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HALLGARTEN + COMPANY

Coverage Update

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AbraSilver Resource Corp

(TSX-v: ABRA, OTCQX: ABBRF)

Strategy: LONG

Key Metrics	
Price (CAD)	$2.45
12-Month Target Price (CAD)	$4.90
Upside to Target	100%
12mth high-low	$1.30 to $3.58
Market Cap CAD mn)	$314.34
Shares Outstanding (mns)	128.3
Fully diluted	133.2

AbraSilver

Pace Quickens with a Silver Tailwind

- + Diablillos is the major precious metals project in northern Argentina at this time
- + Both the silver and gold prices have moved up massively over the last year enhancing the economics of Diablillos even further
- + A first PFS came out in March of 2024, then an updated PFS in November showed a massive uplift in the NPV to a US$747mn after-tax (when discounted at 5%) using the base case pricing
- + At spot prices at the current time the after-tax NPV5% would be US$1,291mn with an IRR of 39.3% and the payback period is cut back further to 1.5 years
- + The new RIGI (Regime for large Investments) introduced by the Milei administration brings relevant and tangible benefits for the development of Diablillos
- + The entrée of Kinross and Central Puerto as strategic investors brings one global, and one local, heavyweight onto the share register
- + The proliferation of Lithium projects in the zone has brought a wealth of infrastructure which mitigates some of the capex that AbraSilver would otherwise have to install
- + Taca Taca is moving up in priority list for First Quantum, with a collateral benefit for AbraSilver in heightening perceptions of the potential for base and precious metals projects in the zone
- + La Coipita, the company's copper project (neighbouring McEwen Copper's Los Azules) was optioned to Teck in early 2024
- ✗ Precious metals explorers still face an uphill struggle with financing

Picking Up the Pace

Two Preliminary Feasibility Studies in one year is quite an achievement and it shows that the pace is definitely picking up at AbraSilver. With the tailwinds of much higher silver (and gold) prices and the business-friendly government of Javier Milei (and his Regime for Large Investments – the RIGI) one can see why management want to push the pace on development at the Diablillos project.

AbraSilver Resource Corp is one of the most diversified mineral developers in Argentina at the current time, with exposure to precious metals and copper, while its assets are in the booming mining-friendly provinces of Salta and San Juan. After having entered into an option agreement on its San Juan copper exploration assets to Teck (which we dealt with here), the company is now highly focused on its precious metal target at Diablillos on the *altiplano* in the northern province of Salta.

The Diablillos project was identified many decades before Lithium was even a twinkle in investors' eyes and certainly before EVs were even imagined. The project is now advancing rapidly towards a Feasibility

Study, while still offering significant exploration upside potential with multiple prospective new zones recently identified by the company.

In this update of coverage, we shall review the two PFS's out in 2024, the exploration developments in recent times and likely next steps.

Diablillos

As noted, the principal project of AbraSilver is the silver/gold-focused Diablillos project in Salta province which we visited in July of 2023. The property encompasses an area of 7,919 ha (79 km^2) and is comprised of 15 contiguous and overlapping mineral leases. It is located along the border between the provinces of Salta and Catamarca.

The property is located in Argentina's Puna region, which is the southern extension of the Altiplano of southern Peru, Bolivia, and northern Chile. This is a high plateau, separating the Cordillera Oriental to the east from the Andean Cordillera (Cordillera Occidental) to the west. The main part of the deposit is called Oculto (meaning "hidden").

Beyond the precious metal component, the concessions also cover highly prospective porphyry occurrences (Salta province is host to the large-scale Taca Taca project of First Quantum) while the concessions also abut and cover the Lithium *salares*, Salar de Hombre Muerto and the Salar de Diablillos.

The Preliminary Feasibility Study – Mark I

The results of the first PFS published in 2024 was released to the market in late March. The PFS project team was comprised of SGS Geological Services, with support from Knight Piesold Ltd., SGS Bateman, Bmining (Chile), and INSA (Argentina).

The base case metal prices used in this analysis are US$1,850 per Au oz and US$23.50 per Ag oz.

The main outcomes of that PFS were:

- An after-tax Net Present Value of US$494mn (when discounted at 5% per annum), at base-case metal prices, with
- An after-tax Internal Rate of Return (IRR) of 25.6%
- A payback period of 2.4 years.
- Average annual production of 13.3mn oz AgEq over a 13-year life-of-mine (LOM), comprised of 7.7mn oz Ag and 71k oz Au
- Average AISC of $12.40 per oz AgEq over LOM
- Initial pre-production capital expenditure of $373 million and sustaining capital of $65 million
- Open pit mine with high grades – Conventional open pit mining and processing plant focused exclusively on oxide mineralization with average grades of 91 g/t Ag and 0.81 g/t Au (155 AgEq) over the LOM

Mineral Reserves

The first of the PFS's brought with it a Maiden Mineral Reserve with Diablillos estimated to hold Proven & Probable Minerals Reserves containing 210mn oz of AgEq metal (42.3mn tonnes at 91 g/t Ag & 0.81 g/t Au).

Diablillos Reserve

Category	Tonnage (000 t)	Ag (g/t)	Au (g/t)	Contained Ag (000 oz)	Contained Au (000 oz)	Contained AgEq (000 ozs)
Proven	12,364	118	0.86	46,796	341	97,839
Probable	29,930	80	0.8	76,684	766	136,237
Proven & Probable	**42,294**	**91**	**0.81**	**123,480**	**1,107**	**234,076**

The Mineral Reserves were estimated in March 2024 using a silver price of $22.50/oz and a gold price of $1,750/oz. The Qualified Person for the Mineral Reserve Estimate was Miguel Fuentealba, P.Eng.

The mineral reserves were based on a pit design, which in turn aligned with an ultimate pit shell selected from a WhittleTM pit optimization exercise. Key inputs for that process were:

- Metal prices of US$1,750 per oz Au and US$22.50 per oz Ag
- Variable Mining cost by bench and material type. Average costs are US$1.94 per tonne for all lithologies except for "cover"
- Cover mining cost of US$1.73 per tonne, respectively
- Processing costs for all zones were US$22.97 per tonne
- Infrastructure and G&A cost of US$3.32 per tonne
- Pit average slope angles varying from 37° to 60°
- The average recovery is estimated to be 82.6% for silver and 86.5% for gold

Updated PFS – Mark II

Then on the 3rd of December 2024 an updated Pre-Feasibility Study was released to the market. It used the aforementioned Mineral Reserve and did not incorporate any of the Phase IV exploration results, which will be incorporated into the Feasibility Study. The latest PFS showed further improvements in the economics and, in management's opinion, increased confidence in the project's significant upside potential. Once again, the PFS was completed by a collaborative team that included Mining Plus Peru S.A.C, Whittle Consulting, BMining, INSA, SGS North America, Inc., and Envis Consulting.

In the latest study the base case metal prices used were US$2,050 per Au oz and $25.50 per Ag oz. The highlights of the latest study are:

- A massive uplift in the NPV to a US$747mn after-tax Net Present Value (when discounted at 5% per annum) using the base case pricing
- An 27.6% Internal Rate of Return (IRR)
- Two-year payback period.
- At spot prices reigning in late November, an after-tax NPV5% of US$1,291mn with an IRR of 39.3% and the payback period is cut back further to 1.5 years
- Average annual Silver & Gold production of 13.4mn oz silver-equivalent (AgEq) over a 14-year life-of-mine (LOM), comprised of 7.6mn oz Ag and 72k oz Au
- An average annual production of 16.4mn oz AgEq over the first five years of full mine production, comprised of 11.7mn oz Ag and 59k oz Au
- Low All-in Sustaining Cash Costs ("AISC")2 – Average AISC of $12.67/oz AgEq over LOM, and $11.23/oz AgEq over the first five years of full mine production.
- Initial pre-production capital expenditure of US$544mn (including contingency) with a further US$77mn in sustaining capital over the LOM.

These can be summarized as:

Diablillos - Late 2024 PFS - Outcomes

Life of mine	14 years
Total mineralized material mined	42.3mn tonnes
Total contained silver	123.4mn ozs
Total contained gold	1,108,200 ozs
Strip ratio (excludes pre-stripping)	6.2
Throughput	9,000 tpd
AISC (LOM) – silver equivalent (first 5 years / LOM)	$11.23 /$12.67 per oz AgEq
Initial Capital Costs (including contingency)	$544mn
Sustaining Capital Costs	$77mn
Pre-Tax NPV5%	$1,114mn
After-Tax NPV5%	$747mn

RIGI & Diablillos

A key difference in the economics between the first and second PFS of 2024 was the advent of the RIGI plan of the Milei Administration (see Appendix I for a more thorough summary). Diablillos obviously qualifies under the CapEx terms of the new regime. As such qualifying projects with expenditures above

$200mn may apply for RIGI before the law expires in July 2026 and must spend 40% of the investment amount within two years of approval (by no later than July 2028).

Diablillos would meet all of the required qualifications for RIGI. The PFS considers an execution plan to obtain RIGI approval by no later than 2Q26, giving the Diablillos project until 2Q28 to spend 40% of the investment, or approximately $200mn. According to the current construction schedule, the $200mn threshold for committed capital will be achieved in approximately 12 months after the project investment decision. An investment decision would therefore be required no later than the end of 2Q27 to ensure that Diablillos captures the RIGI benefits.

PFS Mark II -A Slew of Improvements/Enhancements

The prime differences between the plan in March and that in November (besides altered mineral input prices) were an optimization of the mine plan, updated capital costs and updated operating costs.

The key changes in the second PFS included:

- A new mine plan resulted in a boost to the after-tax NPV of US$61mn, by improving the mine sequencing. These improvements include accelerated production from the Shallow Gold zone due to more favorable expectations of blasting permits availability and improves the gold grade and gold production in the first five years of the mine plan.

