

Canadian Equity Research
10 July 2019

Kevin MacKenzie, P.Geo., MBA | Analyst | Canaccord Genuity Corp. (Canada) | kmackenzie@cgf.com | 1.604.643.7357

Michael Pettingell, MASc | Associate | Canaccord Genuity Corp. (Canada) | mpettingell@cgf.com | 1.604.643.7419

SPECULATIVE BUY

unchanged

PRICE TARGET C\$6.25↑

from C\$5.00

Price (10-Jul) C\$4.54

Ticker GBR-TSXV

52-Week Range (C\$):	0.50 - 4.54
Avg Daily Vol (M) :	0.2
Market Cap (C\$M):	181
Shares Out. (M) :	39.9
Enterprise Value (C\$M):	159
Cash (C\$M):	21.9
Long-Term Debt (C\$M):	0.0
NAV /Shr (C\$):	6.23
NAV /Shr (5%) (C\$):	7.44
P/NAV (x) (C\$):	0.73
Working Capital (C\$M):	22.0



Source: FactSet

Priced intraday 10 July 2019

Great Bear is a junior exploration company that is currently in the process of advancing its 100% owned, discovery-stage Dixie gold project. The project is located within the prolific Red Lake mining camp (Ontario, Canada), which to date has seen over 30Moz in historical gold production.

Raising Target Price

Dixie Hinge: high-grade plunge extended by 150m

Event: Great Bear released the results of an additional 11 drill holes from its 100% owned Dixie project located in Red Lake, Ontario (Figure 1). The drill results are part of Great Bear's ongoing 90,000m 2019/2020 drill program (30,000m complete), which is designed to test the strike and depth potential of the Dixie mineralized system. The results of the recent release are centered on the Dixie Hinge Zone.

Discussion:

- The highlight of the release was hole DL-048, which intersected 18.09g/t Au over 3.9m, with a sub-interval of 69.97g/t Au over 1.0m. This intercept marks the deepest high-grade intercept within the Hinge Zone to date, which is located 440m down-plunge from surface, and 150m down-plunge from the nearest previously-reported high-grade intercept (Figure 4).
- Other notable reported Hinge Zone intercepts from the release included 23.21g/t Au over 3.0m, 15.52g/t Au over 1.5m, and 9.39g/t Au over 2.3m.
- Moving forward, Great Bear plans on testing the mineral continuity of the Hinge Zone at increasing depths down-plunge, in addition to along strike, where the company interprets six additional gold zones with similar plunges along a greater 500m long strike (Figure 3).

Impact: Positive.

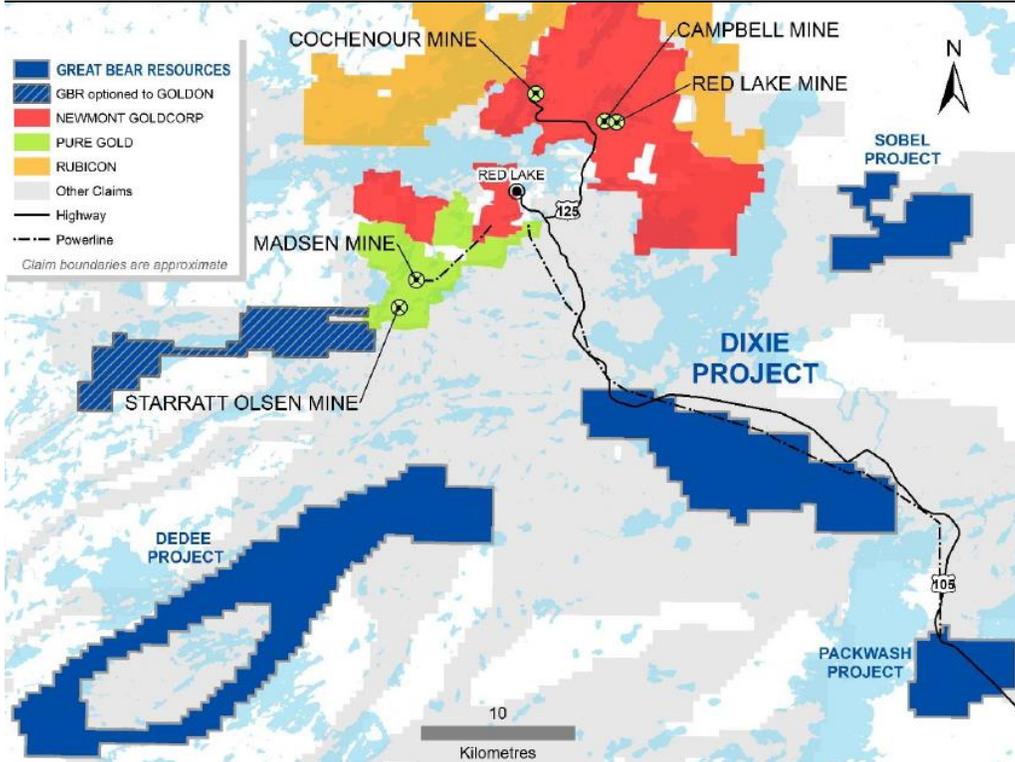
- Ongoing drilling continues to illustrate the plunge continuity of the Hinge Zone, which as we highlighted in our initiation of coverage report "[Off to a roaring start](#)", is supported by the well-documented vertical extents of many of the multi-million-ounce deposits within the camp.
- While ongoing drilling continues to highlight the continuity of mineralization down plunge, and the prospects for additional plunging zones along strike, we note that the developing Hinge Zone grade profile continues to compare favorably to many of the more advanced deposits within the camp (Figure 6).

