

Ticker: USL AU

PF Cash: A\$87.7m

Project: Cerro Leon / Joaquin

Market cap: A\$577m

Price: A\$0.95/sh

Country: Argentina

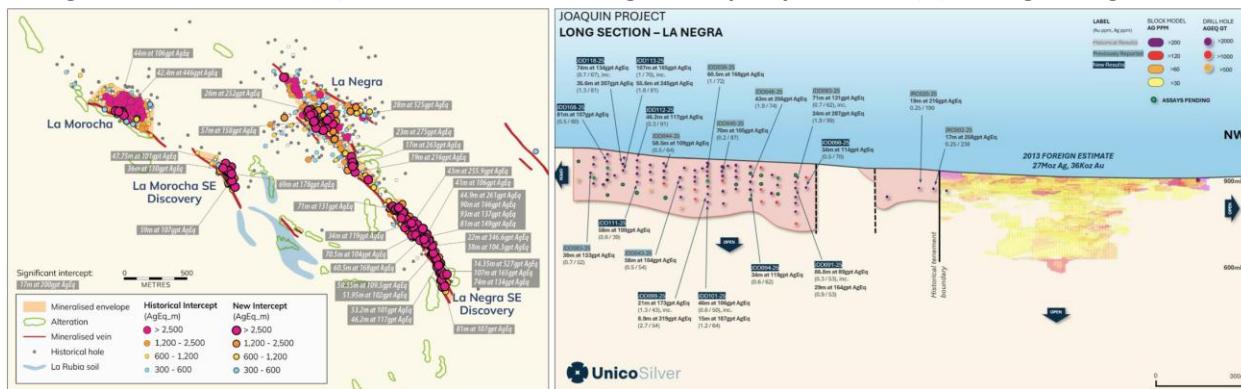
REC. (unc): BUY

TARGET (unc): A\$1.50/sh

RISK RATING (unc): SPECULATIVE

Today's drilling update extended strike by 75m to 850m and added ~25m of depth to 175m. The main focus was on infill to tighten drill spacing to support indicated resources for reserve definition ahead of the upcoming PFS. We think today's drilling showed good continuity and attractive open pittable widths (ranging 15-75m true width) and attractive grades (avg 105g/t AgEq). We continue to see potential for >60Moz of additions at La Negra and La Morocha SE extensions, well above the ~30Moz of additions they need to hit their 150Moz AgEq free milling inventory target. With today's noted plan to go directly to PFS (and updated resource + maiden reserves concurrently), we think Unico will be able to show the market a 10-year mine plan targeting 7-10Moz/year AgEq (likely on the upper end of that range), with La Negra SE coming into the PFS and La Morocha SE coming into the MRE/studies later as guided today. **We maintain our BUY rating and A\$1.50/sh based on a target multiple of US\$2.50/oz AgEq.** Unico has started to gain traction, but we think a 7-10Moz/year asset pre-development could trade at US\$3-5/oz (implied ~US\$900-1,500m based on our expectations of 300Moz AgEq), even before last month's silver rally. We think Unico is emerging as one of the premier silver developers and will continue to re-rate from here.

Figure 1. Plan view of (A) La Morocha and La Negra vein prospects, and (B) La Negra long section



Source: Unico Silver

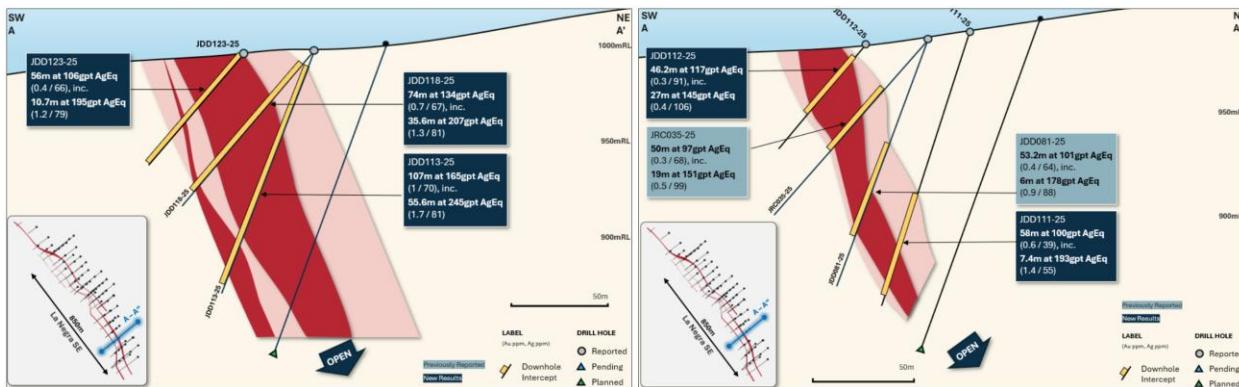
### Joaquin drilling focuses on infill for reserves/PFS at La Negra, derisking 7-10Mozpa profile