- Total initial capital expenditures (including contingency) increased by US$170mn. Beyond general cost inflation, the primary drivers behind this increase were changes to exchange rates on imported capital goods and updating of indirect costs to reflect market conditions, as well as updated manpower estimates during construction. The figure also includes capitalized waste stripping of US$50mn, resulting from the change in mining sequence, which was previously allocated to operating costs.

- Operating costs reflect updated diesel prices of $0.95/l at current market conditions compared to the price of $0.71/l in March of this year, which included government subsidies that have since been eliminated. Operating costs were also revised for updated exchange rates applied to imported consumables.

The PFS Mark II Outcomes

The PFS presents a range of metal pricing scenarios on an after-tax basis to evaluate the economics of both upside and downside price scenarios. The sensitivity to gold and silver prices is shown below:

Diablillos - Late 2024 PFS - Sensitivity Analysis

	Base Case	Spot Prices *	Downside Case **
Silver Price ($/oz)	$25.50	$30.70	$23.5
Gold Price ($/oz)	$2050	$2651	$1850
After-tax NPV (5%, US$ mn)	$747	$1291	$552
After-tax NPV (8%, US$ mn)	$552	$994	$392
After-Tax IRR (%)	27.60%	39.30%	22.80%
Payback (years)	2	1.5	2.4

*The Spot Price cited was as at close on November 29th, 2024, per https://www.lbma.org.uk/

**The Downside Case being the base case prices minus 15%.

Unlike many other silver projects, the PFS highlights that Diablillos is a true primary silver project, with a substantial amount of gold and no base metals. The PFS indicates that Diablillos may produce an annual average of 17.9mn oz of silver-equivalent in the first five years. This would put Diablillos in the top ten primary silver mines in the world.

In the opinion of the PFS's authors, the economics of Diablillos are "very robust and offer significant leverage to both silver and gold prices", with an after-tax NPV5% of $1.291bn and an IRR of 39.3% at current spot silver and gold prices.

The Mine

Diablillos is envisioned as a conventional open-pit mining operation, with mill throughput of 9,000 tonnes per day and an optimized production sequence targeting high-grade silver and gold mineralization in the early years of the mine plan.

The proposed pit is as envisaged in the latest MRE. This extended the original concept of the Oculto pit to encompass JAC by extending several hundred metres to the southwest.

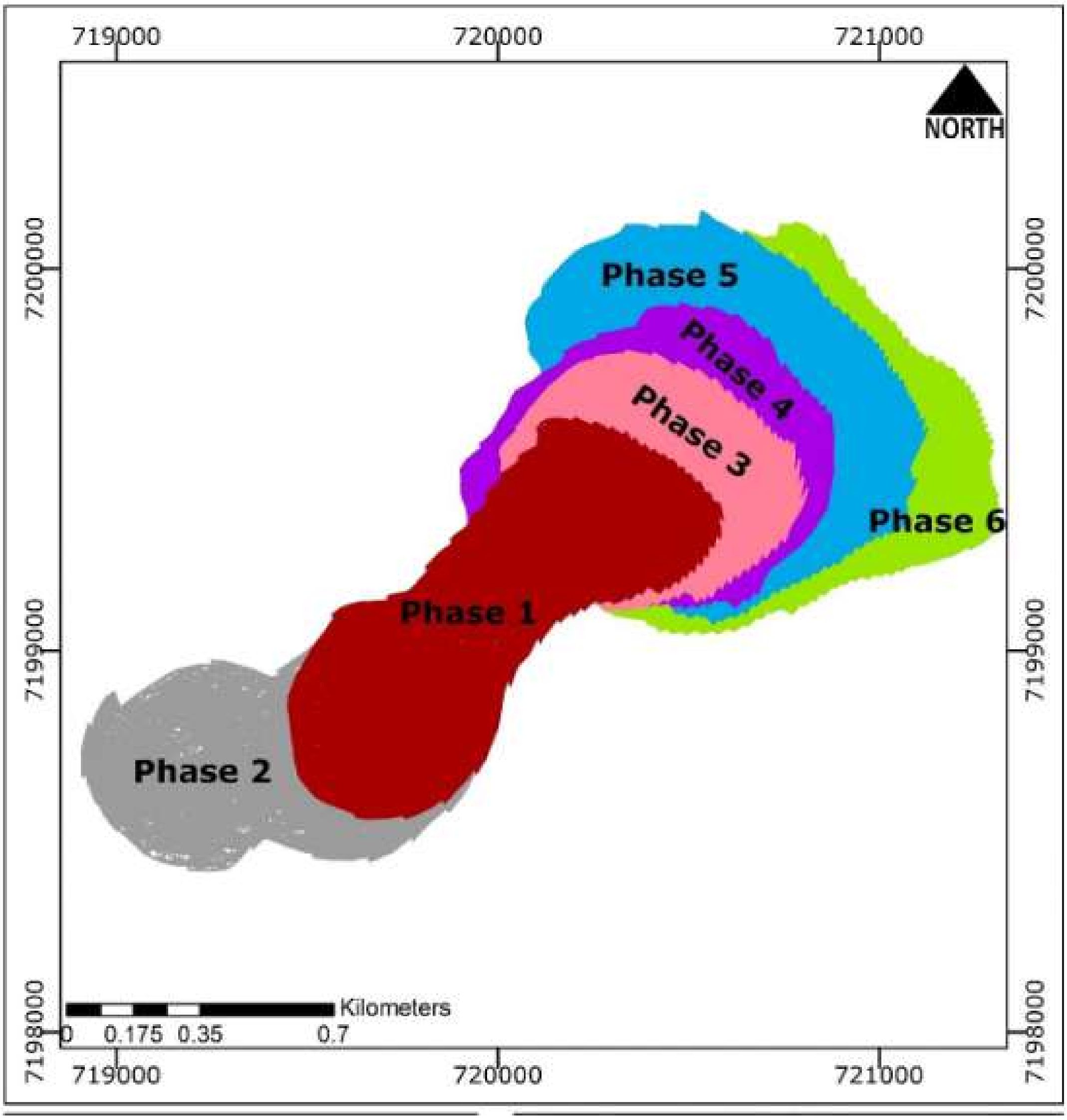
The MRE was published in November of 2023 (see Appendix II) and the authors assumed an average 51-degree slopes in the open-pit.

The constraining open pit optimization parameters used were:

- US $1.94/t mining cost
- US $22.97/t processing cost
- US $3.32/t G&A cost

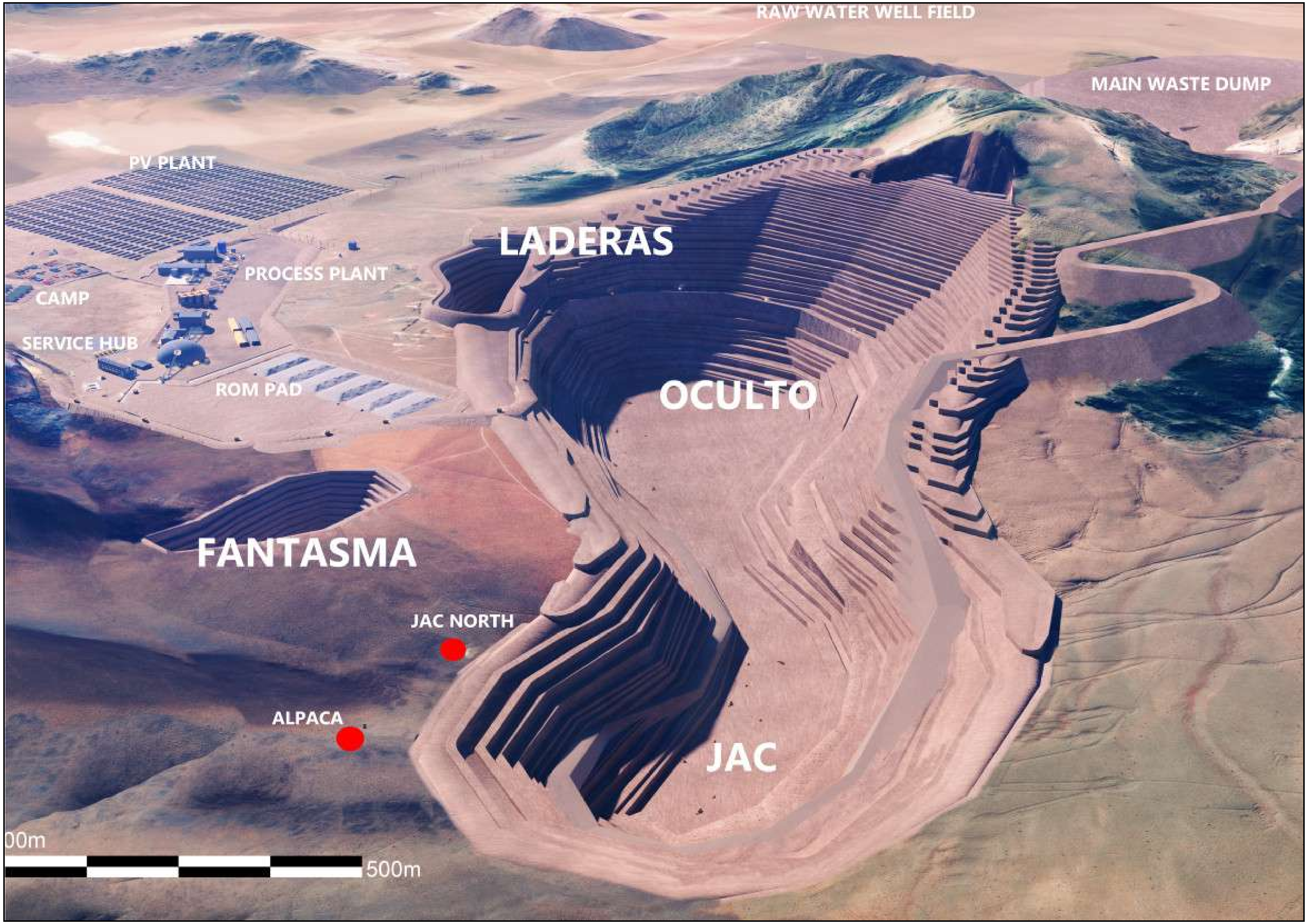
The increased contained metal in the MRE comes despite the adoption of a Net Value per Block methodology and an increased equivalent average cut-off grade of 45g/t AgEq, compared to the 35g/t AgEq used previously.

