Sunday, December 7, 2025

HALLGARTEN + COMPANY

Initiation of Coverage

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Magma Silver

(TSX-V: MGMA | FSE: BC21 | OTCQB: MAGMF)

Strategy: LONG

Key Metrics	
Price (CAD)	$0.220
12-Month Target Price (CAD)	$0.68
Upside to Target	209%
12mth - Low-High	$0.075 to $0.42
Market Cap (CAD mn)	$15.84
Shares Outstanding (mns)	72.01
Fully diluted	110.31

Magma Silver

Prepping a Potential Major Silver Asset

- + The incoming management team in 2024 seized the Zeitgeist and moved a moribund African Energy Minerals story in the silver space in the prime South American destination for silver mining, Peru
- + In doing so they picked up the Niñobamba project which had a history of storied owners but had fallen below the radar
- + Along with the exploration work undertaken by these past holders of the asset came a historic unpublished scoping study prepared by Newmont early last decade
- + The silver price, after ten years of relative underperformance *vis-a-vis* gold, has an impetus of its own powering above US$50 recently on international tensions and economic events
- + Peru produces approximately 12-14% of global silver, making it the third-largest producer after Mexico and China.
- + The universe of silver explorers, developers and producers has moved into a much higher profile in the mining space over the last two years
- + A financing in October has positioned the company with cash resources for its immediate exploration plans
- × Silver´s price rise has been driven by global tensions and disruptions/distortions, with any normalization potentially threatening a move to the downside
- × Speculators in the silver space are doing the metal no favours, storming in and storming out with little practical consideration given for the logistical aspect of silver trading
- × The financing environment has been tough in the junior explorer space in the last two years, with investors being most well-disposed to fund projects with a perspective to production

Seizing the Day with Silver

When the history books are written, 2025 will be known for many things, but chief amongst those for mining investors will be the renaissance of silver. Gold has had a great year, maybe even a slightly better year, but it would appear that the silver uplift has brought to life many more sleeping exploration and development stories than gold has. After all gold is a perennial, whereas silver's fortunes have been more fluctuating, particularly since the eclipse of the metal as an industrial staple in photography applications. That new applications (such as coatings on solar panels) had arisen was scarcely noted and silver languished until a partial awakening in 2020 and a full awakening this year.

Silver supply bifurcated between precious metals mines (with silver as either the primary or secondary product) or lead/zinc mines where the economics of the base metals drive whether the mines are viable (largely) irrespective of where the price of silver is. The long quiescence in the silver price and the many travails of zinc and ultimately doomed status of Lead has made for a very dry pipeline of major projects.

So, the silver resurgence has caught off guard the mining capital markets, where there has been scant development of pure (or mainly) silver plays and even less development of sizeable base metal mines with a sizeable silver component.

In this Initiation of Coverage, we look at the swift recent evolution of Magma Siver Corp and its move into silver and into Peru. We look at its Niñobamba asset and the extensive past and planned work. Then we review the state of the nation in Peru and the recent history of silver.

The Background

The company´s recent history dates back to a transaction in mid-April of 2025 when African Energy Metals Inc. (NEX: CUCO.H | FSE: BC2 | WKN: A3DEJG) changed its name to Magma Silver Corp. and graduated from NEX to TSX Venture Tier 2. This was simultaneous with approval for the acquisition of the Niñobamba advanced stage silver gold project in Peru.

The Niñobamba Project

The Niñobamba high-sulphidation silver-gold project is located in the Andes in South Central Peru in the Department of Ayacucho. Niñobamba spans an 8km x 2km mineralized corridor in a prolific geological belt of a high-sulphidation epithermal system. Extensive exploration by Newmont, AngloGold Ashanti, Bear Creek Mining and others, demonstrated significant resource potential with over CAD$14.5mn invested to date.

The Niñobamba project consists of seven contiguous mining concessions or mining rights totalling 4,099.98 ha. located on the western flank of the Cordillera Negra (Huachocolpa). The concessions are known by the names of Dorita Primera, Plata 900, Plata 600, Plata 200 and Niño 1 to Niño 3.

The property has excellent infrastructure and is located, by road, 500 km south west of the city of Lima and road access is by the Pan American North highway (Route 1S), following the coast for 238 km to the city of Pisco then turn east on highway 28A for 262 km to the Property turnoff, 1.5 km east of the village

of Niñobamba. The project´s main zone is located seven kilometres from the turnoff on a dirt road.

The Deal

The project was held 100% by Rio Silver Inc. a public company that held the project through its wholly owned Peruvian subsidiary, Minera Rio Plata S.A.C.. In late January of 2025, African Energy Metals Inc. (AEM) entered into an option agreement with Rio Silver Inc. (TSXV: RYO) for AEM to earn a 100% interest in the Niñobamba project.

Under the terms of the option agreement dated January 20, 2025, AEM had the right to earn a 100% interest in the project upon full exercise of the option under the Option Agreement.

As set out in the table that follows, the option agreement requires payments of an aggregate CAD$260,000 (paid) during the first year and further payments with a value up to US$2mn.

Some US$500,000 of this amount are advance payments on any royalties payable under the royalty agreement under the net smelter return royalty of 2% granted to Rio Silver. AEM retained the right to buy back 1% of the NSR for US$1,000,000 prior to commercial production on the Project.

Time of Commitment	Cash or Advance Royalty Payment (ARP)	Consideration Shares
Upon execution of the Agreement	CAD$10,000	
Upon Exchange approval	CAD$ 150,000	2,500,000 shares
On or before May 15, 2025	CAD$100,000	
Earlier of first anniversary of Exchange Approval Date or May 15, 2026		2,500,000 shares
On or before March 15, 2026	ARP US$100,000	
On or before March 15, 2027	ARP US$100,000	
On or before March 15, 2028	ARP US$100,000	
On or before March 15, 2029	ARP US$100,000	
On or before March 15, 2030	ARP US$100,000	
Within 90 days of receipt of results and assays upon completion of 10,000 meters of drilling	US$500,000	
Within 90 days of receipt of results and assays upon completion of a further 10,000 meters of drilling	US$500,000	
Within 90 days of receipt and issuance of a NI 43-101 resources estimate	US$500,000	

The option agreement requires the issuance to Rio Silver of a total of 2,500,000 common shares of Magma Silver upon receipt of regulatory approval (issued) and a further 2,500,000 common shares on the earlier of the date that is one year from the receipt of Exchange approval or March 15, 2026.

Magma Silver (at the time, AEM) has the right, but not the obligation, to issue its shares in lieu of 50% of any cash payment obligation except for the CAD$260,000 payments in year one which must be, and were, made in cash.

AEM paid CAD$10,000 on a non-refundable basis to Rio Silver when the option agreement was executed.

The History

There is evidence of mining works from colonial times. Due to some of the evidence (small manual stone grinding mills) found in Jorimina, it is presumed that the work was related to the exploitation of gold. According to Mckee and Noble (1982), the mineralization in this area was recognized by the Spanish in 1562 and since then exploited.

In Joramina, early field work was carried out during 1995 and 1996 was carried out by a Joint Venture between Buenaventura-BRGM and CEDIMIN S.A.

During 2006 ASC (Andean Silver Corporation) drilled 8 holes in Jorimina area. This drilling is believed to have been focused on the silver mineralization as reported in a 2008 Newmont Technical report (Pinto, et al., 2008). No data, results or reports are available for this work.

Rio Silver agreed in 2016 to purchase, from Newmont, three concessions including all exploration data. Rio Silver eventually allowed these three concessions to lapse but successfully reacquired them by application in 2021.

AngloGold Peru S.A.C. (AngloGold) established a Peruvian exploration office in 1999 and started acquiring properties throughout Southern Peru by a massive application/staking campaign. The Niñobamba main was identified and acquired in 2000.

Bear Creek entered an agreement with AngloGold to earn a 60% interest by completing 1,000 meters of drilling by March 2004. Bear Creek drilled 1,001 meters, in eight holes, in late 2003 to complete their first-year commitments. The property was later returned to AngloGold.

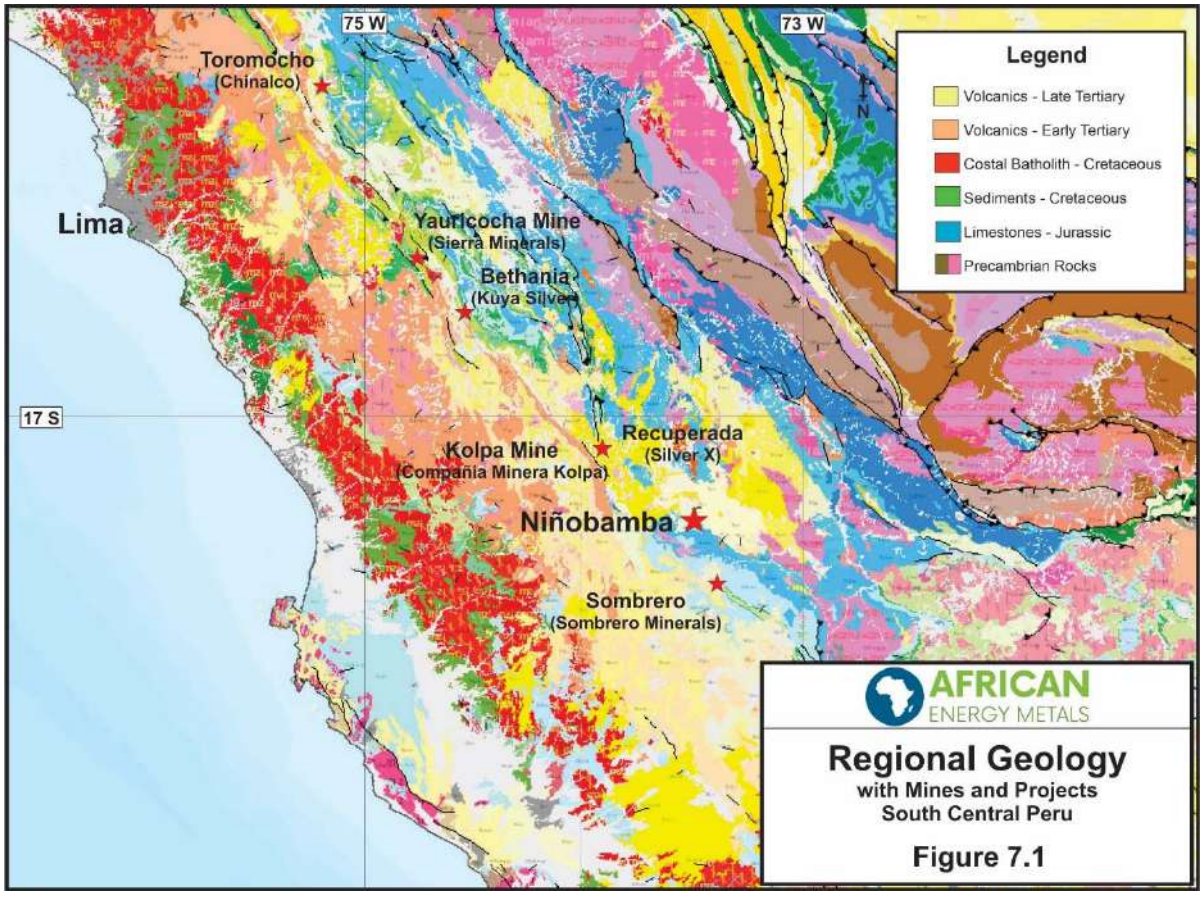
In 2006 Southern Copper (Peru) acquired the area west of the Niñobamba main zone, drilled by AngloGold and Bear Creek. This area included the Joramina Zone and other isolated anomalous zones. The most easterly Au-Ag zone located on what were formerly the Southern Copper concessions is considered to be the extension of the Niñobamba main zone located on the former AngloGold concessions.

