

SPECIAL REPORT

The Ultimate Silver Playbook

A Blueprint for Silver's Next Great Bull Market

KATUSA RESEARCH / SEPTEMBER 2026

Inside *The Ultimate Silver Playbook:*

- The true story of the mountain of silver that powered the world's "First City of Capitalism".
- How silver's dual role as an industrial-precious metal today makes it one of the most volatile, high-performing assets.
- Why silver tends to outperform gold in bull markets, sometimes by a factor of 4x.
- The unfiltered truth behind the "silver cartels" and why retail traders will never be able to "liberate" silver from Wall Street.

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The First City of Capitalism: Silver's Time to Shine

"For the powerful emperor, for the wise king,
this lofty mountain of silver could conquer the world."
– King Felipe II (1561)

More than 140 mills churned out silver, their operations powered by an intricate network of 22 dams.

It was an impressive feat of engineering, especially for the 16th century.

The working conditions were less impressive.

Slaves were forced to carry 25 loads of 100-pound sacks each day. At an elevation of 13,000 feet, rampant pneumonia and respiratory infections often led to death.

Legend says you could build a bridge from those silver mills in Bolivia all the way to Spain with all the silver mined and another bridge back with the bones of the miners.

Coined the "first city of capitalism," Potosi, Bolivia was home to the world's richest silver deposit.

And in just 70 years…

- **The discovery of Cerro Rico ("Rich Mountain") turned Potosi, a tiny Bolivian village, into the fourth-largest city in the Christian world.**

At its peak in the 17th century, more than 150,000 Bolivians, African slaves, and Spanish settlers lived in Potosi, a larger population than London or Milan.

Over the next two centuries, 1.4 billion ounces of silver was mined from this single region.

With silver, there's no shortage of dramatic stories like this of war and deception, discovery and plunder, fortunes made, and fortunes lost.

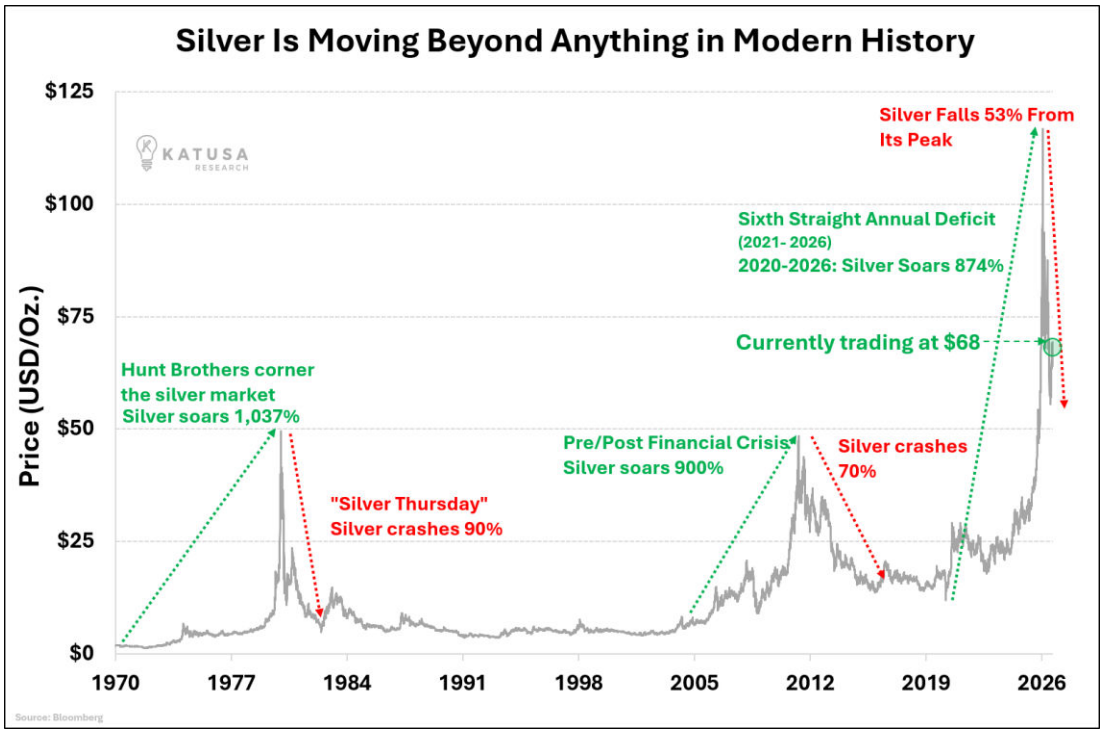
From the Hunt brothers' attempted takeover of the silver market in the late '70s…

To Warren Buffett buying 112 million ounces of silver in the late '90s (claiming it was "for investment purposes" rather than outright manipulating the market) …

To the accusations of JPMorgan naked-shorting 3.3 billion ounces of silver in the early 2010s…

- **The booms and busts of silver have been truly exceptional, putting the fortitude of even the most devoted silver bugs to the test.**

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For those who have stuck with it, there have been incredible gains to be had:

- A 1,000%+ gain through the decade ending in 1980.
- A 900% gain through the decade ending in 2012.
- Silver soared another 874% from its 2020 low to January 2026 peak

Silver then plunged 53%, from above $117 to $55, before stabilizing in mid to late $60s.

Every major rally ended in a crash, yet each crash has cut less deeply than the one before it. Silver dropped 90% after 1980, 70% after 2011 and 53% in the current cycle, establishing a higher floor.

The long-term resistance level of $50 appears to be acting as the new support level.

But as with most resources, directly investing in silver might not present the best possible return. There are several leveraged methods for investing in silver that can yield better payoffs.

For example, one silver streaming company (more on the streaming concept in a moment) soared from $3 in 2008 to $46 in 2011.

That's a 1,400% return in just three years, versus a 900% return for silver in *ten years.*

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How you choose to invest in silver all depends on your purpose for investing—whether that's as a store of value for a small portion of your portfolio, a speculation that could have a leveraged payoff, or another equity for diversification purposes.

How Do You Invest in Silver?

Physical Silver

One of the main ways to invest in silver is to directly purchase high-grade physical silver. Physical silver can take the form of either silver coins or bars, which are known as bullion. The word bullion comes from the French word "bouillon" (boiling), based on the melting houses that created the bars and coins from raw material.

One of the reasons people purchase physical silver is as a shelter from a severe economic downturn. The idea is that if currencies fail, precious metals will hold their value. In the direst of circumstances (e.g., nuclear war) silver could even be traded for goods.

The primary downside to owning bulk silver is storage. It needs to be housed somewhere, and security measures may need to be put in place. There's always a risk that the silver could be stolen or damaged in a disaster. Having the silver stored in a safe deposit box at a bank may add a layer of protection, but that comes with additional costs.

Another downside to dealing with physical silver is that it is usually purchased from dealers, and dealers charge a fee to both buy and sell a product. So investors should view silver coins and bullion as long-term investments.

Physical Silver ETFs

A more liquid, tradeable option for investing in physical silver is a silver-based exchange-traded fund (ETF). These funds hold physical silver or silver futures, giving investors access to the price movement of silver without the cost and hassle of owning the actual metal.

While there are management fees associated with this model, it makes buying and selling easier. It also removes the risk of having a physical pile of silver that needs to be safeguarded. For an investor looking for a shorter-term investment in silver, ETFs can be a good way to invest.

Streaming Companies

Another option is to invest in silver streaming or royalty companies. A royalty is a contractual right to a percentage of future revenue obtained by paying money upfront. A

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stream is closely related to royalty, but instead of receiving a percentage of the revenue, streamers receive a percentage of the actual product produced.

Companies that focus on building portfolios of royalties and streams are called royalty companies. Despite the name, royalty companies can own both royalties and streams in their portfolios.
In the mining industry, a royalty company often fronts the money for developing and building a mine. Once the mine is built and ore is coming out of the ground, the royalty company begins making money.

Silver Mining Stocks

Another way to invest in silver that can provide more leverage is to invest in a producing mining company itself. This exposes an investor to both the price of silver and the risks and rewards of a particular company.

You can invest in silver bullion or silver ETFs, and if it takes off, perhaps you could double your money. But I think the best way to get exposure to the "silver slingshot" is through the miners. Here's why…

- **When the price of silver rises, the Net Asset Value (NAV) of many producers can soar dramatically.**

Share prices are determined by a company's NAV, so as the NAV appreciates, the share price is likely to rise as well.

But investments in a silver company are only as good as the company being invested in. It's crucial that investors understand precisely where they are placing their money.

If the mine ends up closing due to a disaster, mismanagement, or depleted resources, investors may lose. On the other hand, if the company makes a crucial discovery or increases production, investors may prosper.

Why Silver Is an Important "Precious" Metal

Now that you understand how to invest in silver, you're probably curious where silver is headed next. But first, it's important to understand why silver is used in the first place.

Silver (or *argentum*) has been a prized metal since antiquity.

Though too brittle to forge swords or armor, its luster and rarity made it a prized medium of exchange. Powerful empires from ancient Rome to Imperial Spain mined millions of pounds of silver.

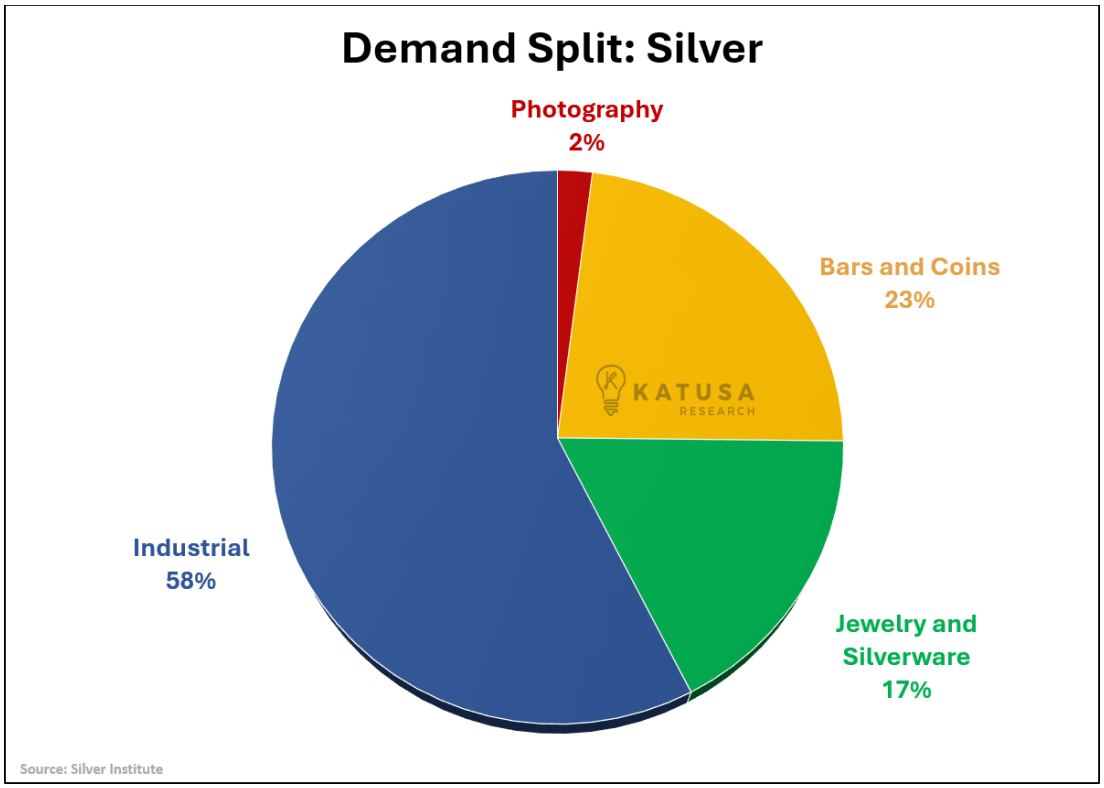
And silver coins became the unit of account in many important currencies: the Greek drachma, the Roman denarius, the Islamic dirham, and the Spanish dólar.

