

Kootenay Silver Inc. (TSXV:KTN)

Building a Significant Silver Resource Base in Mexico

Initiating Coverage

November 30, 2023

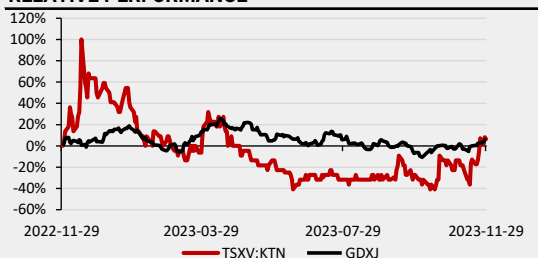
(Currency is CAD\$ unless noted otherwise)

Closing Price (C\$/sh)	\$1.17	
Rating	BUY	
Target (C\$/sh)	\$3.50	
Return to Target	199%	
52 Week Low / High (C\$/sh)	\$0.60	/ \$2.20
CAPITALIZATION	Basic	Diluted
Shares Outstanding (M)	45.8	67.1
Market Capitalization (C\$M)	\$53.5	
Enterprise Value (C\$M)	\$51.8	
Cash and Cash Equivalents (C\$M)	\$1.7	
Total Debt (C\$M)	\$0.0	

STOCK CHART



RELATIVE PERFORMANCE



NET ASSET VALUE	(C\$M)	(C\$/sh)
Columba (100%)	\$50.7	\$1.11
La Cigarra (100%)	\$69.6	\$1.52
Promontorio (100%)	\$167.3	\$3.66
La Negra (100%)	\$25.1	\$0.55
Total Project NAV	\$312.7	\$6.83
Cash	\$1.7	\$0.04
Total Corporate NAV	\$314.4	\$6.87
RELATIVE VALUATION	US\$/oz AgEq	P/NAV
Kootenay Silver Inc.	\$0.14*	0.17x
Peers**	\$0.42	0.31x

*EV/oz for KTN based on RCS price deck

**S&P Capital IQ Pro

MAJOR SHAREHOLDERS

Management (4%), Condire Investors, LLC (9%), Eric Sprott (8%), Konwave AG (Gold 2000) (4.34%), Ninepoint Partners LP (4.02%), ETF Managers Group LLC (1.96%)

DISCLOSURE CODE:

3

(Please refer to the disclosures listed on the back page)

Source: RCS, Company Information, S&P Capital IQ

Company Description

Kootenay Silver Inc. is a Canadian and Mexican based silver exploration company actively engaged in the development of several major silver projects in Mexico, including the Columba and La Cigarra silver projects in Chihuahua, and the Promontorio and La Negra silver projects in Sonora. The company was formerly known as Kootenay Gold Inc. and changed its name to Kootenay Silver Inc. in February 2012. Kootenay Silver Inc. is based in Vancouver, Canada.

We are initiating coverage of Kootenay Silver Inc. (TSXV:KTN) with a BUY rating and a C\$3.50/sh target price. Kootenay is an exploration company that is advancing a portfolio of three silver exploration properties in the Sierra Madre region of Mexico. Its high-grade, flagship Columba Ag-Au-Pb-Zn property has already seen over 27,000m of drilling and currently has a 3,000m expansion drill program underway. The company's Promontorio-La Negra project features a recently updated mineral M&I+I resource containing +207M oz AgEq, while its La Cigarra project hosts ~74.1M oz AgEq in M&I+I resources. **Kootenay is one of our favourite silver explorers as it offers investors exposure to a highly undervalued portfolio of high-grade advanced exploration projects backstopped by +281M oz of existing AgEq resources. We also believe there is excellent potential to delineate a large, high-grade maiden resource at Columba to add to this resource base and that further drilling could lead to resource expansion.**

Investment Thesis:

- **Marching towards a maiden resource at Columba.** With 3,000m of drilling underway at Columba and a larger 20,000m program planned ahead of a maiden MRE in Q3/24, we expect a steady news flow. We completed a mineral inventory estimate for Columba and believe that the upcoming maiden MRE could potentially delineate ~64-108M oz AgEq, with future potential for up to ~196M oz AgEq as the known epithermal veins remain open in all directions and at depth.
- **Significant resource base backstops Kootenay's valuation.** With current NI 43-101 resources totaling +281M oz AgEq at La Cigarra and Promontorio-La Negra, we believe that Kootenay has a significant resource base that backstops its valuation. Using an in-situ multiple of US\$0.50/oz AgEq (based on peer trading multiples and precedent transactions), Kootenay has an implied value of ~\$191.3M, more than covering the current market cap of ~\$54M. We also believe this growing resource base should make it an attractive takeover candidate.
- **Constructive view on silver prices.** The silver supply is forecast to increase until 2026 before gradually declining, as the number of primary silver mines is projected to decline after 2026. Coupled with easing economic conditions and steadily increasing demand from solar panels, batteries, and electronics, we believe silver prices could likely rise. A rising price environment should bode well for Kootenay, which operates in the most prolific silver producing countries in the world.

Valuation:

We are initiating coverage on Kootenay Silver with a BUY rating and C\$3.50/sh target price. Our target is based on a sum-of-parts valuation method, using a 0.5x multiple to our NAVPS estimate of \$6.87. We note that Kootenay is undervalued on an EV/oz basis at US\$0.14/oz AgEq vs. peers at US\$0.42/oz. We believe positive drilling results and a maiden MRE at Columba could potentially help close this valuation gap. **Upcoming Catalysts:** 1) Columba drill results (ongoing), 2) Maiden MRE for Columba (Q3/24) and 3) Updated MRE for La Cigarra (2024E). **Mining/exploration is inherently risky**, and Kootenay Silver is subject to many geopolitical, technical, corporate, and financial risks.

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Kootenay has a portfolio comprising three silver projects in the Sierra Madre region of Mexico: Columba, Promontorio-La Negra, and La Cigarra

A 3,000m drill program is underway at Columba

Investment Thesis

We like Kootenay Silver because it offers blue-sky resource growth potential and is backed by a significant resource base at a time when silver prices appear poised to breakout. All eyes are on the company's flagship Columba project, where drilling has yielded high-grade intercepts on multiple veins that remain open for expansion in all directions. The first stage of a multi-stage, 50,000m drill program is underway. A maiden mineral resource estimate (MRE) is planned to follow the first two phases of drilling (Q3/24E). We believe this should materially grow Kootenay's already significant NI 43-101 mineral resources totalling ~281M oz AgEq at its La Cigarra and Promontorio-La Negra properties. A future resource update is planned at La Cigarra, which should also help incrementally increase total resources for the company. Despite recent changes to the mining regime in Mexico, we think the country should remain a top jurisdiction for silver mining given its prolific silver production history and prevalence of primary silver deposits and should not be overlooked by investors. In our view, silver is poised for a breakout with a steadily improving economic backdrop and near-term catalysts. With mined supply forecasted to start declining post-2026 we believe there is also a fundamental support for higher silver prices going into the future. This should bode well for Kootenay as it advances its assets and should make it a compelling acquisition target given the high-quality of its projects and significant resource base.

