

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the quarterly period ended March 31, 2024

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 001-39649



**GATOS SILVER, INC.**

(Exact name of registrant as specified in its charter)

**Delaware**

**27-2654848**

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

**925 W Georgia Street , Suite 910  
Vancouver , British Columbia , Canada V6C 3L2**  
(Address of principal executive offices) (Zip Code)

**(604) 424-0984**

(Registrant's telephone number, including area code)

**N/A**

Securities registered pursuant to Section 12(b) of the Act:

<b>Title of each class</b>	<b>Trading symbol(s)</b>	<b>Name of each exchange on which registered</b>
Common Stock, par value \$0.001 per share	GATO	New York Stock Exchange Toronto Stock Exchange

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (\$232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input checked="" type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

The Company has 700,000,000 shares of common stock, par value 0.001, authorized of which 69,181,047 were issued and outstanding as of May 6, 2024.

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**PART I - FINANCIAL INFORMATION****Item 1. Financial Statements (Unaudited)****GATOS SILVER, INC.****CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)**

(In thousands of United States dollars, except share amounts)

	Notes	March 31, 2024	December 31, 2023
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents		\$ 70,586	\$ 55,484
Related party receivables	5	464	560
Other current assets	3	2,486	22,642
Total current assets		73,536	78,686
<b>Non-Current Assets</b>			
Investment in affiliates	11	308,202	321,914
Deferred tax assets		246	266
Other non-current assets	3	415	38
<b>Total Assets</b>		<b>\$ 382,399</b>	<b>\$ 400,904</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
<b>Current Liabilities</b>			
Accounts payable and other accrued liabilities	4	\$ 10,376	\$ 33,357
<b>Non-Current Liabilities</b>			
Lease liability		255	—
<b>Stockholders' Equity</b>			
Common Stock, \$ 0.001 par value; 700,000,000 shares authorized; 69,181,047 and 69,181,047 shares outstanding as of March 31, 2024 and December 31, 2023, respectively		117	117
Paid-in capital		555,008	553,319
Accumulated deficit		( 183,357 )	( 185,889 )
Total stockholders' equity		371,768	367,547
<b>Total Liabilities and Stockholders' Equity</b>		<b>\$ 382,399</b>	<b>\$ 400,904</b>

See accompanying notes to the condensed consolidated financial statements.

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**GATOS SILVER, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME (UNAUDITED)**

(In thousands of United States dollars, except share amounts)

	Notes	Three Months Ended March 31,	
		2024	2023
<b>Expenses</b>			
Exploration		\$ 31	\$ 26
General and administrative		6,963	5,536
Amortization		4	37
Total expenses		6,998	5,599
<b>Other income (expense)</b>			
Equity income in affiliates	11	7,288	5,011
Interest expense		—	( 164 )
Interest income		767	161
Other income	5	1,518	1,426
Other income		9,573	6,434
<b>Income before taxes</b>		2,575	835
Income tax expense		43	—
Net income and comprehensive income		\$ 2,532	\$ 835
Net income per share:	7		
Basic and Diluted		\$ 0.04	\$ 0.01
Weighted average shares outstanding:			
Basic		69,181,047	69,162,223
Diluted		70,419,665	69,309,019

See accompanying notes to the condensed consolidated financial statements.

**GATOS SILVER, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (UNAUDITED)**

(In thousands of United States dollars, except share amounts)

	Number		Amount		Total
	Common Stock	Common Stock	Paid-in Capital	Accumulated deficit	
Balance at December 31, 2023	69,181,047	117	553,319	( 185,889 )	367,547
Stock-based compensation	—	—	1,681	—	1,681
DSU compensation	—	—	8	—	8
Net income	—	—	—	2,532	2,532
Balance at March 31, 2024	69,181,047	117	555,008	( 183,357 )	371,768

	Number		Amount		Total
	Common Stock	Common Stock	Paid-in Capital	Accumulated deficit	
Balance at December 31, 2022	69,162,223	117	547,114	( 198,749 )	348,482
Stock-based compensation	—	—	783	—	783
Net income	—	—	—	835	835
Balance at March 31, 2023	69,162,223	117	547,897	( 197,914 )	350,100

See accompanying notes to the condensed consolidated financial statements.

**GATOS SILVER, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(In thousands of United States dollars, except share amounts)

	Notes	Three Months Ended March 31,	
		2024	2023
<b>OPERATING ACTIVITIES</b>			
Net income		\$ 2,532	\$ 835
<b>Adjustments to reconcile net income to net cash provided (used) by operating activities:</b>			
Amortization		4	37
Stock-based compensation expense	6	1,681	743
Equity income in affiliates	11	( 7,288 )	( 5,011 )
Deferred tax recovery		14	—
Other		( 37 )	—
Distribution received from affiliate	11	21,000	—
<b>Changes in operating assets and liabilities:</b>			
Receivables from related-parties		96	1,104
Accounts payable and other accrued liabilities		( 23,053 )	( 2,289 )
Other current assets		20,187	478
Net cash provided (used) by operating activities		15,136	( 4,103 )
<b>INVESTING ACTIVITIES</b>			
Net cash used by investing activities		—	—
<b>FINANCING ACTIVITIES</b>			
Lease payments		( 34 )	—
Net cash used by financing activities		( 34 )	—
Net increase (decrease) in cash and cash equivalents		15,102	( 4,103 )
Cash and cash equivalents, beginning of period		55,484	17,004
Cash and cash equivalents, end of period		\$ 70,586	\$ 12,901
Interest paid		\$ 4	\$ 173
Interest earned		\$ 767	\$ 161

See accompanying notes to the condensed consolidated financial statements.

**GATOS SILVER, INC.**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

**(In thousands of United States dollars, except share amounts)**

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**1. Basis of Presentation**

***Basis of Consolidation and Presentation***

The financial statements represent the condensed consolidated financial position and results of operations of Gatos Silver, Inc. and its subsidiaries, Gatos Silver Canada Corporation and Minera Luz del Sol S. de R.L. de C.V. Unless the context otherwise requires, references to "Gatos Silver" or the "Company" mean Gatos Silver, Inc. and its consolidated subsidiaries.

The interim condensed consolidated financial statements are unaudited, but include all adjustments, consisting of normal recurring entries, which are necessary for a fair presentation for the dates and periods presented. Interim results are not necessarily indicative of results for a full year. The financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information. Accordingly, they do not include all financial information and disclosures required by GAAP for complete financial statements and should be read in conjunction with the audited consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2023, filed with the Securities and Exchange Commission ("SEC") on February 20, 2024, and the amended Annual Report on Form 10-K/A filed with the SEC on May 6, 2024 (collectively the "2023 10-K").

**2. Summary of Significant Accounting Policies**

***Summary of Significant Accounting Policies***

The consolidated financial statements for the year ended December 31, 2023, disclose those accounting policies considered significant in determining results of operations and financial position. There have been no material changes to, or in the application of, the accounting policies previously identified and described in the 2023 10-K.

***Recent Accounting Pronouncements***

In March 2024, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2024-02, Codification Improvements: Amendments to Remove References to the Concepts Statements. This ASU contains amendments to the Accounting Standards Codification (the "ASC") that remove references to various FASB Concepts Statements. The FASB has a standing project on its agenda to address suggestions received from stakeholders on the ASC and other incremental improvements to GAAP. This effort facilitates ASC updates for technical corrections such as conforming amendments, clarifications to guidance, simplifications to wording or the structure of guidance, and other minor improvements. The resulting amendments are referred to as ASC improvements. The amendments of this update are effective for fiscal years beginning after December 15, 2024. Early adoption is permitted. The Company is still assessing the impact of this ASU, but does not expect it to have a material impact on the financial statements.

In October 2023, the FASB issued ASU No. 2023-06, Disclosure Improvements: Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative. The amendments in this ASU modify the disclosure or presentation requirements of a variety of Topics in the ASC. Certain amendments represent clarifications to or technical corrections of the current requirements. Each amendment in this ASU will only become effective if the Securities and Exchange Commission removes the related disclosure or presentation requirement from its existing regulations by June 30, 2027. The Company is still assessing the impact of the standard.

There have been no other accounting pronouncements issued or adopted during the three months ended March 31, 2024, which are expected to have a material impact on the financial statements.

