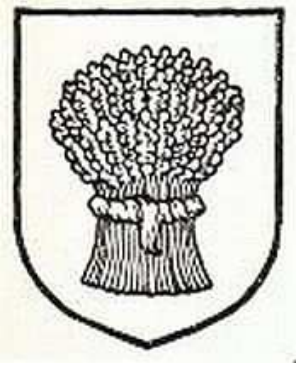
Tuesday, June 27, 2017



HALLGARTEN & COMPANY

Initiating Coverage

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Bunker Hill Mining

(Currently trading as Liberty Silver - CSE:LSL)

Strategy: LONG

Key Metrics	
Price (CAD)	$1.90
12-Month Target Price (CAD)	$3.10
Upside to Target	63%
12 mth high-low	$1.70-$3.00
Market Cap (CAD mn)	$46.74
Shares Outstanding (millions)	24.6
Pro-forma Fully Diluted (millions)	26.9

Bunker Hill Mining

Reviving a Zinc/Lead Mammoth

- + Bunker Hill, located in Idaho, is one of the largest Lead/Zinc mines in the world. It is now a target for reactivation under a veteran management team
- + Possibly 400,000 tonnes of unprocessed ore stockpiled in the stopes for ready processing
- + Availability of three unused mills in near vicinity means that production from stockpiling ore can begin almost immediately
- + Revival of cashflow from this "plug & play" source could be fairly rapid
- + Environmental issues of the past (related to the long-gone Lead smelter) are now resolved and the EPA is eager to see the mine reopened
- + As potentially one of the largest sources of Lead/Zinc in North America the revival of the mine fits in the with US Administration's aspirations for resource independence
- + Intention to upgrade to TSX Main Board as soon as possible
- ✘ Zinc's price surge does not have the momentum that it had in the 12months up until the end of March
- ✘ At least for now the EPA's attitude is favorable to the project. This cannot be guaranteed beyond the current Administration

Reactivation Suiting Tenor of the Times

The northern parts of Siberia are full of the remains of woolly mammoths buried in the permafrost of the tundra. Such is their state of preservation that scientists, maybe inspired by Jurassic Park, have been tempted to take DNA and recreate these awesome creatures. In looking at the Bunker Hill mine, the word "mammoth" spring to mind due to its sheer size and its almost perfect state of preservation. The Bunker Hill Mine is one of the most storied base metal and silver mines in American history. Initial discovery and development of the property began in 1885, and from that time until the mine closed in 1981 it produced over 35.8 million tons of ore at an average mined grade of 8.76% lead, 4.52 ounces per ton silver, and 3.67% zinc.

When one adds Bunker Hill's richness in Zinc (and Lead), two metals seeing a major rerating, with a decided scarcity of mines coming to production and one has not a curiosity requiring justification of reanimation, but indeed a production site that will be a necessary piece of global puzzle of where future Zinc production will come from.

The reactivation of this mine would be the type of outcome commensurate with the Trumpite slogan of making "America Great Again". Certainly I would make the United States less dependent upon external sources of key base metals. Having said that, one cannot expect the somewhat directionless regime to

do anything proactive to make this happen, so this will be left to the private sector, and in this case Bunker Hill Mining's revival out of the structure of Liberty Silver will be the key initiative.

At this stage in the Lead/Zinc mini-supercycle (if we may be so bold as to call it that), the price of Zinc makes attractive the reactivation of the mine (and financing thereof), even without Lead particularly moving much higher, pricewise. The influence of the Federal Government is thus best when it is benign and this is evident from the EPA's eagerness to see Bunker Hill move off its books and reenter production.

Background

The Bunker Hill Mine and Smelting Complex, was a large mine/smelter located in Kellogg, Idaho, in the Coeur d'Alene Basin. It is located in what became known as the Silver Valley of the Coeur d'Alene Basin, an area that for a century was a center of extensive silver and other metal mining and processing.

In the late 1880s, a boom in mining activity in Idaho's Silver Valley followed the construction of railroad lines.

The Bunker Hill mine, the largest of the Coeur d'Alene area mines, was founded after discovery of silver here in the 1880s by Noah Kellogg. Initially, the ore was shipped out of the Silver Valley by train for processing; but within a few years, mills and smelters were built on-site to extract the metals from the ore. The process used by the first mills, known as "jigging," was very inefficient, often recovering less than 75% of the metal from the ore. This meant that large amounts of lead and other metals remained in the tailings, which were dumped in nearby waterways.

Early mine development included numerous adits following various veins from surface outcrops, effectively creating a number of small mines on the large property and providing an indication of future

mine size. In 1903, the 12,000 foot long Kellogg Tunnel was completed, providing an underground link to all of the mines on the hill and providing access to new, though as yet undiscovered, orebodies and also provided a means of efficient haulage for transporting ore to the mill located near the tunnel portal. The tunnel required eight years to complete and was driven using hand steel for drilling blast holes, shovels for hand mucking blasted rounds and mules to haul loaded muck cars to the surface.

In September 1915, the Bunker Hill Mining & Smelting Company (BHMSC) announced that a smelter would be built in Kellogg and on July 5, 1917 lead smelting operations began. In 1927 the electrolytic zinc smelter was completed and zinc smelting commenced. The Bunker Hill Mine and Smelting Complex, by this stage, was the largest smelting facility in the world. This resulted in extensive contamination of water, land and air.

In 1945, in the last months of World War II, the company added a cadmium-processing facility to the smelter, which recovered high-grade cadmium from the smelter's waste products.

From the time that development of the property began in 1885 until the mine closed in 1981, over 35.8 million tons of ore was mined at an average mined grade of 8.76% Pb, 4.52 ounces per ton Ag, and 3.67% Zn.

Bunker Hill - Historic Production

	Tons	Pb %	Ag opt	Zn %	NSR/Ton
1887 - 1950	20,480,279	11.24%	5.37	3.74%	$261
1950 - closure	15,299,119	5.24%	3.38	3.59%	$151
Total	39,944,000	8.76%	4.52	3.67%	$366

Throughout its long history, over 40 different zones were discovered and 24 of these zones were mined at the Bunker Hill, primarily consisting of Zinc-Lead-Silver mineralization.

The Bunker Hill and Sullivan Mining Company had a strong history of regular dividend payments to shareholders from the time the company went public in 1905 until it was acquired in a hostile takeover by Gulf Resources in 1968.

