



Ubika Gold 20

December 11, 2017



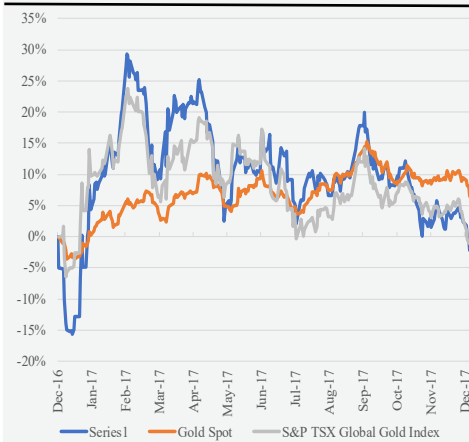
Ubika Gold 20

October 10, 2017 - December 11, 2017

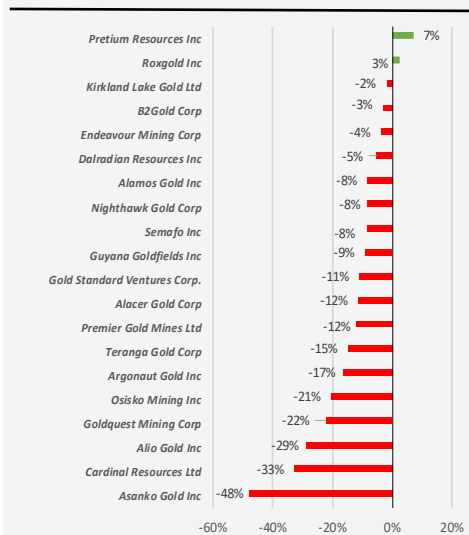
UG20: -10% (0% Y/Y)
 Gold Price: -3.1% (6.6% Y/Y)
 TSX Gold Index: -8.2% (-0.7% Y/Y)

Dollar amounts in CAD unless otherwise stated.

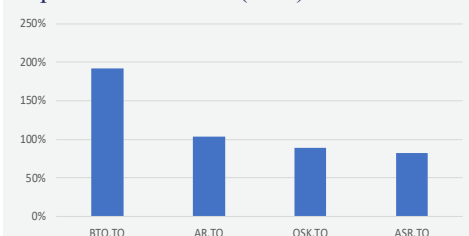
UG20: Performance Vs. Benchmarks Y/Y



UG20: Performance Distribution



Top Volume Gainers (m/m)



Chris Thompson | Head of Research | Ubika Research | Chris@UbikaResearch.com | 1 (416) 574-0469

Patrick Smith | Analyst | Ubika Research | Patrick@UbikaResearch.com | 1 (647) 444-5506

Yousuf Shekhani | Associate | Ubika Research | Yousuf@UbikaResearch.com | 1 (647) 607-0691

Gold Stocks Fall: Value Hunting for Gold Bugs or Catch the Falling Knife?

The Ubika Gold 20 Index fell 10% since our last report dated October 10, 2017, underperforming its benchmarks, the Gold Spot price and the Global Gold Index which returned, -3.1% and -8.2%, respectively. Notable performers for this report include:

- Pretium Resources Inc. (TSX:PVG), which increased 24% the day it announced strong initial production results.
- Guyana Goldfields (TSX:GUY), which decreased 15% on November 28, likely driven by an RBC Capital Markets Inc. downgrade of the stock.
- GoldQuest Mining Corp. (TSXV:GQC), which decreased 22% since our last report date despite the release of positive assays for its Cachimbo Property.

Industry Highlights

- **New Nadina shares jump 3600% as drilling discovers “high grade core” containing ruby silver.** New Nadina was the latest developer to join the ranks of this year’s other top-performing developers, Novo Resources and Garibaldi Resources. The stock jumped 1000% on October 26, following the discovery of high-grade core at the Silver Queen Property.
- **NewCastle Gold, Anfield Gold and Trek Mining announced a merger to form Equinox Gold.** The new entity will be headed by Ross Beaty as Chairman, and plans to bring the Aurizona mine back into production (first gold pour expected in late 2018). NewCastle and Anfield shareholders are expected to vote on the transaction on December 19.
- **Gold Demand in Q3/2017 fell 9% Y/Y to 915 tonnes, the lowest since Q3/2009.** The drop was driven primarily by significantly lower demand from gold backed ETF’s and a slower quarter in the jewellery sector. On the other hand, demand from central banks was up 25% Y/Y, to 111 tonnes of gold.
- **Novo Resources declined to \$4.35, down 41% from an all-time high in October, as the Company announced plans to change its grade estimation method.** Novo’s stock price fell 18% on November 24, as the Company indicated that desired results from large diameter drilling were not achieved. Instead, they plan to use ongoing bulk samples from trenches for grade estimation.