**3. Other Current Assets**

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	March 31, 2024	December 31, 2023
Value added tax receivable	\$ 696	\$ 691
Prepaid expenses	1,379	1,914
Insurance proceeds receivable	403	20,000
Other assets	8	37
<b>Total other current assets</b>	<b>\$ 2,486</b>	<b>\$ 22,642</b>

The insurance proceeds receivable represents estimated insurance payable by the Company's insurers to claimants on behalf of the Company related to the settlement of the U.S. Class Action and Canadian Class Action (each, as defined in Note 9) lawsuits. On March 22, 2024, the Company and its insurers made a payment in escrow of \$ 1,403 and \$ 19,597 , respectively. See Note 9 Commitments, Contingencies and Guarantees, for further discussion on the U.S. Class Action and Canadian Class Action lawsuits and related settlement.

As at March 31, 2024, other non-current assets include the right of use asset of \$ 380 for the office lease with the term until January 30, 2027. The corresponding current lease liability of \$ 125 as at March 31, 2024, and \$ 11 as at December 31, 2023, is included in accounts payable, accrued and other liabilities, and a long term lease liability of \$ 255 at March 31, 2024, and nil at December 31, 2023, is included in non-current liabilities.

#### 4. Accounts Payable and Other Accrued Liabilities

	March 31, 2024	December 31, 2023
Accounts payable	\$ 375	\$ 2,713
Accrued expenses	4,700	3,031
Accrued compensation	1,762	3,215
Legal settlement payable	3,000	24,000
Current tax payable	414	387
Other liabilities	125	11
<b>Total accounts payable and other current liabilities</b>	<b>\$ 10,376</b>	<b>\$ 33,357</b>

The legal settlement payable represents the estimated settlement amount payable to claimants included in the U.S. Class Action and Canadian Class Action lawsuits. On March 22, 2024, the Company made a payment in escrow of \$ 1,403 to fund the U.S. Class Action settlement. See Note 9 Commitments, Contingencies and Guarantees, for further discussion on the U.S. Class Action and Canadian Class Action lawsuits and related settlement.

#### 5. Related Party Transactions

##### *Los Gatos Joint Venture ("LGJV")*

Under the Unanimous Omnibus Partner Agreement, the Company provides certain management and administrative services to the LGJV. The Company earned \$ 1,500 and \$ 1,250 under this agreement for the three months ended March 31, 2024 and 2023, respectively, which has been recorded on the statement of income and comprehensive income under other income. The Company received \$ 1,500 and \$ 1,250 in cash from the LGJV under this agreement for the three months ended March 31, 2024 and 2023, respectively. The Company had receivables under this agreement of nil and nil as of March 31, 2024, and December 31, 2023, respectively. The Company also incurs certain LGJV related costs that are subsequently reimbursed by the LGJV.

The Company seconds certain employees to the LGJV and charged \$ 580 and \$ 562 related to this arrangement in the three months ended March 31, 2024 and 2023, respectively. The Company received \$ 659 and \$ 1,464 in cash in the three months ended March 31, 2024 and 2023, respectively, and had \$ 171 and \$ 250 of receivables at March 31, 2024, and December 31, 2023, respectively, related to this arrangement.

#### 6. Stockholders' Equity

The Company is authorized to issue 700,000,000 shares of \$ 0.001 par value common stock and 50,000,000 shares of \$ 0.001 par value preferred stock.

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*Stock-Based Compensation*

The Company recognized stock-based compensation expense as follows:

	Three Months Ended	
	March 31,	2023
	2024	2023
Stock Options	\$ 690	\$ 693
Performance share units	51	50
Restricted share units	940	—
Total stock-based compensation	<u><u>\$ 1,681</u></u>	<u><u>\$ 743</u></u>

*Stock Option Transactions*

The Company granted 592,753 stock options during the three months ended March 31, 2024, with a weighted-average grant date fair value per share of \$ 3.70 and granted nil stock options for three months ended March 31, 2023. No stock options were exercised during the three months ended March 31, 2024 and 2023.

Total unrecognized stock-based compensation expense as of March 31, 2024, was \$ 3,520 , which is expected to be recognized over a weighted average period of 2.1 years.

Stock option activity for the three months ended March 31, 2024, is summarized in the following tables:

	Number of options	Weighted-Average Exercise Price	
		\$	\$
<b>Employee &amp; Director Options</b>			
Outstanding at December 31, 2023	2,616,515	\$ 8.83	
Granted	592,753	\$ 6.41	
Forfeited	( 17,818 )	\$ 6.82	
Expired	( 9,946 )	\$ 11.62	
Outstanding at March 31, 2024	<u>3,181,504</u>	<u>\$ 8.38</u>	
Vested at March 31, 2024	<u>1,928,955</u>	<u>\$ 9.55</u>	

The following assumptions were used to compute the fair value of the options granted using the Black-Scholes option valuation model:

	January 2024
Risk-free interest rate	3.86 %
Dividend yield	—
Estimated volatility	58.00 %
Expected option life	6 years

At March 31, 2024, the Company had 32,393 stock options previously granted to LGJV-personnel outstanding with a weighted-average exercise price of \$ 7.31 and a weighted-average remaining life of 1.8 years. There were no grants or exercises during the three months ended March 31, 2024 and March 31, 2023.

*Performance Share Unit ("PSU") Transactions*

On December 17, 2021, 119,790 PSUs were granted to the Company's employees with a weighted-average grant date fair value per share of \$ 14.22 . At March 31, 2024, there were 40,802 PSUs outstanding. On March 31, 2024, unrecognized compensation expense related to the PSUs was \$ 115 , which is expected to be recognized over a weighted-average period of 0.7 years.

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### *Restricted Stock Unit ("RSU") Transactions*

RSUs granted are reported as equity awards with a fair value of each RSU equal to the fair value of the Company's common stock on the grant date. Each earned RSU represents the right to receive one share of the Company's common stock, subject to the terms of the grant agreement, and generally vest on or before the third year-end of the grant date.

During the three months ended March 31, 2024, the Company granted 296,375 RSUs with grant date fair value of \$ 6.41 . During the period, 11,948 RSUs were forfeited. No RSUs were granted during the three months ended March 31, 2023.

The following table summarizes the RSU activity for the three months ended March 31, 2024:

<b>Employee RSUs</b>	<b>Number of RSUs</b>	<b>Weighted-Average Price Per Share</b>	
		\$	5.04
Outstanding at December 31, 2023	925,172	\$	5.04
Granted	296,375	\$	6.41
Forfeited	( 11,948 )	\$	5.50
Expired	—	\$	—
Outstanding at March 31, 2024	<u>1,209,599</u>	\$	<u>8.38</u>

Compensation expense is recognized ratably from the grant date over the requisite vesting period. On March 31, 2024, unrecognized compensation expense related to the RSUs was \$ 4,511 , which is expected to be recognized over a weighted-average period of 1.76 years.

### *Deferred Stock Unit ("DSU") Transactions*

DSUs are awarded to directors at the discretion of the Company's Board of Directors. The DSUs are fully vested on the grant date and each DSU entitles the holder to receive one share of the Company's common stock upon the director's cessation of continuous service. Non-employee directors are eligible to elect to defer receipt of any portion of annual retainers or meeting fees and take payment in the form of DSUs. The fair value of the DSUs is equal to the fair value of the Company's common stock on the grant date.

During the three months ended March 31, 2024, the Company granted 909 DSUs. No DSUs were granted during the three months ended March 31, 2023.

The following table summarizes the DSU activity for the three months ended March 31, 2024:

<b>Employee and Director DSUs</b>	<b>Number of DSUs</b>	<b>Weighted-Average Grant Price</b>	
		\$	7.76
Outstanding at December 31, 2023	302,920	\$	7.76
Granted	909	\$	8.39
Outstanding at March 31, 2024	<u>303,829</u>	\$	<u>7.76</u>

## **7. Net Income per Share**

Basic net income per share is computed by dividing net income available to common shareholders by the weighted average number of common shares outstanding during the period. Diluted net income per share is computed similarly, except that weighted-average common shares are increased to reflect the potential dilution that would occur if in-the-money stock options were exercised or PSUs, DSUs or RSUs were converted into common stock. The dilutive effects are calculated using the treasury stock method.

For the three months ended March 31, 2024, and March 31, 2023, weighted average outstanding in-the-money stock options, PSUs, RSUs and DSUs are included in dilutive earnings per common share calculation.