The Environmental Problems

Firstly it should be clearly stated that the aforementioned problems were largely an issue related to the now removed smelter(s) in the region. In 1983 the Environmental Protection Agency added this area to the National Priorities List as a Superfund site for investigation and cleanup. The Lead Smelter, Electrolytic Zinc Plant and historic milling facilities were demolished about 25 years ago.

In 1991 the Coeur d'Alene Tribe brought suit against Hecla Mining, ASARCO and other companies for damages and recovery of cleanup costs of the site. In 1996 it was joined by the United States in the suit. In 2001 the United States and the Coeur d'Alene litigated a 78-day trial against Hecla and ASARCO over liability issues.

As of 2007, the EPA had spent $200 million attempting to remediate the site, much of which was spent removing contaminated topsoil from residential areas. The state of Idaho had also spent funds since the early 1980s on cleanup. All the cleanup of the old smelter, zinc plant, and associated sites has now been completed. The once denuded Bunker Hill above Kellogg (shown below) is now reforested.

In 2008, ASARCO, the other major defendant, reached settlement with the Coeur d'Alene and United States after filing for Chapter 11 bankruptcy in 1996.

In 2011 the government, the Coeur d'Alene Band, and the state of Idaho (which joined the suit to participate in settlement) reached settlement with Hecla Mining to resolve one of the largest cases ever filed under the Superfund statute. Hecla Mining committed to pay $263.4 million plus interest to the United States and other parties to "resolve claims stemming from releases of wastes from its mining operations.

Settlement funds were to be dedicated to restoration and remediation of natural resources in the Coeur d’Alene Basin. The trustees intend to restore habitat for fish, birds and other natural resources, for stewardship while working for economic progress in the region.

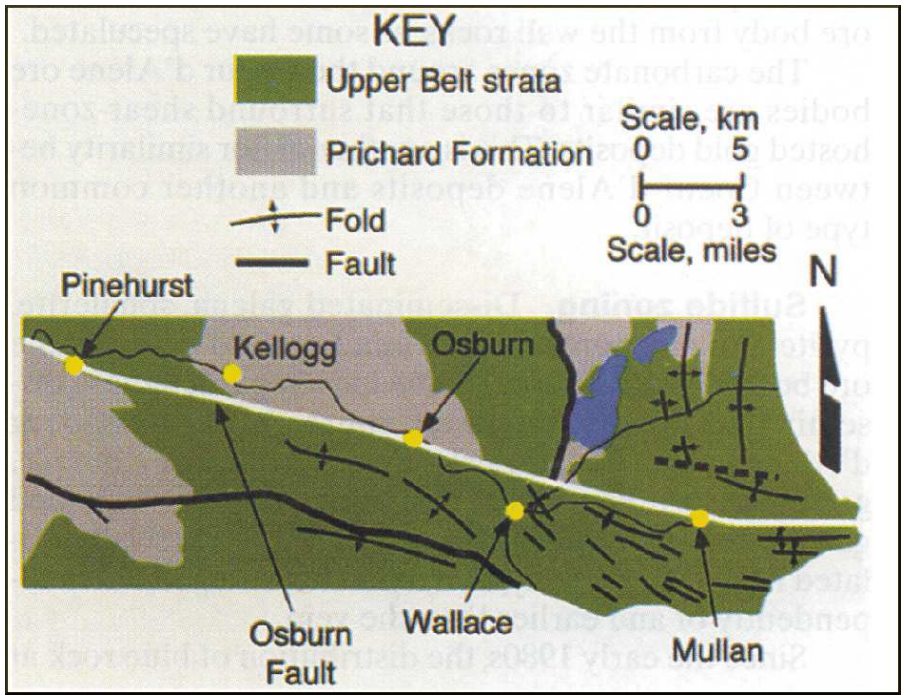
Closure and Interregnum

As mentioned, the Mine and Smelter Complex were closed in 1981 after the then owner, Gulf Resources, was not able to continue to comply with the new regulatory structures brought on by the passage of environmental statutes and as then enforced by the Environmental Protection Agency. It's important to note that the reasons for the mine and smelter complex closures were primarily a result of compliance with stringent smelter emissions standards, not regulatory issues with the mine itself. Some commentaries indicated that maybe only 30% of the deposit had been mined by this stage.

The mine then went into a sort of limbo with the bankruptcy process taking 12 years. It was acquired in 1993 by a Bob Hopper who was a marketer of crystal mineral specimens, with the object of collecting interesting crystal specimens from the mine to vend to the retail market. This small scale business however brought with it a longer term liability to the EPA for the broader clean-up and with the death of Mr Hopper in recent years the asset passed to his two sons. They resolved to vend the asset (held in a vehicle called Placer Mining Corp) into the current corporate structure (Liberty Silver) in the RTO transaction to be discussed anon. The payments to the vendor will partially be channeled towards paying the residual obligations of the vendor.

Geological Setting

It is strange to hear a mining district described as "exotic', particularly one as well-established at that where Bunker Hill is located. And yet this is how Brian G. White of the Spokane National Laboratory styles the Coeur d'AIene district. He attributes this exoticism in part to it lying in the Lewis and Clark line. This is a major tectonic and topographic lineament defined by subparallel normal faults, reverse faults and strike-slip faults. The line appears to represent a deep-seated basement structure that formed in Precambrian time. Reverse faults that appear to be part of the vein-forming tectonic partially define the line. This suggests to White that the Coeur d'AIene district exists partly because of the Lewis and Clark line.



The Belt strata have been folded on a large scale and abundantly

faulted. Some of these thrust faults have been mapped as extending into the district from the north. The lower half of the Belt strata exposed in the district (more than 4,000 m) is characterized by pyritic black argillite of the Pritchard Formation and reflects deep-water sedimentation.

The strata equivalent to the deeper, unseen Prichard Formation are host rocks for mesothermal ore deposits. The veins consist of highly variable proportions of sphalerite, galena and argentiferous tetrahedrite in a gangue dominated by either quartz or siderite.

The ore bodies are remarkable in their number and, in many cases, in their large physical dimensions and tonnages. Strike lengths frequently exceed 300m, dip lengths 1,000m and thicknesses are of several meters. The larger ore bodies have produced from 3.6mn to 23mn tonnes of ore. Ore grades commonly run in the range of 685 to 857 g/t Ag, 7% to 14% Pb and 4% to 8% Zn. Average grades of mined ore for all mines are 240g/t (7 oz) Ag, 5.7% Pb and 2.3% Zn. Average grades, however, are not representative because many veins are composed primarily of any one of these metals

The ore bodies lie in west-trending linear clusters known as mineral belts. Most veins strike westerly, parallel to their mineral belts. Others strike northeasterly and some change from westerly to northeasterly in plan, forming S-shapes.

