

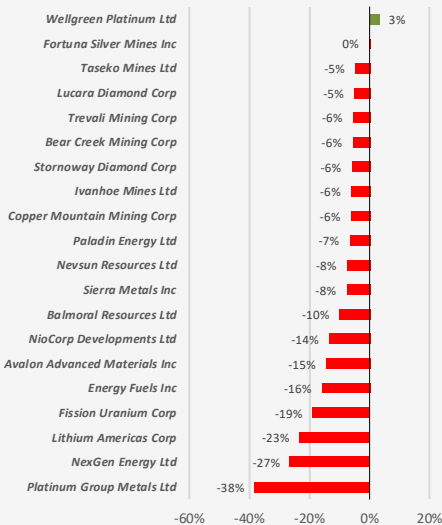
## Ubika Mining 20

Oct. 3, 2016 - Nov. 8, 2016

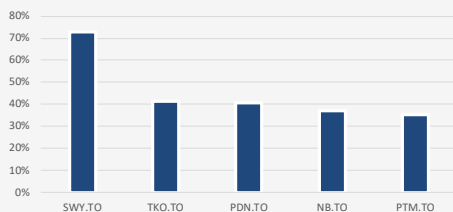
UM20: -7.4% (+61% Y/Y)  
 TSX Venture: -5.6% (+41% Y/Y)  
 TSX Mining: -1.5% (+35% Y/Y)



## Ubika Mining 20: Performance Distribution



## Top Volume Gainers (m/m)



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## A Tough Period for the Miners, Ubika Mining 20 Index Falls 7%

Over the period of October 3<sup>rd</sup> to November 5<sup>th</sup>, the Ubika Mining 20 Index fell by 7.4%, slightly more than its benchmarks. The TSXV was down 5.6% and the TSX Mining Index was quite flat, easing 1.5%.

Although many stocks were down, it was a busy month for mining companies as prolific discoveries were announced by Ivanhoe Mines, and Energy Fuels found a growth opportunity where it least expected it. All this, and more, in this addition of the Ubika Mining 20.

### Industry Highlights

- The end of October saw the Quebec government start to reap the rewards of its 'Plan Nord', as Stornoway Diamond Corp. (TSE:SWY) launched the opening of its mine in Lac Lagopede, Quebec, and had its first 20,000 carat haul, worth between \$3-5mm, on display. The Plan is a provincial initiative to invest \$1.3 billion in infrastructure over the next five years, hoping to attract \$22 billion in private-sector investment.
- Endeavour Silver (TSE:EDR) announced the completion of the acquisition of Silver Standard Resources' (TSX:SSO) exploration properties in the historic silver district of Hidalgo de Parral, Mexico. The acquisition is part of Endeavour's recent emphasis on increasing its presence in Mexico and was completed with the issuance of 1.2mm shares worth \$6mm, with a commitment to spend \$2mm on exploration over the next two years.
- Teck Resources has reached an agreement with junior Australian company Rox Resources, acquiring the remaining 49% stake in the Teena Zinc Deposit in the Australia's Northern Territory. The Teena deposit, which is the highest-grade zinc and lead deposit discovered in Australia in the past 20 years, has an Inferred resource of 58mm tonnes grading 11.7% zinc and 1.6% lead.
- Ivanhoe Mines announced recently that it completed an independently-verified, initial Mineral resource estimate at its Kakula Discovery in the Democratic Republic of Congo. The estimate verified that it was now the largest copper discovery ever made in Africa, boasting 944mm tonnes at 2.83% copper Indicated resource, plus 286mm tonnes at 2.31% copper Inferred resource

### Upcoming Events

- International Mining and Resources Conference (IMARC): November 7<sup>th</sup> to 10<sup>th</sup>, 2016 at the Melbourne Convention & Exhibition Centre
- Risk and Resilience Mining Solutions 2016: November 13<sup>th</sup>, 2016 in Vancouver, BC Canada

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## Notable Performers

### Sierra Metals (SMT.TO)

Sierra Metals (“Sierra”) is an exploration, development and production company focused on precious and base metals with three producing mines: the Yauricocha Mine in Peru and the Bolivar and Cusi mines in Mexico. Positive drill results and record production was not enough to send the stock higher, as Sierra lost 8% in value for this period.

At the Esperanza deposit at its Yauricocha mine, Sierra announced that it had intersected high-grade sulfides, with the highlight of the drill results being 154.38g/t Ag, 0.35g/t Au, 7.56% Pb, 17.43% Zn, and 1.03% Cu over 22.1m. Not only does this benefit the Esperanza zone, but it also opens up the possibility in the Central Ore body zone for similar results. If Sierra continues to produce drill results like these, this could expand its resource base and the net asset value of the Company.