A reconciliation of basic and diluted earnings per common share for the three months ended March 31, 2024 and 2023, is as follows:

	<b>Three Months Ended March 31,</b>	
	<b>2024</b>	<b>2023</b>
Net income and comprehensive income	\$ 2,532	\$ 835
<b>Weighted average shares:</b>		
Basic	69,181,047	69,162,223
Effect of dilutive stock options	312,878	—
Effect of dilutive PSUs	38,966	—
Effect of dilutive RSUs	583,844	—
Effect of dilutive DSUs	302,930	146,796
Diluted	<u>70,419,665</u>	<u>69,309,019</u>
Net income per share:		
Basic and Diluted	\$ 0.04	\$ 0.01

## 8. Fair Value Measurements

The Company establishes a framework for measuring the fair value of assets and liabilities in the form of a fair value hierarchy that prioritizes the inputs into valuation techniques used to measure fair value into three broad levels. This hierarchy gives the highest priority to unadjusted quoted prices in active markets and the lowest priority to unobservable inputs. Further, financial assets and liabilities should be classified by level in their entirety based upon the lowest level of input that was significant to the fair value measurement. The three levels of the fair value hierarchy are as follows:

**Level 1:** Unadjusted quoted market prices in active markets for identical assets or liabilities that are accessible at the measurement date.

**Level 2:** Quoted prices in inactive markets for identical assets or liabilities, quoted prices for similar assets or liabilities in active markets, or other observable inputs either directly related to the asset or liability or derived principally from corroborated observable market data.

**Level 3:** Unobservable inputs due to the fact there is little or no market activity. This entails using assumptions in models which estimate what market participants would use in pricing the asset or liability.

### **Assets and Liabilities that are Measured at Fair Value on a Non-recurring Basis**

The Company discloses and recognizes its non-financial assets and liabilities at fair value on a non-recurring basis and makes adjustments to fair value, as needed (for example, when there is evidence of impairment).

The Company recorded its initial investment in affiliates at fair value within Level 3 of the fair value hierarchy, as the valuation was determined based on internally developed assumptions with few observable inputs and no market activity.

## 9. Commitments, Contingencies and Guarantees

In determining its accruals and disclosures with respect to loss contingencies, the Company will charge to income an estimated loss if information available prior to the issuance of the condensed consolidated financial statements indicates that it is probable that a liability has been incurred at the date of the condensed consolidated financial statements and the amount of the loss can be reasonably estimated. Legal expenses associated with the commitments and contingencies are expensed as incurred. If a loss contingency is not probable or reasonably estimable, disclosure of the loss contingency is made in the condensed consolidated financial statements when it is at least reasonably possible that a material loss could be incurred.

### ***Environmental Contingencies***

The Company's mining and exploration activities are subject to various laws, regulations and permits governing the protection of the environment. These laws, regulations and permits are continually changing and are generally becoming more restrictive. The Company has made, and expects to make in the future, expenditures to comply with such laws, regulations and permits, but cannot predict the full amount of such future expenditures.

#### ***Legal***

On February 22, 2022, a purported Company stockholder filed a putative class action lawsuit in the United States District Court for the District of Colorado (the "District Court") against the Company, certain of our former officers, and several directors (the "U.S. Class Action"). An amended complaint was filed on August 15, 2022. The amended complaint, allegedly brought on behalf of certain purchasers of the Company's common stock and certain traders of call and put options on the Company's common stock from December 9, 2020 through January 25, 2022, seeks, among other things, damages, costs, and expenses, and asserts claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 as well as Sections 11 and 15 of the Securities Act of 1933. The amended complaint alleges that certain individual defendants and the Company, pursuant to the control and authority of the individual defendants, made false and misleading statements and/or omitted certain material information regarding the mineral resources and reserves at the Cerro Los Gatos mine. The Company and all defendants filed a motion to dismiss this action on October 14, 2022. That motion was fully briefed as of December 23, 2022. On April 26, 2023, following a joint motion, the Court postponed its ruling on the defendants' motion to dismiss until on or after June 16, 2023.

On June 13, 2023, the Company entered into an agreement in principle to settle the U.S. Class Action. Subject to certain conditions, including class certification by the District Court, the execution of a definitive stipulation of settlement and approval of the settlement by the District Court, the settling parties agreed to resolve the U.S. Class Action for an aggregate payment by the Company and its insurers of \$ 21,000 to a settlement fund. On June 16, 2023, the parties filed a joint status report requesting that the Court grant a temporary stay of all proceedings in the case pending submission of proposed settlement documentation on or before July 13, 2023. On July 13, 2023, the plaintiffs filed an unopposed motion for an order preliminarily approving a stipulation of settlement agreed by the parties and providing for class notice which will provide for (i) preliminary approval of the settlement; (ii) approval of the form and manner of giving notice of the settlement to the settlement class; and (iii) a hearing date and time to consider final and approval of the settlement and related matters (the "Preliminary Order"). On September 12, 2023, the plaintiffs filed an unopposed motion to amend the Preliminary Order to reflect certain changes to the form of release proposed to be executed by the plaintiffs.

The District Court issued its Preliminary Order on February 29, 2024, approving the proposed settlement. Consistent with the stipulation of settlement requiring that a settlement account be funded within 30 days of the Preliminary Order, the Company and its insurers have fully funded that account, with \$ 1,403 funded by the Company and \$ 19,597 funded by the Company's insurers. The final fairness hearing is scheduled with the District Court for May 29, 2024.

By Notice of Action issued February 9, 2022, and subsequent Statement of Claim dated March 11, 2022, Izabela Przybyska (the "Plaintiff") commenced a putative class action against the Company, certain of its former officers, and others in the Ontario Superior Court of Justice on behalf of a purported class of all persons or entities, wherever they may reside or be domiciled, who acquired securities of the Company in both the primary and secondary markets during the period from October 28, 2020 until January 25, 2022 (the "Canadian Class Action"). The action asserts claims under Canadian securities legislation and at common law and seeks unspecified monetary damages and other relief in respect of allegations the defendants made false and misleading statements and omitted material information regarding the mineral resources and reserves of the Company.

On January 26, 2024, counsel for the Company and counsel for the Plaintiff executed a term sheet wherein any claims against us and the named individuals would be settled for a payment by the Company of \$ 3,000 . Such counsel subsequently agreed to and executed a definitive settlement agreement. On April 16, 2024, the Ontario Superior Court approved the settlement on a preliminary basis. Consistent with the terms of the settlement requiring that an escrow account be funded within 30 days of preliminary court approval, the Company and its insurers have fully funded an escrow account, with \$ 2,597 funded by the Company and \$ 403 funded by the Company's insurers. The final fairness hearing is scheduled with the Ontario Superior Court for June 28, 2024.

Since the settlements of the U.S. Class Action and the Canadian Class Action are subject to conditions, including final court approvals, there can be no assurance that either the U.S. Class Action or the Canadian Class Action will be finally resolved pursuant to the agreements that have been reached.

Further, the Company has made disclosures to the U.S. Department of Justice and the SEC regarding its January 25, 2022 press release and issues related to Cerro Los Gatos' mineral reserves and mineral resources at the time. The Company is cooperating with those agencies' investigations and cannot reasonably predict any outcome.

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There can be no assurance that any of the foregoing matters individually or in aggregate will not result in outcomes that are materially adverse for the Company.

**10. Segment Information**

The Company operates in a single industry as a corporation engaged in the acquisition, exploration and development of primarily silver mineral interests. The Company has mineral property interests in Mexico. The Company's reportable segments are based on the Company's mineral interests and management structure and include Mexico and Corporate segments. The Mexico segment engages in the exploration, development and operation of the Company's Mexican mineral properties and includes the Company's investment in the LGJV. Financial information relating to the Company's segments is as follows:

	Three Months Ended			Three Months Ended		
	March 31, 2024			March 31, 2023		
	Mexico	Corporate	Total	Mexico	Corporate	Total
Exploration expense	\$ 31	\$ —	\$ 31	\$ 26	\$ —	\$ 26
General and administrative expense	174	6,789	6,963	224	5,312	5,536
Amortization expense	4	—	4	—	37	37
Equity income in affiliates	( 7,288 )	—	( 7,288 )	( 5,011 )	—	( 5,011 )
Interest expense	—	—	—	—	164	164
Interest income	—	( 767 )	( 767 )	—	( 161 )	( 161 )
Other income	8	( 1,526 )	( 1,518 )	( 14 )	( 1,412 )	( 1,426 )
Income tax expense	—	43	43	—	—	—
Total assets	61,016	321,383	382,399	121,623	261,207	382,830

**11. Investment in Affiliates**

During the three months ended March 31, 2024 and 2023, the Company recognized \$ 7,288 and \$ 5,011 of income, respectively, on its investment in the LGJV Entities, representing its ownership share of the LGJV Entities' results, including the effect of the priority distribution payment. The equity income or loss in affiliates includes amortization of the carrying value of the investment in excess of the underlying net assets of the LGJV Entities. This basis difference is being amortized as the LGJV Entities' proven and probable reserves are processed.

