

# Silver X Mining Corp.

Ongoing Ramp-Up At Nueva Recuperada, Demonstrating Growth Potential. Reiterating Echelon Top Pick for Q322.

AGX-TSXV: C\$0.21  
 Speculative Buy  
 C\$0.90 (prev. ↓ C\$1.25) Target

**Reiterating Echelon Capital Markets Top Pick For Q322:** We are reiterating Silver X as our Top Pick for Q322. The Company recently delivered an ~3x increase to its silver equivalent resources with which to build future company growth on. An initial PEA outlining production and additional growth potential is expected in Q322, further de-risking the Nueva Recuperada project and providing additional investor confidence in the Company. Absolute share performance in Q222 was -24.5%, compared to -29.0% for the Global X Silver Miners ETF and -19.0% for silver, which we believe was mainly weighed down by sector performance. However, we believe there are few emerging silver producers with as attractive valuation and near-term catalysts to drive revaluation on.

**Still Early Innings, but Trading Attractively:** In our view, the Nueva Recuperada project is a company builder, in much the same way that Fortuna Silver (FVI-TSX, NR) was built on the Caylloma Mine. Like Fortuna, which traded at a C\$30M market cap in 2008 before growing into a multi-asset, multi-billion-dollar company, Silver X is currently an ~C\$35M company. On in-situ resource multiples alone, the Company trades at just \$0.12/oz AgEq in-situ, which is well below the \$0.60/oz non-producing explorer/developer average and the \$0.80/oz sub-\$200 Mkt Cap silver producer average, suggesting substantial revaluation potential ahead.

**New Production Estimates; Long-Term Outlook Unchanged:** We are adjusting our 2021 production estimates from 1.8Moz AgEq to 1.6Moz AgEq based on the slower-than-expected ramp-up to 720tpd in Q1/Q2, and our 2022 production estimate to 1.9Moz AgEq from 2.3Moz AgEq. Note that pending the PEA expected in Q322 and declaration of commercial production, our estimates are largely conceptual. Additionally, given industry-wide capex inflation, we are increasing our assumed capex for a potential expansion to 2,500tpd by 2024/25 to \$60M (from \$40M). We remain constructive over the long-term potential at Nueva Recuperada.

**Silver Price, Commodity Outlook:** Silver and silver equities continue to trade downward as global credit and liquidity is reduced (rising rates, quantitative tightening). In the near term, we see headwinds for investor interest in silver given its higher volatility to gold; YTD gold is down -0.75% to silver's -14.5%, compared to the S&P500's -29.7%. However, in the medium to longer term (6-24 months out), we are constructive on silver given industrial demand from electronics and clean-tech applications.

**Catalyst-Driven Revaluation Potential:** Following the exercise of the \$4M convertible debentures previously overhanging the stock, completion of the Nueva Recuperada expansion to 720tpd (from 600tpd), and the updated resource estimate in Q122, we look to the upcoming PEA and additional resource infill/expansion drilling to provide catalysts for the Company in Q322. While investor interest in small cap silver producers remains muted, we believe that demonstrating a path to 5Moz-6Moz per year of production will spark interest in Silver X's potential growth.

**Maintaining Speculative Buy, Decreasing PT to C\$0.90/shr (from C\$1.25/shr):** Our updated price target reflects more conservative near-term estimates as well as increased expansion capex for the potential expansion to 2,500tpd in 2024/25. Our target valuation multiples are unchanged at 0.4x NAV and 4.0x EV/EBITDA; the silver producer sector trades at 0.6x NAV and 4.0x 2023 EBITDA. The Company trades at just 1.0x NAV and 1.5x our 2023 EBITDA estimate.

Projected Return: 328.6%

## Market Data

Market Cap. (C\$M)	\$29
Cash Eq. & ST Inv. (M)	\$5
Debt (M)	\$2
Enterprise Value (M)	\$21
Basic Shares O/S (M)	140.4
Fully Diluted Shares O/S (M)	152.1
Avg. 3-M Daily Volume (000)	202.4
Avg. 3-M Daily Turnover (C\$M)	\$0.1
52-Week Range (C\$)	\$0.18 - \$0.52
Div. Yield (%)	0.00%