Today, Unico announced assay results for 31 holes (4,782m) from the ongoing drill program at the Joaquin Project, bringing total assays reported to 91 holes (14,594m) from the 30,000m program, an updated MRE is on track for delivery following the receipt of outstanding drill assays. Today's reported drilling largely focused on infill and extensional at La Negra SE confirming mineralization over 850m strike and 175m vertical extent with true thickness ranging from 15-75m with average hit 34m @ 105g/t AgEq today. Highlights from today include **107.0m @ 165g/t AgEq (70g/t Ag, 1.0g/t Au) from 18m** incl. 55.6m @ 245g/t AgEq, **74.0m @ 134g/t AgEq (67g/t Ag, 0.7g/t Au) from 6m** incl. 35.6m @ 207g/t AgEq, and **81.0m @ 107g/t AgEq (60g/t Ag, 0.5g/t Au) from 2m** incl. 15m @ 183g/t AgEq. Drilling resumed on January 5<sup>th</sup> with three DD and one RC rig.

PFS Workstreams: Unico also reported completion of baseline environmental studies, geotechnical drilling (9 holes) and comminution drilling (3 holes) from PFS workstreams in December.

Next Steps for the fully funded 30,000m drill program include finalizing La Negra SE 50mx25m infill drilling (8 holes remaining), Maiden Joaquin MRE, infill drilling at La Morocha SE, regional scout drilling at La Rubia, and interpretation of logged geotechnical drill holes. Based on timing and new results, Unico will proceed directly to a PFS-level MRE covering La Negra, La Negra SE, and La Morocha. La Morocha SE is upside for future MREs and study updates.

Figure 2. Cross-sections of La Negra SE



Source: Unico Silver

### Why we like Unico Silver

1. Existing +230Moz AgEq in pro-mining Santa Cruz still trading below < US\$1.00/oz
2. Argentina is one the most improved mining jurisdictions globally
3. SCPe high grade ~100Moz open pittable mine for inventory of a 10-year 7-10Mozpa plus production profile

### Catalysts

- 1H26: Joaquin MRE update
- 1H26: Scoping study and PFS, sulphide expansion analysis

### Research

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Ticker: USL AU	Price/mkt cap:	A\$0.95/sh, A\$577m		Group P/NAV today:	0.63x		Asset: Country:	Cerro Leon / Joaquin Argentina
Author: J Chan	Rec / 1xNAV PT:	BUY, A\$1.50/sh						
Share data	Basic	FD		Commodity price	CY24A	CY25E	CY26E	CY27E
Shares (m)	606.9	653.9		Ag (US\$/oz)	28.3	33.4	34.4	35.0
<b>SOTP project valuation*</b>				Au (US\$/oz)	2387.3	3039.0	3049.6	3003.5
	US\$m	A\$m	O/ship	JORC Resources	Tonnes	*AgEq	*AgEq	CY28E
EV/insitu NAV @ US\$2.50/oz AgEq	535	836	100%	AgEq	31.0Mt	146g/t	145Moz	36%
SCPe nominal +US\$30m exploration upside	30	47	-	Au	16.7Mt	137g/t	73Moz	35.0
PF cash + itm options	56.1	87.7	-	Joaquin (Hist.)	0.3Mt	422g/t	4Moz	95%
Deferred consideration	(10.8)	(16.9)	-	Joaquin Depletion (Hist.)				93%
SCPe Group 1xNAV	610	954	PT: 1.50	Total M&I	47.4Mt	141g/t	214Moz	65%
*Ex G&A and fin. costs								
Market P/NAV: 0.63x								

\*AgEq SCPe JORC estimates at SCPe LT prices

Source: SCP estimates

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**SELL:** The stocks total returns are expected to be materially lower than the overall market

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

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BUY:	53
HOLD:	0
SELL:	0
UNDER REVIEW:	0
TENDER:	0
NOT RATED:	0
<b>TOTAL</b>	<b>53</b>

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