



# Ubika Gold 20

January 22, 2018



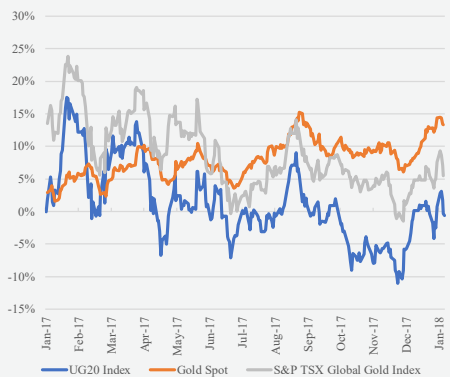
## Ubika Gold 20

December 11, 2017 - January 22, 2018

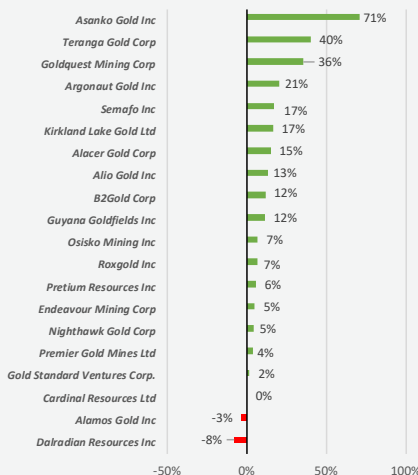
UG20:	10.8% (0% Y/Y)
Gold Price:	6.7% (10.5% Y/Y)
TSX Gold Index:	7.4% (-6.5% Y/Y)

*Dollar amounts in CAD unless otherwise stated.*

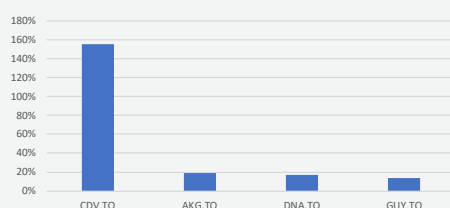
### UG20: Performance Vs. Benchmarks Y/Y



### UG20: Performance Distribution



### Top Volume Gainers (m/m)



Note: All figures use price close on January 19, 2018.

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## Gold Stocks Rise Against a Background of Geopolitical Instability and Record Market Performance

The Ubika Gold 20 Index has climbed 10.8% since our last report dated December 11, 2017, outperforming its benchmarks, the Gold Spot price and the Global Gold Index, which returned 6.7% and 7.4%, respectively. Notable performers for this report include:

- Teranga Gold Corporation (TSX:TGZ), which increased 24% on December 13 after the Company announced a JV with Sodim Limited, and 19% on the day of the Company's January 10 Q4 production release, driven by the exceeded guidance.
- Argonaut Gold (TSX:AR), which increased 11% on December 22 and 12% between January 9 and 16, due to rising gold prices.
- Roxgold (TSX:ROXG), which increased 18% over December's gold prices, and dropped 9% as BMO downgraded its rating.

### Industry Highlights

- **Gold prices rose substantially** starting December 13, from a low of US\$1,240/oz, and peaked at US\$1340/oz on January 17, which drove gold stocks higher.
- **The World Gold Council** released their annual Gold outlook report. The report outlines gold demand trends throughout 2017.

### Upcoming Events:

Prospectors & Developers Association Conference – March 4-7, 2018. PDAC is the world's leading convention for those connected with mining and exploration. In 2017, it hosted 24,000 attendees and nearly 500 speakers.



