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**Santacruz Restructures Silver Pre-Payment Agreement and Announces Equity Financing**

**Vancouver, B.C. - Santacruz Silver Mining Ltd. ("Santacruz" or the "Company") (TSX.V:SCZ)** announces that it has entered into a memorandum of understanding ("MOU") with JMET LLC ("JMET") to restructure the terms of its current Pre-Paid Forward Silver Purchase Agreement (the "Silver Pre-Payment Agreement") and has concurrently entered into an agreement with Haywood Securities Inc. ("Haywood"), on behalf of a syndicate including M Partners Inc. (collectively, the "Agents") to conduct an equity offering of units.

Arturo Préstamo, President and Chief Executive Officer of Santacruz, stated: "We are very pleased to have come to an agreement with JMET and Haywood to restructure the current Silver Pre-Payment Agreement, which strengthens our balance sheet and in particular our working capital. I am also pleased to report that this week we are taking delivery at the Veta Grande Mine of a key piece of mechanized mining equipment that will significantly increase our mine production going forward."

**Silver Pre-Payment Agreement Restructuring**

The principal terms of the MOU provide for the payment of US\$6,000,000 from the proceeds of the Offering to JMET as partial payment of the outstanding indebtedness under the Silver Pre-Payment Agreement and the issuance by the Company of a new secured note to JMET in the amount of approximately US\$6,700,000, subject to adjustment for interest accruing to the Closing Date (the "JMET Note") for the balance. The JMET Note will bear interest at a rate of 14% per annum, payable quarterly in arrears commencing September 30, 2016 with principal repayments of US\$500,000 per quarter commencing September 30, 2017 and ending on December 31, 2019, subject to earlier payment as described below.

In addition, the Company will issue 3,750,000 warrants to JMET on closing of the restructuring (the "JMET Warrants"). Each JMET Warrant will be exercisable to acquire one common share of Santacruz (a "Common Share") at a price of C\$0.55 per share and will expire on December 31, 2018; provided that, if the volume weighted average price of the Common Shares for any consecutive 20 - day trading period on the TSX Venture Exchange ("TSXV") equals or exceeds C\$0.88, the Company will have the right to deem the JMET Warrants to be exercised. The Company will also agree to pay JMET certain restructuring and finance fees in the aggregate amount of US\$1,500,000 which fees will be payable in 2019, subject to earlier payment as described below.

In certain circumstances, the principal repayments due under the JMET Note and payment of the restructuring and finance fees will be accelerated without penalty if the Company receives net proceeds from sources other than the sale of concentrates or if the Company's working capital and cash balance exceed certain thresholds. This includes gross proceeds of the Offering in excess of US\$8,000,000, 50% of which will be distributed to JMET.

Upon closing, the restructuring will amend the terms of the Silver Pre-Payment Agreement. Under the restructured terms, the Company will no longer have any metal delivery obligations to JMET.

The MOU is subject to a number of conditions, including the repayment of US\$6,000,000 to JMET on closing of the Offering and all final terms being represented in documentation in form and substance satisfactory to JMET, the Agents and the Company. The MOU will expire and the Silver Pre-Payment Agreement will remain



in force, unamended if the restructuring is not completed by July 25, 2016.

### **Equity Offering**

Concurrently, Santacruz has filed a preliminary short form prospectus in connection with a proposed offering of up to 26,500,000 units (the "Units") of the Company at a price of C\$0.40 per Unit (the "Issue Price") to raise aggregate gross proceeds of up to C\$10,600,000 (the "Offering"). The Offering will be led by Haywood on behalf of the Agents.

Each Unit will consist of one Common Share and one-half of one transferable common share purchase warrant (each whole common share purchase warrant, a "Warrant"). Each Warrant will entitle the holder to acquire one Common Share (a "Warrant Share") at a price per Warrant Share of C\$0.55 for a period of 30 months from the date of issuance. The Company has also granted the Agents an option (the "Agents' Option"), exercisable, in whole or in part by Haywood, on behalf of the Agents, giving notice to the Company at any time up to 48 hours prior to the closing date, to sell up to an additional C\$1,590,000 of Units (the "Additional Units") at the Issue Price.

The net proceeds of the Offering will be used by the Company to restructure the obligations owing by the Company to JMETS as described above, and for general working capital purposes. In the event that any or all of the Agents' Option is exercised, 50% of the gross proceeds will be distributed to JMETS in partial payment of the Company's indebtedness, with the balance being retained by the Company as working capital.

