

November 2022: Letter from the Chairman – Mr. Rob Bruggeman

Last year, the US Fed took the position that the rise in inflation was ‘transitory.’ To me, that perspective seemed shockingly naïve for a group of sophisticated economists. Did they really forget Economics 101 and think prices would remain stable after trillions of dollars of stimulus into the global economy?

Over the past year, the US Fed has raised interest rates at an unprecedented pace to cool demand in order to tame inflation. The aggressive rate hikes in the US have resulted in phenomenal strength in the US dollar, which has provided a strong headwind on gold and silver prices when viewed through the lens of the US dollar. However, I strongly believe that it is the price weakness in gold and silver that will prove ‘transitory.’

The massive global stimulus experiment has eroded and continues to erode the real purchasing power of FIAT currencies, including the US dollar. History has proved that, over the long term, gold and silver retain their buying power because of their limited supply. Smart economists realize that and the latest data from the [World Gold Council](#) showed that central banks bought a whopping 399 tonnes (almost 13 million ounces!) of bullion in Q3, which was more than double the previous record.

There are also interesting things afoot in the physical silver market. LME and COMEX silver inventories have plunged by more than 300 million ounces since the #silversqueeze movement started in Q1 2021¹ and Silver Eagle coins are going for [large premiums](#) over the silver value, seemingly disconnected with the reported silver price. The world is going to need a lot more silver for solar power generation, electric vehicles, and industrial uses. The world is going to need a lot more lithium, copper, nickel, cobalt, AND silver mines!

Exploration Success Continues at Diablillos

The team at AbraSilver is clearly biased, but we believe the Diablillos property is one of the most compelling undeveloped primary silver projects in the world. When the current exploration and management team took the helm less than three years ago, the Oculito deposit at Diablillos had a historical Measured and Indicated Mineral Resource (as of Aug. 31, 2017) containing 80.9 Moz silver and 732 koz gold. However, due to our successful exploration campaigns, the Oculito deposit has rapidly grown and now contains Measured and Indicated Mineral Resources of 109.4 Moz silver and 1,297 koz gold (as of Oct. 31, 2022, refer to Table 1 below), representing a significant increase of +35% in contained silver and +77% in contained gold!

Not only has the resource grown, but the exploration team has increased the tonnage in the high-grade Tesoro zone, which has delivered some of the top drill intercepts in the world for primary silver projects on a silver-equivalent basis. In addition, drilling at Oculito has delineated near-surface mineralization that will reduce pre-stripping and accelerate commencement of production from when construction begins. A lot of progress has also been made with identifying sources of water, advancing metallurgy, and building relationships with government agencies and local communities. All of this work helps to de-risk the Diablillos project and will make the economics more compelling.

¹ Source: <https://sdbullion.com/blog/comex-silver-vault-inventories-continue-to-be-depleted>

The other major development at Diablillos this year has been the discovery of a new high-grade, near-surface silver zone to the southwest of the main Oculito deposit (the “JAC target”). To date, assay results have been received for a total of five holes in the JAC target, with [all five holes returning high-grade](#), silver mineralization in oxides near-surface.

The mineralization in the Southwest zone is related to a large, linear magnetic anomaly which appears to be open for approximately 800 metres along strike and has never had any previous drilling. Figure 1 below, shows a 3D representation of the new large-scale JAC target, where our current exploration target is the size of approximately 4 baseball stadiums!

2023 is Shaping Up to be Another Big Year for AbraSilver and its Investors

Given the setup in silver and gold, it is an exciting time to be making new discoveries and successfully growing the Mineral Resources at the Diablillos project. The team’s success in the Phase II drill program resulted in a substantial increase of contained silver and gold in Measured & Indicated resources. Now the Phase III drill program is generating even more excitement with the discovery of the silver-dominant JAC target and other potential exploration targets across the Diablillos property.

