Ubika Mining 20

March 13, 2017

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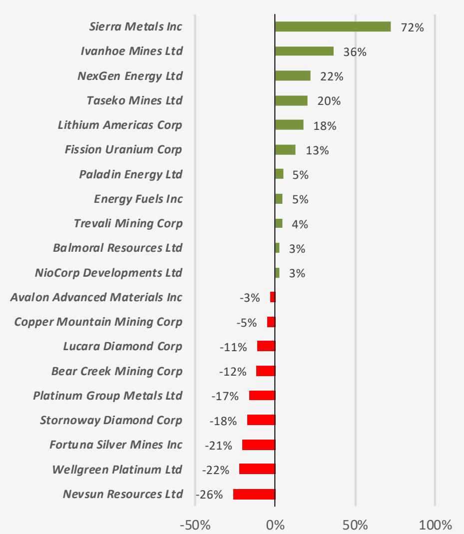
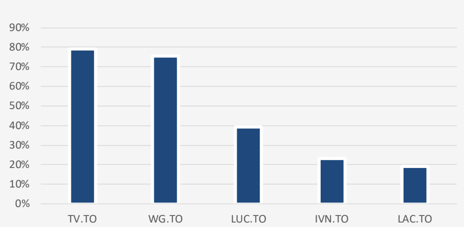
Jan. 9, 2017 - Mar. 13, 2017

UM20:	-4.4% (+22% Y/Y)
TSX Venture:	+1.0% (+39% Y/Y)
TSX Mining:	-1.4% (+25% Y/Y)

Ubika Mining 20: Performance Distribution



Top Volume Gainers (m/m)



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Ubika Mining 20 Copper Miners Are Getting a Trump Bump

Since January 9th, the Ubika Mining 20 (UM20) Index shed 4.4%, underperforming both its benchmarks as the TSX Mining Index corrected 1.4% while the TSX Venture Index edged slightly higher by 1.0%. Over the past year however, the UM20 is up 22%.

Since last October, copper has rallied 25% as U.S. President Trump announced a US$1 trillion infrastructure plan and both construction and Chinese manufacturing data remained strong. As a result, UM20 copper producers, such as Sierra Metals and Taseko Mines, have rallied as high as 75% since our last report. On the other hand, NexGen Energy has shed some of its gains due to an underwhelming uranium resource estimate, which may be a buying opportunity for investors as we await more drill results.

Industry Highlights

- According to Ernst and Young's (EY) Quarterly Report on Mineral Mergers, mining deals ticked up 16% to 153 deals in 2016 valued at over US$6 billion. Key drivers in 2016 included diversification, balance sheet strengthening through business combinations and investment in exploration initiatives through acquisition of junior miners. Looking forward in 2017, we expect continued growth in transaction volumes and exploration expenditures, as the industry outlook becomes more positive and access to capital improves.
- According to the Fraser Institute's global ranking of "best locations for mining activity", Saskatchewan overtook Western Australia from the global top spot among 104 mining jurisdictions, as determined by a poll of mining executives. Canada's overall attractiveness improved in 2016 thanks to the falling Canadian dollar, faster exploration permitting, competitive tax regimes, efficient permitting procedures, and certainty surrounding environmental regulations.
- West Africa-focused Endeavour Mining has confirmed drill results from the North Kao deposit, located at its Karma gold mine in Burkina Faso. The drill program has added 262 Koz to its gold reserves and extends Karma's mine life by 10 years, with an expected AISC below US$850/oz. Additionally, Endeavour is building its Houndé project in Burkina Faso, with production commencing in Q4/2017 with an average annual production of 190 koz Au at an AISC of US$709/oz.

Upcoming Events

- 2017 Nunavut Mining Symposium: April 3rd-6th, hosted by the Nunavut Mining Symposium at the Koojesse Conference Centre, Nunavut, Canada
- Minerals North Conference: April 25th-27th, Prince George Conference and Civic Centre, British Columbia, Canada

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Notable Performers

NexGen Energy Ltd. (TSX: NXE)

NexGen Energy ("NexGen") is a Canada-based exploration and development company focused on uranium (U3O8) with a portfolio of projects in Saskatchewan's Athabasca Basin. The Company's flagship asset, Rook I, hosts the land-based, basement hosted Arrow deposit, consisting of over four sub-vertical mineralized shear zones. Since our last report, NexGen had surged by over 20%, until a recent correction following an updated mineral resource estimate for its Arrow deposit came in below analyst expectations.

