



HALLGARTEN + COMPANY

Corporate Actions

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AbraSilver/Teck

(TSX-v: ABRA, OTCQX: ABBRF)

Strategy: LONG

Key Metrics

Price (CAD)	\$0.335
12-Month Target Price (CAD)	\$0.84
Upside to Target	151%
12mth high-low	\$0.25 to \$0.455
Market Cap CAD mn)	\$188.61
Shares Outstanding (mns)	563.0
Fully diluted	609.0

AbraSilver/Teck

Teck Pulls its Socks Up

- + Diablillos is the major precious metals project in northern Argentina at this time and the all-consuming focus of AbraSilver's management time and funds
- + La Coipita, the company's copper project (neighbouring McEwen Copper's Los Azules) offers the opportunity for a major new discovery in this hot zone
- + The (re)entry of Teck into this asset is an important development, removing a doubt for AbraSilver's investors while ensuring that a highly prospective asset is not left in limbo
- + Teck is swimming in money after its recent divestment of its metcoal business after the bruising takeover battle with Glencore
- + San Juan is the "new Chile" when it comes to mammoth copper projects
- + The change of government in Argentina is bearing its first fruits with this deal going through
- ✗ The project is located at high elevation and relatively isolated
- ✗ Teck in recent years has been far from the dynamic mover & shaker it once was

Some Background

AbraSilver Resource Corp is the most diversified mineral developer in Argentina at the current time, with exposure to precious metals, copper and even Lithium, while its two epicentres of activity are in the booming mining-friendly provinces of Salta and San Juan. Despite these multifarious exposures the company is highly focused at this point on its precious metal target at Diablillos on the *altiplano* in the northern province of Salta and as we pointed out in our recent [initiation of coverage](#) was seeking a partner to carry its San Juan copper project, La Coipita, forward.

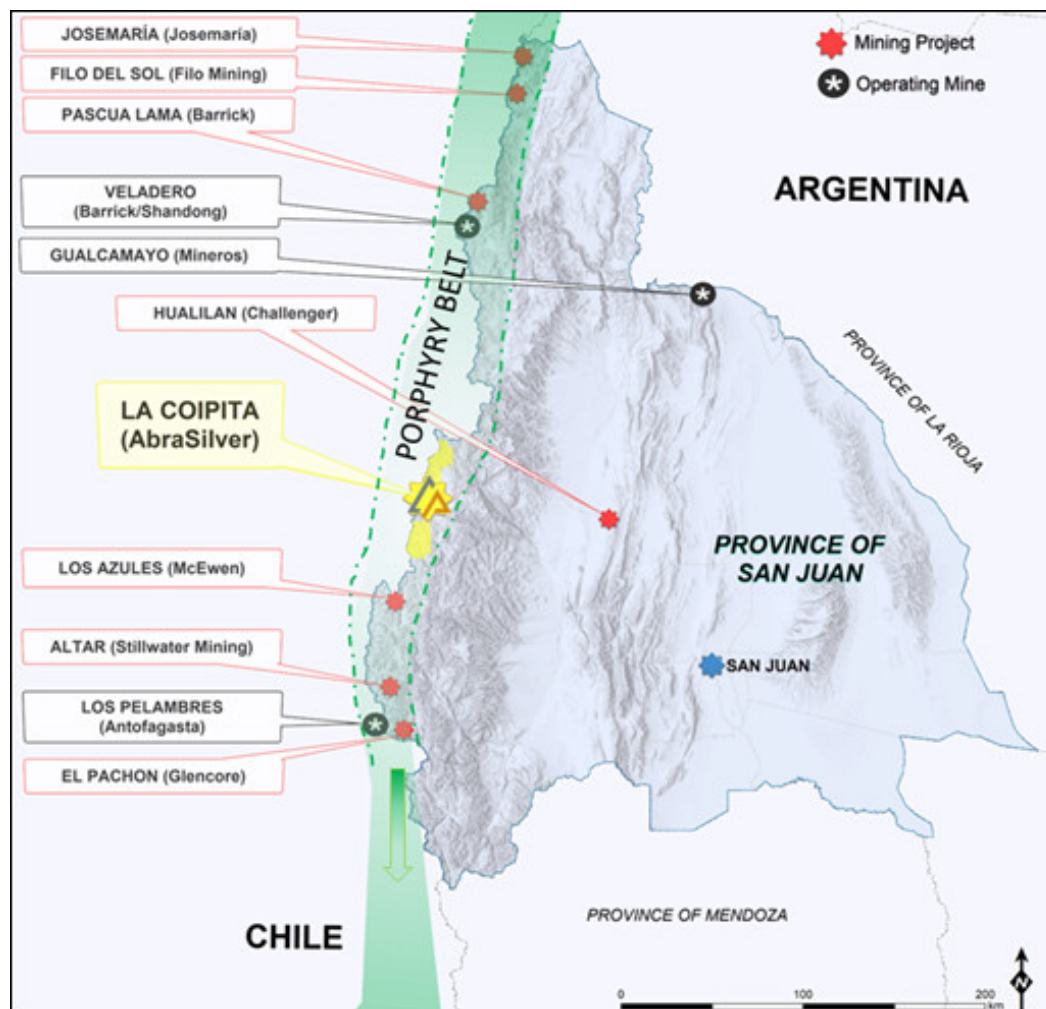
Now with the new year upon us, Abra have come out with an announcement that they are teaming up with Teck Resources, the sometimes slow-moving Canadian "major".

