Ubika Gold 20

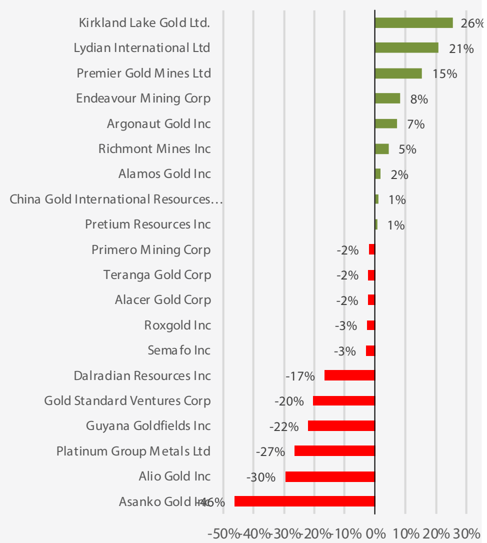
August 7, 2017

Ubika Gold 20
June 19, 2017 - August 7, 2017

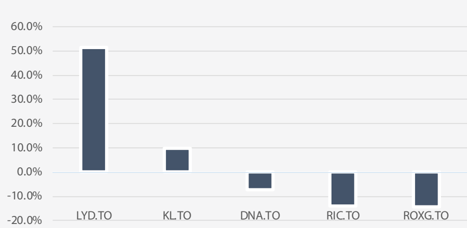
UG20:	1.0% (-4.5% Y/Y)
Gold:	1.3% (-6.9% Y/Y)
TSX Gold Index:	-2.6% (-4.4% Y/Y)

Dollar amounts in CAD unless otherwise stated.

UG20: Performance Distribution



Top Volume Gainers (m/m)



Chris Thomson | Head of Research | Gravitas Financial Inc. | chris@smallcappower.com | 1 (416) 574-0469
Thomas Chapman | Analyst | Gravitas Financial Inc. | thomas@gravitasfinancial.com | 1 (647) 802-4556

Ubika Gold 20 (UG20) Beats Benchmark, as the Gold Price Trends Upward

The UG20 index has gained 1.0% since our last report dated June 19th, 2017, outperforming its benchmark TSX Gold index. The TSX Gold index declined 2.6% while the gold spot price increased 1.3% over the same period. The strong performance of the index can be attributed to a mix of a rising gold price and strong company-specific performances since the last report. Strong company-specific performances can be attributed largely to Kirkland Lake Gold (TSX: KL), which returned 26% over the period, and Premier Gold Mines (TSX: PG), which gained 15%. We discuss these companies, and more, in this edition of the UG20 report.

Industry Highlights

- **The World Gold Council released a Q2/2017 report detailing lower demand trends in gold.** The report states that gold demand for Q2/2017 was 953.4 tonnes, which was 10% lower than Q2/2016, and H1/2017 demand fell 14% to 2,003.8 tonnes, compared to H1/2016. The main drivers of changes in gold demand came from ETF flows, bar and coin investments, jewellery demand, central bank purchasing activity, and technology demand. The biggest reason for the slump in gold demand, compared to a year ago, was due to ETF inflows slowing from last years' record pace, although they did add 56 tonnes in Q2/2017. Bar and coin investments and jewellery demand both increased from low levels in 2016. Furthermore, central banks continued to buy, but at a more modest pace than in recent years, and technology demand grew 2% to 81.3 tonnes.

- **Eldorado Gold (TSX: ELD) (NYSE: EGO) completed the acquisition of Integra Gold (TSXV: 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 the Company 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.

- **Eldorado Gold (TSX: ELD) will face Greek officials in an arbitration court later this month to address permitting issues.** The country's Energy minister met with representatives from Eldorado in Athens last week to discuss the process and issues related to Eldorado's projects in northern Greece. The process is scheduled to begin at the end of August, however the Company has not yet received formal notice of the mediation. The Company's stock closed down 7% when the news was released on August 3rd.

Notable Performers

Kirkland Lake Gold (TSX: KL)

Kirkland Lake Gold is a mid-tier gold producer with five wholly-owned and underground operating mines in Canada and Australia. Their profile is anchored by three high-grade, low-cost mines: the Macassa, Taylor, and, Fosterville mine. The Company's share price increased 26% since our last report due to record gold production in Q2/2017, and a news release detailing an increased reserve estimate at Fosterville.

