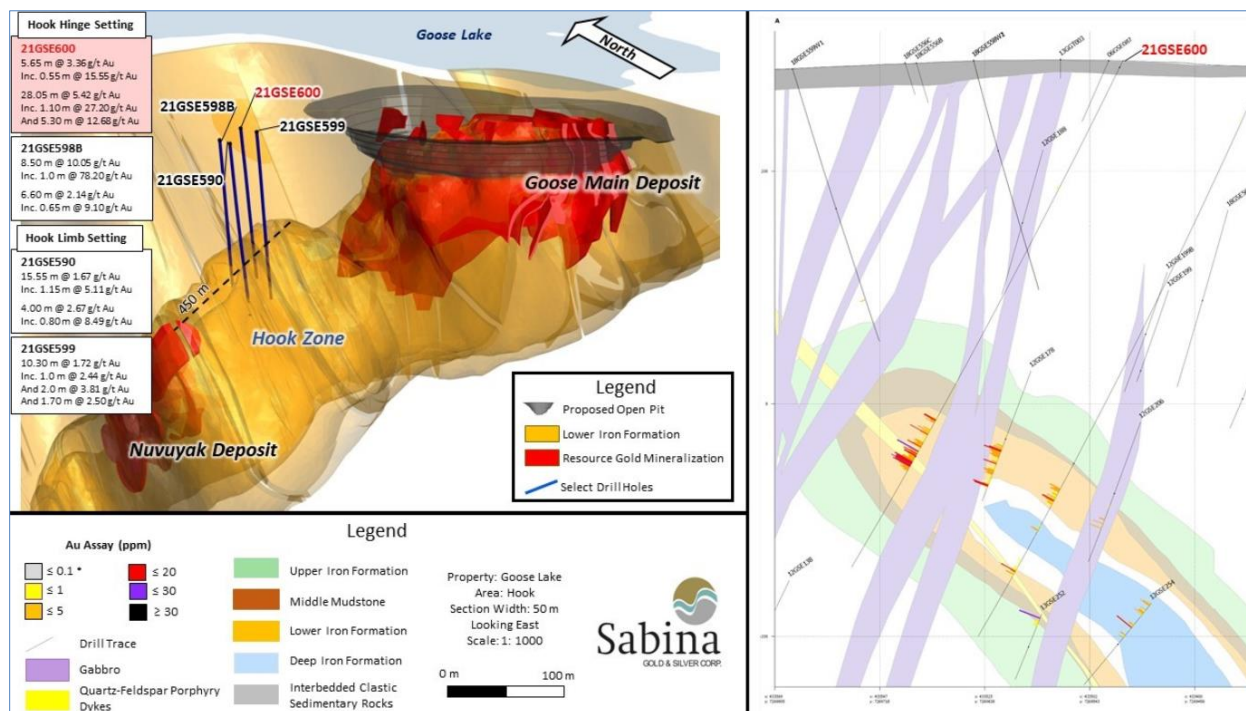


**Ticker:** SBB CN      **SCPe cash:** US\$72m      **Project:** Back River  
**Market cap:** C\$574m      **Price:** C\$1.65/sh      **Country:** Canada, Nunavut