The mine phases are shown below:



Over the 14-year mine life, the mine is expected to average annual production of 7.6mn oz silver and 72k oz gold, with an average of 11.7mn oz silver and 59k oz gold over the first five years of full mine production.

An aerial visualization of the final pit is shown on the following page:


RAW WATER WELL FIELD
MAIN WASTE DUMP
PV PLANT
LADERAS
PROCESS PLANT
CAMP
SERVICE HUB
ROM PAD
OCULTO
FANTASMA
JAC NORTH
ALPACA
JAC
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Production

The latest PFS projects productions and grade profiles for years one through fourteen of the mine life (as currently envisioned). These are shown in the graph and the table below.

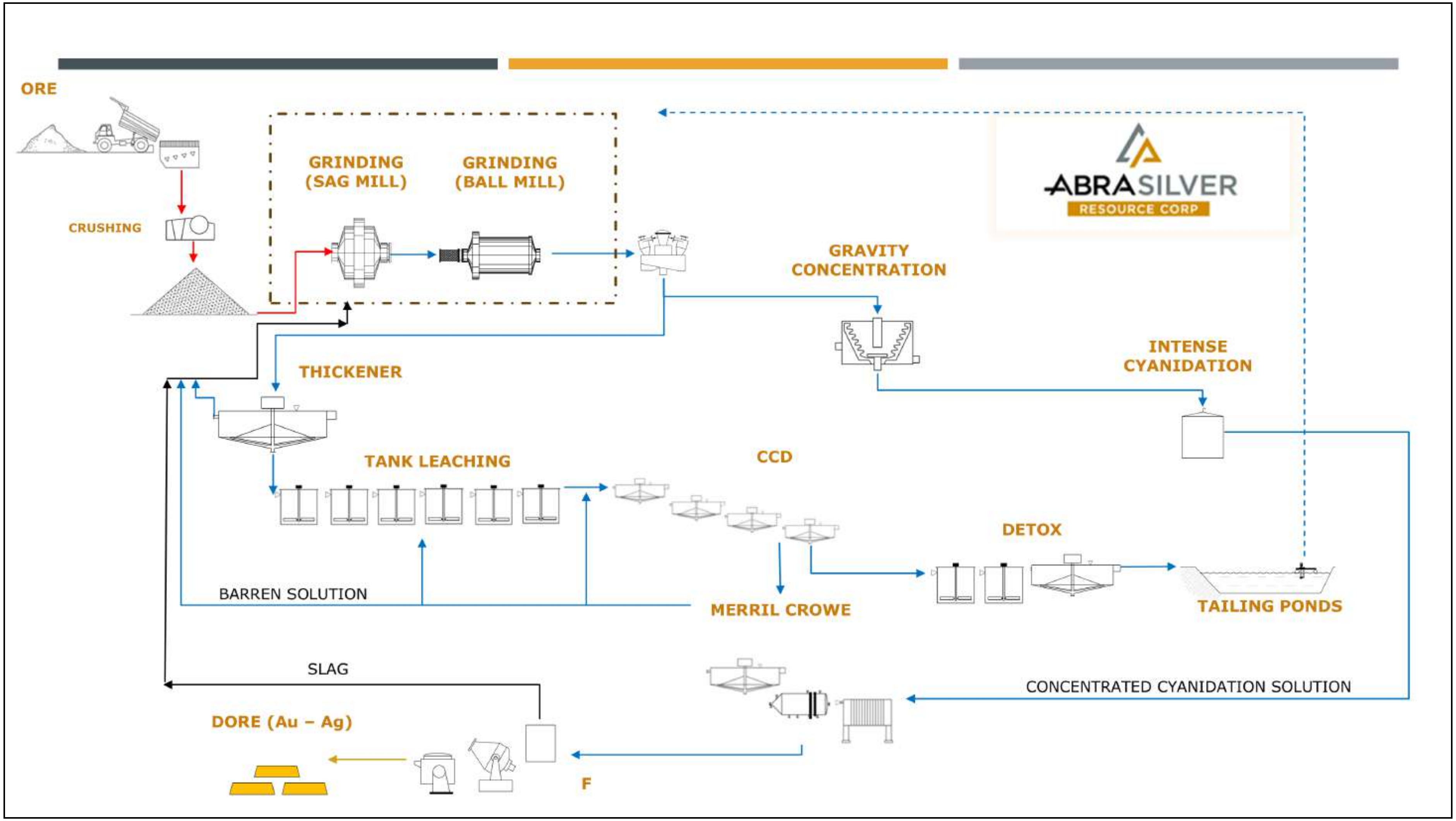
Diablillos - Grade and Production Profile

		First Five Years Full Production	LOM Av. (Year 1 – 14)
Silver Grades	**(g/t)**	143 g/t	91 g/t
Gold Grades	**(g/t)**	0.71 g/t	0.81 g/t
Silver-Equivalent Grades	**(g/t)**	201 g/t	159 g/t
Silver Production	**(mn oz)**	11.7	7.6
Gold Production	**(k oz)**	59	72
AgEq Production	**(mn oz)**	16.4	13.4

Note: AgEq is calculated using base case prices for silver and gold (Au/Ag price ratio of 80.39)

Processing

The processing plant has been designed for a nameplate capacity of 9,000 tpd, or 3.15 million tonnes per annum (considering 350 days a year of operation). A conventional silver/gold processing plant flowsheet (shown on the following page) was developed, incorporating crushing, grinding, gravity concentration, an intense cyanidation circuit, cyanide leaching with oxygen addition, counter current decantation washing thickeners and Merrill-Crowe precious metal recovery from solution followed by on-site smelting to *doré* bars. The leached solids are detoxified, thickened, and pumped to a TSF for permanent disposal.


ORE
GRINDING (SAG MILL)
GRINDING (BALL MILL)
ABRASILVER
RESOURCE CORP
CRUSHING
GRAVITY CONCENTRATION
INTENSE CYANIDATION
THICKENER
TANK LEACHING
CCD
DETOX
BARREN SOLUTION
MERRIL CROWE
TAILING PONDS
SLAG
CONCENTRATED CYANIDATION SOLUTION
DORE (Au – Ag)
F

Metallurgical test work has been carried out in a range of different laboratories between 1996 and 2023 and all the results have been considered as part of the PFS. A geo-metallurgical model has been developed segregating the deposit into five distinct domains, with overall LOM silver and gold recoveries averaging 83.6% and 86.8%, respectively.

Tailings Storage Facility (TSF)

The tailings from the process plant will be stored in a multi-phase, fully-lined, cross-valley TSF. The facility will be raised using the downstream method with the initial starter impoundment, constructed from borrow material and open-pit pre-strip waste. This will provide storage for the first three years of production. Four subsequent dam lifts, occurring approximately every other year, will provide additional storage capacity as required to meet the project requirements.

Operating Costs

The operating cost estimates (shown in the table below) for the operation were based on an owner-operated truck and shovel mining operation, conventional processing plant, and TSF with power provided from an on-site combined solar-diesel power plant.

Mine Operating Cost Estimates

		Avg. LOM
Mining (ore and waste)	per tonne milled	$14.50
Processing Plant, Utilities and Maintenance	per tonne milled	$22.71
Camp and Service Hub	per tonne milled	$4.29
G&A and Logistics	per tonne milled	$3.91
Total Operating Cost	per tonne milled	$45.42

The PFS estimates that the AISC averages US$11.23 per oz AgEq the first five years of production, and US$12.67 per oz AgEq over the LOM. The consultants noted that this AISC is believed to be at the low end of the primary silver production cost curve.

CapEx

The table that follows shows the initial pre-production capital expenditures for the project.

Capital Cost Estimates

	Updated PFS Study	Prior PFS		
	$ millions	$ millions	Change %	Change $
Surface Mining	128.6	39.3	227%	89.3
Processing	111.7	96.9	15%	14.8
Site Infrastructure	166.7	152	10%	14.7
Owner and Indirect Costs	110.2	64.9	70%	45.3
Initial Capital Costs (excl. contingency)	517.2	353.2	46%	164
Contingency & Other Provisions	26.3	20.3	30%	6
Initial Capital Costs	**543.5**	**373.5**	**46%**	**170**
Sustaining Capital	76.5	65	18%	11.5
Closure	26.4	11.1	138%	15.3
Total Capital Costs	**646.4**	**449.6**	**44%**	**196.8**

Capital expenditures to be incurred after the start-up of operations are assigned to sustaining capital and are projected to be covered by operating cash flows. Initial capital costs are estimated at US$544mn including contingency and total sustaining capital costs are estimated at US$77mn.

Approximately 80% of the costs are based on quoted prices and this has resulted in a lower estimated contingency cost of US$26mn. Over 60% of equipment, supplies, construction, and service procurement packages will be sourced from local companies, complying with local regulations.