In 12 months of infill and expansion drilling, NexGen converted 89% of its March 2016 Arrow Inferred maiden resource (201.9M lbs) into the Indicated category (Figure 1). Also, the infilling grew the A2 high-grade domain from 120.5M lbs grading 13.26% U3O8 to 164.9M lbs grading 18.84% U3O8. Altogether, the revised resource estimate now stands at 179.5M lbs Indicated (6.88% U3O8) and 122.1M lbs Inferred (1.30% U3O8), below median analyst expectations of 500M lbs.

Figure 1. Arrow Deposit Mineral Resource Update

Structure	Tonnage (tonnes)	Grade (U3O8 %)	Metal U3O8 (U3O8 lbs)
Indicated Mineral Resources			
A2 High Grade	400,000	18.84	164,900,000
A2	790,000	0.84	14,500,000
Total	1,180,000	6.88	179,500,000
Inferred Mineral Resources			
A1	860,000	0.76	14,300,000
A2 High Grade	30,000	12.72	8,600,000
A2	1,100,000	0.76	18,500,000
A3 High Grade	150,000	8.74	28,200,000
A3	1,460,000	1.16	37,300,000
A4	550,000	1.07	12,900,000
180 m SW	110,000	0.94	2,300,000
Total	4,250,000	1.30	122,100,000

Source: Company Presentation

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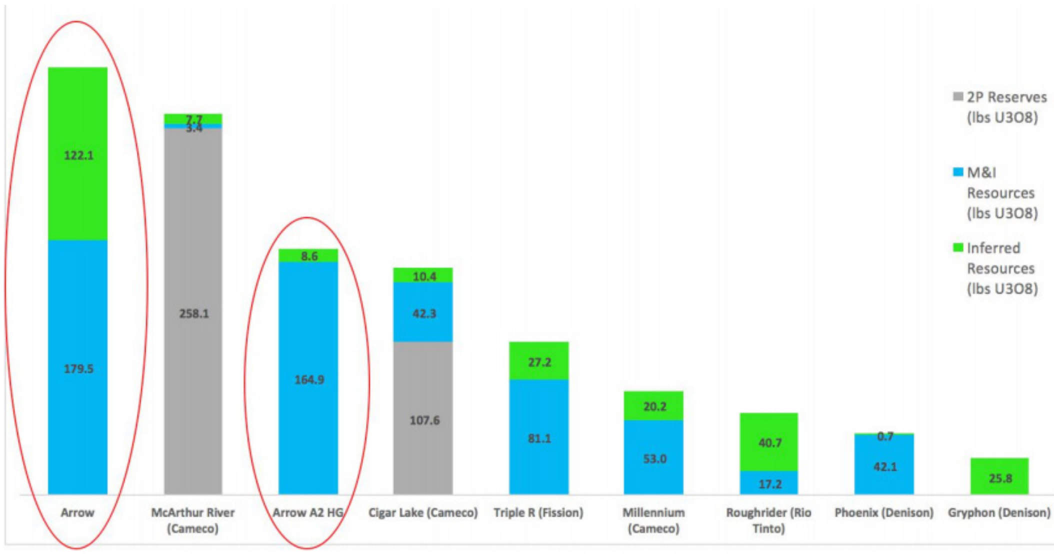
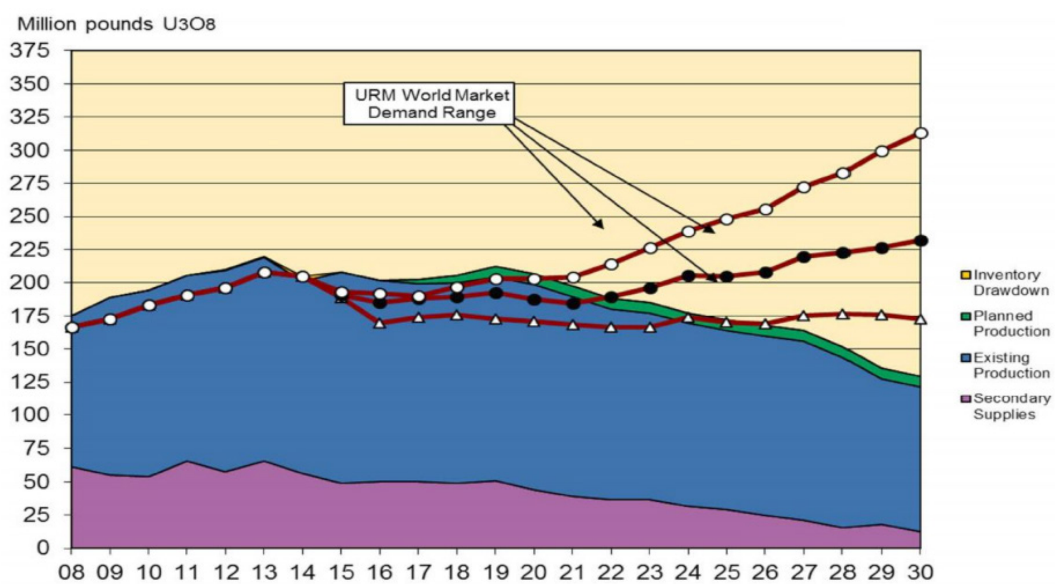
Figure 2: Largest High-Grade Uranium Projects in Canada