On February 15, 2024, the LGJV made a \$ 30,000 capital distribution to the LGJV partners, of which the Company's share was \$ 21,000 .

Subsequently, on April 22, 2024, the LGJV made a \$ 25,000 capital distribution to the LGJV partners, of which the Company's share was \$ 17,500 .

The LGJV Entities' combined balance sheets as of March 31, 2024, and December 31, 2023, the combined statements of income for the three months ended March 31, 2024 and 2023, and the statement of cash flows for the three months ended March 31, 2024 and 2023 are as follows:

**LOS GATOS JOINT VENTURE**  
**COMBINED BALANCE SHEETS (UNAUDITED)**

	<b>March 31, 2024</b>	<b>December 31, 2023</b>
<i>(in thousands)</i>		
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 29,784	\$ 34,303
Receivables	12,221	12,634
Inventories	14,598	16,397
VAT receivable	10,117	12,610
Income tax receivable	18,828	20,185
Other current assets	2,770	1,253
<b>Total current assets</b>	<b>88,318</b>	<b>97,382</b>
<b>Non-Current Assets</b>		
Mine development, net	234,083	234,980
Property, plant and equipment, net	165,411	171,965
Deferred tax assets	7,389	9,568
<b>Total non-current assets</b>	<b>406,883</b>	<b>416,513</b>
<b>Total Assets</b>	<b>\$ 495,201</b>	<b>\$ 513,895</b>
<b>LIABILITIES AND OWNERS' CAPITAL</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	\$ 39,649	\$ 38,704
Related party payable	485	560
<b>Total current liabilities</b>	<b>40,134</b>	<b>39,264</b>
<b>Non-Current Liabilities</b>		
Lease liability	188	208
Asset retirement obligation	11,810	11,593
Deferred tax liabilities	3,952	3,885
<b>Total non-current liabilities</b>	<b>15,950</b>	<b>15,686</b>
<b>Owners' Capital</b>		
Capital contributions	425,638	455,638
Paid-in capital	18,186	18,186
Accumulated deficit	( 4,707 )	( 14,879 )
<b>Total owners' capital</b>	<b>439,117</b>	<b>458,945</b>
<b>Total Liabilities and Owners' Capital</b>	<b>\$ 495,201</b>	<b>\$ 513,895</b>

**LOS GATOS JOINT VENTURE**  
**COMBINED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (UNAUDITED)**

<i>(in thousands)</i>	<b>Three Months Ended, March 31,</b>	
	<b>2024</b>	<b>2023</b>
<b>Revenue</b>	\$ 72,218	\$ 69,865
<b>Expenses</b>		
Cost of sales	30,771	25,988
Royalties	330	418
Exploration	1,371	463
General and administrative	4,285	3,936
Depreciation, depletion and amortization	20,256	20,819
Total expenses	57,013	51,624
<b>Other expense (income)</b>		
Accretion expense	217	296
Interest expense	195	126
Interest income	( 273 )	—
Other income	( 5 )	( 12 )
Foreign exchange loss (gain)	124	( 827 )
	258	( 417 )
<b>Income before taxes</b>	14,947	18,658
<b>Income tax expense</b>	4,775	5,957
<b>Net income and comprehensive income</b>	\$ 10,172	\$ 12,701

**LOS GATOS JOINT VENTURE**  
**COMBINED STATEMENTS OF CASH FLOWS (UNAUDITED)**

<i>(in thousands)</i>	<b>Three Months Ended March 31,</b>	
	<b>2024</b>	<b>2023</b>
	\$	\$
<b>Cash flows from operating activities:</b>		
Net income	10,172	12,701
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and amortization	20,256	20,819
Accretion	217	296
Deferred taxes	2,341	907
Unrealized loss (gain) on foreign currency rate change	346	( 414 )
Changes in operating assets and liabilities:		
VAT receivable	2,517	2,521
Receivables	413	13,277
Inventories	1,232	( 1,075 )
Other current assets	( 1,517 )	( 2,610 )
Income tax receivable	1,037	4,187
Accounts payable and other accrued liabilities	386	( 9,459 )
Payables to related parties	( 75 )	( 1,106 )
Net cash provided by operating activities	<u>37,325</u>	<u>40,044</u>
<b>Cash flows from investing activities:</b>		
Mine development	( 9,993 )	( 8,312 )
Purchase of property, plant and equipment	( 1,835 )	( 2,542 )
Materials and supplies inventory	—	( 512 )
	<u>( 11,828 )</u>	<u>( 11,366 )</u>
Net cash used by investing activities	<u>                  </u> )	<u>                  </u> )
<b>Cash flows from financing activities:</b>		
Equipment loan and lease payments	( 16 )	( 290 )
	<u>( 30,000 )</u>	<u>                  </u>
Capital distribution	)	—
	<u>( 30,016 )</u>	<u>                  </u>
Net cash used by financing activities	<u>                  </u> )	<u>( 290 )</u>
Net increase (decrease) in cash and cash equivalents	( 4,519 )	28,388
Cash and cash equivalents, beginning of period	34,303	34,936
	<u>29,784</u>	<u>63,324</u>
Cash and cash equivalents, end of period	<u>                  \$</u>	<u>                  \$</u>
Interest paid	\$ 195	\$ 126
Interest earned	\$ 273	\$ —

**12. Subsequent Events**

On April 26, 2024, the Company made a payment in escrow of \$ 2,597 to fund the Canadian Class Action settlement. See Note 9 Commitments, Contingencies and Guarantees, for further discussion on the U.S. Class Action and Canadian Class Action lawsuits and related settlement.

## **Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

*The following discussion provides information that management believes is relevant to an assessment and understanding of the consolidated financial condition and results of operations of the Company and should be read in conjunction with the Company's condensed consolidated financial statements and related notes and other information included elsewhere in this Quarterly Report on Form 10-Q (the "Report") and the Company's audited consolidated financial statements and notes thereto as of and for the year ended December 31, 2023, and the related "Management's Discussion and Analysis of Financial Condition and Results of Operations," both of which are contained in our Annual Report on Form 10-K for the year ended December 31, 2023 filed with the Securities and Exchange Commission ("SEC") on February 20, 2024, and the amended Annual Report on Form 10-K/A filed with the SEC on May 6, 2024 (collectively the "2023 10-K"). References to the "Company," "Gatos Silver," "we," "us," "our" and other similar words refer to Gatos Silver, Inc. and its consolidated subsidiaries, unless the context suggests otherwise.*

### **Forward-Looking Statements**

This Report contains statements that constitute "forward looking information" and "forward-looking statements" within the meaning of U.S. and Canadian securities laws, including the Private Securities Litigation Reform Act of 1995. Forward-looking statements are often identified by words such as "may," "might," "could," "would," "achieve," "budget," "scheduled," "forecasts," "should," "expects," "plans," "anticipates," "believes," "estimates," "intends," "projects," "predicts," "potential" or "continue," the negative of these terms and other comparable terminology. These forward-looking statements may include, but are not limited to, the following:

