

**Sabre Gold Mines Corp.**  
(TSX: SGLD / OTCQB: SGLDF)

**BUY**

**Current Price: C\$0.095**

**Fair Value: C\$0.37**

**Risk: 4**

**Acquires an Advanced Stage Gold Junior at a 70% Discount**

**Sector / Industry: Junior Resource**

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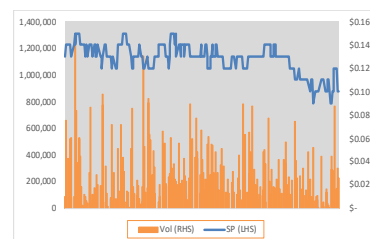
**Highlights**

- Sabre acquired TSXV listed Golden Predator (GPY) for just \$25M, net of GPY's working capital of \$3.3M. We estimate that the deal was **valued at just \$17/oz vs the sector average of \$57/oz** (100% of M&I + 50% of inferred), implying a 70% discount.
- SGLD will continue to be led by its CEO, Giulio Bonifacio. William Sheriff, the CEO of GPY, joined Sabre's board as a Non-Executive Chairman. Mr. Sheriff co-founded, and sold Energy Metals Corporation, to Uranium One for \$1.8B in 2007. Two other key members of GPY also joined Sabre.
- GPY's flagship asset is the past-producing (open-pit/heap leach) Brewery Creek gold mine in the Yukon. Brewery Creek has an indicated resource of 0.79 Moz grading 1.11 gpt gold, and an inferred resource of 1.32 Moz grading 0.87 gpt. **We note that these are attractive grades for a heap leach operation.** A PEA is expected this quarter.
- An updated resource estimate on the Copperstone gold project reported a 23% increase in contained ounces across all categories. **Management is focused on bringing the project back to production next year.**
- We expect gold prices to strengthen in the near-term, as inflation kicks in from a global economic recovery and higher oil prices. We also believe that rising political tensions between China and other developed economies will support gold prices.

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**Price Performance (1-year)**



	YTD	12M
Ret.	-27%	-27%
TSX	18%	25%

**Company Data**

52 Week Range	\$0.08 - \$0.16
Shares O/S	633M
Market Cap.	C\$60M
Yield (forward)	N/A
P/E (forward)	N/A
P/B	N/A

**Key Financial Data (FYE - June 30)**

(C\$)	FY2020	FY2021
Cash	\$378,331	\$6,796,147
Working Capital	-\$3,149,272	\$6,269,912
PPE / Mineral Assets	\$16,349,274	\$23,455,775
Total Assets	\$18,277,460	\$31,629,190
Net Income (Loss)	-\$7,084,517	-\$4,879,005
EPS	-\$0.02	-\$0.02

**\*See last page for important disclosures, rating and risk definitions. All figures in C\$ unless otherwise specified.**

## Brewery Creek Gold Mine, Yukon

SGLD is planning a sequential restart of the Copperstone mine in Arizona, followed by the Brewery Creek mine in the Yukon.

