

## January 2022: Letter from the Chairman – Mr. Rob Bruggeman

Goodbye to 2021 and, in some ways, good riddance. In this Letter, I'd prefer to focus on the positive and summarize why 2021 was another eventful and successful year for AbraSilver. 2022 is also off to a good start and is setting up to be another year of advancement for the Company and its shareholders.

Drilling on the Diablillos project in 2021 continued to generate excellent results with a total of over 16,000 meters drilled in the year. The Tesoro zone has impressive grades over broad intercepts, generating some phenomenal grade-thickness numbers like **382 g/t silver-equivalent (5.1 g/t gold-equivalent) over 104 meters** in hole DDH-21-12 (529 gram-meters gold-equivalent). Even more impressive is that the Tesoro zone is in oxides and close enough to surface that it can be bulk mined in an open pit. Intercepts like these are the reason that the Diablillos project is one of the **highest-grade undeveloped precious metals deposits of substantial size**.

For an open pit operation, pre-stripping adds to upfront capital costs, so another major accomplishment in 2021 was the definition of shallow, gold-dominant mineralization at the main Oculito zone at Diablillos. While the grades and widths aren't as impressive as the Tesoro zone, these gold resources will help substantially reduce pre-stripping expenditures (**reduction of US\$42m compared to the 2018 PEA study**) and allow for quicker time to production, both of which result in a **significant positive impact on early project cash flows**. In other words, these are high-value gold ounces that we continue to add!

I'd like to commend our technical team in Argentina for their high rate of success with the drill bit, as that is the best confirmation that our geological model is correct. Diablillos is not a new discovery, but we are the first team to really understand and predict the structural controls on mineralization and orientation of the mineralized zones. As a result, drilling continues to identify new mineralization and mineral resources are expected to continue to increase based on Phase II drilling completed to date. That is on top of the **37% increase in contained gold ounces and 11% increase in silver ounces in the M&I Resources** reported in 2021.

The **discovery cost** for the Phase I drill program was an **industry-leading US\$0.13/oz silver-equivalent (or US\$9/oz gold-equivalent)**. Drilling continues to expand mineralization near-surface and also to the northeast, leading us to double the planned drilling in Phase II to **20,000 meters**. Even though we are continuing to grow mineral resources, the Company also issued an updated Preliminary Economic Assessment ("PEA") in late 2021. The PEA estimated a robust **after-tax NPV5% of US\$364 million and 30.2% IRR** at a gold price of US\$1,650/oz and a silver price of US\$24/oz. That was based on an open pit mine with a 7,000 tonne per day processing plant. Under that scenario, Diablillos is projected to produce an impressive **8.0 Moz silver and 44.3 koz gold on average per year** for the first 5 years of a total 16 year mine life. There are not many, high-margin primary silver mines that can boast those types of production numbers.

With the mineral resources continuing to expand as drilling continues at Diablillos, one of the things the team is looking forward to in 2022 is the economic evaluation of substantially increasing the production rate on the project. This concept was one of the opportunities identified in the recent PEA report and it appears compelling, as a **higher production rate would lead to economies of scale and higher silver and gold production**. We will also continue to advance metallurgy, conduct more geotechnical evaluation, and conduct trade-off studies on mineral resources in the Northeast zone, as those were not included in the PEA. All that to say that we **believe**

**there are opportunities to increase the NPV and IRR of the Diablillos project from the already compelling 2021 numbers.**

The year 2021 also saw some significant changes in the political landscape in Latin America. While some other countries are revising their constitutions and increasing mining taxes and royalties, the Salta province in Argentina **remains a very mining-friendly jurisdiction** and Argentina is actively working to attract more mining investment to the country.

Another top mining jurisdiction in Argentina is the province of San Juan, in which AbraSilver holds the ~70,000 hectare La Coipita copper-gold project. Based on earlier exploration work and limited historical drilling, La Coipita appears prospective for porphyry copper-gold mineralization. **A 3,000-meter diamond drill program recently commenced** on the project and we eagerly await the results of this program, given the backdrop of strong copper prices.

We thank our investors, employees, and other stakeholders for their continued support in 2021. While we are proud of the many accomplishments made by the AbraSilver team in 2021, we look forward to an even better year ahead as we remain **well positioned to continue our success in 2022 and beyond.**