

Gatos Silver Files Financial Results for the First Three Quarters of 2022 and Announces Investor Conference Call for 2022 Year-End Results

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[Gatos Silver Inc.](#) (NYSE/TSX: GATO) ("Gatos Silver" or the "Company") today filed its quarterly reports on Forms 10-Q for the quarters ended March 31, June 30, and September 30, 2022, which include its unaudited condensed consolidated financial statements for such periods. The 10-Qs were filed on both the EDGAR and SEDAR systems and are posted on the Gatos Silver website at <https://gatossilver.com>.

The Company expects that it will file its annual report on Form 10-K for the year ended December 31, 2022, on March 30, 2023, after markets close, which will include its financial results and its audited consolidated financial statements for the period.

The Company plans to host an investor and analyst call on March 31, 2023, details of which are provided below.

As previously disclosed, the unaudited condensed consolidated financial statements for the first three quarters of 2022 were delayed following Gatos Silver's January 25, 2022, announcement of errors in the 2020 Technical Report that ultimately resulted in a reduction in the metal content of its previously estimated mineral reserves. With the filing of the Form 10-Qs for the first three quarters of 2022, Gatos Silver is current on its U.S. and Canadian securities regulatory filing requirements. The Company has, therefore, requested the Ontario Securities Commission to revoke the related Management Cease Trade Orders.

Gatos Silver's net income for the nine months ended September 30, 2022, was \$18.3 million¹ or \$0.26 per basic and diluted share compared with a year-earlier net loss of \$3.1 million or \$0.05 per basic and diluted share. The improvement in net income was primarily due to an increase in revenue for the 70%-owned Los Gatos Joint Venture ("LGJV") driven by strong production. Production results for the nine months ended September 30, 2022, were disclosed on October 11, 2022.

In summary, the LGJV achieved the following results for the nine months ended September 30, 2022, compared with the same period a year earlier (100% basis):

- Revenue of \$218.7 million, up 23% from \$178.3 million
- Cost of sales of \$81.6 million, up 16% from \$70.3 million
- Net income of \$53.0 million, up 27% from \$41.7 million
- Cash flow from operations of \$118.3 million, up 39% from \$85.0 million
- By-product cash cost² of \$1.24 per payable ounce of silver, down 77% from \$5.48
- By-product AISC² of \$9.50 per ounce of payable silver, down 42% from \$16.33

For additional details please see the Company's quarterly filings on the Company's website, or on EDGAR and SEDAR.

The Company remains well-positioned to achieve its guidance and disclosed plans for 2023, including the further optimization of the Cerro Los Gatos ("CLG") operation, advancing mine life extension opportunities, accelerating the drilling on the mineralization recently discovered at depth in the new South-East Deeps zone, and continuing exploration of the highly prospective Los Gatos district.

¹ The Company's reporting currency is US dollars.

² See "Non-GAAP Financial Performance Measures" for additional information.

Financial Results Webcast and Conference Call

Investors and analysts are invited to attend the year-end financial results webcast and conference call as follows:

Date: Friday, March 31, 2023

Time: 8:00 a.m. PT / 11:00 a.m. ET

Listen-Only Webcast: <https://events.q4inc.com/attendee/175852880>

Dial In for Analysts only: 1 (888) 330-2513

An archive of the webcast will be available at <https://gatossilver.com> within 24 hours.

About Gatos Silver

Gatos Silver is a silver dominant exploration, development and production company that discovered a new silver and zinc-rich mineral district in southern Chihuahua State, Mexico. As a 70% owner of the LGJV, the Company is primarily focused on operating the Cerro Los Gatos mine and on growth and development of the Los Gatos district. The LGJV consists of over 103,000 hectares of mineral rights, representing a highly prospective and under-explored district with numerous silver-zinc-lead epithermal mineralized zones identified as priority targets.

Non-GAAP Financial Performance Measures

We use certain measures that are not defined by GAAP to evaluate various aspects of our business. These non-GAAP financial measures are intended to provide additional information only and do not have any standardized meaning prescribed by GAAP and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP. The measures are not necessarily indicative of operating profit or cash flow from operations as determined under GAAP. Please see "Cash Costs and All-In Sustaining Costs" and "Reconciliation of expenses (GAAP) to non-GAAP measures" below.

Cash Costs and All-In Sustaining Costs

Cash costs and all-in sustaining costs ("AISC") are non-GAAP measures. AISC was calculated based on guidance provided by the World Gold Council ("WGC"). WGC is not a regulatory industry organization and does not have the authority to develop accounting standards for disclosure requirements. Other mining companies may calculate AISC differently as a result of differences in underlying accounting principles and policies applied, as well as definitional differences of sustaining versus expansionary (i.e. non-sustaining) capital expenditures based upon each company's internal policies. Current GAAP measures used in the mining industry, such as cost of sales, do not capture all of the expenditures incurred to discover, develop and sustain production. Therefore, we believe that cash costs and AISC are non-GAAP measures that provide additional information to management, investors and analysts that aid in the understanding of the economics of the Company's operations and performance compared to other producers and provides investors visibility by better defining the total costs associated with production.

