



# Ubika Gold 20

January 30, 2017



## Ubika Gold 20

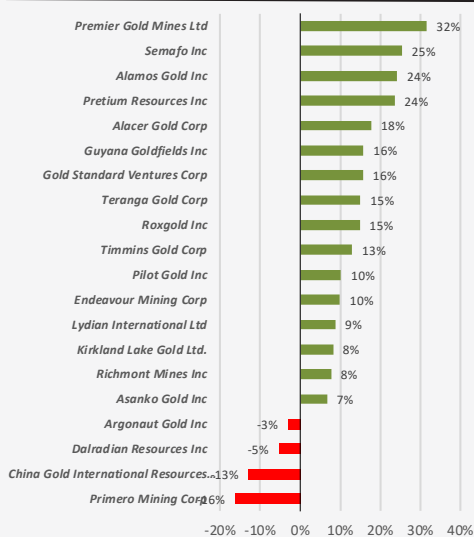
December 12, 2016 - January 30, 2017

UG20: +17.3% (+98% Y/Y)  
 Gold: +2.9% (+7% Y/Y)  
 TSX Gold Index: +12.3% (+53% Y/Y)

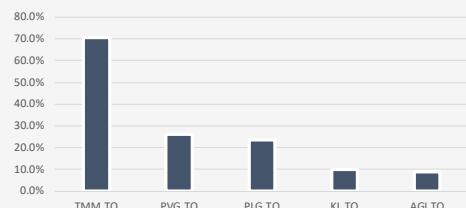
*Dollar amounts in CAD unless otherwise stated.*



## UG20: Performance Distribution



## Top Volume Gainers (m/m)



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## Ubika Gold Juniors Turn Around After Sharp Sell-off in Q4 2016

The end of 2016 saw a sharp sell-off in gold as the U.S. dollar strengthened following an interest rate hike as well as President Trump's pro-business sentiment. The Ubika Gold 20 Index (UG20) surged 17.3% since December 12<sup>th</sup>, outperforming both its benchmark TSX Gold Index and the gold price, which gained 12.3% and 2.9%, respectively, over the same period.

### Industry Highlights

- On December 14<sup>th</sup>, the Federal Reserve announced a raise to its target short-term interest rates by 25 basis points to a range of 0.50% - 0.75%, and forecasted multiple hikes to follow in 2017 contingent on the U.S. economy approaching full employment and its 2% inflation target. As a result, gold sold off to a 10-month low of US\$1,130, and has been regaining ground ever since. The Bank of Canada, on the other hand, decided to maintain its overnight rate at 0.5% at its January 18<sup>th</sup> meeting, citing uncertainty supported by a hike in both U.S. and Canadian bond yields as investors moved into stocks after Trump was elected.
- The uncertainty surrounding U.S. President Donald Trump, coined the "Trump Effect," poses a tailwind for gold. Trump has no prior military or political experience, and although his proposed reforms are broad, they have significant economic and geopolitical impacts pertaining to inflation, free trade, tax cuts, and defence as well as infrastructure spending.
- India, one of the world's largest gold importers, saw its bullion imports fall 32% Y/Y to US\$17.7B in April-December of the current fiscal period. In December alone, gold imports dipped by 48.5% Y/Y to US\$1.96B as a result of softening prices of the metal on world markets and the cash crunch in the monetary system due to demonetisation.
- Timmins Gold Corp announced Greg McCunn as its new Chief Executive Officer as well as one of the Director on the Company's board, effective February 1st. Mr. McCunn has 25 years of executive and management experience in finance, operations, project engineering, project construction and corporate development. Most recently, he was Chief Financial Officer of Asanko Gold, where over his six-year tenure he oversaw the transition of the company from exploration and development to a mid-tier gold producer.

