

Ticker: AGMR CN
Market cap: C\$71m

3Q22 Cash: C\$17m
Price: C\$0.38/sh

Project: Reliquias / Dorita
Country: Peru

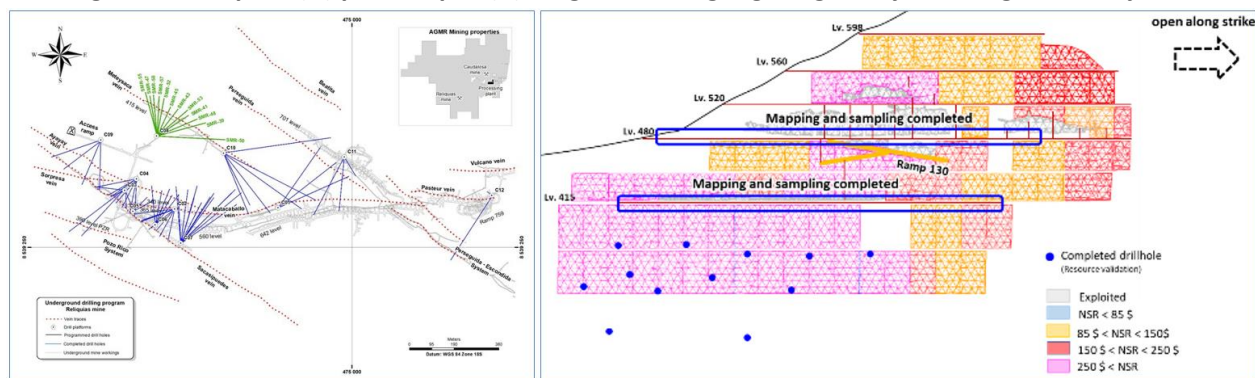
REC. (unc): BUY

TARGET (unc): C\$0.90/sh

RISK RATING (unc): VENTURE

Recall, last year's channel sampling along the Metseysaca Vein on 415mL averaged **0.7m @ 580g/t AgEq** (spot) along 272m strike. Today's 12 holes (31 pierce points) come directly below this and average **0.9m @ 476g/t AgEq** along the main structure (MTS) while the vein 'splays' average 0.5m @ 355g/t AgEq for good validation / useful additions ahead of the MRE update this quarter. Impressive today are the silver rich headline hits (i.e 781-2,240g/t Ag) and continuity of vein widths of 0.5-1m along the main structure and along ~300m strike. Whilst not as thick as the other two vein zones (Matacaballo and Sacasipuedes), the bonanza grades should offset narrower / lower grade portions along the vein, with any 'HG splays' simply bonus—particularly amenable to selective mining methods vs bulk. Big picture, we think any new near mine vein additions and / or higher grade 'shoots' delineated ahead of the 3Q23 initial development plans will look much more attractive with an operating mill (funded restoration on 2ktpd plant underway). Positioning Silver Mountain nicely for potential re-rate on this year's de-risking catalysts. As such, **we maintain our BUY rating and C\$0.90/sh PT** based on conservative US\$2.00/oz AgEq at Reliquias and nominal US\$0.50/oz AgEq at Caudalosa based on combined historical 81Moz @ 838g/t AgEq resource. As demonstrated by peers under coverage, great infrastructure and the right team can unlock premium valuations (>US\$3-5/oz insitu)—two qualities we have observed during our site visit last year.

Figure 1. Reliquias (A) plan map & (B) long section highlighting today's drilling on Metseysaca



Source: Silver Mountain

Bonanza 0.6m @ 2,642g/t AgEq drilled below mine workings ahead of 1Q23 MRE update

Today, Silver Mountain reported results from 12 holes drilled along the Metseysaca Vein from the 415m underground level with highlights of **0.6m @ 2,642g/t AgEq** at spot (>80% Ag) within broader **1.6m @ 986g/t** (Metseysaca vein), **0.9m @ 599g/t AgEq** (splay) and **1.1m @ 803g/t AgEq** (splay). Other hits include 0.4m @ 1,335g/t, 0.6m @ 673g/t, 0.9m @ 456g/t, and 0.9m @ 600g/t AgEq. Up to mid-December 2022 ~16,955m (71 holes) has been drilled. The Metseysaca structure is expected to be included in the initial mine development work programmed to start in late 3Q23.

Why we like Silver Mountain

- Historic 81Moz @ 838g/t AgEq resource (40% M&I) across two adjacent mines in Peru
- Fully permitted for low-cost (SCPe US\$20-30m) initial restart for SCPe 2-3Moz AgEq pa
- Long term SCPe 5-10Moz AgEq pa 'hub and spoke' potential
- Experienced management team with deep roots in country
- Critically low valuation relative to peers ahead of major catalysts

Catalysts

- 1Q23: UG drilling and sampling results
- 1H23: MRE update

- Mid-2023: PEA
- 2H23: plant refurbishment completion & restart decision

Research

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Ticker: AGMR CN	Price/mkt cap: C\$0.38/sh, C\$71m	Group P/NAV today: 0.42x	Asset: Reliquias / Dorita
Author: B. Gaspar / E. Magd. Rec / 1xNAV PT:	BUY, C\$0.9/sh		Country: Peru

Non 43-101 resources	Tonnes	*AgEq	M&I (%)	Ag (%)	Commodity	Price	Recov.	Payab.	NSR*	% totl.	
Reliquias	1.5Mt	627g/t	30Moz	46%	50%	Silver (Ag)	20	88%	95%	84%	50%
Caudalosa	1.5Mt	908g/t	45Moz	0%	49%	Copper (Cu)	3.63	54%	95%	51%	23%
Total M&I + Inf resource	3.0Mt	771g/t	75Moz	40%	50%	Zinc (Zn)	1.18	80%	85%	68%	17%
<i>*AgEq calcs using US\$16/oz Ag, US\$1.20/lb Zn, US\$0.95/lb Pb, and US\$2.81/lb Cu</i>						Lead (Pb)	0.90	83%	88%	73%	11%
SOTP project valuation*						Gold (Au)	1700	0%	0%	0%	0%
		C\$m	O/ship	NAVx	C\$/sh	<i>*SCPe Payable recoverable / in-situ, *Gold not historically assayed</i>					
Reliquias NAV @ US\$2.00/oz AgEq		80	100%	1.0x	0.48	Share data		Basic	FD		
Caudalosa NAV @ US\$0.50/oz AgEq		30	100%	1.0x	0.18	Shares (m)	186.4	221.2			
Cash @ 3Q22		16.7	-	1.0x	0.10						
Cash from options+warrants		22.2	-	1.0x	0.13						
SCPe Group 1xNAV		149		PT:	0.90						
<i>*Ex G&A and fin. costs</i>						Market P/NAV: 0.42x					

Source: SCP estimates

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TENDER: The analyst recommends tendering shares to a formal tender offering

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NOT RATED ((N/R): The stock is not currently rated

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Summary of Recommendations as of January 2023	
BUY:	52
HOLD:	1
SELL:	0
UNDER REVIEW:	1
TENDER:	0
NOT RATED:	0
TOTAL	54

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