

Santacruz Silver Announces Agreement to Sell San Felipe Project

Vancouver, B.C. – Santacruz Silver Mining Ltd. (TSX.V:SCZ) (“Santacruz”) reports that its wholly-owned subsidiary, Impulsora Minera Santacruz, S.A. de C.V. (together with Santacruz “the Company”), has entered into an agreement with a private Mexican company based in Hermosillo, Mexico (the “Hermosillo Group”) to sell 100% of its interest in the San Felipe Project located in Sonora, Mexico to the Hermosillo Group for cash consideration of US\$15.0 million (plus value added tax (“VAT”) of US\$2.4 million) (the “Transaction”). The Transaction is scheduled to close on or about December 19, 2016.

Key features of the Transaction:

- Hermosillo Group to pay US\$15.0 million plus VAT in cash to the Company in three tranches in exchange for 100% of the Company’s interest in the San Felipe Project;
- From the proceeds of the Transaction the Company will pay US\$10.0 million cash (plus VAT) to Minera Hochschild Mexico, S.A. de C.V. (“MHM”), the underlying property vendor, and will issue to MHM 13,415,000 common shares of Santacruz as full and final payment for 100% of the San Felipe Project free of all encumbrances and the El Gachi Property;
- The payment schedule for the US\$15.0 million plus VAT amount is as follows:
 - US\$3 million to be paid on or before December 9, 2016;
 - US\$12 million to be paid on or before December 19, 2016; and
 - US\$2.4 million to be paid on or before February 15, 2017.

Upon completion of the Transaction the Company will retain US\$5.0 million in cash and will own 100% of the El Gachi Property. From these proceeds the Company will pay approximately US\$2.0 million to JMET, LLC to reduce the Company’s indebtedness to JMET, LLC while the residual balance is to be used by Santacruz for general working capital purposes.

“Our divestment of the San Felipe Project is the result of an internal analysis that identified the property as being a non-core asset at this time in light of the opportunity that exists at the Company’s recently established operating base in Zacatecas, Mexico. This strategic decision will allow the Company to further de-lever its balance sheet and accelerate our growth at the Veta Grande Project located in one of Mexico’s most recognized silver districts,” stated Arturo Prestamo, President and CEO. “The Company’s focus in 2017 will be to further optimize the operations at our two producing mines with the goal of increasing production levels and reducing costs.”

The Transaction is subject to normal course closing documentation and conditions, including approval by the TSX Venture Exchange.

About Santacruz Silver Mining Ltd.

Santacruz is a Mexican focused silver company with two producing silver (Rosario and Veta Grande), and four exploration properties including the Gavilanes property, El Gachi property, Minillas property and Zacatecas properties, including the Panuco Deposit. 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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Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

Forward looking information

Certain statements contained in this news release, including information concerning the sale of the San Felipe Project, the use of proceeds therefrom and planned production levels 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 sale of the San Felipe Project will be obtained and satisfaction of all conditions precedent for the completion of the sale in a timely manner; that the Company's financial condition and development plans do not change as a result of unforeseen events, that third party ore to be milled by the Company has properties consistent with management's expectations, that the Company obtains all required regulatory approvals, and that future metal prices and the demand and market outlook for metals remains stable or improves. 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, which could result in lower revenue, higher cost, lower production levels, delays, and/or cessation in planned work, that the Company's financial condition and development plans change, delays in regulatory approval, risks associated with the interpretation of data (including in respect of the third party ore), 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. 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.

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 Project

The decision to commence production at the Veta Grande Project 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.

Cinco Estrellas Property

The decision to commence production at the Cinco Estrellas Property 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.