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Cool side fact for all the silver bugs out there…

It was the Spanish dólar, with its standardized dimensions, that inspired Treasury Secretary Alexander Hamilton to adopt the United States dollar as the currency of the new United States of America.

Now, more than half of silver is used in industrial applications, with the rest used in jewelry and silver bullion.



So, it's useful at both the industrial level and as a store of value.

- **In other words, silver is really a base metal clad in precious metal.**

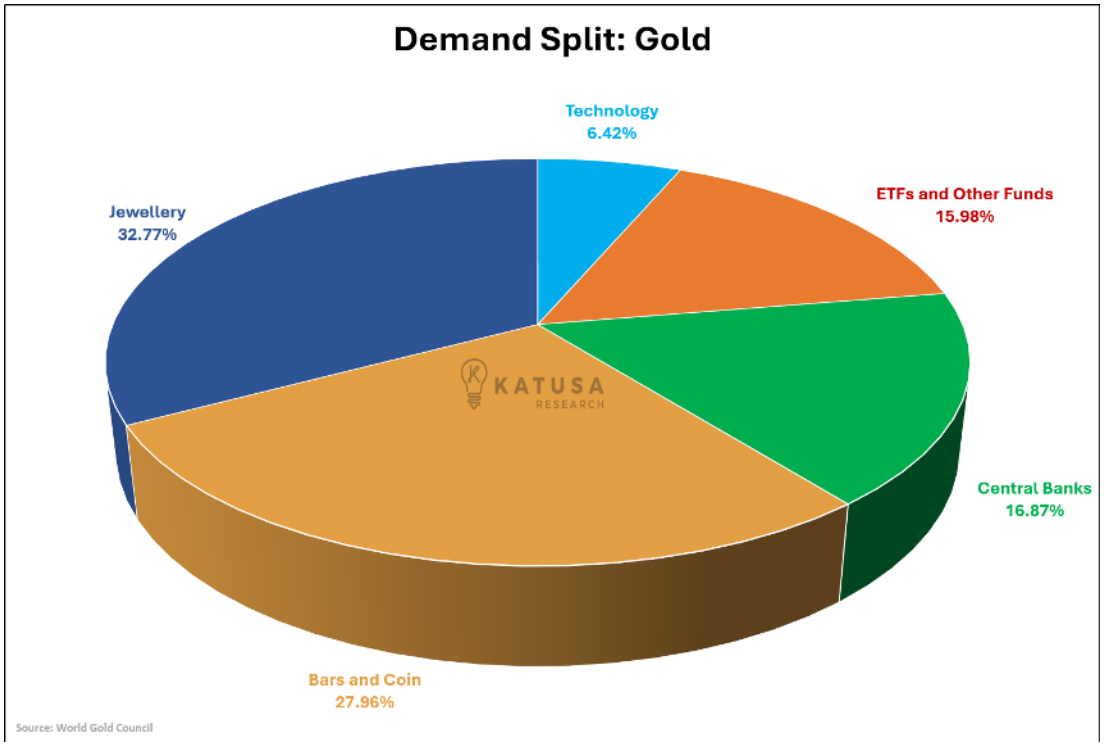
That's a curse and a blessing. Let me explain.

How Silver Compares to Gold

The dual utility of silver keeps it from becoming as valuable as gold.

Gold has very few industrial uses, so its price is primarily determined by investment demand, its ability to store value.

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Silver prices, though, are as much determined by industrial and commercial users as by investors, placing a relative ceiling on its value.

But that's also the good part: because silver is highly valued by both sectors, when things really heat up, silver *soars*.

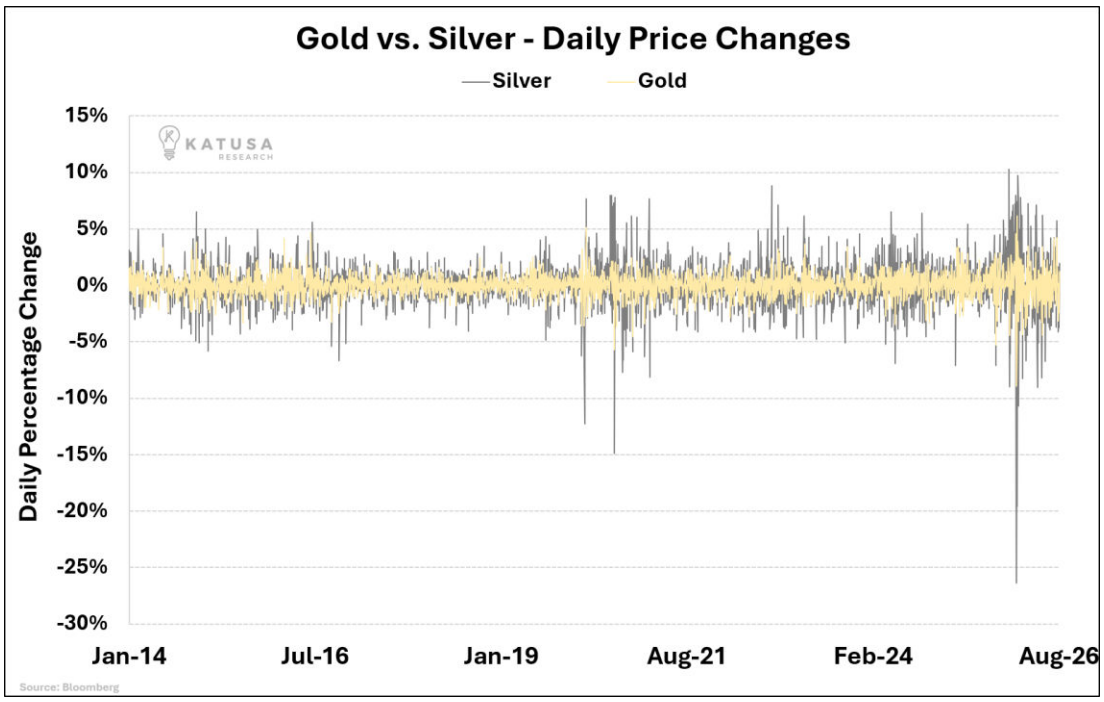
This is unfortunately why most portfolio managers won't put "silver" in the same breath as U.S. Treasuries, Japanese Government Bonds, U.S. dollars, and gold…

It's simply too volatile.

For us math nerds, silver's standard deviation of daily price change is 1.92%, while gold's daily price change standard deviation is only 0.98%.

For a visual, look at the magnitude of daily price changes (both positive and negative) for silver and gold. The following graph shows how silver prices have been *far* more volatile than gold prices over the last decade.

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This level of volatility is undesirable for major hedge funds and central banks. So, do central banks hoard silver like they do gold?

In short, no.

It's neither stable nor valuable enough to hold in reserve. Because in addition to the volatility, the value of silver reserves per square foot in a vault makes it a massively inefficient way to store value compared to gold.

But remember that's advantageous for silver. Because its market cap is *tiny* compared to gold, other industries, or even large companies.

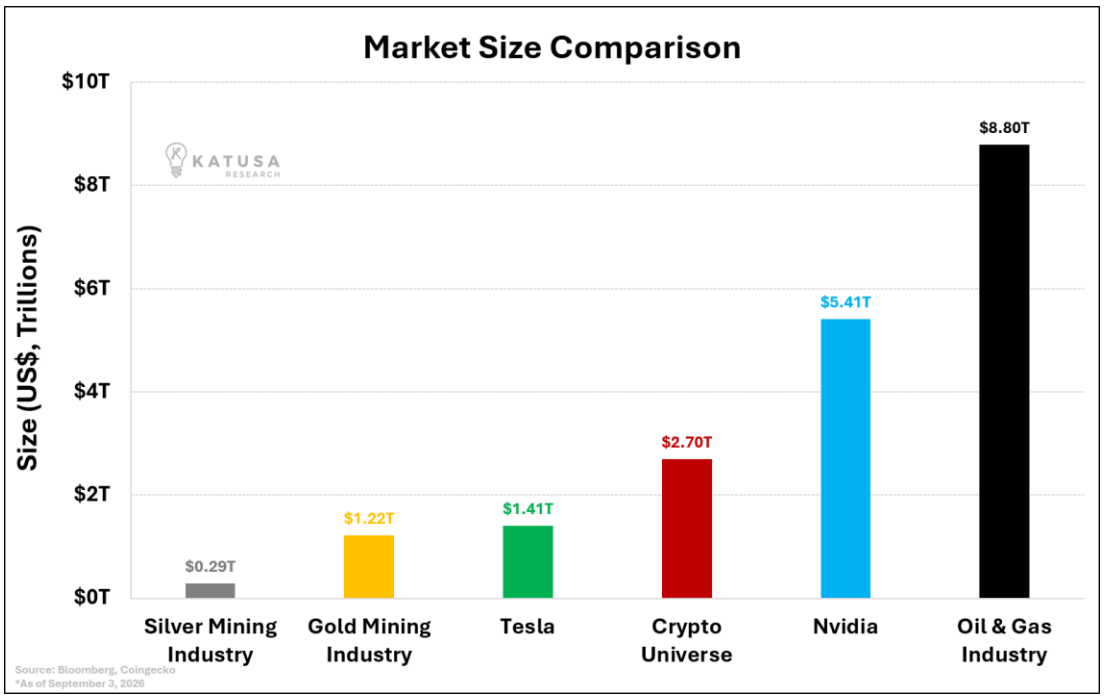
So, any marginal increase in silver buying or selling tends to send prices into a complete frenzy.

- **Scale is key for massive gains.**

Let me show you how small silver is. In 2025, ~$19.97B worth of silver produced went to investments in physical products or ETFs. That figure for gold was $240B.

The following graph compares the silver market to other major asset classes and large companies.

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- **As you can see, *<u>the entire silver market is a blip</u>* relative to these other sectors.**

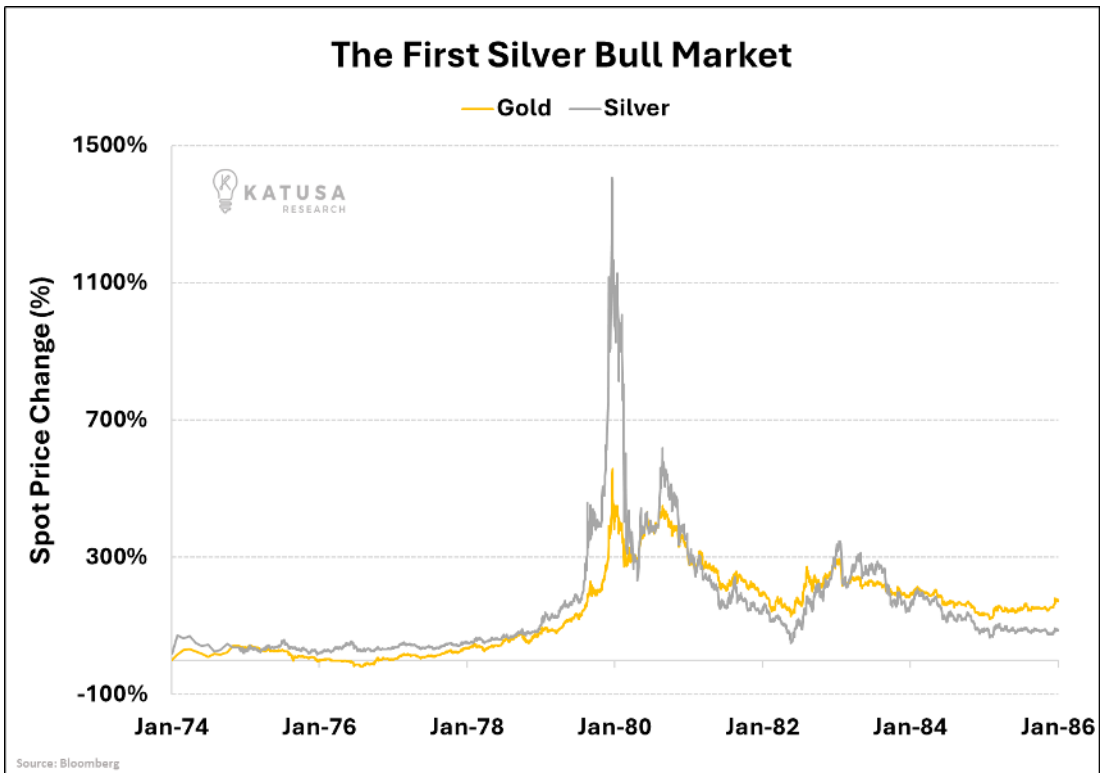
That's why, when gold pops, silver tends to rise far, far more.

