

## SILVER BEAR RESOURCES

### MANGAZEISKY NORTH PEA – A GAME CHANGER

#### PEA OUTLINES PRODUCTION FROM MANGAZEISKY NORTH

SBR has released a PEA and an updated resource for the Mangazeisky North (M North) area deposit within the Mangazeisky Silver Project. The PEA investigates the integration of M North with the Vertikalny Central deposit as a single plant multi-pit operation.

#### HIGH GRADE OXIDE OPEN-PITTABLE RESOURCES ADDED

M North 43-101 total resource ounces have increased by 29% to 10.5 Moz at 712 g/t with 78% of the ounces in the Indicated Category with the balance in the inferred category. The resource is near surface with an average ore body thickness of 1.5m, which is suitable for open pit mining. The preliminary test work on M North oxide ore indicated recoveries of 77%.

#### PEA OUTLINES EXTENSION TO OPEN PIT MINE LIFE

The PEA assumes commencement of mining at M North in year 3 of the operation as the Vertikalny open pit depletes. Open pit mining at the Project is to be completed in year 7, before commencing underground mining. The upfront capital required to mine M North is just \$2.5m.

#### PEA OUTLINES EXTENSION TO OPEN PIT MINE LIFE

We have updated our valuation to reflect the delay in production announced on the 1st Feb 2017 and the release of the PEA. The changes to our valuation add \$6.9m to Mangazeisky NPV. We have taken a slightly conservative view in our valuation versus the PEA with respect to total ounces produced from M North as we wait for the completion of the full feasibility study. We assume M North to produce 4.0 Moz over 3 years beginning in 2019, versus the PEA assumption of 5.1 Moz over the 3 year period.

#### A GAME CHANGER

In our SBR initiation on 6th January 2017, we outlined the open-pittable oxide with a life of mine of only 4 years as a key risk to the Mangazeisky project due to challenges associated with narrow vein underground production and difficulty of processing sulphide material at the project. The PEA extends the mine life from open pit oxides to 7 years, which significantly de-risks the project over the medium to long term.

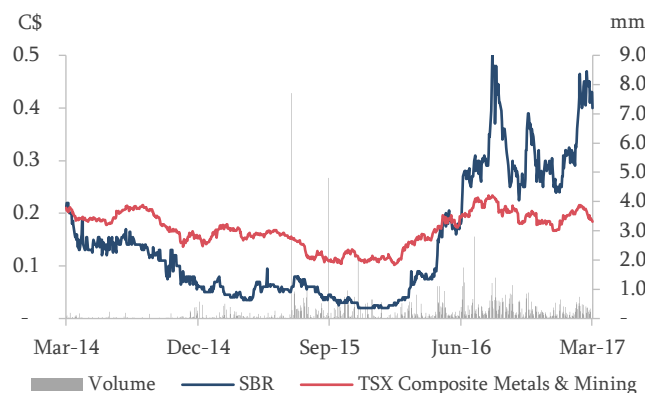
#### VALUATION UPDATED TO C\$0.67 PER SHARE

Using a 1.0x NPV multiple and consensus silver prices, we increase our NPV for SBR to \$81.3m, or C\$0.67 per share. This implies a c. 67% upside from the current share price.

#### FIRST PRODUCTION TO DRIVE RERATING

We expect SBR shares to rerate following the Mangazeisky plant commissioning and subsequent production, now expected in late 2017.

GICS sector	Materials
Ticker	TSX:SBR
<b>Target price (12 month)</b>	C\$0.67
Price (as 7 March 2017)	C\$0.40
Market capitalisation (as of 7 March 2017)	\$48.6mm