La Coipita – the Copper Target

It will be recalled that in the first week of February 2023, we had been to visit the Altar project of Aldebaran Resources and the Los Azules project of McEwen Copper, both in San Juan. This was written up as an extensive [Mine Trip Note](#), which we published in March of last year.

The relevance here is that the second asset of AbraSilver is the La Coipita copper porphyry project which is contiguous to Los Azules (to the north) and stretches along the Chilean border for a distance of around 90 kms.

This project shares the road access with Los Azules to the town of Calingasta.



There are number of other projects that share access roads with these two projects, most notably El Pachon of Glencore. The others are smaller, less advanced or static and are “operated” by the likes of Fortescue (FMG), AbraSilver (with La Coipita) and the Sanchez Losada interests. In close proximity, but on the Chilean side of the border, are large producers like the Los Pelambres mine of Antofagasta.

The Deal

On the 2nd of January AbraSilver announced that it had entered into a binding letter agreement with a subsidiary of Teck Resources (Teck), with respect to a proposed option and joint venture agreement to explore and develop the La Coipita copper-gold project.

The agreement will eventually grant Teck an option to acquire an 80% interest in La Coipita by funding cumulative exploration expenditures over a five-year period, making staged cash payments to, and an equity placement in AbraSilver and making optional cash payments in respect of amounts payable to the underlying project vendors. Following an initial transition period during which AbraSilver will support

field operations, Teck will act as operator for the duration of the option.

The Nitty-Gritty of the Deal

The option agreement will provide that Teck may exercise the option by:

- Making the following payments to or equity placement in AbraSilver:
 - Upfront cash payment of US\$500,000 upon entering into the Option Agreement
 - On or before January 31, 2025, a cash payment of US\$1,000,000 or at Teck's election, subscription for US\$1mn of common shares of AbraSilver to be priced at the greater of (a) a 25% premium to the preceding 20-day volume weighted average price on the ABRA Shares on the TSX Venture Exchange, or (b) C\$0.35 per ABRA Share
 - On or before January 31, 2028, a cash payment of US\$1.5mn
- Incurring an aggregate of US\$20mn in exploration expenditures on the project over a five-year period
- Making up to US\$6.3mn in optional cash payments in respect of amounts payable to the underlying Project vendors

The Mechanism

Upon exercise of the option, the parties will incorporate a company in Argentina (Newco) to become the titleholder of the project. Teck will hold 80% of Newco's outstanding shares, with AbraSilver holding the remaining 20%. Each party will fund its pro-rata share of future expenditures on the project through equity contributions to Newco or incur dilution in Newco. If a party's shareholding interest in Newco is diluted below 10% or pursuant to certain other conditions of the option agreement, its shareholding interest will be converted to a 1.1% net smelter returns (NSR) royalty on the project, of which 0.6% can be bought back by the payor for a cash payment of US\$3mn at any time.

