



HALLGARTEN & COMPANY

Initiation of Coverage

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Norseman Silver (TSX-V:NOC, OTCQX:NOCSF)

Strategy: NEUTRAL

Price (CAD)	\$0.20
12-Month Target Price (CAD)	\$0.22
Upside to Target	10%
High-low (12 mth)	\$0.165 - \$0.48
Market Cap (CAD mn)	\$9.88
Shares O/S (millions)	49.38
Fully Diluted (millions)	67.78
Cloudbreak Holding	14.52%

Norseman Silver

Getting Real in Patagonia

- + We hold that Silver is due for its day in the sun, with feeble investment in new projects over the last ten years and little in the way of new production
- + Initial sampling in British Columbia has shown strong Silver results, with some Copper potential
- + Interesting recent expansion into silver potential in a well-regarded provincial jurisdiction in Argentina
- ✗ Very early stage
- ✗ The company has a symbiotic relationship with the Cloudbreak group which makes it seem, in some eyes, as a group company in that corporate entity
- ✗ Additional financing will be required to undertake exploration programs to advance projects

Precious Metals & Copper in the Sights

We have mentioned Norseman Silver in the past as part of our pre-IPO coverage of Cloudbreak Discovery (CDL.L), which had/has Norseman as part of its stable.

Norseman is Cloudbreak's prime exposure to the precious metals sector. The company's current property portfolio includes a silver target in Patagonia (the Argentine side) as well as a portfolio of assets including the Cariboo, Silver Vista, Silver Switchback and New Moon projects located in central British Columbia, Canada. Access to these is primarily from the towns of Smithers or Terrace.

In this brief initiation we shall conduct a high-level look at the company's assets and developments thus far.

The Main BC Asset

Silver Switchback is a Volcanic Red-bed Copper (VRC) target. In the company's view, notable results from sampling include:

- 626.3g/t Ag, 4.39% Cu in outcrop
- 802g/t Ag, 7.24% Cu
- ~1.4km of 1 ppm Ag in soils trend



Tuesday 12th of April 2022

identified (though this result does not register as “notable” for us)

The option deal on the Silver Switchback property is, to fully exercise the option, Norseman shall: (i) pay to Cloudbreak an aggregate of \$30,000 and 750,000 common shares in the capital of the company in instalments; (ii) pay to 1975647 Alberta Ltd. an aggregate of \$60,000 and 1.85 million common shares in installments; and (iii) make aggregate exploration expenditures of \$475,000 on the Silver Switchback property over three years.

In addition, pursuant to the option agreement, the company shall grant to Cloudbreak a 1% NSR royalty. Norseman has the right to acquire half of the NSR from Cloudbreak at a price of \$500,000.

Down Patagonia Way

In early March of 2021, the company entered into a non-binding letter of intent with the Bussandri-McMillan partnership to acquire a 100% interest in the Taquetren Silver project, located in the SW of Rio Negro Province ~30 km N of the border with Chubut Province. This difference is worth mentioning as Chubut is one of the least auspicious jurisdictions in Argentina, while Rio Negro is one of the best.

The project covers approximately 285 kms² and is located within the Somuncura Massif. The project is comprised of three *cateos* (prospecting licences) selected to cover key stratigraphic and structural elements associated with the Navidad-Calcatreu mining district, which first came to prominence early this century. The Navidad silver deposit has a M&I resource of 632mn ozs Ag contained in 155.2mn tonnes @ 127 g/t Ag, 0.85% Pb, 0.05% Cu, 150 g/t AgEq). Those with long memories will recall our coverage of the Navidad ownership squabble between the Grosso Group and Aquiline Resources around 15 years ago.

The project area is accessed by high quality and well maintained paved and gravel roads.