To see silver's outstanding performance relative to gold, we'll look at two time periods:

- January 1974 – May 1987
- November 2010 – April 2013

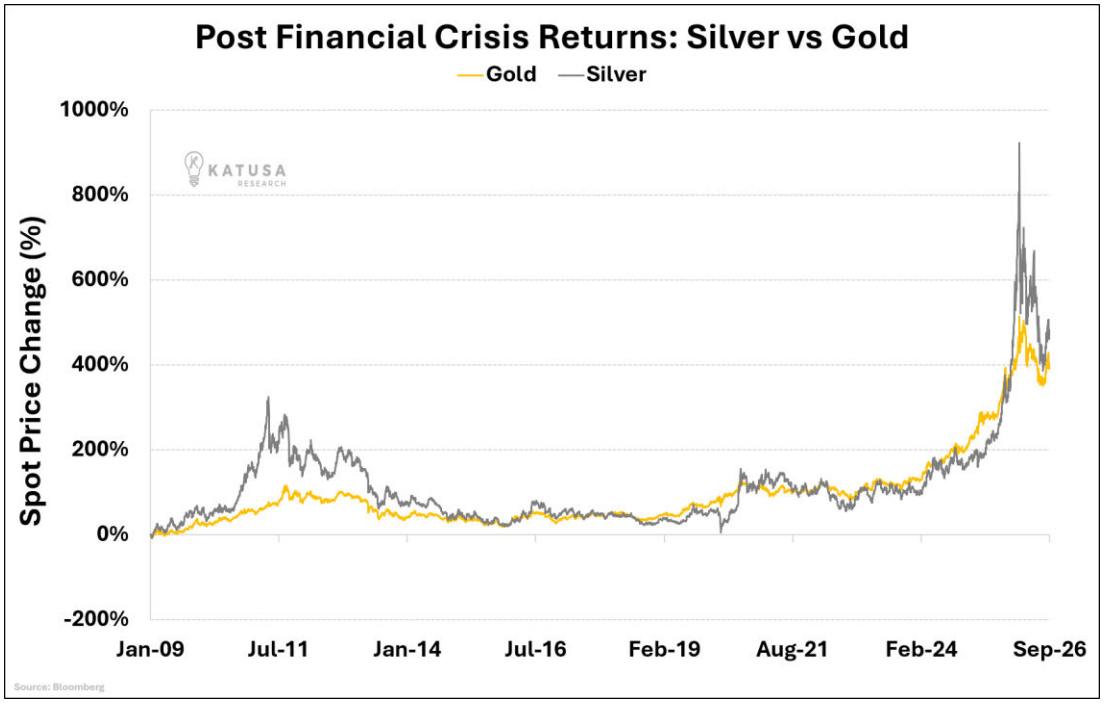
The following graph shows the first silver bull market, from 1974 to 1987.

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As you can see, returns on silver spiked to *more than double* that of gold.

It happened again after the Global Financial crisis began to unwind in 2008-2009. As precious metals began to come back to life, silver outperformed gold *five-fold* in three years.



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Then it happened a third time.

Silver and gold tracked each other closely for the decade after 2013. In late 2025 silver broke away, peaking at 924% against gold's 522%. Both have since sold off. Silver sits at 482% and gold at 390%.

From the shorter starting point in January 2015, gold had a strong lead from 2021 through most of 2025. Silver closed the gap within months.

It surged ahead and ended August slightly above gold, even after a 53% correction.



- **So, if the historical relationship between gold and silver holds, the correction reopened the opportunity.**

Silver has run a supply deficit for five straight years.

The Silver Institute expects a sixth in 2026, at 46.3 million ounces. Since 2021 the world has pulled 762 million ounces out of above-ground stockpiles to cover the gap. That's close to a full year of mine production.

Normally high prices fix this. Miners dig faster, supply catches up, prices come down.

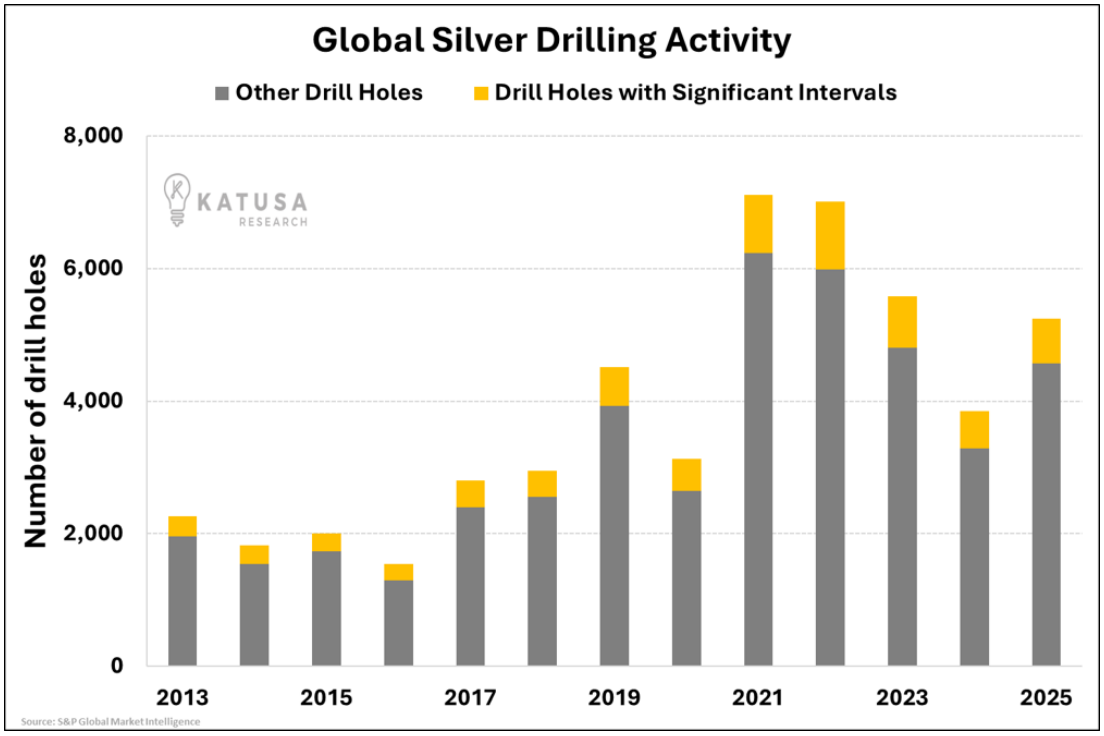
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Silver doesn't work that way.

- **Only about a quarter of mined silver comes from mines that are looking for silver.**

The rest shows up as a byproduct of digging for copper, lead, zinc and gold. Those mines plan production around copper and zinc prices. No zinc miner adds a shift because silver hit $68.

Now look at what the explorers did with the biggest price move in silver's history.



Drilling peaked in 2021, when silver traded near $25. In 2025, with silver five times higher, the industry drilled 26% fewer holes than at that peak. Only 13% of them hit anything worth reporting.

And even a discovery today takes a decade to become a mine.

Now add stubborn inflation and a U.S. money supply that grew 5.4% in the 12 months through July 2026. Silver's 53% correction cleared much of January's excess, while the price held above the old $50 ceiling.

These macro forces and the lasting supply gap leave the bull market intact and support another move higher.

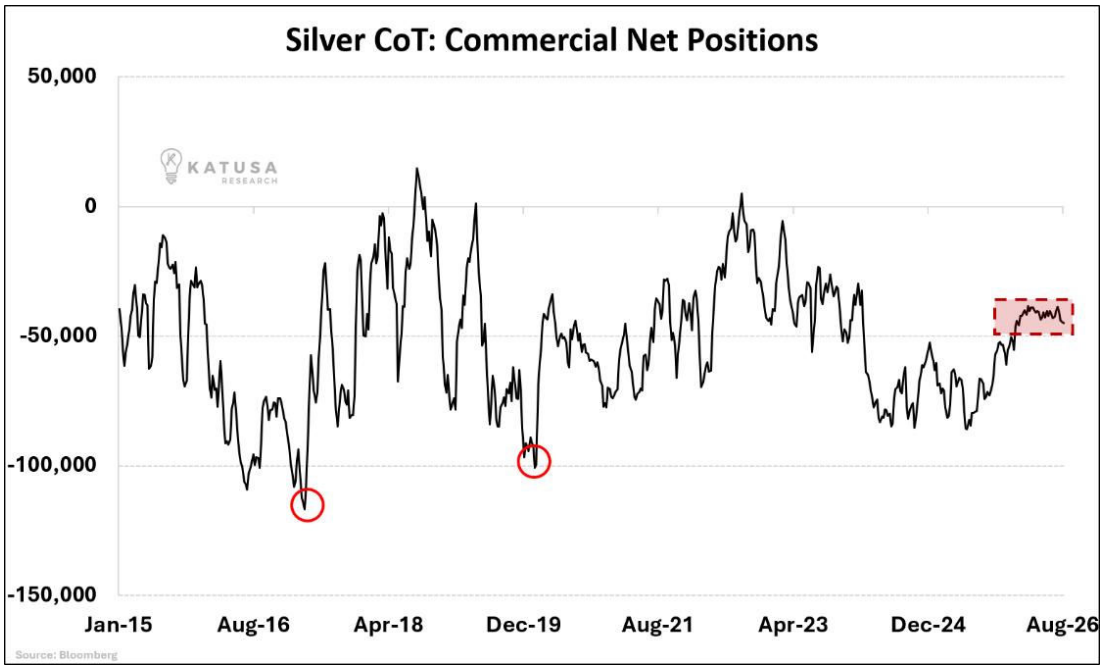
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But what do the major market players think about the direction silver might be headed?

Where Silver Producers, ETFs, and Money Managers Believe Silver Is Headed

The Commitments of Traders (COT) report shows the positioning of producers, hedge funds, money managers, and other market participants that have to regularly provide their holdings.

Typically, the commercials, the silver producers are "short", meaning they have pre-sold production. Today, they hold about 45,000 more short than long contracts.



A year ago the commercials were carrying nearly twice that hedge. They've been buying those shorts back all through 2026.

Producers pre-sell when they think today's price is as good as it gets. This shows that the expectations are for silver to go higher.

Another major market player is money managers and hedge funds. Typically, they are bullish and are long more contracts than they are short.

And right now, that's exactly the case, net long positions have been on the rise again after the severe correction.

As you can see from the following graph, there's a strong correlation between the managed money net position and the price of silver.

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The current position indicates that silver has room to move higher.