Taxes and Royalties

The PFS incorporates the impact of Argentina's recently enacted RIGI scheme (see Appendix I). Under this framework, the company expects a competitive fiscal regime, with key rates as follows:

- Argentina corporate income tax: 25%
- Municipal taxes: 1.2%
- Stamp Tax 1.6%
- Provincial mining royalty: 3%
- Export duties: 0%

The effect of the RIGI scheme is dramatic for AbraSilver, in a way that few outside investors seem to have grasped. In total, the updated taxes, royalties and export duties total US$536mn in the latest PFS, compared to US$965mn under the earlier PFS. Additionally, the RIGI program provides benefits such as the removal of all foreign exchange restrictions, value-added tax (VAT) reimbursement on capital expenditures, and tax stability for the life of mine.

A 1% NSR royalty is payable to EMX Royalty Corporation.

Diablillos: Future Opportunities and Value Enhancements

Several potential opportunities have been identified that may further enhance the economic return outlined in the PFS. Significant opportunities include but are not limited to the following:

- Processing of Material Below Cut-Off Grade: It is anticipated that a significant amount of mineralization below cut-off grade, which is currently being classified as waste, could be processed via other low-cost processing alternatives (e.g. heap leaching). This could result in increased Mineral Resources and Reserves, a reduction in the overall strip ratio at Diablillos and higher metal production. The Company plans to complete a preliminary scoping study in H1/2024 to evaluate the economic potential of incorporating this mineralization into the overall mine plan.
- Expansion of Mineral Resources and Reserves: A Phase IV exploration campaign is well-underway to further expand the Mineral Resources and Reserves within the existing deposits and to define new, immediately adjacent mineralized zones through step-out drilling. Multiple exploration targets close to the planned Oculto-JAC open pit warrant additional drilling including: Oculto, JAC, Fantasma, Laderas, JAC North, Alpaca, with numerous other targets within the concession block.
- Evaluating Sulphide Potential: The PFS is based exclusively on oxidized mineralization with the Oculto pit reaching a maximum depth of approximately 300 metres. Selective deeper drilling has encountered mineralization in sulphides beneath Oculto and JAC down to a depth of approximately 550 metres. Any evaluation of the sulphides beneath the oxide zone would only take place at some stage in the future and is not planned for inclusion in the oxide study. An evaluation of the mineralization contained in the underlying sulphides would need to be carried out, in parallel with a metallurgical test work campaign, to quantify the contained metal in sulphides and the economics of its extraction.
- Implementation of Proposed Reduction in Corporate Taxes & Mining Export Duties: The Milei administration has achieved the passing in law of a new regime (see Appendix I) reducing corporate income taxes from 35% to 25%, as well as eliminating export duties, and other measures which could introduce other financial benefits to encourage large investments in the country. These benefits would significantly benefit the economics of the Diablillos project.

Project Geology

Diablillos is a high-sulphidation epithermal silver-gold deposit hosted by a subaerial volcanic sequence. Mineralisation is derived from remnant hot springs activity following Tertiary-age local magmatic and volcanic activity with strong supergene overprinting. It is evidenced at surface by a broad zone of intense acid leaching located on the flank of Cerro Bayo (shown below), although the economic mineralization does not outcrop.

The main component of the project is the Oculto (meaning ''hidden") target and the new high-grade JAC zone (and its surrounding area) being the focus of the most recent drill campaigns.

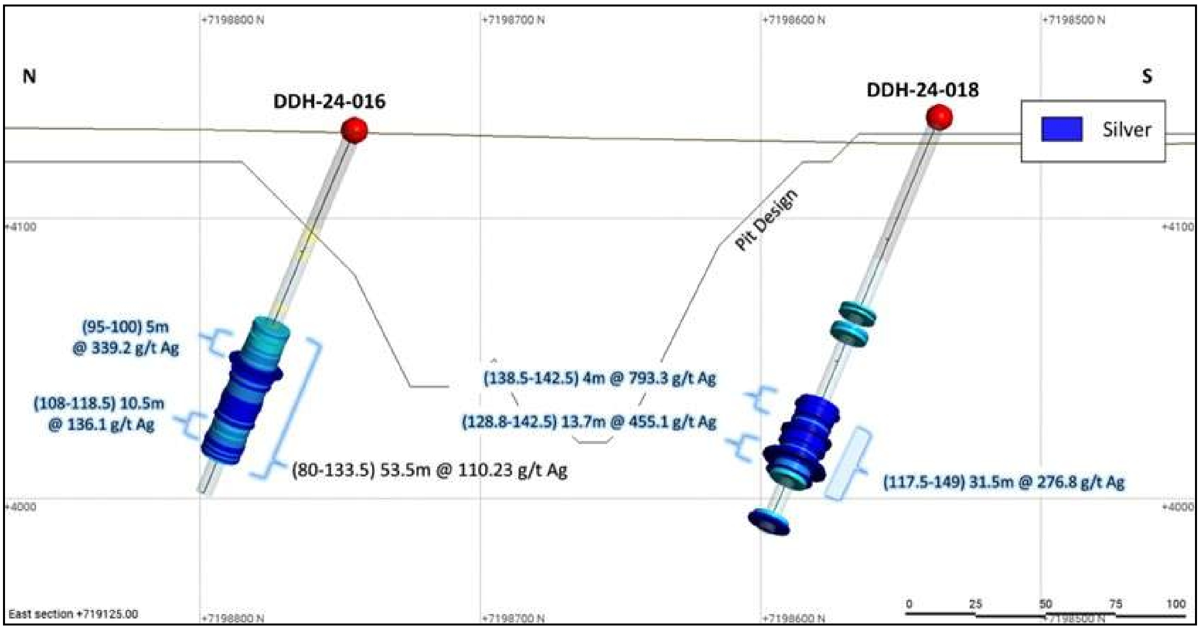
The deposit is strongly oxidized down to depths in the order of 300 m to 400 m below surface.

Recent Exploration Work

Through the second half of 2024 the company has been engaged in a 20,000 metre (Phase IV) drill program. In August the first batch of results were announced with Holes DDH 24-014, DDH 24-016 and DDH 24-018 drilled to test the southern & western extensions of the JAC deposit. All three holes encountered significant silver mineralization over broad intercepts outside the conceptual open pit boundary at JAC.

- DDH 24-018 was a step-out hole to the south of JAC which intersected a high-grade silver intercept of 31.5m grading 277 g/t Ag, including 13.7m grading 455 g/t Ag. This intercept was regarded as confirming a new significant high-grade mineralized structure at an angle to the main JAC zone, which is now a top-priority exploration target.

- DDH 24-016 was drilled west of JAC towards the Alpaca target and encountered 53.5 m grading 110 g/t Ag including 5.0 m grading 339.2 g/t Ag. This result was interpreted as demonstrating that JAC remains open to the west towards the Alpaca target.
- DDH 24-014 was also drilled west of JAC towards Alpaca with 48.8 m grading 70 g/t Ag.



The team were particularly excited by the two holes shown above which are at an angle to the main trend of mineralization in the JAC southwest area and show broad mineralized intercepts including high-grade silver following a structural trend extending northwards towards Alpaca. The section is interpreted as showing the potential to expand the conceptual open pit and increase the JAC Mineral Resource and Reserve.

Finally, there was Hole DDH 24-011, which was a step-out in the Oculto Northeast area which intersected several zones of mineralization, with 21 m at 131.3 g/t Ag & 0.36 g/t Au, including 2m at 326.6 g/t Ag & 1.07 g/t Au. This intercept is situated above the known zone of mineralization in the northeast and is expected to convert material currently classified as waste into Mineral Resources and Reserves.

At the very end of September 2024, the company announced assay results from that drill program. Key takeaways from those results included:

- Holes DDH 24-017, DDH 24-021 and DDH 24-024 were drilled in the Oculto northeast area and designed to expand the existing known shallow mineralization.

- DDH 24-017 encountered numerous zones of mineralization including a silver zone with 28.5 m grading 87 g/t Ag, starting at a downhole depth of 108 m, within which was 7.5 m grading 190 g/t Ag.
- DDH 24-024 intersected multiple zones of gold and silver mineralization including 23.0 m grading 50 g/t Ag and 0.18 g/t Au.

▪ Holes DDH 24-020 and DDH 24-023 were step-out holes in the JAC southwest area that were drilled to extend the existing Mineral Resources beyond the current conceptual open pit boundary.

- DDH 24-020 intersected a broad zone of mineralization, with 53 m at 58 g/t Ag, starting at a downhole depth of only 68 metres, and included an interval of 5.1 m 129 g/t Ag.
- DDH 24-023 encountered 24 m grading 76 g/t Ag, starting at a downhole depth of 99 metres, and separately encountered another 11 m grading 52 g/t Ag.

In late October of 2024, the company announced assay results from its ongoing 20,000 metre Phase IV drill program. Key highlights from the latest drill assay results included:

Oculto Northeast Target

Hole DDH 24-031 was designed to expand the existing known shallow mineralization beyond the open pit margin at Oculto Northeast. Drilling encountered high-grade silver mineralization with 15.0 m grading 496 g/t Ag and 0.28 g/t Au, starting at a downhole depth of 152 m, within which was 5.7 m grading 1,151 g/t Ag and 0.22 g/t Au.