### Two Advanced Gold Projects in North America



*Brewery Creek is located in the Yukon, approximately 55 km from Dawson city*

*Brewery Creek covers 180 km<sup>2</sup>*

*Holds a licensed oxide heap leach pad*

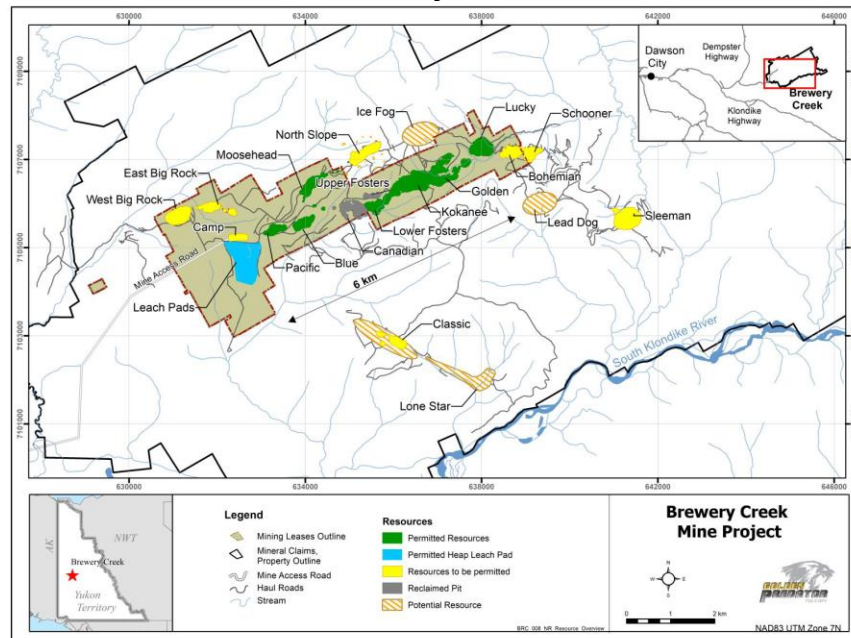
*17 km from grid power*

*Year-round road access*

*Historic production of 280 Koz from 1996 to 2002*

*Approved mining rate is 4M tonnes/year*

### Brewery Creek



Source: Company

0.8 Moz indicated + 1.3 Moz inferred; open-pittable oxide resources account for 61% of the total; oxide deposits have lower CAPEX/OPEX

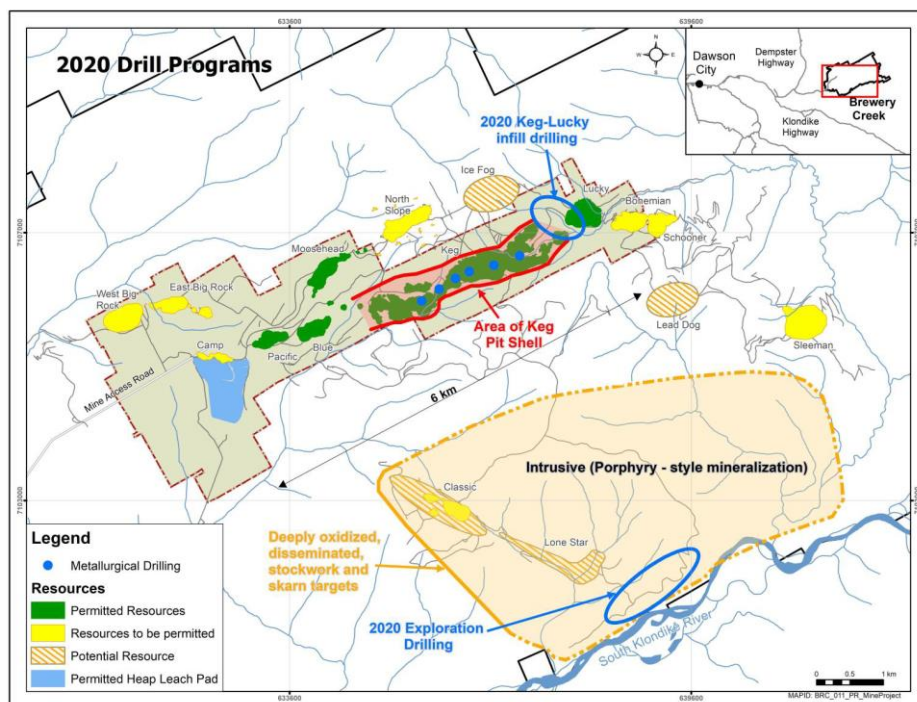
Recently completed a 5,600 m resource expansion drilling program

Exploration drilling planned at the Classic area, the property's largest exploration target

Evaluating sulfide development in the future

**2020 Resource Estimate**

Leachable	Tonnes	g/t	Gold Oz.
Indicated	22,200,000	1.11	789,000
Inferred	16,800,000	0.92	497,000
Sulphide	Tonnes	g/t	Gold Oz.
Inferred	30,600,000	0.84	828,000



Source: Company

Sabre is completing a PEA for the Brewery Creek project, as well as column leach variability tests and environmental baseline studies.

