

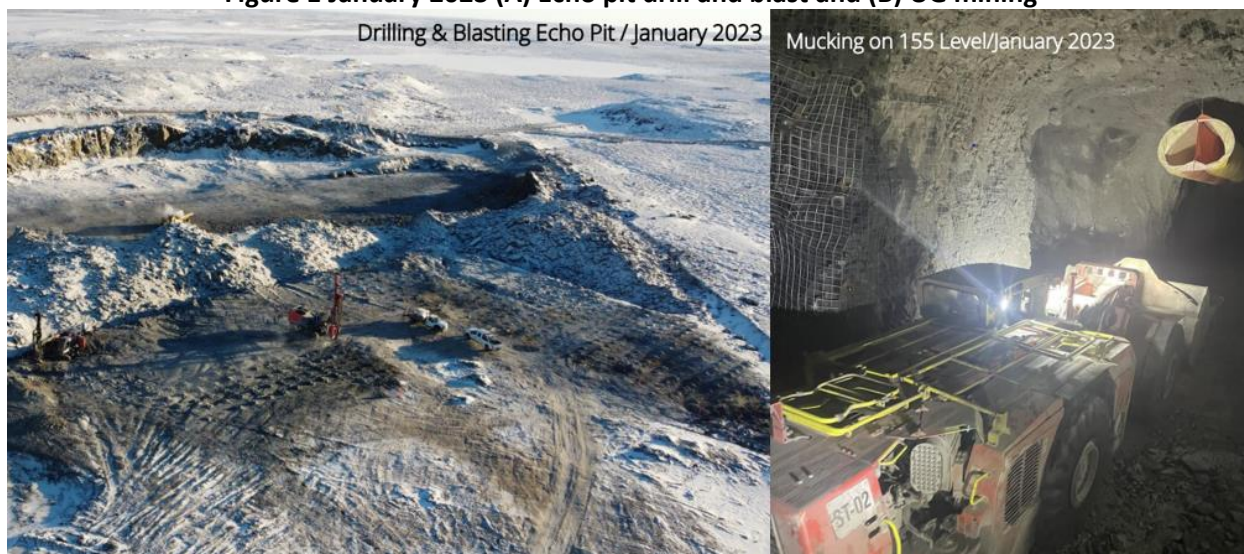
<b>Ticker:</b> SBB CN	<b>3Q22 Cash:</b> ~C\$81m	<b>Project:</b> Back River
<b>Market cap:</b> C\$746m	<b>Price:</b> C\$1.34/sh	<b>Country:</b> Canada, Nunavut
<i>REC. (unc): BUY</i>	<i>TARGET (unc): C\$2.50/sh</i>	<i>RISK RATING (unc): HIGH</i>

Today's update is a useful stepping-stone into production. We are glad to see that although the contract has rise/fall mechanisms, the price is close to the proposed C\$130m from back in March 2022, in fact the only deviation is to add power plant and fuel farm. Two tangential take homes are firstly that the 'plant' is only C\$130m of the >C\$800m project finance required. Yes, its expensive up north (but the gold makes up for it), but our point is that even if the plant and equipment cost went up by 30%, that is only 5% of the overall cost, ie the asset is de-leveraged compared to a routine build. Secondly, while the work on the ground is relatively formative, the offset to the long-duration far-north build is that Sabina isn't as exposed to logistics delays as issuers seeking a super-fast build. So investors have taken the 'pain' (NPV bakes in long build and high capex) so hopefully can now reap the 'gain'. For now, **we maintain our BUY rating and 0.8xNAV<sub>5%-1700</sub> PT of \$2.50/sh**. This includes SCPe +750koz of reserves at US\$200/oz, well under the US\$344/oz value in the DFS, plus US\$100/oz for resources outside reserves, as reserve growth is our core long-term thesis. Although far too early to call the success or otherwise of the build, we note that concurrent pit and UG takes pressure of the UG (where one-asset UG peers have a nasty habit of inverting their Lasso curves). The funding package of >C\$800m clearly creates headroom financially, with SCPe C\$75m current buffer before capex inflation, but after SCPe ~C\$50m Y1 sea lift also.

### Lump sum C\$139m contract for plant finalised; ice-road construction commences and UG advances

Sabina has finalized a lump-sum contract with CGT Industrial for the process plant at Back River for fixed price of C\$139m for material and labor, adding a power plant and port fuel-farm from the original proposal. This makes up 85% of the direct-works on site, and has rise-fall mechanism also. Winter ice road construction has commenced with transport to site expected to commence from February over 1,300 loads.