**RECOMMEND.** (unc): BUY      **TARGET** (unc): C\$4.05/sh      **RISK RATING:** HIGH

Underground resources at Back River are poised for growth with today's hits of 28.1m @ 5.4g/t (inc. 1.1m @ 27.2g/t) and 5.3m @ 12.7g/t from the Hook Zone, located below the Goose Main and Nuvuyak deposits along 450m of potential plunge. Location is key here, as ounce additions in this area are only a short distance from the proposed development. Even small additions could, at the very least, pay for the deeper development to access Nuvuyak. Stepping back, Nuvuyak and Umwelt-Llama underground resources stand at 3.38Moz @ 7.2g/t, with only 1.9Moz @ 6.75g/t converted to reserves in the 1Q21 FS, leaving 1.5Moz @ 8.0g/t of unconverted resources before any potential additions from Hook—leaving plenty of room to 'top up' production plans in our view. As such, **we maintain our BUY rating and 0.9x NAV<sub>5%-1850 C\$4.05/sh PT</sub>**. Our NAV includes SCPe +750koz of reserves at US\$200/oz, well under the US\$344/oz value in the DFS, and US\$100/oz for resources outside reserves. With the stock trading at SCPe 0.30xNAV on an undiluted basis, we see plenty of upside in this name, maintaining our view that Back River is the 'best' undeveloped gold asset globally.

**Figure 1. Hook Zone target (A) 3D view and (B) cross section showing today's drilling**



Source: Sabina

### High-grade mineralization confirmed between Goose and Nuvuyak with 5.3m @ 12.7g/t

Sabina reported the results from its spring drill program (4,480m), highlighting **5.3m @ 12.7g/t** within a broader **28.1m @ 5.4g/t** including **1.1m @ 27.2g/t** from the Hook Zone, located between Goose Main and Nuvuyak resources at depth over 450m of potential plunge length. Other highlights include 8.5m @ 10.1g/t including 1m @ 78.2g/t, 10.3m @ 1.7g/t, and 15.6m @ 1.7g/t.

### Why we like Sabina

1. SCPe 'worlds best undeveloped gold asset' with high-grade pits and higher grade UG
2. Fully permitted with complete DFS

3. Lowest cost large-production developer globally on EV/resource and EV/production basis
4. Development risk sped up / mitigated by CY21 exploration decline

## Catalysts

1. 2021: Decline construction, 3Y SCP build
2. Mid year: Lump sum contracts
3. 2H21: Construction decision
4. 2024: First pour

## Research

**Brock Salier** (London) M: +44 7400 666 913 [bsalier@sprott.com](mailto:bsalier@sprott.com)

**Justin Chan** (London) M: +44 7554 784 688 [jchan@sprott.com](mailto:jchan@sprott.com)

**Brandon Gaspar** (Toronto) M: +1 204 541 1144 [bgaspar@sprott.com](mailto:bgaspar@sprott.com)

**Eleanor Magdzinski** (Toronto) M: +1 705 669 7456 [emagdzinski@sprott.com](mailto:emagdzinski@sprott.com)

<b>Ticker:</b> SBB CN	<b>Price / mkt cap:</b> C\$1.65/sh C\$574m	<b>Market P/NAV</b> 0.30x	<b>Asset:</b> Back River
<b>Author:</b> B Salier / B Gaspar	<b>Rec. / 0.9x NAV PT:</b> BUY, C\$4.05/sh	<b>1xNAV<sub>2023</sub> FF FD:</b> C\$5.07/sh	<b>Country:</b> Nunavut, Canada

Commodity price	CY21E	CY22E	CY23E	CY24E	CY25E
Gold price	1,850	1,850	1,850	1,850	1,850

Shares	BASIC	FD (options)	FD (mine build)
Shares (m)	347.9	362.8	464.9

Resource / Reserve	Au (koz)	Au (g/t)	Au (koz)	Au (g/t)
Meas., indicated and inferred	9.1Moz @ 6.0g/t		Pit reserve 1.7Moz @ 5.9g/t	
Proven & probable	3.6Moz @ 6.0g/t		UG reserve 0.8Moz @ 7.4g/t	

SOTP project valuation	C\$m	O/ship	NAVx	C\$/sh
Back River 2Q21*	1,550	100%	1.0x	4.27
SCPe cash 1Q21	72.1	100%	1.0x	0.20
+750koz reserves @ US\$150/oz	146	100%	1.0x	0.40
Resource outside reserve @ US\$50/oz	186	100%	1.0x	0.51
Cash from options	24.6	100%	1.0x	0.07
	<b>1,979</b>			<b>5.46</b>