Most silver production has come from a mineral belt south of the Osburn Fault, the eastern part of which is known as the Silver Belt. Other mineral belts have primarily contributed lead or zinc, with lesser production of silver. Disseminated copper-silver deposits at the east ends of some of the mineral belts in the north-east part of the district have occasionally been identified as part of a separate, northwest-trending mineral belt called the Copper Belt. This zone is defined by the upturned edge of Revett strata that contains stratiform copper-silver deposits. This is the southwestern-most occurrence of this type of mineralization and is unrelated to Coeur d'Alene-type veins.

The Transaction

A month ago, in mid-May, it was announced that the Bunker Hill mine asset would be backed into the listed vehicle, Liberty Silver Corp. The latter announced that it had entered into a Letter of Intent to acquire the asset from Placer Mining Corp. This entity had acquired the asset several decades ago but the chief driving force behind the company died in recent years leaving the heirs to dispose of this asset and resolve claims against it.

Pursuant to the terms and conditions of the Letter of Intent dated November 27, 2016 (and amended on March 29, 2017), the acquisition is subject to due diligence, regulatory approval and definitive documentation, which Bunker Hill is required to complete by the close of business on July 28, 2017 (though it was originally June 29, 2017 and subsequently extended).

The acquisition includes all mining rights and claims, surface rights, easements, existing infrastructure at Milo Gulch, and the majority of machinery and buildings at the Kellogg Tunnel portal level, as well as all equipment and infrastructure anywhere underground at the Bunker Hill Mine Complex. The acquisition

would also include all current and historic data relating to the Bunker Hill Mine Complex, such as drill logs, reports, maps, and similar information located at the mine site or any other location.

The acquisition price is a total of US$30mn. The initial US$15mn shall be paid annually over the course of five years. The amounts work out as:

- US$150,000 upon execution of the Letter of Intent (paid)
- US$3.35mn falls due on the Closing Date
- US$3.5mn on the first anniversary
- US$3mn on the second anniversary
- US$2mn on the third and fourth anniversaries
- US$1mn on the fifth anniversary

The balance of US$15mn will be paid in 15 equal installments beginning on June 29, 2023 and on each anniversary thereafter. These fifteen payments may be accelerated and paid in shares based on prevailing market prices and share volumes.

In addition there is a net smelter return royalty with an aggregate maximum payment of US$60mn, at a rate of 2% for the first US$15mn, 1% for the next US$15mn and 0.5% for the remaining US$30mn.

Liberty Silver also made payments totaling US$280,000 with respect to certain property carrying costs and, for up to two years after closing, it shall hire certain local managerial staff.

The EPA

The triggering factor for making this transaction viable is the evolved attitude of the EPA. The EPA's main residual responsibility in the area is the operation of a water treatment plant for mine run-off. The EPA wants the operator of the Bunker Hill mine to pick up the cost of approximately $1mn per annum that this takes to run. As the mine water from any dewatering (both initial and ongoing) would require treatment anyway this seems a reasonable cost to pay to get Bunker Hill back into the producer category.

Reserves and Resources

When the mine closed in 1981, it was estimated to still contain significant resources. The ore reserves as calculated in 1991 (obviously non-NI 43-101 compliant) which were calculated to the more conservative and exacting SEC standards are shown in the table below.

Proven & Probable Reserve Calculation (1991)

	Tons	Pb Grade	Ag oz/t	Zn Grade
Total Zinc Areas	10,934,500	1.23%	0.58	5.85%
of which:				
Quill Zone	4,936,606	2.27%	1.16	6.28

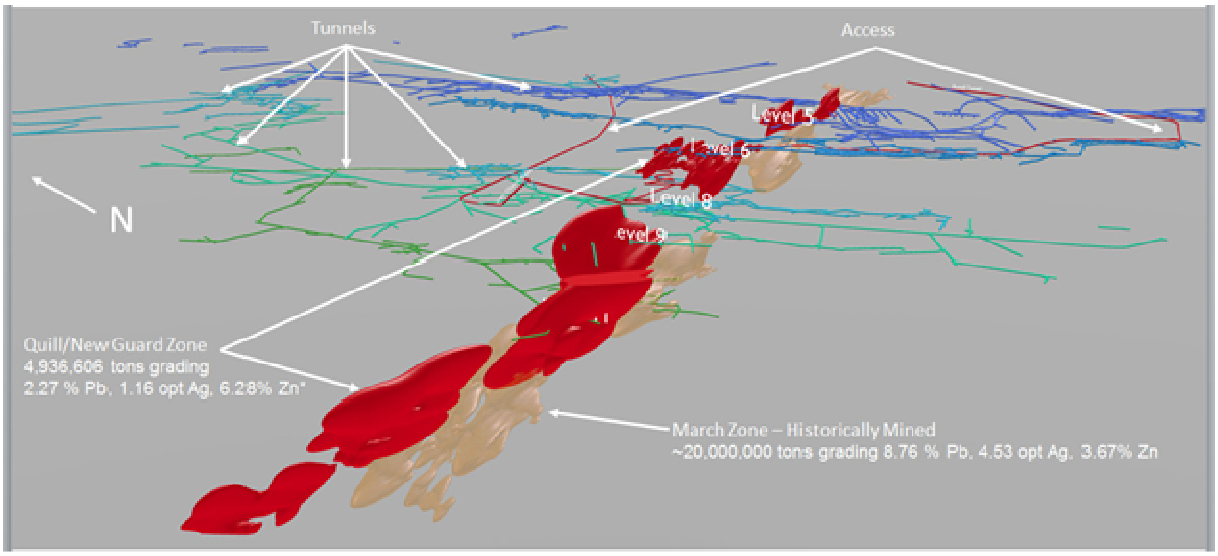
Inferred Resource Calculation (1991)

	Tons	Pb Grade	Ag oz/t	Zn Grade
Sweeny Zone	41,000,000	2.68%	1.13	0.83%**

** above 9 level

Sweeney has about 50 mm tons according to one report but another more recent report based on a mine plan quoted 41 mm tons. It is open though at the depth. Geologists from the 1970s have suggested that it could in fact be 3-4 times larger than that but they had no drilling to prove that.