Newmont identified the area in 2007 after a regional BLEG-type sampling program (Pinto, et al., 2008). An earn-in agreement with Southern Copper (Peru) was completed in mid-2007 and surface work started in June 2008.

In 2011, Newmont produced a mine study, which was a requirement of their deal with Southern Copper (Peru). This took the form of a (non-NI 43-101 compliant) presentation *cum* PEA.

AngloGold allowed their concessions to lapse for non-payment in 2006. Rio Plata S.A.C, Rio Silver's wholly owned Peruvian subsidiary, applied for the Niñobamba main zone (drilled by AngloGold and Bear Creek) by application in 2007 as well as Newmont and another individual. Rio Plata later acquired this area by outbidding Newmont in a "closed bid" auction in 2008. Rio Silver agreed, in 2016, to purchase from Newmont, three concessions including all exploration data.

In a telling sign of the fluctuating interest in the project (depending on silver's price and market attitudes to explorers) Rio Silver eventually allowed these three concessions to lapse but successfully reacquired them by application in 2021. This was essentially the situation up until Magma Silver/AEM cut its deal with Rio Silver.



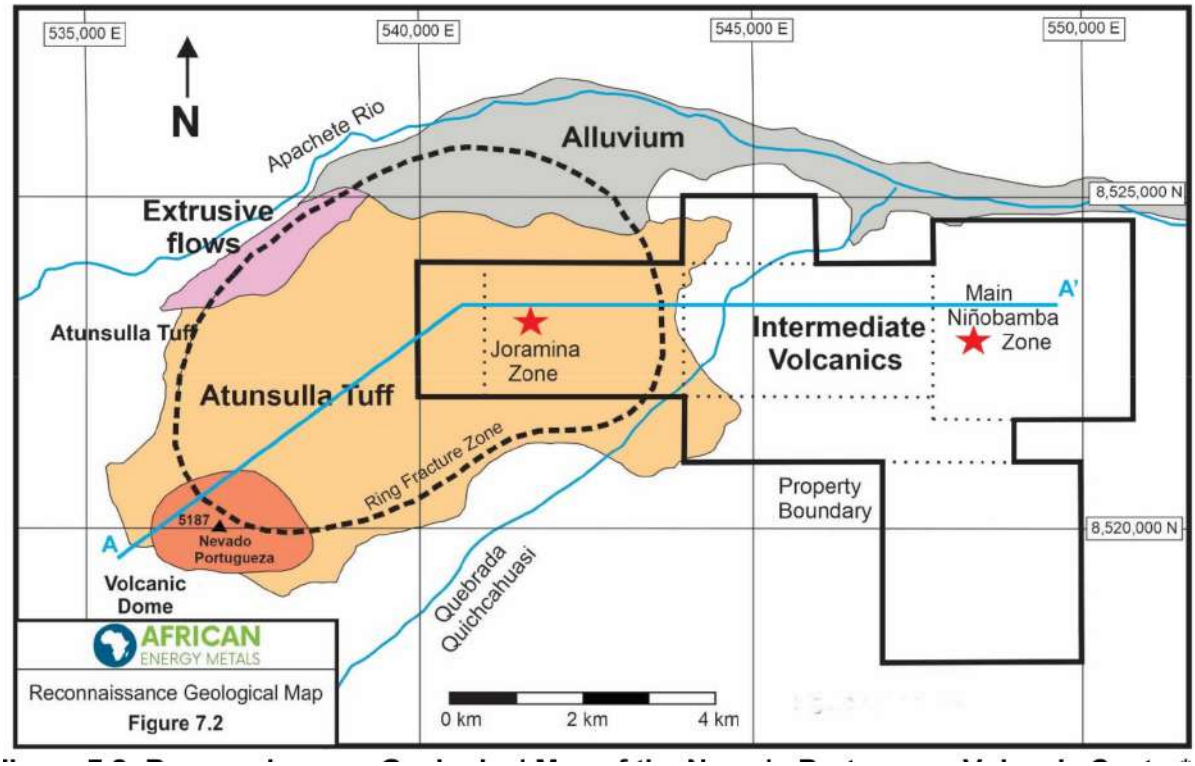
Regional Geology

The southwestern region of the Department of Ayacucho lies along the western flank of the Cordillera Occidental underlain by a thick section of volcanic units of Oligocene to Miocene age (34 – 6 Ma). These volcanic units disconformably overlie upper Mesozoic continental shelf clastic and carbonate sediments and intrusive rocks.

The nearest exposures of these rocks to the property are represented by quartz arenite and calcareous sandstone members of the Yura Group, and granodiorite to tonalite of the Coastal Batholith in deeply incised drainages 30 kms west of the Property at elevations ±1,000m lower than the project area.

In the district around the property, it has been noted that, after a prolonged hiatus, subduction-related magmatism started in this region during Late Miocene at around 8-10 Ma and lasted in its waning stage until Late Pliocene.

Volcanic rocks deposited and related to this magmatism belong to the Huachocolpa Group. It forms the principal outcropping geologic units within the Niñobamba area and the surrounding district. It is the principal host for mineralization in the region.

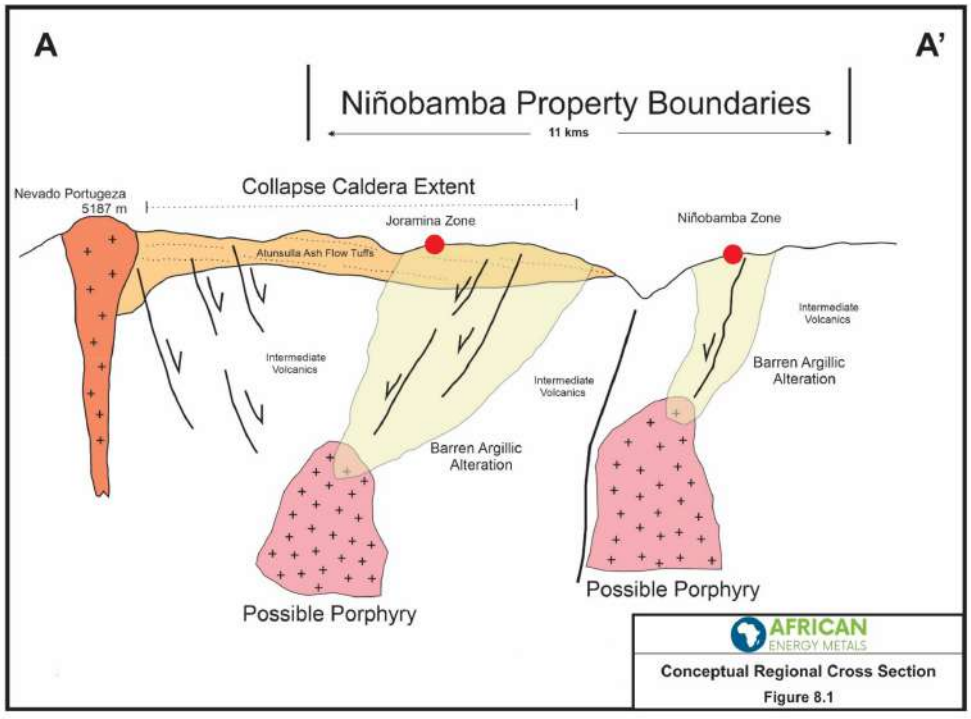


Project Geology

Niñobamba Property is located in a marginal position of an arc segment, characterized by deep-seated NE and NW trending faults. The main volcanic force driving the volcanism is the area is shown at the Nevado Portugueza volcanic center located 9.6 kms from the Main Niñobamba zone. This calc-alkalic center is relatively young. Dating techniques by Noble and McKee (1982) on the Atunsulla Ash flow tuffs returned eruption dates between 2 to 4 million years ago.

Most of the project area lies in the outer part of a compound stratovolcano, which is ascribed to the Late Miocene Apacheta Formation (Morche et al., 1996). The complex volcanic edifice is built of andesitic lava flows, with minor pyroclastic flows and tuffs. Clearly the gentle dipping volcanic sequences are associated with recent volcanic activity within a collapse caldera environment.
The topographic margin of the caldera is shown on the map above. This margin is marked by steeply dipping volcanic flows and tuffs. In this geological interpretation is correct, the Jorimina Zone is located within the collapsed caldera whereas the Main Niñobamba Zone is in the outer margins of the volcanic center.

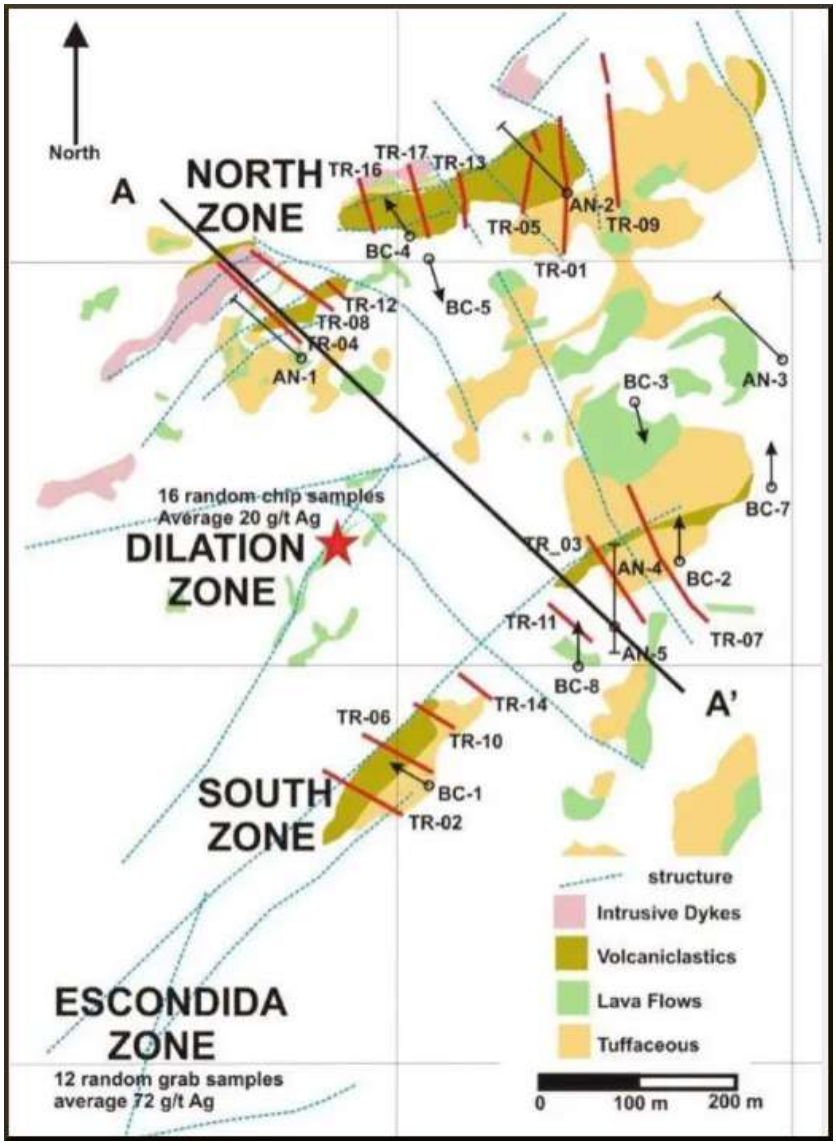
The precious metal mineralization in the Niñobamba project area is believed to be driven by a deep porphyry system. The author of the Technical Report opines that the regional geologic position of Niñobamba bodes well for the mineralizing system to be part of a collapsed caldera complex and associated with the underlying porphyry system. A conceptual regional cross-section is shown below:

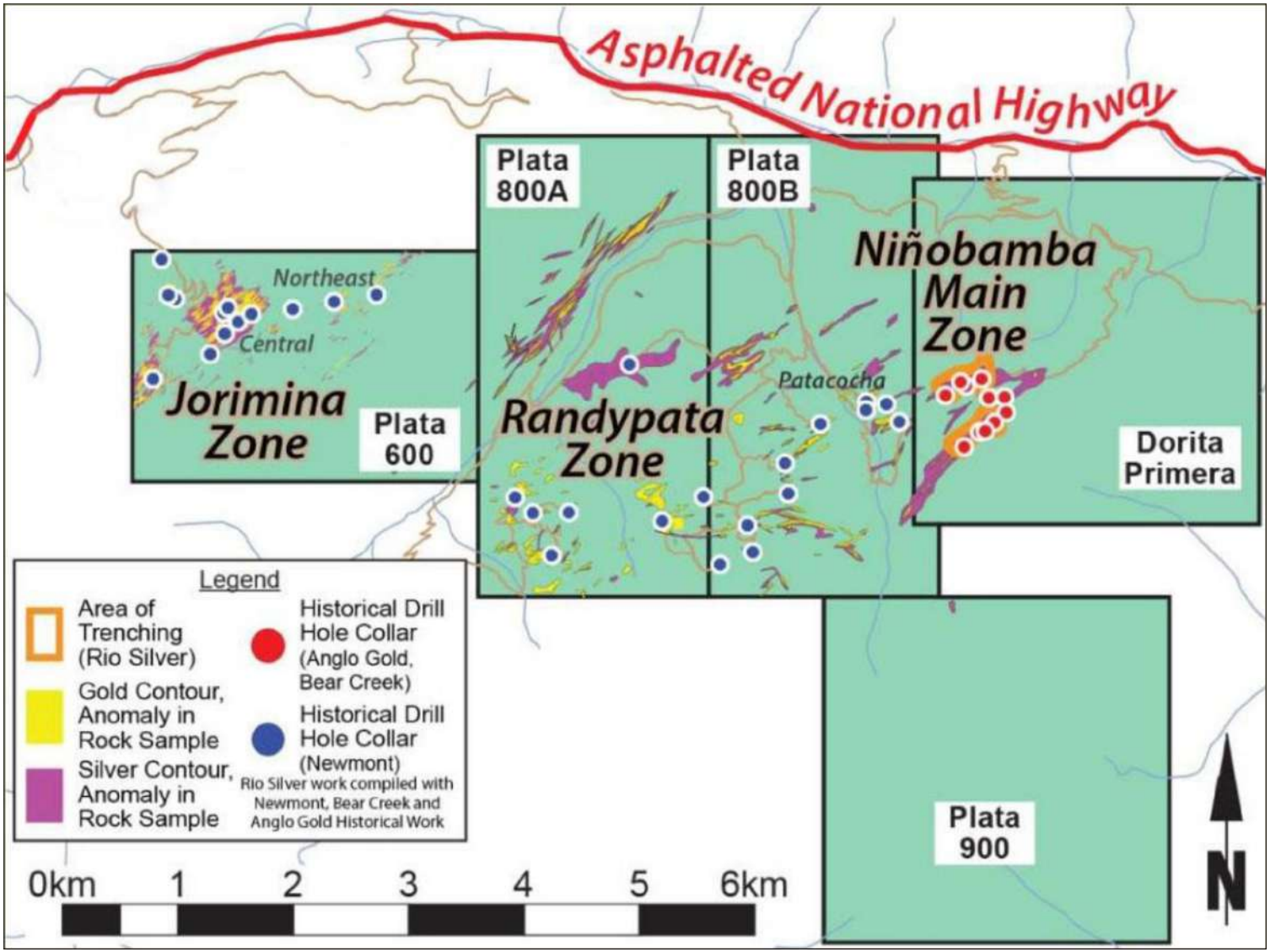


The map on the page that follows shows the zonation. It is the south area of the Ninobamba Main zone which is predominantly silver. The north area is mainly gold in vuggy silica mineralization, a commonality shared by every large successful gold mine in Peru.

The north zone consists of two distinct mineralized zones exposed over 400 m strike, open in both directions. Highlights of work there include:

- TR-01: 56 m 1.03 g/t Au, 98.9 g/t Ag; 14 m 0.22 g/t Au, 57 g/t Ag; 20 m 41 g/t Ag
- TR-04: 21 m 1.32 g/t Au, 102 g/t Ag (Open); 14 m 0.16 g/t Au, 85.9 g/t Au
- TR-05: 108 m 62.4 g/t Ag (Open)




Asphalted National Highway
Plata 800A
Plata 800B
Niñobamba Main Zone
Northeast
Central
Jorimina Zone
Plata 600
Randypata Zone
Patacocha
Dorita Primera
Plata 900
Legend
Area of Trenching (Rio Silver)
Gold Contour, Anomaly in Rock Sample
Silver Contour, Anomaly in Rock Sample
Historical Drill Hole Collar (Anglo Gold, Bear Creek)
Historical Drill Hole Collar (Newmont)
Rio Silver work compiled with Newmont, Bear Creek and Anglo Gold Historical Work
0km 1 2 3 4 5 6km
N

While in the South Zone, the potential strike length exceeds 1000 m with highlights including:

- TR-02: 42 m 131 g/t Ag
- TR-03: 29 m 119.3 g/t Ag
- TR-07: 23 m 83 g/t Ag)

Previous Exploration

Previous owners and operators of the property performed work and collected data. This historical work was performed by AngloGold, Bear Creek and Newmont starting in 2002 and continued until Rio Silver acquired the main property beginning in 2007.

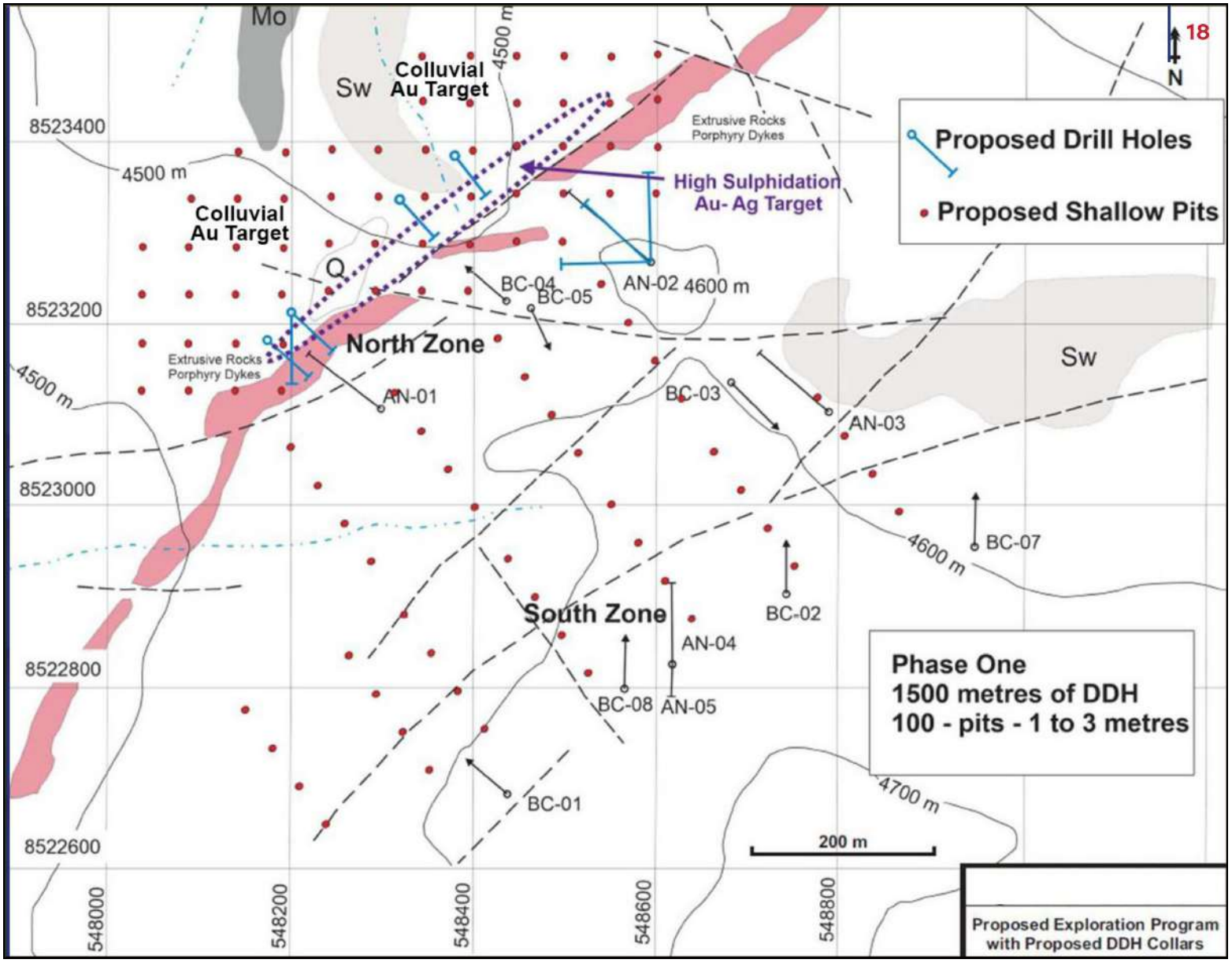
An extant NI 43-101 Technical Report was prepared by James McCrea (P.Geo) at the request of AEM to provide a project compilation and an initial geological assessment of the Niñobamba project.