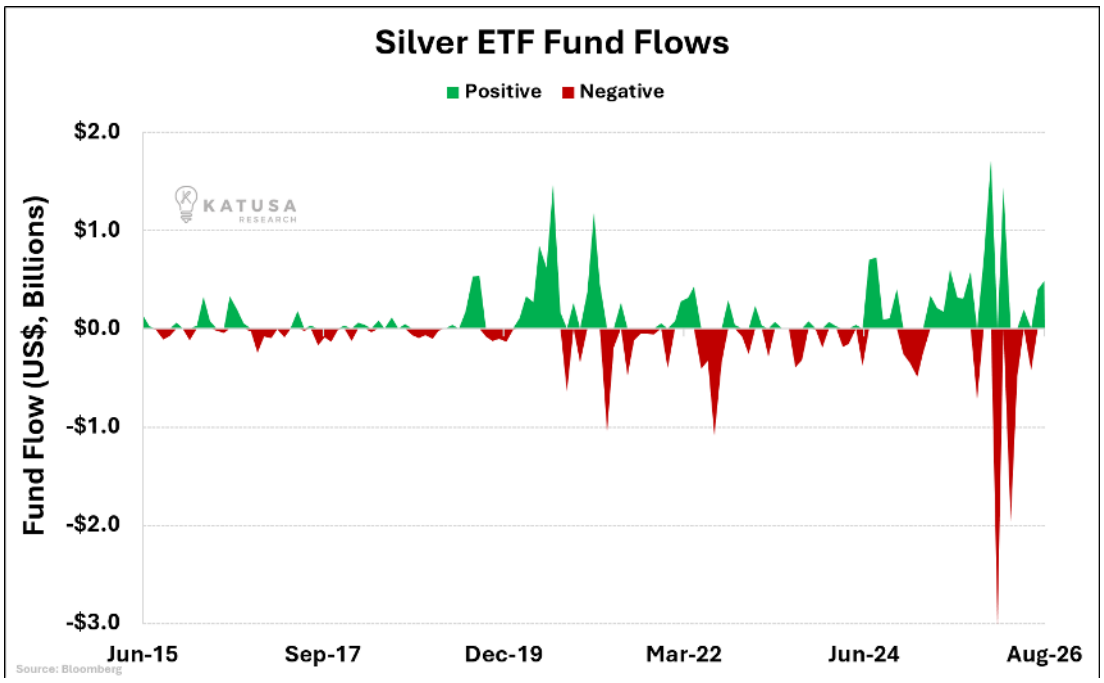
Finally, there's silver funds—ETFs like the iShares Silver Trust that attempt to track the price of silver at a ratio of one unit per ounce of silver. These commodity-based ETFs are not as simple as you might think.

Fund managers actively work to keep the ETF price aligned with silver prices. But they don't wait for prices to get misaligned. They anticipate demand by acquiring silver bullion in advance, so they're ready to create new shares when needed.

So, watching the fund flow of silver ETFs can indicate what fund managers believe about the future of silver.

The next graph shows the total monthly silver ETF fund flow for the past decade.

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After the fierce volatility of COVID, the silver ETF market entered a calm stretch before the next storm. In 2026, investors poured money into silver ETFs during the run, then pulled billions out as silver fell 53%.

Once silver stabilized in the high $60s, money began flowing back into the funds.

- **This new buying shows that investors still see value at today's price and expect silver to rise over time.**

But just because silver seems to have formed a base and has room to run higher doesn't mean it will. Other market forces might directly interfere with the performance of your silver investment.

The Truth About the "Silver Cartels"

If you've been around the silver market for very long, you've probably heard that silver is rigged.

For decades, many in the silver markets have spoken of the existence of a "cartel" in the silver markets that determines the price of silver.

In simple terms, a cartel is formed when multiple companies in the same industry decide to collaborate to control the price of a product or service they sell.

In other words, cartels are price fixers.

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And there have indeed been entities that try to "fix" the price of silver. Back in 1979, for example, the Hunt brothers famously bought up so much silver that they drove the price to an all-time high of $49.45 per ounce (around $160 today).

- **At their peak, the brothers controlled an estimated one-third of the global retail supply of silver.**

But the existence of an actual, ongoing silver cartel is the subject of heated debate.

It's said that there's no fire without smoke, and boy, has there ever been a lot of smoke on this topic.

So much so, in fact, that the CFTC issued a formal statement on the subject denying the existence of such a cartel in 2004. And it later conducted a five-year investigation into the matter in 2008, which turned up nothing of importance.

Those results came as no surprise to many believers in the silver cartel, who believe the U.S. Treasury and Federal Reserve are members of the cartel.

Now I don't personally believe that there is a silver cartel. I do, however, know many of the so-called "cartel" members, and their involvement in silver comes down to one thing: **cost of capital**.

Trading desks at JPMorgan and Goldman Sachs have access to huge amounts of capital at an extremely low cost. And the silver market and its retail players are easy prey for Wall Street scalpers.

That's all it is: cost of capital. Theirs is a lot lower than mine and yours, so they can do things to the market in sizes that you and I can't fathom.

Let me show you what I mean through two stories:

- The "silver massacre" of 2011.
- The "#shortsqueeze" movement of 2020, intended to "liberate" silver from the cartel.

These will give you a better picture of what actually controls the price of silver.

The Truth about the Silver Massacre

For years, many in the silver markets have spoken of the existence of a "cartel" in the silver markets keeping prices low.

A cartel is when multiple companies in the same industry collaborate to control the price of a product or service they sell.

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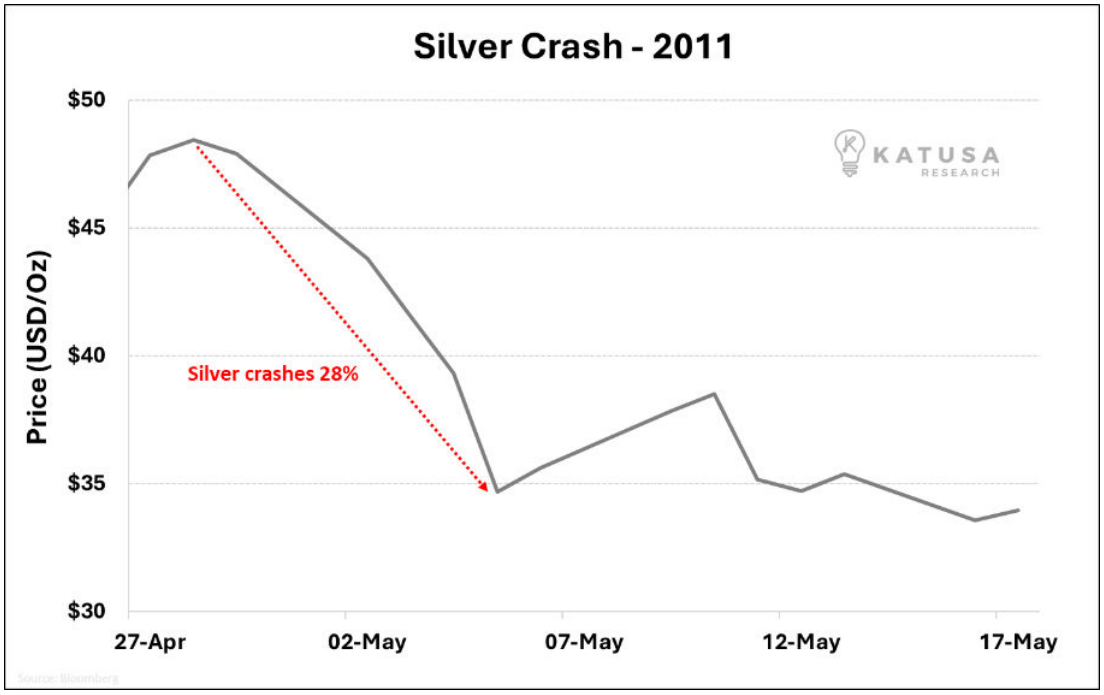
- **In other words, cartels are price fixers.**

In 2011, the price of silver was flirting with $50/oz., the same price the Hunt brothers got it up to. And it was nearly 20% higher in the dealer market (you've got to love those bullion dealer premiums; they make stockbroker fees look moderate in comparison).

It seemed like it was finally silver's time to shine.

Then without warning, silver began to fall in Asia… *hard.*

Silver crashed nearly $14/oz. in just six days, down nearly 28%.



During that same time frame, gold dropped just 5% at its lowest point. Did silver suddenly lose all utility as an industrial metal? No.

Did the mined supply of silver become infinite? No.

Did silver lose its ability to store value? No.

So what happened?

Legend has it that the silver cartel was going to be in serious trouble with their uncovered, or "naked," short positions if silver surpassed $50 per ounce.

- **So, they flooded the market with hundreds of millions more "paper" ounces of shorted silver.**

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Paper ounces, as opposed to physical ounces, are derivative instruments *theoretically* backed by actual silver.

While they are backed by real silver in most cases, such as with the Sprott Physical Silver Trust (PSLV), actual regulatory enforcement can be spotty. That leads to the well-known phenomenon of naked short selling, shorting silver without owning it.

Silver finally broke above $50/oz. After staying high for most of the past decade, the gold-silver ratio crashed to 46 in early 2026 as silver raced ahead of gold.

It has since climbed back to about 66, still well above its 2011 low near 31.



Retail Investors to the Silver Rescue

In early 2021, GameStop short squeeze copycats tried to execute the same method on silver, attempting to "liberate" the silver markets by squeezing out short sellers.

The move wasn't about fundamentals, profitability, or arbitrage. It was about sticking it to Wall Street.

Now don't get me wrong: few people dislike the suits more than I do. I was born and raised in East Vancouver. My amazing family had a lot of love and not very much money.

I was lucky, though. I had tough older brothers who paved the way for me in a majority-immigrant neighborhood (including my parents) where it was a dog-eat-dog world.

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Suits were reserved for weddings and funerals. People who wore suits day to day were not to be trusted.

Most suits today and many of their trust fund children have evolved into champagne Socialists, which I equally dislike.

You know the type: They went to university, joined a frat, and pretended to care about society and the environment while driving a Ford Raptor.

Where I come from, you work hard and do what's right regardless of whether that makes you popular or not.

So, I've always got the backs of the retail crew. I've taken on the suits for years and kicked their ass multiple times.

But I don't see /r/WallStreetBets (WSB), social media, or Robinhood retail ever succeeding in "liberating silver" for a few reasons:

- Very few people are actually betting against them.
- They lack the significant capital to bring the commodity futures market to heel.
- The asset managers who operate silver-backed exchange-traded products (ETPs) are already way ahead of them and can change the rules on them.
- Unlike GameStop and other companies, silver actually has a strong long-term outlook.

Let me show you what I mean...

The Juice Isn't Worth the Squeeze

The way many traders decided to play the #silversqueeze was to pile into silver mining stocks, most of which are listed on the NYSE or NASDAQ.

These stocks saw heavy trading action, with **some stocks gaining as much as 28%…**

…only to immediately fall 20% the following day, essentially giving up all of the "gains."

One big reason?

- There weren't any major institutional short positions in silver miners to squeeze.

As the table below shows, the percentage of shares sold short (as of September 03rd, 2026) in the major silver miners runs a fraction of what GameStop still carries.

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Ticker	Name	Short Interest
NASDAQ: PAAS	Pan American Silver	1.60%
NYSE: HL	Hecla Mining	5.69%
NYSE: FSM	Fortuna Silver	5.80%
NYSE: AG	First Majestic Silver	4.28%
NYSE: GME	GameStop	13.24%

Lack of short interest means, of course, that a short squeeze is extremely difficult. That would take away one of WSB's supposed driving forces behind a major share price runup.

Then there are the barriers to entry for trading commodity futures.