Figure 1: Map showing Kootenay's assets



Source: Company Reports

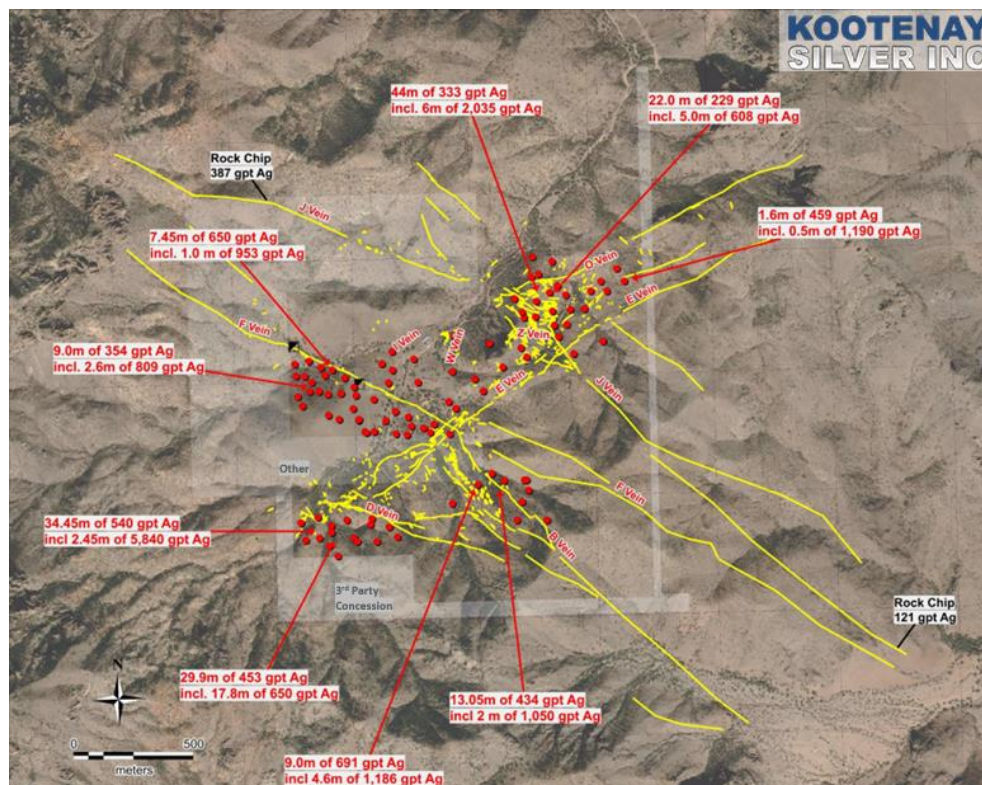
High-grade silver resource potential at Columba. The high-grade vein system at Columba was previously mined in two phases (~1900-1910; 1958-1960), with production stopping because of the Mexican Revolution in 1910 and likely due to low silver prices and undercapitalization in 1960. After ~40 years of no exploration, Kootenay is now in its fifth year of drilling at the project. Over 27,000m of drilling between 2019-22 encountered high-grade and thick silver mineralization in multiple veins over a 12km² area. Notably, consistent silver mineralization is present across 700m of length and 200m of depth in the F Vein. Highlight intercepts at the F Vein include: 1) 354 g/t Ag over 9.0m (CDH-21-094), 2) 650 g/t Ag over 7.45m (CDH-19-041), and 3) 351 g/t Ag over 6.0m (CDH-20-047). Other veins also returned notable results including: 1) **650 g/t Ag over 17.8m** (CDH-21-110) D Vein, 2) **2,035 g/t Ag over**

We estimate a Base Case mineral inventory of ~108M oz AgEq at Columba

Taylor Combaluzier, P.Geo. | VP, Mining Analyst

6.0m (CDH-21-103) J Vein and 3) **540 g/t Ag over 34.45m** (CDH-22-125) D Vein. 50,000m of multi-stage drilling is planned to test new mineralized zones and extend high priority veins. The first phase, consisting of 3,000m, is underway on the D Vein and recently returned a highlight intercept of **1,142 g/t Ag, 0.1 g/t Au, 0.9% Pb, 2.5% Zn over 2.37m** (CDH-23-141) within 9.7m of 510 g/t Ag – **read notable**. This drilling is planned to be followed by a 20,000m program aimed to culminate in a maiden MRE in late 2024 and then eventually lead to a PEA. **Based on our mineral inventory estimate (Appendix B), we believe Columba could potentially host ~64-108M oz AgEq, with future potential of hosting up to ~196M oz AgEq.**

Figure 2: Location of holes drilled in 2019-22



Source: Company Reports

Kootenay's resource base totals +281M oz AgEq

Backstopped by resources at La Cigarra and Promontorio-La Negra; Kootenay could be a potential takeout candidate. With current NI 43-101 resources totaling +281M oz AgEq at La Cigarra and Promontorio-La Negra, we believe that Kootenay has a significant resource base that should make it an attractive takeout candidate. We have completed a precedent transaction analysis (Figure 3) and determined that comparable transactions for primary silver acquisitions (where in-situ resource value attributable to Ag is >50%) averaged ~US\$0.51/oz AgEq. In our view, Kootenay's resource base also provides a tangible backstop value for investors as the company focuses its efforts on delineating a maiden MRE at Columba. **Based on the in-situ valuation for precedent transactions, Kootenay has an implied value of ~\$191.3M, more than covering the current market cap of ~\$34M.**

Figure 3: Precedent Transaction Analysis

Announcement Date	Project Name	Acquiror	Seller	Location	Stage	Mine Type	M&I+I Resource (Moz AgEq)	EV/oz AgEq (US\$/oz)
31-Jul-23	Morococha	Alpayana S.A.	Pan American Silver Corp.	Peru	C&M	UG	62.9	\$0.40
28-Mar-23	Endeavor	Polymetals Resources Ltd	Undisclosed	Australia	C&M	UG	67.8	\$0.10
07-Dec-22	La Parrilla Silver	Silver Storm Mining Ltd.	First Majestic Silver Corp.	Mexico	C&M	UG	22.0	\$1.69
25-Nov-22	Pinguino	Unico Silver Ltd.	Austral Gold Ltd.	Argentina	PEA	OP	48.4	\$0.19
13-Jan-22	Pitarrilla	Endeavour Silver Corp.	SSR Mining Inc.	Mexico	FS	OP/UG	758.6	\$0.09
27-Oct-21	La Preciosa	Avino Silver & Gold Mines Ltd.	Coeur Mining Inc.	Mexico	FS	OP/UG	124.4	\$0.75
11-Oct-21	Cerro Bayo	Equus Mining Ltd.	Mandalay Resources Corp.	Chile	C&M	OP/UG	19.3	\$0.20
05-Oct-21	Hughes	Summa Silver Corp.	Undisclosed	Nevada, U.S.	Adv. Expl.	UG	9.0	\$0.06
26-Apr-21	Hercules Silver	Hercules Silver Corp.	1218530 B.C. Ltd.	Idaho, U.S.	Adv. Expl.	OP	165.0	\$0.01
18-Dec-20	El Cubo	Guanajuato Silver Company Ltd.	Endeavour Silver Corp.	Mexico	C&M	UG	13.7	\$1.38
27-Jun-19	Cachinal	Aftermath Silver Ltd.	Halo Labs Inc.	Chile	Adv. Expl.	OP/UG	21.0	\$0.06
27-Jun-19	Challacollo	Aftermath Silver Ltd.	Mandalay Resources Inc.	Chile	Adv. Expl.	UG	43.0	\$0.36
30-Jun-17	Gavilanes	Marlin Gold Mining Ltd.	Santacruz Silver Mining Ltd.	Mexico	Adv. Expl.	UG	33.6	\$0.10
17-Jan-17	Joaquin	Pan American Silver Corp.	Coeur Mining, Inc.	Argentina	Adv. Expl.	OP	57.0	\$0.44
19-Sep-16	Diablillos	AbraPlata Resource Corp.	SSR Mining Inc.	Argentina	Adv. Expl.	OP	136.1	\$0.12
24-May-16	Montanore	Hecla Mining Company	Mines Management, Inc.	Montana, U.S.	PEA	UG	447.8	\$0.07
07-Dec-15	Las Bolas	Fresnillo PLC	Golden Goliath Resources And Comstock Metals	Mexico	Adv. Expl.	UG	7.8	\$0.38
01-Oct-15	Chinchillas	Silver Standard Resources Inc.	Golden Arrow Resources Corporation	Argentina	Adv. Expl.	OP	184.8	\$0.08
31-Aug-15	Pinguino	Austral Gold Limited	Argentex Mining Corporation	Argentina	Adv. Expl.	OP	51.0	\$0.10
10-Apr-15	El Rayo	Agnico Eagle Mines Ltd.	Soltoro Ltd.	Mexico	Adv. Expl.	OP/UG	40.5	\$0.53
30-Mar-15	Commonwealth	Marlin Gold Mining Ltd.	Commonwealth Silver and Gold Mining Inc.	Arizona, U.S.	PEA	OP	76.3	\$0.12
29-Dec-14	Nieves	Blackberry Ventures I, LLC	Quaterra Resources Inc.	Mexico	PEA	OP	59.2	\$0.06
20-Dec-13	Challacollo	Mandalay Resources Corp.	SSR Mining Inc.	Chile	Adv. Expl.	UG	35.6	\$0.44
13-Feb-13	La Preciosa	Coeur Mining, Inc.	Orko Silver Corp.	Mexico	PEA	OP	175.6	\$2.02
18-Jun-12	Cerro Moro	Yamana Gold Inc.	Extorre Gold Mines Limited	Argentina	PEA	UG	127.6	\$2.98
01-Aug-11	Bowdens	Kingsgate Consolidated Ltd.	SSR Mining Inc.	NSW, Australia	PEA	OP	122.3	\$0.67
25-Oct-10	Arqueros	Kingsgate Consolidated Ltd.	Laguna Resources NL	Chile	PEA	OP	65.1	\$0.32
Average								\$0.51