The backhoes were digging and the mills were churning in September as the Company released on October 5th that for the second month in a row both the Yauricocha polymetallic Mine and Chumpe Mill in Peru set historic throughput levels. Positive results were not just seen at its operations in Peru, but across all of its mines. In total for Q3 of 2016, Sierra saw its tonnage processed increase by 19% over Q3 2015 production to 536,553 tonnes, resulting in a 25% increase in AgEq produced over Q3 2015, and an 8% increase in AgEq over Q2 2016.

This is great news for the financial performance of the mine, as extracting and processing more tonnage over an equivalent period of time reduces the all-in-sustaining cost (“AISC”), making the mine more profitable. In addition, part of the increase throughout in the mill came from third-

Figure 1. Sierra Metals Operational Performance Q2 to Q3 2016 and Q3 2016 to Q3 2015

(In thousands of US dollars, except cash cost and revenue per tonne metrics)	Three Months Ended				
	September 30, 2016	June 30, 2016	Var %	September 30, 2015	Var %
Revenue	\$ 29,532	23,409	26%	17,066	73%
Adjusted EBITDA <sup>(1)</sup>	13,904	5,272	164%	2,776	401%
Cash Flow from operations	10,057	5,814	73%	12,392	-19%
Gross profit	14,335	5,989	139%	3,215	346%
Income Tax Expense	(3,924)	(287)	1267%	(850)	362%
Net Income	7,337	3,274	124%	40	18243%
Net production revenue per tonne of ore milled <sup>(2)</sup>	119.70	102.30	17%	90.37	32%
Cash cost per tonne of ore milled <sup>(2)</sup>	56.17	55.41	1%	55.24	2%
Cash cost per silver equivalent payable ounce <sup>(2)</sup>	6.55	9.30	-30%	8.68	-25%
All-In Sustaining Cost per silver equivalent payable ounce <sup>(2)</sup>	11.80	14.27	-17%	14.64	-19%
Cash cost per copper equivalent payable pound <sup>(2)</sup>	0.99	1.40	-29%	1.30	-24%
All-In Sustaining Cost per copper equivalent payable pound <sup>(2)</sup>	\$ 1.77	2.15	-18%	2.20	-20%

Source: Company Filings

party sources, which can decrease the 'idle' time of the mill and ensure its operation at a higher capacity, reducing processing costs per tonne while producing an alternative source of revenue. The increased tonnage translated directly into great operational and bottom-line performance. Sierra saw its net production revenue per tonne of ore milled increase by 32% to USD\$119.7 and its cash costs and AISCs drop by an average of 29.5% and 17.5%, respectively, resulting in a net income growth of 124% to USD\$7.3mm over Q2 2016 (as detailed in Figure 1). Sierra is currently trading at an EV/EBITDA ratio of 18.5x, which is higher than the industry median of 10.8x, meaning that the market could be overvaluing the Company's operations.

### Platinum Group Metals (TSE:PTM)

Platinum Group Metals ("PTM") is focused on the exploration, development and production of platinum and palladium resource deposits with a focus in South Africa's Bushveld Complex. Unfortunately PTM saw 38% of its value fall off over this reporting period, as the market reacted unfavourably to some financing decisions that were released.

On October 5<sup>th</sup>, PTM announced that it has filed a preliminary short form base shelf prospectus with securities regulatory authorities in each Canadian province except Quebec, and a registration statement with the SEC in the United States. The prospectus and registration statement enables PTM to make offerings of up to CAD\$334mm in value of common shares, debt securities, warrants, units, subscription receipts or a combination of the previously-stated over a 25-month period. Considering that the Company has a market cap of CAD\$245.9mm, PTM could potentially dilute its shareholder ownership by 50% if it raises the full amount. If PTM is to also issue warrants in its financing deals, this could potentially dilute shareholder value down the road as they will be exercised at a lower price than the market values them at

### Figure 2. Highlights of the Pre-Feasibility Study

Highlights of the PFS include:

- Validation of the 2014 Waterberg Preliminary Economic Assessment ("PEA") results for a large scale, shallow, decline accessible, mechanized platinum, palladium, rhodium and gold ("4E") mine.
- Annual steady state production rate of 744,000 4E ounces in concentrate.
- A 3.5 year construction period.
- On site life-of-mine average cash cost of US\$248 per 4E ounce including by-product credits and exclusive of smelter discounts.
- After-tax Net Present Value ("NPV") of US\$320 million, at an 8% discount rate, using three-year trailing average metal prices.
- After-tax NPV of US\$507 million, at an 8% discount rate, using investment bank consensus average metal prices.
- Estimated capital to full production of approximately US\$1.06 billion including US\$67 million in contingencies. Peak project funding estimated at US\$914 million.
- After-tax Internal Rate of Return ("IRR") of 13.5% using three-year trailing average price deck.
- After-tax IRR of 16.3% at investment bank consensus average metal prices.
- Probable reserves of 12.3 million 4E ounces.
- Indicated resources updated to 24.9 million 4E ounces (2.5 g/t 4E cut-off) and deposit remains open on strike to the north and below a 1,250 meter arbitrary depth cut-off.