Diablillos is already one of the largest undeveloped, open-pittable primary silver projects and it is poised to get bigger as the current drill program progresses. The Company has another busy year ahead, with two drill rigs actively exploring the Southwest zone where we expect to announce a maiden Mineral Resource estimate in H1/2023. The Company is also planning to announce a Pre-Feasibility Study (the “PFS”) in H1/2023, which will incorporate the recently updated Mineral Resource on the Oculito deposit, along with a maiden Mineral Resource estimate on the new Southwest zone once sufficient drilling has been completed.

As such, things could get a lot more exciting over the coming months, as we deliver on our near-term catalysts and the US dollar weakens in anticipation of a US Fed pause/pivot, which I expect will trigger the next leg higher for gold and silver prices. Abracadabra, baby!

Figure 1 – Visualization of Large-Scale JAC Target, Southwest of Oculito



October 2022 Mineral Resource Estimate

Table 1 – Oculito Mineral Resource Estimate – As of October 31, 2022

Zone	Category	Tonnes (000 t)	Ag (g/t)	Au (g/t)	AgEq (g/t)	Contained Ag (k oz Ag)	Contained Au (k oz Au)	AgEq (k oz AgEq)
Oxides	Measured	18,092	101	0.85	171	58,655	496	99,280
	Indicated	30,226	49	0.71	107	47,502	688	103,852
	Measured & Indicated	48,318	68	0.76	130	106,157	1,184	203,132
	Inferred	2,090	31	0.50	72	2,085	33	4,788
Transition Zone	Measured	1,244	50	1.21	149	1,979	49	5,992
	Indicated	1,752	22	1.13	115	1,235	64	6,477
	Measured & Indicated	2,996	33	1.17	129	3,214	113	12,469
	Inferred	127	7	0.80	73	29	3	275
Total	Measured	19,336	98	0.88	170	60,634	544	105,190
	Indicated	31,978	47	0.73	107	48,737	752	110,329
	Measured & Indicated	51,314	66	0.79	131	109,370	1,297	215,520
	Inferred	2,216	30	0.51	72	2,114	37	5,144

Notes for October 2022 Mineral Resource Estimate:

1. Mineral Resources are not Mineral Reserves and have not demonstrated economic viability.
2. The Mineral Resource is reported inside a conceptual Whittle open pit shell derived using US \$25.00/oz Ag price, US \$1750/oz Au price, 73.5% process recovery for Ag, and 86% process recovery for Au. The constraining open pit optimization parameters used were \$3.00/t mining cost, \$24.45/t processing cost, \$2.90/t G&A cost, and average 54-degree open pit slopes.
3. The formula for calculating AgEq is as follows: $\text{Silver Eq Oz} = \text{Silver Oz} + \text{Gold Oz} \times (\text{Gold Price}/\text{Silver Price}) \times (\text{Gold Recovery}/\text{Silver Recovery})$
4. The Mineral Resource Estimate has been categorized in accordance with the CIM Definition Standards (CIM, 2014).
5. All figures are rounded to reflect the relative accuracy of the estimates. Minor discrepancies may occur due to rounding to appropriate significant figures.
6. The Mineral Resource was estimated by Mr. Peralta, B.Sc., FAusIMM CP(Geo), an independent Qualified Person within the meaning of NI 43-101.
7. The mineralisation estimated in the Mineral Resource is sub-horizontal with sub-vertical feeders and a reasonable prospect for eventual economic extraction by open pit methods.
8. A cut off grade of 35 gt AgEq was used for the Mineral Resource
9. The Mineral Resource models used Ordinary Kriging grade estimation within a three-dimensional block model and mineralized zones defined by wireframed solids, which are a combination of lithology and alteration domains. Constrained by a Whittle open pit shell. The 1m composite grades were capped where appropriate.
10. All tonnages reported are dry metric tonnes and ounces of contained gold and silver are troy ounces.
11. In-situ bulk density were assigned to each model domain, according to sample averages of each lithology domain, separated by alteration zones and subset by oxidation.
12. Mining recovery and dilution factors have not been applied to the Mineral Resource estimates.
13. Mr. Peralta is not aware of any environmental, permitting, legal, title, taxation, socio-political, marketing, or other relevant issues that could materially affect the potential development of the Mineral Resource.
14. Totals may not agree due to rounding.