The Rationale

There is quite a strong division between those companies that are making a major push in San Juan and those that have territory and undertake some limited exploration efforts. The copper projects in San Juan are almost universally isolated and at high elevations up close with the Chilean border. Thus, the costs of mobilizing for even the most basic drilling campaign involves a significant camp and road infrastructure, with attendant large staffing to support even a small camp.

Location in Perspective

This project is located in a geological setting similar to other deposits in the same belt, including the Filo del Sol and Los Azules projects, where porphyry-style mineralisation is found immediately beneath

epithermal mineralization.

This copper target, located in the prolific Miocene porphyry-epithermal belt, is truly massive in (territorial) size. It is in the western portion of Calingasta Department of San Juan Province, adjacent to the Chilean border. Elevation across the property ranges between 3,500 and 4,500 MASL with moderate to high relief.



It was put together through two transactions. The first portion was 51,550 hectares with the transaction being announced in March of 2020. This initial territory included two partially-exposed porphyry Cu-Au (Mo) systems, with evidence of at least three other poorly exposed porphyry systems

Historic drill intercepts had yielded up to 127m @ 0.42% Cu and 0.22 g/t Au, including 41m @ 1.08% Cu and 0.35g/t Au from shallow drilling at the Yareta high-sulphidation target.

The second transaction in August of 2021 took the area under Abra's control to approximately 70,000 hectares.

The Deal(s)

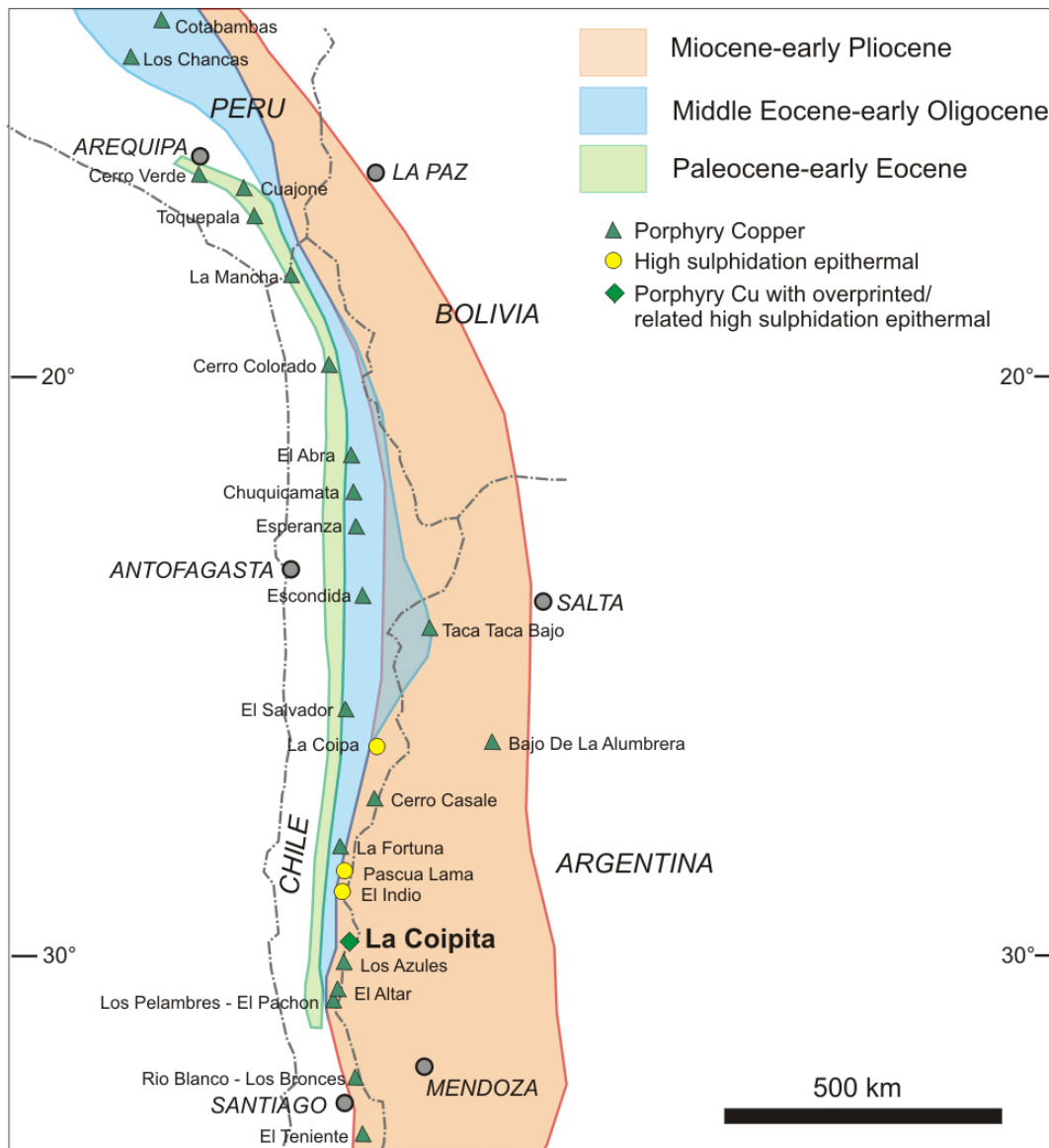
The first transaction, on March 2, 2020, was an option agreement to acquire a 100% interest in La Coipita for total payments of US\$4.27 million, over a period of five years.