*AgEq calculated using spot prices at time of announcement

Source: S&P Capital IQ Pro, Company Reports

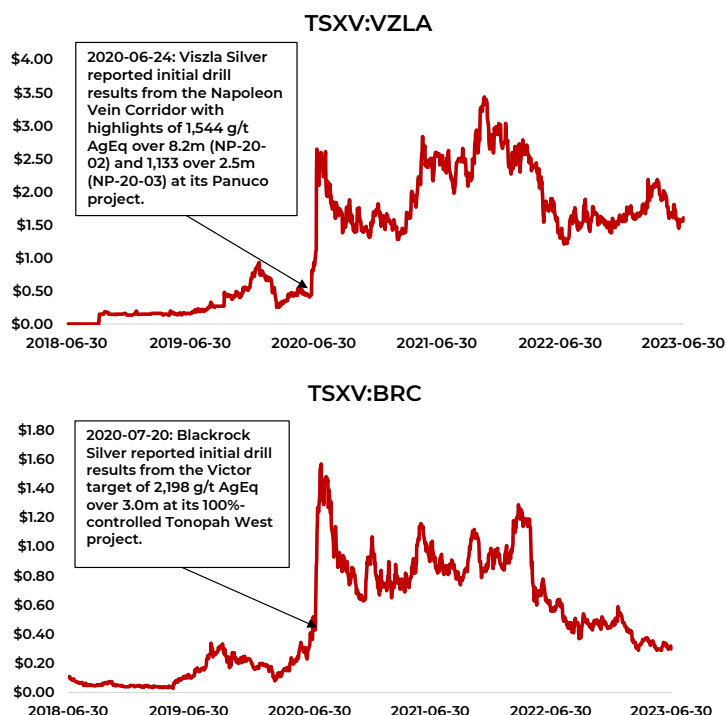
Figure 4: Kootenay Silver Resource Base and Potential Mineral Inventory

In-Situ Resources	M oz AgEq
La Cigarra	
M&I	60.7
Inferred	13.4
Promontorio	
M&I	140.8
Inferred	39.8
La Negra	
M&I	22.0
Inferred	4.6
Total	281.3
Columba	
RCS Mineral Inventory	74.0
Total Potential Mineral Inventory	355.3

Source: Company Reports, RCS Estimates

Positive drill results or future resource estimates could potentially cause Kootenay's share price to re-rate

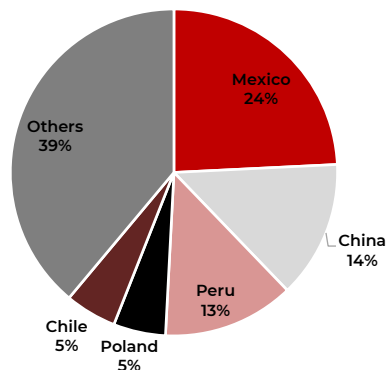
Vizsla Silver (TSXV:VZLA, Not Rated) and Blackrock Silver (TSXV:BRC, BUY, C\$1.60 target, Taylor Combaluzier) are good analogues for what drilling success could do to Kootenay's share price. Vizsla has advanced its Panuco project in Mexico to the resource stage with ~210Moz AgEq in total M&I+I resources, while Blackrock has moved its flagship Tonopah West project to the resource stage with the latest update delineating ~100Moz AgEq. Kootenay has initiated an initial (3,000m) phase of an extensive 50,000m drill program at the Columba project in 2023, with stages I and II expected to culminate with a maiden PEA in late 2024. **We believe that ongoing drilling offers investors an opportunity to enter the stock before the bulk of results are reported and ahead of the MRE – catalysts we think could help drive an appreciation of Kootenay's share price.**

Figure 5: Vizsla Silver and Blackrock Silver event-driven share price performance


Source: Company Reports, S&P Capital IQ

Mexico is the top silver producing country in the world

Mexico is the world's premier silver mining jurisdiction. Mexico contributed ~24% of the world's 2022 silver production, growing its share of global silver production by 0.5% from 2021. The country remains noteworthy for its production of silver from primary silver mines. Of the global mined silver supply, ~60% comes primary gold or base metal mines and is susceptible to changing market and operational conditions affecting the production of the main metal. This makes Mexico's primary silver mines attractive. While new mining laws passed in 2023 have created headwinds for investment in the sector, we believe that companies like Kootenay, with existing exploration permits, are well placed to continue to advance their assets. We also note that the newly passed laws have been challenged legally (we outline the key points of the new mining law in Appendix D).

Figure 6: Top Silver Producing Countries (2022)


Source: Metals Focus

Silver Price (US\$/oz)

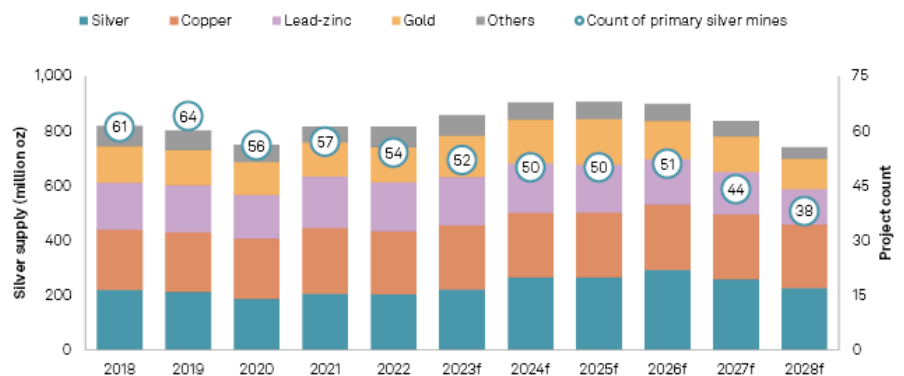


Source: S&P Capital IQ

Mines silver supply is forecast to start declining in 2027

Figure 7: Silver supply outlook

Silver supply to start declining in 2027



As of Sept. 29, 2023.

e = estimate; f = forecast.

Color indicates the primary commodity of mines where silver was sourced.

Others include nickel, palladium, platinum, artisanal and other sources.

Source: S&P Global Market Intelligence.

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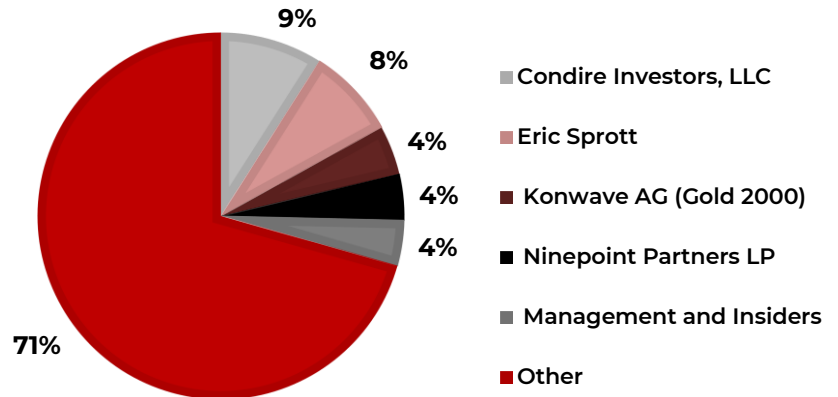
Source: S&P Global

Experienced board and management, with a particular strength in the Americas. Mr. James McDonald, Kootenay's CEO, has over 30 years of experience in the mining sector, including as a founder of National Gold, which merged with Alamos Minerals to form Alamos Gold (TSX:AGI, Not Rated). He has worked extensively in Mexico. Mr. Kenneth Berry, Founder and Chairman, has +30 years of experience in finance and venture capital markets and was CEO, Chairman and Director of Northern Vertex Mining (now Elevation Mining [TSXV:ELVT, Not Rated]). Renowned junior mining investor Eric Sprott is a key (~8%) shareholder. We also note that management, directors and family have a ~4% stake in the company.