Upcoming Events:

Vancouver Resource Investment Conference 2018 – January 21-22, 2018. Cambridge House International Inc. and Katusa Research will co-host the event, one of the world’s largest resource investment conferences dedicated to exploration.




Notable Performers

Pretium Resources Inc. (TSX:PVG)

Pretium Resources is a Tier II producer with operations in Western Canada. The Company's flagship asset, the Brucejack mine, began commercial operations in Q2/2017. Pretium's stock price increased 24% on October 24 as the Company announced strong Q3/2017 production results.

Pretium's Brucejack mine is an underground operation located in northwestern British Columbia, ~65 kilometers north of Stewart, B.C. The mine has year-round road access, along with full access to grid power and diesel generators for backup. The site hosts gold mineral reserves (Dec. 2016) of 8.7 million ounces. Pretium plans an average gold production of 504,000 ounces per year for the first eight years and 404,000 ounces per year for the remaining mine life of 18 years. The Feasibility Study indicates a post-tax NPV_{5%} of US\$1.53 billion (at US\$1,100/oz Au and US\$14/oz Ag, February 2017) and a post-tax IRR of 28.5%. The mine began commercial operations in Q3/2017, and targets steady state production by the end of Q4/2017. The table below highlights the economics of the Brucejack mine, with varying gold & silver prices.

Figure 1. Brucejack mine NPV sensitivity to gold



		Economic Results by Metal Price ⁽¹⁾		
		Low Case	Base Case	High Case
Gold Price (US\$/oz)		\$800	\$1,100	\$1,400
Silver Price (US\$/oz)		\$10	\$14	\$18
NPV ⁽²⁾ (5% US\$M)	Pre-Tax	\$1,050	\$2,340	\$3,620
	After-Tax	\$690	\$1,530	\$2,360
Internal Rate of Return	Pre-Tax	19.9%	34.4%	47.5%
	After-Tax	16.5%	28.5%	39.1%
Net Cash Flow (US\$M)	Pre-Tax	\$2,110	\$4,220	\$6,320
	After-Tax	\$1,470	\$2,820	\$4,170
Payback	Pre-Tax	5.0	3.3	2.5
	After-Tax	5.2	3.5	2.7
Capex (US\$M)		\$811.1	\$811.1	\$811.1
Exchange Rate (US\$:C\$)		0.75	0.75	0.75

Source: Company Presentation

The highlights of Brucejack's maiden production included gold production of 82,203 ounces at a recovery of 96.5% (grading 10.5 g/t Au) and an average processing rate of 2,840 tonnes per day. During the first part of Q3/2017, the mill feed was predominantly from low-grade stockpiles and development muck, which yielded 16,882 ounces of gold.

Pretium has an average price target of \$19.53, representing a 50% upside for the stock with eight Buy and no Hold or Sell recommendations.

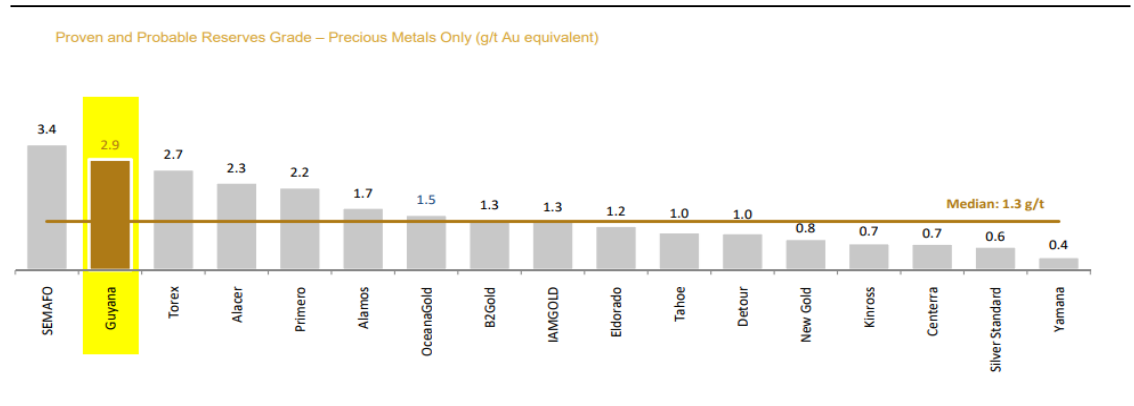
Guyana Goldfields Inc. (TSX:GUY)

Guyana Goldfields is an intermediate Canada-based producer with operations in Guyana, South America. The Company's flagship asset, the 100%-owned Aurora Gold Mine, began commercial production in January 2016. Guyana's stock price fell 15% on November 28, likely driven by an RBC downgrade of the stock from \$8.00 to \$7.00.

The Aurora Mine comprises a series of open pits, a processing facility, and on-site power generation. Along with an airstrip on site, the Aurora Mine has road access to the Buckhall Port Facility, ~150 kilometers east of the property. As part of Guyana's mineral agreement with the government, the Company would pay a 5% royalty for gold sales at US\$1,000/oz or less and 8% for gold sales above US\$1000/oz. In addition, the Company would pay a corporate tax rate of 27.5%, and would receive exemptions on all imports of equipment for mine operations.

