

Ticker: BNKR US/CN

Cash: C\$2.4m

Project: Bunker Hill

Market cap: C\$35m

Price: C\$0.215/sh

Country: USA, Idaho

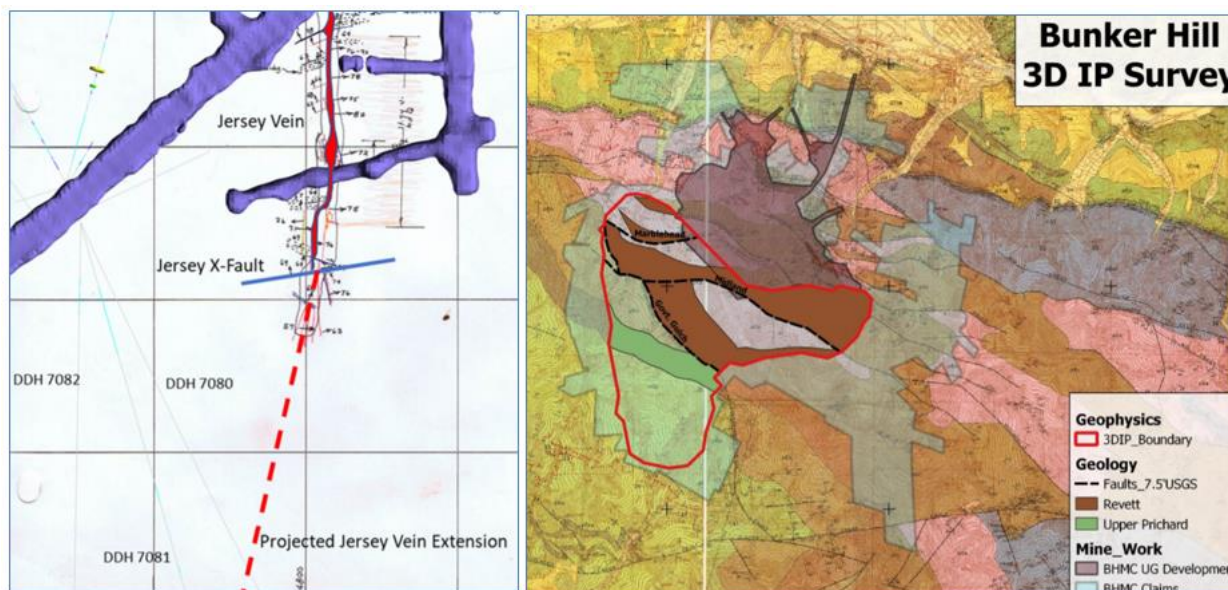
RECOMMEND. (unc): BUY

TARGET (unc): C\$0.60/sh

RISK RATING: HIGH

Today's drilling shows solid grades in shallow Pb-Ag mineralisation. This is quick-and-cheap drilling given the shallow depths, and consequently has the ability to become quick and cheap development in any restart. Widths are narrow which should be addressed by revised drilling techniques as soft ore zones saw low core recovery. Of note, we see this as more 'first pass', with the larger concept being to test for bonanza grade-thickness deeper in the mine, where Ag-rich veins were traditionally ignored in preference to Zn-Pb. With >1.2Boz of historic silver production in the 'Silver Valley', hits like 1.5m @ 648g/t drilled in 4Q20 point to this potential below the 11L and beyond the 29L (vs. the 9L results released today). However, while more speculative, at current valuations we like the regional 3D IP targeting 15km² of un-explored terrane near the mine underway right now. In fact, the learnings from digitising and re-interpreting 95Y of historic data including 180km of drilling may provide the key to unlock step-change discoveries. **We maintain our BUY rating and C\$0.60/sh PT** based on 0.5xNAV_{7%} of the PEA mine plan at 127c/lb Zn, 104c/lb Pb and US\$24/oz, net of option payments, adding resources outside the mine plan at 120c/oz AgEq. Catalysts include moving engineering forward, and funding solutions and consolidation, ahead of any more speculative exploration targets thrown up by the regional 3D IP (Figure 1B).

Figure 1. (A) Plan of drilling released today and (B) regional 3D IP map boundaries



Source: Bunker Hill

Drilling hits ~0.3m @ 2-3,000g/t AgEq in shallow levels, 3D IP opens the discovery door

Drilling: Ten holes drilled from the UG onto the Jersey-Deadwood veins at the upper levels of Bunker Hill returned 0.2-0.4m @ 2,138g/t AgEq, 3,027g/t AgEq, and 1,782g/t AgEq along strike from old stopes. Holes averaged 0.43m @ 686g/t AgEq (63/36 Pb-Ag), lifting to 0.55m @ 739g/t AgEq for the 60% of holes > 200gm AgEq. Poor core recovery lowered intercept widths with drilling techniques being changed to deal with soft ore through the mineralization zone.