Source: Company Presentation

NexGen operates Canada's largest development-staged uranium project (Arrow) and has the potential to become the world's leading supplier of mined uranium (Figure 2). With 46 global uranium plants coming online within the next five years, followed by another 150 planned for the future, NexGen is well-positioned to reap the rewards of the world's transition to cleaner, greener, energy.

Figure 3: Uranium's Looming Supply Deficit



Source: Uranium Market Outlook, Q4/2016

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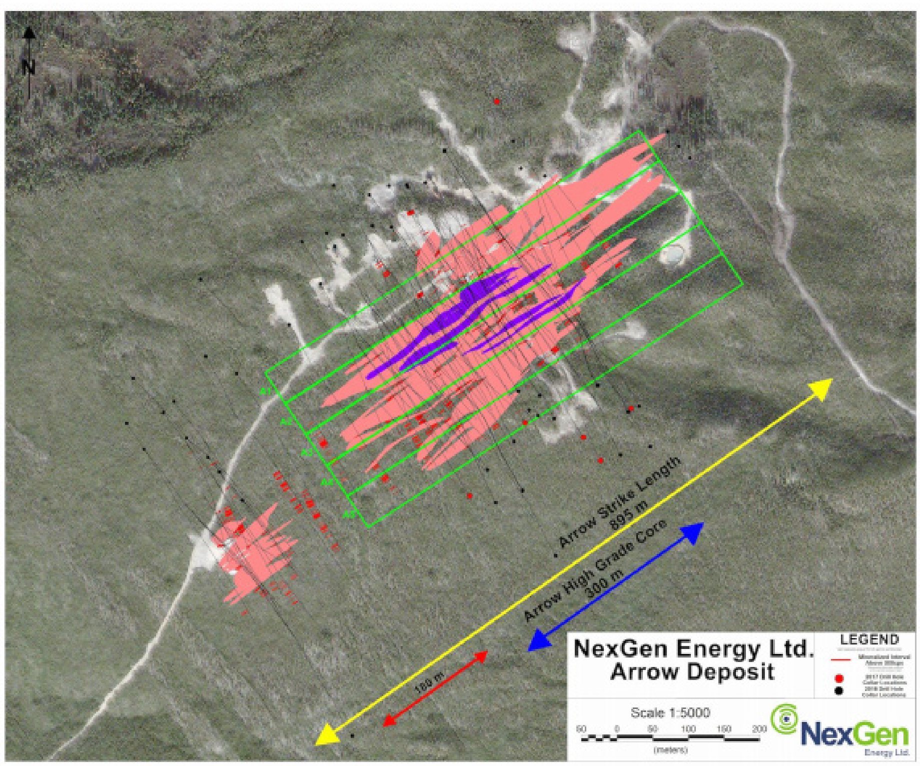
According to UxC's Uranium Market Outlook, uranium demand is expected to grow by over 30% to 257.0M lbs by 2025 (Figure 3). Presently, uranium production stands at 145.3M lbs, and is expected to decrease next year as leading suppliers, Kazatomprom and Cameco, announced production cutbacks of at least 10%.

Arrow is the largest undeveloped uranium deposit in the Basin, currently consisting of 5 vertical shears; A1, A2, A3, A4, and A5 that trend along strike northeast-to-southwest (Figure 4). Arrow is open in most directions and at depth, an opportunity for more zones of mineralization across the property, which is currently being tested; a 35,000m winter 2017 drilling program aims to unlock new high-grade zones within the A2 shear to northeast in a previously untested area.