**Updated Resource Estimate at Copperstone**

In September 2021, SGLD announced an updated resource estimate for Copperstone, after including results from 152 new drillholes totaling 12,900 m

**2021 Resource Estimate - Copperstone Gold Project**

Mineral Resource Classification	Tonnes ('000's)	Gold Grade grams/tonne	Contained ('000's)
Measured	806	7.6	196
Indicated	502	6.8	110
Measured & Indicated	1,308	7.3	306
Inferred	1,124	5.9	212

Source: Company

High-grade resource

M&I resource increased 11% (grades down 5%)

Inferred resource increased 45% (grades down 13%)

Despite lower grades, we were pleased to see a 23% increase in contained ounces across all categories

Category	Tonnes (MT)	Grade (gpt)	Contained Au Oz	Contained Au Oz % Increase
2018 Proven	347	7.30	81,400	
2018 Probable	455	6.41	93,700	
<b>2018 Total Proven &amp; Probable</b>	<b>802</b>	<b>6.79</b>	<b>175,100</b>	
2018 Measured	478	8.33	128,000	
2021 Measured	806	7.60	196,000	53%
2018 Indicated	647	7.13	148,000	
2021 Indicated	502	6.80	110,000	-26%
<b>2018 Measured &amp; Indicated</b>	<b>1,125</b>	<b>7.65</b>	<b>276,000</b>	
<b>2021 Measured &amp; Indicated</b>	<b>1,308</b>	<b>7.30</b>	<b>306,000</b>	11%
2018 Inferred	666	6.79	145,700	
2021 Inferred	1,124	5.90	212,000	45%

Source: Company/ FRC

## Financials

### Financial Summary

(in C\$) - YE: June 30	FY2020	FY2021
Cash	\$378,331	\$6,796,147
Working Capital	-\$3,149,272	\$6,269,912
Current Ratio	0.18	8.66
LT Debt	\$12,397,535	\$12,629,395
LT Debt / Assets	67.8%	39.9%
Working Capital - LT Debt	-\$15,546,807	-\$6,359,483
Total Debt	\$12,397,535	\$12,629,395
Monthly Burn Rate (incl. G&A)	-\$72,171	-\$128,962
Property Related	-\$3,887,727	-\$7,660,280
Cash from Financing Activities	\$4,189,416	\$17,263,941

Source: Company Data / FRC

Strong cash position

\$13M in debt, due to directors in December 2023

**Stock options and warrants:** 24.7M options (weighted average exercise price of \$0.20 per share), and 79.1M warrants (\$0.21 per share) outstanding. All the options and warrants are out-of-the-money.

## Valuation

We are raising our OPEX estimates for Copperstone, due to the recent surge in costs

We are increasing mine life from 10 to 12 years, but lowering grades, to reflect the updated resource estimate

AT-NPV declined from \$183M to \$156M

SGLD is trading at \$35/oz vs the sector average of \$57/oz

Applying \$57/oz to Brewery Creek's resource, we arrived at a fair value estimate of \$82M, or \$0.13 per share, on the project

Adding our valuations of Copperstone and Brewery Creek, we arrived at a revised fair value estimate of \$0.37 per share (previously \$0.48); fair value declined primarily due to share dilution from the GPY acquisition

DCF Valuation - Copperstone	
Operating Life (years)	12
Throughput (tons per day)	600
Tonnage - Mt	2.4
Recovery	93%
Total Gold Produced (Moz)	0.47
Average Annual Production (Au oz)	39,336
Average Price of Au (US\$/oz) - 2024+	\$1,400
Exchange Rate (US\$:C\$)	1.24
Remaining Initial CAPEX (US\$M), net of funds from Star Royalties	\$9
Discount Rate	10%

**After-Tax Net Asset Value (C\$) \$155,648,524**

Company	Enterprise Value (C\$,M)	EV / Resource
1 Victoria Gold Corp	\$1,263	\$253.05
2 Pure Gold Mining Inc.	\$565	\$246.03
3 Osisko Mining	\$733	\$213.67
4 Marathon Gold Corp.	\$632	\$177.03
5 Probe Metals	\$223	\$103.14
6 Bonterra Resources	\$93	\$66.40
7 Sabina Gold	\$506	\$64.47
8 Gold Springs	\$45	\$55.01
9 Maple Gold Mines Ltd.	\$85	\$53.19
10 Nighthawk Gold Corp.	\$66	\$50.77
11 Monarch Mining	\$46	\$49.39
12 Sonoro Gold	\$20	\$49.07
13 Renforth Resources	\$17	\$48.61
14 Gowest Gold Ltd.	\$38	\$47.53
15 Fury Gold	\$100	\$39.22
16 Sabre Gold	\$65	\$34.88
17 GMV Minerals	\$12	\$34.88
18 O3 Mining	\$73	\$32.90
19 Gatling Exploration	\$15	\$29.86
20 Equity Metals	\$9	\$26.43
21 Moneta Gold	\$136	\$22.05
<b>Average (excl outliers)</b>		<b>\$56.63</b>