There are two areas of previous exploration activity. The 900 ha Dorita Primera concession (aka the Main Zone) was explored and drilled by AngloGold in 2003 and by Bear Creek Mining in 2005. The second zone is located on the Plata 600 concession (aka Joramina).

In Joramina, early field work was carried out in 1995 and 1996, geological field work and drilling, which included four diamond drills. This work was carried out by a JV between Buenaventura-BRGM and CEDIMIN S.A. According to unofficial information thin structures were found with very restricted gold values. During 2006, ASC (Andean Silver Corporation) drilled eight holes in Joramina area. This drilling is believed to have been focused upon the silver mineralization as reported in a 2008 Newmont Technical report. No data, results or reports are available for this work.

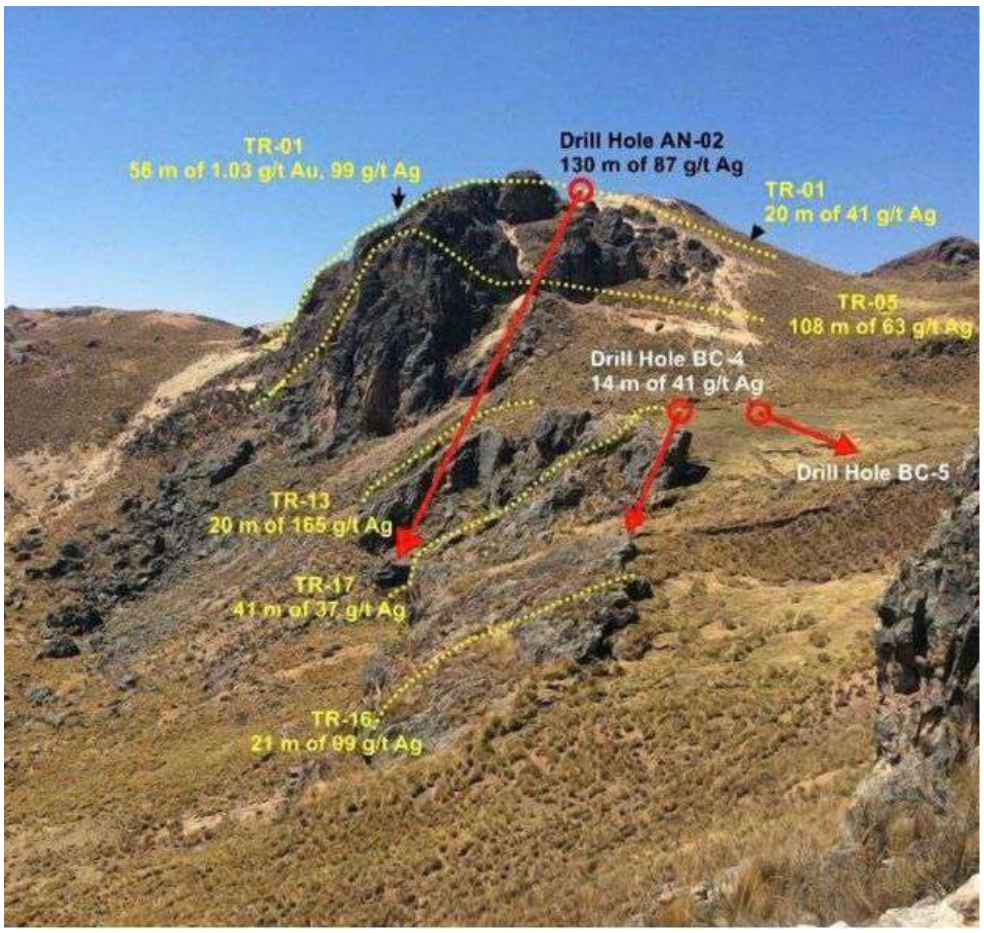
This historical work was performed by AngloGold, Bear Creek and Newmont starting in 2002 and continued until Rio Silver acquired the main property beginning in 2007.

Rio Silver conducted an extensive trenching program in 2012 consisting of 17 trenches. The rock was channel sampled and surveyed. A significant gold zone was revealed that was not recognized by previous operators. The best results in the Au-Ag zones show 54 metres of 1.05g/t Au and 101 g/t Ag in trench TR-1, 15.1 metres of 1.4 g/t Au and 112.47 g/t Ag in trench TR-4 which ended in mineralization. Best pure silver results show broad disseminated mineralization of 62.4m of XXX g/t Ag in trench TR-5 and 42.62m of 130.98 g/t Ag in trench TR-2. Both of these intervals showed no gold zone showing a typical metal zonation commonly associated with Andean epithermal systems. No work was conducted on the property from 2012 until Magma Silver appeared on the scene.


Mo
Sw
Colluvial
Au Target
4500 m
8523400
4500 m
Colluvial
Au Target
Q
Extrusive Rocks
Porphyry Dykes
High Sulphidation
Au- Ag Target
BC-04
BC-05
AN-02
4600 m
8523200
North Zone
Extrusive Rocks
Porphyry Dykes
4500 m
AN-01
BC-03
AN-03
Sw
8523000
4600 m
BC-07
South Zone
BC-02
AN-04
8522800
BC-08
AN-05
BC-01
4700 m
8522600
200 m
548000
548200
548400
548600
548800
18
N
Proposed Drill Holes
Proposed Shallow Pits
Phase One
1500 metres of DDH
100 - pits - 1 to 3 metres
Proposed Exploration Program
with Proposed DDH Collars

Current & Planned Work

The Phase 1 field campaign lasted 10 days. It was conducted by the company's geological campaign with the support of a team of members from the local Tunsulla community. The main goal was to visit the Joramina Central project (also known as the Red Zone) to collect geochemical samples and structural data on faults, veining, and fracturing. Additional visits were made to the surrounding areas of Joramina SE, Rafaela, and Red Cliff. Local community members helped rehabilitate and improve access to the visited regions, particularly a road that had been abandoned since Newmont's earlier work.



Seventy-five samples were collected during Phase 1 and sent for analysis by fire assay. The gold and silver sampling results showed good correlation with those obtained previously by Newmont: In Joramina Central, where the strongest alteration and geophysical chargeability anomaly occur, 50 samples averaged 0.181 g/mt Au and 0.227 oz/mt Ag, with one sample (SA-035) reaching 1g/mt Au.

The Phase 2 field campaign lasted 10 days and it was conducted by Senior Geologist Edgar Leon and Junior Geologist Miller Fernandez, with the support of six community members from the local Tunsulla community. This phase focused on the Joramina and Randypata Zones.

Interestingly, several old mine workings were located and sampled in both exploration phases. A long, well-developed 157 metre drift trending with an azimuth of 120 degrees was located within the main Joramina area, yet it was never documented in any of the previous operator exploration programs.

Additional surface sampling was conducted approximately 100 metres northeast of the drift confirming that the silver-gold mineralization is structurally controlled with several fractures and veinlets trending NE-SW dipping Northwest. One chip sample across 0.70 metres returned 17.41 g/t Au and 13.94 opt Ag. Galena (Lead Sulphide) and Sphalerite (Zinc Sulphide) are present in the veins but have not yet been assayed for these elements. The technical team will assay some of the samples for Lead and Zinc when check assays are being performed.

Phase 2 program also included a brief surface review of the Randypata Zone. Twenty-one samples were taken over the historic two-kilometre Ag anomaly. This area is untested by drilling. The best result came from an area where a road cut exposed a strongly oxidized breccia, where a random composite grab sample returned 0.20 g/t Au and 8.55 opt Ag. It was deemed that follow-up work is required in this area to determine the extent of the silver mineralization.

Seventy samples were collected during Phase 2 and analyzed at the Independent Mining Lab Services based in Huancayo in south-central Peru. The analysis method was by fire assay.

Drilling Begins

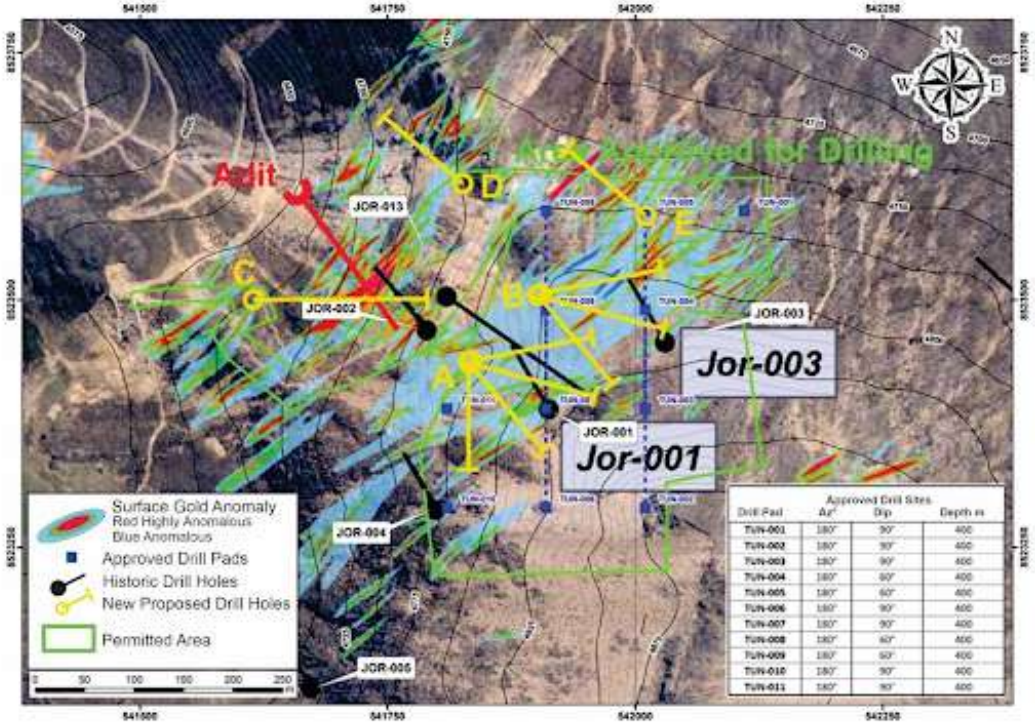
Magma's management and technical team is now of the persuasion that the previous drill programs did not adequately test the Joramina zones. A drill program has been designed to test the gold-silver mineralized structures with an optimal drill direction. The technical team has been planning the work program in conjunction with an independent NI 43-101 geologist.

Going forward, in early November, Magma allocated US$1mn (CAD$1.4mn) for the Joramina exploration and drill program. This was a significant increase from the original drilling plan and is expected to allow the program to thoroughly test and confirm the Newmont drilling results. Magma Silver has been granted drilling permits, having a duration of fourteen months from the date of issuance, entitling Magma to drill from 20 drill pads. Multiple directional drilling can be completed from each drill pad. Magma believes the permit is sufficient to complete all planned drilling on the Joramina zone.

