

Santacruz Silver Reports Second Quarter 2021 Financial Results

Vancouver, B.C. – Santacruz Silver Mining Ltd. (TSX.V:SCZ) (the “Company” or “Santacruz”) reports on its financial and operating results for the second quarter (“Q2”) of 2021. The full version of the financial statements and accompanying management discussion and analysis can be viewed on the Company’s website at www.santacruzsilver.com or on SEDAR at www.sedar.com. All financial information is prepared in accordance with IFRS and all dollar amounts are expressed in thousands of US dollars, except per unit amounts, unless otherwise indicated.

- Revenues increased by 131 per cent to \$13.7 million during Q2 2021 (\$5.9 million in Q2 2020);
- Gross profit improved by \$3.0 million to \$3.8 million during Q2 2021 (Q2 2020 - \$0.8 million);
- Subsequent to Q2 2021 the Company completed a shares-for-debt settlement in the amount of \$3.1 million.

Carlos Silva, CEO of Santacruz, stated; “The second quarter of 2021 has confirmed our positive trend towards strong cash flow generation at Zimapan where, as expected, increased production tonnage arising from the continued development of the Lomo del Toro zone has resulted not only in an increased total amount of material processed through the mill but importantly has also resulted in a higher average silver head grade.” Mr. Silva continued; “Development work at Lomo del Toro continues to yield positive results and management anticipates an increase in production from the current rate of 15,000 tonnes/month to 20,000 tonnes/month by the end of Q3 with a concurrent increase of 5,000 tonnes/month in overall production tonnage aiming to reach 70,000 tonnes/month by the end of Q4 suggesting a continued positive trend of cash flows through the rest of the year.”

Financial Results

Selected financial information for the three-month periods ended June 30 and March 31, 2021 and June 30, 2020 is presented below:

	Q2	Q1	Q2	Q2 2021 % Change vs	
	2021	2021	2020	Q1 2021	Q2 2020
Revenue – Mining Operations	13,744	11,168	5,939	23%	131%
Gross Profit (Loss) ⁽¹⁾	3,840	2,181	796	76%	382%
Net Income (Loss)	(3784)	6,518	(636)	-158%	497%
Net Income (Loss) Per Share – Basic (\$/share)	(0.01)	0.02	(0.00)	-150%	-100%
Adjusted EBITDA ⁽¹⁾	1,184	1,006	88	18%	1,245%
Working Capital Deficiency (at period end)	(11,665)	(16,478)	(30,801)	-29%	-62%

⁽¹⁾ The Company reports additional non-IFRS measures which include Gross Profit (Loss) and Adjusted EBITDA. These additional financial disclosure measures are intended to provide additional information. See the Company’s MD&A filed on SEDAR or its website for a reconciliation of these amounts to the unaudited interim financial statements for the respective periods.

Selected financial information for each of the Zimapan Mine and Rosario Project for the three-month periods ended June 30 and March 31, 2021 and June 30, 2020 is presented below:

	Q2	Q1	Q2	Q2 2021 % Change vs	
	2021	2021	2020	Q1 2021	Q2 2020
Revenue – Zimapan Mine	13,022	10,442	5,096	25%	156%
– Rosario Project	410	1,011	344	-59%	19%
Gross Profit (Loss) – Zimapan Mine	4,401	2,581	539	71%	717%
– Rosario Project	(873)	(115)	(137)	659%	537%

With respect to the working capital deficiency of \$11,665 at June 30, 2021, subsequent to period end the Company completed a shares-for-debt settlement in the amount of \$3,701 with respect to vendor amounts included in current liabilities at June 30, 2021.

Operating Results

Selected operating results for each of the Zimapan Mine and Rosario Project for the three-month periods ended June 30 and March 31, 2021 and December 31, September 30 and June 30, 2020 is presented below:

	2021		2020			Q2 2021 % Change vs	
	Q2	Q1	Q4	Q3	Q2	Q1 2021	Q2 2020
Material Processed (tonnes milled) ⁽⁴⁾							
Zimapan Mine	155,407	156,433	180,003	164,846	106,725	-1%	46%
Rosario Project	16,917	19,806	21,582	11,794	10,074	-15%	68%
Consolidated	172,324	176,239	201,585	176,640	116,799	-2%	48%
Silver Equivalent Produced (ounces) ^{(1) (3) (4)}							
Zimapan Mine	757,937	646,085	909,379	920,985	639,021	17%	19%
Rosario Project	41,120	60,893	90,863	56,693	70,744	-32%	-42%
Consolidated	799,057	706,978	1,000,242	977,678	709,765	13%	13%
Silver Equivalent Sold (payable ounces) ⁽⁴⁾							
Zimapan Mine	658,590	553,450	545,580	625,036	500,486	19%	32%
Rosario Project	20,328	52,520	74,511	36,628	30,018	-61%	-32%
Consolidated	678,918	605,970	620,091	661,664	530,504	12%	28%
Cash Cost of Production per Tonne ^{(2) (4)}							
Zimapan Mine	53.92	49.04	48.90	39.91	38.79	10%	39%
Rosario Project	69.81	57.86	59.68	87.08	69.49	21%	0%
Consolidated	55.48	50.03	50.06	43.06	41.44	11%	34%
Cash Cost per Silver Equivalent Ounce ^{(2) (4)}							
Zimapan Mine	18.37	19.91	23.21	17.45	14.47	-8%	27%
Rosario Project	68.58	27.19	21.82	34.13	28.15	152%	144%
Consolidated	19.87	20.54	23.04	18.38	15.25	-3%	30%
All-in Sustaining Cash Cost per Silver Equivalent Oz ^{(2) (4)}							
Zimapan Mine	21.35	21.03	24.95	18.54	15.60	-13%	18%
Rosario Project	101.19	52.57	47.63	42.07	38.61	92%	162%
Consolidated	23.74	23.76	27.67	19.85	16.90	0%	61%
Average Realized Silver Price per Ounce ^{(2) (4)}							
Zimapan Mine	25.67	23.98	21.01	16.47	16.38	2%	56%
Rosario Project	25.63	24.56	24.08	16.89	16.38	3%	52%
Consolidated	25.67	24.05	21.18	16.49	16.66	2%	56%

⁽¹⁾ Silver equivalent ounces produced in 2021 have been calculated using prices of \$25.00/oz., \$1,925/oz., \$0.85/lb, \$1.05/lb and \$3.00/lb. for silver, gold, lead, zinc and copper respectively applied to the metal content of the concentrates produced by the Rosario Project and the Zimapan Mine. Silver equivalent ounces produced in 2020 have been calculated using prices of \$17.85/oz., \$1,480/oz., \$0.92/lb, \$1.09/lb and \$2.80/lb. for silver, gold, lead, zinc and copper respectively applied to the metal content of the concentrates produced by the Rosario Project and the Zimapan Mine.

⁽²⁾ Silver equivalent sold ounces have been calculated using the realized silver prices stated in the table above, applied to the payable metal content of the concentrates sold from the Zimapan Mine and Rosario Project in 2021 and 2020.

⁽³⁾ The Company reports non-IFRS measures which include Cash Cost per Silver Equivalent, All-in Sustaining Cash Cost per Silver Equivalent, Cash Cost of Production per Tonne, and Average Realized Silver Price per Ounce. These measures are widely used in the mining industry as a benchmark for performance, but do not have a standardized meaning and may differ from methods used by other companies with similar descriptions. See the Company's MD&A filed on SEDAR or its website for a discussion of these amounts.

⁽⁴⁾ The Company is not including production and unit cost results from the Veta Grande Project in this MD&A as operations at Veta Grande were suspended during Q1 2020 and to date have not recommenced.

Discussion of Financial Results

The Company recorded net loss \$3,784 for Q2 2021 (2020 – \$636) and a gross operating profit of \$3,840 (2020 – \$796). The gross profit increase reflects a 717% increase in gross profit at the Zimapan Mine driven by a 156% increase in revenue that arose as a result of improved metal prices and significant increases in production of silver, zinc and copper as compared to 2020. It is important to note that the Q2 2020 operations at the Zimapan Mine were suspended for approximately one month due to Covid-19 precautions while the Rosario Project operated at significantly lower staffing levels for the same reason.

The increase in net loss arose from a \$3.1 million increase in operating expenses and \$2.3 million increase in interest and other finance expenses net of interest earned and other finance income. The increase to operating



expenses includes an increased share-based compensation expense arising from an option grant in Q2 2021 and increased professional fees and administrative fees arising from costs associated with the Zimapan Mine acquisition and non-recurring fees associated with value-added tax filings in Mexico. The increase in net interest and other finance expenses arose largely from an increase in foreign exchange loss of \$1.1 million, a one-time debt restructuring fee of \$0.6 million and unrealized loss on marketable securities of \$0.5 million.

Discussion of Operational Results and Costs

Zimapan Mine

On April 21, 2020, in response to the global Covid-19 pandemic, the Company temporarily suspended its mine, mill and exploration activities at the Zimapan Mine in Zimapan, Hidalgo, Mexico. The suspension of operations was strictly proactive as no cases of Covid-19 had been documented at the Zimapan mine.

On May 19, 2020, the Mexican government authorized the resumption of non-essential activities in municipalities that present low or no known cases of transmission of the SARS-CoV-2 virus, subject to criteria defined by the Secretariat of Health. The municipality of Zimapan, Hidalgo State, Mexico was classified as a low risk municipality.

As a consequence of the impact of the suspension of operations at Zimapan and reduced operations at the Rosario Project occurring during Q2 2020 in connection with Covid-19 protocols as referenced above, management has determined that a comparison of the Q2 2021 operations to Q2 2020 operations is not useful to investors and other parties and as such is not providing comments relating to such a comparison.

As compared to Q1 2021, the Q2 2021 silver equivalent production increased 19% increase in silver equivalent production reflects improved zinc and copper head grades and improved metal recoveries for silver, zinc and copper realized during Q2 2021.