### Upcoming Events

- International convention, trade show & investors exchange: March 5<sup>th</sup>-8<sup>th</sup>, hosted by Prospectors & Developers Association of Canada (PDAC) at the Metro Toronto Convention Centre, Toronto, Canada

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## Notable Performers

### Semafo Inc. (TSX:SMF)

Semafo is a Canadian mining company that is engaged in gold exploration, development and operations in West Africa. Shares of SMF have rallied 25% following the approval of its mining permit application for the Natougou Gold Project in Burkina Faso. A February 2016 feasibility study highlighted average annual production of more than 226,000 oz of Au with an all-in-sustaining-cost (AISC) of US\$518/oz, thanks to the mine's open-pit design. The Natougou project has significantly lower production costs in comparison to other Burkina Faso projects by miners such as Roxgold (TSXV: ROG) and Endeavour (TSX: EDV), which have average AISC's of US\$590/oz and US\$610/oz, respectively. The Natougou site has a total gold mineral reserve of 9.6 Mt (million tonnes) and drilling results from the Natougou exploration shows values of up to 6.94 g/t Au over 6 meters (see Figures 1 and 2). Construction of the mine and equipment procurement is currently underway, with production to commence in H2/2018.

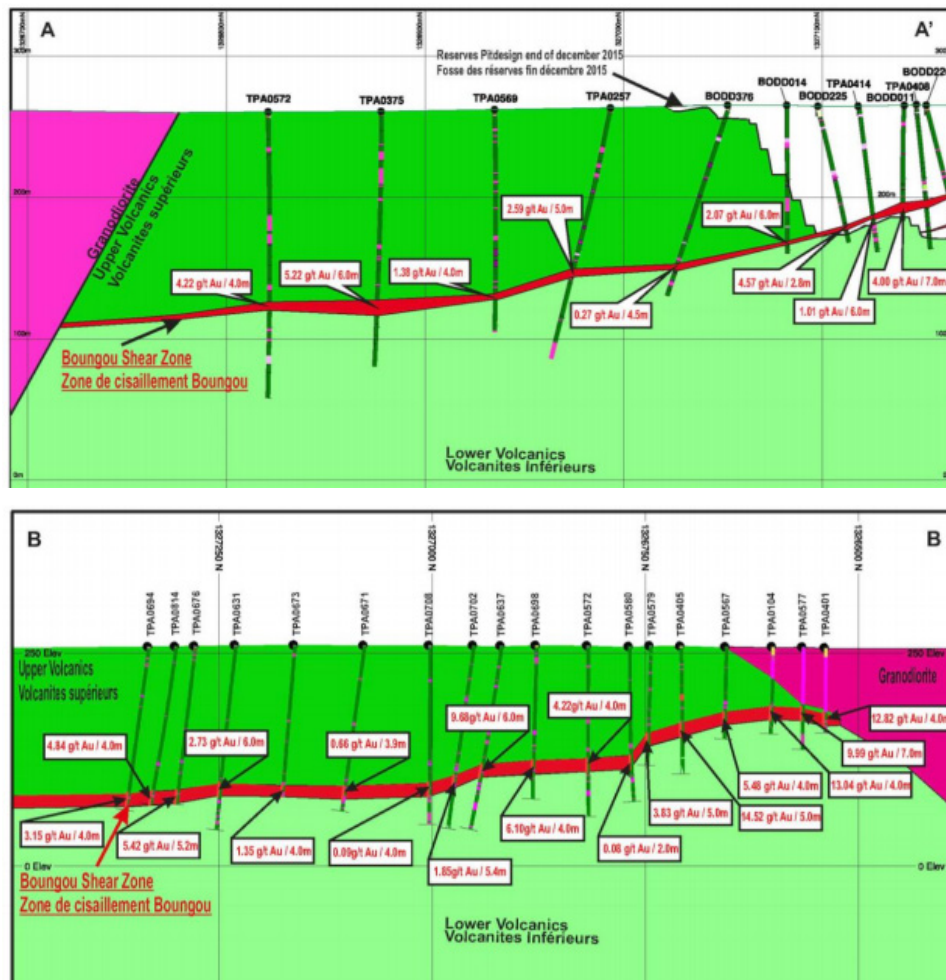
Figure 1: Natougou Mineral Reserve Estimate