Who's Really in Control of Silver Futures?

Unlike buying stocks, trading in commodity futures poses much higher barriers of entry to the retail trading crowd.

For silver products traded on the CME, these include:

- **Margins now scale with price:** CME used to ask for a flat $32,500 per contract. On January 13, 2026, it switched to a share of contract's value, starting at 9%. After Silver's record rally that month, it raised the rate three more times in under a month up to 18%.
- **One contract is a big bet:** It calls for 5,000 ounces of silver, at least 99.9% pure. At $70 an ounce, that's a $350,000 position, and at today's 10% you must post $35,000 margin to hold it.
- **Complex and costly market access:** Futures can't be traded on Robinhood, and they can't be traded commission-free on most other brokerages.

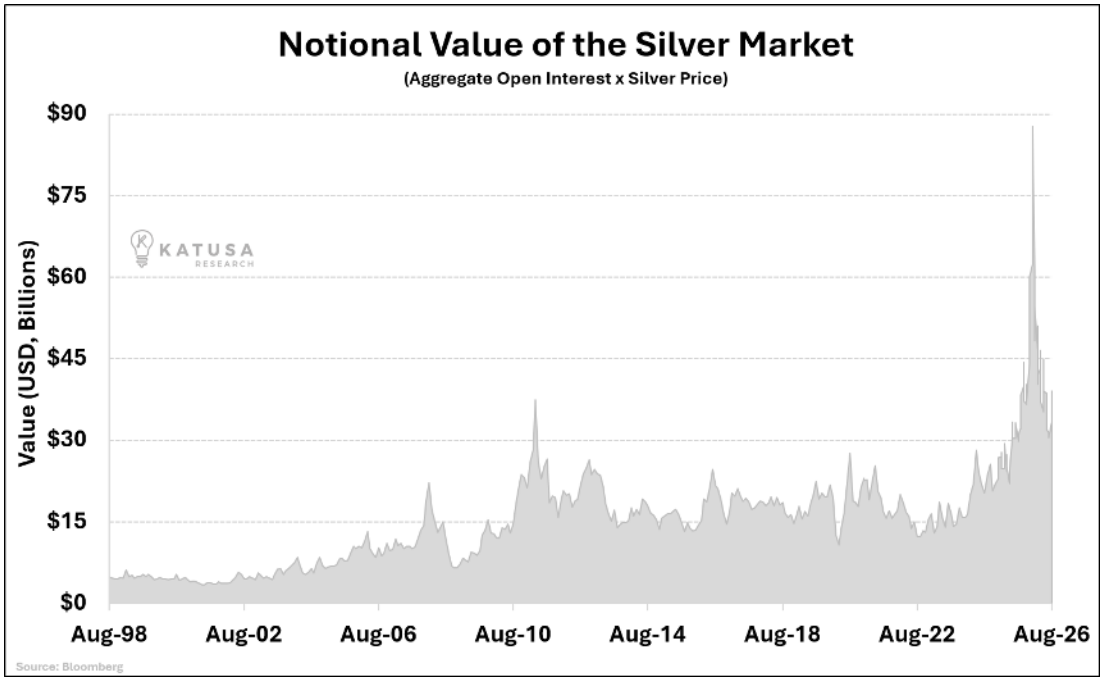
Under the old rule, a rally made futures cheaper, because the dollar amount stayed put while the contract grew. Now the amount climbs with the price. And when the market gets wild, the CME lifts the rate on top of that. Traders who can't post more cash get sold out.

These financial instruments are outside the reach of investors who don't have at least $100,000 allocated to trade exclusively in futures.

- **The dollar value of retail trader positions makes up such a small proportion of the futures market that the CFTC doesn't even require exchanges to report these positions.**

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The next chart shows the notional value of all the open futures contracts for silver on the Chicago Mercantile Exchange for the last two decades. In other words, it's the total value of the silver currently being traded on the CME.



The current notional value of the silver market is $39 billion as of August 2026.

Note that the *notional* value of the futures market does not reflect the total *dollar* value of the futures.

This is because most traders who are long (buyers) never take physical delivery of the metal but instead offset their positions by selling the next month's contract. Those who are short (sellers) will avoid having to deliver the silver by buying the next month's contract.

With the value of the silver being traded on the CME and inventories worth more than $40 billion, retail investors would barely move the needle.

This battle is taking place with arms that Main Street doesn't have access to, on a front they can't get to.

They're not going to win.

Hedge funds aren't going to get squeezed. And asset managers who run ETPs like BlackRock or Sprott will be just fine.

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That is, unless the ringleaders on WSB can somehow find a way to control the silver bullion market. Where are they going to find the hundreds of billions of dollars to do that?

One Step Ahead of the Game

Furthermore, it looks like asset managers are well ahead of the curve.

Over a week before WSB decided to shift its attention to #silversqueeze back in 2021, the guys at BlackRock, Sprott, and Aberdeen Standard (among others) had the foresight to add nearly $600M to their silver holdings.

- **This was the largest weekly inflow reported in the preceding six months.**

At the same time, the CME raised the maintenance margins on its standard silver contracts by 18%, changing the rules on retail traders mid-game.

The Wall Street pros took their profits, and silver started to plummet.

The Wall Street Bets bros appeared to capitulate, warning their followers to stop trading silver futures.

But it was too late: Silver fell and kept falling, dropping from $32 in February 2021 to $19 in August 2022.

Again, don't get me wrong. Nobody dislikes the short funds more than I do.

I've openly talked about and taken on some large short funds in the past.

- **But to truly cripple the shorts in the silver sector, <u>over 200 million ounces</u> would need to be purchased for the synthetic derivative and paper contracts to be exposed.**

For context, that's more than Warren Buffett bought during his huge silver acquisition in the late '90s. It's over $6 billion in new silver demand, purchased and requested for delivery.

And that's very different from increasing the market cap of a company by $6B. To purchase the silver and cripple the synthetic market manipulators, $6B in actual silver purchases demanding delivery would be required to come in from outside sources.

That's a big-ticket buy and very different than bringing in a couple hundred million dollars of buying volume to take GME from a $1B market cap to a $22B market cap.

And it's highly unlikely that retail investors will ever come anywhere close to achieving something like that. But if they were, there's *another* knife facing them.

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Unlike in the equity markets, even if WSB were successful with their silver purchases, you can expect millions of ounces of "junk silver" to come off the shelves and hit the market.

That includes anything and everything from coins to silverware, which would require new funds to absorb.

While many online bullion dealers are reportedly overwhelmed trying to keep up with the surge in retail demand, their supplies represent a tiny fraction of the bullion supply that goes through the LME and CME.

On top of that, market-ready stockpiles of silver, the kind stocked by wholesalers are three times the average daily futures volume.

There's plenty of silver to go around, if necessary.

So, Is the Silver Rally Over?

Let's recap.

- Silver soared 874%, then fell 53%. It still trades above the $50 ceiling from the last two cycles.
- Signs from gold, the industry, and money managers all point to a strong bullish silver market in the coming years.
- ETF buying has started to return since silver settled in the high $60s.

In summation…

- **I still think we're in the early stages of a silver bull market.**

That was the case even before all of these short-squeeze shenanigans, and my thesis remains unchanged.

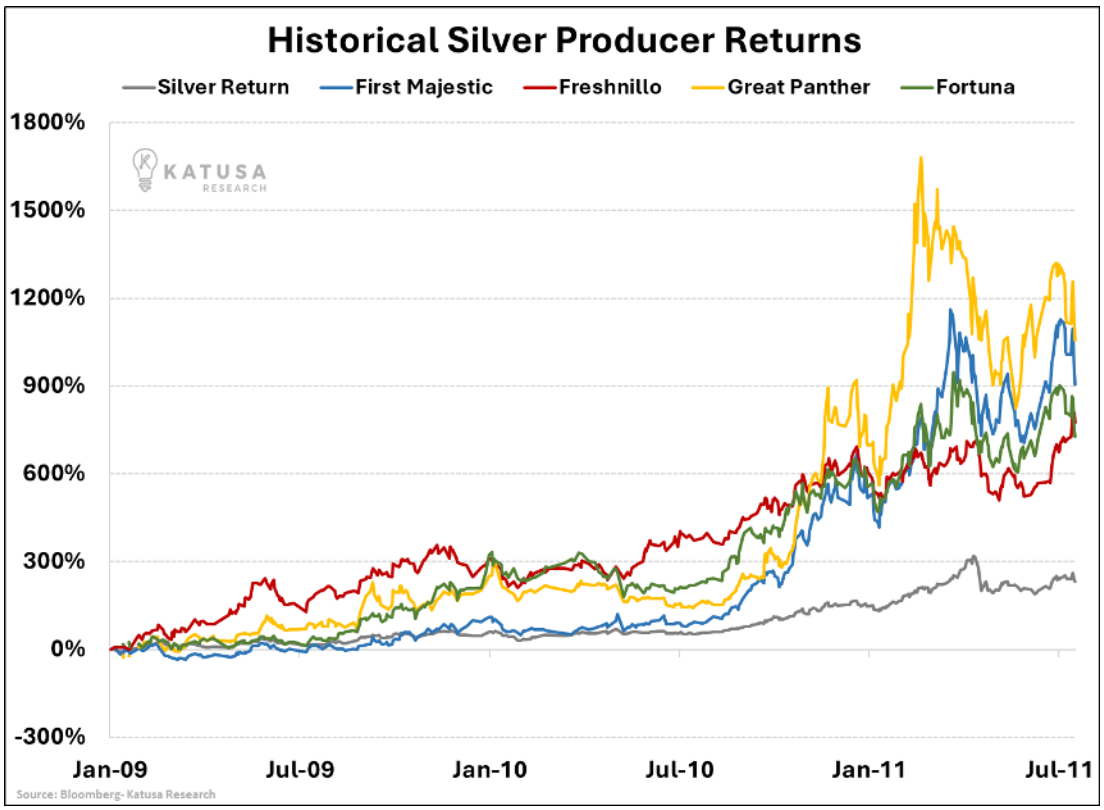
But when I'm right, I always want to get the biggest bang for my buck.

- **And looking back in history… when silver moves, silver *miners and explorers* move BIG.**

***NOTE: Investing in stocks, especially small cap resource companies is very high risk*

The graph below shows large silver producers from 2009 to 2011, during the last big run.

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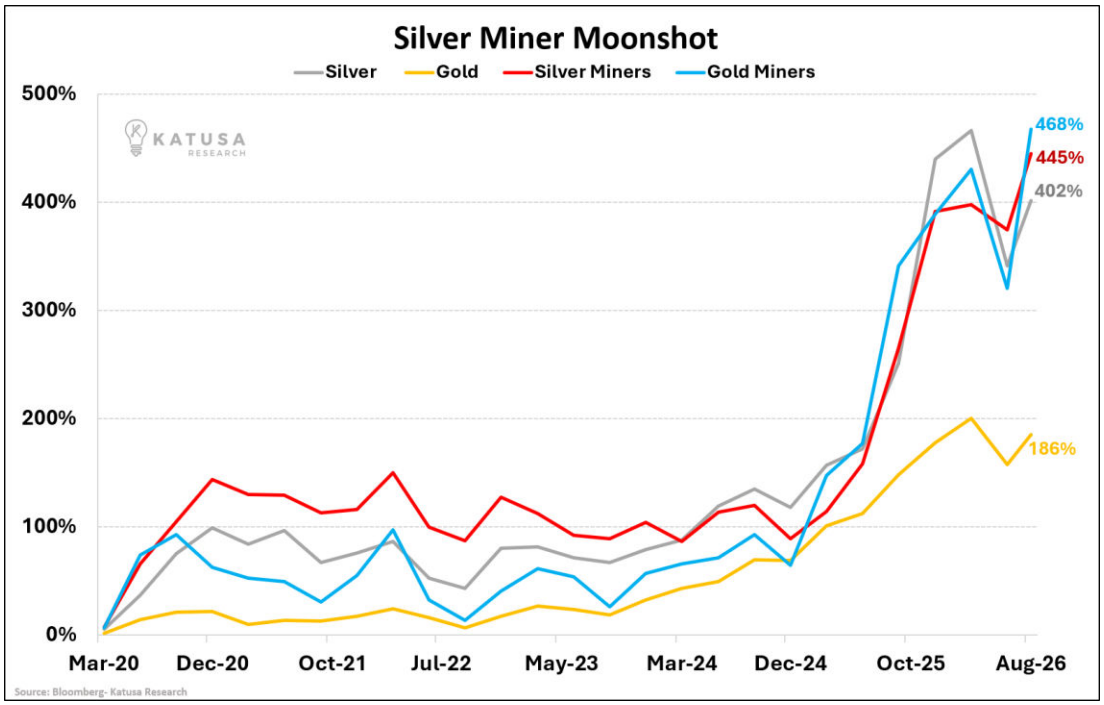
You'll see that while silver surged 300%, producers at the time were up 500% or more. Even Fresnillo, the world's largest silver producer, was up more than 500%.