The Units will be offered by way of a short form prospectus which has been filed in all of the provinces of Canada (other than Quebec) pursuant to National Instrument 44-101 *Short Form Prospectus Distributions* and in the United States on a private placement basis pursuant to an exemption from the registration requirements of the United States *Securities Act of 1933*, as amended.

Completion of the Offering is subject to certain conditions, including the receipt of all necessary regulatory approvals, including the approval of the TSXV, and the closing by the Company of the proposed re-structuring of the Silver Pre-Payment Agreement, as set out in the MOU with JMETS.

Closing of the Offering and the Silver Pre-Payment Agreement restructuring are expected to occur concurrently on or about July 6, 2016 but in any event by July 25, 2016. The restructuring of the Silver Pre-Payment Agreement and the closing of the Offering are contingent on one another.

### **About Santacruz Silver Mining Ltd.**

Santacruz is a Mexican focused silver company with a producing silver mine (Rosario); the right to operate a silver mine and mill facility (Veta Grande); an advanced-stage project (San Felipe); one exploration stage project (the Gavilanes property) and three early stage exploration properties including the El Gachi property, the Minillas property and the Zacatecas properties. The Company is managed by a technical team of professionals with proven track records in developing, operating and discovering silver mines in Mexico. Our corporate objective is to become a mid-tier silver producer.

'signed'

Arturo Préstamo Elizondo,  
President, Chief Executive Officer and Director

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**This press release shall not constitute an offer to sell or the solicitation of an offer to buy any securities of the Company in any jurisdiction. The securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act"), or any state securities laws and may not be offered or sold in the "United States" or to "U.S. persons" (as such terms are defined in Regulation S under the U.S. Securities Act) absent registration under the U.S. Securities Act, and any applicable state securities laws, or the availability of an exemption therefrom.**

#### Forward looking information

Certain statements contained in this news release, including information concerning the Offering, the use of proceeds thereof and the Silver Pre-Payment Agreement restructuring, constitute "forward-looking information" as such term is used in applicable Canadian securities laws. Forward-looking information is based on plans, expectations and estimates of management at the date the information is provided and is subject to certain factors and assumptions. In making the forward-looking statements included in this news release, the Company has applied several material assumptions, including, but not limited to, the assumption that regulatory approval of the Offering and the Silver Pre-Payment Agreement restructuring will be obtained and satisfaction of all conditions precedent for the completion of the Offering and the Silver Pre-Payment Agreement restructuring in a timely manner; that the Company will be able to raise additional capital that the proposed exploration and development will proceed as planned; and that market fundamentals will result in sustained silver, lead and zinc demand and prices. Forward-looking information is subject to a variety of risks and uncertainties and other factors that could cause plans, estimates and actual results to vary materially from those projected in such forward-looking information. Factors that could cause the forward-looking information in this news release to change or to be inaccurate include, but are not limited to, the risk that any of the assumptions referred to prove not to be valid or reliable, that the Company's financial condition and development plans change, delays in regulatory approval, risks associated with the interpretation of data, the geology, grade and continuity of mineral deposits, the possibility that results will not be consistent with the Company's expectations, as well as the other risks and uncertainties applicable to mineral exploration and development activities and to the Company as set forth in the Company's continuous disclosure filings filed under the Company's profile at [www.sedar.com](http://www.sedar.com). There can be no assurance that any forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, the reader should not place any undue reliance on forward-looking information or statements. The Company undertakes no obligation to update forward-looking information or statements, other than as required by applicable law.

Financial outlook information contained herein about the Company's prospective costs of production and sales prices is based on assumptions about future events, as described above, based on management's assessment of the relevant information currently available. The purpose of such financial outlook is to provide information about management's current expectations as to the anticipated results of its proposed business activities for the coming quarters. Readers are cautioned that any such financial outlook information contained herein should not be used for purposes other than for which it is disclosed herein.

#### Rosario Mine

The decision to commence production at the Rosario Mine was not based on a feasibility study of mineral reserves demonstrating economic and technical viability, but rather on a more preliminary estimate of inferred mineral resources. Accordingly, there is increased uncertainty and economic and technical risks of failure associated with this production decision. Production and economic variables may vary considerably, due to the absence of a complete and detailed site analysis according to and in accordance with NI 43-101.

#### Veta Grande Mine

The decision to commence production at the Veta Grande Mine was not based on a feasibility study on mineral reserves demonstrating economic and technical viability. Accordingly, there is increased uncertainty and economic and technical risks of failure associated with this production decision. Production and economic



*variables may vary considerably due to the absence of a complete and detailed site analysis according to and in accordance with NI 43-101.*