The second transaction involved the addition, via Abraplata Argentina SA requesting through the original owners of La Coipita, new areas of additional mining tenure consolidating the two main blocks of the property.

Geology

The project lies within the Miocene porphyry-epithermal belt of Argentina and Chile. During the mid-Miocene, the area developed an active magmatic arc, on its western side, and a back-arc extensional environment, to the east. Contemporaneous with the deposition of volcanic/volcaniclastic rocks was the

emplacement of porphyry Cu-Mo-Au and/or epithermal Au-Ag (Cu) systems (e.g. Los Pelambres/El Pachón Cu-Mo porphyry, Los Azules Cu-Mo porphyry, El Indio/Veladero/Pascua Lama HS Au cluster).



Exploration

Previous exploration work on the project was completed by subsidiaries of the following companies:

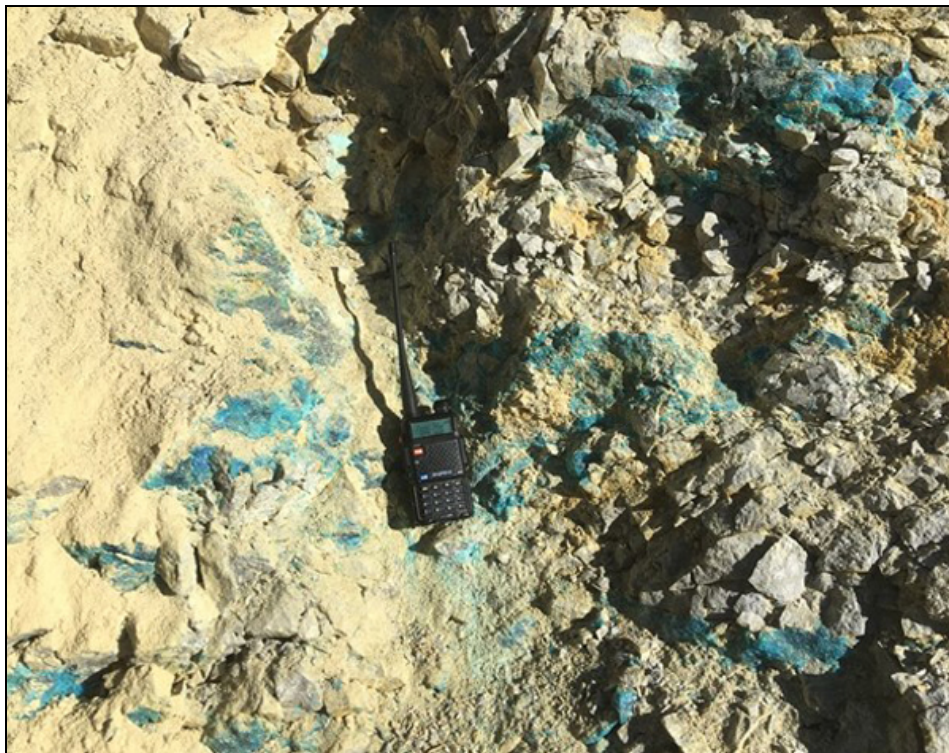
- Viceroy Resource Ltd (1995-1997)
- Vale S.A. (2007- 2009)
- Teck Resources Ltd (2009- 2016)