#### Forecasts, valuation metrics and assumptions

(\$m)	2016E	2017E	2018E	2019E
<b>Current forecast</b>				
EBITDA	(3.4)	(0.3)	60.7	90.9
Net profit	(5.9)	(0.0)	59.0	84.5
EPS	(0.04)	(0.00)	0.36	0.52
FCF/sh	(0.29)	(0.05)	0.28	0.55
<b>Valuation metrics</b>				
EV/EBITDA	NM	NM	1.3x	0.3x
P/E	NM	NM	0.8x	0.6x
FCF yield	(55.0%)	(8.6%)	52.3%	102.9%
<b>Production and costs</b>				
Silver production (Moz)	-	0.2	3.6	4.5
Silver price (\$/oz)	-	19.5	19.6	19.8
Cash costs (\$/oz)	-	6.7	6.2	4.0
AISC (\$/oz)	-	32.6	7.5	5.6

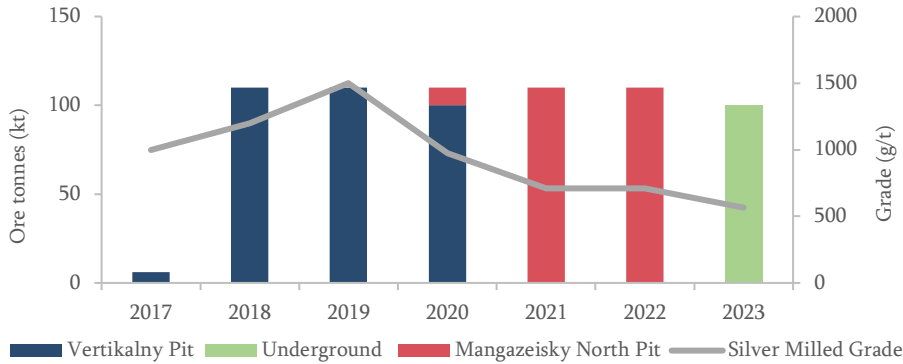
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Figure 1: Mangazeisky ore tonnages &amp; silver grades 2017-2023