Renowned investor Eric Sprott owns ~8%, while management and insiders have a ~4% stake in the company

We expect ongoing drilling and future resource estimates to provide a steady stream of news flow for Kootenay

Figure 8: Ownership structure



Source: S&P Capital IQ, Company Reports

Catalysts

Multi-stage drill program at Columba to drive news flow through 2024.

Following a \$3.7M financing in May/23, Kootenay is funded to conduct its initial phase (~3,000m) of a multi-stage 50,000m drill program at Columba, which should provide news flow for 2023 and into 2024. Stages I and II of the program are planned to culminate with a maiden MRE on the project. Further increases to Kootenay's resource base could come from an updated MRE following a reinterpretation of the geological model for La Cigarra.

1. Columba drill results (ongoing)
2. Maiden MRE for Columba (Q3/2024)
3. Updated MRE for La Cigarra (2024E)

We initiate coverage with a BUY rating a C\$3.50/sh price target

Valuation and Financial Analysis

We have assigned a target price of C\$3.50/sh based on a 0.50x multiple of our sum-of-parts derived NAV of C\$6.87/sh. Our valuation (Figure 9) includes a probability-based valuation method for Columba (described below) and in-situ valuations for La Cigarra and Promontorio-La Negra, based on existing mineral resources. We ascribe an in-situ value of US\$0.75/oz of M&I AgEq resources and US\$0.50/oz for inferred resources based on comparable peer trading multiples. Our analysis assumes long-term metal prices of US\$1,900/oz Au, US\$24/oz Ag, US\$1.00/lb Pb and US\$1.20/lb Zn and a 0.75 CAD:USD FX rate. **Our C\$3.50/sh target price generates a 199% return to target and justifies our BUY rating.**

Figure 9: Sum-of-parts valuation for Kootenay Silver

Asset	Status	Valuation Method	Fair Value Estimate		(%)
			(C\$M)	(C\$/sh)	
Assets					
Columba (100%)	Pre-Resource	Probability Based	\$50.7	\$1.11	16%
La Cigarra (100%)	Resource	In-Situ	\$69.6	\$1.52	22%
Promontorio (100%)	Resource	In-Situ	\$167.3	\$3.66	53%
La Negra (100%)	Resource	In-Situ	\$25.1	\$0.55	8%
Project NAV			\$312.7	\$6.83	99%
Cash			\$1.7	\$0.04	1%
Total Corporate Adjustments			\$1.7	\$0.04	1%
Corporate NAV			\$314.4	\$6.87	100%

Multiple	0.50x
Target Price	\$3.50

Source: RCS Estimates

Using our probability-weighted valuation methodology, we estimate that Columba could be worth ~C\$50.7M (C\$1.11/sh). This methodology accounts for the probability of each scenario being achieved, along with the time and money required to achieve them. Our three valuation scenarios are as follows:

- Lower Case – C\$0.76/sh** – 40% probability – Our Lower Case assumes that the company could delineate ~64.4M oz AgEq. We view this scenario as somewhat likely and base this case on conservative estimated deposit dimensions. We assume Kootenay would require an additional \$5M and one year to achieve this case.
- Base Case – C\$1.27/sh** – 50% probability – This case assumes that the company could outline ~108.0M oz AgEq. We view this as the most likely scenario, as it assumes deposit dimensions that are, in our view, what Kootenay could potentially test ahead of its maiden MRE (refer to our Base Case mineral inventory estimate). Like our Lower Case, we assume the company would require an additional \$5M and one year to achieve this case.
- Upside Case – C\$1.69/sh** – 10% probability – This case assumes that the Columba project could potentially support a ~195.6M oz AgEq mineral inventory in the future. We believe that given an additional \$25M and three years the company could potentially achieve this

case. We currently view this scenario as least likely given the company has yet to achieve our Lower and Base cases.

More information regarding our mineral inventory estimates is described in Appendix B. As outlined in Figure 10, in each scenario, we try to account for time, money and the cost of capital to further define the target. To achieve each case, we assume the company's share price progressively increases or decreases with exploration success or failure. Additionally, the capital required to achieve each case is reduced by any work done in a lower case (i.e. to achieve the Upper Case, \$25M in additional capital is required to supplement the \$5M required to achieve the Lower or Base Case for a total of \$30M). We use an in-situ value of US\$0.50/oz AgEq based on earlier stage silver explorer trading multiples. We believe any ounces delineated here would initially be classified in the inferred category. Finally, we account for time value using an 8% discount rate. We note that with each new piece of exploration data, we plan to adjust our estimates.

Figure 10: Probability-weighted valuation of Columba

Scenario	Description	Potential Value (C\$M)	Additional Capital Required (C\$M)	Shares to be issued to achieve this case	Est. Share Count When Achieved	Per Share (C\$)	Time to Achieve (Years)	Time Adjusted Per Share Value (C\$)	Probability
Lower Case	~64.4M oz AgEq at 137 g/t AgEq (US\$0.50/oz)	\$42.9	\$5.0	6.7	52.4	\$0.82	1.0	\$0.76	40%
Base Case	~108.0M oz AgEq at 137 g/t AgEq (US\$0.50/oz)	\$72.0	\$5.0	0.0	52.4	\$1.37	1.0	\$1.27	50%
Upside Case	~195.6M oz AgEq at 132 g/t AgEq (US\$0.50/oz)	\$130.4	\$30.0	8.9	61.3	\$2.13	3.0	\$1.69	10%
Probability Weighted Valuation Estimate									\$1.11

Notes:

Discount rate of 8%

To achieve lower case, shares issued at current share price

Base case shares issued in 3 tranches at an average price of \$1.38

Upside case shares issued in 3 tranches at an average price of \$2.32

Capital to be raised in subsequent cases, reduced by prior case

Assumed that any in the money warrants/options would reduce the required capital to be raised and would have a roughly neutral impact

Source: RCS Estimates

As of its last financial statements (Sep/23) the company has an approximate cash balance of \$1.7M and no debt. The share structure of the company consists of ~45.8M shares outstanding with ~2.9M options and ~18.4M warrants. We note that while the company is financed to complete its ongoing Phase 1 drill program at Columba, it would need to raise additional capital to complete its Phase 2 (20,000m) drilling in 2024.

Figure 11: Capital structure of Kootenay Silver

Capital Structure	Shares (M)
Shares Outstanding	45.8
Options	2.9
Warrants	18.4
Fully Diluted Shares	67.1

Source: Company Reports

Kootenay is undervalued compared to peers on an EV/oz AgEq and P/NAV basis

Relative Valuation

We do not believe that Kootenay's current share price reflects the 228M oz AgEq in total resources at Cigarra and Promontorio-La Negra or the exploration potential at Columba. While Kootenay currently trades at a significant discount to its resource and early-development stage peers on an EV/oz AgEq basis (US\$0.14 vs. peers at US\$0.42), we believe that the stock could potentially re-rate as it advances Columba towards a maiden MRE. Kootenay also trades at a discount on a P/NAV basis at 0.17x versus peers at 0.31x.