The planned drill program for 1Q26 will consist of two phases with a total of 4,000 metres. After a review by Magma's geological team of the historical drilling conducted by Newmont, they have determined that the drilling was not oriented in the most optimal direction. Therefore, the company plans to modify the current permit to reflect the new drill sites. Adding or modifying new drill pads is permitted by the mining ministry in Peru as the new pads will be located in the area covered by the existing permit.

The purpose of the initial drilling is to determine the orientation and size of the gold zone intersected by Newmont. For reference, hole JOR-001 drilled in 2010 returned 72.3 metres of 1.19 g/t Au starting at a depth of 53 metres. The true widths of mineralization from this drill hole cannot be determined from a single hole. Further drilling is required to determine both the lateral and vertical extent of the mineralization intersected.

Phase 1 of the drilling will consist of 2,000 meters from Pad A. The following diagram shows the proposed drill program. Pad A is where the initial drilling will commence:



Phase 2 will be contingent on results from Phase 1. Phase 2 is planned to extend the Au-Ag mineralization. This phase will also test previously undrilled Au-Ag surface anomalies outlined by Newmont and confirmed by the Magma Silver's geologist. The drilling will also test the Au-Ag mineralization exposed in a 160m adit recently sampled by the team. Drift sampling on the Joramina zone returned 10 metres of 2.32 g/t gold and a five-metre composite returning 4.085 ounces (115.8 g/t of silver.

Dependent on the success of the Phase 1 and 2 drilling program, a further 4,000m drilling program may be implemented.

Communities & Relations Therewith

Community relations are important everywhere but particularly, in Latin America, Peru and Ecuador are the countries where these relations have been "make or break" for mining projects. In the case of Magma´s assets, the communities of Chuschi and Tunsulla own the surface rights for the property. Rio Silver had a one-year agreement with the community of Chuschi from May 2012 to April 2013. All conditions of the agreement were completed at that time.

Rio Plata has an agreement with the community Tunsulla which covers the Joramina Zone and was signed July 23, 2024. Exploration and drill permitting is nearing completion. The Chuschi community has been engaged, but no access agreement has been executed at this time.

The recommended Phase 1 exploration and Phase 2 drill programs were planned for the Joramina Zone covered by the existing community.

The Newmont Study

In 2011, Newmont prepared a study for Southern Copper under the terms of agreement between the two companies. The study was undertaken for the to determine the predominant mineral in the prospects of Tunsulla (Jorimina) and Chuschi (Niñobamaba Main).

The report (which is now historic in nature, internal and non-NI43-101 complient) covered information obtained during more than two years of prospecting and exploration consisting of samplings of sediments, soils, rocks, trenches, detailed geological mappings, geophysical studies, diamond drilling. It identified potential bodies associated with areas of structures with gold, silver, zinc and lead values. For the Joramina zone they are: Joramina Central, Red Cliff, Joramina NE and Rafaella and for the Niñobamba Main zone they are: Patacocha, Jatumpata and Sumi.

The report covered the Leapfrog models, cut-off grades and reviewed from drill hole data. It went on to outline the resource potential of each of these zones (bodies). The main target was the Joramina Central

Ore Body where Newmont had carried out six holes and it felt that it was the body with the greatest potential for discovering polymetallic minerals i.e. gold, silver, zinc and lead. It was noted that the copper values were below the practical requirements of the industry.

The study posited a medium-scale mining operation with the possibility of expanding the potential of resources.

It was not ruled out that, with greater exploration work, a mineralized body of greater proportions giving greater value to the project, might be identified.

Closeology

The Niñobamba property is located on a NW-trending structural corridor of epithermal Au-Ag-Pb-Zn and Cu-Au-Mo porphyry mineralization that hosts numerous active mines and mineral occurrences extending nearly through the entire country.

The Huachocolpa Mining District, which hosts the Recuperada, and Kolpa Mines, is located 60 km northwest of the Magma's property. Daily production from these two mining areas averages around 1,500 tonnes per day.

The Yauricocha mine of Sierra Metals (TSX: SMT | OTCQX: SMTSF | BVL: SMT) is located 170 km northwest of the property is currently processing 3600 tonnes per day. The mine produces Cu-Au-Ag, Pb-Ag and Zn concentrates. Both mining areas are hosted in Tertiary volcanic units. The mine saw 16.9mn lbs Cu produced in 2024 at an All-in-Sustaining Cost of US$3.73 per CuEq lb sold.

The prospective Ag-Pb-Zn Bethania Mine located 130 kms to the northwest is owned by Kuya Silver (CSE: KUYA), a Canadian developer with a current market cap of just over CAD$70mn. The company in January of 2022, announced a preliminary Indicated resource of 5,858,521 ounces of silver equivalent and an Inferred resource of 8,006,431 ounces of silver equivalent.

Kuya Silver has received approval from the regional government of Huancavelica for the semi-detailed environment impact study (EIA) for the Bethania processing plant project. The EIA approval covers a plant design for 350 tonne per day crushing, grinding and flotation circuits, as well as a tailings storage facility and ancillary infrastructure. Kuya plans to implement an expansion and construct a concentrate plant at site before restarting operations.

Possible Outcomes

Management at Magma Silver are the first to say that they have no intention of being mine builders at Niñobamba. The company's strategy is to bring the project to a level of understanding and classification

of a resource that will be of attraction to those mid-tier operators that need to refill their pipeline with projects in this size range. Peru is a known quantity and regarded as a sound jurisdiction by most mid- and large-scale players in the silver and precious metals spaces.

It is early days yet in this process with an MRE representing a significant first step towards packaging Magma Silver for a potential acquirer. The past work by Newmont represents something of a roadmap towards a PEA. If Newmont showed that a mine plan was possible on the work done prior to 2011, then the exploration campaigns currently being undertaken by Magma should enable a potential PEA to be built upon foundational work done by a top tier major.

Financing

In late October of 2025, a non-brokered private placement was closed for aggregate gross proceeds of CAD$5mn, through the issuance of 33,333,332 units at a price of $0.15 per unit. Each unit consists of one common share and one-half warrant entitling the holder to acquire one share at an exercise price of $0.25 for a period of 36 months.

Not unsurprisingly we find, yet again, Eric Sprott popping up (through 2176423 Ontario Ltd) as a subscriber for 6,666,667 units for total consideration of $1,000,000. This was his debut on the Magma Silver register and he now owns approximately 9.5% of the outstanding common shares on a non-diluted basis and 13.6% of the outstanding common shares on a partially-diluted basis assuming exercise of warrants held.

The closing involved the issuance of an aggregate of 100,067 units to directors, officers and insiders of the company for gross proceeds of $15,010.

In February of 2025, the company closed the first tranche of its non-brokered private placement of units, consisting of one common share and one-half common share purchase warrant. Each warrant entitles the holder to acquire one additional common share at a price of $0.20 per at any time prior to the date that is 24 months following the closing date. The warrants are transferable but not listed for trading.

The issue resulted in the issuance of 9,021,500 units at a price of CAD $0.10 per Unit for aggregate proceeds of CAD$902,150.

Then in May of 2025, the company confirmed the closure of the second tranche of that financing raising aggregate proceeds of CAD $597,850 through the issuance of 5,978,500 units at a price of CAD $0.10 per unit. These units were on the same basis as the first tranche.

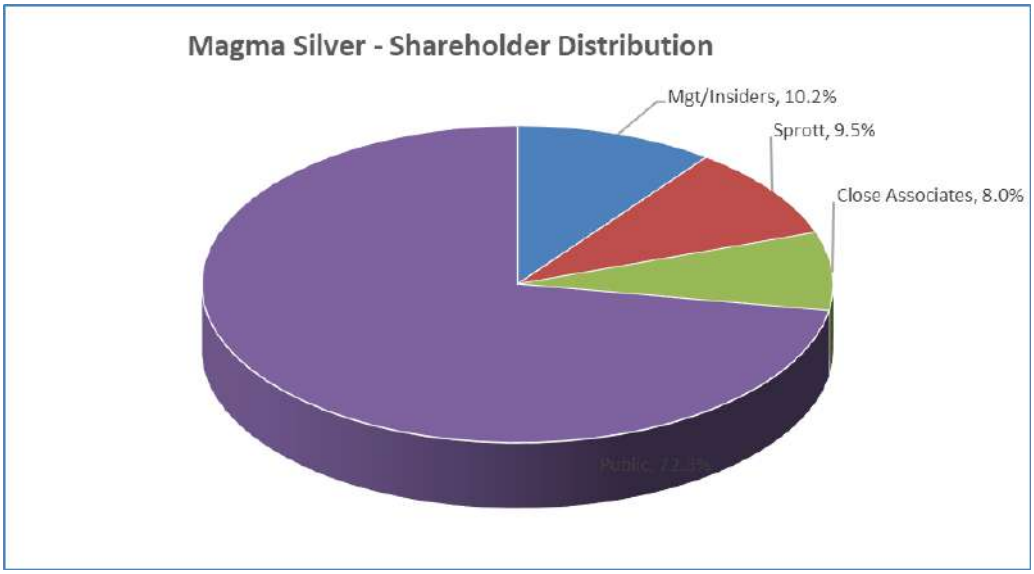
It is also important to note that a swathe of in-the-money warrants (at 10 cts) fall due in early December

of 2025 (currently numbering over 6.5mn but shrinking by the day due to exercises). This will bring in over CAD$650,000 in the next few weeks.

The company recently granted a total of 3,000,000 stock options to certain of its directors, officers, consultants, and employees at an exercise price of $0.25 per share for a period of five years (vesting in four equal tranches every three months).

Shareholders

The largest shareholder of note, as previously mentioned, with 9.5% is Eric Sprott. Otherwise, the company has a very wide spread of shareholders with management owning a decent percentage.



Directors & Management

J. Stephen Barley, Chairman & CEO, and director, has over 40 years of experience in public corporate affairs, corporate finance, and securities law. After 15 years in private practice, he became president of CHM Financial Services Inc. in 1997, advising and investing in resource and technology companies. He has held executive and director roles in TSX-listed resource firms with major international projects. A member of the law societies of British Columbia and Alberta, he holds a Bachelor of Commerce from Mount Allison University and an LLB from Dalhousie University, maintaining an active role in corporate finance and governance.

Arndt Roehlig, non-executive director, has served on numerous Canadian public company boards operating in the resource and technology sectors. As president and chief executive officer of various companies, he has raised millions of dollars for TSX Venture Exchange and CSE listed companies. He has

decades of corporate experience in the management and development of publicly traded companies.

Michael Townsend, non-executive director, has extensive experience in corporate finance spanning over 25 years and 30 years in Capital Markets. He is one of the founding partners of Altus Capital Partners, a boutique investment bank based in Vancouver, B.C. Altus has been involved in raising over $180mn in equity financings over the past five years. He co-founded Hemptown, Patriot One Technologies Inc., and Body and Mind Inc., Raytec Metals Corp., and previously served as CEO of Lateegra Gold Corp. and CEO of West Hawk Development Corp.