## Financial Summary (C\$)

Financial Summary (C\$)				
Annual		2022E	2023E	
Revenue (M)		27.2	39.7	
EBITDA (M)		7.9	13.9	
Net Income (M)		3.9	8.6	
EPS		0.03	0.06	
P/E		5.6x	2.7x	
CFPS		0.05	0.09	
P/CF		3.2x	1.9x	
Cash, ST Inv.		0.00	0.01	
Quarterly	Q1/22E	Q2/22E	Q3/22E	Q4/22E
EPS	-0.02	0.01	0.02	0.02
CFPS	-0.01	0.01	0.03	0.03

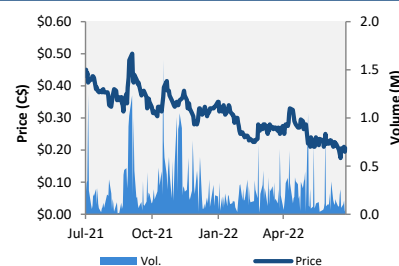
## Operating Summary

Annual	2022E	2023E
Ag Prod. (moz)	0.6	0.9
AgEq Prod. (moz)	1.6	2.1
Cash Cost (\$/oz)	\$8.35	\$8.78
AISC (\$/oz)	\$16.25	\$14.66

## Company Description

Silver X Mining is a Canadian silver mining company with assets in Peru and Ecuador. The Company's flagship asset is the Nueva Recuperada silver lead zinc project located in Huancavelica, Peru. The Company is led by CEO & Director José García, and Chairman Luis Zapata.

## 12-Month Price History



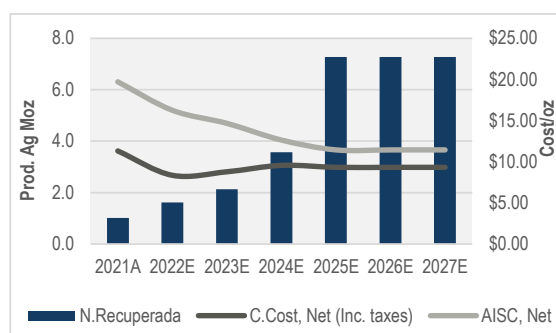
Source: CapitalIQ, Echelon Capital Markets  
 Figures in US\$ unless otherwise noted

## Data Sheet

FINANCIALS (\$M)	2022E	2023E
<b>INCOME STATEMENT</b>		
Total Revenue	27.2	39.7
Cost Of Goods Sold	11.9	19.0
Gross Profit	15.3	20.8
SG&A	6.0	6.0
Operating Expenses	2.6	2.6
Operating Income	6.7	12.2
Net Interest Expense	-0.2	0.1
Net Non-Operating	0.3	-0.1
Pretax Income	6.5	12.2
Income Tax Expense	2.6	3.6
Minority Interest	0.0	0.0
Extraordinary/Pref.Div	0.0	0.0
Net Income	3.9	8.6
Adj. Net Income	3.9	8.6
<b>CASH FLOW</b>		
Op. Cash Flow bef. WC	7.1	12.3
Change in WC	0.0	0.0
Cash From Operations	7.1	12.3
Capital Expenditure	-5.8	-5.6
Other Investing Activities	2.1	0.0
Cash from Investing	-3.7	-5.6
Dividends	0.0	0.0
Issue Of Common, Net	0.0	0.0
Issue Of Debt, Net	-4.1	0.0
Other Financing	0.0	0.7
Cash from Financing	-4.1	0.7
Net Change in Cash	-0.7	7.4
<b>BALANCE SHEET</b>		
Cash, ST Investments	3.8	11.1
Other Current Assets	3.5	3.5
Total Current Assets	7.3	14.6
PP&E, Net	65.3	69.2
Other Long-Term Assets	8.9	16.2
Total Assets	74.1	85.4
Payable/Other ST Liabilities	11.6	11.6
Current Debt	0.0	0.0
Total Current Liabilities	11.6	11.6
LT Debt/Capital Leases	2.4	2.4
Other Long-Term Liabilities	22.9	22.9
Total Liabilities	25.3	25.3
Total Equity	48.8	60.1
<b>RATIOS</b>		
Basic EPS	0.03	0.06
P/E	5.6x	2.7x
Adj. Basic EPS (US\$)	0.03	0.06
DPS (US\$)	0.000	0.000
Dividend Yield (%)	0.0%	0.0%
CFPS (US\$)	0.05	0.09
P/CF	3.2x	1.9x
EBITDA (US\$M)	7.9	13.9
EV/EBITDA	2.6x	1.5x
<b>PROFIT &amp; SOLVENCY</b>		
EBITDA, %	29%	35%
FCFPS	0.01	0.05
ROE, %	8%	14%
ROA, %	5%	10%
Current Ratio	0.6x	1.3x
Net Debt to Equity	0.0	-0.1