Figure 12: Comparable companies analysis

Company	Ticker	Price (C\$/sh)	YTD Perf.	Shares (M)	Mkt. Cap C\$M	Cash C\$M	Debt C\$M	EV C\$M	AgEq (Moz)	US\$EV/oz AgEq**	Consensus P/NAV	
Kootenay Silver Inc.	TSXV:KTN	\$1.17	-27%	45.8	\$53.5	\$1.7	\$0.0	\$51.8	282.1	\$0.14*	0.17x	
Kuya Silver Corporation	CNSX:KUYA	\$0.25	-32%	76.1	\$19.0	\$1.3	\$0.0	\$17.7	9.8	\$1.38	NA	
Vizsla Silver Corp.	TSXV:VZLA	\$1.66	7%	210.3	\$349.1	\$40.9	\$0.0	\$308.2	212.0	\$1.09	0.47x	
Prime Mining Corp.	TSXV:PRYM	\$1.60	-16%	152.3	\$243.7	\$39.2	\$0.1	\$204.6	173.1	\$0.89	0.29x	
Silver Tiger Metals Inc.	TSXV:SLVR	\$0.18	-36%	366.0	\$64.1	\$24.7	\$0.0	\$39.4	80.7	\$0.37	0.19x	
Silver Viper Minerals Corp.	TSXV:VIPR	\$0.13	-24%	154.7	\$20.1	\$0.3	\$0.0	\$19.8	52.7	\$0.28	NA	
GR Silver Mining Ltd.	TSXV:GRSL	\$0.10	-13%	301.7	\$30.2	\$0.1	\$0.0	\$30.1	126.4	\$0.18	NA	
Guanajuato Silver Company Ltd.	TSXV:GSVR	\$0.35	-7%	356.0	\$122.8	\$4.9	\$21.0	\$138.9	750.7	\$0.13	NA	
Southern Silver Exploration Corp.	TSXV:SSV	\$0.17	-13%	292.0	\$49.6	\$3.6	\$0.0	\$46.0	290.5	\$0.12	NA	
Zacatecas Silver Corp.	TSXV:ZAC	\$0.15	-80%	90.4	\$13.6	\$0.7	\$0.0	\$12.9	105.1	\$0.09	NA	
Defiance Silver Corp.	TSXV:DEF	\$0.14	-18%	229.4	\$32.1	\$4.6	\$0.0	\$27.5	345.0	\$0.06	NA	
Orex Minerals Inc.	TSXV:REX	\$0.18	-49%	18.7	\$3.4	\$0.6	\$0.0	\$2.8	38.5	\$0.05	NA	
								Median	\$30.1	126.4	\$0.18	0.29x
								Average	\$77.1	198.6	\$0.42	0.31x

Note:

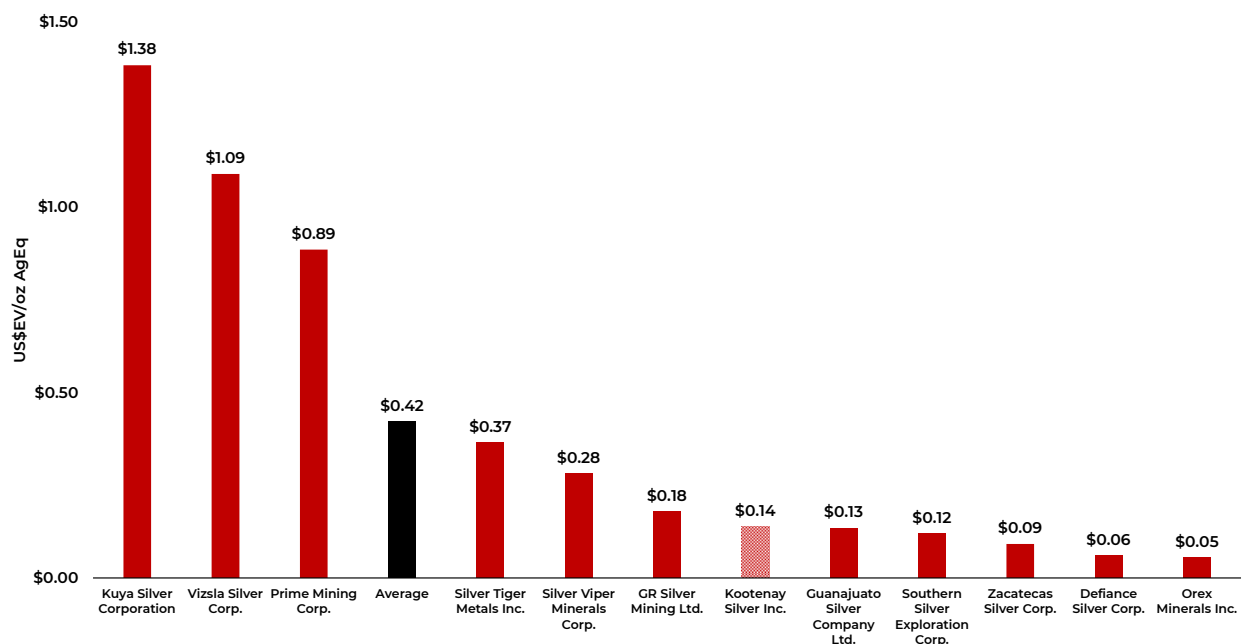
Reflects estimates by RCS for Kootenay Silver Inc.; all other companies based on S&P Capital IQ Pro

*EV/oz for KTN based on current total mineral resources

**AgEq calculated using metals prices of (US\$): \$1900/oz Au, \$24/oz Ag, \$4/lb Cu, \$13/lb Ni, \$1.2/lb Zn and \$1/lb Pb

Source: RCS Estimates, S&P Capital IQ, Company Reports

Figure 13: US\$EV/oz AgEq



Source: S&P Capital IQ, Company Reports

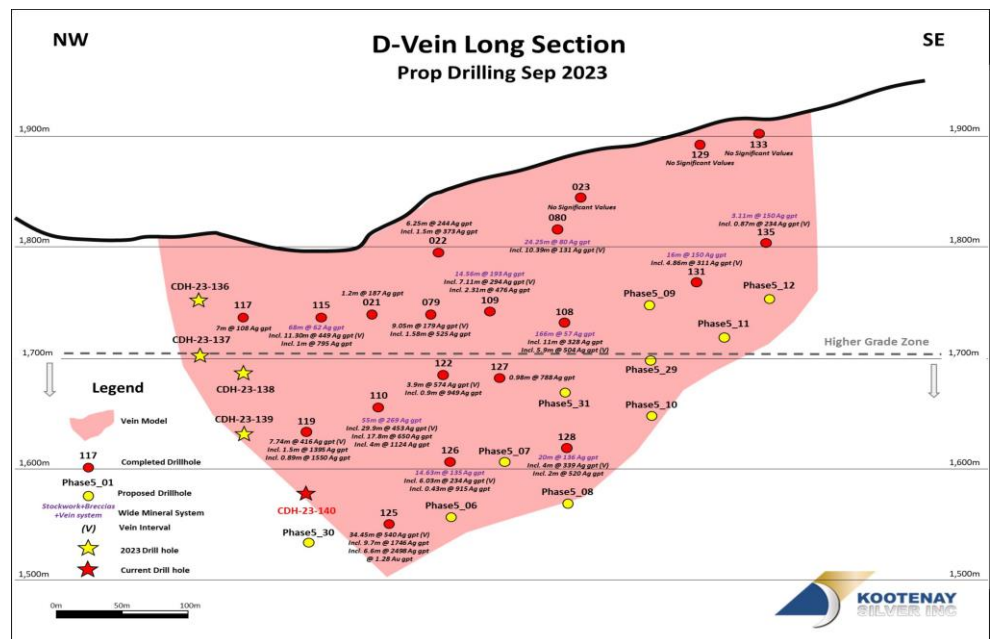
Assets

Columba (100% owned)

Columba is located ~240km NW of the city of Chihuahua, and 28km S of the municipality of Nuevo Casas Grandes in NW Chihuahua State, Mexico. The project comprises five concessions (850 ha), with an additional concession (10,896 ha) currently in the process of being issued. The project is 100%-owned and is subject to a 2% NSR royalty payable to Minera Ches Mex, S. de R.L. De C.V., half of which may be bought back for US\$750,000.

Columbia represents a low-intermediate sulphidation epithermal system of veins and breccias in the upper and central parts of a caldera/diatreme system ~4km in diameter and of probable late Eocene / early Oligocene age. The veins generally strike WNW and NE, parallel to dominant regional fault orientations, dip 75°-90° and crosscut overlying lithologies. Underground mining of an estimated 70-100kt occurred in at least the F and I veins in two phases during the early 1900s and 1950s when the property hosted the La Fortuna and America mines. Combined with surface exploration from 2018-2022, the drilling confirmed the presence of veins at depth and along strike and identified additional epithermal veins and related mineralization.

