



Ubika Mining 20

July 24, 2017

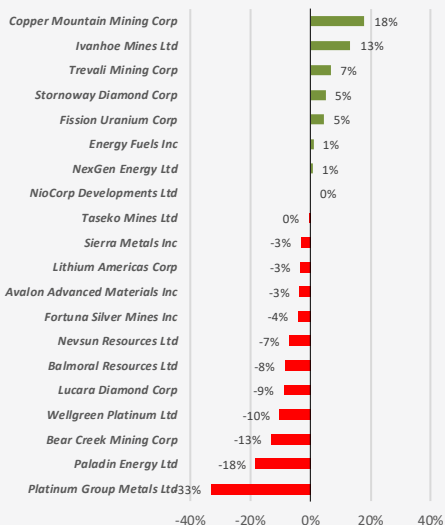
Ubika Mining 20

May 29, 2017 - July 24, 2017

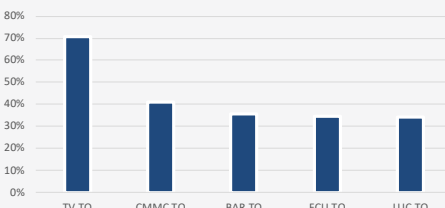
UM20: -3.3% (-15% Y/Y)
 TSX Venture: -5.8% (+1% Y/Y)
 TSX Mining: -2.7% (+1% Y/Y)



Ubika Mining 20: Performance Distribution



Top Volume Gainers (m/m)



Alex Cutulenco | Senior Analyst | Gravitas Financial Inc. | alex@gravitasfinancial.com | 1 (416) 992-6731
 Thomas Chapman | Analyst | Gravitas Financial Inc. | thomas@gravitasfinancial.com | 1 (647) 802-4556

Ubika Mining 20 Index (UM20) Falls as the Sector Sags

The UM20 has slipped 3.3% since our last report, outperforming the TSX-V, yet lagging behind its benchmark TSX Mining index. The TSX-V has dropped 5.8% and the TSX Mining index has fallen 2.7% over the same period. This is likely due to general declines in precious metals since our last report, slightly offset by increases in Base and Steel raw metals. This edition of the UM20 is highlighted by news of several acquisitions, as well as the discussion of two companies that have managed to stay in the green and one that has fallen more than its peers.

Industry Highlights

- Wildfires in B.C. have disrupted operations at two mining companies on July 10th, 2017.** This forced 14,000 living in the interior of the province to evacuate their homes. No deaths or serious injuries were reported. Vancouver-based EnGold Mines (TSX-V: EGM) was hit hard by the fires, as B.C. is the home of all its operations and it had to suspend exploration in the province. The Company's stock is down 19% since July 10th. Taseko Mines (TSX: TKO) operates a mine in the area near the fires, and although employees had to evacuate the mine, their facility is still running at full capacity. Their stock price has not been affected by the incident.
- Canadian gold company Eldorado Gold (TSX: ELD) (NYSE: EGO), completed the acquisition of Integra Gold (TSX-V: ICG) on July 10th, 2017.** Eldorado purchased Integra for \$590mm, comprised of \$129mm in cash and \$461mm in shares. The acquisition strengthens Eldorado's position in Canada, and gives them strong exposure to the gold-rich Eastern Abitibi region in Quebec. Eldorado has slowly been reducing their international footprint, beginning with the sale of all its Chinese assets in 2016, and the decision to halt exploration plans for its Kisladag mine.
- A recent PwC report states that Canada is a global leader in mining, exploration, innovation, and diversity.** The report states that Canada led the way on equity financing for mining companies in 2016, stating that the TSX and TSX-V were responsible for 57% of global financing during the year. The report states that Canada received 14% of the global exploration budget, which is more than anywhere else in the world. Furthermore, Canadian mining companies are leading in terms of technological adoption, stating that Goldcorp recently began using a cognitive computing system and Barrick Gold has begun to work with Cisco Systems to aid in decision making.



- **On July 17th, 2017, Canadian diamond company, Dominion Diamond Corp. (TSX: DDC) (NYSE: DDC) has accepted the Washington Companies [takeover bid](#) that was presented a week earlier.** Dominion Diamond is the world's third-largest producer of rough diamonds by value. The Washington Companies will pay \$14.25 per share for a total of \$1.2B, representing a 44% premium to Dominion's stock price on March 17th. This is the second offer from the Washington Companies, as their first offer of \$1.1B made in late February was later rejected by Dominion.