Many small cap producers were up over 1,000% during the run.

So, you can see how the right silver stocks can produce leveraged gains over the spot price of silver.

The following graph shows a returns comparison since March 2020 (the meltdown low) for silver, gold, silver miners, and gold miners.

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By the end of August 2026, silver had gained 402%, while silver miners had risen 445%. Gold miners led at 468%, while gold gained 186%.

Silver miners have moved ahead of silver, though the gap remains far smaller than it became during the last major cycle. If silver holds near the high $60s or moves higher, select miners can turn today's wide margins into faster cash flow growth.

The market feels alive again, and investors want to know who gains the most if this rally continues.

That begins with where the company is located.

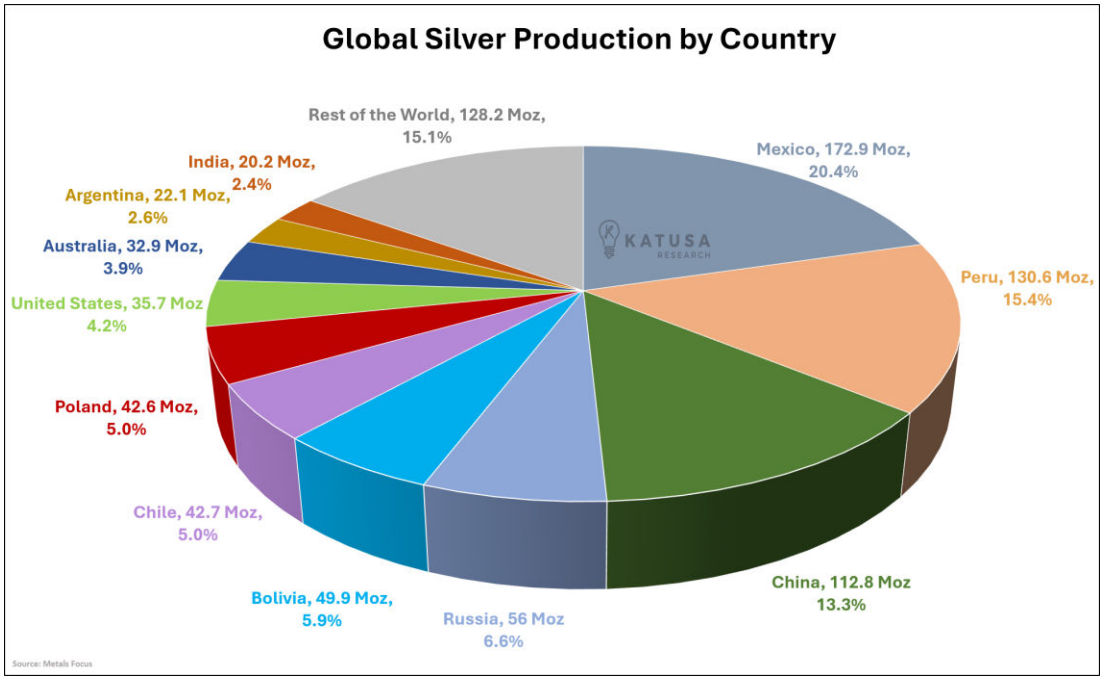
The best silver in the world in the wrong country is still a recipe for a failed investment. And silver in the right country at the right time can create historic returns.

Where the Silver Stocks Are

Roughly half of the world's silver production comes from Latin America or the silver "CAMP": Chile, Argentina, Mexico and Peru.

Next is a chart showing global silver production by country.

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As you can see, Mexico is the silver behemoth, churning out 20% of the world's silver.

Recall Potosi, the tiny Bolivian village that churned out more than a billion ounces of silver. Mexico historically had several silver districts just like that.

There's Zacatecas, the desert plateau where silver was discovered in the 1500s. At its peak, it produced nearly one-third of global silver supply.

- **Silver pesos minted from Zacatecas ore became the first global currency.**

Or there's Guanajuato, that produced one-fifth of global silver in the 18th century, making it one of the richest cities on earth. By legend, churches were gilded in silver and miners paid debts in gold flakes.

The riches of Mexican mines are clear.

And as silver begins another cycle, we have identified a company reopening multiple mines in one of the old silver regions of Mexico.

Its massive property has district-scale potential. And with silver hitting record highs, that's the kind of setup you don't want to miss.

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KATUSA SPONSORED SHOWCASE

Sierra Madre Gold & Silver
(SM.TSX-V | SMDRF.US)

Disseminated on behalf of Sierra Madre Gold & Silver

A silver discovery made today needs about ten years to become a mine. Permits, a plant, a tailings dam, power lines and a trained crew all come first.

Sierra Madre Gold & Silver skips the line. Instead of hunting for a new deposit, it buys the keys to mines someone else already built and permitted, then switches them back on.

The company holds two sets of keys, both handed over by First Majestic Silver, one of Mexico's largest silver producers.



- **La Guitarra went from acquisition to commercial production in under two years.**

Del Toro, in the silver state of Zacatecas, is the second, and it once produced four times what La Guitarra does today.

First Majestic spent about US$175 million building Del Toro, ran it for six years, and closed it in early 2020 with silver near US$18 an ounce.

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- **Sierra Madre agreed to buy it for up to US$60 million. Silver now trades in the high $60s.**

One mine pays the bills today and the other could make Sierra Madre a mid-tier silver producer.

First Set of Keys

La Guitarra sits in the Temascaltepec district, 130 km southwest of Mexico City. Spanish miners started digging here in the 1550s, and the crown thought enough of the district to appoint a special overseer to watch it.

First Majestic ran the mine until August 2018, then placed it on care and maintenance.

When Sierra Madre took it over in 2023, the property came with:

- A 500 tonne-per-day flotation plant, power, water and a tailings facility
- 59 km of mapped veins and more than 1,400 historic drill holes
- Permits covering the existing operation and the planned expansions

Sierra Madre paid US$35 million, all in shares. First Majestic took the stock and became the company's largest shareholder.

The first job was to count what was in the ground.

November 2023 resource estimate came in at 27.2 million silver-equivalent ounces indicated and 20.2 million inferred, up 373% and 204% from the old numbers.

The second was to turn the plant back on.

Test mining began in mid-2024, and the Guitarra mine reached commercial production on January 1, 2025.

- **That's the playbook: buy the keys, count the ounces, restart the mill.**

Two more mines on the property followed…

Coloso, with silver grades 1.7 times higher than Guitarra, restarted in April 2025. Nazareno began full production from long-hole stopes in April 2026.

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Mine	Tonnes (Indicated)	Ag (g/t)	Au (g/t)	Operating Status
Guitarra	1,649,000	123	1.25	Commercial production since Jan. 2025
Coloso	432,000	221	1.61	Restarted Apr. 2025; lower levels undergoing dewatering
Nazareno	310,000	215	0.55	Long-hole production since Apr. 2026

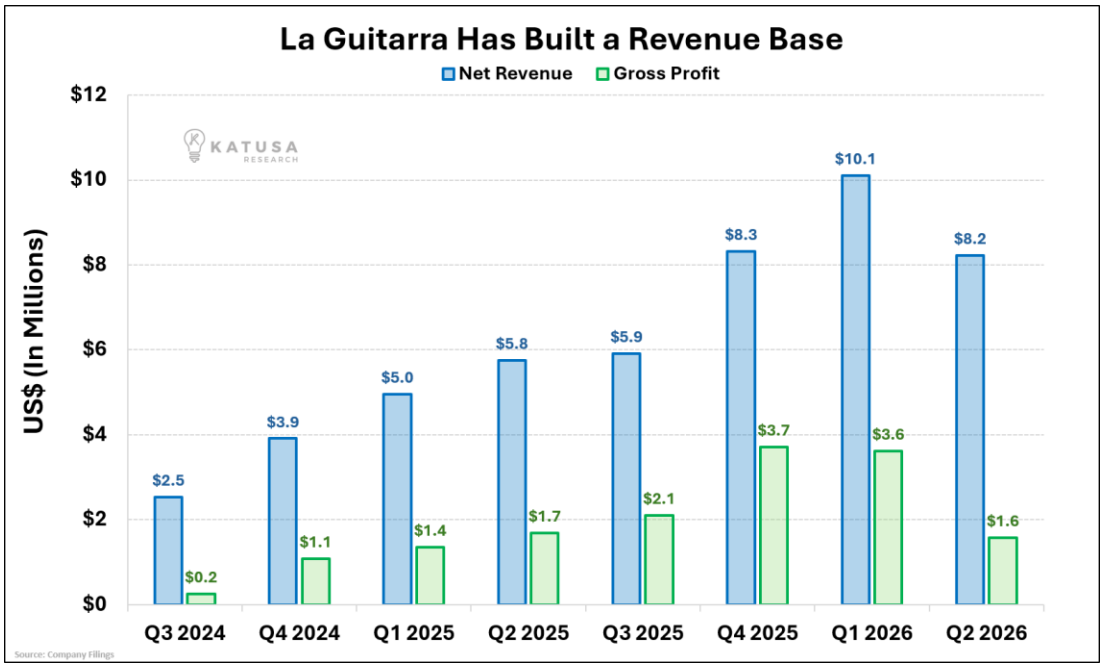
Source: Sierra Madre 2023 NI 43-101 technical report and company releases.

What Eighteen Months of Mining Delivered

La Guitarra earned US$25 million of revenue and US$8.9 million of gross profit in 2025, its first full year back.

The first half of 2026 added another US$18.3 million in revenue and US$3.5 million of adjusted EBITDA.