		Total			Weathered			Fresh		
		tonnes	Au grade	Au metal	tonnes	Au grade	Au metal	tonnes	Au grade	Au metal
		Mt	g/t	Moz	Mt	g/t	Moz	Mt	g/t	Moz
West Pit	Proven	1.6	6.5	0.33	0	0.0	0	1.6	6.5	0.33
	Probable	4.2	4.0	0.54	0.061	1.3	0.003	4.1	4.0	0.53
<b>Total</b>		<b>5.8</b>	<b>4.7</b>	<b>0.86</b>	<b>0.061</b>	<b>1.3</b>	<b>0.003</b>	<b>5.7</b>	<b>4.7</b>	<b>0.86</b>
South East Pit	Proven	0	0.0	0	0	0.0	0	0	0.0	0
	Probable	1.5	2.9	0.14	0.033	1.6	0.002	1.5	2.9	0.14
<b>Total</b>		<b>1.5</b>	<b>2.9</b>	<b>0.14</b>	<b>0.033</b>	<b>1.6</b>	<b>0.002</b>	<b>1.5</b>	<b>2.9</b>	<b>0.14</b>
North East Pit	Proven	0	0.0	0	0	0.0	0	0	0.0	0
	Probable	2.3	3.6	0.27	0	0.0	0	2.3	3.6	0.27
<b>Total</b>		<b>2.3</b>	<b>3.6</b>	<b>0.27</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>2.3</b>	<b>3.6</b>	<b>0.27</b>
<b>Total</b>	Proven	1.6	6.5	0.33	0	0.0	0	1.6	6.5	0.33
	Probable	8.0	3.7	0.95	0.095	1.4	0.004	7.9	3.7	0.94
<b>Total</b>		<b>9.6</b>	<b>4.1</b>	<b>1.28</b>	<b>0.095</b>	<b>1.4</b>	<b>0.004</b>	<b>9.5</b>	<b>4.2</b>	<b>1.27</b>

Source: Company Presentation

With a strong balance sheet (net debt: US\$250mm), SMF should be able to fund the upfront capital expenditures (US\$219mm) for the Natougou project itself. Natougou will double Semafo's total production to nearly half a million ounces a year, at an all-in sustaining cost of US\$374/oz for the first three years. This extremely low cost of extraction will yield substantial cash flows for SMF, which would be used to fund further project developments without the need to raise additional capital.

Figure 2: Mineralization at Natougou Project



Source: Company Filings

At a current gold price of US\$1,200/oz, Natougou yields an NPV of US\$334mm with a pre-tax IRR of 58%. Although profitability of SMF's operations will be affected significantly by the market price of gold, a strengthening U.S. dollar would reduce operating costs for their Burkina Faso projects. Semafo is positioned for significant growth as it doubles its production output while reducing its average AISC. Currently trading at a Price/NAV of 1.4x and a P/2017 CF of 11.5x inclusive of all projects, Semafo's superior growth expectations appear to account for the slightly higher valuation in comparison to industry peers. However, any political dispute or project delay may be an excellent opportunity to buy as Semafo's high-growth profile could generate juicy returns for shareholders in the near term.