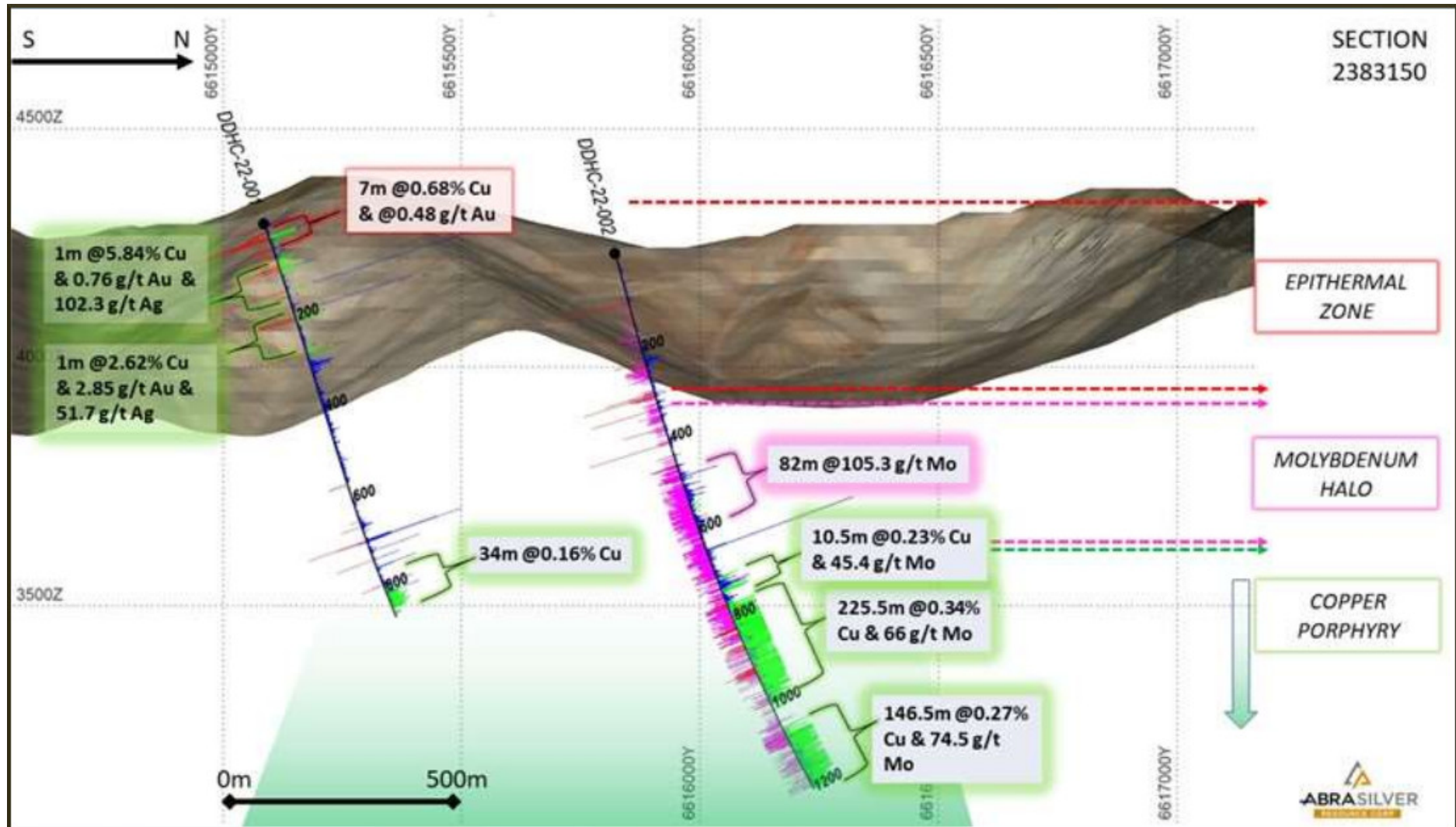
Numerous target areas have been identified on the Project from the previous work. The only target that has been tested by drilling is the Yareta target, where nine closely spaced RC drill holes totaling 1,984m were drilled by Viceroy in 1997.