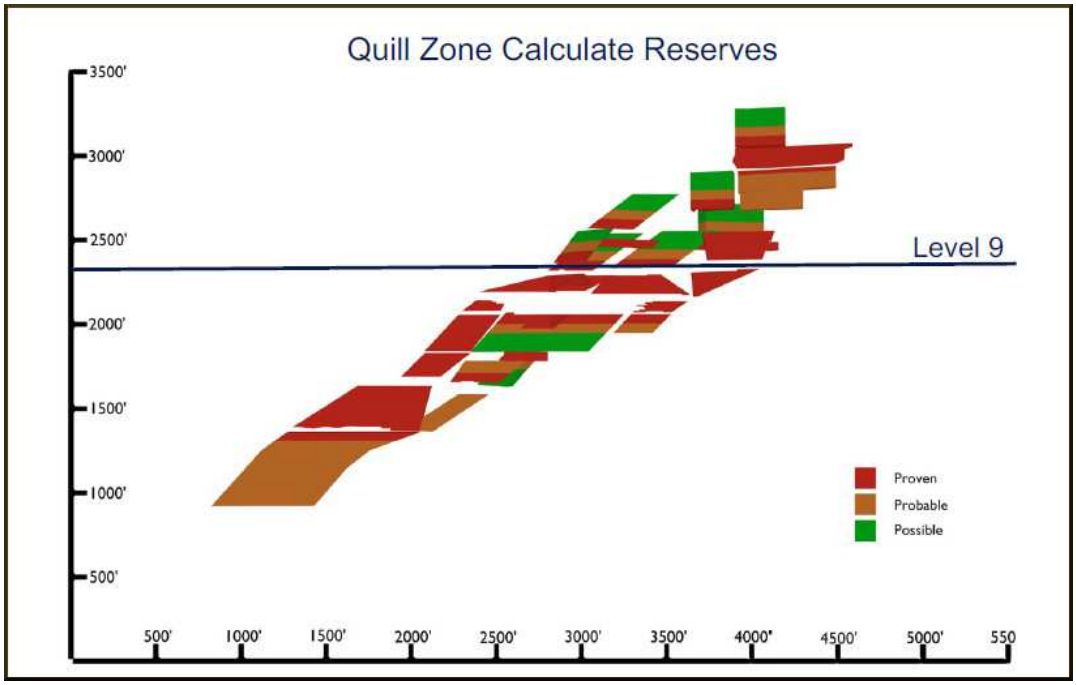
The total resource, reported at the time of closure in 1981, is about 60 mm tons, but within that is about 12 mm tons of SEC class reserves.



The company's goal with the planned $5mn work program to be carried out in the middle of 2017 is to produce a new NI 43-101 resource within six months to a year. The report will cover most of the Quill Zone, which will be classed as a Resource in the report.

The Main Target – Quill Zone

The main target for exploration work and potential reactivation in the short-term is the so-called Quill Zone. In general, the Quill Zone is high-grade zinc-rich zone and is already fully developed.



There is a historical reserve (non-NI43-101) of 4.9mn tons in the Proven and Probable categories between Levels 4 and 14. The company regards this as being readily accessible for near-term mining at an initial 1500 tpd.

Quill Zone Reserve Calculation 1991

	Tons	Pb %	Ag oz/t	Zn %
Proven & Probable	4,936,606	2.27	1.16	6.28

There has been previous mining done on nine levels of the Quill Zone with nearly 1,000,000 tons of high-grade zinc ore recovered in late 1970's. The zone is known to continue from historical drilling to depths below the 1700 level.

The Mine

Firstly, it is important to consider the regional dynamic. There are several reactivated mines in the region but the majority of the nearly 140 old mines are shuttered. There are however a number of mills in close proximity to Bunker Hill, including that at the former Sunshine Mine which has a capacity of 1,000tpd.


Long Section Showing Historical Development
LONGITUDINAL PROJECTION
(East-West Looking North)
Silver-Copper Ore Shoots
Lead-Zinc Ore Shoots
BUNKER HILL MINE
CRESCENT MINE
SUNSHINE MINE
No.3 Shaft
No.2 Shaft
No.1 Shaft
Bunker Mill
25 Level
23 Level
21 Level
19 Level
17 Level
13 Level
9 Level
5 Level
Lower Alhambra
Upper Alhambra
Big Creek No.4
Big Creek No.3
Big Creek No.2
Hooper Tunnel
Crescent Shaft
Sunshine Mill
Jewell Shaft
Sunshine
3000'
2500'
2000'
1500'
1000'
500'
Sea Level
-500'
-1000'
800 Level
1200 Level
1900 Level
2300 Level
3100 Level
3200 Level
700 Level
1100 Level
W5000
0
E5000
E10000
E15000
E20000

As can be noted on the cross section on the preceding page the Crescent Mine is in closest proximity and there are drifts that nearly connect the two mines together.

The Sunshine mill has 1,000 tpd nameplate capacity, but has operated at as high as 1,200 tpd. The nearby Crescent Mine has no mill, but the Coeur Mill (currently on care & maintainance) is further east with capacity of 500 tpd. There is another available mill called the Jersey Mill which has 450 tpd capacity.

The plan is to mine both the regular and some of the stockpiled ore and then trucking it to one of the nearby mills which will be reactivated for the task of taking the Bunker throughput. It will then be a natural evolution to start mining the most easily accessible parts of the Quill mineralisation.

The concentrate from the mill can then possibly be trucked in 50 tonne containers to Teck's Trail smelter, over the border in Canada. For the distance of around 120 miles the costs would be an estimated $7.50 per tonne.

Such measures are just a short-term plan of action. Longer term there is the whole mine to consider, with its 250 miles of tunnels it is a truly enormous complex. The underground infrastructure is in pristine condition as one can see here in a photo of the No 1 Hoist.