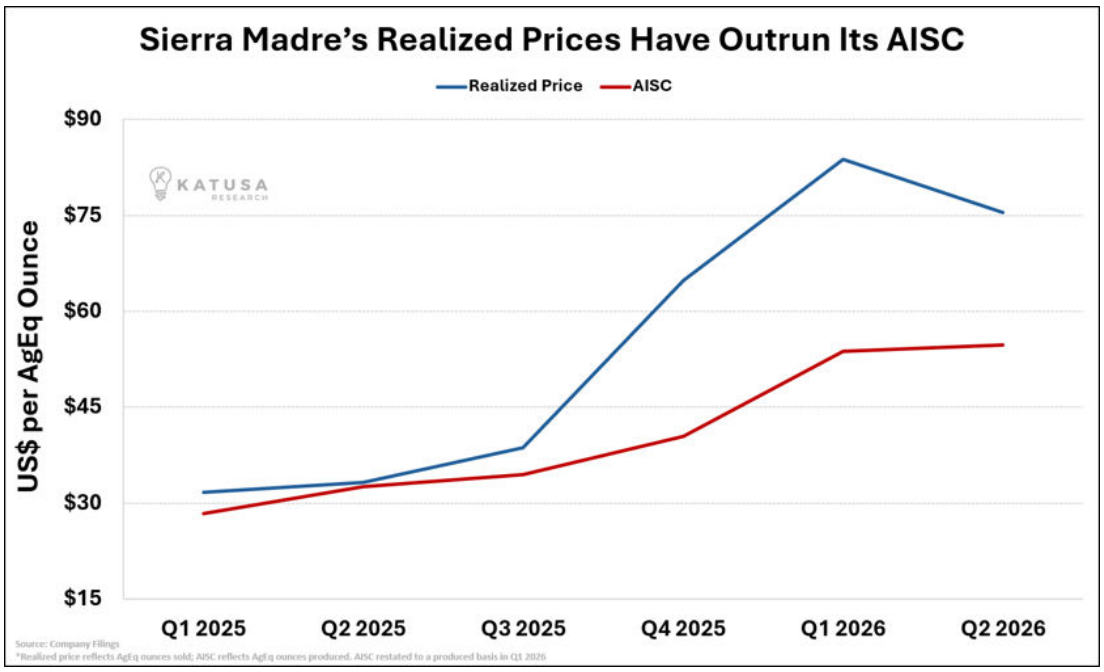
Sierra Madre repaid its US$5 million First Majestic loan in July and closed June with US$22.2 million in cash and US$25 million in working capital.



In the second quarter of 2026, Sierra Madre received US$75.45 for every silver-equivalent ounce it sold, against US$33.22 a year earlier.

Its all-in sustaining cost climbed too, from US$32.54 to US$54.73 an ounce produced.

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The company traces the jump to:

- Development ore from Coloso and Nazareno, much of it outside the resource
- Lower recoveries from blending feed from three mines
- Power outages, a stronger peso and higher royalties on higher metal prices

Higher silver prices kept La Guitarra profitable through a development-heavy quarter. Bringing unit costs back down is the operating test for the second half of 2026.

A Second Set of Keys

While La Guitarra worked through its first year, Sierra Madre bought the mine that could change its size.

Del Toro sits in the Chalchihuites district of Zacatecas, a neighbourhood of giants. Grupo México's San Martín, Peñoles' Sabinas and Pan American Silver's La Colorada all operate nearby.

The geology is carbonate replacement, the same deposit type behind Mexico's most prolific silver mines.

First Majestic brought Del Toro into commercial production in 2013 and ran it through 2019. What it left behind is hard to replicate:

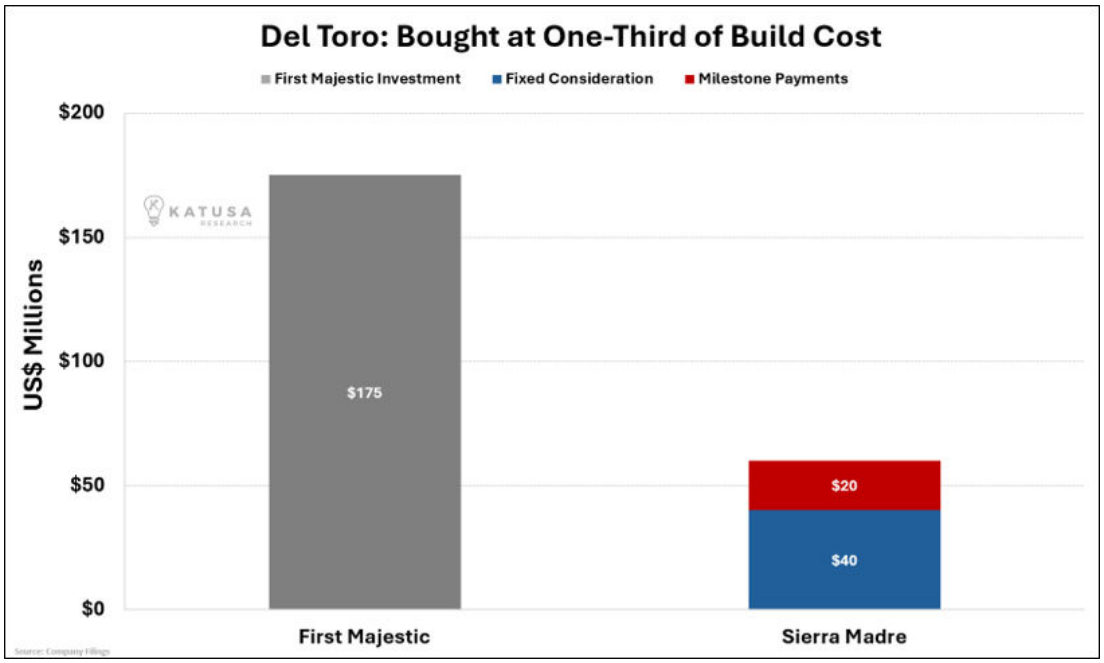
- Three developed underground mines: San Juan, Perseverancia and Dolores
- More than 60 km of underground workings

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- A 3,000 tonne-per-day flotation circuit with three mills
- A dry-stack tailings plant with about 12 years of capacity at 2,000 tonnes per day
- An assay lab, workshops, power substations and water systems

Between 2015 and 2018, Del Toro produced an average of 2.54 million silver-equivalent ounces a year. La Guitarra produces roughly a quarter of that in 2025.

- **First Majestic put about US$175 million into building it. Sierra Madre acquired it for up to US$60 million.**



For roughly a third of the construction bill, Sierra Madre owns the plant, the tunnels and the permits.

The historic resource stands at 7.57 million silver-equivalent ounces *measured and indicated* at 398 g/t, plus 11.18 million *inferred* at 293 g/t.

Those are First Majestic's 2020 numbers, and Sierra Madre treats them as historical until its own drilling confirms them.

Geologists have identified 23 targets across the property to work with.

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	La Guitarra	Del Toro
Current status	Commercial production; expansion underway	Care and maintenance; restart planning
Developed mines	3: Guitarra, Coloso and Nazareno	3: San Juan, Perseverancia and Dolores
Processing	500 tpd flotation, expanding to 750–800	3,000 tpd flotation, three mills
Historical production	Up to 1.5M AgEq oz/year	2.54M AgEq oz/year average, 2015–2018
Resource	27.2M AgEq oz Indicated, 20.2M inferred (2023)	7.6M AgEq oz M&I, 11.2M inferred (historical estimate, 2020)
Next milestone	Phase I expansion targeted for Q3 2026	30,000-metre drill program and new resource estimate targeted for early 2028

Why the Lights Went Out

First Majestic put Del Toro on care and maintenance in January 2020 to improve its cash flow and margins. Silver traded near US$18 an ounce that month.

Silver now trades much higher.

The mills, tunnels and tailings plant are already there. Sierra Madre's job is to drill, define the ore that pays at today's prices, and write a mine plan that keeps the plant full.

What the Second Restart Costs

The purchase price comes in pieces:

- US$20 million in cash and US$10 million in shares, paid at closing in June 2026
- US$10 million due within 18 months
- US$10 million if drilling defines 100 million silver-equivalent ounces
- US$10 million if the mine runs 4,000 tonnes per day for 30 straight days

So, US$40 million is fixed and US$20 million depends on success.

Sierra Madre raised C$57.5 million at $1.30 per share to fund the deal, its second oversubscribed financing in a year.

The work plan from here:

- Mapping and sampling underway now
- 30,000 metres of drilling from mid-2027, on a US$12 million budget over 24 to 30 months

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- New resource estimate targeted for early 2028
- Restart budget of about US$10 million for an 800 tonne-per-day start, with a later push to 1,600
- Production slated for mid-2028
- Carrying costs of about US$2 million a year in the meantime

Management has said it can pull the restart forward if silver keeps running.

Doubling the Mill

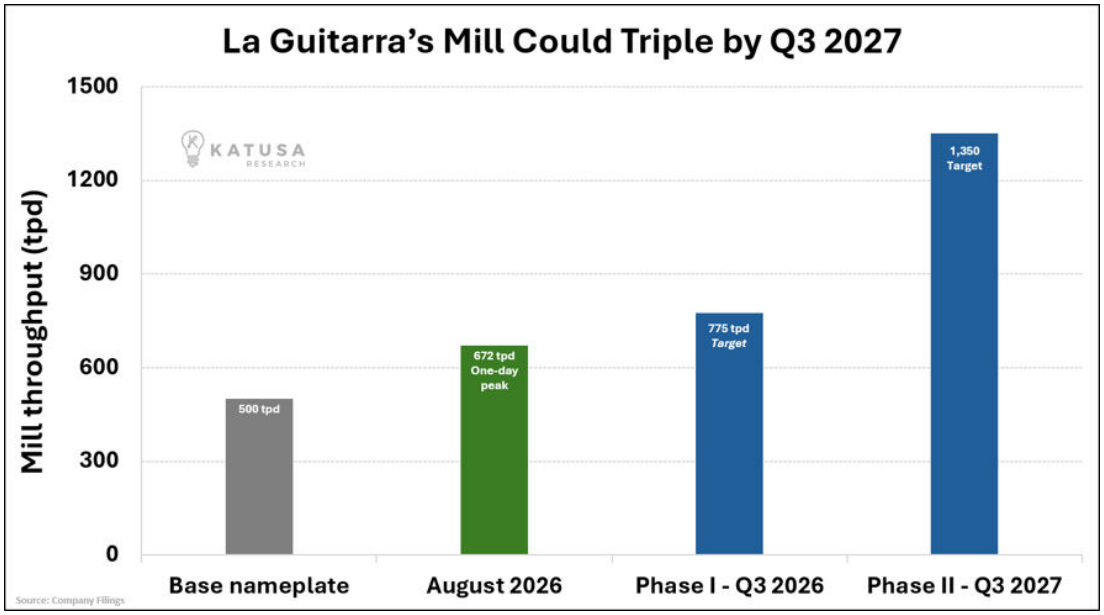
Back at La Guitarra, the 500 tonne-per-day plant was always the bottleneck. In September 2025, Sierra Madre laid out a two-phase expansion.

Phase one lifts the mill to 750 to 800 tonnes per day. Phase two takes it to 1,200 to 1,500 tonnes per day by the third quarter of 2027.

The company bought a used ball mill in December 2025 and refurbished it to a 900 tonne-per-day rating, larger than phase one needed. The bigger mill required more foundation and electrical work, and it covers most of the grinding capacity phase two would have required.

- **The existing circuit already peaked at 672 tonnes in a single day in August, a 34% jump over nameplate.**

Both phases run on permits the company already holds, and management plans to fund them from cash flow and treasury.