Looking forward, there are numerous near-term positive catalysts for NexGen, from its 2017 Summer drill program to an updated resource estimate and economic study by Q4/2017. Past drilling results have shown mineralization to depths of 950m, and NexGen is currently assessing whether to commence an underground drill program to better design a mine plan. As of March 1, 2017, the Company has $65mm in cash to finance future exploration programs. Trading at a P/NAV multiple of 0.62x, Nexgen is in line with its uranium peers, who are averaging 0.60x. However, its superior assets coupled with its near-term drilling results—which are likely to increase net asset value—make NexGen very attractive.

Figure 4: Drilling Plan View of the Arrow Deposit



Source: Corporate Presentation

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Sierra Metals Inc. (TSX: SMT)

Sierra Metals ("Sierra") is focused on exploration, development, and production of precious and base metals from its three mines in Peru (Yauricocha) and Mexico (Bolivar and Cusi). Sierra has rallied over 70% since our January report on news of resource expansion, strong production results, increased guidance, and the spin-off of its Los Lomas Project in Peru.

Sierra Metals discovered significant new high-grade silver intercepts occurring at its Cusi Mine in Mexico, including a 3.1m assay result of 1,126 g/t AgEq. The discovery comes as part of a 15,000m drilling campaign, which is expected to be completed by the end of March 2017. The Company anticipates a 12 km structural extension of the Cusi Mine, potentially adding significant tonnage and ounces with much higher grades to its current resource base.

For full-year 2016, Sierra achieved guidance with the highest production throughput in the Company's history. Despite a maintenance shutdown in November, both silver and copper equivalent production increased 4% Y/Y, as Sierra processed 2 million tonnes. Consequently, the Company raised its 2017 production guidance to 11.5-13.5M AgEq oz (Figure 5). Sierra expects to achieve a record EBITDA figure in 2017, as a result of current metal prices and production growth.

Figure 5: Sierra's 2017 Production Guidance

2017 Guidance	Low	High	2016 Actual
Silver ounces (000's)	2,987	3,485	2,979
Copper pounds (000's)	31,050	36,200	23,390
Lead pounds (000's)	31,100	36,300	40,551
Zinc pounds (000's)	61,800	72,100	56,610
Gold ounces	7,800	9,100	8,604
Silver equivalent ounces (000's) (1)	**11,534**	**13,454**	**11,952**
Copper equivalent pounds (000's) (1)	**98,642**	**115,066**	**79,463**

Source: Sedar Filing, Sierra Metals

Arguably the biggest catalyst for Sierra's recent share price rise was due to its plan to spin-out its 100% owned Las Lomas Project in Peru (a non-core asset), via a rights-offering to current shareholders, ultimately creating a new publicly-traded company named Cautivo Mining. Management and the Board of Directors believe the value of the Las Lomas Project is not fully reflected in Sierra's current valuation. Additionally, this strategy would not only eliminate Sierra's property maintenance liabilities, but also well-capitalize Cautivo as a standalone public company. In this light, Cautivo Mining can accelerate exploration and development of the properties, enhancing value to Sierra's shareholders.

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Details regarding the spin-off will be contained in the final prospectus, to be filed shortly. Currently trading at a P/NAV of 0.5x, Sierra Metals is trading at a discount to the mining industry average of 0.7x. This suggests Sierra is likely undervalued as its near-term catalysts and growth do not appear to be priced into the stock. With a D/E percentage of 44%, current ratio of 1.3x, and $36.9mm of cash at the end of Q4/2016, Sierra has a strong balance sheet and appears to be investment worthy.

Taseko Mines Ltd. (TSX: TKO)

Taseko Mines ("Taseko") is a Canada-based mining company engaged in the exploration, development, and production of gold, copper, and niobium. Taseko's primary asset is its Gibraltar Mine in British Columbia, which is a 75% joint-venture open-pit copper mine with Cariboo Copper Corp. Since being featured as a notable performer in our January issue, Taseko Mines has surged over 40% on news of closing a silver streaming deal for its Gibraltar mine and issuing an improved economic guidance for its Florence Copper Project in Arizona.

For Q4, Taseko reported a 23% increase in copper production Q/Q at Gibraltar, despite challenging weather conditions, as a result of higher copper grades and improved recoveries. Additionally, operating costs decreased by 30% to US$1.12/lbs Cu, as the site benefitted from a full quarter of molybdenum production and associated by-product credits from molybdenum sales (Figure 6).