PRICE DECK (\$)	2022E	2023E
Gold (\$/oz)	1,817	1,765
Silver (\$/oz)	24.22	24.00
Lead (\$/lb)	1.05	0.90
Zinc (\$/lb)	1.65	1.20
Copper (\$/lb)	4.15	3.90
CAD/USD	0.76	0.75
<b>OPERATING</b>		
Silver Production	0.6	0.9
Change YoY (%)	27.0%	48.6%
Eq. Production	1.6	2.1
Change YoY (%)	59.4%	31.8%
Total Cash Cost AgEq (US\$)	8.35	8.78
Change YoY (%)	-26%	5%
AISC AgEq (US\$)	16.25	14.66
Change YoY (%)	-18%	-10%
Levered FCFPS, \$	0.01	0.05
Lev. FCFPS Yield, %	3.6%	22.7%
Net Cash (\$M)	1.4	8.7

### CONSOLIDATED PRODUCTION



CONSENSUS	3-M	Current	Return
<b>Ratings</b>			
Rating:	Buy	Buy	Ratings Distribution:
Average:	0.87	1.13	437%
Median:	0.80	1.13	437%
High:	0.80	1.28	511%
Low:	0.61	0.97	364%
Consensus Ratings: B=Buy, OW=Overweight, Hold, UW=Underweight, S=Sell			
<b>Financial Estimates</b>			
EWP Revenues	27.2	39.7	
Consensus Revenues	27.8	41.6	
Consensus Revenues -3M	32.7	35.9	
EWP Adj. EPS	0.03	0.06	
Consensus EPS	0.00	0.00	
Consensus EPS -3M	0.00	0.00	
EWP CFPS	0.05	0.09	
Consensus CFPS	0.00	0.00	
Consensus CFPS -3M	0.00	0.00	

### INSTITUTIONAL OWNERSHIP

Institution	% Held
Baker Steel Capital Managers LLP	13.9%
U.S. Global Investors, Inc.	4.0%
Universal-Investment-Gesellschaft Mit Beschränkter Haftung	3.4%
Ninepoint Partners LP	1.3%

Source: Company Reports, CapitalIQ, Echelon Capital Markets

## Investment Thesis

### Investment Thesis

We rate Silver X a Speculative Buy given that it is still in pre-commercial production and a large part of the value we ascribe to the Company is conceptual from an assumed expansion to 2,500tpd by 2024/25 and longer term in nature. An initial PEA for Nueva Recuperada is expected in Q322, and commercial production is expected to be declared in Q422, providing additional certainty to our estimates. That said, we believe that the Company is well-positioned as an emerging, growing Americas-focused silver producer, and trades at an attractive valuation given its growth potential.

### Valuation

Our C\$0.90/shr (rounded) price target is based on a 65% weighted NAV using a 0.4x target multiple, and a 35% weighted EV/EBITDA valuation using a 4.0x multiple. Bearing in mind the uncertainties in our pre-commercial production and financial estimates, we nonetheless note that Silver X trades at a considerable discount both to silver producers and non-producing silver exploration/development companies.

### Investment Risks

Silver X is an emerging producer with execution risk related to the ramp-up of consistent production to 720tpd run-rate capacity, declaration of commercial production, and provision of production guidance. Our valuation is also based on and assumes a fully funded/diluted expansion of production to 2,500tpd by 2024/25, which is still subject to permitting risk. Resource risk is also a consideration, as the Company's currently stated NI 43-101 resources are still mostly in the Inferred category. Lastly, the Company's tangible operations are mainly based in Peru, a typically mining-friendly country, but which has seen significant political uncertainty in recent years.

These risks are in addition to the typical risks associated with mining and mineral related investments, including but not limited to, operating, financial, political/sovereign, labour, and commodity price risks.