Zinc – It Never Rains but it Pours

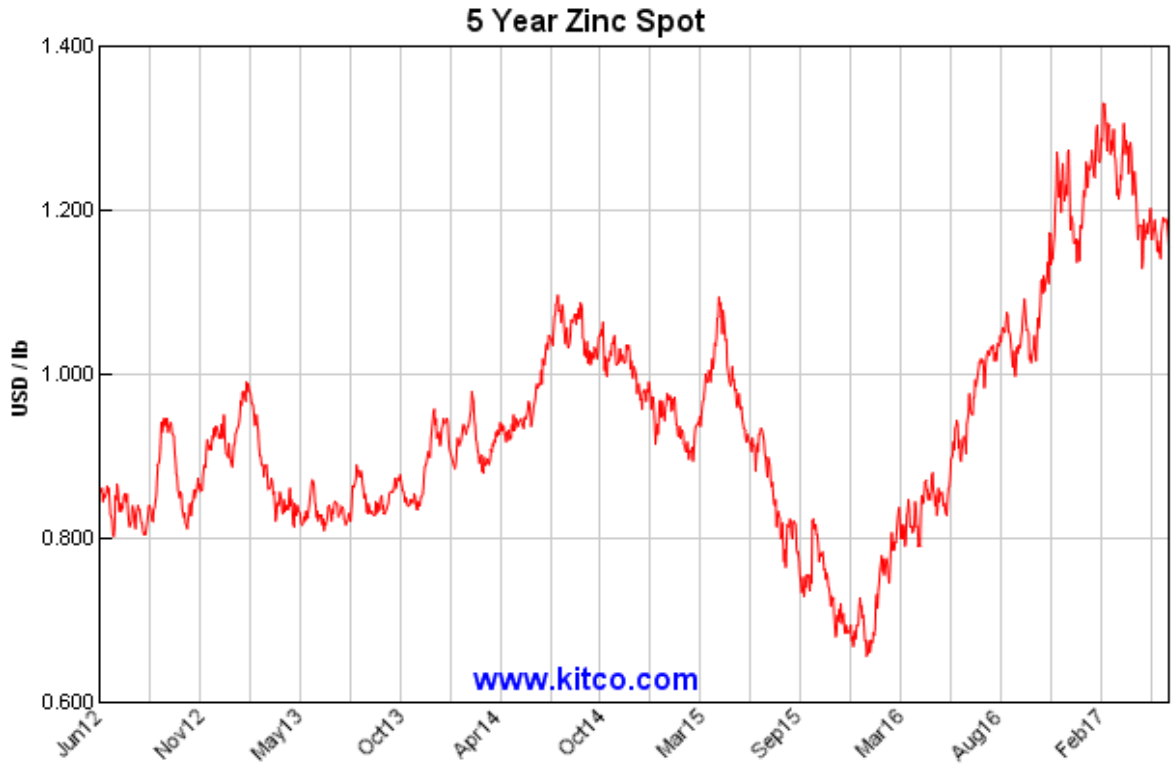
The Great Zinc Drought has now definitively broken. Many have called an end to this protracted dry spell going back to 2006 and have been proven foolish. However, this time around the degradation of the zinc mining space through mine closures, lack of a pipeline of new projects (or even old mines to reopen) and virtually zero exploration since 2011 means that the landscape is not only parched it is veritably scorched earth.

Zinc fell from about $0.90 per lb in the late '80s to $0.40 per lb in 1993, then spent the rest of the decade constricted to a range between $0.40 and $0.55.

After the Tech Crash in 2000, it sunk below $0.40 per lb until 2003 when it began to regain traction. In

2004-5 it broke out above what appeared to be a multi-year $0.50/lb resistance and within two years quadrupled. In late 2006 it broke above $2 per lb.

In August 2016 it crossed the US$1 per lb threshold and it is now a long way from the US$0.67 at which it bottomed in early 2016.



As the preceding chart shows, Zinc has found resistance in previous years around the $1.10 per lb level and has then retreated. However, the supply situation has never been as bad in the last ten years as it is now.

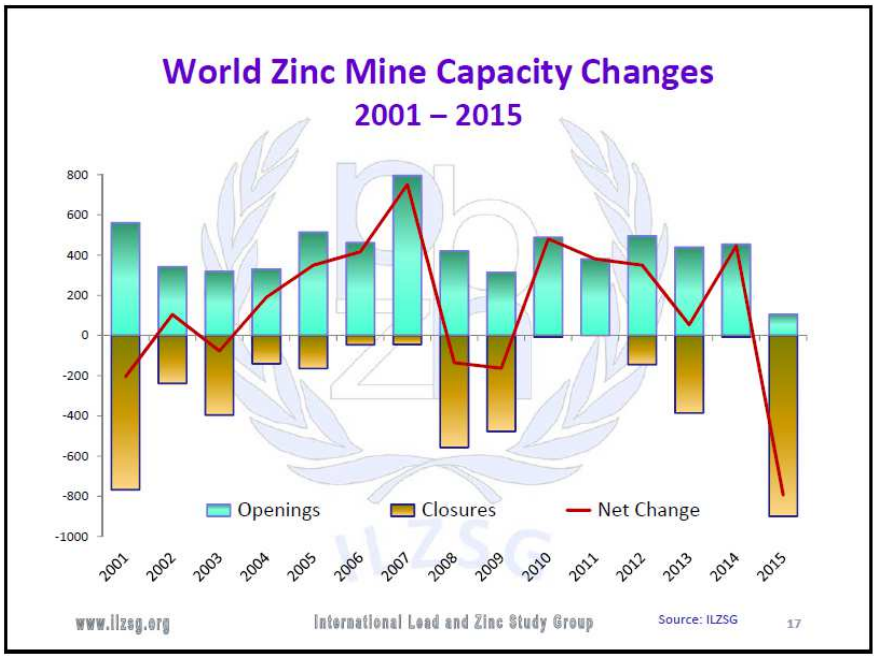
It seems but a distant memory, but last October the obituaries were being written for Glencore, the world's largest Zinc trader with over 60% of global traded volumes. Now those fears are well in the past and Glencore, like Zinc, has arisen from its grave.

A key component of this turnaround has been scheduled mine closures (shown below) combined with temporary mine closures (by the likes of Glencore) to get the market back in balance.