Project financing	Company financing
Build capex (C\$m)	Mine equity (C\$m) C\$230m
Drilling/FS cost (C\$m)	Spot share price (C\$/sh) C\$1.65
G&A + finance in build (C\$m)	Raise at spot (C\$/sh) C\$1.65
Y1 sea lift (C\$m)	Mine debt (C\$m) C\$350m
Mine build finance (C\$m)	Lender IRR (%) 13%

\*Diluted for options, not mine build

Market P/NAV5%<sub>2021</sub> 0.30x

Asset value: 1xNPV project @ build start (C\$m, ungeared)*	NPV (C\$m)	\$1650oz	\$1750oz	\$1850oz	\$1950oz	\$2050oz
5% discount	1,544	1,704	<b>1,865</b>	2,025	2,186	
7% discount	1,353	1,492	1,631	1,769	1,908	
9% discount	1,198	1,318	1,439	1,560	1,681	
Ungeared project IRR:	43%	48%	49%	54%	58%	

Ratio analysis	CY20E	CY21E	CY22E	CY23E	CY24E
Average shares out (m)	318.8	377.2	464.9	464.9	464.9
EPS (C\$/sh)	(0.01)	(0.02)	(0.02)	(0.06)	0.85
CFPS before w/c (C\$/sh)	(0.01)	(0.02)	(0.01)	(0.06)	1.00
EV (C\$m)	502.0	396.2	673.2	1,121.9	613.5
FCF yield (%)	-	-	-	-	60%
PER (x)	-	-	-	-	1.9x
P/CF (x)	-	-	-	-	1.7x
EV/EBITDA (x)	-	-	-	-	1.2x

\*Project level NPV, excl finance costs and central SGA, discounted to build start

SOTP company valuation^	2Q21	2Q22	2Q23	2Q24	2Q25
Back River NPV (C\$m)	1,550	1,664	1,899	2,277	1,885
Central G&A + fin. costs (C\$m)	(160)	(146)	(142)	(119)	(95)
Net cash prior quarter (C\$m)	72	208.7	50.5	(250.3)	209.5
+750koz reserves @ US\$150/oz	146	146.1	146.1	146.1	146.1
Resource outside reserve (C\$m)	186	186.3	186.3	186.3	186.3
Cash from options (C\$m)	24.6	24.6	24.6	24.6	24.6
NAV (C\$m)	1,819	2,083	2,164	2,265	2,357
FD shares on issue	347.9	464.9	464.9	464.9	464.9
1xNAV5%/sh FF FD (C\$/sh)	5.01	<b>4.48</b>	4.65	4.87	5.07

Income statement	CY20E	CY21E	CY22E	CY23E	CY24E
Revenue (C\$m)	-	-	-	-	686.7
COGS (C\$m)	-	-	-	-	126.1
<b>Gross profit (C\$m)</b>	-	-	-	-	<b>560.6</b>
D&A (C\$m)	0.4	0.5	0.5	0.5	65.0
Finance cost, central G&A (C\$m)	5.0	6.4	6.5	26.4	31.3
Royalty & tax (C\$m)	-	-	-	-	(14.9)
<b>Net income (C\$m)</b>	<b>(4.2)</b>	<b>(7.9)</b>	<b>(8.6)</b>	<b>(28.5)</b>	<b>397.5</b>

PT @ 0.9xNAV: 4.03

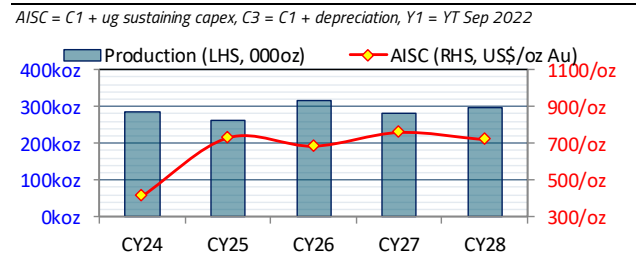
1xNAV/sh FF FD @ 2Q21 (C\$m, geared)^	2Q21 NAV FF FD (C\$/sh)	\$1650oz	\$1750oz	\$1850oz	\$1950oz	\$2050oz
5% discount	3.73	4.10	<b>4.48</b>	4.86	5.23	
7% discount	3.34	3.67	4.00	4.33	4.66	
9% discount	3.01	3.31	3.60	3.90	4.19	
Geared project IRR:	32%	36%	40%	44%	47%	