## Notable Performers

### Teranga Gold Corporation (TSX:TGZ)

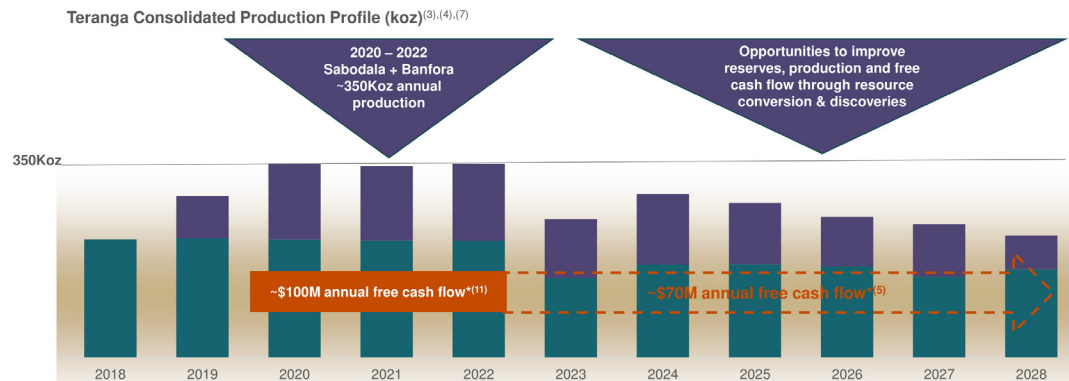
Teranga Gold is a gold producer with operations in Senegal. The Company's flagship asset, the Sabodala mine, began commercial operations in March 2009. The stock increased 24% on December 13 after the Company announced a memorandum of understanding ("MOU") with Sodim Limited to establish a JV. It was held up by rising gold prices, and increased a further 19% after the Company announced it had exceeded its guidance for 2017 on January 10.

The Company's flagship mine, the Sabodala operation, is an open-pit mine located in Senegal. The mine is 650km east of the capital, Dakar, and 100km north of the Kedougou. The site contains two ball mills, a 36 MW power plant, and a processing plant. The mineral deposit hosts reserves of 2.7 million oz and has a mine life of 14 years (November 2017). Teranga plans to produce 220,000 oz of gold per year through 2022. At that point, the Company expects to complete construction of the underground portion of the mine, at which point production levels are expected to increase.

The Company has identified 12 drilling targets at its Banfora concession. Teranga expects to begin production in 2019, and slow down production at the Sabodala mine by 2023.

Figure 1. Teranga Consolidated Production Profile

#### Banfora Expected to Significantly Increase Production and Improve Cash Flow



Source: Company Presentation

Teranga entered into a MOU with Sodim Limited to establish a JV for the exploration and development of the Afema land package in Cote d'Ivoire. The Company can earn a 70% interest through the completion of a three-year \$11 million exploration and community relations program, contingent on the delivery of a positive Feasibility Study. Upon the delivery of this study, Sodim will receive payments up to \$7.5 million and the option to convert its 30% holdings to a 3% net smelter royalty.

The Company produced 233,000 oz of gold in 2017, and expects to produce 210,000-225,000 oz in 2018. Teranga's five-year profile estimates free-cash flow of \$230 Million between 2018 and 2022.

Teranga has an average price target of \$5.13, representing 45% upside. The stock has 3 Buy recommendations, 1 Hold recommendation, and no Sell recommendations.

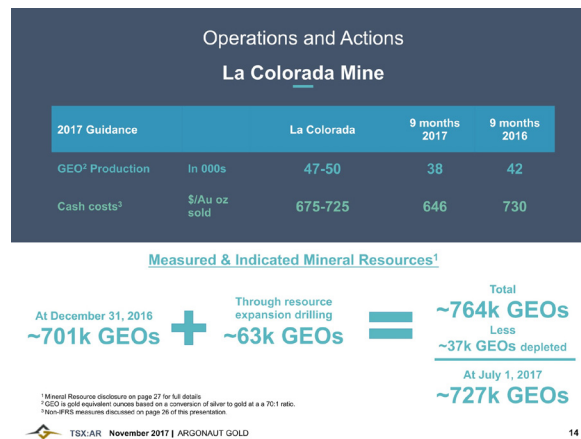
## Argonaut Gold Inc. (TSX:AR)

Argonaut Gold is a gold producer with operations in Mexico. The Company acquired its flagship asset, the El Castillo mine, in December 2009. Argonaut Gold stock has risen 19% since December 20, driven by higher gold prices.