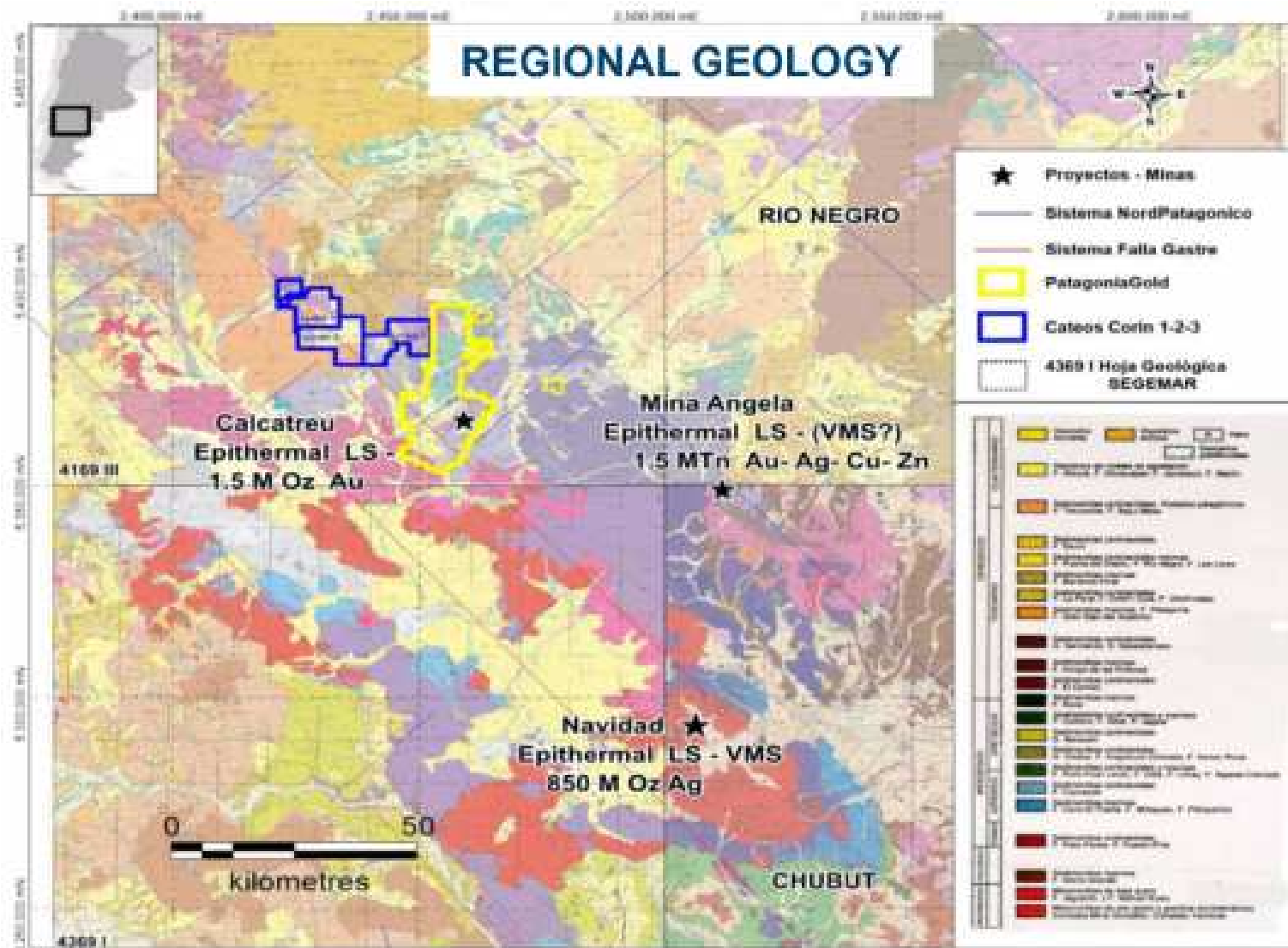
The company staked an additional 300 km² in 4Q21 to expand the property boundaries. These are contiguous to the original Taquetren claims.

Geology

This boundary of the massif is coincident with the Gastre Fault System, a long-lived mega-structural feature. Target stratigraphy is at the contact area between the Jurassic Taquetren Formation and the overlying sediments.

Past explorers have observed elevated pathfinders of Barium and Silver in soil geochemistry, with a similar signature to Navidad discovery.

The geological setting is calc-alkaline, bi-modal Jurassic Taquetren Formation volcanic rocks, within the Gastre fault zone. The Gastre fault system is a transcontinental shear zone, which extends from the Andean Cordillera to the Atlantic coast resulting in a series of half grabens and tectonic basins and associated faulting. Work to date has suggested favourable hydrothermal alteration.