Upcoming Events

- COM 2017 hosting World Gold and Nickel-Cobalt, August 27-30, 2017, Vancouver BC, Canada
- MEMO 2017, September 24-27, 2017, hosted by the Canadian Institute of Mining, Metallurgy and Petroleum, Saskatoon, SK, Canada

Notable Performers

Platinum Group Metals (TSX: PTM)

Platinum Group Metals is a mineral exploration and development mining company focused on the operation and development of platinum and palladium mining projects. Its primary focus is on advancing its Maseve mine, a near-surface platinum mine, to commercial production. The Company also holds near-surface reserves of platinum, palladium, and gold in the Bushveld complex on the Waterberg project. Platinum Group Metals stock price is down 33% since our last report due to reported issues with the Maseve mine.

On June 9th, 2017, the Company reported that the Maseve Mine produced approx. 2,480 Oz of platinum, palladium, rhodium, and gold. This was the best monthly level produced since commissioning the mine, however, the overall production was lower than targeted. The Company also stated that ramp up to commercial production continues to be behind schedule. Both these factors are a cause for concern about the economic viability of the mine.

Figure 1: Maseve Mine Production

Month	Dry Tonnes Milled	Average Grade gms/tonne	Recovery %	4E Ounces in Concentrate
January, 2017	34,661	1.53	79.2	1,351
February, 2017 ⁽¹⁾	36,848	1.59	80.3	1,651
March, 2017 ⁽¹⁾	43,961	1.88	83.3	2,140
April, 2017	41,853	2.00	83.8	2,256
May, 2017	50,484	1.81	84.3	2,480

Source: Company Filings

Due to the higher than capital intensity of the mine, Platinum Group Metals needed to raise additional capital to keep the project alive. On June 30, they closed a USD\$20mm private placement of 7/8% convertible notes due 2022. Part of the financing will be used to restructure their operation at the Maseve mine. The restructuring aims to reduce costs and achieve positive, sustainable cash flows as soon as possible, using the infrastructure already in place at the mine. Current operations at the mine have been halted until contractor activity and labour is restructured. The Company states that previous production guidance cannot be relied upon and they will provide updated guidance in the coming months. This has made the project far more speculative, which explains the drop in the share price.

Platinum Group Metals has a poor balance sheet with working capital of -\$4mm. To maintain their working capital covenants the Company estimates they need to raise an additional \$10mm to \$20mm by refinancing existing debt, issuing new debt, an equity raise, or the sale of assets. This has clouded Platinum Group Metals with uncertainty and is a concern investors should look out for.

The Company's technical reports suggest its Maseve mine is worth \$551mm and the Waterberg project is worth \$366mm. This suggests Platinum Group Metals is worth \$917mm, and is therefore trading at 0.12x its NAV. This is at a deep discount to the junior mining industry average of 0.75x NAV, likely due to the uncertainties surrounding the Company's projects and liquidity.

Trevali Mining (TSX: TV)

Trevali is a zinc-focused, base metal company with two commercially producing operations. They are actively producing zinc and lead-silver concentrates from their 2,000 tonne per day Santander mine in Peru, and 3,000 tonne per day Caribou mine in northern New Brunswick. They also own the Halfmile and Stratmat base metal deposits. The Company's stock is up 7% due to a successful drilling program and the announced acquisition of certain assets from Glencore.

On June 14th, 2017, Trevali announced results from their 2016-2017 drill program at the Halfmile deposit. The program was designed to validate historic data and to improve upon their current geological model. The program indicated 6.26mm tonnes of zinc, lead, copper, and silver, and additional Inferred resources of 6.09mm tonnes. The results verify historic drilling completed on the property and increase the Company's confidence in the resource model. This has likely increased investor confidence in the project as well, as some uncertainties have been cleared up.

On April 1st, 2017, Trevali announced their plans to acquire majority interests in two of Glencore's zinc mines. The Company plans to acquire an 80% interest in the Rosh Pinah zinc mine in Namibia, and a 90% interest in the Perkoa zinc mine in Burkina Faso. The transaction will be done for US\$400mm, comprised of US\$244mm in cash and US\$156mm in shares.

The acquisition more than doubles Trevali's 2017 estimated production to ~410mm lbs of zinc and ~470mm lbs of zinc equivalents. The acquisition also maintains the Company's current operating margins of 13%. The acquisition will make Trevali the eighth-largest zinc producer in the world and is expected to be accretive to shareholders on a cash flow and NAV per share basis.