The Company's flagship mine, the El Castillo operation, is an open-pit mine located 100km north of Durango, Mexico. The site hosts reserves (November 2017) of 22.4 million tonnes at 0.42 g/t Au, for 330,000 oz. Argonaut expects the mine to produce 100,000-115,000 oz per year in 2018. After recent positive exploration results in the mine, the Company plans to ramp up production until it reaches 150,000 oz per year. The mine began commercial production in July 2008.

Argonaut produces a smaller amount out of its La Colorada mine, as shown below.

Figure 2: La Colorada Mine Production Statistics



Source: Company Presentation

On November 28, Argonaut acquired the Cerro Del Gallo mine from Primero Mining Corp (TSX:P) for \$15 Million. The open-pit mine is located ~30 km west of the Guanajuato International airport, containing 12 gold and silver concessions and a processing plant. The Feasibility Study indicates the mine could produce ~100,000 gold equivalent oz (GEOs) /year at cash costs of \$700/oz.

Argonaut expects to produce 165,000-180,00 GEOs/year during 2018, a 33% increase from the Company's 2017 production, at an all-in sustaining cost of between US\$850 to US\$950/oz gold sold. The Company plans to invest \$55 million in capital expenditures during 2018.

Argonaut has an average price target of \$4.09, representing 51% upside. AR has 5 Buy recommendations, 3 Hold recommendations, and no Sell recommendations.

## Roxgold Inc. (TSX:ROXG)

Roxgold is a gold producer operating in Burkina Faso. The Company's flagship asset, the Yaramoko project, began commercial production in October 2016. The stock has risen 9% since December, driven by rising gold prices.

Roxgold's flagship mine, the Yaramoko project, is an underground gold mine located in southwest Burkina Faso, the only underground gold mine in the country. The mine hosts mineral reserves of 1.8 million tonnes at 11.47g/t of gold, or 662,000 oz of gold. The mine produces an average of 125,000 oz per year. The project's after-tax NPV5% is \$50 million at \$1300/oz (November 2017), and the IRR is 53.2% post-tax.

The Company has conducted a Feasibility Study on its Bagassi South concession, just two kilometres from the Yaramoko plant. Bagassi South has been modeled to be an underground mine, using the same processing infrastructure as the Yaramoko mine. Approval was granted on January 2, and production is expected to begin in Q4 2018. The potential expansion would add an estimated average gold production of 40,000 oz per year. Below is a chart of the expected reserves of the combined mines.

Figure 3. Yaramoko + Bagassi South Combined Reserves over time



Source: Company Presentation

Roxgold expects to produce 110,000-120,000 oz in 2018, at an average all-in sustaining cost/oz sold of US\$800. The Company forecasts \$65 million in capital expenses in 2018.

Roxgold has an average price target of \$2.21, representing an upside of 74%. ROXG has 7 Buy recommendations, 1 Hold recommendation, and no Sell recommendations.

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## Upcoming Catalysts:

**Geopolitical tensions continue to rise.** Fears of a nuclear war with North Korea continue to rise, underscored by the recent false alarm in Hawaii. Another source of tension is the Iran deal, an agreement in which various Western nations pledge to waive economic sanctions against Iran, in exchange for the country halting its nuclear program. U.S. President Trump recently recertified the agreement, but is expected not to certify the deal again on May 12 unless Europe fixes the deal's "disastrous flaws." Political instability is bullish for the price of gold, as it is widely seen as a flight to safety commodity.

**Federal interest rate hikes** are widely expected to occur at a gradual rate. On December 13, the Fed increased the rate by a quarter point, from 1.25% to 1.5%. On January 17, the Bank of Canada hiked their rates to 1.25% from 1%. At the next Federal Open Market Committee (FOMC) meeting on January 30-31, the CME Group gives a 98.5% chance that Fed rate will be maintained.

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