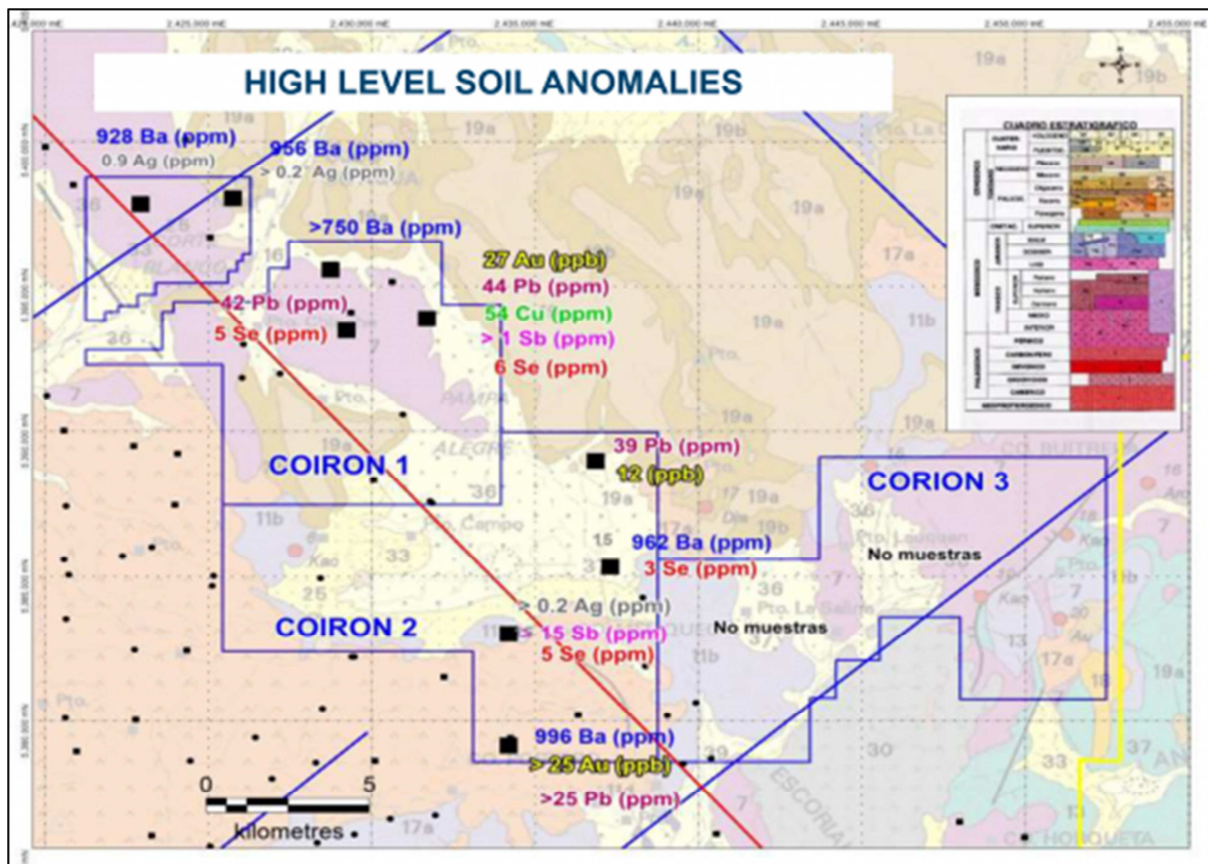
Exploration

The project should be categorized as an early-stage exploration property however most of the newsflow in 2022 has emanated from the Argentine asset.

The Argentine team includes personnel with first-hand participation in the discovery of La Navidad. Permits have been obtained to conduct initial geological, prospecting and geochemical sampling with work having commenced in May 2021.

Ongoing mapping and sampling in the area of the recent discovery is underway and the exploration team has been expanded to facilitate an accelerated regional exploration program. No evidence of previous exploration on the ground has been identified. The exploration team has been expanded to facilitate an accelerated regional exploration program.

Field observations and the collected samples confirm the existence of a vein system is located on the edge of a circular structure and along the trace of the NW-SE-trending Gastre Fault System, as well as NE-SW-trending Nord-Patagonico Fault System. Regionally, the mineralized LS epithermal system is located on the edge of one of the previously identified circular structures, reinforcing the model of the mineralization linked to a mega caldera.