Cash flow, attrib.	CY20E	CY21E	CY22E	CY23E	CY24E
EBIT (C\$m)	(6.4)	(8.4)	(8.6)	(9.1)	460.8
Less non-cash items (C\$m)	1.4	2.1	2.1	2.1	66.6
Plus tax, finance costs (C\$m)	-	-	-	(19.4)	(63.3)
Less wkg cap, +interest (C\$m)	(0.2)	(1.5)	-	(43.3)	46.5
<b>Cash flow ops (C\$m)</b>	<b>(5.2)</b>	<b>(7.8)</b>	<b>(6.5)</b>	<b>(69.7)</b>	<b>510.6</b>
PP&E (C\$m)	(36.8)	(24.0)	(125.7)	(378.9)	(2.2)
Others (C\$m)	(16.0)	3.9	-	-	-
<b>Cash flow inv. (C\$m)</b>	<b>(52.8)</b>	<b>(20.2)</b>	<b>(125.7)</b>	<b>(378.9)</b>	<b>(2.2)</b>
Share issue, capital lease (C\$m)	57.2	230.1	-	-	-
Debt draw (repay) (C\$m)	-	-	-	350.0	(116.7)
<b>Cash flow fin. (C\$m)</b>	<b>57.2</b>	<b>230.1</b>	<b>-</b>	<b>350.0</b>	<b>(116.7)</b>
Net change in cash (C\$m)	(0.8)	202.1	(132.2)	(98.7)	391.7

^Project NPV less grp SG&A & fin. cost, +net cash

Production (Y1 from 1Q24)	CY24	CY25	CY26	CY27	CY28
Gold production (000oz)	286	263	316	283	296
C1 cost (US\$/oz)	407	657	612	676	640
AISC cost (US\$/oz)	414	733	687	762	723
C3 cost (US\$/oz)	583	1,182	834	902	857

Balance sheet	CY20E	CY21E	CY22E	CY23E	CY24E
Cash (C\$m)	24.0	226.1	93.9	(4.7)	387.0
Acc rec. + inventories (C\$m)	3.9	4.4	4.4	47.8	47.8
PP&E (C\$m)	82.9	102.5	227.8	606.2	543.5
Others (C\$m)	444.4	444.6	444.6	444.6	444.6
<b>Total assets (C\$m)</b>	<b>555.1</b>	<b>778</b>	<b>771</b>	<b>1,094</b>	<b>1,423</b>
Debt (C\$m)	-	-	-	350.0	233.3
Accounts payable (C\$m)	4.9	3.8	3.8	3.8	50.3
Others (C\$m)	45.6	44.6	44.6	44.6	44.6
Total liabilities (C\$m)	50.5	48.4	48.4	398.4	328.2
Shareholders equity (C\$m)	570.5	803.3	804.9	806.4	808.0
Retained earnings + rsvs (C\$m)	(65.8)	(73.9)	(82.4)	(110.9)	286.6
<b>Liabilities + equity (C\$m)</b>	<b>555.1</b>	<b>778</b>	<b>771</b>	<b>1,094</b>	<b>1,423</b>



Source: SCP estimates

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**TENDER:** The analyst recommends tendering shares to a formal tender offering

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BUY:	45
HOLD:	0
SELL:	0
UNDER REVIEW:	0
TENDER:	0
NOT RATED:	0
TOTAL	45

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