Valuation: With continued exploration success at Dixie, we have adjusted our valuation of Great Bear to reflect an equal weighting of our Base and Upside cases (cases detailed in our recent site trip note [here](#)). Through this adjustment, we derive an updated NAV of \$6.23/sh (previously \$4.95/sh) and a rounded target price of \$6.25/sh (previously \$5.00/sh). We maintain our SPECULATIVE BUY recommendation.

Note that our outlook towards our Upside Case (NAV \$7.50/sh), from current levels, remains predicated on (1) positive follow-up drill results from the recently discovered Bear-Rimini Zone (detailed [here](#)), and (2) further support for the recently identified high-grade cross-structure(s) along the Dixie Limb (detailed [here](#)).

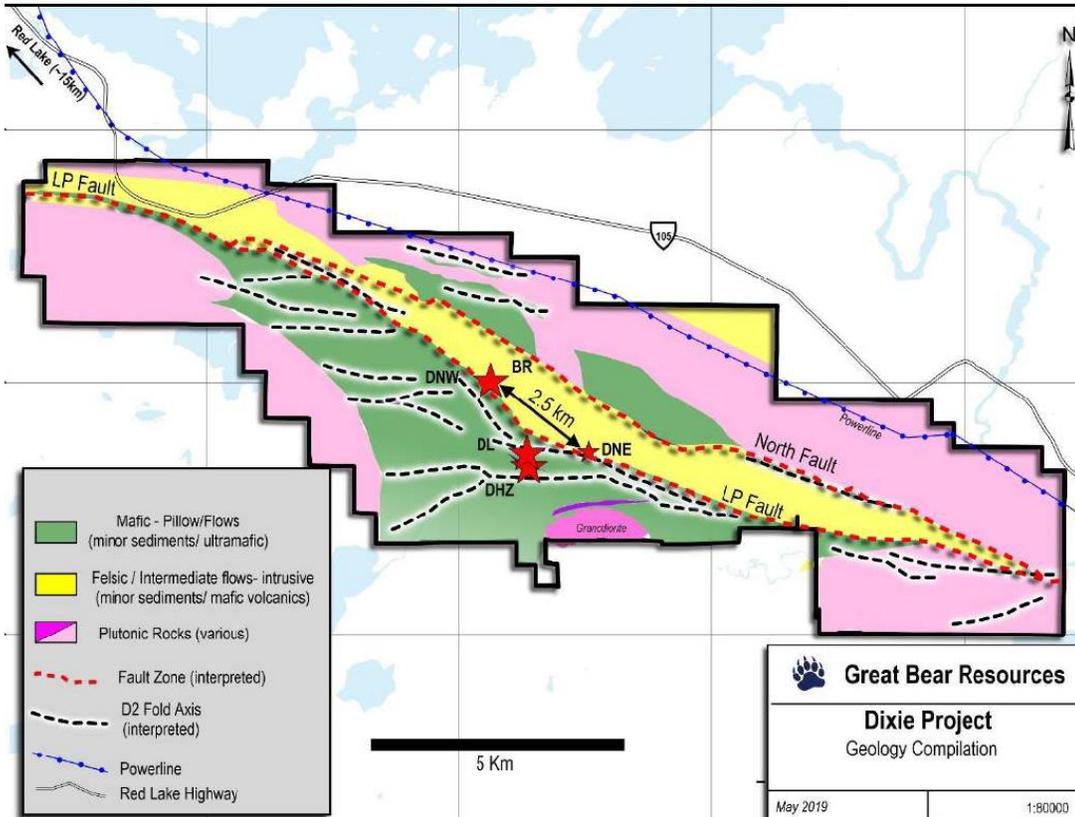
Moving Forward: With three drill rigs turning, and the recent closing of Great Bear's \$10.9M equity financing, we expect a steady stream of drill results over the coming weeks (previous drill release was May 28).