Figure 2: Trevali Pro Forma

	Trevali	Perkoa	Rosh Pinah	Pro Forma Trevali
2017E Zn Production* (million of lbs.)	156	168	82	406
2017E Zn Eq. Production* (million of lbs.)	214	168	90	472
2017E Zn Production as % of Total Production*	73%	100%	91%	86%
2017E AISC* (US\$/lb Zn inclusive of by-products)	\$0.79	\$0.85	\$0.70	\$0.79

Source: Company Filings

The deal is fully financed and should lower the Company's cost of capital due to the low interest \$190mm, LIBOR + 3.5% debt financing, leading to a more optimal capital structure. The deal has been approved by shareholders and is expected to close on July 30th.

Using a report from Laurentian Bank Securities, as well as the purchase price of the Glencore assets, we estimate the Company's NAV at \$940mm. This implies Trevali is trading at 0.53x NAV, representing a discount to the junior mining industry average of 0.75. This is likely due to uncertainties revolving around the Company's ability to integrate the new assets into their business.

Copper Mountain Mining Corp. (TSX: CMMC)

Copper Mountain Mining is a Canadian-based mining company that owns a 75% stake in the Copper Mountain mine, located in southern British Columbia. The Company has a strategic alliance with Mitsubishi materials, who owns the other 25% of the mine. The Copper Mountain mine produces 100mm lbs of copper equivalent per year, which is then shipped to Japan for smelting by Mitsubishi. The Company's stock price is up 18% since our last report due to releasing solid Q2/2017 production results.

The Copper Mountain mine sits on a ~18,000 acre property. The mine has ~1B lbs of copper and remains open laterally and at depth. In the Company's technical report, released in 2009, Copper Mountain Mining estimated an after-tax NPV of \$251mmmm at a 5% discount rate, using \$1.8 copper prices. They also projected an ITT of 21% and a payback of four years. Copper prices have significantly increased since the time of the report, so the project's NPV will have also increased significantly. The mine has a life of 16 years and is expected to produce ~100mm lbs of copper per year in copper concentrate with gold and silver credits.

Figure 3: Copper Mountain Project NPV

Item	LoM Total
Project Cash Flow	
EBITDA	\$1,098,193
Depreciation & Amortization	\$395,189
Net Income Before Tax	\$703,004
Taxes	\$247,576
Net Income After Tax	\$455,429
Depreciation & Amortization	\$395,189
Free Cash Flow	\$850,618
LoM Capital Costs	\$396,689
LoM Cash Flow (after tax)	\$453,929
NPV 5% - After Tax	\$250,912
IRR - After Tax	20.31%
Payback	2.84 Years

Source: Company Filings

In Q1/2017, Copper Mountain Mining increased revenues 28% to \$74mm compared to the same period last year, due to increased copper prices, and greater sales volume. What's more important, however, is that the Company completed the planned replacement of SAG mill bull gear in April, which was ahead of schedule. Copper Mountain Mining had originally forecasted ~75mm-85mm lbs of copper production for the year and this factored in downtime due to maintenance. So far, the Company has produced 35.3mm lbs of copper for the year. Management expects a stronger than expected second half due to early replacement of the mill gear, and believes they will achieve their production guidance.

With a \$122mm market cap, Copper Mountain Mining is trading at 0.49x NAV. The Company is likely trading at a discount to the junior mining industry due to a price decline after cutting production guidance to 75mm-85mm lbs of copper for 2017.

Important Disclosure

Smallcappower.com is owned and operated by Ubika Corporation whose divisions include Ubika Research and Ubika Communications. Ubika Corp. is a wholly owned subsidiary of Gravitas Financial Inc. The following terms and conditions ("Terms of Use") govern the use of this website ("site") www.SmallCapPower.com. By accessing this site, you agree to comply with and be legally bound by the Terms of Use as set out herein. Ubika reserves the right to seek all remedies available at law and in equity for violations of these Terms of Use, including the right to block access from a particular internet address to our site.

Disclaimer

Ubika Corporation and its affiliates or partners will seek to provide services to companies mentioned on the smallcappower.com website. Hence, all information available on smallcappower.com should be considered as commercial advertisement and not an endorsement, offer or recommendation to buy or sell securities. Ubika Corporation and its related companies (including its directors, employees and representatives) or a connected person may have ownership/stock positions in, or options on the securities detailed in this report, and may buy, sell or offer to purchase or sell such securities from time to time.

Ubika and/or its affiliates and/or their respective officers, directors or employees may from time to time acquire, hold or sell securities and/or commodities and/or commodity futures contracts in certain underlying companies mentioned in this site and which may also be clients of Ubika's affiliates. In such instances, Ubika and/or its affiliates and/or their respective officers, directors or employees will use all reasonable efforts to avoid engaging in activities that would lead to conflicts of interest and Ubika and/or its affiliates will use all reasonable efforts to comply with conflicts of interest disclosures and regulations to minimize the conflict.

