t).
  - In terms of property, the Project encompasses 84,000 hectares, which include several gold prospects, with the inclusion of Curraghinalt
- The jurisdiction in Northern Ireland is resource-friendly with a highly-developed infrastructure that welcomes

Figure 2. Analyst Price Targets for Dalradian Resources



Source: Company Filings, Ubika Research

### Pilot Gold Inc. (TSE:PLG)

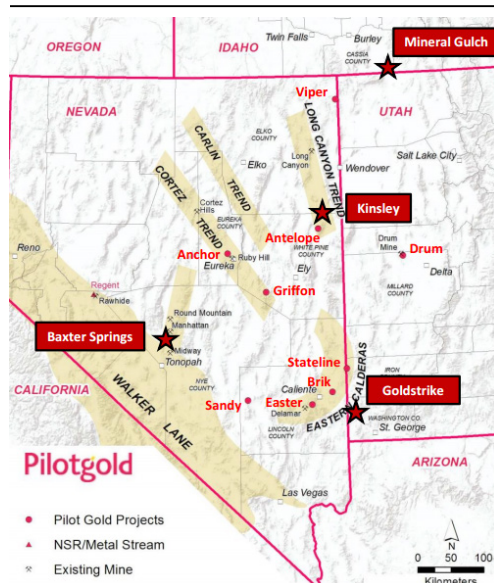
Pilot Gold is an exploration-stage Company. The Company has mineral properties located primarily in the U.S. and Turkey. It operates through the exploration for gold, copper and other precious and base metals segment. Key shareholders include: Newmont at 11%, Teck Resources at 6.3% and management at 7.2%.

Pilot Gold has appreciated X% since we last looked at them on July 18, 2016. Year-to-date, the Company has, like the vast majority of gold players, performed extremely well surging over 200%.

The Company has 4 assets with past production operations as well as no production.

1. Goldstrike (1988-1994 production): Goldstrike is a 7km long historical mine trend in Utah. There were 1519 historical holes with 22 square kilometer drill target area. Infill and step-out drilling commenced March 2, 2016. Production was historically at 209,000 ounces grading at 1.2 g/t.
2. Kinsley (1995-1999 production): This asset has an estimated resources of 405,000 ounces of gold grading at 2.27g/t, with 122,000 ounces grading at 1.13g/t Inferred. Historically, the mine produced 138,000 ounces grading at 1.4 g/t and had 1082 historical holes within a 10 square kilometer area. Kinsley is located in America's mining hub – Nevada.
3. Mineral Gulch (1991-1998): This asset had 435,000 ounces of historical production grading at 0.7 g/t with 520 historical holes and 12 square kilometers. Mineral Gulch is located in the state of Idaho.
4. Baxter Springs (no past production): Baxter is located in Nevada and had 128 historical holes.

Figure 3. Pilot Gold's Asset Locations



Source: Company Filings, Ubika Research

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