Figure 1: Property location map of Great Bear's projects within the Red Lake camp. The Dixie project is the company's flagship asset.



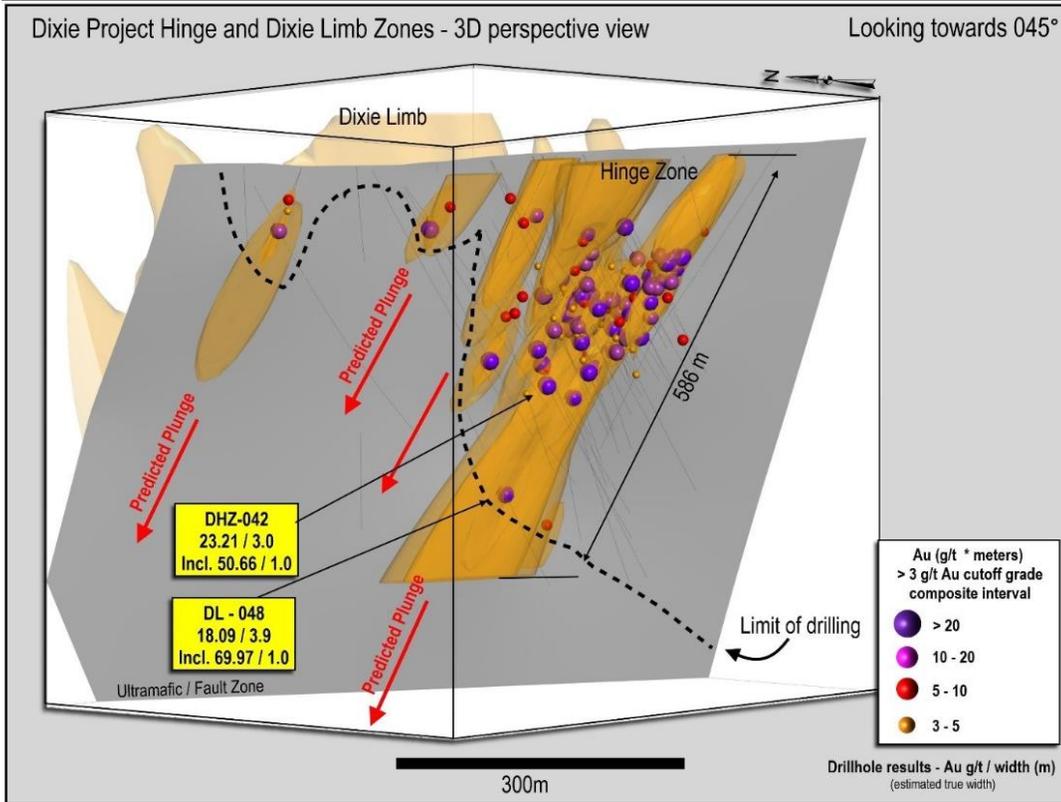
Source: Company Reports

Figure 2: Dixie project plan map highlighting location of primary exploration targets - Hinge Zone (DHZ), Dixie Limb (DL) and Bear-Rimini (BR)