**Figure 1 January 2023 (A) Echo pit drill and blast and (B) UG mining**



Source: Sabina

### Why we like Sabina

- SCPe 'worlds best undeveloped gold asset' with high-grade pits and higher grade UG
- Fully permitted with complete DFS and all funding to cover build
- Lowest cost large-production developer globally on EV/resource and EV/production basis
- Development risk sped up / mitigated by CY21 exploration decline

## Catalysts

- 2023-2024: ongoing construction updates
- 1H23: V2 zone trade off study update
- CY23: SCPe exploration drilling at George
- 1H25: First gold pour

## Research

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<b>Ticker:</b> SBB CN	<b>Price / mkt cap:</b> C\$1.34/sh C\$746m	<b>Market P/NAV:</b> 0.43x	<b>Asset:</b> Back River
<b>Author:</b> B Salier	<b>Rec. / O.Bx NAV PT:</b> BUY, C\$2.5/sh	<b>1xNAV<sub>2023</sub> FF FD:</b> C\$4.03/sh	<b>Country:</b> Nunavut, Canada

Commodity price	CY21A	CY22E	CY23E	CY24E	CY25E
Gold price	1,700	1,700	1,700	1,700	1,700

Shares	BASIC	FD (options)	FD (mine build)
Shares (m)	557.0	569.2	559.0

SOTP valuation	C\$m	O/ship	NAVx	C\$/sh
Back River 1Q23	1,532	100%	1.0x	2.69
Cent G&A / fin. costs* (C\$m) 1Q23	(378)	100%	1.0x	(0.66)
SCPe cash 4Q22	74	100%	1.0x	0.13
SCPe debt 4Q22	(12)	100%	1.0x	(0.02)
+750koz reserves @ US\$200/oz	205	100%	1.0x	0.36
Resource outside reserve @ US\$100/oz	353	100%	1.0x	0.62
Cash from options	19.3	100%	1.0x	0.03
	1,794			3.15

*\*Diluted for options, not mine build* Market P/NAV5%today 0.43x

**Asset value: 1xNPV project @ build start (C\$m, ungeared)\***

NPV (C\$m)	\$1500oz	\$1600oz	\$1700oz	\$1800oz	\$1900oz
5% discount	1,288	1,453	1,618	1,783	1,949
7% discount	1,167	1,312	1,457	1,602	1,748
9% discount	1,068	1,196	1,324	1,453	1,581
Ungeared project IRR:	25%	28%	30%	33%	35%

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

SOTP company valuation^	Mar-23	Mar-24	Mar-25	Mar-26	Mar-27
Back River NPV (C\$m)	1,532	1,815	2,185	1,719	1,562
Cent G&A / fin. / strm. cost* (C\$m)	(378)	(389)	(386)	(336)	(256)
Net cash prior quarter (C\$m)	62	26	(269)	224	366
+750koz reserves @ US\$200/oz	205	205.5	205.5	205.5	205.5
Resource outside reserve (C\$m)	353	353.3	353.3	353.3	353.3
Cash from options (C\$m)	19.3	19.3	19.3	19.3	19.3
NAV (C\$m)	1,794	2,029	2,109	2,185	2,250
FD shares on issue	527.0	559.0	559.0	559.0	559.0
1xNAV5%/sh FF FD (C\$/sh)	3.15	3.63	3.77	3.91	4.03

*\*Includes stream, offtake, pre-pay* PT @ 0.8x 2.90

**1xNAV/sh FF FD (C\$m, geared)^**

NAV FF FD (C\$/sh)	\$1500oz	\$1600oz	\$1700oz	\$1800oz	\$1900oz
5% discount	2.65	2.96	3.27	3.58	3.89
7% discount	2.45	2.72	3.00	3.28	3.56
9% discount	2.28	2.53	2.78	3.03	3.28
Geared project IRR:	14%	16%	18%	20%	22%

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

Production (Y1 from 1Q25)	CY25	CY26	CY27	CY28	CY29
Gold production (000oz)	348	311	316	283	296
C1 cost (US\$/oz)	467	662	655	725	686
AISC cost (US\$/oz)	473	724	726	807	764
C3 cost (US\$/oz)	687	924	914	982	926

*AISC = C1 + ug sustaining capex, C3 = C1 + depreciation, Y1 = Y1 Sep 2022*

Year	Production (000oz)	AISC (US\$/oz Au)
CY25	348	473
CY26	311	724
CY27	316	726
CY28	283	807
CY29	296	764