Figure 14: Long section of D-vein



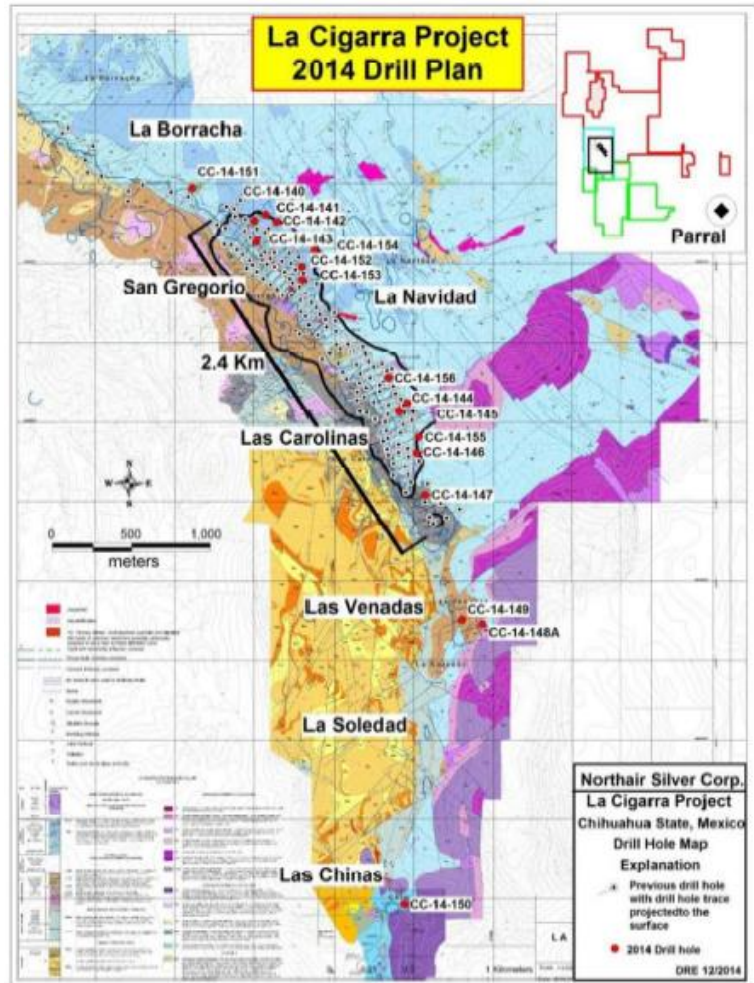
Source: Company Reports

Kootenay initiated exploration in late-2018, focusing on delineating known veins while also employing first-principled surface exploration and drilling to locate and delineate previously unknown veins. 135 diamond drillholes (27,277.2m) have been completed in four drill programs in 2019, 2020, 2021 and 2022, with the majority of the holes (88) focusing on the F vein and the JZ zone. The company has laid out a staged 50,000m drill program to delineate known mineralized veins, to provide infill drilling where needed for resource definition, and test untested structures and vein. The first stage is underway with a 3,000m program focused on expanding on the D Vein where the best grades and widths have been encountered to date. Following this, 20,000m of drilling have been designed focusing on the F, D and B veins the results of which should determine the next phase. The aim is to provide a MRE in late 2024 (Figure 14).

La Cigarra (100% owned)

The La Cigarra project consists of a 7,000 ha package of 22 concessions located near the city of Hidalgo del Parral, ~225km N of Chihuahua city, in Chihuahua state. The property hosts the San Gregorio/Las Carolinas intermediate sulphidation Ag-Pb-Zn-(Cu-Au) epithermal deposit. Kootenay acquired 100%-ownership of the property in 2016. The resource is royalty free; however, there is a 1% NSR royalty on certain areas outside of the current resource.

Figure 15: Drill plan for La Cigarra project



Source: Company Reports

The mineralization occurs predominantly as mineralized veins with minor stockworks and disseminated sulphides, hosted by the Cretaceous Parral Formation shales and, to a lesser extent, by the overlying Tertiary andesite and rhyolite. A 2015 MRE update outlined 22.99Mt of M&I+I resources with a grade of 85 g/t Ag, 0.067 g/t Au, 0.13% Pb and 0.18% Zn for a contained metal content of 74M oz AgEq (calculated at RCS long-term price estimates, Figure 18).

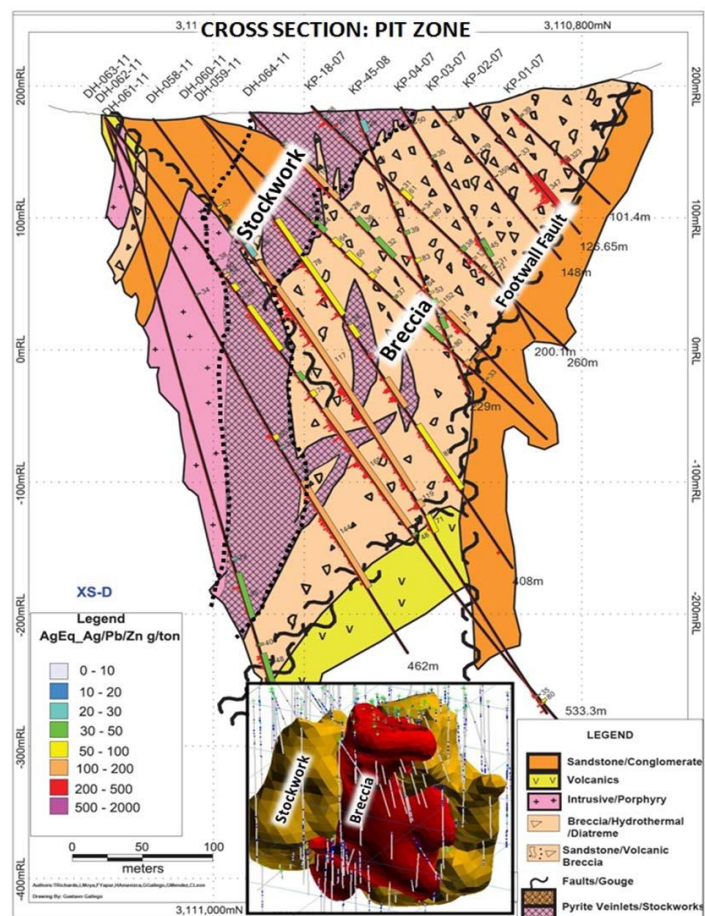
Kootenay acquired the project in 2016 and has since completed several exploration programs that included drilling, relogging of core and surface mapping. Positive results of an ongoing internal geological model to optimize resource grade could lead to an updated resource and a decision to complete a PEA on the project.

Promontorio-La Negra (100%)

The Promontorio Mineral Belt property is located ~75km NE of Ciudad Obregon in Sonora state of Mexico and hosts the Promontorio Silver and the La Negra silver resources. The Promontorio deposit is a diatreme breccia hosted epithermal silver deposit containing 180.6M oz AgEq in total resources. The La Negra discovery, containing 26.5Moz AgEq, is a hydrothermal diatreme breccia exposed over a 100-150 × 500m area located 7km to the north of the Promontorio resource. The property is 100%-owned by Kootenay. In June 2019, Pan American Silver (NYSE:PAAS, Not Rated) relinquished its option to acquire 75% of the property after spending US\$3.6M on exploration in 2016-2019.

At the Promontorio prospect, basement rocks of Late Triassic, Late Cretaceous and Lower Tertiary age overlain unconformably by Late Tertiary volcanics and conglomerates. The mineralization at Promontorio and La Negra is hosted in diatreme breccia bodies and related stockworks. An updated 2023 MRE outlined total resources at of+200Moz AgEq, including M&I resources of 162.8M oz AgEq and inferred resources of 44.4M oz. M&I resources at Promontorio increased by 68% due to the inclusion of an additional 23,220m (89 holes) of drilling from 2012-13 that was not previously considered ([read note](#)) and an increase in AgEq due to relative changes in Ag to Pb, Zn, and particularly Au prices. A total of 97 drill holes (~17,000m) have been completed at La Negra, returning highlight results of 3,004 g/t Ag over 1.95m and within 281 g/t Ag over 48.70m.