Jason Baker, executive director, corporate secretary & CFO, currently serves as a Senior Associate at Altus Capital Partners. He holds a Bachelor of Commerce with a specialization in Finance from UBC Sauder School of Business, along with an Accounting Diploma from Langara College. He has a background in accounting and financial analysis, with over 15 years of experience in the service industry, including investor relations and corporate development. His experience extends to junior mining companies, including Scorpio Gold, where he contributed to strategy and investor communications.

Risks

There are a number of potential risks that should be taken into consideration:

- That the silver (and/or gold) price loses ground
- Political (or moreover NGO) risk in Peru evolves against miners
- Financing difficulties for exploration projects

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.

In Peru, though mainly in the north, activism by disgruntled local populations has been a factor in the evolution of some mines (largely after they are in operation and with some justification on the part of the dissidents). Attention to local sensitivities is key and that really depends on the level of corporate attentiveness to ESG with the nearby settlements. At the national level Peruvian governments of all political stripes have been supportive of mining because it makes up such an important component of exports and royalty revenues.

Financing challenges come with the territory in the mining space. Pure explorers were the ugly ducklings of the mining markets until the latest surge in precious metals prices has brought substantial direct benefits to producers and collateral benefits to developers while investors continue to parse whether

explorers are real or just going through the motions. Sentiment towards precious metals is key for the financing of exploration projects in these metals. The market is subject to rapid and unexpected mood swings on an almost daily basis. Mood is principally driven by perceptions of price in the underlying metals. Over and beyond price, a flow of positive results should help in maintaining funding levels.

Investment Thesis

Silver is either "having a moment" or is in the throes of a major rerating, or dare we say, rehabilitation. Long derogatively termed the poor man's gold, at prices in excess of US$40 to $50, it is more appropriate these days to term it the middle classes' gold. In its darkest days, it was almost like a fancier base metal and faced the major indignity of losing its main practical function with the eclipse of silver=based film in the photographic industry. As with so many metals though, the fall from grace was accompanied by a fall of interest, a fall of production and a ravaging of the future supply pipeline. This almost always heralds an eventual supply crisis, which brings us to where we are now. The space was mugged by a resurgent industrial demand, gold pricing itself out as a casual portfolio protection asset and a drought-stricken pipeline of new projects.

The recovery has delivered benefits across the spectrum with producers, developers and explorers catching a tailwind. Investors are on the hunt for the "next best thing" from a pipeline, that when they look down it is like a dry, bottomless well. The whole silver complex is moving forward because pure silver producers were not a large group on the eve of the rebound. Naturally, the focus has turned first to the "classics" in the space which are Peru and Mexico.

The race was thus "on" to identify forgotten silver assets in these prime silver heritage locations. Essentially, though Magma Silver managed to gazump the others pushing into the silver space by securing a property that not only looked like it had work done on it but had an almost subliminal Newmont non-complaint in-house economic valuation as a roadmap to either further expansion and/or to development and production. Either works in whatever order one wishes to pursue Niñobamba.

Rating/Price Target Rationale

The revival of exploration on Niñobamba is only beginning but the historic internal report by Newmont gives a sort of roadmap to the potential economics of an operation, albeit at a smaller resource than is currently likely to be identified, at much lower metals' prices and also at lower capex than one would currently have to outlay if mine-building. The goal at this time is to identify a substantially higher resource and package this up for a mid-tier to take it on a development path via either a project acquisition or a takeover of Magma Silver.

We are Initiating Magma Silver with a **LONG** rating and a 12-month target price of CAD$0.68.


Historic Chart for Cdn:MGMA by Stockwatch.com 604.687.1500 - (c) 2025
Fri Dec 5 2025 Op=0.23 Hi=0.235 Lo=0.22 Cl=0.22 Vol=356,528 Year hi=0.42 lo=0.08
Cdn:MGMA
0.44
0.42
0.40
0.38
0.36
0.34
0.32
0.30
0.28
0.26
0.24
0.22
0.20
0.18
0.16
0.14
0.12
0.10
0.08
Volume
4.5 M
3.0 M
1.5 M
Dec
Jan
Feb
Mar
Apr
May
Jun
Jul
Aug
Sep
Oct
Nov
Dec
2024
2025

APPENDIX I:

Peru – Steeped in Silver

Silver in Peru

Peru (with Mexico) have been synonymous with Silver for over half a millennium, indeed, mining activity in Peru goes back to before Inca times in the 14th century.

Driven by the Spanish empire´s voracious needs for precious metals to fund its many wars, mining and exploration increased during the Spanish colonial period (1535 to 1821) and through the colonialist exploration of the Andes many Silver and base metal (Pb-Zn) mines were discovered. In the South Centre of Peru, the area of Huachocolpa is considered one of the most important mining districts, located 45 kms northwest of the concessions. Production in Peru in the 1500's, of silver alone, has been estimated to have been between 150 and 200 metric tonnes per annum.

The important discovery in 1563 of mercury in Huancavelica was important, enabling the processing of silver ores by the amalgamation process. During the 1570's silver mining became Peru's main economic activity. In 1790, the census of mines showed 784 silver and 69 gold mines in Peru.

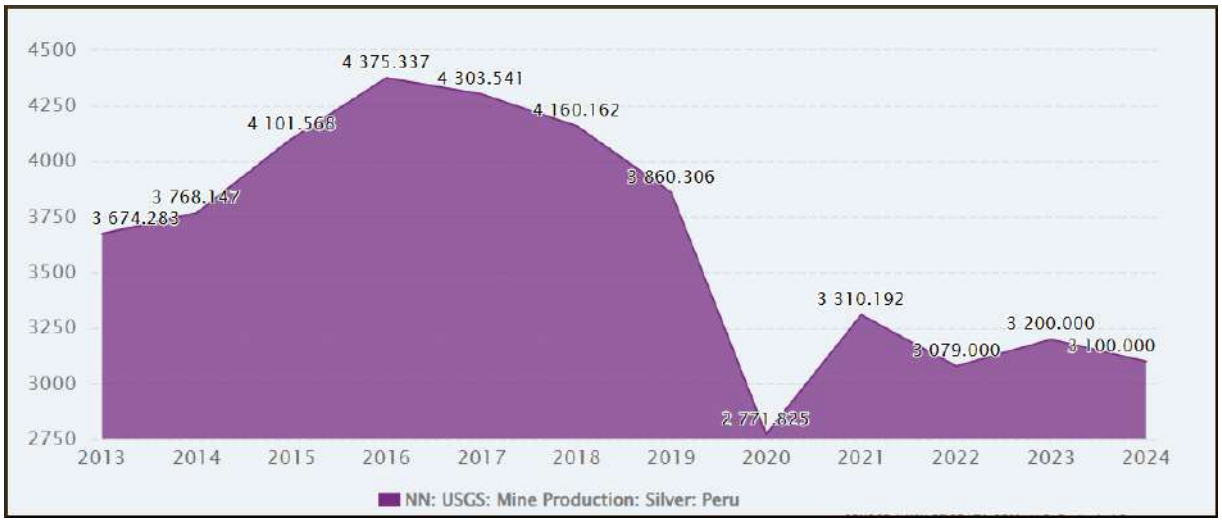
Post-colonial Peru has seen a constant history of silver production as independence from Spain is now over 200 years ago.

Peru produces approximately 12-14% of global silver, making it the third-largest producer after Mexico and China. The country possesses very substantial silver reserves, with much of its silver production is a by-product from mines that are primarily copper, zinc, or other metals.

Silver production in Peru as reported by the USGS was reported at 3,100 metric tonnes in the year to December 2024. This declined from the 3,200 metric tonnes registered in the year to December 2023.

The silver production statistics for Peru derives from CEIC Data and is reported by U.S. Geological Survey. Peru's annual silver production averaged 3,060 tonnes from December 1986 to 2024 (based on 39 observations). Production reached an all-time high of 4,375.3 tonnes in 2016 and a low of 1,552

tonnes in 1988.



Source: CEICDATA.com/USGS

Output has declined from a 2016 peak undermined by factors like aging mines, environmental regulations, and reduced investment have contributed to recent production declines.

Politics in Peru

The politics in Peru is the key factor to watch at this time. From the government levels mining is still a favoured sector with little change to conditions and regulation.

On the 10th of October of 2025, the then President of Peru, Dina Boluarte, fell from power after public pressure led her right-wing and far-right allies in Congress to abandon her. She had assumed the presidency on the 7th of December of 2022. Boluarte was replaced by legislator José Jerí, president of Congress, who had himself been criticized for ethical reasons and a lack of political acumen.

After nearly three years of a government marked by brutal repression of social protests that left some 50 dead, corruption scandals directly implicating her, and incompetence, Boluarte was impeached by Congress in a unanimous decision by the 123 out of 130 legislators who voted. She was removed for moral incapacity, the legal mechanism that allows Parliament to remove a president without impeachment proceedings. It was a summary process that lasted only a few hours. Congress summoned her to present her defense, giving her an hour to appear, but she did not.

With general elections just six months away, the cost of continuing to support a president with a disapproval rating exceeding 90% and facing escalating street protests, was too high for the parliamentary groups (including *Fujimorismo*) that had long backed her.

Mining Concessions, Holding Cost & Duration

Current regulations establish that the holder of mining concessions shall achieve a minimum production of at least one Peruvian Tax Unit (approximately US$ 1,900) per hectare per year, within a 10-year term following the year in which the mining concession title is granted. If the minimum production is not reached in the referred term, the mining concession holder shall pay penalties equivalent to 10% of the Peruvian Tax Unit per hectare.

The relevance of this to Magma Silver is that the concession Dorita Primera is in the penalty phase and in order to keep the concession in good standing, Magma will need to pay the US$3 per hectare totaling US$2700 and the penalty of 231,750 soles or US$61,900 by June 30th of 2025. On the scale of things this is not too bad a hit to take.

More notable though is that, if minimum production within a 15-year term from the day in which the mining concession was granted is not achieved, the mining concession will be cancelled unless, a qualified *force majeure* event occurs and is approved by the Mining Authority. The titleholder may also maintain the title by paying the applicable penalties and providing evidence of a minimum investment of at least ten times the amount of the applicable penalties. In this last case, the mining concession will not be cancelled up to a maximum term of five additional years (total term 20 years). If minimum production is not reached in the 20-year term, the concession title will be inevitably cancelled.

Royalties

Peru established a sliding scale mining royalty late in 2004. Calculation of the royalty payable is made monthly and is based on the gross value of the concentrate sold (or its equivalent) using international metal prices as the base for establishing the value of metal.

The sliding scale is applied as follows:

- First stage: up to US$60 million annual revenue; 1% of gross value
- Second stage: in excess of US$60 million up to US$120 million annual revenue; 2% of gross value
- Third stage: in excess of US$120 million annual revenue; 3% of gross value.