Source: Company Filings

during that period.

Although the stock is down substantially some relief was provided when the Company released that an independently completed a pre-feasibility study (PFS) on the Waterburg PGM project, in which it holds a 58.8% interest, had positive results. Highlights of the PFS are presented in Figure 2.

Toward the end of October, PTM announced and closed a CAD\$53.6mm bought deal, where the Company issued 22.2mm common shares at a price of CAD\$2.40 per share. PTM also offered the underwriters, led by BMO Capital Markets, an option, exercisable at the offering price for 30 days after closing to purchase an additional 15% (3.3mm shares) to cover over allotments. Although the market seemed to react negatively to the news, we think that this has created a significant opportunity because PTM is now trading at a Price/NAV ratio of just over 0.3x. With one project coming into full production shortly and another project with an independently-validated assessment, PTM is severely undervalued in our opinion.

PTM currently does not have any revenue as it enters the production stage, so the new financing deal is still necessary. That being said, PTM's Maseve Mine is completely constructed and in the ramp-up phase of production, so revenue should be seen for the year ending August 2016, when they are published shortly, or definitely as part of its Q1 2017 results. With production guidance for the period of April 2016 to April 2017 set between 91,500 to 110,000 4E ounces (platinum, palladium, rhodium and gold) operating cash flow could be positive before year-end 2017.

### **Energy Fuels Inc (TSE:EFR)**

Energy Fuels Inc ("Energy Fuels") is an extraction, recovery, exploration, permitting and evaluation company of conventional and in-situ uranium deposits in the United States. Energy Fuels owns and operates the only licensed conventional uranium mill in the U.S. called the White Mesa Mill. Although the market for uranium is quite depressed right now and Energy Fuels stock fell 16%, there were new discoveries and processing contracts that will lead to a stronger company in the future.

On October 27<sup>th</sup>, Energy Fuels announced that it had intersected extremely high-grade copper mineralization (Figure 3) at its Canyon Uranium Mine while expanding and upgrading its existing uranium deposit. With average yields being 8.75% copper, and one intercept hitting 1.5 meters of 31.69% copper, the Company is now evaluating the deposit for the recovery of copper as a by-product of uranium mining. In a world of extremely low uranium prices sitting below USD\$20/lb of yellow cake ( $U_3O_8$ ), this news comes at a great time as the recovery of copper would add significantly to the economic viability of the mine. This is a discovery that might not have had a large impact on the stock price now, but as the results of the analysis are released and if they bear fruit, you could see a jump in price down the road.

Figure 3. Drill Results from Canyon Uranium Mine

Core Hole #	Length of Mineralization	Copper (%Cu)	Uranium (%U3O8)	Silver (oz/ton)
8	17.7m	12.63%	0.74%	1.72
2	32m	9.44%	0.17%	1.49
5	16.5m	9.25%	0.71%	1.87
3	16.8m	7.66%	0.02%	1.04
4	12.5m	2.32%	1.00%	0.67

Source: Company Filings

Also a positive development for the future strength of the Company was that Energy Fuels secured a new processing contract with a third-party miner for 2017. The quantities that it will be receiving are part of an amendment to an existing license so the costly process of getting a new license is forgone. In addition, the quantities were not accounted for in the previously-announced guidance for 2017, so Energy Fuels is expected to surpass the initially predicted 800,000 pounds for the year.

Energy Fuels has certainly hit rough times financially over the past few fiscals as it struggles to attain profitability with a commodity that is in such low demand. If Energy Fuels can create a cost-effective way to recovery the copper as a by-product of its uranium activities, it will help to reduce the cost of production per pound of both metals, and boost margins. As the Company had recently closed a USD\$15mm bought deal in September upon the issuance of 8.3mm units, which consist of a common share and one half of one common share purchase warrant, Energy Fuels should have sufficient working capital moving into the new calendar year. With an EV/Sales multiple of 2.2x compared to the industry median of 3.6x, and with the newly-discovered copper mineralization on its property, its market price may be lagging.



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