Figure 16: Cross-section of Promontorio pit zone



Source: Company Reports

Risks

Exploration, development, and mining projects are inherently risky investments given the large initial expenses that are required in advance of any potential revenue. Our view is based on publicly available information but note that our estimates and views are not without political, technical, geologic or financing risk typical for junior mining companies. For Kootenay Silver, these risks may include:

1. **Geopolitical/jurisdictional risks** – Some of these risks may be out of the control of the company, including royalty and taxation levels, land agreement liabilities, regulatory, environmental and permit requirements and timing, global trade wars and political instability. Mexico is world's largest producer of silver; however, it has faced a deterioration of its framework with the lack of mining permits issued since 2018 and the 2023 mining law reform that notably shortened the duration of mining concessions. We note that a presidential election is scheduled to occur in mid-2024 in Mexico.
2. **Technical risks** – This covers a wide variety of issues that we see associated with the deposit including exploration, development and exploitation strategies and methods. It would cover such issues as accuracy of geological interpretation, resource/reserve estimates and economic studies and inputs such as commodity prices, cost and grade fluctuations, assay reconciliation, metallurgical issues and exploration success. Our positive view relies on using existing technical data, recent exploration results and to a limited extent, expected positive results from future drilling. Future results may differ and negatively impact our assumptions.
3. **Corporate risks** – These may include project execution by management, investor relations effectiveness, or market sentiment. Management pedigree and performance are paramount. Market sentiment is also an issue, especially when it comes to commodities like silver and gold.
4. **Financial risks** – These may occur at the project or corporate level, including variation in valuation parameters/metrics, commodity price or foreign exchange fluctuations, access to credit including debt, equity financing or potential for shareholder dilution.

As new information becomes available, we plan to refine our estimates and forecasts.

Appendix A : Management and Board of Directors

James M. McDonald, P. Geo.– President, CEO and Director

Mr. McDonald has more than 30 years of combined technical and financial experience in mining sector. He co-founded and successfully developed National Gold (which merged with Alamos Minerals) to form Alamos Gold (TSX:AGI, Not Rated) for which he was a Director and served on numerous committees until June 2012. Mr. McDonald also served as President of Genco Resources which operated the La Guitarra Silver Mine located in Mexico. Mr. McDonald is a founder of Kootenay Silver Inc. and a co-founder and director of Northern Vertex Mining Corp.

Rajwant Kang, CPA. CMA – CFO and Corporate Secretary

Mr. Kang has over 25 years of financial experience and has held various senior financial positions within public and private companies including, Salares Lithium (Private), Gryphon Gold (OTCEM:GYPH.Q, Not Rated), Star Shipping and Steppe Gold (TSX:STGO, Not Rated). He brings an extensive knowledge of finance, regulatory, accounting and public markets. Mr. Kang holds a CPA, CMA designation obtained in Canada and an HND in Business and Finance, obtained in the UK.

Dale Brittliffe, B.Sc., P. Geo. – VP of Exploration

Mr. Brittliffe is an accomplished geologist with over 25 years of experience in exploration for precious and base metals deposits in Canada, Mexico and Australia. He has extensive experience in early-stage to late-stage precious and base metals exploration in a variety of geological settings. His prior role was as VP, Exploration at Silver Viper Minerals Inc. (TSXV:VIPR, Not Rated). Mr. Brittliffe is a Professional Geoscientist and holds a B.Sc. in Applied Geology from Curtin University and a B.Sc. in Environmental Botany from the University of Western Australia.

Dr. Tom Richards, BSc, PhD – Advisor

An accomplished author and co-author of numerous publications involved in the science of geology through central British Columbia, Dr. Richards was a Research Scientist with the Geological Survey of Canada during the 1970's doing regional mapping in British Columbia. He conducted regional exploration in Canada, United States and Mexico to the early 1990's as an independent geologist/pro prospector with junior and major mining companies (including Teck (TSX:TECK.B, Not Rated), Inco, Esso, Newmont, Falconbridge and Union Carbide) and throughout NW Argentina until 2007. He has been involved with Kootenay Gold in Mexico from 2007 to present.

Hans Smit, P. Geo. – Advisor

Mr. Smit is a Professional Geologist with over 35 years of experience in the mining industry and is well known for his expertise and experience in advancing projects from resource estimation through to feasibility and construction. He was one of the founders and COO of Orla Mining (TSX:OLA, not Rated) from 2015 to 2019 and helped guide the evaluation of its Camino Rojo project in Zacatecas, Mexico. He was previously VP, Exploration at Grayd Resources Corp. (Private) (2003-2012).

Tiziano Romagnoli – Advisor (Marketing)

Formerly BMO Nesbitt Burns in Geneva

Kenneth Berry – Chairman

Mr. Berry has over 30 years of experience in finance and venture capital markets. He began his career in the Canadian brokerage industry as an investment advisor before moving on to found various publicly traded companies. His roles have included senior management positions and directorships responsible in areas of finance, business development, strategic planning and corporate restructuring. Mr. Berry is a founder of Kootenay Silver and was the co-founder, CEO and Director/Chairman of Northern Vertex Mining Corp. Prior to his career in the capital markets, Mr. Berry enjoyed a professional hockey career and was a participant in the 1980 and 1988 Winter Olympics.

Jon Morda, CA - Director

Mr. Morda brings Kootenay over 20 years of experience in the mining industry, having served as Chief Financial Officer for several mineral exploration and gold producing companies. As a senior executive, Mr. Morda is highly adept in all areas of strategic corporate planning, operations, budgeting, accounting and taxation functions.

Antonio Reda - Director

Mr. Reda was formerly Vice President of Corporate Development of Kaminak Gold Corporation which was acquired by Gold Corp in 2016 for ~C\$520M. Mr. Reda was instrumental in Kaminak's growth from a startup prospect generator to a resource development company with a +5M oz Au resource. During his tenure, he was pivotal in orchestrating capital raises totaling over C\$145 million, forming strategic alliances and joint venture agreements, and spinning Kivalliq Energy Corp., now called ValOre Metals Corp. (TSXV:VO, BUY, C\$0.45 target, David A. Talbot) out of Kaminak.

Joseph P. Giuffre – Director

Mr. Giuffre is a lawyer with over 30 years of legal experience in private practice with Vancouver and national law firms and as in-house and general counsel. Mr. Giuffre advises private and public companies in complex corporate, commercial, securities legal and business transaction matters, including mergers and acquisitions, joint ventures, private and public debt and equity financings, regulatory compliance, corporate governance, and capital project development. He previously served as Chief Legal Officer of Nevsun Resources (Private), and is a Founder, Director, and Trustee of the Avenue Living Group of Companies (Private) that manages >C\$3B in assets.

Appendix B: RCS Mineral Inventory

We model a base case mineral inventory of ~108M oz AgEq at a grade of ~135.6 g/t AgEq, using prices of RCS Long-term price estimates of US\$24/oz Ag, US\$1,900/oz Au, US\$1.00/lb Pb and US\$1.20/lb Zn (Figure 17). Our base case deposit dimensions are largely based on the strike lengths and depths of the existing veins that have been delineated thus far by drilling (Figure 2). We estimate vein widths and grades using data from drilling completed by Kootenay between 2019 and 2023. We consider 10 intercepts for Vein B, 56 for Vein D, and 98 for Vein F. We assumed the density to be 2.65 t/m³ based on the specific gravity of quartz, which is likely the dominant mineral comprising the rock hosting the mineralization.

For our Upside Case we estimated vein strike lengths that we believe could potentially be tested in the next three years. We have kept our grades and depths unchanged, as we currently consider weighted average grades for each vein, and we believe the company is more likely to drill the veins along strike as opposed to at greater depths. We note that we currently do not consider the J/Z Vein and E vein in our mineral inventory estimates; however, we believe with additional drilling they could provide additional upside to our estimates.