On August 2nd, the Company reported strong financial results, led by a 135% increase in revenue, and a 183% increase in EPS, compared to the same period last year. The revenue increase was driven by record results at their Fosterville mine, which produced 77,069 ounces, a 67% increase from Q1/2017. The increase was due largely to a significant improvement in the mill grade (17.2 g/t Au vs 11.1 g/t Au in the prior quarter). Operating cash costs per ounce sold in Q2/2017 were $482, a 15% improvement from $564 in the previous quarter. The cost decrease was driven primarily by the improvement in grade and increased production, which also increased profitability.

Figure 1: Kirkland Lake Q2/2017 Production

- **Record quarterly gold production of 160,156 ounces reflects significant increase in mill grade at Fosterville**
- **Record production at Fosterville of 77,069 ounces in Q2 2017 based on mill grade of 17.2 g/t Au and record recoveries of 94.7% (67% increase from previous record of 46,083 ounces in Q1 2017)**
- **Production of 45,699 ounces in Q2 2017 at Macassa based on mill grade of 13.9 g/t Au and recoveries of 97.0%**
- **First half 2017 consolidated production of 290,583 ounces, Company on track to achieve full-year guidance of 530,000 – 570,000 ounces**
- **Cash and bullion totaled $270 million at June 30, 2017 (following CAD$58.5 million payment related to maturity of the Company's 6% unsecured convertible debentures on June 30, 2017)**
- **Initial quarterly dividend payment of CAD$0.01 to be paid on July 14, 2017 to shareholders of record as of June 30, 2017.**

Source: Company Filings

Prior to the Q2/2017 earnings release, Kirkland Lake Gold reported an increased resource estimate at Fosterville. The Company announced a 110% increase in underground mineral reserves to more than 1,030,000 ounces of gold. The main factor contributing to the significant growth in ounces is an 84% increase in grade to 17.9 g/t Au from 9.8 g/t Au. The increase was the result of new drill data, mining recovery improvements, and a refined mineral resource estimate methodology in zones containing visible gold. Increased resource ounces and grade can improve the cash flows of the mine while keeping costs low. Due to the news, the Company increased their guidance for 2017, which is summarized below:

Figure 2: 2017 Refined Guidance

Revised 2017 Guidance (August 1, 2017)

	New Guidance	Prior Guidance
Gold production (oz)		
Consolidated	570,000 - 590,000	530,000 - 570,000
Fosterville	250,000 - 260,000	200,000 - 225,000
Taylor	50,000 - 55,000	55,000 - 60,000
Operating cash costs per ounce sold ($/oz) (1)		
Fosterville	260 - 280	310 - 330
AISC per ounce sold ($/oz) (1)	800 - 850	850 - 900
Sustaining and Growth capital ($ millions)	160 - 180	180 - 200

Source: Company Resources

Kirkland Lake Gold has a strong balance sheet with a ~3:1 current ratio and no long-term debt. The Company is trading at 1.2x NAV, which is in line with the median gold producing peer average of 1.1x.

Premier Gold Mines (TSX: PG)

Premier Gold is a gold producer, exploration and development company with a high-quality pipeline of precious metal projects in proven, accessible, and safe mining jurisdiction in Canada, the U.S., and Mexico. The Company's stock is up 15% since our last report due to news detailing a production guidance increase.

Premier Gold recently gave an update on their mining and development activities at their 40% owned South Arturo mine located in the Carlin Trend of Nevada. The South Arturo mine is a joint venture between Premier and Barrick Gold Corporation's wholly-owned subsidiary, Barrick Gold Exploration Corp. Mining at South Arturo has been extended early into the third quarter to maximize production from the Phase 2 pit. Premier now expects its share of 2017 production to exceed 45,000 ounces and increased annual production guidance by 20,000 ounces.

On July 18th, the Company announced Q2/2017 production, which included gold production of 37,617 ounces, silver production of 89,474 ounces and gold sales of 43,213 ounces at an average realized price of US$1,256 per ounce. The strong production was due to strength at the South Arturo mine, and the Mercedes mine, which continues to grow revenues and reduce costs. Due to the better-than-expected performance, the Company increased their full-year production guidance to 130,000-140,000 ounces from 125,000-135,000 ounces of gold and 340,000-365,000 ounces of silver, up from 325,000–350,000 ounces.