Source: Hannam &amp; Partners valuation

## FINANCIAL SUMMARY

							Share price \$C 0.40		Market Cap C\$m 64.7		\$/C\$ 1.33				
<b>Income statement</b>							<b>Cash flow statement</b>								
Year end December	2015	2016E	2017E	2018E	2019E	2020E	Year end December	2015	2016E	2017E	2018E	2019E	2020E		
<b>Revenue</b>	<b>C\$m</b>	-	-	<b>4.2</b>	<b>93.3</b>	<b>117.9</b>	<b>76.3</b>	Operating profit	C\$m	(10.7)	(7.7)	(0.0)	59.0	84.5	48.9
COGS	C\$m	-	-	1.5	29.6	24.0	22.6	Depreciation	C\$m	0.3	0.4	5.6	6.2	9.3	2.4
<b>Gross profit</b>	<b>C\$m</b>	-	-	<b>2.7</b>	<b>63.7</b>	<b>93.9</b>	<b>53.7</b>	Working capital change	C\$m	(2.1)	(9.5)	8.0	(19.9)	(4.7)	8.6
Depreciation	C\$m	0.3	0.4	5.6	6.2	9.3	2.4	Other	C\$m	1.6	2.8	-	-	-	-
Net interest expense	C\$m	1.2	4.0	(7.1)	(6.7)	(4.8)	(1.7)	<b>CFO</b>	<b>C\$m</b>	<b>(11.0)</b>	<b>(14.0)</b>	<b>13.6</b>	<b>45.3</b>	<b>89.0</b>	<b>59.9</b>
Admin expense	C\$m	3.9	3.0	3.0	3.0	3.0	3.0	Purchase of PPE	C\$m	(4.8)	(23.8)	(21.0)	(0.2)	(0.2)	(3.5)
Other	C\$m	5.3	0.4	0.0	0.0	0.0	-	Other	C\$m	(7.0)	(9.6)	-	-	-	-
<b>Pre-tax profit</b>	<b>C\$m</b>	<b>(10.7)</b>	<b>(7.7)</b>	<b>1.3</b>	<b>61.2</b>	<b>86.4</b>	<b>50.1</b>	<b>CFI</b>	<b>C\$m</b>	<b>(11.7)</b>	<b>(33.4)</b>	<b>(21.0)</b>	<b>(0.2)</b>	<b>(0.2)</b>	<b>(3.5)</b>
Tax credit/(paid)	C\$m	-	-	1.3	2.2	1.9	1.1	Net Borrowings	C\$m	31.0	39.8	-	(15.0)	(15.0)	(15.0)
Profit after tax	C\$m	(10.7)	(7.7)	(0.0)	59.0	84.5	48.9	Other	C\$m	(0.1)	0.2	-	-	-	-
FX gains/losses	C\$m	(1.3)	1.8	-	-	-	-	<b>CFF</b>	<b>C\$m</b>	<b>30.9</b>	<b>40.0</b>	-	<b>(15.0)</b>	<b>(15.0)</b>	<b>(15.0)</b>
<b>Net profit</b>	<b>C\$m</b>	<b>(12.0)</b>	<b>(5.9)</b>	<b>(0.0)</b>	<b>59.0</b>	<b>84.5</b>	<b>48.9</b>	Net change in cash	C\$m	8.4	(6.9)	(7.5)	30.1	73.8	41.4
<b>Total income</b>	<b>C\$m</b>	<b>(12.0)</b>	<b>(5.9)</b>	<b>(0.0)</b>	<b>59.0</b>	<b>84.5</b>	<b>48.9</b>	Beginning Cash	C\$m	1.6	10.0	3.1	(4.4)	25.8	99.6
<b>EBITDA</b>	<b>C\$m</b>	<b>(9.2)</b>	<b>(3.4)</b>	<b>(0.3)</b>	<b>60.7</b>	<b>90.9</b>	<b>50.7</b>	<b>Ending Cash</b>	<b>C\$m</b>	<b>10.0</b>	<b>3.1</b>	<b>(4.4)</b>	<b>25.8</b>	<b>99.6</b>	<b>141.0</b>
<b>Ratios and per share data</b>							<b>Balance sheet</b>								
Year end December	2015	2016E	2017E	2018E	2019E	2020E	Year end December	2015	2016E	2017E	2018E	2019E	2020E		
Yr end shares in issued	m	-	161.8	161.8	161.8	161.8	Cash	C\$m	10.0	3.1	(4.4)	25.8	99.6	141.0	
Revenue growth	%	-	-	-	2117.0%	26.3%	(35.3%)	Receivables	C\$m	0.6	4.9	0.9	19.2	24.2	15.7
EBITDA growth	%	-	-	-	-	49.8%	(44.2%)	Inventory	C\$m	0.7	4.7	0.2	4.1	3.3	3.1
EBITDA margin	%	-	-	(6.1%)	65.0%	77.1%	66.5%	Other	C\$m	1.8	3.2	0.2	3.7	3.0	2.8
Pre-tax ROIC	%	-	-	2.1%	43.9%	30.7%	14.1%	<b>Current Assets</b>	<b>C\$m</b>	<b>13.1</b>	<b>15.9</b>	<b>(3.1)</b>	<b>52.6</b>	<b>130.0</b>	<b>162.5</b>
ROE	%	-	(8.8%)	(0.0%)	51.9%	46.4%	22.7%	PPE	C\$m	5.0	32.1	47.5	41.5	32.4	33.6