APPENDIX II:

Silver – Back with a Vengeance

The Dynamics of Silver

The travails of silver (and its fan base) in the decade up to 2020 were nothing short of torture. After briefly nearing $50 per oz in April of 2011, the upside was snatched away and the metal spent ages wallowing in shallows and miseries.

That gold was lacklustre for so long was bad enough but that tarnished (pardon the pun) silver's price even more so, despite the reality of silver's resurgent industrial applications, and the ratio of silver to gold slid away to ridiculous levels. The ratio was rapidly heading towards 100:1, when the patently obvious value of silver returned to the fore and the metal turned around in a rather dramatic rally.

Precious metals roared back into focus in 2020. It seemed to be that neither the two usual pillars of a gold turnaround, inflation or political insecurity powered the initial surge. Though as it turned out the pandemic did spur inflation eventually and wars broke out in Ukraine and the Middle East. No-one however was complaining that the rally lacked intellectual underpinning, they just lay back and enjoyed it.

Few know that for a long, long time (indeed centuries) a ratio of 15 to one between the silver price and the gold price was regarded as fit and proper. It is seldom that the ratio got as out of whack as it did in early 2020, soaring to 128 to one.

Usages & Applications

The travails of silver in the wake of the demise of traditional photographic technologies is a well-rehearsed subject and created a scenario for a decade and a half with little relief in sight. However, as inevitably happens (except maybe not in the case of Lead) the evolution of new technologies, in the form of the use of silver in photovoltaics (particularly for solar energy) brought relief, growth and dynamic path to some sunny uplands.

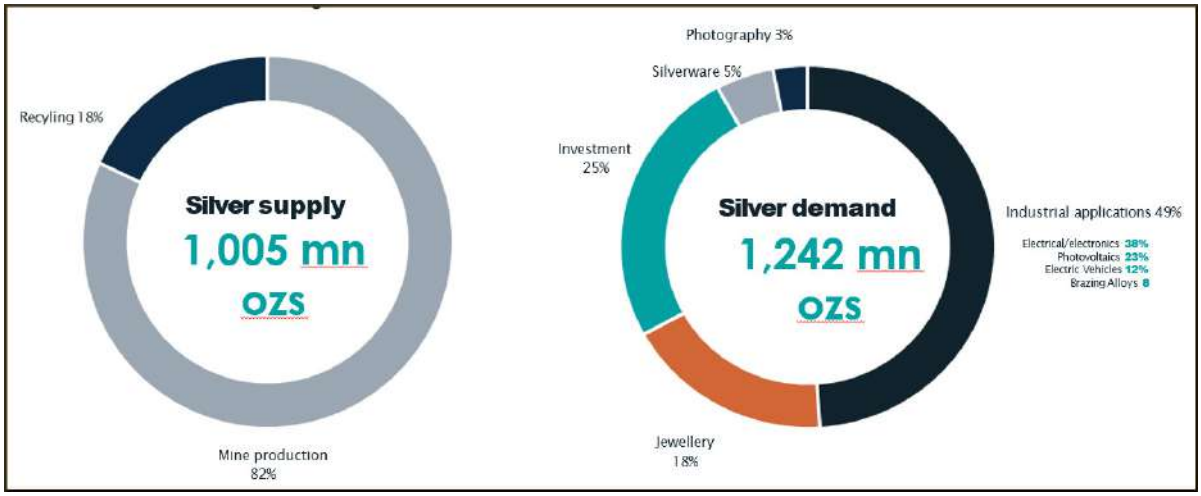
Indeed, few metals/minerals could match the recent growth in industrial demand that silver has been witnessing. The latest report of the USGS on Silver (that of 2025) stated that, in 2024, global consumption of silver was an estimated 37,000 tons, a slight increase from that in 2023. Coin and bar

consumption decreased by 13% in 2024, but consumption of silver for industrial uses was estimated to have increased by 9% compared with that in 2023 owing to growth in the global economy. This was attributed to increased demand for consumer electronics and rising electric vehicle output.

The Silver Institute in its survey for 2024 also noted the importance of silver to the automotive industry. This sector saw a rise in light vehicle output of 10%. However, they posited that end-use within the sector had the potential for yet faster gains due to rising vehicle sophistication. This includes features such as heated seats, front windshield defogging or heads-up displays, all of which need silver. Of particular help was the 42% rise in BEV output as these vehicles need much more silver than ICE equivalents.

The Energy Transition further benefited silver by the linked investment in power distribution for vehicle charging, solar panel installations and so forth.

In telecoms, end-use in 5G equipment also rose while newer areas such as wearable applications saw gains, although their contribution in weight terms remains modest at the moment.



Production

At the global level, as the pie chart on the left above shows, the vast bulk of silver demand is met by new mined material but as the chart on the right shows there is now a substantial mismatch (i.e. deficit) which is met by erosion of stockpiles and stores of silver.

The 2025 report of the USGS on Silver estimated that, world silver mine production decreased in 2024 to an estimated 25,000 tons compared with 25,500 tons in 2023.

The Latest Leg Upwards

Silver (and Gold) have been in strong form since just after the onset of the pandemic, when they were initially sucked down with everything else but then broke free and headed up while many other metals

wallowed.

Source: Trading Economics

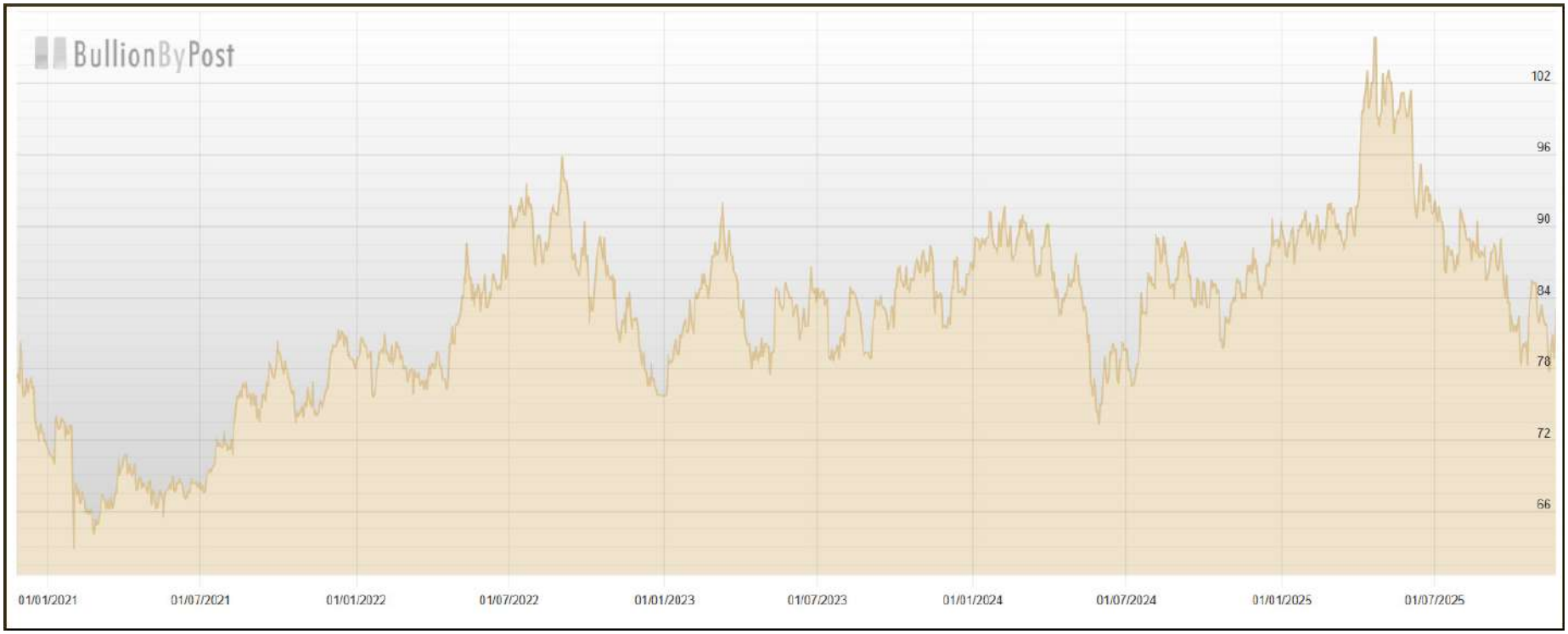
The arrival of the Trump Administration 2.0 muddied the waters of precious metals, as with much else. Long-term, it is not clear if Trumpian economics augured ill, or well, but uncertainty/instability is usually a friend to precious metals' prices and this advent of a radically novel administration in the US lit new fires under silver and gold prices, even as there is some prospect of the Ukraine War reaching a denouement and the Middle Eastern conflicts moving into abeyance seems possible (but maybe not).

Gold has been propelled above $4000 and silver has established itself in recent times above $50.