Specifically all companies mentioned or listed as "Analyst Covered Companies" at smallcappower.com and which are shown under the heading "Analyst Covered Companies" on the page: <http://www.smallcappower.com/companies> have entered into a commercial relationship with Ubika Corporation or our affiliates for capital market services and have paid fees and/or shares or stock options or warrants for being featured and mentioned in smallcappower.com. Hence these "Analyst Covered Companies" at smallcappower.com are shown at the website as an advertisement only and any mention of these companies does not and will not constitute an offer to buy or sell securities in the featured companies. Ubika Corporation, its affiliates or partners will seek to provide services to companies mentioned in smallcappower.com website. Hence, all information available on smallcappower.com should be considered as commercial advertisement and not an endorsement, offer or recommendation to buy or sell securities.

Ubika Corporation and its divisions Ubika Communication and Ubika Research (collectively, "Ubika") are not registered with any financial or securities regulatory authority in Ontario or Canada, and do not provide nor claims to provide investment advice or recommendations to any visitor of this site or readers of any content on this site.

The information on this site is for informational purposes only. This site, including the data, information, research reports, press releases, findings, comments, views and opinions of Ubika's analysts, columnists, speakers or commentators, and other contents contained in it, is not intended to be: investment, tax, banking, accounting, legal, financial or other professional or expert advice of Ubika or its affiliates, or a recommendation, solicitation or offer by Ubika or its affiliates to buy or sell any securities, futures, options or other financial instruments, and such information should not be relied upon for such advice. Every user of this site is advised to seek professional advice before acting or omitting to act on any information contained in the site.

Research reports and newsletters have been prepared without reference to any particular user's investment requirements or financial situation. Where reference is made to estimate of value or relative value of a specific company, there is no guarantee that these estimates are reliable or will materialize. Readers of these reports and newsletters are advised to conduct their own due diligence before making any investment decisions. Ubika does not make independent investigation or inquiry as to the accuracy and completeness of any information provided by the Analyst Covered companies. Although the content has been obtained from sources believed to be reliable, this website could include technical or other inaccuracies or typographical errors and it is provided to you on an "as is" basis without warranties or representations of any kind. Ubika and its affiliates make no representation and disclaim all express and implied warranties and conditions of any kind, including without limitation, representations, warranties or conditions regarding accuracy, timeliness, completeness, non-infringement, satisfactory quality, merchantability, merchantable quality or fitness for any particular purpose or those arising by law, statute, usage of trade, or course of dealing. Ubika and its affiliates assume no responsibility to you or any third party for the consequences of any errors or omissions.

Information in this site is subject to change without notice. Ubika assumes no liability for any inaccurate, delayed or incomplete information, nor for any actions taken in reliance thereon.

Ubika, its affiliates and their respective directors, officers, employees, or agents expressly disclaim any liability for losses or damages, whether direct, indirect, special, or consequential, or other consequences, howsoever caused, arising out of any use or reproduction of this site or any decision made or action taken in reliance upon the content of this site, whether authorized or not. By accessing this site, each user of this site releases Ubika, its affiliates and their respective officers, directors, agents and employees from all claims and proceedings for such losses, damages or consequences.

Ubika and its affiliates do not endorse or recommend any securities issued by any companies identified on, or linked through, this site. Please seek professional advice to evaluate specific securities or other content on this site. Links, if any, to third party sites are for informational purposes only and not for trading purposes. Ubika and its affiliates have not prepared, reviewed or updated any content on third party sites and assume no responsibility for the information posted on them.

Ubika and/or its affiliates and/or their respective officers, directors or employees may from time to time acquire, hold or sell securities and/or commodities and/or commodity futures contracts mentioned in this site.

This site may include forward-looking statements about objectives, strategies and expected financial results of companies featured in this site or where research reports are available on companies displayed and/or featured on this site. Such forward-looking statements are inherently subject to uncertainties beyond the control of such companies. The users of this site are cautioned that the company's actual performance could differ materially from such forward-looking statements.

World Wide Web sites accessed by hypertext links ("hyperlinks") appearing in this site have been independently developed by parties other than Ubika and Ubika has no control over information in any hyperlinked site. Ubika is providing hyperlinks to users of this site only as a convenience. Ubika makes no representation and is not responsible for the quality, content or reliability of any information in any hyperlinked site. The inclusion of any hyperlink in this site should not be construed as an endorsement by Ubika of the information in such hyperlinked site and does not imply that Ubika has investigated, verified or monitored the information in any such hyperlinked site. Should you wish to inquire about creating a link from your World Wide Web site to this site, contact SCP marketing via e-mail at: info@smallcappower.com. for written authorization.

[See our full disclaimer here.](#)