



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

August 15, 2022

Dear Shareholders:

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

Cerro Las Minitas property, Durango, Mexico:

The Company completed purchase of a 60% working interest in the property from Electrum Global Holdings LP (“Electrum”) through payment in September 2021 of the residual payment of \$4 million paid equally in cash and common shares. Southern Silver now holds a 100% interest in the Cerro Las Minitas project. Electrum holds 25% of our issued capital and is a long-term holder.

The Cerro Las Minitas project is an advanced exploration stage polymetallic Ag-Pb-Zn-Cu Skarn/CRD project located in southern Durango. Details of exploration and development are set out in Schedule 1 to this report.

Oro and Hermanas, New Mexico, USA:

During the year, targets were identified on the Oro, New Mexico property and diamond drilling exploration is currently underway.

We entered into an option agreement to purchase a 100% interest in the Hermanas project, south of our Oro project in New Mexico.

Details of exploration and development on both properties are set out in Schedule 1 to this report.

Your Company has made significant progress this year. At Cerro Las Minitas, drilling exploration continued subsequent to completion of the Resource Estimate referenced in Schedule 1 which will be incorporated into future Resource Estimates and will allow further refinement of the economics of the project.

Thanks are due to our Company’s employees, consultants and support personnel. In the past twelve years the Cerro Las Minitas project has been transformed from a raw prospect into a very valuable resource which can be developed into a new Mexican mine; the New Mexican projects are well on their way to continued development into valuable mineral deposits which may be benefited through further application of science and geological expertise.

A handwritten signature in blue ink, appearing to read "L. Page".

Lawrence Page, Q.C.
President

SCHEDULE 1

Cerro Las Minitas

Mineral Resource Update:

On October 27, 2021, the Company released an updated NI 43-101 Mineral Resource Estimate (“Resource Estimate”) for the project, by Kirkham Geosciences Ltd which, at a US\$60/ cut-off⁽¹⁾, featured:

- Indicated – 12.3Mt averaging 106g/t Ag, 0.16% Cu 1.3% Pb, and 3.3% Zn equalling a US\$130NSR/t value; containing 42.1Moz Ag, 44Mlb Cu, 358Mlb Pb and 895Mlb Zn; and
- Inferred – 19.6Mt averaging 117g/t Ag, 0.23% Cu, 1.2% Pb and 2.3% Zn equalling US\$123NSR/t value; containing 73.6Moz Ag, 98Mlb Cu, 500Mlb Pb and 1,009Mlb Zn.

A small oxide resource was identified within the upper 100 metres of surface in the La Bocona zone. The 2021 oxide resources at a US\$60/t cut-off are:

- An Indicated Mineral resource totaling 65,000 tonnes averaging 28g/t Ag and 2.2 g/t Au equalling a US\$93/t NSR value, containing: 58,000 ounces of silver and 4,500 ounces of gold; and
- An Inferred Mineral resource totaling 219,000 tonnes averaging 120g/t Ag and 0.8g/t Au equalling a US\$88/t NSR value, containing: 844,000 ounces of silver and 5,600 ounces of gold.

The new Resource Estimate significantly increases the size of the resource on a tonnage and silver-equivalency basis making it one of the largest, undeveloped high-grade underground silver-based deposits in the world. The new Resource Estimate increases silver as a proportion of the contained metals and significantly increases the Net Smelter Return (“NSR”) value of the deposits.

Results from the updated Resource Estimate will now be incorporated, with additional mining, mineral processing and financial data into an independent NI43-101 Preliminary Economic Assessment (“PEA”) for the project. Work on the PEA commenced in late 2021, the results of which are pending and expected to be released shortly.

Exploration at Cerro Las Minitas: Additional drilling on the project, through to August 2022, targeted mineralized extensions of the North Felsite and North Skarn targets and has now confirmed the continuity of new mineralization over an approximate 400 metre strike-length extending laterally from the Mina La Bocona to the Skarn Front deposits. Strong gold-enrichment is identified in several hangingwall intercepts correlating to zones of mineralization outboard of the more typical, silver-enriched polymetallic mineralization of the main skarn horizon located adjacent to the central monzonite intrusion.

Continuous to semi-continuous mineralization has now been identified around the circumference of the Central intrusion with the exception of the southwest quadrant which remains to be explored by diamond drilling.

A total of 205 drill holes for 89,176 metres has now been completed on the Cerro Las Minitas Project, with exploration expenditures of approximately US\$34.0 million.

Oro, New Mexico

We permitted and bonded six drill sites to test multiple targets based on the compilation of historical data, Southern Silver’s earlier drilling on the property, surface sampling, clay alteration studies and a 2017-18 airborne magnetic and Z-TEM survey over the property.

Attractive targets were identified for buried Cu-Mo porphyries and nearer surface, Cu-skarn and Ag-Au-Zn-Pb-CRD mineralization on this 22.4 km² early-stage Laramide porphyry exploration property. At the end of February 2022, a 4,000-metre core hole program commenced on the property. The planned six-hole program is underway, currently drilling the third of three deep holes testing porphyry copper mineralization on the western portion of the property. Drilling will then transition to two copper-skarn targets and one carbonate-replacement target on the eastern portion of the property.

Hermanas, New Mexico

We acquired an option to earn 100% working interest on an attractive Tertiary-age epithermal vein property from a successful mine-finding, prospect-generator group. The property is located approximately 40km east of Southern Silver's Oro property and has excellent access and logistical features. Multiple veins are exposed on the property and have vein textures indicative of being high-level, with minimal erosion. Select samples collected by the Company assay high concentrations of gold and silver, and together with vein textures indicative of minimal erosion, indicate that deeper, untested portions of the veins are attractive exploration targets. Surface mapping and sampling have been completed, and along with purchased regional magnetic/radiometric data and recently acquired historic shallow drill data, are being incorporated into a 3D model. Once modeling is complete, permitting for 2023 drilling will begin.

1. The 2021 Cerro Las Minitas Resource Estimate as of October 27th, 2021 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 3m x 10m, with grades for Au, Ag, Cu, Pb, Zn values interpolated using ID2 weighting. Silver, zinc equivalent and \$NSR/t values were subsequently calculated from the interpolated block grades. The base case model assumed a \$60NSR/t cut-off for operating, processing and sustaining costs, with an indicated resource of 12,325,000 tonnes averaging 106g/t Ag, 0.07g/t Au, 1.3% Pb, 3.3% Zn and 0.16% Cu and an inferred resource of 19,605,000 tonnes averaging 117g/t Ag, 0.12g/t Au, 1.2% Pb, 2.3% Zn and 0.23% Cu. AgEq cut-off values and NSR values were calculated using average long-term prices of \$20/oz. silver, \$1,650/oz. gold, \$3.50/lb. copper, \$1.0/lb. lead and \$1.20/lb. zinc. Metal recoveries are variable as a function of deposit and concentrate and are detailed in NR-18-21, Oct 27, 2021. All prices are stated in \$USD. Silver Equivalents, Zn equivalents and \$/t NSR values were calculated from the interpolated block values using relative recoveries and prices between the component metals and silver to determine final values. 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.Geo. 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.Geo, 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.

This document contains forward-looking statements. Forward-looking statements address future events and conditions and therefore involve inherent risks and uncertainties. Actual results may differ materially from those currently anticipated in such statements. Factors that could cause actual results to differ materially from those in forward looking statements include the timing and receipt of government and regulatory approvals, and continued availability of capital and financing and general economic, market or business conditions. Southern Silver Exploration Corp. does not assume any obligation to update or revise its forward-looking statements, whether as a result of new information, future events or otherwise, except to the extent required by applicable law.