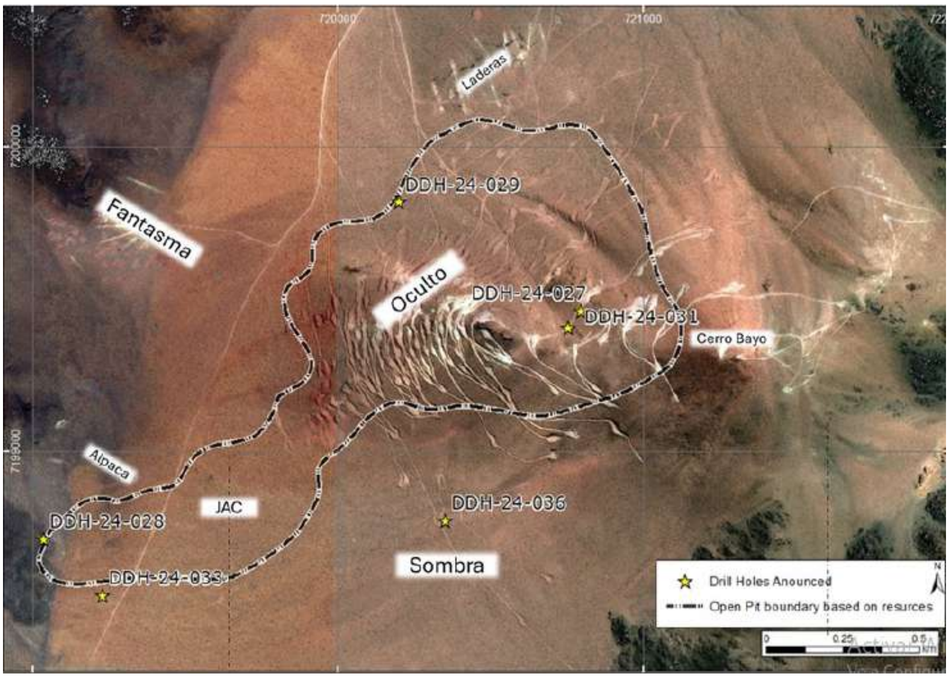
JAC Zone Extension Target

Hole DDH 24-033 was a step-out hole in the JAC southwest area that was drilled to extend the existing Mineral Resources beyond the current open pit boundary. Drilling intersected a broad zone of high-grade mineralization, with 50m at 250 g/t Ag, starting at a downhole depth of 110 metres and included an interval of 5m grading 1,036 g/t Ag.

The Sombra Target

This target is a new zone, named the Sombra target, located approximately 500 metres to the southeast of Oculto and JAC, that is believed to run parallel to the existing Mineral Resources.

The target is shown on the aerial view on the following page:



Hole DDH 24-036 was the first reconnaissance hole targeting this zone. Drilling intersected mineralization near-surface, with 22 m at 40 g/t Ag starting at a downhole depth of only 42.5m marking what the technical team regarded as a successful initial test of this new exploration area.

Additional drilling is now planned to test the extent of mineralization in this new silver zone.

EIA

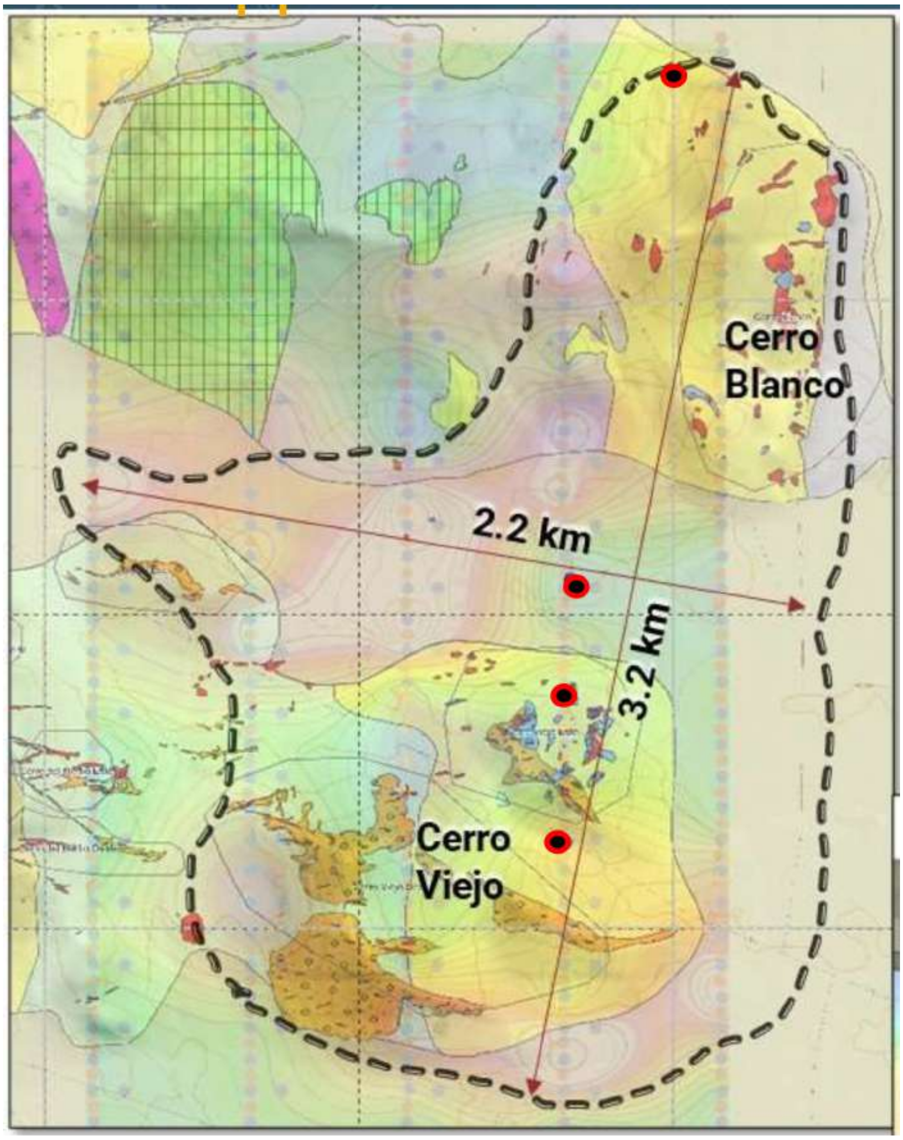
In early September of 2024 the company announced the completion of the Environmental Impact Assessment (EIA) for its Diablillos Project which was shortly after submitted to the government of Salta province. The assessment incorporated extensive social and environmental work programs completed since 2021 by the company's team, in parallel with multiple reviews by third-party consultants.

The EIA was undertaken by EC & Asociados, a certified environmental consultancy company based in Salta. EC & Asociados has extensive experience consulting for the mining industry in Argentina with clients including: Arcadium, Posco Argentina, and Rincon Ltd.

The EIA incorporated project details from the Diablillos Pre-Feasibility Study from early in 2024, and includes complete environmental baseline studies, air quality, hydrological modelling, flora and fauna characterization and impact evaluation, along with mitigation, controls and benefits analysis that will be present over the Life of Mine of the Project, from construction to final closure.

The Porphyry Target at Diablillos

Over and beyond the multiple precious metals' targets at Oculto, JAC et al. the company's land package also includes a separate district of copper porphyry targets, located about 5-6 km north-east of Oculto. With the main focus being the silver opportunity, the porphyry target had been left to one side but a combination of the intense international hunt for new copper resources and the potential of the relationship with Kinross has prompted the opening up of an exploration effort here.

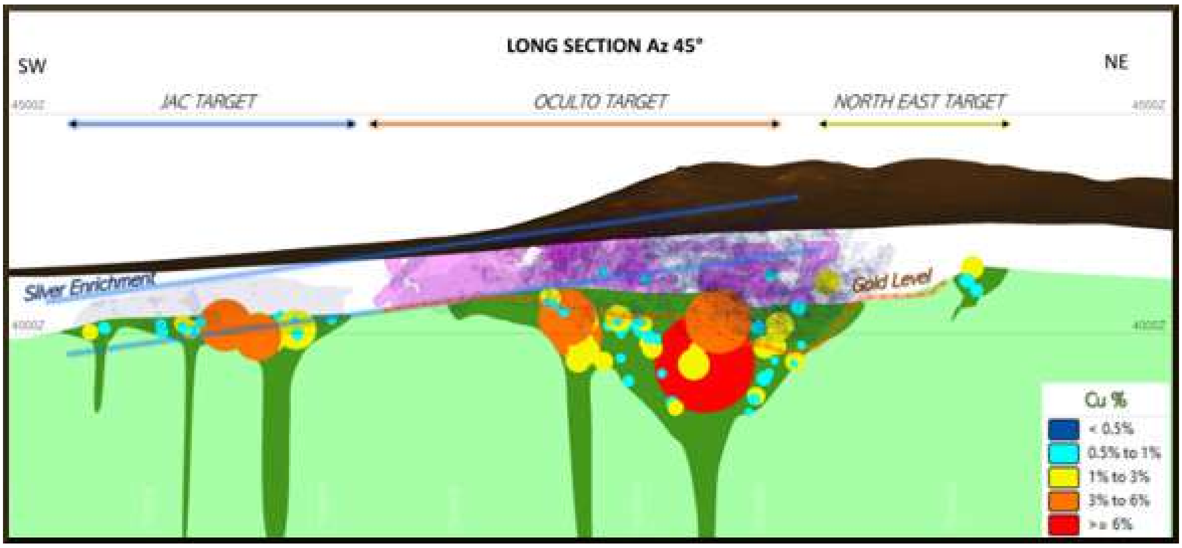


The famed Dr Richard Sillitoe, doyen of copper porphyry geologists, has visited the property several times and has made the following observations:

- There is definitely a copper porphyry source of the epithermal mineralisation at Oculto, because he identified fragments of copper porphyry in the breccias that are of the size that they could have only travelled vertically upwards with the mineralising fluids.