Figure 17: RCS mineral inventory estimate for Columba

Lower Case

Vein	Dimensions (m)			Volume (m ³)	Density (t/m ³)	Tonnes	Grade (g/t AgEq)	Contained (oz AgEq)
	Strike	Width	Depth					
D	500.0	11.5	300.0	1,719,509	2.65	4,556,699	186.9	27,387,979
F	800.0	8.0	300.0	1,918,629	2.65	5,084,366	120.0	19,615,287
B	300.0	20.7	300.0	1,859,760	2.65	4,928,364	109.6	17,365,923
						14,569,428	137.4	64,369,189

Base Case

Vein	Dimensions (m)			Volume (m ³)	Density (t/m ³)	Tonnes	Grade (g/t AgEq)	Contained (oz AgEq)
	Strike	Width	Depth					
D	800.0	11.5	300.0	2,751,214	2.65	7,290,718	186.9	43,820,767
F	1,200.0	8.0	300.0	2,877,943	2.65	7,626,549	120.0	29,422,931
B	600.0	20.7	300.0	3,719,520	2.65	9,856,728	109.6	34,731,845
						24,773,994	135.6	107,975,543

Upside Case

Vein	Dimensions (m)			Volume (m ³)	Density (t/m ³)	Tonnes	Grade (g/t AgEq)	Contained (oz AgEq)
	Strike	Width	Depth					
D	1,200.0	11.5	300.0	4,126,821	2.65	10,936,077	186.9	65,731,150
F	2,700.0	8.0	300.0	6,475,371	2.65	17,159,734	120.0	66,201,594
B	1,100.0	20.7	300.0	6,819,120	2.65	18,070,668	109.6	63,675,050
						46,166,479	131.8	195,607,794

Source: RCS Estimates

Appendix C: Mineral Resource Table

Figure 18: Summary of resources at La Cigarra and Promontorio-La Negra

Zone / Deposit	Category	Cutoff AgEq (g/t)	Tonnes (k)	AgEq (g/t)	Ag (g/t)	Au (g/t)	Pb (%)	Zn (%)	AgEq (k oz)	Ag (k oz)	Au (k oz)	Pb (k lb)	Zn (k lb)
Promontorio - October 2023 Current MRE	Measured	25	12,451	111.7	37.03	0.456	0.53	0.61	44,718	14,823	183	146,033	166,620
	Indicated	25	29,664	100.7	33.50	0.412	0.47	0.55	96,072	31,950	393	306,716	360,996
	M&I	25	42,115	104.0	34.54	0.425	0.49	0.57	140,790	46,773	575	452,748	527,616
	Inferred	25	14,575	84.9	27.89	0.348	0.42	0.45	39,782	13,069	163	136,241	143,632
	Total	25	56,690	99.1	32.83	0.405	0.47	0.54	180,572	59,842	738	588,989	671,248
La Negra - October 2023 Maiden MRE	Indicated	40	5,285	129.3	126.30	0.067	0.00	0.00	21,970	21,450	11	0	0
	Inferred	40	1,257	114.8	112.20	0.060	0.00	0.00	4,640	4,540	2	0	0
	Total	40	6,542	126.5	123.59	0.066	0.00	0.00	26,610	25,990	14	0	0
Promontorio - La Negra Current MRE	Measured	25	12,451	111.7	37.03	0.456	0.53	0.61	44,718	14,823	183	146,033	166,620
	Indicated	Various	34,949	105.0	47.53	0.360	0.40	0.47	118,042	53,400	404	306,716	360,996
	M&I	Various	47,400	106.8	44.77	0.385	0.43	0.50	162,760	68,223	587	452,749	527,616
	Inferred	Various	15,832	87.3	34.58	0.325	0.39	0.41	44,422	17,609	165	136,241	143,632
	Total	Various	63,232	101.9	42.22	0.370	0.42	0.48	207,182	85,832	753	588,990	671,248
Deposit	Category	Cutoff Ag (g/t)	Tonnes (k)	AgEq (g/t)	Ag (g/t)	Au (g/t)	Pb (%)	Zn (%)	AgEq (k oz)	Ag (k oz)	Au (k oz)	Pb (k lbs)	Zn (k lbs)
La Cigarra - Jan 2015 MRE	Measured	35	3,620	105.5	88.9	0.074	0.14	0.19	12,283	10,340	9	10,920	15,510
	Indicated	35	14,930	101.0	85.7	0.068	0.13	0.18	48,495	41,130	33	42,950	59,260
	M&I	35	18,540	101.8	86.3	0.069	0.13	0.18	60,699	51,470	41	53,870	74,770
	Inferred	35	4,450	93.7	80.0	0.058	0.13	0.16	13,402	11,460	8	12,680	15,610
	Total	35	22,990	100.3	85.1	0.067	0.13	0.18	74,101	62,930	49	66,550	90,380
Deposit	Category	Cutoff	Tonnes (k)	AgEq (g/t)	Ag (g/t)	Au (g/t)	Pb (%)	Zn (%)	AgEq (k oz)	Ag (k oz)	Au (k oz)	Pb (k lbs)	Zn (k lbs)
La Cigarra + Promontorio-La Negra	Measured	Various	16,071	110.3	48.7	0.370	0.44	0.52	57,001	25,163	192	156,953	182,130
	Indicated	Various	49,879	103.8	59.0	0.272	0.32	0.38	166,537	94,530	437	349,666	420,256
	M&I	Various	65,940	105.4	56.4	0.296	0.35	0.41	223,459	119,693	628	506,619	602,386
	Inferred	Various	20,282	88.7	44.5	0.267	0.33	0.36	57,824	29,069	173	148,921	159,242
	Total	Various	86,222	101.5	53.7	0.289	0.34	0.40	281,283	148,762	802	655,540	761,628

AgEq for La Cigarra calculated at RCS' long-term price assumptions of US\$1,900/oz Au, US\$24/oz Ag, US\$1.00/lb Pb and US\$1.20/lb Zn and 100% metallurgical recoveries

AgEq for Promontorio-La Negra calculated at KTN's assumed prices of US\$1,800/oz Au, US\$22/oz Ag, US\$0.95/lb Pb and US\$1.25/lb Zn, metallurgical recoveries of 74% Ag, 70% Au, 81% Pb and 88% Zn

Source: Company Reports, RCS Estimates

Appendix D: Revised Mexico Mining Law

Key aspects of the new mining law:

- **Mining concession terms limited to 30 years** with a one-time extension of 25 years. Mining concessions were earlier awarded for 50 years with a 50-year extension. We note that mathematically, over 90% of the present value of a 50-year annuity discounted at 8% would be represented by the cashflows in the first 30 years.
- **Public bidding for concessions.** Concessions were awarded through a first applicant priority process in the previous legal regime; however, few new concessions were awarded after 2018. The cost of concessions is likely to rise. A public bidding process could lead to more concessions being issued simply because it would help government finances. Another change is that requirements for concessions are the same for concessions across stages. This would cause early-stage companies to meet the same levels of compliance as late-stage development companies, such as being required to file a future mine closure plan even before exploration has taken place.
- **Engagement with indigenous groups.** Companies will have to conduct consultation with indigenous groups before concessions can be awarded. The law entitles surface landowners to at least a 5% profit sharing scheme, if surface rights have not been secured by the mining company.
- **Water rights.** The new mining law will give the government the power to revoke a mining concession if it believes that activities pose a risk to local human water consumption. This would impose higher reporting standards, including monthly reports of daily water usage, and increase uncertainty.

Mexico's constitution limits a President's time in office to six years. Hence, the current president will vacate office in 2024. Political factors could radically alter the mining investment climate; however, the current candidate leading in the polls, Claudia Sheinbaum, is a member of Mexico's leftist ruling party and has vowed to uphold the political legacy of current President Andres Manuel Lopez Obrador.

The new laws were passed along with other rulings in an alternative senate location on the last day of the legislative term, without opposition legislators present. We expect legal opposition to the new law before the Supreme Court of Mexico.

Companies could explore mechanisms to resolve issues created by the country's recent mining statutes such as the Comprehensive & Progressive Trans-Pacific Partnership, a trade agreement that allows for investor-state arbitration, and other legal remedies under Mexico's constitution.

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Disclosure Statement
Updated November 29, 2023

Recommendation / Target Change			Red Cloud Securities has this percentage of its universe assigned as the following:	
Date	Rating	Target	Status	%
2022-11-14	NA	NA	BUY	70%
2023-03-06	NA	NA	BUY (S)	25%
2023-08-02	NA	NA	HOLD	0%
2023-10-13	NA	NA	TENDER	1%
2023-10-18	NA	NA	NA	2%
2023-11-23	NA	NA	UNDER REVIEW	1%

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Company Specific Disclosure Details

Company Name	Ticker Symbol	Disclosures
Kootenay Silver Inc.	TSXV:KTN	3

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