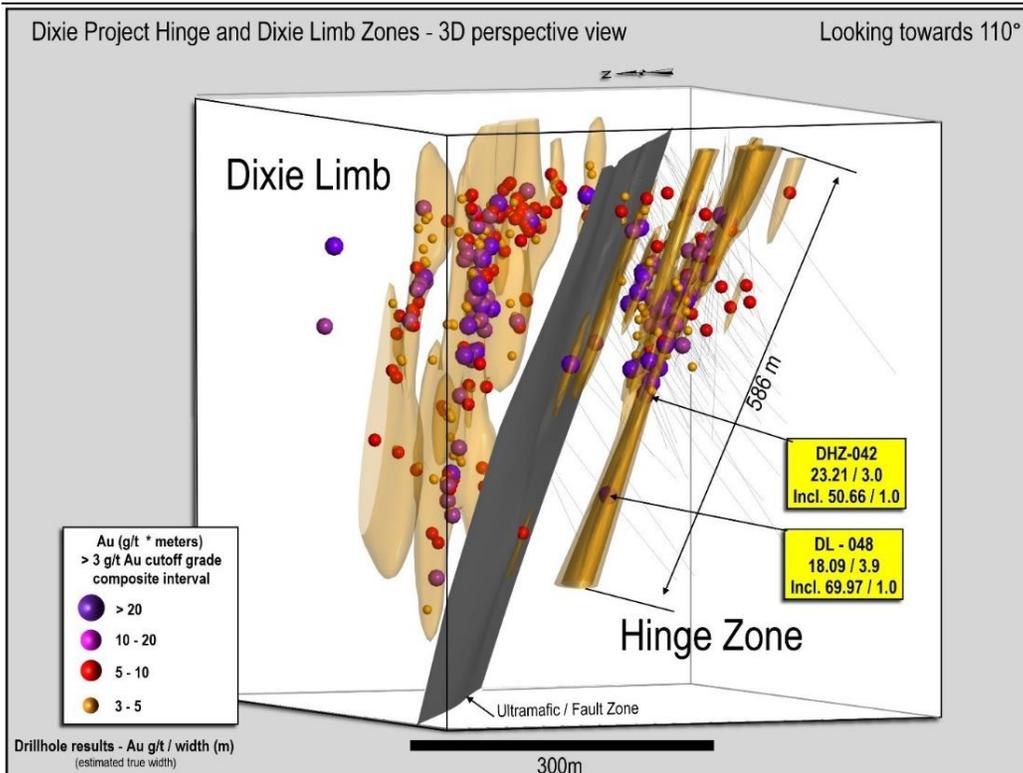
Source: Company Reports

Figure 3: 3D view of the Hinge and Dixie Limb zones highlighting the limits of drilling to date along the projected plunge of mineralization



Source: Canaccord Genuity

Figure 4: Alternative 3D view of mineralization intersected to date within the Hinge and Dixie Limb Zones



