



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

August 20, 2021

Dear Shareholders:

Your Company has achieved a number of significant milestones in the past year and which are summarized below:

Ownership of the Cerro Las Minitas property, Durango, Mexico: Subsequent to receipt of shareholder approval at the 2020 Annual General Meeting, Southern Silver has completed the purchase of a 60% working interest in this property from Electrum for total consideration of US\$15,000,000 of which US\$7,993,597 was paid in cash and US\$3,006,403 was settled in shares. A balance remains of US\$4,000,000, due in September 2021, which can be paid in cash or US\$2,000,000 in cash and US\$2,000,000 in shares at the Company's discretion. Electrum holds 23% of our issued capital and is a long-term holder.

Exploration at Cerro Las Minitas: Southern re-commenced exploration on the Cerro Las Minitas Property in September, 2020 and since that time has completed 56 core holes totaling 22,360 metres. Drilling has primarily targeted the east side of the Cerro, in an area approximately 1km east of the previously identified mineral resources and specifically targeted step-outs from strongly silver-enriched mineral intercepts at the South Skarn and Mina La Bocona targets.

Drilling successfully established continuity at both targets and has now tested the full 850 metre strike-length of the east side of the Cerro to depths of up to 500 metres. Three bonanza grade mineralized zones have been identified as well as shallow intercepts of high-grade mineralization to the northwest of the Bocona target.

Final assays have been received from the Mina La Bocona and South Skarn targets which are in the process of being incorporated into the upcoming mineral resource update on the project, the results of which are expected in early Q4 2021.

Exploration on the property continues with one drill and has now transitioned to "greenfields" targeting on the El Sol claim. Up to 3000 metres of drilling is planned on this concession which sits 2.5 kilometres to the northwest of the Mina La Bocona target area and covers the northerly projection of previously identified mineralization in the Blind Zone deposits and a second area of artisanal workings. The concession was re-acquired by Southern in 2020. Surface mapping and prospecting returned anomalous values from several strongly oxidized and silicified rocks in outcrop and dump samples which form the basis of the new drill targeting.

The Cerro Las Minitas project is an advanced exploration stage polymetallic Ag-Pb-Zn-Cu Skarn/CRD project located in southern Durango, Mexico.

Resource calculation: The Cerro Las Minitas project as of May 9th, 2019 contains a Mineral Resource Estimate, at a 175g/t AgEq cut-off, of⁽¹⁾:

- 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 175 drill holes for 79,000 metres has now been completed in the area of the Cerro on the CLM Project, with exploration expenditures of approximately US\$30.0 million.

In Q4, 2021 the Company will receive a Mineral resource Estimate incorporating all results from inception of exploration to late 2021.

An independent Preliminary Economic Assessment is currently being prepared to guide further development of the CLM property.

At Oro, in New Mexico: We finalized drill targeting based on the compilation of historical data, Southern's earlier drilling on the property, surface sampling, clay alteration studies and a 2017-18 airborne magnetic and Z-TEM survey over the property. Six drill holes totaling 4000 metres has been identified for testing both the buried Cu-Mo porphyry potential and nearer surface, Cu-skarn mineralization on this 22.4 km² early-stage Larimide porphyry exploration property.

Permitting has been completed and the company is in the final stages of securing bonding for the exploration work. Drilling is anticipated to start mid-Q4 2021.

Equity financing: During the fiscal year ended April 30, 2021 to the date of this letter, the Company closed brokered and non-brokered private placements for total gross proceeds of \$26,456,000 and received \$8,587,410 from option and warrant exercises. Presently, there is approximately \$18.3 million in the treasury.



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.