- estimates of future mineral production and sales;
- estimates of future production costs, other expenses and taxes for specific operations and on a consolidated basis;
- estimates of future cash flows and the sensitivity of cash flows to gold, copper, silver, lead, zinc and other metal prices;
- estimates of future capital expenditures, construction, production or closure activities and other cash needs, for specific operations and on a consolidated basis, and expectations as to the funding or timing thereof;
- estimates as to the projected development of certain ore deposits, including the timing of such development, the costs of such development and other capital costs, financing plans for these deposits and expected production commencement dates;
- estimates of mineral reserves and mineral resources statements regarding future exploration results and mineral reserve and mineral resource replacement and the sensitivity of mineral reserves to metal price changes;
- statements regarding the availability of, and terms and costs related to, future borrowing or financing and expectations regarding future debt repayments;
- statements regarding future dividends and returns to shareholders;
- estimates regarding future exploration expenditures, programs and discoveries;
- statements regarding fluctuations in financial and currency markets;
- estimates regarding potential cost savings, productivity, operating performance and ownership and cost structures;
- expectations regarding statements regarding future transactions, including, without limitation, statements related to future acquisitions and projected benefits, synergies and costs associated with acquisitions and related matters;
- expectations of future equity and enterprise value;
- expectations regarding the start-up time, design, mine life, production and costs applicable to sales and exploration potential of our projects;
- statements regarding future hedge and derivative positions or modifications thereto;
- statements regarding local, community, political, economic or governmental conditions and environments;
- statements regarding the outcome of any legal, regulatory or judicial proceeding;
- statements regarding the impacts of changes in the legal and regulatory environment in which we operate, including, without limitation, relating to state, regional, national, domestic and foreign laws;
- statements regarding climate strategy and expectations regarding greenhouse gas emission targets and related operating costs and capital expenditures;
- statements regarding expected changes in the tax regimes in which we operate, including, without limitation, estimates of future tax rates and estimates of the impacts to income tax expense, valuation of deferred tax assets and liabilities, and other financial impacts;
- estimates of income taxes and expectations relating to tax contingencies or tax audits;
- estimates of future costs, accruals for reclamation costs and other liabilities for certain environmental matters, including without limitation, in connection with water treatment and tailings management;
- statements relating to potential impairments, revisions or write-offs, including without limitation, the result of fluctuation in metal prices, unexpected production or capital costs, or unrealized mineral reserve potential;
- estimates of pension and other post-retirement costs;
- statements regarding estimates of timing of adoption of recent accounting pronouncements and expectations regarding future impacts to the financial statements resulting from accounting pronouncements;
- estimates of future cost reductions, synergies, savings and efficiencies in connection with full potential programs and initiatives; and

- expectations regarding future exploration and the development, growth and potential of operations, projects and investments, including in respect of the Cerro Los Gatos ("CLG") and the Los Gatos District ("LGD").

Where we express an expectation or belief as to future events or results, such expectation or belief is expressed in good faith and believed to have a reasonable basis. However, our forward-looking statements are subject to risks, uncertainties and other factors, which could cause actual results to differ materially from future results expressed, projected or implied by those forward-looking statements.

All forward-looking statements speak only as of the date on which they are made. These statements are not a guarantee of future performance and involve certain risks, uncertainties and assumptions concerning future events that are difficult to predict. Therefore, actual future events or results may differ materially from these statements. Important factors that could cause our actual results to differ materially from those expressed or implied by forward-looking statements include, but are not limited to, the risks set forth under "Risk Factors Summary," and under "Item 1A. Risk Factors." in the 2023 10-K. Such factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements included in this Report and those described from time to time in our filings with the SEC, including, but not limited to, the 2023 10-K. These risks and uncertainties, as well as other risks of which we are not aware or which we currently do not believe to be material, may cause our actual future results to be materially different than those expressed in our forward-looking statements. Undue reliance should not be placed on these forward-looking statements. We do not undertake any obligation to make any revisions to these forward-looking statements to reflect events or circumstances after the date of this filing or to reflect the occurrence of unanticipated events, except as required by law. Certain forward-looking statements are based on assumptions, qualifications and procedures which are set out only in the Los Gatos Technical Reports. For a complete description of assumptions, qualifications and procedures associated with such information, reference should be made to the full text of the Los Gatos Technical Reports.

## **First Quarter 2024 Highlights**

### **Gatos Silver**

- Net cash flow provided by operating activities and free cash flow totaled \$15.1 million for the three months ended March 31, 2024 compared to net cash flow used by operating activities and free cash flow of \$4.1 million in the same period in 2023.
- The cash and cash equivalents at March 31, 2024, was \$70.6 million, compared to \$55.5 million at December 31, 2023, and the Company had \$50.0 million available for withdrawal from its revolving credit facility (the "Credit Facility");
- The cash and cash equivalents at April 30, 2024, was \$85.4 million after receipt of a capital distribution of \$17.5 million from the LGJV on April 22, 2024.
- Net income of \$2.5 million for the three months ended March 31, 2024, compared to \$0.8 million for the three months ended March 31, 2023;
- EBITDA<sup>1</sup> for the three months ended March 31, 2024, was \$1.8 million, compared to \$0.9 million in the same period in 2023;

<sup>1</sup> See "Non-GAAP Financial Measures" below.

**LGJV (100% basis)**

*Operational highlights*

- CLG produced 2.37 million ounces of silver, 10.1 million pounds of lead and 15.8 million pounds of zinc for the three months ended March 31, 2024, compared to 2.43 million ounces of silver, 9.5 million pounds of lead and 14 million pounds of zinc for the three months ended March 31, 2023.
- The processing plant processed 292,114 tonnes, an increase of 12% compared to 260,428 for the three months ended March 31, 2023. CLG had record process plant throughput rates, averaging of 3,210 tonnes per day ("tpd"), an 11% increase from 2,894 tpd in three months ended March 31, 2023.

*Financial highlights*

- Revenue of \$72.2 million increased by 3% for the three months ended March 31, 2024, compared to the three months ended March 31, 2023;
- Cost of sales of \$30.8 million increased by 18% for the three months ended March 31, 2024, compared to the same period in 2023;
- For the three months ended March 31, 2024, co-product all-in sustaining cost<sup>1</sup> per ounce of payable silver equivalent and by-product all-in sustaining cost<sup>1</sup> per ounce of payable silver increased to \$14.36 and \$10.08, respectively, compared to \$12.79 and \$6.11 for the three months ended March 31, 2023;
- LGJV net income of \$10.2 million in the three months ended March 31, 2024, decreased from net income of \$12.7 million in the same period in 2023;
- EBITDA<sup>1</sup> for the three months ended March 31, 2024, was \$35.1 million, compared to \$39.6 million in the same period 2023;
- Cash provided by operating activities was \$37.3 million and \$40.0 million for the three months ended March 31, 2024 and 2023, respectively;
- The LGJV's free cash flow<sup>1</sup> for the three months ended March 31, 2024, was \$25.5 million, compared to \$28.7 million in the comparable period of 2023.

<sup>1</sup> See "Non-GAAP Financial Measures" below.

## Results of Operations

### **Results of operations Gatos Silver**

The following table presents certain select financial information of Gatos Silver for the three months ended March 31, 2024 and 2023. In accordance with generally accepted accounting principles in the United States ("U.S. GAAP"), these financial results represent the consolidated results of operations of our Company and its subsidiaries.

(in thousands except per share data)	Three Months Ended March 31,	
	2024	2023
<b>Expenses</b>		
Exploration	\$ 31	\$ 26
General and administrative	6,963	5,536
Amortization	4	37
<b>Total expenses</b>	6,998	5,599
<b>Other income</b>		
Equity income in affiliates	7,288	5,011
Interest expense	—	(164)
Interest income	767	161
Other income	1,518	1,426
<b>Net other income</b>	9,573	6,434
<b>Income before taxes</b>	2,575	835
Income tax expense	43	—
<b>Net income and comprehensive income</b>	\$ 2,532	\$ 835
Net income and comprehensive income per share (basic and diluted)	\$ 0.04	\$ 0.01
EBITDA <sup>1</sup>	\$ 1,812	\$ 875
Net cash provided (used) by operating activities	\$ 15,136	\$ (4,103)
Free cash flow <sup>1</sup>	\$ 15,136	\$ (4,103)

<sup>1</sup> See "Non-GAAP Financial Measures" below.

### **Gatos Silver**

#### **Three Months Ended March 31, 2024, Compared to Three Months Ended March 31, 2023**

##### *General and administrative expenses*

The \$1.4 million increase in general and administrative expenses resulted primarily from a \$0.9 million increase in non-cash stock-based compensation expense as a result of a January 2024 equity grant, and a \$0.6 million increase in non-recurring legal defense fees.

##### *Equity income in affiliates*

The \$2.3 million increase in equity income in affiliates resulted primarily from a \$0.2 million reduction in the obligation under the priority distribution agreement in 2024 compared to the recognition of an obligation of \$3.9 million under the priority distribution agreement in 2023, partly offset by a decrease in equity income from the LGJV of \$1.8 million. The LGJV recorded net income of \$10.2 million for the three months ended March 31, 2024, compared to \$12.7 million for the three months ended March 31, 2023. See "Results of operations LGJV" below.

##### *Interest income*

The \$0.6 million increase in interest income was due to an increase in cash balances during the period and an increase in the interest rate earned on cash deposits.

