



1100-1199 West Hastings Street, Vancouver, BC, V6E 3T5

August 6, 2020

Dear Shareholders:

At the 2020 Annual General Meeting, you are being asked to approve a resolution which, if passed, will allow our company to regain a 100% ownership interest in our Cerro Las Minitas project.

Since 2011, when we entered into an option agreement to purchase the property in Durango Mexico, we have spent US\$18.5 million on development of the advanced exploration stage polymetallic Ag-Pb-Zn-Cu Skarn/CRD project.

Presently, ownership is held through a joint venture company owned as to 40% by Southern Silver Exploration Corp. ("Southern Silver") and as to 60% by Electrum Global Holdings LP ("Electrum") with Southern Silver as operator of the joint venture.

An agreement negotiated with Electrum provides for the purchase by our company of its joint venture interest for a purchase price of US\$15 million payable over a one year period in cash and common shares. Details are contained in the Information Circular for the 2020 AGM.

**Exploration highlights** during the past year are:

**Mineral Resource:**

In May 2019, we announced a revised Mineral Resource Estimate at Cerro Las Minitas of (at a 175g/t AgEq cut-off)<sup>(1)</sup>:

- Indicated – 134Moz AgEq: 37.5Moz Ag, 40Mlb Cu, 303Mlb Pb and 897Mlb Zn
- Inferred – 138Moz AgEq: 45.7Moz Ag, 76Mlb Cu, 253Mlb Pb and 796Mlb Zn

A total of 133 drill holes for 59,000 metres have now been completed on the Cerro Las Minitas Project with exploration expenditures of approximately US\$18.5 million equating to exploration discovery costs of approximately C\$0.07 per AgEq ounce to the end of 2019.

**Metallurgical testwork:**

The results from our most recent metallurgical test work program have successfully demonstrated saleable copper, lead and zinc concentrates from the Skarn Front deposit with exceptional recoveries and grades and confirmed that the modelled Cu-Pb-Zn flotation circuit accommodates large swings in both overall grade and sulphide content including head grades up to 6x higher than the average grade of the deposit using reagent dosage control only.

Assuming shareholder approval, we shall own 100% of Cerro Las Minitas with the funding in hand for acquisition and further development. A current equity raise of C\$14 million coupled with C\$3.5 million on hand positions us to achieve further positive results at Cerro Las Minitas as it progresses to mature into one of the larger undeveloped silver-lead-zinc projects in the world.

Southern Silver has identified a further 10,000 metres in exploration drilling for 2020 on the Cerro Las Minitas project, targeting specific step-outs from strongly silver-enriched mineral intercepts in the Las Victorias, South Skarn and the Mina La Bocona targets. The targeting is designed to increase the current mineral resource

estimate by approximately 30%. The Cerro Las Minitas Project is fully permitted to continue exploration on the property, with a strong potential resource growth profile.

At Oro, in New Mexico, a property-wide airborne Z-TEM geophysics and further surface and drill data compilation has identified multiple new drill targets for further testing. Eight drill holes totalling 5000 metres has been identified for testing both the buried Cu-Mo porphyry potential and nearer surface, Cu-skarn mineralization on this 22.4 km<sup>2</sup> early-stage Larimide porphyry exploration property.

In all respects, inclusive of rising precious metal prices, it has been a significant year for our company and we thank all shareholders for their continuing and constant support.



Lawrence Page, Q.C.  
President

- (1) The 2019 Cerro Las Minitas Resource Estimate was prepared following CIM definitions for classification of Mineral Resources. Resources are constrained using mainly geological constraints and approximate 10g/t AgEq grade shells. The block models are comprised of an array of blocks measuring 10m x 2m x 10m, with grades for Au, Ag, Cu, Pb, Zn values interpolated using ID3 weighting. Silver and zinc equivalent values were subsequently calculated from the interpolated block grades. The model is identified at a 175g/t AgEq cut-off, with an indicated resource of 11,102,000 tonnes averaging 105g/t Ag, 0.10g/t Au, 1.2% Pb, 3.7% Zn and 0.16% Cu and an inferred resource of 12,844,000 tonnes averaging 111g/t Ag, 0.07g/t Au, 0.9% Pb, 2.8% Zn and 0.27% Cu. AgEq cut-off values were calculated using average long-term prices of \$16.6/oz. silver, \$1,275/oz. gold, \$2.75/lb. copper, \$1.0/lb. lead and \$1.25/lb. zinc. Metal recoveries for the Blind, El Sol and Las Victorias deposits of 91% silver, 25% gold, 92% lead, 82% zinc and 80% copper and for the Skarn Front deposit of 85% silver, 18% gold, 89% lead, 92% zinc and 84% copper were used to define the cut-off grades. Base case cut-off grade assumed \$75/tonne operating, smelting and sustaining costs. All prices are stated in \$USD. Silver Equivalents were calculated from the interpolated block values using relative recoveries and prices between the component metals and silver to determine a final AgEq value. The same methodology was used to calculate the ZnEq value. Mineral resources are not mineral reserves until they have demonstrated economic viability. Mineral resource estimates do not account for a resource's mineability, selectivity, mining loss, or dilution. The current Resource Estimate was prepared by Garth Kirkham, P.Geol. of Kirkham Geosciences Ltd. who is the Independent Qualified Person responsible for presentation and review of the Mineral Resource Estimate. All figures are rounded to reflect the relative accuracy of the estimate and therefore numbers may not appear to add precisely.

Robert Macdonald, MSc. P.Geol. is a Qualified Person as defined by National Instrument 43-101 and supervised directly the collection of the data from the Cerro Las Minitas Project that is reported in this disclosure and is responsible for the presentation of the technical information in this disclosure.