In early March 2022, the company announced that towards the southern sections of the group of claims (or SSW sections of *Coiron* 3 claim), its team had encountered a highly mineralized vein with distinct Cu sulfides/oxides (*Veta Juan*). A calcite-quartz-sulfide vein (10-20 cm wide) and traceable to a strike length of about 300 meters was observed. Seven (7) samples collected along the vein's strike (outcrop and floats) all assayed >1% Cu. Four of the samples contain >100 ppm Ag, two of which having >200 ppm Ag. Gold is also anomalous and ranges in values from 0.06 to 0.49 ppm. Although the structure is quite narrow, this is a very encouraging occurrence and an indication of a currently perceived Calcatreu-type of mineralization in the area. This certainly comes in as one distinct target area.

Along the western portion of the claims, and still following the margins of a circular structure, Norseman's team has also encountered the same geology/stratigraphic sequence similar to the Navidad setting i.e., carbonate rocks on top of a volcanic breccia rock unit. These rocks serve as the favorable host rocks of the Ag and poly-metallic mineralization at Navidad. No evidence of previous exploration on the ground has been identified.

In late April of 2022 the company announced it had undertaken check assays on material from Taquetren. The material re-assayed came from earlier sampling that were above detection limit and these confirmed significant silver and bonanza grade copper.

Seven rock chip samples from the 10-20 cm-wide calcite-quartz-sulfide vein (**Veta Juan**) which were collected along a strike length of about 300 meters were re-assayed. The re-analysis showed an average of 7.73% Cu (2.46% to 9.63%) for the seven samples. The same set of samples was re-analyzed for silver. Two samples picked up an average of 205 ppm Ag (202 and 207 ppm Ag), and another two samples contained >120 ppm Ag.

Reconnaissance-scale sediments and rock sampling activities have continued. Preliminary assay results of the samples confirm the anomalous multi-element concentrations along the NW-SE *Veta Juan* to *Veta Nueva* zone. *Veta Nueva* lies close to the Area Marta, a zone which was mapped out with distinct features of low-sulfidation epithermal style rock textures and alteration. Along Area Marta, several outcrops and rock float fields of variably silicified volcanic rocks and calcites with bladed textures were encountered. Based on the completed sampling program thus far, this NW-SE zone extends for a strike length of approximately 5 km, and lies along the rim of a perceived caldera ring structure is defined by strong positive anomalies for Cu, Au, Pb, Zn, As and Mn in the sediment as well as in the rock samples.

The Other BC Assets

At Silver Vista the target metals are Gold, Silver, Lead & Zinc in Mesothermal stratabound mineralization in sandstones. There is only limited outcropping, but indications from limited drilling and soil sampling suggest a mineralizing system in management's view.

As to the Silver Vista property, in order to fully exercise the option, Norseman shall: (i) pay to Cloudbreak an aggregate of \$50,000 and two million common shares in the capital of the company in

instalments; (ii) pay to 1975647 Alberta Ltd. an aggregate of \$45,000 and one million common shares, in instalments; and (iii) make aggregate exploration expenditures of \$275,000 on the Silver Vista property over three years.

The company has granted to Cloudbreak a 1% NSR royalty. Norseman has the right to acquire half of the NSR from Cloudbreak at a price of \$500,000. The Silver Vista property is also subject to an underlying 2.0-per-cent NSR royalty.

There is also the Cariboo property, targeting Silver/Copper/Gold, on which Cloudbreak holds an NSR. At this project the mineralization is comprised of Copper sulphides in fractures and calcite veinlets, with a zoned soil anomaly measuring 1500m x 500m. Historic drilling has been limited and inconclusive, to date, so this project requires more work.

The company's New Moon property, on which Cloudbreak holds a 2% NSR, is a 3,522-hectare claim package located 60kms east of the port of Kitimat. Mineralisation identified to date on the property includes epithermal veins with base and precious metals content. Local skarn mineralisation and massive sulphide float might indicate VMS-style mineralisation.