The historical results of which were:

Hole	From (m)	To (m)	Interval (m)	Cu %	Au g/t	Ag g/t	CuEq
97-Y-3	40	167	127	0.42	0.22	12.2	0.69
Including	136	167	41	1.08	0.35	24.2	1.55
97-Y-5	195	237	42	0.60	0.26	9.26	0.87
97-Y-8	228	238	10	0.97	0.12	4.53	1.1
97-Y9	27	64	37	0.24	0.03	3.03	0.3

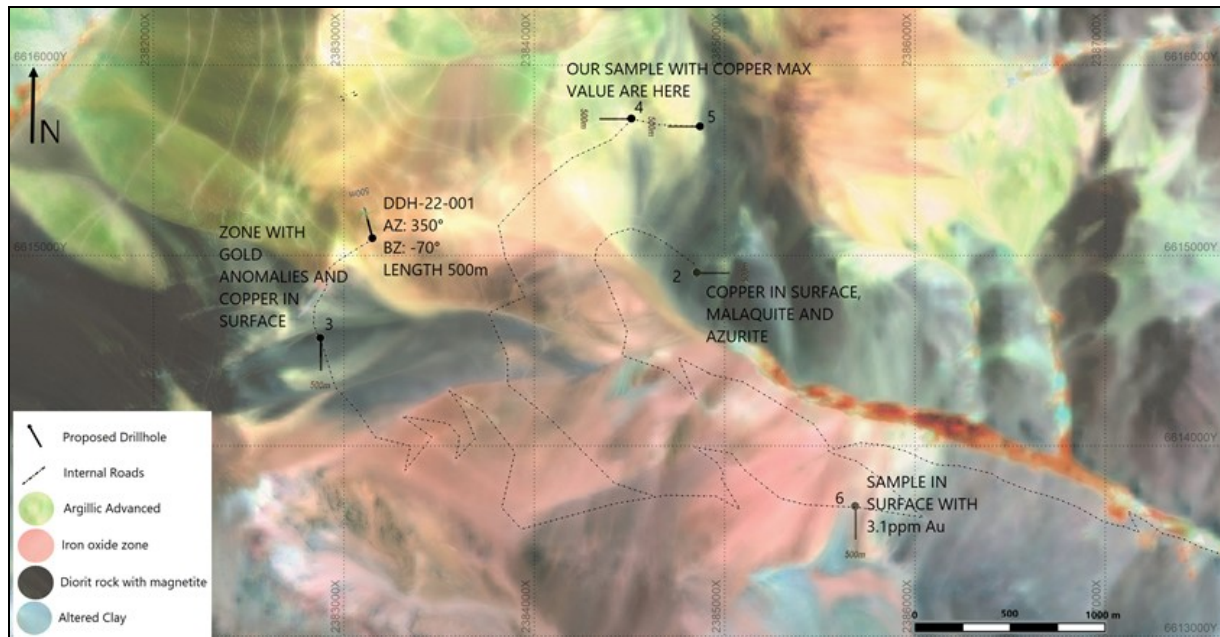
Under Abra's control, the initial deep holes were conducted down to a depth of approximately 1,000 meters. The initial drill program focused on the Yareta target area where reconnaissance exploration work completed by AbraSilver has shown that mineralisation in this area is expected to be more widespread than the zone previously drilled in 1997.