Zinc Capacity Closures - 2015 & 2016

Mine	Annual Capacity (Zinc contained -tonnes)	Owner
Century Australia	-500,000	MMG
Duck Pond, Canada	-34,000	Teck
Myra Falls, Canada	-27,000	Nyrstar
Wolverine, Canada	-53,000	Yukon Zinc
Lisheen, Ireland	-175,000	Vedanta
Campo Morado, Mexico	-10,000	Nyrstar
Naica, Mexico	-25,000	Penoles
Pallca, Peru	-15,000	Mitsui
Gordonsville, USA	-60,000	Nyrstar
Iscaycruz, Peru	-170,000	Glencore
Black Star, Australia	-75,000	Glencore

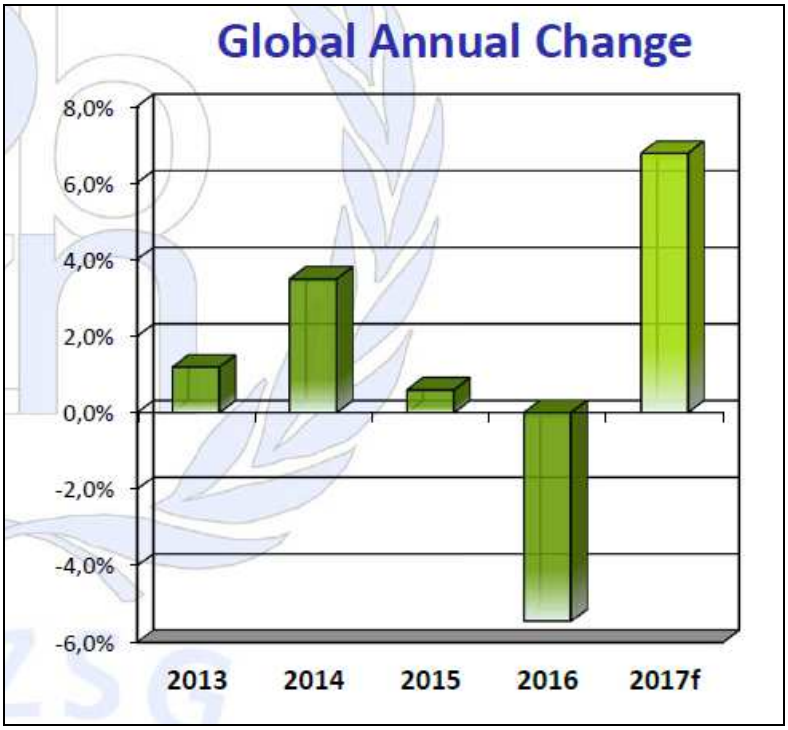
Glencore reported for the full year 2016 that its own-sourced zinc production of 1,094,100 tonnes was 24% down on 2015, due to the production curtailments announced in October 2015, mainly in Australia and Peru. Most observers think the company is not in a rush to reopen capacity until prices are even more rewarding. It should be remembered that Glencore as the largest trader and one of the largest miners in Zinc is in a "heads you win, tails you win" situation with rising prices even if it keeps capacity closed until prices are, over $1.20 or even $1.30. Even then it can eke capacity back into operation to not upset the balance of supply/demand and weaken prices.



At the right can be seen mine capacity changes this century. The year to contrast with is 2008, a bad year for every metal where the opening/closing ratio was not even vaguely as unbalanced as now with an even greater accentuation of the closures in 2015.

Heavy underinvestment has taken its toll on the pipeline of new projects,

to the effect that there aren't any to speak of. Therefore the International Lead and Zinc Study Group recorded shrinkage in supply for 2016, just as prices have started to surge, but then a rise in 2017. Here is their projection.



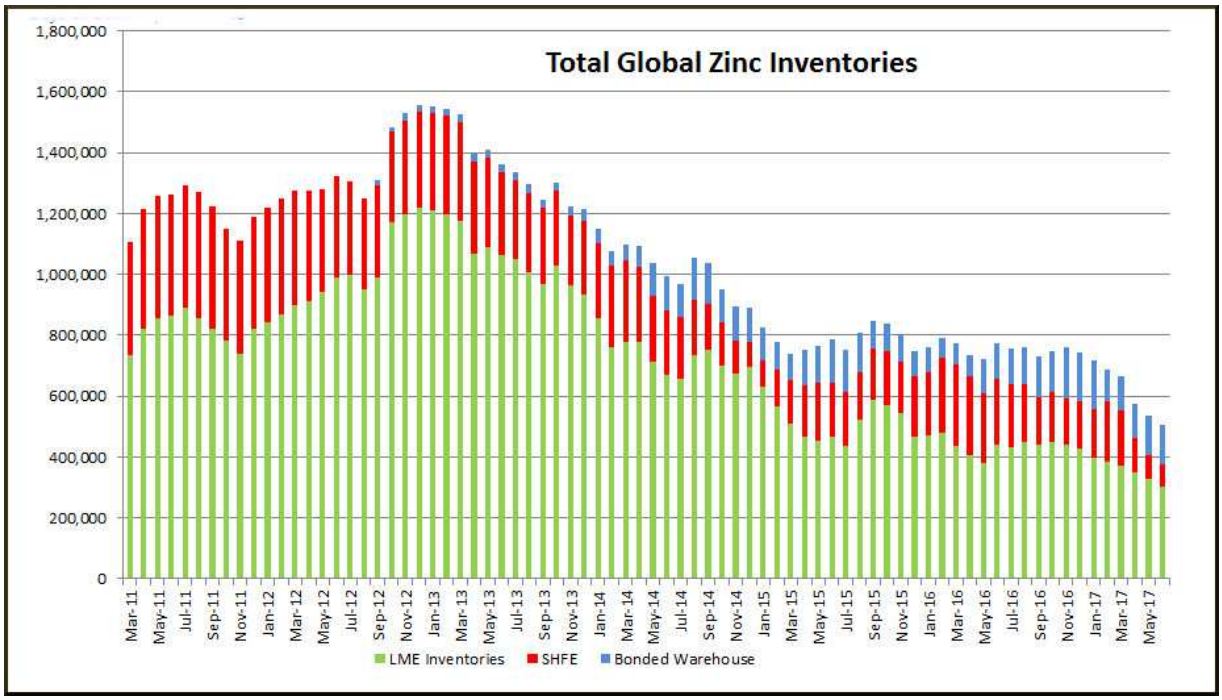
Source: ILZSG

The large decline in 2016 reflects declining production from existing mines, exacerbated by mothballing or production cuts as a response to weak prices. The latter two actions can be reversed given time, but exhausted mines are removed permanently from the equation.

The industrial end-users of Zinc are now facing the long awaited perfect storm in zinc, where a modicum of demand growth encounters a chasm in the production pipeline. However, we should rephrase that as there is NO production pipeline to speak of. This is the major metal where least money has been spent since 2006 in new discoveries or development than any other metal.