Source: Company Reports, Canaccord Genuity estimates

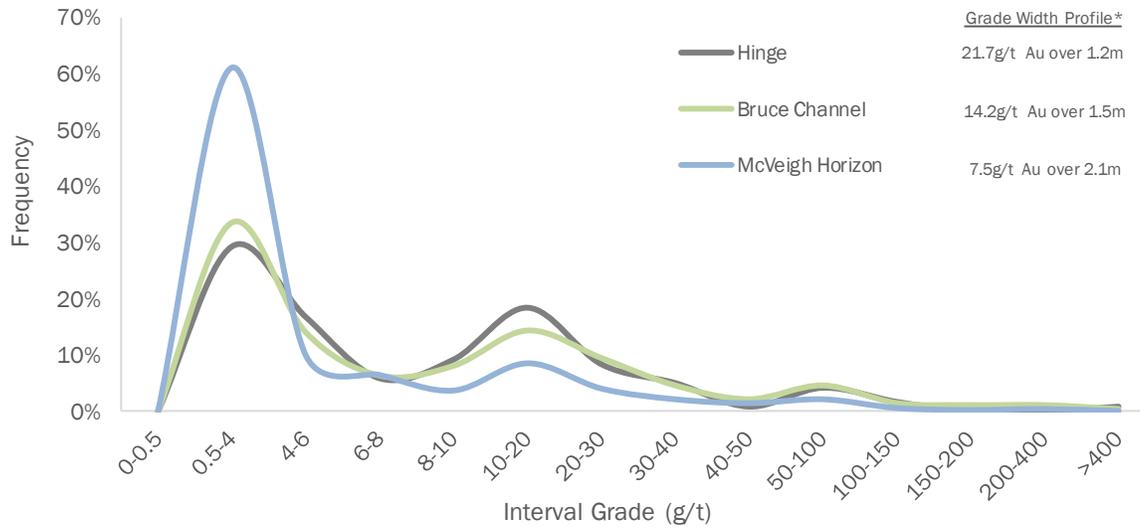
Figure 5: Selected drill results

Hole Number	From (m)	To (m)	Interval* (m)	Au (g/t)	Vein	Vertical Depth (m)
DHZ-040	257.3	258.3	1.0	16.56	1	206
including	257.8	258.3	0.5	31.59		
and	264.5	265.0	0.5	8.43	2	212
DHZ-041	159.5	161.0	1.5	1.95	1	138
including	160.0	160.5	0.5	3.70		
and	166.3	167.3	1.0	2.57	2	143
including	166.8	167.3	0.5	4.55		
and	183.0	183.5	0.5	3.38	3	157
DHZ-042	276.9	279.9	3.0	23.21	1	229
including	276.9	278.9	2.0	34.12		
and including	276.9	277.9	1.0	50.66		
DHZ-043	108.5	110.0	1.5	2.69	1	99
including	109.0	109.5	0.5	5.07		
and	184.5	185.0	0.5	4.37	2	167
DHZ-044	218.2	225.1	6.9	4.56	1	181
including	218.2	222.6	4.4	6.39		
and including	218.2	218.7	0.5	9.96		
and including	220.3	222.6	2.3	9.39		
DL-048	416.3	420.2	3.9	18.09	1	342
including	417.7	418.7	1.0	69.97		
and including	417.7	420.2	2.6	27.57		
DHZ-045	67.4	67.9	0.5	2.36	1	62
and	127.0	127.5	0.5	4.09	2	115
and	156.0	156.5	0.5	3.25	3	141
and	204.2	207.1	2.9	1.70	4	185
and	225.2	233.8	8.6	3.15	5	207
DHZ-046	225.2	229.7	4.5	5.53	1	198
including	229.2	229.7	0.5	37.32		
DHZ-047	265.5	266.0	0.5	3.21	1	247
DHZ-048	31.7	45.5	13.8	1.63	1	30
including	39.8	45.5	5.7	2.39		
and including	39.8	41.1	1.3	4.72		
and including	43.5	46.0	2.5	3.21		
and including	44.5	45.5	1.0	6.41		
and	236.0	237.5	1.5	7.02	2	183
including	237.0	237.5	0.5	20.40		
DHZ-049	38.3	46.9	8.6	2.39	1	35
and	226.9	228.4	1.5	15.52	2	184
including	227.9	228.4	0.5	44.94		
and	243.0	243.5	0.5	4.68	3	197

Source: Company Reports, Canaccord Genuity estimates

*Reported width is determined to be 90-95% of true width based on intersection points of the drill hole intercept with the geological model and oriented drill core data.

Figure 6: Great Bear's Hinge Zone drill intercept grade profile compared to that of Gold Eagle's Bruce Channel discovery (2003-2007) and Pure Gold's McVeigh Horizon expansion/delineation (2014-2018)



Source: Company Reports, Canaccord Genuity estimates, Pure Gold and Gold Eagle press releases

*True width normalized to 80% of reported drill intervals for each project based on available data and projected orientation of mineralization

Figure 7: Great Bear valuation summary

	C\$M	C\$/sh
Project NAV		
Dixie Project	\$285	\$5.57
Regional Exploration Credit	\$12	\$0.23
Total Project NAV	\$297	\$5.80
Corporate Adjustments		
Working Capital	\$22	\$0.43
ITM Options & Warrants	\$13	\$0.25
Exploration Expense + G&A	(\$13)	(\$0.25)
Corporate Adjustments	\$22	\$0.43
Corporate NAV	\$319	\$6.23
Shares (M): O/S+ITM+Financing		51.2

Source: Company Reports, Canaccord Genuity estimates

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Investment Recommendation

Date and time of first dissemination: July 10, 2019, 11:03 ET

Date and time of production: July 10, 2019, 11:03 ET

Target Price / Valuation Methodology:

Great Bear Resources Ltd. - GBR

Our valuation of Great Bear is centered on a \$220 NPV_{7%} valuation of the Dixie project, which is rooted in an applied target resource of 0.75Moz grading 10.0g/t Au. Applying other non-operating and balance sheet adjustments, we derive a NAV of \$6.23/sh and a rounded target price of C\$6.25/sh.

Risks to achieving Target Price / Valuation:

Great Bear Resources Ltd. - GBR

We note Great Bear's flagship Dixie project is yet an early-stage emerging discovery, and as such highlight it as a prospective investment for risk-tolerant investors.