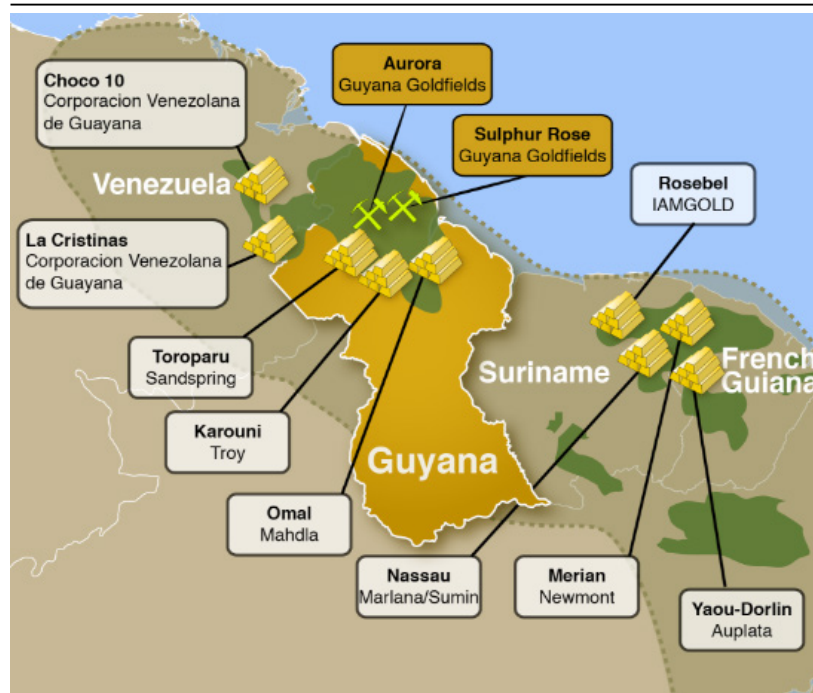
### Guyana Goldfields Inc. (TSX:GUY)

Guyana Goldfields Inc. (“GUY”) is a Canada-based, mid-tier gold producer focused primarily on the exploration, development, and operation of gold deposits in Guyana, South America. Recently, GUY has rallied 16% with strong positive momentum as it strengthened its balance sheet with the refinancing of its US\$160mm debt facility through numerous lenders.

The new operating facility is expected to generate approximately US\$4.5mm per year in cost savings. However, once the debt has been restructured, a one-time, non-cash charge of US\$8mm will be applied to fully expense the deferred financing costs, which would have a negative impact on Q4 earnings per share, but not cash flow. The new debt structure eases the financial flexibility of the Company to drive growth with the removal of various covenants and restrictions, a lower interest rate, in addition to the release of US\$23mm of restricted funds. Furthermore, the Company will have successfully reduced its debt by 50% to US\$80mm over the course of 2016, and is expected to end the year with a positive cash balance of US\$64mm.

Guyana Goldfields released 2017 gold production guidance of 160,000 - 180,000 ounces. With its positive cash balance, GUY is well positioned to grow as it can use this cash balance to ramp up near-term production and exploration. In a recent conference, Scott Caldwell (Guyana Goldfields’ CEO), revealed a plan for a small US\$10mm expansion to the current Aurora gold mine, which would be funded from cash flows and would bring production up to 200,000 ounces. GUY’s growth strategy is to start small by working through phases and growing the mines using internal cash flows.

Figure 3: Guyana Goldfields Mines



Source: Company Filings

### Premier Gold Mines Ltd. (TSX:PG)

Premier Gold Mines Ltd (“Premier”) is a junior gold producer focused on the exploration and development of world-class gold deposits in Ontario, Nevada, and Mexico. A ‘Notable Performer’ on our previous issue and a top performer this time around, Premier has surged 32% upon better-than-expected Q4/2016 production, increased 2017 production guidance, mineral resource expansions, and the recovery in the price of gold.

Q4 marked the first quarter in which production from the recently-acquired Mercedes mine (from Yamana Gold) was attributed to Premier. Premier reported 112,018 Au ounces and 97,991 Ag ounces, from both Mercedes and South Arturo mines, which was above the initial guidance. As a result, production guidance for 2017 has been increased to 125,000 - 135,000 Au ounces, a 10% Y/Y increase, and 325,000 - 350,000 Ag ounces. These results are evidence of the Company’s ability to reduce AISC with superior production capacity. Although 2017 entails higher consolidated AISCs of \$660-\$690, as the low-cost South Arturo gold production forecast for 2017 has been cut in half whereas the Mercedes production is to quadruple, these figures are significantly better than the peer average of \$790/oz.