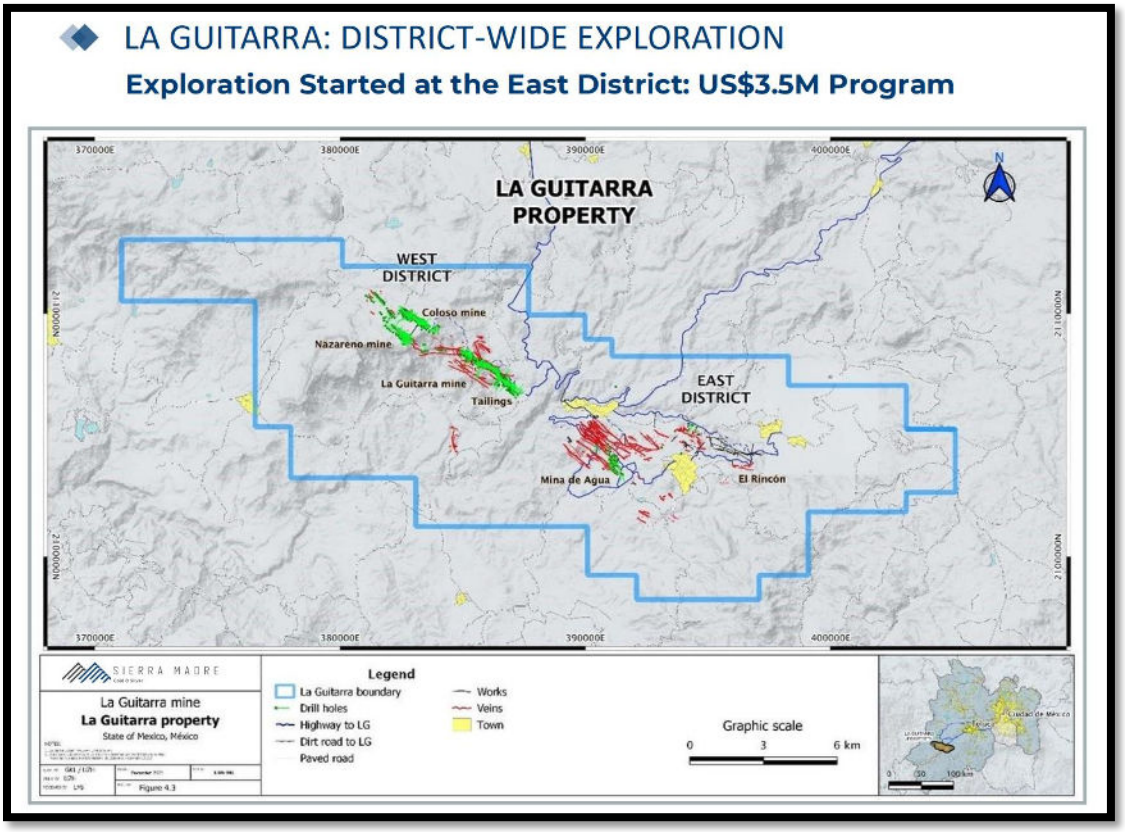


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The East Finally Gets Drilled

The three producing mines all sit in the western half of the property. The eastern half holds the old Spanish workings.

In the 1700s, Mina de Agua and the veins around it produced about a tenth of Mexico's silver. El Rincón, the last big mine in the east, put 281,642 tonnes through at 6.7 g/t gold and 860 g/t silver between 1926 and 1937.



- **Sierra Madre calls the East District the last of Mexico's six great colonial silver camps still waiting for a modern, systematic drill program.**

That changes this year. Sierra Madre holds permits for 22 drill pads and plans to start a US$3.5 million, 30,000-metre program in the fourth quarter of 2026, testing up to 30 veins.

The first holes will be long, sub-horizontal cuts from the permitted Tlacotal area, designed to cross several vein systems at once.

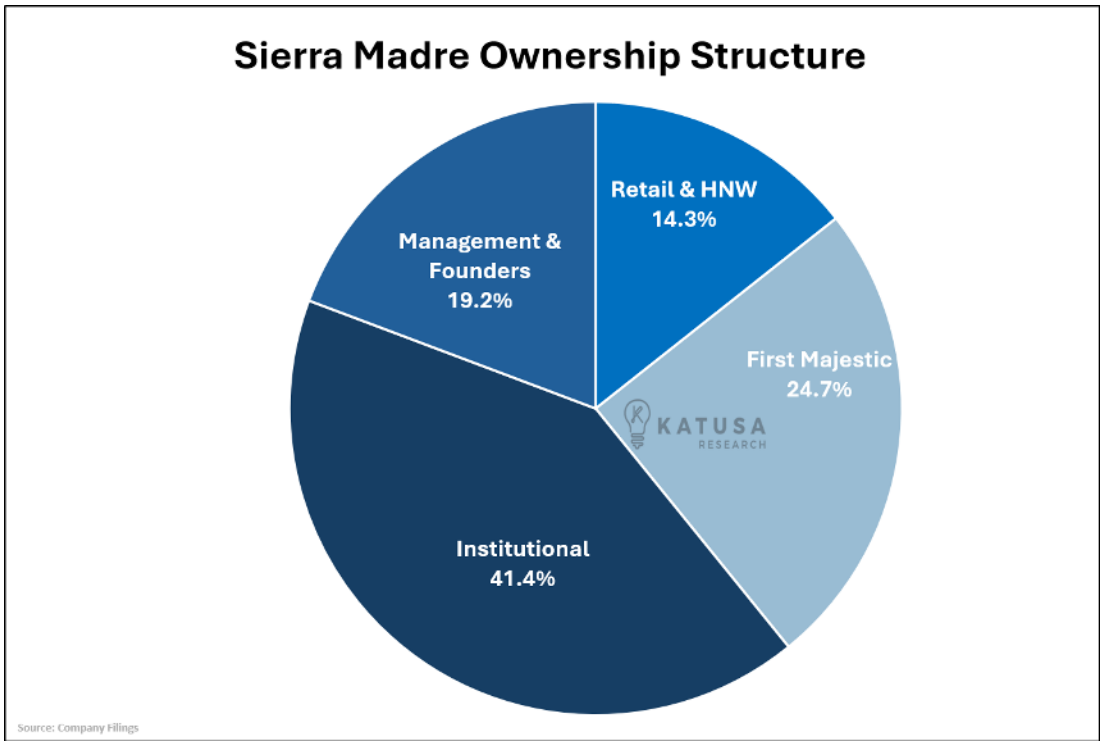
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Who Owns It

Sierra Madre trades at a market cap of about US$303 million at US$1.17 a share (September 3, 2026), with 261 million shares outstanding.

First Majestic holds 24.7%. Its Del Toro shares come out of escrow in four 25% tranches through June 2028.

Institutions hold another 41%, including Jupiter, Franklin Templeton, Commodity Capital and Eric Sprott. Management and founders hold 19%.

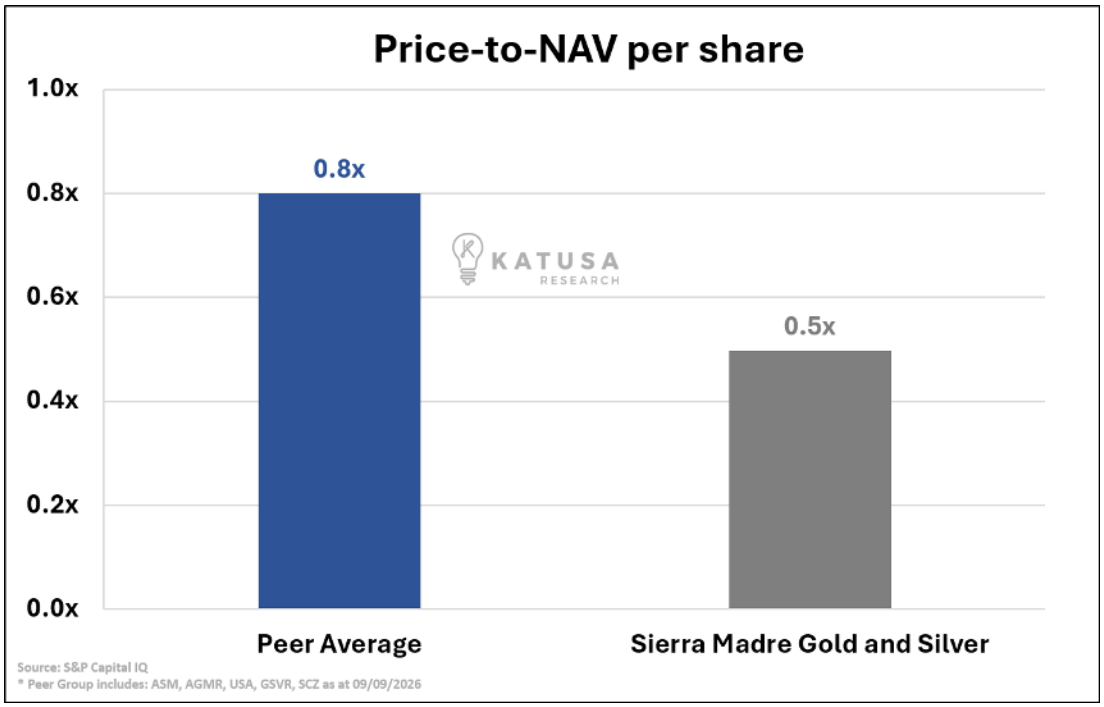


What the Market Pays For It

Analysts value a silver producer on net asset value: the cash its mines throw off over their lives, discounted back to today. The market rarely pays the full number.

Sierra Madre's closest peers trade at 0.8 times net asset value per share. Sierra Madre trades at 0.5 times.

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The discount has reasons behind it.

Del Toro's ounces are still First Majestic's old numbers, and nobody can bank them until Sierra Madre puts its own holes in the ground.

All-in sustaining costs at La Guitarra hit US$54.73 an ounce last quarter while the company developed three mines at once. One mill pays for everything.

Every one of those items sits on the work plan with a date beside it. Each milestone achieved is a potential catalyst for a re-rate.

The Catalyst Calendar

Silver held above its old US$50 ceiling through a 53% correction, and the supply deficit behind the run is heading into a sixth year.

If a second leg starts, Sierra Madre walks into it with a full calendar. Three items on it matter most.

- **Mill:**

  Phase one is due before the end of September, and the ore to fill it is already coming out of Coloso and Nazareno. More tonnes spread fixed costs thinner, so the November results are the first read on whether unit costs turn.

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- **East District:**

  The first modern drill program on a colonial camp that once produced a tenth of Mexico's silver starts this quarter, and the company's own lab on site turns assays around in days.

- **Del Toro:**

  Drilling starts in mid-2027 and a new resource estimate in early 2028 decides the restart. Clear 100 million silver-equivalent ounces and a US$10 million milestone payment to First Majestic comes due.

A mill upgrade in weeks, a drill program in months, a targeted Del Toro restart in 2028. Every one of them sits on ground that is already permitted to mine.

SIERRA MADRE GOLD & SILVER

Key Catalysts · As at September 4, 2026 · TSXV: SM | OTCQX: SMDRF

CATALYST	PROJECT	EXPECTED TIMING
Phase I expansion online at 750-800 tpd	*La Guitarra*	**Q3 2026**
Higher throughput	*La Guitarra*	**Q3 2026**
Drilling begins: 22 permitted pads, 30,000 m	*East District*	**Q4 2026**
Mining begins below existing workings	*Coloso*	**H2 2026**
Drilling begins: approx. 30,000 m	*Del Toro*	**Mid-2027**
Phase II expansion to 1,200–1,500 tpd	*La Guitarra*	**Q3 2027**
Updated resource estimate	*Del Toro*	**Early 2028**
Production restart	*Del Toro*	**Mid-2028**

First Majestic has now sold Sierra Madre two mines. It took payment for the first entirely in Sierra Madre shares, and for the second it took US$10 million of the price in shares again. Today it owns 24.7% of the company.

The company that spent the money building both plants chose to be paid, twice, in the stock of the operator switching them back on.

We read that as an endorsement.

Silver fell 53% from above $117 in January and has settled in the high $60s, still more than triple the price First Majestic was looking at when it turned Del Toro off. The metal is

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heading into a sixth straight year of deficit, and only about a quarter of it comes from mines that set out to find silver in the first place.

- **Higher prices call for new supply. A permitted plant is the part of new supply that takes a decade to build, and Sierra Madre owns two of them.**

A discovery made today reaches production around 2036. Del Toro is slated for 2028, and La Guitarra has been shipping concentrate every quarter since the start of 2025.

We're looking forward to an exciting finish to 2026 for the company.

Regards,

Katusa Research

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