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

SOURCES	USES		
3Q22 cash + short-term (C\$m)	C\$81m	Residual capex (C\$m)^	C\$497m
Stream + gold pre-pay (C\$m)	C\$210m	G&A + finance in build (C\$m)*	C\$31m
Undrawn debt (C\$m)	C\$285m	Y1 sea lift (C\$m)	C\$47m
		DFS bonding (C\$m)	C\$16m
<b>TOTAL SOURCES (C\$m)</b>	<b>C\$576m</b>	<b>TOTAL USES (C\$m)</b>	<b>C\$591m</b>

*^C\$610m DFS + SCPe C\$90m, ex spend from 2H21; \*debt drawn Buffer: -C\$15m*

Ratio analysis	CY20A	CY21A	CY22E	CY23E	CY24E
Average shares out (m)	318.8	350.0	548.4	559.0	559.0
EPS (C\$/sh)	(0.01)	(0.02)	0.11	(0.02)	(0.04)
CFPS before w/c (C\$/sh)	(0.01)	(0.02)	(0.02)	(0.01)	(0.04)
EV (C\$m)	403.2	484.5	694.3	722.9	1,017.8
FCF yield (%)	-	-	-	-	-
PER (x)	-	-	12.0x	-	-
P/CF (x)	-	-	-	-	-
EV/EBITDA (x)	-	-	11.1x	-	-

Income statement	CY20A	CY21A	CY22E	CY23E	CY24E
Revenue (C\$m)	-	-	-	-	-
COGS (C\$m)	-	-	-	-	-
<b>Gross profit (C\$m)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
D&A (C\$m)	0.4	0.5	0.5	0.5	0.5
Finance cost, central G&A (C\$)	5.0	9.2	12.7	7.0	22.8
Royalty & tax (C\$m)	-	-	(18.6)	-	-
<b>Net income (C\$m)</b>	<b>(4.2)</b>	<b>(8.6)</b>	<b>61.2</b>	<b>(8.9)</b>	<b>(24.7)</b>

Cash flow, attrib.	CY20A	CY21A	CY22E	CY23E	CY24E
EBIT (C\$m)	(6.4)	(10.7)	59.9	(8.9)	(9.9)
Plus non-cash items (C\$m)	1.4	2.3	2.5	1.9	1.9
Less tax, finance costs (C\$m)	-	(0.8)	25.6	-	(14.8)
Less wkg cap, +interest (C\$m)	(0.2)	(2.4)	0.6	-	(25.1)
<b>Cash flow ops (C\$m)</b>	<b>(5.2)</b>	<b>(11.6)</b>	<b>88.6</b>	<b>(7.0)</b>	<b>(47.9)</b>
PP&E (C\$m)	(36.8)	(97.9)	(263.0)	(200.0)	(247.1)
Others (C\$m)	(16.0)	21.0	(22.0)	-	-
<b>Cash flow inv. (C\$m)</b>	<b>(52.8)</b>	<b>(76.9)</b>	<b>(285.0)</b>	<b>(200.0)</b>	<b>(247.1)</b>
Share issue, capital lease (C\$)	57.2	47.4	350.8	170.7	-
Debt draw (repay) (C\$m)	-	41.5	(28.3)	-	284.8
<b>Cash flow fin. (C\$m)</b>	<b>57.2</b>	<b>88.9</b>	<b>322.5</b>	<b>170.7</b>	<b>284.8</b>
Net change in cash (C\$m)	(0.8)	0.4	126.1	(36.3)	(10.1)

Balance sheet	CY20A	CY21A	CY22E	CY23E	CY24E
Cash (C\$m)	24.0	25.5	52.4	38.1	28.0
Acc rec. + inventories (C\$m)	3.9	6.2	23.1	23.1	48.2
PP&E (C\$m)	82.9	155.2	342.3	541.8	788.4
Others (C\$m)	444.4	457.1	593.3	571.3	571.3
<b>Total assets (C\$m)</b>	<b>555.1</b>	<b>644.0</b>	<b>1,011.1</b>	<b>1,174.3</b>	<b>1,435.9</b>
Debt (C\$m)	-	41.0	11.9	11.9	296.7
Accounts payable (C\$m)	4.9	10.0	53.2	53.2	53.2
Others (C\$m)	45.6	44.5	97.8	97.8	97.8
Total liabilities (C\$m)	50.5	95.4	162.9	162.9	447.7
Shareholders equity (C\$m)	570.5	621.2	893.9	895.3	896.7
Retained earn'gs + rsvs (C\$m)	(65.8)	(72.7)	(45.7)	116.2	91.5
<b>Liabilities + equity (C\$m)</b>	<b>555.1</b>	<b>644.0</b>	<b>1,011.1</b>	<b>1,174.3</b>	<b>1,435.9</b>

Source: SCP estimates; ^net of CY21 post-DFS capex

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SELL:	0
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TENDER:	0
NOT RATED:	0
TOTAL	54

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