Cash costs include all direct and indirect operating cash costs related directly to the physical activities of producing metals, including mining, processing and other plant costs, treatment and refining costs, general and administrative costs, royalties and mining production taxes. AISC includes total production cash costs incurred at the LGJV's mining operations plus sustaining capital expenditures. The Company believes this measure represents the total sustainable costs of producing silver from current operations and provides additional information of the LGJV's operational performance and ability to generate cash flows. As the measure seeks to reflect the full cost of silver production from current operations, new project and expansionary capital at current operations are not included. Certain cash expenditures such as new project spending, tax payments, dividends, and financing costs are not included.

Reconciliation of expenses (GAAP) to non-GAAP measures

The table below presents a reconciliation between the most comparable GAAP measure of the LGJV's expenses to the non-GAAP measures of (i) cash costs, (ii) cash costs, net of by-product credits, (iii) co-product all-in sustaining costs and (iv) by-product all-in sustaining costs for our operations.

(in thousands, except unit costs)	Nine Months Ended	
	September 30, 2022	September 30, 2021
Cost of sales	\$81,550	\$70,275
Royalties	2,739	3,480
Exploration	6,235	3,505
General and administrative	9,846	9,493
Depreciation, depletion and amortization	52,340	36,388
Expenses	\$152,710	\$123,141
Depreciation, depletion and amortization	(52,340)	(36,388)
Exploration ¹	(6,235)	(3,505)
Treatment and refining charges ²	15,668	16,372
Cash costs (A)	\$109,803	\$99,620
Sustaining capital	57,036	51,864
AISC (B)	\$166,839	\$151,484
By-product credits ³	(101,200)	(73,402)
AISC, net of by-product credits (C)	\$65,639	\$78,082
Cash costs, net of by-product credits (D)	\$8,603	\$26,218
Payable ounces of silver equivalent ⁴ (E)	11,877	7,837
Co-product cash cost per ounce of payable silver equivalent (A/E)	\$9.25	\$12.71
Co-product AISC per ounce of payable silver equivalent (B/E)	\$14.05	\$19.33
Payable ounces of silver (F)	6,912	4,782
By-product cash cost per ounce of payable silver (D/F)	\$1.24	\$5.48
By-product AISC per ounce of payable silver (C/F)	\$9.50	\$16.33

¹ Exploration costs are not related to current operations.

² Represent reductions on customer invoices and included in Sales of the LGJV combined statement of income (loss).

³ By-product credits reflect realized metal prices of zinc, lead and gold for the applicable period, which includes any final settlement adjustments from prior periods.

⁴ Silver equivalents utilize the average realized prices during the nine months ended September 30, 2022, of \$20.38/oz silver, \$1.55/lb zinc, \$0.98/lb lead and \$1,837/oz gold and the average realized prices during the three months ended September 30, 2022 of \$17.25/oz silver, \$1.52/lb zinc, \$0.91/lb lead and \$1,790/oz gold. Silver equivalents utilize the average realized prices during the nine months ended September 30, 2021 of \$24.03/oz silver, \$1.29/lb zinc, \$0.97/lb lead and \$1,799/oz gold and the average realized prices during the three months ended September 30, 2021 of \$23.31/oz silver, \$1.40/lb zinc, \$0.99/lb lead and \$1,776/oz gold.

Forward-Looking Statements

This press release contains statements that constitute "forward looking information" and "forward-looking statements" within the meaning of U.S. and Canadian securities laws. All statements other than statements of historical facts contained in this press release that address activities, events or developments that the Company believes, expects or anticipates will or may occur in the future, including statements regarding completion and filing of the Company's Form 10-K, its ability to achieve guidance and disclosed plans for 2023, further optimization of the CLG operation, the advancement of mine life extension opportunities including definition drilling in the South-East Deeps zone, and exploration in the Los Gatos district are forward-looking statements. Forward-looking statements are based on management's beliefs and assumptions and on information currently available to management, which include, but is not limited to, management's belief that continued exploration of the Los Gatos district will yield positive results and that the conversion of the higher-grade portion of the current mineral resources into reserves can be achieved on a timely basis or at all. Actual results may differ materially from those expressed or implied in the forward-looking statements. Risks and uncertainties that could cause actual results to differ materially from the forward-looking statements include, but are not limited to, changes in development or mining plans due to changes in logistical, technical or other factors, the possibility that future exploration results will not be consistent with the Company's expectations, assumptions regarding the availability of required permits, changes in world silver markets and silver prices and other risks described in our filings with the U.S. Securities and Exchange Commission and Canadian securities commissions. Gatos Silver expressly disclaims any obligation or undertaking to update the forward-looking statements contained in this press release to reflect any change in its expectations or any change in events, conditions, or circumstances on which such statements are based unless required to do so by applicable law. No assurance can be given that such future results will be achieved. Forward-looking statements speak only as of the date of this press release.

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