

Santacruz Silver Reports First 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 first quarter (“Q1”) 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 43 per cent to \$11.1-million during Q1 2021 (\$7.8-million in Q1 2020);
- Gross profit improved by \$4-million to \$2.2-million during Q1 2021 (Q1 2020 -- loss of \$1.9-million);
- Cash and marketable securities increased by 1,580 per cent to \$6.8-million at March 31, 2021 (Dec. 31, 2020 - \$0.4-million);
- Subsequent to Q1 2021 the Company closed a private placement for CAD\$14-million.

Carlos Silva, CEO of Santacruz, stated; “The first quarter of 2021 has been a pivotal quarter for Santacruz as we started to see the results of our efforts to increase production at Zimapan both as to throughput tonnage and head grades as we ramp up production from the Lomo del Toro mineralized zone. We expect further improvements during the second quarter which we anticipate will lead to stronger cash flow generation.” Mr. Silva continued; “Our working capital has significantly improved during Q1 2021 and should further improve as a result of our investment in Zacatecas Silver Corp and our successful private placement completed on April 13, 2021.”

Financial Results

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

	Q1	Q4	Q1	Q1 2021 % Change vs	
	2021	2020	2020	Q4 2020	Q1 2020
Revenue – Mining Operations	11,168	9,905	7,816	13%	43%
Gross Profit (Loss) ⁽¹⁾	2,181	807	(1,874)	170%	216%
Net Income (Loss)	6,518	(607)	(87)	1,174%	7,592%
Net Income (Loss) Per Share – Basic (\$/share)	0.02	(0.00)	(0.00)	100%	100%
Adjusted EBITDA ⁽¹⁾	983	(3,536)	(2,909)	8,092%	134%
Working Capital Deficiency (at period end)	(16,478)	(22,514)	(31,293)	27%	47%

⁽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 March 31, 2021 and December 31 and March 31, 2020 is presented below:

	Q1	Q4	Q1	Q1 2021 % Change vs	
	2021	2020	2020	Q4 2020	Q1 2020
Revenue – Zimapan Mine	10,442	8,772	6,532	19%	60%
– Rosario Project	1,011	1,461	698	-31%	45%
Gross Profit (Loss) – Zimapan Mine	2,581	496	(363)	420%	811%
– Rosario Project	(115)	220	(433)	-152%	73%

With respect to the working capital deficiency of \$16,478 at March 31, 2021, subsequent to period end gross proceeds of CAD\$14,094 (USD\$11,240) were raised from the completion of a non-brokered private placement and certain outstanding warrants and stock options were exercised for gross proceeds of CAD\$525 (USD\$435). Of these total funds, US\$3,000 were used in connection with the Company's acquisition of the Zimapan Mine and the rest will be used for general corporate and working capital purposes.

Operating Results

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

	2021	2020				Q1 2021 % Change vs	
	Q1	Q4	Q3	Q2	Q1	Q4 2020	Q1 2020
Material Processed (tonnes milled) ⁽⁴⁾							
Zimapan Mine	156,433	180,003	164,846	106,725	139,903	-13%	12%
Rosario Project	19,806	21,582	11,794	10,074	17,497	-8%	13%
Consolidated	176,239	201,585	176,640	116,799	157,400	-13%	12%
Silver Equivalent Produced (ounces) ^{(1) (3) (4)}							
Zimapan Mine	646,085	909,379	920,985	639,021	829,514	-29%	-22%
Rosario Project	60,893	90,863	56,693	70,744	73,251	-33%	-17%
Consolidated	706,978	1,000,242	977,678	709,765	902,765	-29%	-22%
Silver Equivalent Sold (payable ounces) ⁽⁴⁾							
Zimapan Mine	553,450	545,580	625,036	500,486	626,984	1%	-12%
Rosario Project	52,520	74,511	36,628	30,018	61,111	-30%	-14%
Consolidated	605,970	620,091	661,664	530,504	688,095	-2%	-12%
Cash Cost of Production per Tonne ^{(2) (4)}							
Zimapan Mine	49.04	48.90	39.91	38.79	45.96	0%	7%
Rosario Project	57.86	59.68	87.08	69.49	79.61	-3%	-27%
Consolidated	50.03	50.06	43.06	41.44	49.70	0%	1%
Cash Cost per Silver Equivalent Ounce ^{(2) (4)}							
Zimapan Mine	19.91	23.21	17.45	14.47	16.04	-14%	24%
Rosario Project	27.19	21.82	34.13	28.15	28.47	25%	-5%
Consolidated	20.54	23.04	18.38	15.25	17.15	-11%	20%
All-in Sustaining Cash Cost per Silver Equivalent Oz ^{(2) (4)}							
Zimapan Mine	21.03	24.95	18.54	15.60	17.08	-16%	23%
Rosario Project	52.57	47.63	42.07	38.61	34.02	10%	55%
Consolidated	23.76	27.67	19.85	16.90	18.59	-14%	28%
Average Realized Silver Price per Ounce ^{(2) (4)}							
Zimapan Mine	25.07	23.98	21.01	16.47	16.38	5%	53%
Rosario Project	25.00	24.56	24.08	16.89	16.38	2%	53%
Consolidated	25.06	24.05	21.18	16.49	16.66	4%	53%