Regional exploration is progressing with a high-resolution 3DIP ground geophysical survey to delineate additional target zones outside the mine footprint. The survey balances the learnings from digitization of historic data that pinpointed host strata, with >1,500ha of unexplored terrane potentially hosting offsets to Revett quartzite, the key host unit to most historic production.

Why we like Bunker Hill

- Ex Barrick operating and leadership team take over from prior promoters
- 5Mt @ 9% ZnEq provides starter-mine under PEA
- Reinterpretation of 180km of drilling with 95yrs data digitised to open Ag potential
- Consolidation opportunities around four operating mills in Silver Valley

Catalysts

- CY21: Resource expansion drilling and high-grade silver exploration results
- 2H21: Further technical studies
- 2H21: TSX-V listing
- Year end 2021: Financing and construction decision
- 2H23: First production

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Ticker: BNKR CN	Price / mkt cap: C\$0.22/sh, C\$35m	P/NAV today: 0.32x	Country: USA, Idaho
Author: B Salier / B Gaspar	Rec / PT: BUY, C\$0.60/sh	1xNAV7%: C\$0.93c/sh	Asset: Bunker Hill Mine

Commodity price	CY21E	CY22E	CY23E	CY24E	CY25E	Resource/Inventory	Mt	Zn %	Mt	Zn %	
Zn price (US\$/t)	1.27	1.27	1.27	1.27	1.27	0.2766	4Q20 MRE		SCP inventory		
Pb price (US\$/t)	0.91	0.91	0.91	0.91	0.91	Indicated	4.0	5.52%	5.0	5.53%	
Ag price (US\$/oz)	24.0	24.0	24.0	24.0	24.0	Inferred	5.1	4.88%			
SOTP project valuation*		US\$m	o/ship	NAVx	C\$/sh	Total	9.1	5.16%	Total	5.0	5.5%

SOTP project valuation*	US\$m	o/ship	NAVx	C\$/sh
Bunker Hill NPV (build start 4Q22)	128	100%	0.50x	0.27
Option / EPA payments	(22)	100%		(0.05)
Resor. ex rsv @ 5% (120c/oz AgEq)	32	100%	1.00x	0.14
Net cash 2Q21	2.4	100%	1.0x	0.01
Cash from ITM options	54.3	100%	1.0x	0.23
NAV @ 4Q22	195	240.7		0.61

*Build start, ex fin. cost + G&A, dil. for optns not build P/NAV today: 0.26x

Sensitivities to discount and zinc price (US\$m, ungeared)*					
Group NAV (US\$m)	1.08/lb	1.18/lb	1.27/lb	1.37/lb	1.50/lb
9.0% discount	137	162	188	213	248
7.0% discount	148	175	201	228	266
5.0% discount	160	189	217	246	286
Price target (C\$/sh)	1.08/lb	1.18/lb	1.27/lb	1.37/lb	1.50/lb
9.0% discount	0.47	0.53	0.58	0.64	0.72
7.0% discount	0.49	0.55	0.61	0.67	0.75
5.0% discount	0.52	0.58	0.65	0.71	0.80

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

Group valuation over time^	3Q21	3Q22	3Q23	3Q24	3Q25
Project NPV (US\$m)	116	125	162	177	165
Centra G&A/fin. cost (US\$m)	(31)	(22)	(21)	(17)	(14)
Net cash prior qtr (US\$m)	2.4	(2.1)	(18.8)	(28.0)	(11)
Cash from ITM options	54.3	54.3	54.3	54.3	54.3
Option / EPA payments	(22)	(22)	(22)	(22)	(22)
NAV (US\$m)	120	134	155	164	173
FD share count (m)	287	287	321	321	321

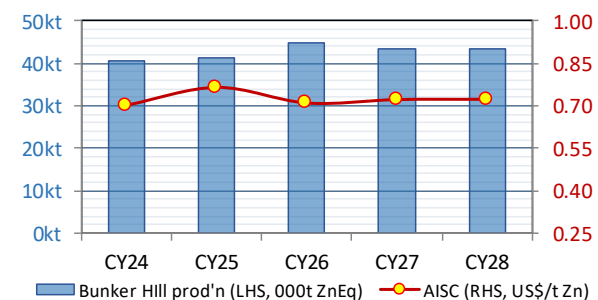
1xNAV7%/sh FF FD (US\$/sh) 0.42 0.47 0.48 0.51 0.54

1xNAV/sh over time (US\$, geared)^					
1xNAV (US\$/sh)	1.08/lb	1.18/lb	1.27/lb	1.37/lb	1.50/lb
9.0% discount	0.45	0.53	0.61	0.69	0.80
7.0% discount	0.48	0.56	0.65	0.73	0.85
5.0% discount	0.51	0.60	0.69	0.77	0.90