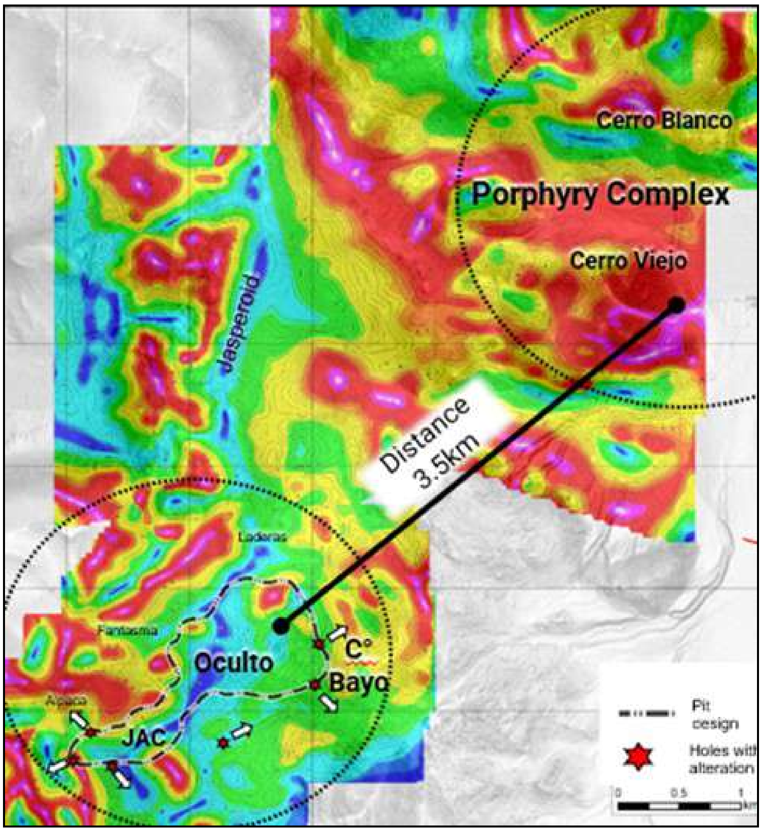
- Together with the company's team, they have concluded that the gold-silver mineralisation at Oculto is related to a hot acid proximal zone of mineralisation, above the source, and that the silver at JAC and other areas is distal, being lower temperature and acidity. These form zones peripheral to Oculto (JAC, Alpaca, Fantasma).
- Sillitoe said that because of the widespread nature of precious metal mineralisation at Diablillos (the concession being approximately 7x7kms) there must be a cluster of several porphyry intrusions feeding the zone.

The company's chief geologist, Dave O'Connor, noted that there are high levels of gold associated with copper sulphides in the Oculto area and high levels of silver associated with copper sulphides in the JAC Zone. This represents primary zonation of hydrothermal mineralization around the fluid source centered at Oculto, with high grade secondary chalcocite mineralization forming a cap above high-grade primary chalcopyrite mineralization.



The sulphide mineralisation below the Oculto/JAC zones has only been sporadically drilled but the cross-section above was created to show the intercepts and a theoretical model, along the lines that Sillitoe suggested, showing the feeders for the higher precious metal's deposits, with the copper lower down in the structure, at very interesting grades.

In September of 2024 the company announced the results of its TITAN geophysical survey, on the Diablillos Porphyry Complex. The TITAN survey was completed by Quantec International Project Services Ltd., that conducted a five-line survey covering the Cerro Blanco and Cerro Viejo target areas, which confirmed a large chargeability anomaly beneath Cerro Blanco reflecting a zone of sulphide veining that is interpreted as being related to a large porphyry intrusion.



In October of 2024, the company announced the commencement of drilling of an initial exploration hole situated on the Diablillos Porphyry Complex, located approximately 3.5 km northeast of the Oculto deposit.

The initial hole is in the Cerro Viejo target area and was designed to test the potential for a large copper-gold-molybdenum porphyry system. An initial set of four priority holes have been selected to be drilled before year-end targeting coincident chargeability and resistivity zones, defined by the TITAN geophysical survey, with assay results expected early in the new year.

Further Tweaking

Management have mused aloud on potential inputs to a future study that should enhance the metrics of the project even further. As far as infrastructure is concerned these might be:

- Replacement of on-site self-generation from a combined solar-diesel power plant with a connection to the national grid under a long-term power purchase agreement from a third party. Capturing this opportunity would provide a meaningful reduction to initial capital, lower operating costs and, potentially, improve the carbon footprint of the project.

- Expansion of available water resources to the project should remove constraints on plant throughput resulting in increased metal production.

Then the mine plan could be nuanced via:

- A re-envisioned mine plan based on a new Mineral Resource and Reserve estimate that incorporates the additional Phase IV exploration drilling results at JAC and the northeast zone of Oculto, as well as higher metal price assumptions.

- A new mine plan may present the opportunity to reduce the strip ratio and improve operating cashflow.

- Treatment of marginal material currently classified as waste through secondary processing, such as heap leaching, resulting in increased metal production.

- Improvements to the design of the Tailings Storage Facility (TSF) to reduce capital and operating cost, and also decrease the environmental footprint.

Next Steps – The Definitive Feasibility Study (DFS)

Management intends to advance Diablillos towards the completion of a DFS. This is expected to be finalized in 1H26. The DFS will build upon the PFS by assessing all of the opportunities identified, will incorporate all the exploration results from the ongoing Phase IV, 20,000-metre drill program and provide a more detailed and comprehensive evaluation of the Project's economics, engineering and environmental aspects.

The DFS will be competitively tendered and is expected to be awarded by no later than 2Q25.

Resource Expansion

As noted earlier, multiple exploration targets close to the planned Oculto-JAC open pit warrant additional drilling including: Oculto, JAC, Fantasma, Laderas, JAC North, Alpaca, with numerous other targets within the concession block.

Financing – Bringing in Strategics

One important event during 2024 was not a financing but rather a book accounting issue, with the consolidation of the shares outstanding on the basis of one post-consolidation Common Share for every five pre-consolidation shares held. This was announced in May.

Prior to this, in late April of 2024, the company entered into subscription agreements for a strategic CAD$20mn non-brokered private placement of its shares with Kinross Gold (NYSE: KGC | TSX: K) and an affiliate of Central Puerto S.A. (BASE: CEPU | NYSE: CEPU) at a subscription price of CAD$0.40 per share. Central Puerto is a power generation company in Argentina that was privatized in the 1990s and is under the influence of the Miguens interests, that have their historical roots in the Quilmes brewery empire. The Miguens interests also control Patagonia Gold (TSX-v: PGDC).

Kinross and Central Puerto entered into subscription agreements to invest CAD$10mnn each, resulting in aggregate gross proceeds of CAD$20mn to AbraSilver.

The outcome of this was that AbraSilver issued an aggregate of 50 million common shares at a subscription price of CAD$0.40 per common share (this represented a ~3% premium to the closing price around that time). As a result, Kinross and Central Puerto each own approximately 4% of the outstanding shares of AbraSilver.

AbraSilver entered into an Investor Rights Agreement with each of Kinross and Central Puerto that includes, among other things, standard anti-dilution and equity participation rights and the formation of a Technical Advisory Committee and a Strategic & Operational Committee.

More interesting still was that two of the parties (AbraSilver and Kinross) are forming a regional partnership to jointly explore for and acquire new projects in Argentina focused on silver, gold, and copper. This could have relevance back to the porphyry element of the Diablillos concession area.

The current cash balance (including a term deposit), or at least as of 30 September 2024, was CAD$14mn. The company also recently announced that a subsequent CAD$3.7mn in warrant proceeds were received, from warrants with an expiry date of Dec. 6, 2024, which were exercised at a price of CAD$2.50 per share. The company now has no further warrants outstanding, reflecting a streamlined capital structure.

Risks

Amongst the risks related to the AbraSilver's projects are:

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

The company's main vulnerability is the silver price and sentiment towards it. At least as long as the war in the Ukraine continues, we do not see much danger of the price of gold or silver retracing lower. Indeed, the longer it drags on the greater the chance of escalation in the conflict and thus the safe haven aspects of the precious metals will be reinforced. Beyond that we have the long-term underinvestment in new mines/capacity which has left silver with a scant pipeline of new sources of supply.

Financing conditions rise and fall with sentiment towards Silver, Copper and the other metals to which has exposure. Added to this are other dynamics, like the Russian invasion of the Ukraine and the rising interest rate environment in Western economies. The last two years have been a quantum better on the financing front for junior explorers.

The risks from copper for AbraSilver were always low but are now more distant due to the farming out of La Coipita to Teck in January of 2024. Copper still has relevance though if the porphyry at Diablillos delivers more promising results as exploration advances.

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 linked to the so-called "Energy Transition".

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. China has an interest in lower prices and has significant stockpiles and trading positions that it can (and has in the past) exploit to play *whackamole* with the prices of metals it wishes to see lower.