Financing

At the very end of December 2021 the company closed the second and final tranche of its non-brokered private placement consisting of 250,000 flowthrough units at a price of \$0.30 per FT Unit for gross proceeds of \$75,000. Each FT Unit is comprised of one common share and one half of one common share purchase warrant. Each warrant entitles the holder to purchase one additional non-flow-through common share at an exercise price of \$0.34 for a period of two years from the date of issuance. The FT Shares qualify as flow-through shares for purposes of the Income Tax Act (Canada).

Relations with Cloudbreak

At the moment the exposure of Cloudbreak to Norseman consists of:

- + 6,000,000 shares or 14.52% (the current market value of which is ~CAD\$1.5mn)
- + 2% NSR on Cariboo project
- + 1% NSR on Silver Switchback project
- + 1% NSR on Silver Vista project
- + 2% NSR on New Moon project
- + Kyler Hardy as a non-executive director and Cloudbreak's CFO, Dave Robinson serves the same function at Norseman

Team

Campbell Smyth, Chairman & Director, serves as an advisor to Nubian Resources Ltd., a company listed on the TSX Venture Exchange. He has fifteen years of experience in managed portfolio investing (in both mutual and hedge funds) and over twenty-five years of experience in corporate finance and capital raising. He received a Bachelor of Commerce degree from the University of Western Australia in 1990.

Sean D. Hurd, President & CEO, Director, has over twenty years of experience in the mining exploration sector holding positions as President, CEO, Director, Investor Relations and Corporate Development with various companies including issuers listed on the TSX Venture Exchange. His primary activities have been with publicly traded venture companies in mining, oil & gas, and industrial sectors providing management, fundraising and various consulting/marketing services. He has held leading roles taking companies public, marketing, mergers, acquisitions, restructurings and negotiating joint ventures with major multinational companies.

Kyler Hardy, Director has over 16 years of experience in the global resource sectors. He has worked with venture capital, private equity funds and has introduced strategic partners to advance projects. He has founded, managed and successfully sold several resource sector businesses. He is currently the CEO of Cronin Group, Chairman of Temas Resources, Co-Executive Chairman of Imperial Helium, a Director of Hexa Resources, director of Norseman Silver, and CEO of Buscando Resources.

John Seaman, Director, was the Chief Financial Officer of Premier Gold Mines from August 2006 to June 2012 and Chief Financial Officer Wolfden Resources Inc. from October 2002 to May 2007. He has been a Director and/or officer of various small-cap public companies and currently President and CEO of a large private security company.

Dave Robinson, CFO, has over 10 years of accounting and capital markets experience. He has provided audit, tax and consulting services to private and public companies for several years at MNP LLP, before moving to the Telus Pension Fund as a senior analyst, where he gained significant exposure to equity portfolio management and commercial lending. He is currently the group CFO and a partner in the Cronin Group.

Risks

There are several potential risks that should be taken into consideration:

- ✘ Global economic conditions could deteriorate due to a rising interest rates or slowing growth or both
- ✘ Several exposures are to precious metals in British Columbia, a province where the history of early-stage development to production has been patchy in recent years

- ✘ Argentina is an acquired taste and the fact that mining regulation rests with individual provinces means that local political swings & roundabouts can change provincial government policy irrespective of national support for mining
- ✘ Financing difficulties continue to exist for junior explorers
- ✘ Generally a downturn in a natural resource sector and more specifically the metals and exploration sectors

Opinions differ on the direction of global growth (and thus the broader markets) in the wake of the pandemic (not that the pandemic is behind us by any means). There is undoubtedly a “bounce” in progress. Whether this turns out to be a dead-cat bounce remains to be seen. There is also talk of a new Commodity Supercycle, which, if it is true, may be mere coincidence with the passing of the worst of pandemic, or may be related to long-term underinvestment in development of new projects and resources.

Higher interest rates have damaged sentiment in the metals markets as the prospects for global growth appear to be curtailed.

The company’s exposures in British Columbia are not as attractive to us as the Argentine assets.

Conclusion

Norseman Silver might be called alternatively, Son of Cloudbreak as it was spawned out of that corporate stable and still maintains close links at both the board level and in view of the deals/options and NSRs it still has with Cloudbreak.

British Columbia leaves us unexcited. However the work so far in Argentina has been promising, but it is still early days. We look forward to more details on the strategy as the results flow in.

We are initiating Norseman Silver with a **NEUTRAL** rating and a twelve-month target price of CAD\$ 0.22.



Important disclosures

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