*Diluted for options under PT but not mine build; ^ Fully diluted for mine build

SCPe Production	CY24	CY25	CY26	CY27	CY28
Production (000kt ZnEq)	40.5	41.1	45.0	43.5	43.4
AISC BNKR (US\$/t Zn)*	0.78	0.88	0.81	0.80	0.81
AISC SCP (US\$/t ZnEq)^	0.70	0.76	0.71	0.72	0.72
Production (000kt AgEq)	4.2	4.2	4.6	4.5	4.5
AISC SCP (US\$/t AgEq)^	10.52	11.87	10.80	11.16	11.12

*deductions as cost, net by-product; ^Eq, costs to mine gate ex. deductions



Source: SCP estimates

Funding: uses		Funding: sources	
Mine build capex (US\$m)	42.1	Cash+ITM options (US\$m)	45.9
SCPe pre-prod'n expl'n	12.1	SCPe debt @ 65% (US\$m)	27.3
SCPe work cap(US\$m)	7.4	SCPe DFS equity (US\$m)	6.0
SCPe G&A+fin cost (US\$m)	8.0	Total sources (US\$m)	79.2
Total uses: group (US\$m)	70	Buffer	C\$10m

Share data (m)	Basic	FD	FF FD
Shares (m)	163.7	286.71	321

Ratio analysis	CY20E	CY21E	CY22E	CY23E	CY24E
Shares out (m)	114.3	163.7	163.7	163.7	163.7
EPS (C\$/sh)	22.6	0.1	-	2.2	18.7
CFPS before w/c (C\$/sh)	-	-	-	-	2.3
EV (C\$m)	65.1	40.6	44.0	74.1	60.9
FCF yield (%)	-	-	-	-	38%

Income statement	CY20E	CY21E	CY22E	CY23E	CY24E
Revenue (US\$m)	-	-	-	18.3	92.5
COGS (US\$m)	-	-	-	11.2	55.6

Gross profit (US\$m)					
G&A (US\$m)	2.1	3.3	2.0	2.0	2.4
Exploration (US\$m)	13.0	11.2	4.0	-	-
Finance costs (US\$m)	1.6	0.1	-	1.6	2.0
Tax (US\$m)	-	-	-	-	2.1
Other (US\$m)	(37.6)	(14.7)	0.5	0.5	5.6

Net income (US\$m) 20.9 0.1 (6.5) 3.0 24.8

Cash flow statement	CY20E	CY21E	CY22E	CY23E	CY24E
EBITDA (US\$m)	(15.7)	(15.6)	(6.5)	4.6	34.0
Add share based (US\$m)	2.3	1.1	0.5	0.5	0.5
Net change wkg cap (US\$m)	7.7	(1.8)	-	-	10.2

Cash flow ops (US\$m)	(21.2)	(12.5)	(6.0)	3.5	20.3
PP&E: build + sust (US\$m)	2.7	0.1	8.4	33.6	7.1
PP&E - expl'n (US\$m)	-	-	-	-	-

Cash flow inv. (US\$m) (2.7) (0.1) (8.4) (33.6) (7.1)

Cash flow fin. (US\$m)	58.3	11.9	38.3	-	(6.8)
Share issue (US\$m)	(59.4)	(12.0)	(11.0)	-	-
Debt draw (repay) (US\$m)	-	-	(27.3)	-	6.8
Net change in cash (US\$m)	34.4	(0.7)	23.9	(30.1)	6.4

Balance sheet	CY20E	CY21E	CY22E	CY23E	CY24E
Cash (US\$m)	3.6	2.9	26.8	(3.3)	3.1
Acc rec. + invet. (US\$m)	2.7	2.5	2.5	2.5	14.3
PP&E & expl'n (US\$m)	0.4	0.6	8.9	42.5	44.5
Total assets (US\$m)	6.7	5.9	38.2	41.7	61.8
Debt (US\$m)	0.1	-	27.3	27.3	20.5
Accounts payable (US\$m)	2.4	3.0	3.0	3.0	4.6
Others (US\$m)	4.0	3.3	27.2	(2.9)	15.3
Total liabilities (US\$m)	38.2	27.7	55.0	55.0	49.8
Shareholders' equity (US\$m)	0.0	6.3	17.8	18.3	18.8
Reserves (US\$m)	34.6	37.8	37.8	37.8	37.8
Retained earnings (US\$m)	(66.1)	(66.0)	(72.5)	(69.5)	(44.7)
Liabilities + equity (US\$m)	6.7	5.8	38.2	41.6	61.8

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Summary of Recommendations as of August 2021	
BUY:	45
HOLD:	0
SELL:	0
UNDER REVIEW:	0
TENDER:	0
NOT RATED:	0
TOTAL	45

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