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*Other income*

For the three months ended March 31, 2024 and 2023, other income consists primarily of \$1.5 million and \$1.3 million in management fees the Company received from the LGJV, respectively.

*Net income and comprehensive income*

For the three months ended March 31, 2024, the Company recorded net income of \$2.5 million, or \$0.04 per share, compared to net income of \$0.8 million, or \$0.01 per share, for the three months ended March 31, 2023, mainly due to the increase in equity income in affiliates.

**Results of operations LGJV**

The following table presents operational information and select financial information of the LGJV for the three months ended March 31, 2024 and 2023. The financial and operational information of the LGJV and CLG is shown on a 100% basis.

**Financial Results**

<i>(in thousands)</i>	<b>Three Months Ended March 31,</b>	
	<b>2024</b>	<b>2023</b>
Revenue	\$ 72,218	\$ 69,865
Cost of sales	30,771	25,988
Royalties	330	418
Exploration	1,371	463
General and administrative	4,285	3,936
Depreciation, depletion and amortization	20,256	20,819
Other expense (income)	258	(417)
Income tax expense	4,775	5,957
Net income and comprehensive income	\$ 10,172	\$ 12,701
EBITDA <sup>1</sup>	\$ 35,125	\$ 39,603
Net cash provided by operating activities	\$ 37,325	\$ 40,044
Free cash flow <sup>1</sup>	\$ 25,497	\$ 28,678
Sustaining capital <sup>1</sup>	\$ 8,944	\$ 7,642
Resource development drilling expenditures <sup>1</sup>	\$ 3,222	\$ 3,006

<sup>1</sup> See "Non-GAAP Financial Measures" below.

**Operating Results**

	Three Months Ended March 31,	
	2024	2023
(in thousands, except where otherwise stated)		
Tonnes milled (dmt)	292,114	260,428
Tonnes milled per day (dmt)	3,210	2,894
Average Grades		
Silver grade (g/t)	284	329
Zinc grade (%)	3.99	3.93
Lead grade (%)	1.77	1.86
Gold grade (g/t)	0.28	0.30
Contained Metal		
Silver ounces (millions)	2.37	2.43
Zinc pounds - in zinc conc. (millions)	15.8	14.0
Lead pounds - in lead conc. (millions)	10.1	9.5
Gold ounces - in lead conc. (thousands)	1.39	1.38
Recoveries <sup>1</sup>		
Silver - in both lead and zinc concentrates	88.8 %	88.3 %
Zinc - in zinc concentrate	61.4 %	62.2 %
Lead - in lead concentrate	89.2 %	88.6 %
Gold - in gold concentrate	52.0 %	55.3 %
Average realized price per silver ounce <sup>2</sup>	\$ 22.91	\$ 26.61
Average realized price per zinc pound <sup>2</sup>	\$ 1.07	\$ 1.43
Average realized price per lead pound <sup>2</sup>	\$ 0.85	\$ 1.05
Average realized price per gold ounce <sup>2</sup>	\$ 1,939	\$ 1,787
Co-product cash cost per ounce of payable silver equivalent <sup>3</sup>	\$ 11.70	\$ 10.47
By-product cash cost per ounce of payable silver <sup>3</sup>	\$ 6.09	\$ 2.66
Co-product AISC per ounce of payable silver equivalent <sup>3</sup>	\$ 14.36	\$ 12.79
By-product AISC per ounce of payable silver <sup>3</sup>	\$ 10.08	\$ 6.11

<sup>1</sup> Recoveries are reported for payable metals in the identified concentrate.

<sup>2</sup> Realized prices include the impact of final settlement adjustments from sales.

<sup>3</sup> See "Non-GAAP Financial Measures" below.

**LGJV****Three Months Ended March 31, 2024, Compared to Three Months Ended March 31, 2023****Revenue**

The LGJV's concentrate sales for the three months ended March 31, 2024 and 2023, are summarized below, in thousands:

<i>(in thousands)</i>	<b>Three Months Ended March 31,</b>	
	<b>2024</b>	<b>2023</b>
Lead concentrate revenue	\$ 57,594	\$ 64,978
Zinc concentrate revenue	19,460	22,652
Treatment and refining charges	(3,957)	(4,155)
Subtotal	73,097	83,475
Provisional revenue adjustments	(879)	(13,610)
<b>Total Revenue</b>	<b>\$ 72,218</b>	<b>\$ 69,865</b>

Total revenue increased by 3% for the three months ended March 31, 2024, compared to the three months ended March 31, 2023, primarily as a result of a 94% increase in a provisional revenue adjustment to \$0.9 million loss in the period ended March 31, 2024, from a \$13.6 million loss in the same period of 2023. Provisional revenue adjustments account for commodity price fluctuations in concentrate sales still subject to final settlement. Sales volumes of payable silver, zinc, lead and gold increased 1%, 14%, 12% and 5%, respectively. The average realized prices of silver, zinc and lead decreased 14%, 25% and 19%, respectively, and the average realized gold price increased by 9%. Treatment and refining charges decreased by 5%.

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The table below provides a breakdown of the LGJV's concentrate sales including volumes of payable metal and realized sales prices for the three months ended March 31, 2024 and 2023:

	Three Months Ended March 31,	
	2024	2023
<b>Sales volumes by payable metal</b>		
Silver ounces (millions)	2.24	2.22
Zinc pounds - in zinc conc. (millions)	13.7	12.0
Lead pounds - in lead conc. (millions)	10.0	8.9
Gold ounces - in lead conc. (thousands)	1.18	1.12
Copper pounds - in lead conc. (millions)	0.07	—
<b>Average realized price by payable metal</b>		
Average realized price per silver ounce	\$ 22.91	\$ 26.61
Average realized price per zinc pound	\$ 1.07	\$ 1.43
Average realized price per lead pound	\$ 0.85	\$ 1.05
Average realized price per gold ounce	\$ 1,939	\$ 1,787
Average realized price per copper pound	\$ 3.87	\$ —
<b>Revenue by payable metal (In thousands)</b>		
Silver	\$ 51,379	\$ 59,043
Zinc	\$ 14,567	\$ 17,184
Lead	\$ 8,542	\$ 9,394
Gold	\$ 2,294	\$ 2,009
Copper	\$ 272	\$ —
<b>Subtotal</b>	<b>\$ 77,054</b>	<b>\$ 87,630</b>
Treatment and refining charges	(3,957)	(4,155)
<b>Subtotal</b>	<b>\$ 73,097</b>	<b>\$ 83,475</b>
Provisional revenue adjustment	(879)	(13,610)
<b>Total revenue</b>	<b>\$ 72,218</b>	<b>\$ 69,865</b>

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### *Cost of sales*

Cost of sales increased by 18% primarily due to increasing processing costs as a result of a 12% increase in mill throughput and a 17% increase in the tonnage of the concentrate sold. Cost of sales were further impacted by the operating costs of the fluorine leaching plant commissioned in July 2023, and the strengthening of the Mexican peso against the U.S. dollar. Co-product cash cost<sup>1</sup> per ounce of payable silver equivalent and by-product cash cost per ounce of payable silver increased to \$11.70 and \$6.09, respectively, primarily due to a lower contribution from by-products due to substantially lower realized zinc and lead prices.

### *Royalties expense*

Royalty expense decreased by \$0.1 million for the three months ended March 31, 2024, due to lower revenue before provisional price adjustments.

### *General and administrative expenses*

General and administrative expenses for the three months ended March 31, 2024, were \$0.3 million higher compared to the three months ended March 31, 2023. The increase was primarily due to the increase in the management fee payable to the Company agreed to in October 2023, with an effective date of January 1, 2023.

### *Depreciation, depletion and amortization expense*

Depreciation, depletion, and amortization expense decreased by 3% for the three months ended March 31, 2024, as compared to the three months ended March 31, 2023, primarily due to the increase in mineral reserves and the extension of the life of the mine in July 2023, partly offset by the additional depreciation charges relating to the fluorine leaching plant, which was commissioned in July 2023.

### *Exploration expense*

Exploration expense for the three months ended March 31, 2024, was \$0.9 million higher as compared to the three months ended March 31, 2023, primarily due to increased green-fields exploration. During the quarter two drill holes were completed at Portigueño and the LGJV also progressed with the mapping of five prospective areas: San Luis, Lince, La Paula, San Agustin and Portigueño.