Zinc is of course linked inextricably with the fortunes of Lead, where prices have lagged and production has also been impacted by closures of mines (and repurposing of refineries, such as Nyrstar's actions at Port Pirie).

This trend is feeding through to Exchange and bonded warehouse levels as the chart that follows shows. Statistics (always rubbery out of China) suggest that Shanghai stocks are not what they were either with a considerable shrinkage.



With end-users scrambling to write contracts to guarantee supply, the price breached the $1.20 per lb level this year, and holds above $1.10, where it has consolidated. The $1.10 level used to be previously impenetrable and now appears to be a floor. What will happen is that no major in the mining industry shall consider new investments until prices breach $1.20 and even then they would rightly (on previous bad experience) want to see them hold there before getting over-excited about launching projects. This means an ever-worsening supply situation. For existing producers this will be a deeply profitable and long overdue development.

The mood has fired up the hunt by investors for developers like Bunker Hill that have respectable projects, while potentially also inspiring potential predators.

Financing

In late March the company confirmed that it had closed a CAD$1,515,000 Non-Brokered Private Placement of 1,515,000 Shares at CAD$1.00 with gross proceeds of CAD$1,515,000. Then in early May Liberty Silver announced the closing of a Second Tranche of the Non-Brokered in which it issued 1,578,912 common shares at a price of CAD $1.00 per Share for gross proceeds of CAD $1,578,912. Neither of these tranches contained a warrant element.

Both tranches closed with demand coming in at

Pre-Money	
Shares Outstanding	21,360,480
Current Private Placement	
Common Shares	3,200,000
Post Offering	
Shares Outstanding	24,560,480
Stock Option Plan	2,291,000
Fully Diluted	**26,851,480**

double the amount being sought. There were no institutions in the mix.

Of the pre-money shares outstanding some 14.5mn shares pertains to directors and related parties. Of those shares in the hands of directors 100% is in escrow via a number of options, voting and standstill agreements that were announced in May 2017. These shares can only be released from escrow pending a "change of control" or more precisely when/if the company is taken over.

It is envisaged that between $10-$50mn will be raised in the coming year to advance exploration/development.

Directors & Management

The board of Bunker Hill is still in a process of formation. For now it consists of five directors, whom we shall discuss below, with a target of an eventual seven-member board. In many ways Bunker Hill's team can be seen as Carlisle Goldfields (which we covered) redux with a goodly portion of the team at the company, which was acquired by Alamos Gold in January 2016, having segued over to this new endeavour.

Bruce Reid, the President and Chief Executive Officer, has extensive experience in corporate finance with specialty in the mining and mineral exploration industry. His background includes more than 30 years of direct experience in the mining industry following graduation with a BSC in Geology from the University of Toronto and a finance degree from the University of Windsor. He is the former Chairman President and CEO of Carlisle Goldfields, the gold explorer/developer purchased by Alamos Gold in 2016. He was also the founder and President/CEO of U.S. Silver Corp. that has a mine in relative proximity to Bunker Hill. He was involved in founding and financing High Plains Uranium (now part of Uranium One), Western Goldfields (now part of NewGold) and Patricia Mines (now part of Richmont Mines). Prior to that he was employed as a mining analyst at such Bay St firms as Nesbitt Thomson, Loewen Ondaatje McCutcheon and Yorkton Securities..

Howard Crosby, the Chairman, has been President of Crosby Enterprises, Inc., a consulting firm since 1989. From 1994 to June of 2006 he served as president and director of Cadence Resources Corporation, a publicly traded oil & gas company, which merged with an AMEX listed company in 2005. He was also a founder and director of High Plains Uranium in 2004, and was a founder and director of U.S. Silver Corp in 2006, which acquired the Galena Mine in the Coeur d'Alene Mining District from Coeur d'Alene Mines in 2006. From 2004 until March 2016, he was an officer and director of White Mountain Titanium Corporation, which is developing a substantial titanium project in Chile.

John Ryan, a non-executive director, has a 20-year background in founding and operating natural resource companies. Among the companies he has founded or co-founded are: Cadence Resources, Metalline Mining (now called Silver Bull Resources), High Plains Uranium, Western Goldfields. (now part of NewGold), U.S. Silver Corporation (now Americas Silver), Southern Legacy Minerals and White Mountain Titanium, among others. He has been a senior executive and director of a number of public companies and served with listed resource companies in the USA, Canada, the UK, and Australia. He

holds a degree in Mining Engineering from the University of Idaho and a Juris Doctor degree from Boston College Law School.

Harold (Roy) Shipes, a non-executive director, is a Metallurgical and Mining Engineer with more than forty years' mining experience in senior positions in base and precious metals production, engineering and project development management around the world. He has extensive experience in acquisition and development of projects in the United States, Canada, Peru, Papua New Guinea, Australia, Honduras, Bolivia, Ireland, Mexico and Venezuela. He has served as Vice President and General Manager of Operations of Southern Peru Copper Corporation, one of the largest copper producers in the world, and as CEO and General Manager of Ok Tedi Mining Ltd., where he developed one of the largest copper mines in the world. He has been President and CEO of Atlas Precious Metals Inc. since 2003.

Jennifer Boyle, a non-executive director, was also previously a director of Carlisle Goldfields and a director of Nevada Exploration (TSXV:NGE) from 2010 to 2015. She is a former securities lawyer who has been, for the past 18 years, working at founding or re-organizing early-stage junior resource issuers. Formerly, she was the CEO of St. Eugene Mining (acquired by Claude Resources) and she was a founding director and Executive Vice President of Canadian Royalties Inc. from 1997 to 2006; co-founder and Executive Vice President of Golden Valley Mines from 2002 to 2005; and co-founder and CEO of Takara Resources from 2006 to 2013. She currently works at an Institutional Forex and IIROC dealer as Corporate Finance and General Counsel at the Velocity Trade Group of Companies.

Potential Predators

The parties that might be interested on moving on a proven-up project at Bunker Hill are really only the largest players in the base metal space with traditional Zinc interests. The most obvious candidate is Teck, who as owners of the Trail smelter would be creating a regionally vertically integrated source of Zinc/Lead concentrate supply. Other names to conjure with include Lundin, HudBay or Trevally. A most distant possibility is Nyrstar, which despite its currently battered finances is one of the US's largest zinc producers through its mines in Tennessee.