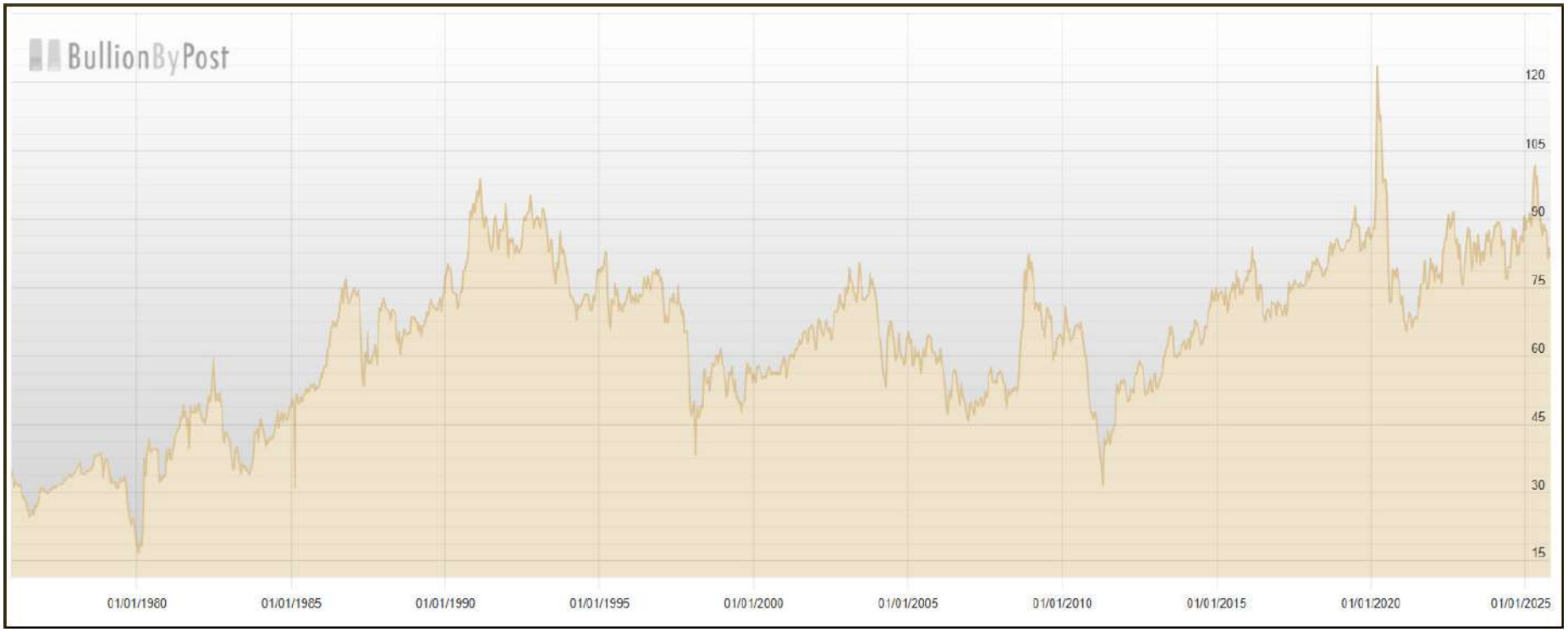
The Silver/Gold Ratio

This interesting ratio is shown on the following two pages with the first chart representing the last five years and the second chart representing the last fifty years. The ratio was largely range-bound from 2022 to early 2025 (between 75:1 and 95:1,) trading much closer to the average of 85:1, almost religiously over that period. Then it deteriorated rapidly as gold took off in early 2025 (to 105 to 1 at its worst) and then was whiplashed down to 78 to 1 as silver caught up with gold's move (while adding some dynamics specifically its own.

The rip-roaring days of the pandemic years are now well behind us, when silver was first slapped down and then soared as investors grappled with ideas about what life would look like after that odious event. That event proved to be a reset though for both of the "most precious metals" resetting them into new trading bands.



Source: bullionbypost.com



Source: bullionbypost.com

A couple of years into the precious metals rally, the pandemic was replaced by the Ukraine war and more recently ethnic cleansing in the Middle East as the main drivers of tension. With the breakup of Syria being the next game in town and the potential for Israel/Egypt rancour, there are many scenarios to conjure with in precious metals

Mined Silver Compared to Gold

The modern (or industrial) silver age can be dated back to the expansion of silver mining in the southwest US, particularly in areas gained from Mexican control. This era saw silver mining surge with the discovery of the Comstock Lode in Nevada in 1859. This expansion emplaced a higher silver-to-gold mined ratio, possibly back toward 1:15 or 1:20. Geological surveys estimate that, globally, silver production outpaced gold by about 8:1 to 10:1 annually by the late 1800s, reflecting both abundance and demand for silver in coinage and industry. It was also this development that fired the furious debates over bimetallism in US politics.

It is useful to note that China was primarily a silver-based monetary system until the Revolution of 1949. Russia had been primarily a silver currency zone until just before 1900.

In the 20th century, new technologies (e.g., photography, electronics) gave impulse to silver's industrial use in turn expanded mining. Meanwhile gold's role shifted toward monetary reserves and jewelry. Then gold's value was frozen by U.S. President Franklin D. Roosevelt signed Executive Order 6102, which he signed on April 5, 1933, "forbidding the Hoarding of Gold Coin, Gold Bullion, and Gold Certificates within the continental United States" and this remained in place until the Nixon Administration.

Silver was not exempt as, on August 9, 1934, implemented the seizure of all silver situated in the continental United States with Executive Order 6814 - Requiring the Delivery of All Silver to the United States for Coinage. While this closely mirrored Executive Order 6102, it did include some key differences. One important difference was that EO 6814 excluded the seizure of all silver coins, whether foreign or domestic.

By mid-century, the mined ratio stabilized around 1:8 to 1:10, according to U.S. Geological Survey (USGS) data. For instance, in 2011, USGS reported silver reserves at 10 times those of gold and annual production at nine times that of gold, aligning with a 1:9 ratio. This consistency persists today, with 2020s estimates holding at roughly 1:8 to 1:9, though silver's above-ground supply dwindles due to industrial consumption (over 50% of demand), unlike gold, where nearly all mined metal (about 244,000 metric tons historically) remains in vaults or jewelry.

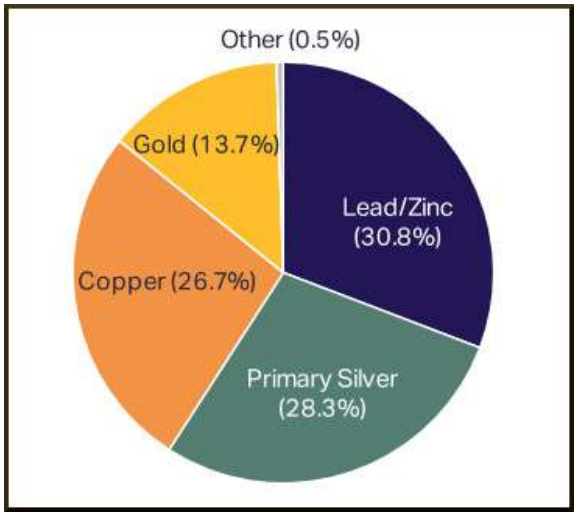
The mined Au:Ag ratio has thus evolved from peaks of ~1:20 (or higher) during period of high silver production, settling at 1:8 to 1:10 in modern times.

The drivers for this reflect geological realities i.e. silver's greater crustal abundance and human factors like mining technology and economic priorities. Unlike the price ratio, which has swung wildly (e.g., 15:1 historically to 90:1 today), the mined ratio represents a better picture on physical supply, rather than

just mood or the gravitational pull of gold's moves.

The By-Product Driver

Or maybe we should say, the brake. As is well known, a large proportion of silver production is as a by-product of other metals. According to the Silver Institute, 71.7% of annual silver mine supply was produced as a by-product in 2023. The polymetallic ore deposits from which silver was recovered account for more than two-thirds of U.S. and world resources of silver.



Their pie chart on the right shows the dependency upon other metals for silver to be produced.

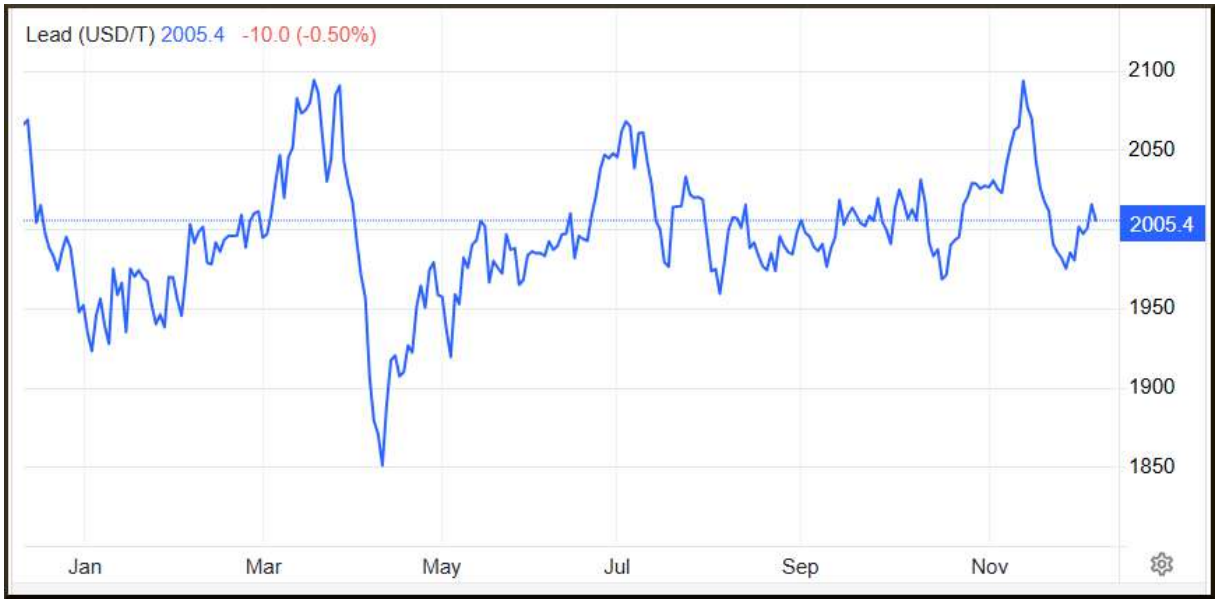
While the share of silver produced from gold mines declined YoY, from 15.5% to 13.7%, the contribution from copper and lead/zinc operations rose, from 25.5% to 26.7% and from 30.3% to 30.8% respectively. The share of production from primary silver mines was unchanged year-on-year, accounting for 28.3% of mine output in 2023.

Most recent silver discoveries have been associated with gold occurrences. However, in the opinion of the USGS, copper and lead-zinc occurrences that contain by-product silver will continue to account for a significant share of reserves and resources in the future.

We should also note the symbiotic relationship between Silver and the Zinc/Lead complex. Mining of these two base metals remained the largest source of silver mine supply in 2023, producing 255.8mn oz (7,957 t).

Much of silver's production is driven by the price and demand dynamics of the base metal duo with which it often occurs. Strong(ish) Zinc prices (as at the current time) drive higher production (where possible) irrespective of where silver demand might be. Indeed, low Zinc prices for a long while (frankly most of last decade) caused Zinc producers to sustain production to continue to stay (marginally in profit) and this had the effect of dumping more silver on the market than was otherwise called for.

As we have noted before, elsewhere, we hold a gloomy view of long-term Lead demand due to the rise (whether it be slow or rapid) of the EV. This puts a lid on Lead's upside and ultimately (due to the high recycling ratio of Lead from batteries (the best rate of any metal). There is a tipping point, which may soon be reached, in which little new Lead will be required, thus casting a shadow over those Lead/Zinc mines where Lead is in the preponderance. The ten-year Lead price (shown below) has essentially gone nowhere.



Source: Trading Economics

Thus, the silver content of those Lead mines, moving into a moribund status, will also be impacted negatively. Lead's decline should be a driver for an even tighter silver supply situation.

Conclusion

Silver bulls can enumerate a myriad of reasons to favour silver but for us it is better and more comforting to focus on the main drivers and avoid the minutiae. Lightly falling production is a scenario where there was already a massive supply/demand gap (bordering on a chasm) is a major plus. While companies like Silver Viper, potentially add (collectively) to future production, some past production is going away, with the auguries for by-product sourcing from Lead mining being particularly inauspicious. Few silver mines are being "turned on" in sufficient quantity to plug the supply gap.

The industrial demand situation is looking excellent and mainly applications are resistant to thrifting as prices move higher.

Finally, while Silver appears to be coat-tailing on gold, in an age of global tensions, there would appear to be potential for silver to be substantially more resistant to downdrafts in gold and that would feed through to improvements in the gold /silver ratio in silver's favour.

Important disclosures

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