Gatos Silver Announces 2023 Production and Cost Guidance

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VANCOUVER, Feb. 23, 2023 - Gatos Silver Inc. (NYSE/TSX: GATO) ("Gatos Silver" or the "Company") today announced production and cost guidance for 2023 at its 70% owned Cerro Los Gatos mine ("CLG"). The currency in this news release is U.S. dollars.

2023 CLG Guidance Highlights (100% basis):

- Silver production is expected to be between 7.4 and 8.2 million ounces, at an all-in sustaining cost ("AISC")[1] after by-product credits of between $11.00 and $13.00 per payable ounce
- Silver equivalent production is expected to be between 12.4 and 13.8 million ounces, at an AISC on a co-product basis of between $15.50 and $17.50 per payable ounce
- Sustaining capital expenditures are estimated at $45 million, significantly lower than 2022
- Exploration and definition drilling expenditures are estimated at $13 million, including drilling of the South-East Deeps zone and district exploration

Dale Andres, CEO of Gatos Silver commented: "The 2023 production and AISC guidance is consistent with the life of mine plan disclosed in October 2022. It reflects strong and consistent operational performance for the past 18 months, and our continued confidence in the quality of the CLG asset."

"With the recently completed paste backfill plant, CLG is well positioned to continue debottlenecking and business improvement efforts while continuing to control costs and maximize cash flows. Our objectives for the year include further optimizing operational performance, advancing mine life extension opportunities, accelerating definition drilling on the mineralization recently discovered at depth in the new South-East Deeps zone, and continuing exploration of the extensive land package in the highly prospective Los Gatos district. We continue to be a low-cost producer with substantial cash generation potential, and the Company expects to have the financial resources to fund planned exploration and future development expenses without new dilutive equity financings."

Production and cost guidance for 2023 is shown in the table below:

CLG 2023 Full Year Guidance (100% Basis)	
Production Guidance - Contained Metal	
Silver ounces (millions)	7.4 - 8.2
Zinc pounds - in zinc conc. (millions)	57 - 63
Lead pounds - in lead conc. (millions)	36 - 40
Gold ounces - in lead conc. (thousands)	5.4 - 6.2
Silver Equivalent ("AgEq") ounces - (millions)[1]	12.4 - 13.8
All-in Sustaining Cost (AISC)[2]	
Co-product basis ($/oz AgEq payable)	$15.50 - $17.50
By-product basis ($/oz Ag payable)	$11.00 - $13.00

[1] Silver equivalent production is calculated using price assumptions of $22/oz Ag, $1.20/lb Zn, $0.90/lb Pb and $1,700/oz Au to "convert" zinc, lead and gold production contained in concentrate to "equivalent" silver ounces (contained metal, multiplied by price, divided by silver price).

[2] Financial metrics assume an exchange rate of 20.00 Mexican Pesos per US$1.00. Costs used in calculating financial metrics include an allocation for Gatos Silver and Dowa corporate costs paid by the Los Gatos Joint Venture ("LGJV") of approximately $6 million per year. See "Non-GAAP Financial Performance Measures" for additional information.

Silver production is expected to be higher in the first half of 2023 than in the second half of 2023 based on sequencing of the mine plan. Zinc and lead production are expected to be higher in the second half of the year than in the first half. We expect consistent plant throughput of between 2,800 and 2,900 tonnes processed per day throughout the year.

The Company expects sustaining capital expenditures at CLG (100% basis) to be approximately $45 million in 2023, of which $25 million is for underground development primarily to access the lower levels of the NW and Central zones and to further develop access to the SE zone. Development of the SE zone is being accelerated in 2023 compared to the previous life of mine plan to support future development of the South-East Deeps zone and for additional production flexibility. The remainder of capital expenditures is expected to be primarily associated with equipment replacements and rebuilds, dewatering infrastructure, and for completion of the fluorine leach plant for zinc concentrates which we expect to commission in Q2. We do not expect significant tailings dam construction expenditures in 2023.

Exploration and definition drilling expenditures are expected to be approximately $13 million in 2023. The LGJV currently has five active drill rigs on surface and three underground, with the primary focus being on CLG life extension including drilling of the South-East Deeps zone. The focus will gradually shift towards exploration drilling of the Los Gatos district in the second half of 2023. The Company also plans to conduct detailed mapping of the district and undertake a geophysics program aiming to define structures and future drilling targets across the property including underneath the Rio Conchos basin.

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 approximately 103,087-hectares of mineral rights, representing a highly prospective and under-explored district with numerous silver-zinc-lead epithermal mineralized zones identified as priority targets.

Qualified Person

Scientific and technical disclosure in this press release was approved by Anthony (Tony) Scott, P. Geo., Senior Vice President of Corporate Development and Technical Services of Gatos Silver who is a "Qualified Person" as defined in S-K 1300 and NI 43-101.

Non-GAAP Financial Performance Measures

AISC includes total production cash costs incurred at the LGJV's mining operations (including all direct and indirect operating cash costs related to the physical activities of producing metals, including mining, processing and other plant costs, treatment and refining costs, freight and handling, general and administrative costs, corporate cost allocations, mining taxes, and royalties) plus sustaining capital expenditures and excluding exploration and reclamation expenses. AISC on a co-product basis is the AISC costs per ounce of payable silver equivalent, where payable silver equivalent is calculated by "converting" payable zinc, lead and gold in concentrate to "equivalent" payable silver ounces (payable metal, multiplied by price, divided by silver price). AISC on a by-product basis is the AISC per ounce of payable silver less revenues from payable zinc, lead and gold per ounce of payable silver. Commodity price assumptions used in both of the foregoing metrics are $22/oz Ag, $1.20/lb Zn, $0.90/lb Pb and $1,700/oz Au. The Company believes AISC represents the total sustainable costs of producing silver from current operations and provides additional information on the LGJV's operational performance and ability to generate cash flows. This non-GAAP financial measure is intended to provide additional information only and does 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 Company does not provide a reconciliation of forward-looking AISC to the GAAP measure of the LGJV expenses due to the inherent difficulty in forecasting and quantifying certain amounts that are necessary for such reconciliation, and as a result, is not able to provide a reconciliation of AISC without unreasonable effort. The amount of the non-GAAP adjustments may be material and, therefore, could result in projected AISC being materially different than projected LGJV GAAP expenses.

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, including statements regarding cash generation potential, funding of planned and future expenditures, production and cost guidance for 2023, commodity price and exchange rate assumptions, sustaining capital expenditure and exploration and definition drilling expenditure estimates, plant throughput rates, further optimization of the CLG operation, the advance 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. Estimates or expectations of future events or results are based upon certain assumptions, which are subject to risks and uncertainties, and may prove to be incorrect. Such assumptions include, but are not limited to, there being no significant change to current and expected geotechnical, metallurgical, hydrological and other physical conditions; permitting, development, and operations being consistent with current expectations and mine plans; political developments in Mexico, the United States and Canada being consistent with current expectations; exchange rate assumptions; price assumptions for silver, zinc, lead and gold; prices for key supplies and other cost inputs being consistent with expectations; and other planning assumptions. Actual results may differ materially from those expressed or implied in the forward-looking statements and may be affected by other risks and uncertainties 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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[1] AISC is a non-GAAP measure. See "Non-GAAP Financial Performance Measures" for additional information.

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