Figure 3: Ana Paula Project

Mine	Gold Production (ounces)		Silver Production (ounces)	
	Q2 2017	YTD 2017	Q2 2017	YTD 2017
Mercedes, Mexico	21,893	44,057	89,474	178,046
South Arturo, Nevada	15,724	44,539	0	0
Consolidated Production	**37,617**	**88,596**	**89,474**	**178,046**
Gold Ounces Sold	*43,213*	*94,806*	*97,357*	*171,190*

Source: Company Filings

Going forward the Company is exploring the potential expansion at the South Arturo mine. They are currently seeking permits from the government, with plans to develop underground access to complete detailed drilling and mine planning in advance of potential future production. The proposed Phase 1 open-pit development has been advanced into the draft plan for a detailed review and, if approved, development could begin in early 2019.

Premier Gold has a strong balance sheet with a ~4:1 current ratio and a ~14% debt/equity ratio. They are trading at 1.5x NAV, which is above the median gold producer peer average. This is likely due to investor optimism relating to their recent production increase.

Guyana Goldfields Inc. (TSX: GUY)

Guyana Goldfields is a Canadian mid-tier gold producer focused primarily on the exploration, development, and operation of gold deposits in Guyana, South America. Their 100% owned Aurora Gold mine achieved commercial production in early 2016, and has total gold resources of 6.25mm ounces. The Company’s stock price has decreased 22% since our last report due to a poor Q2/2017 earnings release.

The Company’s financial highlights for the quarter are as follows:

- Revenues of $38mm, down 17% from Q2/2016
- Earnings from mine operations of $3mm, down 81% from Q2/2016
- EPS of -$0.02, down 140% from Q2/2016
- Cash flow from operations of $7mm, down 53% from Q2/2017
- Reduced debt from $143mm in Q2/2016 to $69mm in Q2/2017

The Company's poor quarter can be attributed to lower grades, lower recoveries, a high strip ratio, and operational problems. The Company's mill head grade of 2.06 g/t Au was lower than expected due to lower grades from stockpiled ore being fed through the mill. The Company stated the lower expected grades from the stockpile can be attributed to the processing of stockpile accumulated early in the mine life when ore control measures were still being fine tuned. They expect a significant increase in mill feed grade in the second half of the year.

Figure 4: Guyana Goldfields Financial Highlights

(in thousands of dollars, except ounces, per ounce and per share figures)		Q2 2017		Q1 2017		Q4 2016		Q3 2016		Q2 2016
Revenues	$	37,899	$	49,957	$	54,809	$	44,403	$	46,411
Earnings from mine operations	$	2,966	$	16,317	$	20,673	$	14,777	$	15,619
Earnings (loss) before tax	$	(3,023)	$	10,391	$	9,379	$	11,942	$	11,647
Net earnings (loss)	$	(3,129)	$	9,938	$	3,405	$	8,921	$	7,642
Net earnings (loss) per diluted share	$	(0.02)	$	0.06	$	0.02	$	0.05	$	0.05
Cash flow from operations	$	7,155	$	16,918	$	23,267	$	13,802	$	15,565
Cash and cash equivalents	$	65,355	$	75,431	$	73,151	$	105,190	$	16,612
Restricted cash balances	$	1,132	$	1,197	$	1,184	$	23,317	$	23,281
Total debt (excluding deferred financing charges)	$	68,762	$	73,617	$	78,413	$	135,650	$	143,370

Source: Sedar Filings

The Company's mining costs were above budgeted levels due to continued use of rental drills due to a delivery delay on new production drills, which the Company expected to be in operation by Q2/2017. Furthermore, the Company experienced more delays in the delivery of bulk emulsion explosives, resulting in the Company reverting to the use of more expensive packaged explosives for most of the quarter.

For the remainder of the year, the Company expects a higher-grade profile, lower strip ratio, lower mining costs, and lower AISC costs. The Company believes mining costs to be lower as cost efficiencies are achieved with the decommissioning of rental equipment and the use of bulk emulsion explosives at the start of the third quarter. Due to this, the Company believes they will achieve the lower range of their full-year production guidance.

Figure 5: Guyana Production Guidance

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Source: Company Resources

The Company's biggest catalyst going forward is the mill expansion at their Aurora mine. The first phase expansion is expected to be complete by the end of Q1/2018 with a capital cost of $21.4mm, engineering is 70% complete, and the first phase expansion is in line with the original budgets and schedule.

The Company has a strong balance sheet with a ~6:1 current ratio, and ~15% debt/equity ratio. The Company is currently trading at 0.92x NAV, which is below the median gold producer peer average. This discount to peers is likely due to investor skepticism towards the Company after their poor quarter

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