Figure 6: Gibraltar Mine Operations (75% Owned)

Gibraltar mine (75% Owned)

Operating Data (100% basis)	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	YE 2016	YE 2015
Tons mined (millions)	18.5	21.5	26.2	21.5	21.3	87.6	93.7
Tons milled (millions)	7.3	7.4	7.2	7.5	7.3	29.5	30.6
Strip ratio	1.1	1.0	2.4	1.7	2.4	1.5	2.4
Site operating cost per ton milled (CAD$)	$9.13	$9.47	$9.67	$9.59	$9.41	$9.47	$9.83
Copper concentrate							
Grade (%)	0.319	0.259	0.252	0.228	0.269	0.264	0.272
Recovery (%)	87.0	85.9	84.1	84.4	84.9	85.5	85.1
Production (million pounds Cu)	40.7	33.1	30.6	28.8	33.1	133.2	141.2
Sales (million pounds Cu)	40.4	29.8	30.3	30.5	33.7	131.1	141.4
Inventory (million pounds Cu)	5.6	5.4	2.1	1.9	3.4	5.6	3.4
Molybdenum concentrate							
Production (thousand pounds Mo)	764	185	-	-	-	949	963
Sales (thousand pounds Mo)	798	105	-	-	-	90 3	1,003
Silver (in copper concentrate)							
Sales (thousand ozs Ag)	77	56	59	57	63	249	293
Per unit data (US$ per pound)*							
Site operating costs*	$1.23	$1.64	$1.77	$1.81	$1.55	$1.58	$1.65
By-product credits*	(0.11)	(0.06)	(0.03)	(0.03)	(0.03)	(0.06)	(0.06)
Site operating, net of by-product credits*	$1.12	$1.58	$1.74	$1.78	$1.52	$1.52	$1.59
Off-property costs	0.36	0.31	0.33	0.33	0.33	0.33	0.37
Total operating costs (C1)*	$1.48	$1.89	$2.07	$2.11	$1.85	$1.85	$1.96

Source: Sedar Filing, Tesako Mines

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More recently, Taseko entered into a US$33mm (5.9 Moz Ag) streaming agreement with Osisko Gold Royalties Ltd for its 75% share of payable silver production from the Gibraltar Mine. A by-product of its copper production, the silver deal is a very attractive source of capital, increasing Taseko's balance sheet strength with a total cash balance of $130mm for year-end 2016. This additional liquidity provides Taseko with flexibility to service debt obligations as well as project advancement, such as its Florence Copper Mine, in which it had just recently acquired the final permit.

Taseko also recently announced the latest technical work for its Florence Copper Project, which has increased the pre-tax NPV of the project by nearly 25% to US$920mm (7.5% disc. rate) (Figure 7). The life of the mine was cut by 4 years (to 21 years) as a result of an 11% increase in average annual copper production. The higher NPV estimate was also positively affected by slightly lower operating costs and a lower pre-production CapEx requirement.

Figure 7: Change in Florence Copper Project Economics

	2013	2017	Improvement
Pre-tax NPV (7.5%)	US$727mm	$US920mm	27%
Pre-tax IRR	36%	44%	22%
Payback period (years)	2.6	2.3	12%
Operating costs (lb/Cu)	US$1.16	US$1.10	5%
Average annual production (lbs)	75 million	81 million	8%
Life of mine (years)	25	21	-16%
Pre-production capital	US$212mm	US$200mm	-6%

Source: Sedar Filing, Tesako Mines

Looking forward, Taseko is aiming to increase production and further reduce operating costs at Gibraltar while moving forward with its Florence Copper Project. The sentiment for higher copper prices remains in the markets, as Trump is currently working on a US$1 trillion infrastructure plan. A weak Canadian dollar has significant and immediate financial impact on Taseko's business, since approximately 80% of Gibraltar's mine operating costs are paid in Canadian dollars. Coupled with the ramp up of its molybdenum facility, Taseko will benefit from improving operating margins and cash flows from its Gibraltar operations.

Currently trading at a P/NAV of 0.2x, Taseko is trading at a significant discount to the mining industry average of 0.7x. Although there are a lot of positive catalysts for Taseko going forward, Taseko's high leverage to copper prices and its risky debt profile may be keeping investors cautious; debt to equity of 118% and current ratio of 3.0x

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