\* Net Resource = 100% of M&I + 50% of Inferred Resources

Valuation Summary	Value	Value per Share
Copperstone (DCF)	\$155,648,524	\$0.25
Brewery Creek (Comparables)	\$82,198,445	\$0.13
Working Capital, net of Debt	(\$4,875,332)	(\$0.01)
<b>Fair Value Estimate</b>	<b>\$232,971,637</b>	<b>\$0.37</b>

Source: FRC

### Sensitivity to Gold Prices and Exchange Rates

		Gold Price (US\$ / oz)				
		\$1,200	\$1,300	\$1,400	\$1,600	\$1,800
Exchange Rate (US\$:C\$)	\$1.10	\$0.30	\$0.32	\$0.34	\$0.39	\$0.43
	\$1.20	\$0.31	\$0.34	\$0.36	\$0.41	\$0.46
	\$1.24	\$0.32	\$0.34	<b>\$0.37</b>	\$0.42	\$0.47
	\$1.30	\$0.33	\$0.35	\$0.38	\$0.43	\$0.49
	\$1.35	\$0.33	\$0.36	\$0.39	\$0.45	\$0.50

Source: FRC

**We are reiterating our BUY rating, and adjusting our fair value estimate from \$0.48 to \$0.37 per share. Key near-term catalysts include:**

Multiple near-term catalysts; we believe the PEA on Brewery Creek will be the next major catalyst



- Q3-2021** Updated Resource
- Q4-2021** Infill-panel drill results
- Q4-2021** Detailed Engineering Update / Mine Contractor Awarded
- HI 2022** WOL Mill Start Up / Production Start \*
- H2 2022** Drilling - Test Advanced Exploration Targets
- Q4-2021** Updated Brewery Creek Economic Study
- Ongoing** Brewery Creek permitting
- HI 2022** Drilling – Conversion and Resource Expansion

Source: Company

### Risks

We believe the company is exposed to the following key risks (not exhaustive):

- The value of the company is highly dependent on gold prices.
- Potential for delays in recommencing production.
- The PEA at Brewery Creek might not be favorable.
- Exchange rate risks.
- Exploration and development risks.

Maintaining our risk 4 rating

**Fundamental Research Corp. Equity Rating Scale:**

**Buy** – Annual expected rate of return exceeds 12% or the expected return is commensurate with risk

**Hold** – Annual expected rate of return is between 5% and 12%

**Sell** – Annual expected rate of return is below 5% or the expected return is not commensurate with risk

**Suspended or Rating N/A**— Coverage and ratings suspended until more information can be obtained from the company regarding recent events.

**Fundamental Research Corp. Risk Rating Scale:**

**1 (Low Risk)** - The company operates in an industry where it has a strong position (for example a monopoly, high market share etc.) or operates in a regulated industry. The future outlook is stable or positive for the industry. The company generates positive free cash flow and has a history of profitability. The capital structure is conservative with little or no debt.

**2 (Below Average Risk)** - The company operates in an industry where the fundamentals and outlook are positive. The industry and company are relatively less sensitive to systematic risk than companies with a Risk Rating of 3. The company has a history of profitability and has demonstrated its ability to generate positive free cash flows (though current free cash flow may be negative due to capital investment). The company's capital structure is conservative with little to modest use of debt.

**3 (Average Risk)** - The company operates in an industry that has average sensitivity to systematic risk. The industry may be cyclical. Profits and cash flow are sensitive to economic factors although the company has demonstrated its ability to generate positive earnings and cash flow. Debt use is in line with industry averages, and coverage ratios are sufficient.

**4 (Speculative)** - The company has little or no history of generating earnings or cash flow. Debt use is higher. These companies may be in start-up mode or in a turnaround situation. These companies should be considered speculative.

**5 (Highly Speculative)** - The company has no history of generating earnings or cash flow. They may operate in a new industry with new, and unproven products. Products may be at the development stage, testing, or seeking regulatory approval. These companies may run into liquidity issues and may rely on external funding. These stocks are considered highly speculative.

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