Risks

The risks are few in number but potentially crucial:

- Lead or Zinc (and/or silver) price weakness
- Change in sentiment by local communities or EPA
- Financing remains difficult, though less so for Zinc where sentiments are 180 degrees away from where they were in 2007-15
- An acquirer does not appear

Price is always an issue for metals miners. Silver can be dragged up and down to varying degrees with sentiment towards gold. However Zinc has a very strong tailwind from over a decade of

underinvestment that will not be willed away by sentiment but only by fresh supply and that is evidently not imminent. We see Zinc potentially rising to $1.50 per lb over coming years.

It should be noted that the company has all permits in hand, with the only one pending being that for the Water Treatment Plant. Local communities are eager to see the mine reopen as a major source of employment and trickle down boost to the local economy. One should never discount though that the EPA may take a turn in policy however, the body has somewhat been defanged in the first months of the Trump Administration so the key is to advance as swiftly as possible while official policy is so amenable.

The “ask” from the company in the short term is not exacting and the history of successes by the management team mean that funding up to the completion of the resource report should not be an issue. The stacked ore in the stopes provides an opportunity for an “in-house” funding that would also tick the boxes of those investors that subscribe to the mantra of Production. Production, Production.

Again, the exploitation of the ore stockpiles would move the company into the producer category. Not only does this give the alternative to a trade sale to a major but it also shows to majors that production is not a pipe dream, but a reality, which in turn makes a purchase of Bunker Hill more sellable to their own investor constituencies. At the point that Bunker Hill is either a quasi-producer or ready for mining there will be few alternatives in terms of “new” Zinc projects in the pipeline.

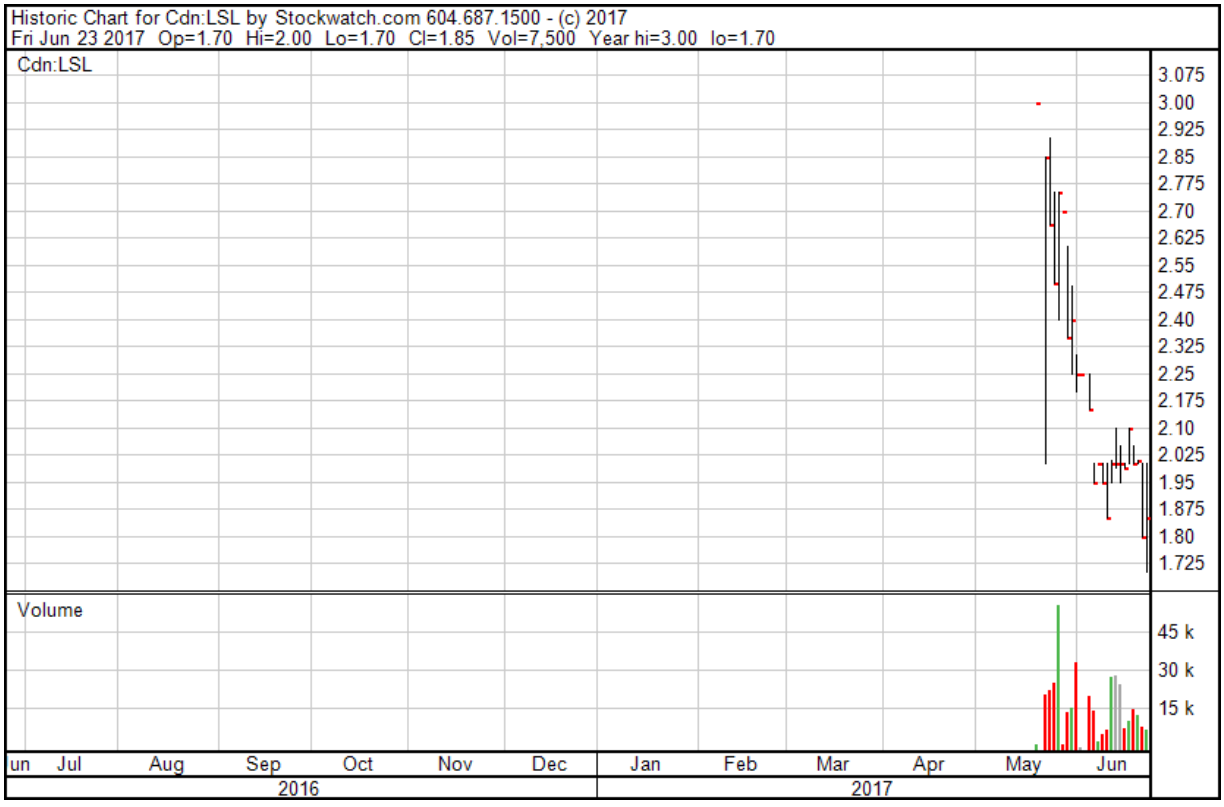
Conclusion

Bunker Hill is the right project at the right time in the right place for the renascent Zinc/Lead mining space. The dearth of Zinc plays that has evolved over the long grim years in which companies could not raise funds to advance projects (or even do basic exploration) has created a “scorched earth” scenario in the Zinc (and Lead) sub-space of the mining sector. This has set investors off on a hunt something like an Easter Egg Hunt, where there are actually few eggs to be found. We can number on the fingers of one hand the explorers that persevered with work on Zinc projects through this grim period. Meanwhile majors were shuttering exhausted mines and not expending effort on grooming new projects to fill the void from lost production.

The “project” that this company is pursuing is one that definitely had to wait its time. The Zinc price had to be right and the environmental remediation had to reach its current advanced stage. That time has now come in it being one of the few projects in the US that is relatively “oven-ready” with an extant mine in superlative condition and a number of unused mills (also in good condition) in the neighbourhood. The presence of the Trail smelter within easy trucking distance means the final smelting is not an issue.

With readily processable ore stacked in the stopes there is relatively easy kickstart cashflow to hand to fund exploration and preparation of a mine plan. The company can then either advance the mine to full production again or pass the reins over to a major, of the likes of Teck or Lundin.

Potential base metal mines of the calibre of Bunker Hill are rare. As such they have to be in the sights of majors who want to stay in the game, therefore the new owner's strategy is not mistaken in licking the mine into shape and then waiting inevitably for the sharks to bite. As such we are rating Bunker Hill Mining as a **Long** position with a 12-month target price of CAD$3.10.



Important disclosures

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