The Aurora mine hosts P&P mineral reserves of 36,781Kt grading 2.99 g/t Au for 3.54M oz of contained gold (February 2017). As shown below, Guyana Goldfields ranks highly amongst open-pit peers in terms of reserve grades.

Figure 2: Guyana Open Pit Comparables (Grade)



Source: Company Presentation

In addition to its existing reserves, GUY continues to focus on its 1,200-square kilometer land package in a prospective greenstone belt, which is in close proximity to the Aurora mine. The Company also has ongoing drill programs at five previously-identified targets.

Guyana Goldfields fell 9% since our last report date, likely driven by doubts on whether it could meet a 2017 production guidance of 160K to 180K ounces of gold. Over the last couple of months, the Company is on pace to meet its 2017 guidance, producing a record of 18,900 ounces of gold in September followed by 17,100 ounces in October.

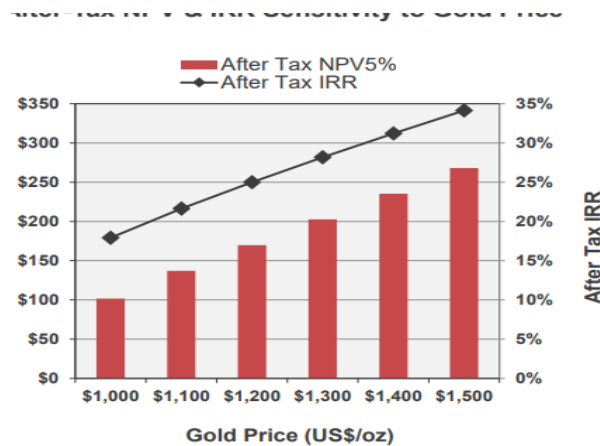
GUY has an average price target of \$7.68, representing a 72.6% upside for the stock. In addition, the stock has six Buy and no Hold or Sell recommendations.

GoldQuest (TSXV:GQC)

GoldQuest, a Canada-based exploration company, focuses on the development of assets in the Dominican Republic. The Company's flagship asset is the Au-Ag-Cu Romero Project, along with the exploration stage Tiero Property. GoldQuest's stock price has decreased 22% since our last report date despite the release of positive assays from its latest eight-drill hole batch in the Cachimbo Discovery zone.

GoldQuest's Romero Project comprises a 3,997-hectare property, currently in permitting. The Company released a Pre-Feasibility Study for the project in November 2016, which envisions a Gold-Silver-Copper underground mine operation with a life of eight years. GoldQuest expects to incur US\$158M in initial CAPEX for 2,800 tonnes per day capacity yielding gold and copper recoveries of 78% and 95%. The project has an NPV5% of \$203M along with an after-tax IRR of 28% and a payback period of 2.5 years (US\$1,300/oz). In addition, the property hosts 1,117,000 gold eq. ounces grading 4.9g/t Au Eq., which includes 840,000 oz Au grading 3.72 g/t (US\$70 NSR Cutoff). The table below shows the project's sensitivity to varying gold prices.

Figure 3. Romero Project NPV Sensitivity to Gold



Source: Company Presentation

On October 17, the Company reported assay results from the latest eight-drill hole batch from its Cachimbo discovery in the Tiero Concession. The discovery comprises a Volcanogenic Massive Sulphide (VMS) deposit open in all directions. The results were highlighted by Hole TIR-17-44, which intersected 21.0 m at 7.86g/t gold, 39.6g/t silver, 0.17% copper, 0.26% lead and 1.81% zinc.

With two Buy and no Hold or Sell recommendations, GQC has an average price target of \$0.98, representing a 250% upside for the stock.

Upcoming Catalysts:

Will Economic Growth continue to pressure gold? U.S. GDP expanded 3.3% on an annualized basis in Q3/2017, as gold prices stood still over the last couple of months. In addition, another interest rate hike is expected at the upcoming December Fed meeting. The U.S. Senate approved a major overhaul of the U.S. tax system, which aims to lower the corporate tax rate to 20%. Amid these developments, the DJI has returned 11% over the last three months, while latest data on gold ETF's shows another quarter of positive inflow of 19t but was not as strong as Q3/2016 inflow of 144t. Robust growth has led to an increased investor appetite for higher-yielding assets, rather than gold, indicating a poor, near-term outlook for the precious metal.

North Korean crisis to fuel a potential rally? Although economic data suggests a weak outlook for gold, a continued rise in political tensions with North Korea could spike the gold price. North Korea carried out its first ballistic missile test since September, which the U.S. and South Korea responded to, with a military drill involving 230 aircrafts and 12,000 service members.



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.](#)