



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

August 17, 2023

Dear Shareholders:

Your Company has made significant progress this year on both the Cerro Las Minitas Project which continues to advance through the scoping and economic assessment stages and at the Oro project where we completed the latest phase of core drilling on the property.

Highlights of the previous year are below.

Cerro Las Minitas property, Durango, Mexico:

The publication of a NI43-101 Preliminary Economic Assessment of the Cerro Las Minitas Project which presents the outline of a large-scale, underground, silver and base metal mine with robust economics which can only grow larger and more valuable with continued exploration and development.

Completed diamond drilling on the North Felsite target and incorporated the mineralization into an updated NI43-101 Mineral Resource on the Cerro Las Minitas Property. This increase is an approximate 63% increase in the size of the La Bocona deposit (on a AgEq basis) and an overall 4.5% increase in the mineral resources of the entire project and will be incorporated into further economic assessments on the property.

The completion of metallurgical test work which confirmed the technical merit of recovering both free cyanide-leachable gold and refractory gold from pyritic material through a process of fine grinding and hot atmospheric pressure oxidation followed by cyanide leaching. Gold recovery was not included in earlier economic assessments and these results will have a direct positive impact on the project economics.

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 and four core holes totalling 4,050 metres were drilled on the Oro, New Mexico property. Drilling confirmed our interpretation that the entire hydrothermal system is preserved beneath a tilted Lithocap. Verification of classic copper porphyry metal zoning in the four core holes, is very encouraging. 62 new claims have been staked in the northern part of the property and several new targets identified for future drill testing.

Verification sampling by the company on the Hermanas Property contain anomalous gold and silver in seven of nine samples collected, including a sample from a small historic mine dump that assayed 6.7ppm Au & 150ppm Ag and a sample of outcropping banded quartz + carbonate vein that assayed 4.6ppm Au & 56ppm Ag. Detailed geologic mapping and additional sampling were conducted. In addition, historic drilling data and airborne geophysical data were identified and acquired. Drill targets have been identified and permitting for 2024 drilling is in process.

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

Thanks are due to our Company's employees, consultants and support personnel. In the past thirteen 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 beneficiated through further application of science and geological expertise.

A handwritten signature in blue ink, appearing to read 'L. Page', with a stylized flourish at the end.

Lawrence Page, K.C.
President

SCHEDULE 1

Cerro Las Minitas

PEA Highlights:

On August 29th, 2022, the Company released an NI 43-101 Preliminary Economic Assessment (“PEA”) for the project, by M3 Engineering & Technology Corp. (“M3”), Kirkham Geosystems Ltd. (“KGL”), Entech Mining Limited (“Entech”), and Metallurgical Process Consultants Limited (“MPC”).

PEA Highlights⁽¹⁾:

Robust Project Economics: an after-tax NPV5% of US\$349M (C\$480M) and project IRR of 17.9% (using base-case metal pricing of Ag- \$21.95/oz, Cu – \$3.78/lb, Pb – \$0.94/lb and Zn - \$1.33/lb);

Large-Scale Underground Mining Operation with a 15-year mine life with an annual average plant feed of 14.2 Mozs AgEq (inc. 5.8 Mozs Ag);

High-Revenue Project: Base Case gross revenues total US\$3.7B with silver representing 42% of revenues, zinc representing 39% of revenues. The project has an Initial CapEx of US\$341M; and

Well Located Project in a mining friendly jurisdiction with excellent infrastructure in southeast Durango state, Mexico.

The PEA modelling is based upon a Mineral Resource Estimate prepared in late 2021 with data derived from 171 drill holes. Drilling through to August 2022 confirmed mineralized extensions to the Mina La Bocona and Skarn Front deposits that were not incorporated into the PEA and was the subject of a subsequent resource update (see below). Other deposits remain open laterally and to depth and remain to be explored.

Mineral Resource Update:

On March 22, 2023, 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, featured:

Resource Model Highlights⁽²⁾:

Indicated Mineral Resources: 12.5Mt averaging 106g/t Silver, 0.07g/t Gold, 0.2% Copper, 1.3% Lead and 3.3% Zinc (349g/t AgEq; 8.5% ZnEq) equalling a US\$130/t NSR value, containing:

42.7 million ounces of silver; 29 thousand ounces of gold; 46 million pounds of copper, 364 million pounds of lead; and 903 million pounds of zinc.

This equates to 140 million ounces silver equivalent or 2.3 billion pounds zinc equivalent; and

Inferred Mineral Resources: 21.0Mt averaging 118g/t Silver, 0.1g/t Gold, 0.2% Copper, 1.2% Lead and 2.2% Zinc (311g/t AgEq; 7.6% ZnEq) equalling a US\$123/t NSR value containing:

80.0 million ounces of silver; 85 thousand ounces of gold; 101 million pounds of copper, 571 million pounds of lead; and 1,029 million pounds of zinc (1.03 billion pounds Zn).

This equates to 210 million ounces silver equivalent or 3.5 billion pounds zinc equivalent.

The new Mineral Resource Estimate incorporates results from 26 additional drill holes totalling 11,801.5 metres which tested the north-western extension of the La Bocona deposit. Mineralization was also identified in several holes specifically along the northern margin of the central intrusion that were not incorporated into the new resource update and with further drilling, represent additional expansion opportunities.

The new Resource Estimate 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.

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.

A total of 226 drill holes for 97,384 metres has now been completed on the Cerro Las Minitas Project, with exploration expenditures of approximately US\$37.0 million.

Oro, New Mexico

2022 drilling completed 4,050 metres in four holes testing several deep porphyry targets and returning 457metres of 0.15% CuEq and several high-grade mineralized intercepts.

Drilling tested mineralized intrusive, tested several targets in the upper carbonate stratigraphy and confirmed an association between mineralized intrusive and airborne magnetic anomalies.

Numerous targets remain to be tested and two new targets have been developed.

Hermanas, New Mexico

The Hermanas 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 which are indicative of a high-level, vein system. 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, have been incorporated into a 3D model. Modeling is now complete, drill targets identified and permitting for 2024 drilling is in progress.

1. Details and modelling parameters of the NI43I-101 Preliminary Economic Assessment of the Cerro Las Minitas Project can be found in New Release NR-07-22, dated October 13th, 2022 and entitled “Southern Silver Announces Preliminary Economic Assessment on Cerro Las Minitas with After-tax Net Present Value at a 5% Discount Rate of US\$349M, Internal Rate of Return of 17.9% and a 60 month payback”.

2. Details and modelling parameters of the revised NI43-101 Mineral Resource Estimate of the Cerro Las Minitas Project can be found in News Release NR-01-23, dated March 22nd, 2023 and entitled “Southern Silver Provides Mineral Resource Update that Includes Newly Identified Shallow High-grade Deposit at the Cerro Las Minitas Project”

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.