Conclusion

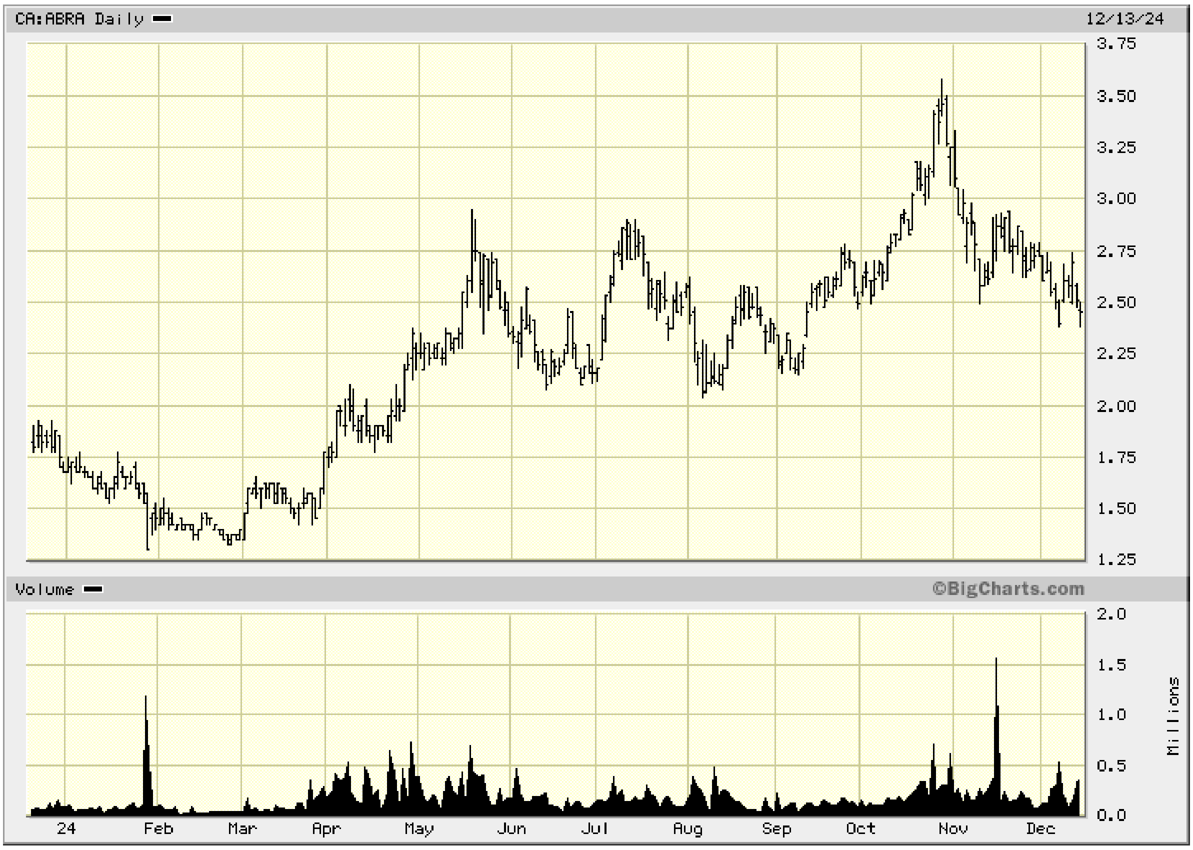
A confluence of events has positioned Diablillos as one of the most important silver projects coming down at the pike at a global level. The rise of silver (and gold) to new record trading ranges combining with the onset of the Milei Administration (bringing Argentina in from the cold), the burgeoning of infrastructure on the altiplano (prompted by the lithium brine boom) and the publishing of two PFS's in 2024 (each better than the prior one) have collectively given AbraSilver the impetus to move into development mode.

A mere rise in precious metals prices would not have been enough to set AbraSilver free from the malaise that hung over Argentina during the long Kirchnerite ascendancy. But neither would political change have been enough if silver, in particular, had not risen and made a transformative change to the economics of silver-weighted projects all around the world.

Clearly Diablillos is the largest precious metals project currently available in Argentina and as such is a prime candidate for the attention of larger predators that have not restocked their pipeline of projects during the down times. The first M&A in Argentina has been copper-focused but we suspect that a scramble to acquire positioning in precious metals will, hopefully, yield a handsome premium for AbraSilver shareholders. Frankly, our target price is predicated upon an offer being received in the next twelve months.

In any case the management are not waiting for predators to appear and are looking to develop the project under their own steam.

We reiterate our **LONG** rating on AbraSilver and set our twelve-month target price at CAD$4.90.



CA:ABRA Daily
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Volume
©BigCharts.com
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1.5
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Millions
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Appendix I:

Mining & the RIGI

Mining – The implications

On the mining front, the Milei regime undershot the initial potential by rapidly hiring, and then firing, the well-respected Flavia Royon who had been a functionary (Secretary of Energy), but not necessarily a political appointment, in the outgoing Massa regime. Ironically this great promoter of the industry was axed after a few weeks due to her being perceived to be close to the governor of Salta (for Royon had been an official in the *Salteño* government). Milei had cast the province of Salta into the penalty box when he didn't get what he wanted on another issue and so Royon was the sacrificial victim of all this.

The role of Secretary of Mining was apportioned to Sergio Arbeleche, a veteran mining lawyer from one of the largest law firms in the country. He has singularly underwhelmed. However, as Secretary of Mining at the Federal level is somewhat of a nothing role, in terms of regulation, the job needs to go to a showman (or show-woman) to bang the drum and attract interest for the sector. Royon was a loss. Though we hear she has now surfaced as head of the Mesa de Litio (combining the Lithium interests of Salta, Jujuy and Catamarca), so in a sense she is higher profile than if she had stayed as the minister!

Devolution Still Key

It is worth reiterating that mining law in Argentina has largely been an affair of the provinces in Argentina since the early 1990s, with virtually no Federal input, when Menem devolved mining jurisdiction back to the provinces. The fly in the ointment has long been foreign exchange issues and the import rules for capital equipment which have caused miners and explorers and developers untold long-running headaches.

On RIGI

As previously mentioned, it was the final passing of the *Ley de Bases* that triggered the RIGI scheme. The original Omnibus Law had included:

- a promotion regime for large investments; and
- an energy transition section, under which the executive branch would be empowered to establish and regulate a greenhouse gas emission market

The energy transition section was deferred to a later legislative deliberation, but the Incentive Regime for Large Investments (RIGI) was finally approved.

The new RIGI (i.e. incentive regime for large investments) scheme is a cornerstone of the Milei administration's policy offering and its introduction has been viewed very well outside Argentina. The RIGI program includes tax, customs and exchange incentives for a company developing a project of at least US$200mn in the agribusiness, infrastructure, forestry, mining, oil and gas, energy or technology sectors.

Argentina's average tax burden for miners is above 50%, according to *Cámara Argentina de Empresas Mineras (CAEM)*, Argentina's mining industry group. Argentina miners have long complained of unfavorable exchange rates, capital controls, import and export taxes and difficulty importing goods and equipment.

Local trade groups and unions have argued that the bill would put smaller companies at a disadvantage and does not do enough to ensure companies work with local suppliers. We would tend to agree with them. However, the US$200mn bar is set at a good level, as few of the projects outside of mining or oil & gas can get above that threshold, though one automotive plant project has been mooted as reaching that threshold.

The Tax Benefits

Investors with projects in the RIGI will pay 25% corporate income tax, instead of the current 35%, for thirty years. They will also be exempt from any new taxes created over the next 30 years.

KPMG summed up the RIGI tax rules as:

- 25 % CIT flat rate (down from 35%)
- 0 % WHT on dividends distributed after three years of the fiscal year that gave rise to them, provided that the earnings are generated in fiscal years that are closed after 4 years from the date of accession to the regime (General Regime is a 7 % WHT).
- Accelerated depreciation:
    - Movable property: 2 years
- Infrastructure works: useful life reduced by 60 %.
- NOL / Tax-loss Carryforwards:
    - No temporal limits (five years under the General Regime) in the computation of tax-loss carry forwards
    - In addition, after five years, unused tax-loss carry-forwards may be freely transferred to third parties (this is not allowed under general rules)

  - Inflation adjustment for tax-loss carry-forwards (not available under the general regime)
- Inflation adjustment for tax purposes and actualization of items of the tax base affected by inflation:
- More certainty in the inflation index to be used in the inflation adjustment for tax purposes, as it is specifically mentioned in the Law (under the General Regime, the index is published by the tax-authority)
- No limitation in the application of inflation indexes
- Possibility to keep accounting books in USD.
- Simpler procedures in case of tax-free reorganizations.
- Special and more beneficial regime for joint ventures and similar contracts.
- Under the RIGI, projects will be exempt from import duty on capital assets, machinery, and spare parts, and exempt from paying export duties for three years.

Duties

The new law eliminates export duties levied on gold and silver sales.

Dispute Resolution

One crucial aspect in light of history is that the RIGI contains provisions for disputes between Argentina and the companies in the scheme to be resolved in international courts. If a legal dispute cannot be settled within 60 days, companies can skip national courts and go straight to the International Centre for Settlement of Investment Disputes (ICSID), a World Bank institution for legal dispute resolution and conciliation between international investors and states.

Foreign Exchange

In a somewhat moot point, considering the drift towards the elimination of the *cepo* (the differentiated exchange rates & exchange controls), it is curious that some have focused on the guarantees related to this matter within the RIGI, with eligible projects within the regime also benefitting from special rules on foreign-currency export income.

During the first two years, companies within the regime will be required to liquidate just 80% of their dollar income in the official exchange market, in a setup similar to the current rules for agricultural exporters. That proportion will fall to 60% after three years, and zero after four years. In other words, after four years, these projects will not bring any new US dollars into the official exchange market.

Appendix II:

Mineral Resource Estimate

The Mineral Resource

In November of 2022 the company published a revised NI43-101 MRE on the Diablillos project. This was prepared by Luis Rodrigo Peralta and Joseph M. Keane. Then, in late November 2023, the latest updated MRE, prepared by Luis Rodrigo Peralta, was released with an updated estimate for the Oculto deposit plus estimates for the JAC, Fantasma and Laderas deposits, located to the west/southwest of Oculto.

MRE: Diablillos Project - Nov 2023

Zone	Mineral	Category	Tonnes 000s	Ag g/t	Au g/t	Contained Ag mns ozs	Contained Au ozs
Oculto	Oxides	**Measured**	12,170	101	0.95	39,519,000	372,000
		Indicated	34,654	64	0.85	71,306,000	947,000
		M&I Total	46,824	74	0.88	111,401,000	1,325,000
		Inferred	3,146	21	0.68	2,124,000	69,000
JAC	Oxides	**Measured**	1,870	210	1.21	1,979,000	49,000
		Indicated	3,416	198	1.13	1,235,000	64,000
		M&I Total	5,286	202	1.17	3,214,000	113,000
		Inferred	127	77	0.8	190,000	-
Fantasma	Oxides	**Measured**	-	-	-	-	-
		Indicated	683	105	-	2,306,000	-
		M&I Total	683	105	-	2,306,000	-
		Inferred	10	76	-	24,000	-
Laderas	Oxides	**Measured**	-	-	-	-	-
		Indicated	464	16	0.91	239,000	14,000
		M&I Total	464	16	0.91	239,000	14,000
		Inferred	55	43	0.57	76,000	1,000
Total	Oxides	**Measured**	14,040	116	0.85	52,146,000	382,000
		Indicated	39,217	76	0.77	95,594	974,000
		M&I Total	51,314	66	0.79	109,370,000	1,297,000
		Inferred	3,288	23	0.66	2,415,000	70,000

The MRE was the result of approximately 133,000 metres of drilling in 630 drill holes (historical and current). This includes the latest Phase III drill campaign, conducted in 2022/23, which totaled 24,077 metres.