Source: Echelon Capital Markets

### Valuation Summary

12-Months Forward	Disc. Rate	US\$(M)	US\$/Shr	C\$/Shr
<b>Op. Assets / Investments</b>				
Nueva Recuperada	7.5%	\$309.0	\$2.06	\$2.74
Coriorcco/Las Antas/Julian		\$25.0	\$0.17	\$0.22
<b>Asset Sub-total</b>		<b>\$334.0</b>	<b>\$2.22</b>	<b>\$2.97</b>
<b>Corporate</b>				
Working Capital		-\$2.7	-\$0.02	-\$0.02
Long-term Debt/Leases*		-\$22.3	-\$0.15	-\$0.20
Other LT Liabilities		\$0.0	\$0.00	\$0.00
Dilutive ITM Proceeds		\$0.0	\$0.00	\$0.00
<b>Corporate Sub-total</b>		<b>-\$25.0</b>	<b>-\$0.17</b>	<b>-\$0.22</b>
<b>Total NAV</b>		<b>\$309.0</b>	<b>\$2.06</b>	<b>\$2.74</b>
<b>Target Multiple</b>			<b>0.4x</b>	
<b>Adjusted NAV</b>			<b>\$0.82</b>	<b>\$1.10</b>
<i>*Includes assumed financing for Nueva Recuperada expansion in 2024.</i>				
<b>EV/EBITDA</b>				
EBITDA NTM (US\$M)				\$15.4
EV/EBITDA Target Multiple				<b>4.0x</b>
Enterprise Value (US\$M)				\$62
Plus: Cash (US\$M)				\$5
Less: Debt (US\$M)				\$2
Less: Minority Interest (US\$M)				\$0
<b>Equals: Equity Value (US\$)</b>				\$65
<b>Equity Value Per Share (US\$)</b>				\$0.43
<b>Equity Value Per share (C\$)</b>				<b>\$0.57</b>

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**Company:** Silver X Mining Corp. | AGXTSXV

I, Gabriel Gonzalez, hereby certify that the views expressed in this report accurately reflect my personal views about the subject securities or issuers. I also certify that I have not, am not, and will not receive, directly or indirectly, compensation in exchange for expressing the specific recommendations or views in this report.

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Is this an issuer related or industry related publication?	Issuer
Does the Analyst or any member of the Analyst's household have a financial interest in the securities of the subject issuer? If Yes: 1) Is it a long or short position? No position ; and, 2) What type of security is it? None	No
The name of any partner, director, officer, employee or agent of the Dealer Member who is an officer, director or employee of the issuer, or who serves in any advisory capacity to the issuer.	No
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Has the Analyst had an onsite visit with the Issuer within the last 12 months? Nueva Recuperada Project. Peru. October 28-30, 2021.	Yes
Has the Analyst or any Partner, Director or Officer been compensated for travel expenses incurred as a result of an onsite visit with the Issuer within the last 12 months?	No
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Is Echelon Wealth Partners Inc. a market maker in the issuer's securities at the date of this report?	No

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<b>Buy</b>	The security represents attractive relative value and is expected to appreciate significantly from the current price over the next 12 month time horizon.
<b>Speculative Buy</b>	The security is considered a BUY but in the analyst's opinion possesses certain operational and/or financial risks that are higher than average.
<b>Hold</b>	The security represents fair value and no material appreciation is expected over the next 12-18 month time horizon.
<b>Sell</b>	The security represents poor value and is expected to depreciate over the next 12 month time horizon.
<b>Under Review</b>	While not a rating, this designates the existing rating and/or forecasts are subject to specific review usually due to a material event or share price move.
<b>Tender</b>	Echelon Wealth Partners recommends that investors tender to an existing public offer for the securities in the absence of a superior competing offer.
<b>Dropped Coverage</b>	Applies to former coverage names where a current analyst has dropped coverage. Echelon Wealth Partners will provide notice to investors whenever coverage of an issuer is dropped.

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Recommendation Hierarchy	Buy	Speculative Buy	Hold	Sell	Under Review	Restricted	Tender
Number of recommendations	34	38	3	0	11	2	0
% of Total (excluding Restricted)	40%	44%	3%	0%	13%		
Number of investment banking relationships	12	24	0	0	7	0	0
% of Total (excluding Restricted)	28%	56%	0%	0%	16%		

**PRICE CHART, RATING & PRICE TARGET HISTORY**


Date	Target (C\$)	Rating
10 Dec 2021	1.00	Spec Buy
21 Apr 2022	0.90	Spec Buy
3 Jun 2022	1.25	Spec Buy
5 Jul 2022	0.90	Spec Buy

Data sourced from: FactSet. Prices shown from start of trading following the Oro X & Latitude Silver business combination.

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