In addition to the usual risks to target prices associated with commodity pricing, exchange rates, and mineral exploration/development, we highlight the following:

Financing Risk – As an exploration company without cash flow, Great Bear is reliant upon the capital markets to remain a going concern. At present, the company has a cash position of ~\$20M and is well-positioned to continue to advance its Dixie project in the near-term (1-2 years). However, we note that there is no guarantee that Great Bear will be able to access capital markets on a going-forward basis, as a result of potential changes in market sentiment/pricing and/or concerns involving exploration results/project feasibility.

Shareholder Dilution – Given that Dixie is yet an emerging discovery, we do not include any associated dilution for future equity financings. We will look to assess Great Bear's future capital requirements upon the completion of its ongoing/fully financed 90,000m drill program, at the conclusion of which Great Bear is projected to have ~\$8-10M in cash (excluding potential warrant exercise). We note that future dilution, and the timing thereof, is heavily dependent upon the results of ongoing drilling.

Exploration Risk – We note that there is no guarantee that future drilling at Dixie will be successful in delineating a resource comparable to that of our currently applied Base Case target resource. As such, there exists the potential that negative drill results in the near to medium term could significantly impact our valuation of Great Bear.

Development Risk – Our current valuation of Great Bear is centered on Dixie developing into a high-grade feed source that would be acquired by a local operator within the Red Lake camp. Beyond the risks outlined in the above Exploration Risk section, there is no guarantee that such a feed source, if demonstrated, would result in an acquisition by a local operator. As such, we note that the economics of our Base Case valuation would be negatively affected within the context of a projected standalone operation given the higher required initial CAPEX.

Distribution of Ratings:

Global Stock Ratings (as of 07/10/19)

Rating	Coverage Universe		IB Clients
	#	%	%
Buy	515	59.13%	51.84%
Hold	204	23.42%	33.82%
Sell	23	2.64%	21.74%
Speculative Buy	129	14.81%	75.97%
	871*	100.0%	

*Total includes stocks that are Under Review

Canaccord Genuity Ratings System

BUY: The stock is expected to generate risk-adjusted returns of over 10% during the next 12 months.

HOLD: The stock is expected to generate risk-adjusted returns of 0-10% during the next 12 months.

SELL: The stock is expected to generate negative risk-adjusted returns during the next 12 months.

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“Risk-adjusted return” refers to the expected return in relation to the amount of risk associated with the designated investment or the relevant issuer.

Risk Qualifier

SPECULATIVE: Stocks bear significantly higher risk that typically cannot be valued by normal fundamental criteria. Investments in the stock may result in material loss.

12-Month Recommendation History (as of date same as the **Global Stock Ratings** table)

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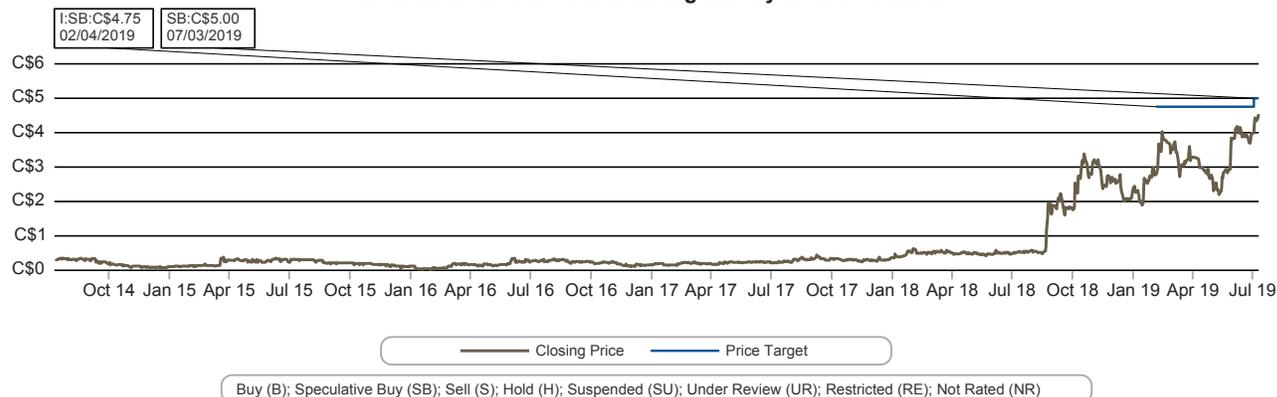
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An analyst has visited the material operations of Great Bear Resources Ltd.. Partial payment was received for the related travel costs.

Great Bear Resources Ltd. Rating History as of 07/09/2019



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