Above can be seen a cross-section of drills at La Coipita, particularly interesting being the Moly halo

The locations of the initial three drill holes are shown below. Interestingly, excavation of the drill platform for Hole DDH-22-001 exposed mineralisation indicative of the copper-iron sulphate mineral chalcantite in a system of veinlets that likely represents the weathered product of underlying sulphide mineralisation as shown above.



In June of 2022 the company announced the results of its first campaign. The main result was the discovery of a significant new copper-gold-molybdenum porphyry system at the project.

Some of the highlights of that campaign included:

- Hole DDHC 22-002: intersected a continuous copper-gold porphyry zone of 226m grading 0.43% CuEq marking a significant new discovery on the project.
- Mineralisation remains open at depth, as the hole ended within a separate interval of 146m of 0.30% CuEq down to a depth of approximately 1,200m.
- Porphyry-style mineralisation was encountered within the host rocks believed to be adjacent to the central porphyry intrusive progenitor, which has not yet been intersected.
- Hole DDCH 22-001 intersected high-sulphidation mineralisation with multiple high-grade narrow zones of copper and gold veining.
- Drill results were targeted at a surface geochemistry pattern interpreted as being a reflection of an underlying porphyry system, with estimated approximate dimensions of 2.0km by 1.5km

The Northern Access

The northern access route to McEwen Copper's Los Azules camp (and to La Coipita) is the "short" route from Calingasta. The first 15-20 kms out of the camp are truly a heartstopper as the hairpin bend road climbs over first one 4,300m ridge and then over another of nearly the same height, around 5kms further on.

The road has experienced major upgrading in recent times, entirely at the expense of McEwen Copper. The goal here is to make the road accessible for articulated lorries carrying containers of up to 40 ft with initially camp and exploration equipment, but eventually kit for the processing plant and minebuild/operation.

AbraSilver contributes towards the costs of the shared road with Los Azules. To give an idea of how this works, in the last drilling season, the company paid approximately US\$200k for the road usage.

On San Juan – Copper's New Chile?

Of late, we have taken to referring to San Juan as "the new Chile". This is somewhat ironic as the province has hitherto been viewed as a gold province with the major mines being Veladero, Casposo and Gualcamayo. However, these mid- and smaller-scale gold mines are now being eclipsed by the Copper potential, with projects that are mainly in the "large" category on any international scale with multibillion tonne resources as currently only projects of this size can cope with the topographical and infrastructure challenges of the high Andes.

A provincial Secretary of Mines has been in place in San Juan Province since early 2004. The Mining Ministry was created at the end of 2010 and a Mining Minister was appointed to lead this Ministry.

Apparently, San Juan is the only province to have elevated the role to a ministerial level.

Risks

Amongst the risks related to this specific project are:

- ✖ Copper price risk
- ✖ Political risk in Argentina
- ✖ Financing is a challenge that comes and goes in the mining space and its sub-sectors

The market for Copper has been stronger over the last few years, but doubts still exist as to whether this is a secular change prompted by long term lack of new projects & development or whether it is a surge in demand. We would still signal caution as the long-term economic effects of the current pandemic are still not clear. A number of Western economies have been severely battered and are showing decreased, or negative, growth.

The Copper price could weaken again if it rises too far too fast, if interest rates perk up or if China shows significant slowdown due to the effects of retaliatory measures against the country or just slower exports to the West. As noted earlier, China has an interest in lower prices and has significant stockpiles and trading positions that it can exploit to play whackamole with the prices of metals it wishes to see lower.

Financing conditions rise and fall with sentiment towards Silver, Copper and the other metals to which has exposure. However, Teck is cashed up to the gills after the sale of its coal division to Glencore (and other partners).

Conclusion

While La Coipita has been a secondary asset for AbraSilver, it is an extremely strategic copper position for both parties to this deal. The asset, however, could do with significantly more work than AbraSilver can afford with Diablillos consuming all its management time and funds at this moment. With its proximity, and being contiguous to, Los Azules, La Coipitas's potential is joined at the hip with that of McEwen Copper.

As we wrote after our San Juan mine trip in February, San Juan is the new Chile and Abra is on board for the evolution of the copper mining boom there.

We reiterate AbraSilver with a **LONG** rating and a twelve-month target price of CAD\$0.84.



Important disclosures

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