### *Other loss (income)*

Other expense was \$0.3 million for the three months ended March 31, 2024, compared to other income of \$0.4 million for the three months ended March 31, 2023. The increase in other expense is primarily due to a \$0.1 million loss on foreign exchange incurred for the three months ended March 31, 2024, due to the strengthening of the Mexican peso, compared to a gain of \$0.8 million in the same period in 2023. The loss on foreign exchange was partly offset by interest income of \$0.3 million and a decrease in accretion expense of \$0.1 million.

### *Income tax expense*

Income tax expense of \$4.8 million was recorded for the three months ended March 31, 2024, compared to income tax expense of \$6.0 million for the three months ended March 31, 2023. The 20% decrease in income tax expense was primarily due to lower taxable income for the three months ended March 31, 2024.

### *Net income and comprehensive income*

For the three months ended March 31, 2024, the LGJV had net income and comprehensive income of \$10.2 million compared to \$12.7 million for the three months ended March 31, 2023. The decrease in net income was primarily due to increases in cost of sales, exploration, general and administrative and other expenses in 2024, compared to 2023, partly offset by higher revenues and a decrease in royalties and depreciation, depletion and amortization expenses

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<sup>1</sup> See "Non-GAAP Financial Measures" below

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*Sustaining capital*

For the three months ended March 31, 2024, sustaining capital expenditures primarily consisted of \$5.8 million for mine development and \$2.5 million for infrastructure and equipment including \$1.7 million for the overhaul of mining equipment. During the three months ended March 31, 2023, sustaining capital expenditures primarily consisted of \$5.3 million for mine development, \$2.4 million for infrastructure and equipment including construction of the fluorine leach plant.

*Resource development drilling expenditures*

For the three months ended March 31, 2024 and March 31, 2023, resource development drilling expenditures primarily related to resource expansion drilling of the South-East Deep zone at CLG.

**Cash Flows**

**Gatos Silver**

The following table presents summarized information relating to the Company's cash flows for the three months ended March 31, 2024 and 2023.

(in thousands)	Three Months Ended March 31,	
	2024	2023
<b>Net cash provided (used) by</b>		
Operating activities	\$ 15,136	\$ (4,103)
Investing activities	—	—
Financing activities	(34)	—
Total change in cash	\$ 15,102	\$ (4,103)
Cash and cash equivalents, beginning of period	\$ 55,484	\$ 17,004
Cash and cash equivalents, end of period	\$ 70,586	\$ 12,901

The cash and cash equivalents at March 31, 2024, increased to \$70.6 million from \$55.5 million at December 31, 2023.

For the three months ended March 31, 2024, cash provided by operating activities was \$15.1 million operating activities, compared to \$4.1 million used by operating activities in the three months ended March 31, 2023, due to the \$21.0 million distribution received from the LGJV partially offset by higher general and administrative expenses.

Free cash flow<sup>1</sup> for three months ended March 31, 2024 increased to \$15.1 million from \$(4.1) million for three months ended March 31, 2023, primarily due to the receipt of a capital distribution from LGJV on February 15, 2024.

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<sup>1</sup> See "Non-GAAP Financial Measures" below

**LGJV**

The following table presents summarized information relating to the LGJV's cash flows for the three months ended March 31, 2024 and 2023.

<i>(in thousands)</i>	<b>Three Months Ended March 31,</b>	
	<b>2024</b>	<b>2023</b>
<b>Net cash provided (used) by</b>		
Operating activities	\$ 37,325	\$ 40,044
Investing activities	(11,828)	(11,366)
Financing activities	(30,016)	(290)
<b>Total change in cash</b>	\$ (4,519)	\$ 28,388
Cash and cash equivalents, beginning of period	\$ 34,303	\$ 34,936
<b>Cash and cash equivalents, end of period</b>	\$ 29,784	\$ 63,324

The LGJV cash and cash equivalents at March 31, 2024 decreased to \$29.8 million, from \$34.3 million at December 31, 2023.

Cash provided by operating activities was \$37.3 million and \$40.0 million for the three months ended March 31, 2024 and 2023, respectively. The \$2.7 million decrease in cash provided by operating activities was primarily due to the increase in cost of sales, and exploration and general and administrative expenses for the three months ended March 31, 2024, compared to the prior year period.

Cash used by investing activities was \$11.8 million and \$11.4 million for the three months ended March 31, 2024 and 2023, respectively. In the three months ended March 31, 2024, \$1.8 million was incurred on property, plant and equipment expenditures and \$10 million on mine development expenditures, of which \$3.2 million was associated with capitalized development drilling.

The free cash flow<sup>1</sup> for the three months ended March 31, 2024, was \$25.5 million, compared to \$28.7 million in the same period in 2023 primarily due to lower cash flow provided by operating activities and a slight increase in capital expenditures for the three months ended March 31, 2024.

Cash used by financing activities was \$30.0 million and \$0.3 million for the three months ended March 31, 2024 and 2023, respectively. The LGJV made a \$30.0 million capital distribution to the LGJV partners in February 2024.

#### **Liquidity and Capital Resources**

As of March 31, 2024, and December 31, 2023, the Company had cash and cash equivalents of \$70.6 million and \$55.5 million, respectively. The increase in cash and cash equivalents of \$15.1 million was primarily to a \$21.0 million capital distribution received from the LGJV on February 15, 2024. At March 31, 2024, the Company's borrowing capacity on the Credit Facility is \$50.0 million with an accordion feature providing up to an additional \$50.0 million, subject to certain conditions. We continue to remain compliant with covenants and do not currently anticipate any events or circumstances that would impact our ability to access funds available on the Credit Facility.

On April 30, 2024, the Company's cash and cash equivalents were \$85.4 million after receipt of a capital distribution of \$17.5 million from the LGJV on April 22, 2024. The LGJV had cash and cash equivalents of \$20.0 million on April 30, 2024, after the capital distribution of \$25.0 million to its partners on April 22, 2024. We believe the Company has sufficient cash and access to borrowings and other resources to carry out its business plans for the next 12 months and beyond. The Company manages liquidity risk through its capital structure and the Credit Facility.

1. See "Non-GAAP Financial Measures" below

## **Contractual Obligations**

There have been no material changes from the contractual obligations described in the 2023 10-K.

## **Critical Accounting Policies and Estimates**

There have been no material changes to our critical accounting policies and estimates described in the 2023 10-K.

Please refer to Note 2 Summary of Significant Accounting Policies in our condensed consolidated financial statements included in this Report and the 2023 10-K for discussion of our critical accounting policies and estimates.

## **Jumpstart Our Business Startups Act of 2012**

The Jumpstart Our Business Startups Act of 2012 (the "JOBS Act") permits us, as an "emerging growth company," to take advantage of an extended transition period to comply with new or revised accounting standards applicable to public companies. We have elected to "opt out" of this provision and, as a result, we will comply with new or revised accounting standards on the relevant dates on which adoption of such standards is required for public companies that are not emerging growth companies. The decision to opt out of the extended transition period under the JOBS Act is irrevocable.

## **Non-GAAP Financial 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.

### ***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 (Cash Costs and All-In Sustaining Costs)***

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 AISC and (iv) by-product AISC for our operations.

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	Three Months Ended March 31,	
	2024	2023
(in thousands, except where otherwise stated)		
Cost of sales	\$ 30,771	\$ 25,988
Royalties	330	418
Exploration	1,371	463
General and administrative	4,285	3,936
Depreciation, depletion and amortization	20,256	20,819
Total expenses	\$ 57,013	\$ 51,624
Depreciation, depletion and amortization	(20,256)	(20,819)
Exploration <sup>1</sup>	(1,371)	(463)
Treatment and refining costs <sup>2</sup>	3,957	4,155
Cash costs (A)	\$ 39,343	\$ 34,497
Sustaining capital <sup>5</sup>	8,944	7,642
Co-product AISC (B)	\$ 48,287	\$ 42,139
By-product credits <sup>3</sup>	(25,674)	(28,587)
AISC, net of by-product credits (C)	\$ 22,613	\$ 13,552
Cash costs, net of by-product credits (D)	\$ 13,669	\$ 5,910
Payable ounces of silver equivalent <sup>4</sup> (E)	3,363	3,294
Co-product cash cost per ounce of payable silver equivalent (A/E)	\$ 11.70	\$ 10.47
Co-product AISC per ounce of payable silver equivalent (B/E)	\$ 14.36	\$ 12.79
Payable ounces of silver (F)	2,243	2,219
By-product cash cost per ounce of payable silver (D/F)	\$ 6.09	\$ 2.66
By-product AISC per ounce of payable silver (C/F)	\$ 10.08	\$ 6.11

1. Exploration costs are not related to current mining operations.
2. Represent reductions on customer invoices and included in revenue of the LGJV combined statement of operations.
3. By-product credits reflect realized metal prices of zinc, lead, gold and copper for the applicable period, which includes any final settlement adjustments from prior periods.
4. Silver equivalents utilize the average realized prices during the three months ended March 31, 2024, of \$22.91/oz silver, \$1.07 /lb zinc, \$0.85/lb lead, \$1,939/oz gold and \$3.87/lb copper and the average realized prices during the three months March 31, 2023, of \$26.61/oz silver, \$1.43/lb zinc, \$1.05/lb lead and \$1,787/oz gold. The average realized prices are determined based on revenue inclusive of final settlements.
5. Sustaining capital excludes resource development drilling costs related to resource development drilling of the South- East Deep zone.