This MRE displayed a substantial 36% increase in total contained silver in Measured & Indicated ("M&I") Mineral Resources to 148 mn ounces Ag (from 109 Moz Ag), primarily due to the recently discovered JAC deposit.

Part of the uplift was due to a 32% increase in average silver grades in M&I Mineral Resources to 87 g/t Ag (from 66 g/t Ag), due to higher silver grades at the JAC deposit and higher equivalent cut-off grades at Oculto.

The other substantial component of the increase was due to the inclusion of Maiden MRE (largely in the M&I category) for the JAC deposit of 5.3mn tonnes at 202 g/t Ag and 0.13 g/t Au, containing 34 mn ozs silver and 22 k ozs gold.

The resource is constrained within a conceptual Whittle open pit shell derived using (the now significantly outdated) price points of:

- US$24/oz Ag price
- US$1,850/oz Au price

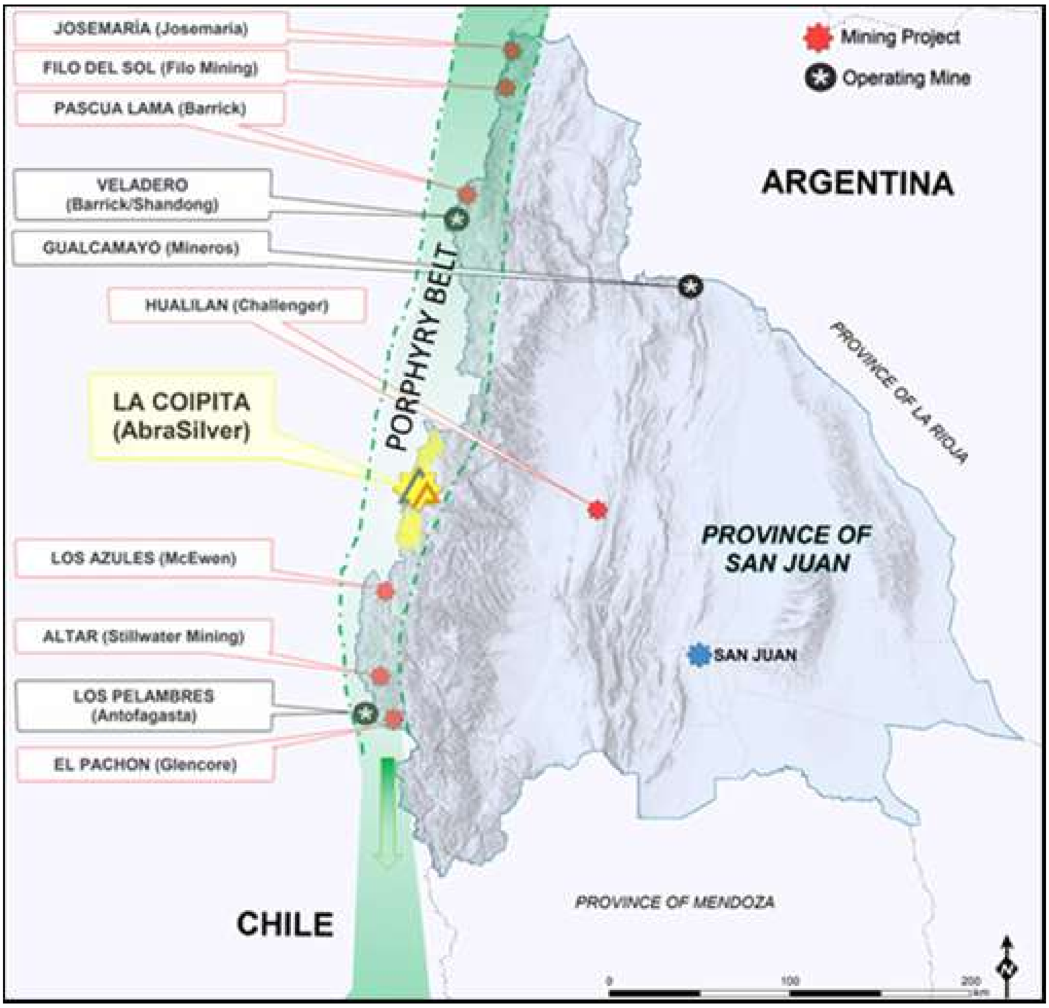
This assumes an 82.6% process recovery for Ag, and 86.5% process recovery for Au.

Appendix III:

La Coipita

La Coipita – the Copper Target

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.



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 this year.

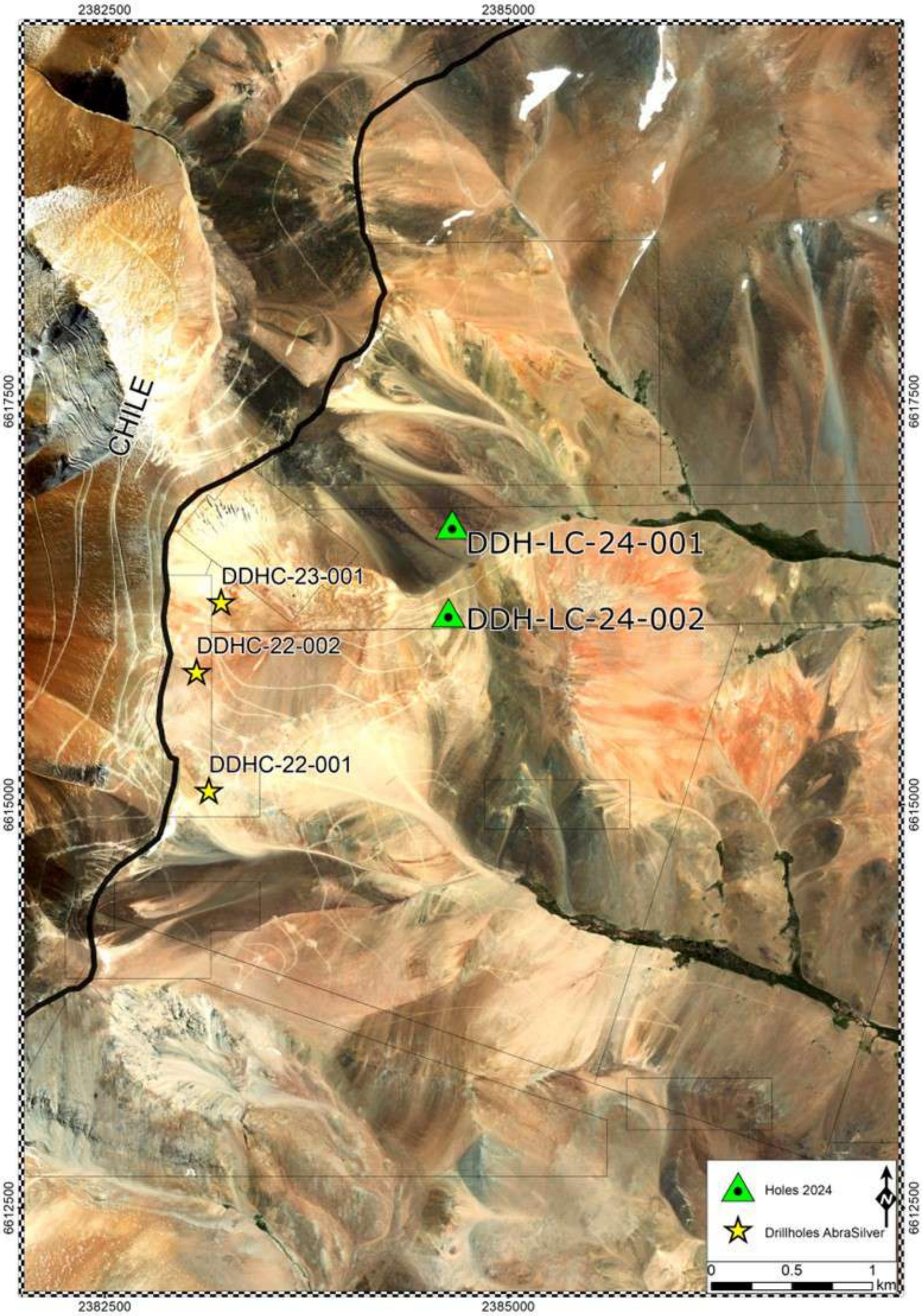
There are number of other projects that share access roads with the La Coipita project, most notably El Pachon of Glencore. The others are smaller, less advanced or static and are "operated" by the likes of Fortescue (FMG) and the Sanchez Losada interests. In close proximity, but on the Chilean side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

In January of 2024, AbraSilver struck an option and joint venture agreement with a subsidiary of Teck Resources Limited. For the details of the transaction, we would refer to our note on the transaction published at that time.

In February of 2024, drilling began in a campaign fully funded by Teck. The initial drill program consisted of two drill rigs, drilling a planned total of four holes, over 2,600 metres.

The initial drill program was designed to drill test zones of high chargeability and conductivity below sericitic alteration at surface, in the lower-elevation area east of previous drilling.

The location of these two drill holes, and the historical holes drilled by AbraSilver, are shown on the map on the following page.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DDH-LC-24-002
DDHC-23-001
DDHC-22-002
DDHC-22-001
Holes 2024
Drillholes AbraSilver
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Important disclosures

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