Operations during both Q1 and Q2 2021 reflect reduced milling availability for varying reasons. During Q1 2021 operations were negatively affected due to an unstable power supply from Mexico's Comision Federal de Electricidad that caused damage to the electric motors for the ball mills at the milling facility materially reducing operations for eight days. During Q2 2021 operations were negatively impacted by the challenges with the dewatering circuit. This was remedied in early Q3 as a result of replacing the original drum filters with a filter press. The impact of this change in equipment has been immediate as production for July 2021 improved to over 60,000 tonnes of material processed at the milling facility with estimated silver equivalent production in excess of 305,000 ounces as calculated using the 2021 price deck disclosed above. Preliminary operating results for August 2021 indicate a continuation of this positive trend.

As compared to Q1 2021, the cash cost of production per tonne of mineralized material processed increased by 10% to \$53.92 in Q2 2021. This result reflects a 9% increase in the cash cost of production and a 1% decrease in the tonnes of mineralized material processed during Q2 2021. The increase in the cash cost of production reflects expenditures incurred in accelerated mine development at the Monte mine as well as the Lomo Del Toro zone.

As compared to Q1 2021, the cash cost of production per silver equivalent ounce sold in Q2 2021 decreased by 8%. This resulted from a 10% increase in the cash cost of sales of silver equivalent ounces while the silver equivalent payable ounces produced increased by 19%. The increase in silver equivalent production reflects improved zinc and copper head grades and improved metal recoveries for silver, zinc and copper realized during Q2 2021.

As compared to Q1 2021, the AISC in Q2 2021 increased by 2%. This resulted from a 21% increase in the cash cost of sales of silver equivalent ounces while the silver equivalent payable ounces sold increased by 19%. This change occurred largely for the same reasons as referenced above in the discussion regarding cash cost of silver equivalent ounces sold.

Production at the Zimapan Mine is not supported by a feasibility study on mineral reserves demonstrating economic and technical viability or any other independent economic study under NI 43-101. Accordingly, there is increased uncertainty and economic and technical risks of failure associated with production operations at the Zimapan Mine. Production and economic variables may vary considerably due to the absence of a complete and detailed site analysis in accordance with NI 43-101.

Rosario Project

As compared to Q1 2021, the Q2 2021 silver equivalent production decreased by 32%. This decrease occurred in part as the result of a 15% decrease in mineralized material processed at the milling facility and in part from processing lower grade material. Management is considering its options with respect to continuing with operations at the Rosario Project.

As compared to Q1 2021, the Q2 2021 the cash cost per tonne increased by 21%. This change reflects an 3% increase in cash cost of production and an 15% decrease in tonnes milled on a quarter over quarter basis. The reduced tonnes mined and milled reflects efforts to try and improve mining dilution.

As compared to Q1 2021, the Q2 2021 cash cost per silver equivalent ounce sold increased 152%. This change in unit costs reflects a 61% decrease in silver equivalent payable ounces sold combined with a 2% decrease in cash cost of sales. The decrease in silver equivalent payable ounces sold reflects the reduced tonnes milled together with lower head grades that continued to arise from higher than planned mining dilution.

As compared to Q1 2021, the Q2 2021 AISC increased 92%. The cash cost of sales decreased 25% while the amount of silver equivalent payable ounces sold decreased by 61%. These negative changes occurred for the same reasons as described above with respect to cash cost per silver equivalent ounce.

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

About Santacruz Silver Mining Ltd.

Santacruz is a Mexican focused silver company with two producing silver projects (Zimapan and Rosario) and two exploration properties, the La Pechuga property and Santa Gorgonia prospect. 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,
Executive Chairman

For further information please contact:

Mars Investor Relations
Telephone: (778) 999 4653
scz@marsinvestorrelations.com

Arturo Prestamo
Santacruz Silver Mining Ltd.
Email: info@santacruzsilver.com
Telephone: (528) 183 785707

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Forward looking information

Certain statements contained in this news release constitute "forward-looking information" as such term is used in applicable Canadian securities laws, including statements relating to production at the Zimapan Mine and Rosario Project and the Company's plans to grow it. 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 that the Company's financial condition and development plans do not change as a result of unforeseen events and that future metal prices and the demand and market outlook for metals will remain stable or improve. 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 above prove not to be valid or reliable; market conditions and volatility and global economic conditions, including increased volatility and potentially negative capital raising conditions resulting from the continued COVID-19 pandemic and risks relating to the extent and duration of such pandemic and its impact on global markets; risk of delay and/or cessation in planned work or changes in the Company's financial condition and development plans; risks associated with the interpretation of data (including in respect of third party mineralized material) regarding the geology, grade and continuity of mineral deposits; the uncertainty of the geology, grade and continuity of mineral deposits and the risk of unexpected variations in mineral resources, grade and/or recovery rates; risks related to gold, silver, base metal and other commodity price fluctuations; risks relating to environmental regulation and liability; 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. 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.