EPS	\$/sh	-	(0.04)	(0.00)	0.36	0.52	0.30	Other	C\$m	9.2	19.4	19.4	19.4	19.4	19.4
EPS	C\$/sh	-	(0.05)	(0.00)	0.49	0.70	0.40	<b>Fixed Assets</b>	<b>C\$m</b>	<b>14.1</b>	<b>51.5</b>	<b>66.9</b>	<b>60.9</b>	<b>51.8</b>	<b>53.0</b>
EPS growth	%	-	-	-	-	43.3%	(42.1%)	Payables	C\$m	3.0	3.9	0.3	6.1	4.9	4.6
Free cash flow	C\$m	-	(47.45)	(7.45)	45.12	88.84	56.37	Short Term Debt	C\$m	31.0	18.0	18.0	18.0	18.0	18.0
FCF/share	\$/share	-	(0.29)	(0.05)	0.28	0.55	0.35	Other	C\$m	0.2	0.4	0.4	0.4	0.4	0.4
<b>FCF yield</b>	<b>%</b>	<b>-</b>	<b>(55.0%)</b>	<b>(8.6%)</b>	<b>52.3%</b>	<b>102.9%</b>	<b>65.3%</b>	<b>Current Liabilities</b>	<b>C\$m</b>	<b>34.2</b>	<b>22.3</b>	<b>18.7</b>	<b>24.5</b>	<b>23.4</b>	<b>23.1</b>
Net debt/equity	%	-	105.9%	123.6%	29.7%	(30.3%)	(51.7%)	Long term debt	C\$m	-	56.4	56.4	41.4	26.4	11.4
Net debt/market cap	%	-	82.7%	91.3%	39.1%	(63.9%)	(129.2%)	Other	C\$m	0.9	2.0	2.0	2.0	2.0	2.0
<b>P/E</b>	<b>x</b>	<b>-</b>	<b>NM</b>	<b>NM</b>	<b>0.8x</b>	<b>0.6x</b>	<b>1.0x</b>	<b>Non Current Liabilities</b>	<b>C\$m</b>	<b>0.9</b>	<b>58.5</b>	<b>58.5</b>	<b>43.5</b>	<b>28.5</b>	<b>13.5</b>
<b>EV/EBITDA</b>	<b>x</b>	<b>-</b>	<b>NM</b>	<b>NM</b>	<b>2.0x</b>	<b>0.3x</b>	<b>NM</b>	<b>Total Equity</b>	<b>C\$m</b>	<b>27.2</b>	<b>67.4</b>	<b>63.8</b>	<b>113.5</b>	<b>181.8</b>	<b>215.5</b>
<b>EV/Sales</b>	<b>x</b>	<b>-</b>	<b>NM</b>	<b>39.2x</b>	<b>1.3x</b>	<b>0.3x</b>	<b>NM</b>	<b>Reserves &amp; Resources</b>							
Net Debt/(Cash)	C\$m	-	71.4	78.8	33.7	(55.1)	(111.5)	<b>Silver</b>			<b>EV metrics</b>				
EV	C\$m	-	157.7	165.1	120.0	31.2	(25.2)	Attributable Resources: (M,L,I)	Moz	60.4	EV/Reserves	\$/oz	2.6		
Market Cap (Yr end)	C\$m	-	86.3	86.3	86.3	86.3	86.3	Attributable Reserves: (P,P)	Moz	22.5	EV/Reserves	\$/oz	3.8		
Market Cap (Yr end)	CC\$m	-	64.7	64.7	64.7	64.7	64.7	<b>Estimated Net Asset Value (NAV)/share</b>							
<b>Metal price assumptions</b>															
		2016E	2017E	2018E	2019E	2020E									
Silver	\$/oz	-	19.5	19.6	19.8	19.9									
<b>Production volumes</b>															
		2015	2016E	2017E	2018E	2019E	2020E								
Silver	Moz	-	-	0.2	3.6	4.5	2.9								
<b>Cash Costs</b>															
		2015	2016E	2017E	2018E	2019E	2020E								
Total Cash cost	\$/oz	-	-	6.7	6.2	4.0	5.8								
All in Sustaining Cost	\$/oz	-	-	32.6	7.5	5.6	6.5								
Cost per tonne	\$/t	-	-	183.0	202.1	163.4	154.0								

Source: H&amp;P estimates

Estimated Net Asset Value (NAV)/share

	\$m	\$/sh	C\$/sh
Mangazeisky	\$137.60	\$0.85	\$1.13
Total Operating	\$137.60	\$0.85	\$1.13
Working capital	\$9.02	\$0.06	\$0.07
Total Debt	(\$55.85)	(\$0.35)	(\$0.46)
Corporate G&A (after-tax)	(\$9.51)	(\$0.06)	(\$0.08)
<b>NAV at 10%</b>	<b>\$81.26</b>	<b>\$0.50</b>	<b>\$0.67</b>

Current P/NAV

0.45x

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