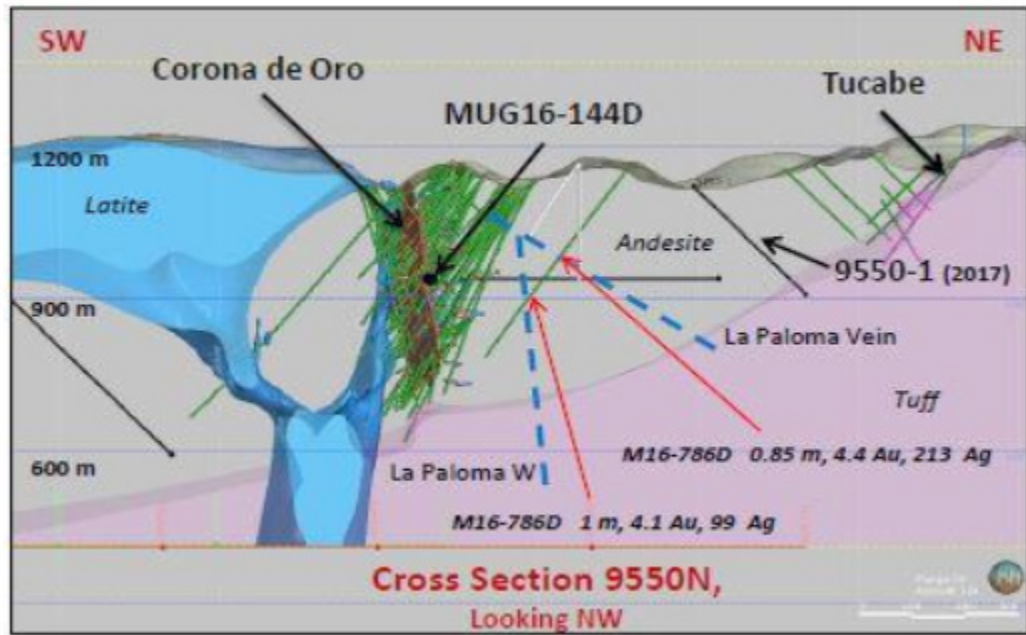
Figure 4: 2017 Premier Production Forecast

	2016 Gold Production (ounces)	2017 Forecast Gold Production (ounces)	2017 Forecast Cash Costs (\$ per ounce Au)	2017 All-in Sustaining Costs (\$ per ounce Au)	2017 Forecast Non-Sustaining Capital Expenditures (\$ thousands)
South Arturo	89,258	40,000-45,000	\$440-470	\$450-480	\$1,868
Mercedes	22,760	85,000-90,000	\$680-710	\$810-840	\$7,876
<b>Premier Consolidated</b>	<b>112,018</b>	<b>125,000-135,000</b>	<b>\$580-610</b>	<b>\$660-690</b>	<b>\$9,744</b>

Source: Company Filings

Last week, Premier released a positive mineral resources report for its wholly-owned Hasaga property, confirming a total Indicated resource estimate of 1.2mm Au ounces and 631k Au ounces Inferred. Additionally, exploration results from the Mercedes mine identified vein spurs, which potentially represent new vein systems with intercepts of up to 11.94 g/t Au and 81.60 g/t Ag across 8.2m (in Hole MUG16-140D). These updated mineral expansion results not only increase the net asset value of Premier but also boost the Company’s valuation. Currently, Premier Gold trades at a Price/NAV multiple of 0.64x, which is slightly below the 0.7x industry benchmark, leading to the possibility that the Company may, perhaps, be undervalued. 2016 has marked a milestone for Premier as it has shifted from an exploration company into a producer, and 2017 appears just as bright with 180,000 ounces of profitable production and an impending resource estimate and PEA for the McCoy-Cove project.

Figure 5: New Vein Systems at Hole MUG16-140D



Source: Company Filings

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