***Sustaining capital and Resource development drilling***

The following table provides a breakdown of cash flows used by investing activities of the LGJV:

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<i>(in thousands)</i>	Three Months Ended March 31,	
	2024	2023
Cash flow used by investing activities	\$ 11,828	\$ 11,366
Sustaining capital	8,944	7,642
Resource development drilling	3,222	3,006
Materials & supplies	—	512
Change in capital-related accounts payable	(338)	206
<b>Total</b>	<b>\$ 11,828</b>	<b>\$ 11,366</b>

**EBITDA**

Management uses EBITDA to evaluate the Company's operating performance, to plan and forecast its operations, and assess leverage levels and liquidity measures. EBITDA is defined as net income adjusted for interest expense, interest income, income tax expense and depreciation, depletion and amortization expense. The Company believes the use of EBITDA reflects the underlying operating performance of our core mining business and allows investors and analysts to compare results of the Company to similar results of other mining companies. EBITDA does not represent, and should not be considered an alternative to, net income or cash flow from operations as determined under GAAP. The table below reconciles the Company's EBITDA, a non-GAAP measure to Net Income:

<i>(in thousands)</i>	Three Months Ended March 31,	
	2024	2023
Net income and comprehensive income	\$ 2,532	\$ 835
Interest expense	—	164
Interest income	(767)	(161)
Income tax expense	43	—
Depreciation, depletion and amortization expense	4	37
<b>EBITDA</b>	<b>\$ 1,812</b>	<b>\$ 875</b>

The table below reconciles of EBITDA, a non-GAAP measure, to the LGJV's Net Income:

<i>(in thousands)</i>	Three Months Ended March 31,	
	2024	2023
Net income and comprehensive income	\$ 10,172	\$ 12,701
Interest expense	195	126
Interest income	(273)	—
Income tax expense	4,775	5,957
Depreciation, depletion and amortization expense	20,256	20,819
<b>EBITDA</b>	<b>\$ 35,125</b>	<b>\$ 39,603</b>

**Free Cash Flow**

Management uses free cash flow as a non-GAAP measure to analyze cash flows generated from operations. Free cash flow is cash provided by (used in) operating activities less cash flow (used in) from investing activities as presented on the Condensed Consolidated Statements of Cash Flows. The Company believes free cash flow is also useful for investors as one of the bases for comparing the Company's performance with its competitors. Although free cash flow and similar measures are frequently used as measures of cash flows generated from operations by other companies, the Company's calculation of free cash flow is not necessarily comparable to such other similarly titled captions of other companies.

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The following table sets forth a reconciliation of free cash flow, a non-GAAP financial measure, to net cash (used) provided by operating activities, which the Company believes to be the GAAP financial measure most directly comparable to free cash flow.

<i>(in thousands)</i>	Three Months Ended March 31,	
	2024	2023
Net cash provided (used) by operating activities	\$ 15,136	\$ (4,103)
Net cash used by investing activities	—	—
<b>Free cash flow</b>	<b>\$ 15,136</b>	<b>\$ (4,103)</b>

The following table sets forth a reconciliation of free cash flow, a non-GAAP financial measure, to net cash provided by operating activities for the LGJV.

<i>(in thousands)</i>	Three Months Ended March 31,	
	2024	2023
Net cash provided by operating activities	\$ 37,325	\$ 40,044
Net cash used by investing activities	(11,828)	(11,366)
<b>Free cash flow</b>	<b>\$ 25,497</b>	<b>\$ 28,678</b>

### **Item 3. Quantitative and Qualitative Disclosures about Market Risk**

We are a "smaller reporting company" as defined under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and are not required to provide disclosure pursuant to this Item.

### **Item 4. Controls and Procedures**

#### ***Evaluation of Disclosure Controls and Procedures***

We have established disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act) that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to management, including our principal executive and principal financial officers as appropriate, to allow timely decisions regarding required disclosure.

Our management, with the participation of our principal executive officer and principal financial officer, evaluated the effectiveness of our disclosure controls and procedures as of March 31, 2024. Based on this evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were not effective as of March 31, 2024, due to the material weaknesses in our internal control over financial reporting described in the 2023 10-K.

#### ***Changes in Internal Control over Financial Reporting***

There have not been any changes in the Company's internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the quarter ended March 31, 2024, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

#### ***Limitations on Effectiveness of Controls***

Our management, including our Chief Executive Officer and Chief Financial Officer, do not expect that our disclosure controls and procedures will prevent all errors and fraud. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable, not absolute, assurance of achieving the desired control objectives. Further, the design of a control system must reflect resource constraints, which require management to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in

decision making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by management's override of the control.

The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

**PART II - OTHER INFORMATION**

**Item 1. Legal Proceedings**

For a description of Legal Proceedings see Note 9. Commitments, Contingencies and Guarantees in Item 1. Financial Statements.

**Item 1A. Risk Factors**

Factors that could cause our actual results to differ materially from those in this Report include, but are not limited to, any of the risks described in the 2023 10-K. Any of these factors could result in a significant or material adverse effect on our results of operations or financial condition. Additional risk factors not currently known to us or that we currently deem immaterial may also adversely affect us. As of the date of this Report, there have been no material changes to the risk factors disclosed in the 2023 10-K.

**Items 5. Other Information**

During the three months ended March 31, 2024, none of our directors or officers (as defined in Exchange Act Rule 16a-1(f)) adopted or terminated a "Rule 10b5-1 trading arrangement" or a "non-Rule 10b5-1 trading arrangement," each as defined in Item 408 of Regulation S-K.

**Item 6. Exhibits**

10.1	<a href="#">Cerro Los Gatos Lead Concentrate Sales Agreement dated January 11, 2024 between Operaciones San Jose de Plata, S. de R.L. de C.V. and Metagri S.A. de C.V. (incorporated by reference to Exhibit 10.5.1 of the Company's Annual Report on Form 10-K filed February 21, 2024)</a>
31.1*	<a href="#">Section 302 Certification of Chief Executive Officer</a>
31.2*	<a href="#">Section 302 Certification of Chief Financial Officer</a>
32.1**	<a href="#">Section 1350 Certifications</a>
101.INS*	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104*	Cover Page Interactive Data File (formatted as Inline XBRL with applicable taxonomy extension information contained in Exhibits 101)

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\* Filed herewith

\*\* Furnished herewith

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

GATOS SILVER, INC.  
(Registrant)

May 6, 2024

By: /s/ Dale Andres

Dale Andres  
Chief Executive Officer

May 6, 2024

By: /s/ André van Niekerk

André van Niekerk  
Chief Financial Officer

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER**

I, Dale Andres, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Gatos Silver, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 6, 2024

By: \_\_\_\_\_ /s/ Dale Andres  
 Dale Andres  
 Chief Executive Officer

**CERTIFICATION OF CHIEF FINANCIAL OFFICER**

I, André van Niekerk, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Gatos Silver, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 6, 2024

By: \_\_\_\_\_ /s/ André van Niekerk  
 André van Niekerk  
 Chief Financial Officer

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Gatos Silver, Inc. (the "Company") for the quarterly period ended March 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Dale Andres, as Chief Executive Officer of the Company, and André van Niekerk, as Chief Financial Officer of the Company, each hereby certifies, pursuant to and solely for the purpose of 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, to the best of his knowledge and belief, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

*/s/* Dale Andres

Dale Andres

Chief Executive Officer

May 6, 2024

*/s/* André van Niekerk

André van Niekerk

Chief Financial Officer

May 6, 2024