⁽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 mill throughput challenges at both the Zimapan and Rosario operations were caused by an unstable power supply from Mexico's Comision Federal de Electricidad (Mexico's power supply Company) in February that caused damage to the electric motors for the ball mills at both milling facilities. The matter was resolved in early March but mill availability was materially reduced for eight days and this in turn negatively impacted tonnes of mineral material processed, silver equivalent production, silver equivalent ounces sold, revenues and gross margin at both operations.

Notwithstanding this matter, the Company recorded net income of \$6,518 for Q1 2021 (2020 – net loss \$87) and a gross operating profit of \$2,181 (2020 – operating loss of \$1,874). During Q1 2021 the Company completed



the sale of its Zacatecas Properties to Zacatecas Silver Corp. (TSXV: ZAC) for consideration of \$1,500 cash and 5 million shares of ZAC. This transaction resulted in a net gain on sale of \$911 plus an unrealized gain at quarter end on the 5 million ZAC shares of \$3,070.

The increased revenues reported in Q1 2021 reflect improved metal prices as compared to Q1 2020.

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 compared to Q4 2020, the Q1 2021 silver equivalent production decreased 29% due in part to the power supply issue and in part to the impact of using different metal price decks for the respective 2021 and 2020 fiscal years (see MD&A filed on SEDAR of at www.santacruzsilver.com for a more detailed discussion). The Q1 2021 silver equivalent production decreased by 4% (after adjusting for the metal price deck) as compared to Q1 2020.

Cash cost of production per tonne of mineralized material processed increased by 7% in Q1 2021 to \$49.04/t as compared to Q1 2020. This resulted from a 19% increase in the cash cost of production while the tonnes of mineralized material processed increased by 12%, notwithstanding the negative impact of the unstable power supply during Q1 2021. Management expects this metric to improve moving forward in connection with a planned increase in mill throughput tonnage.

Cash cost of production per silver equivalent ounce sold increased by 24% to \$19.91/oz in Q1 2021 compared to Q1 2020. This resulted from a 10% increase in the cash cost of sales of silver equivalent ounces while the silver equivalent payable ounces produced decreased by 12%. The unfavourable change in the silver equivalent payable ounces sold in Q1 2021 as compared to Q1 2020 largely reflects the negative impact of the unstable power supply in Q1 2021 referenced earlier. Again, management expects this metric to improve moving forward in connection with a planned increase in mill throughput tonnage and an increase in mill feed from the Lomo del Toro mineralized zone.

All-in sustaining cash cost of production per silver equivalent ounce sold increased by 23% in Q1 2021 to \$21.03/oz as compared Q1 2020. This resulted from an 9% increase in the cash cost of sales while the silver equivalent payable ounces produced decreased by 12%. This negative change is 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 2020, the Q1 2021 silver equivalent production decreased 33% due in part to the power supply issue and in part to the impact of using different metal price decks for the respective 2021 and 2020 fiscal years (see MD&A filed on SEDAR of at www.santacruzsilver.com for a more detailed discussion). The Q1 2021 silver equivalent production was essentially the same as for Q1 2020 after adjusting for the metal price deck.

Cash cost of production per tonne of mineralized material processed decreased by 27% in Q1 2021 to \$57.86/t as compared to Q1 2020. This change reflects an 18% decrease in cash cost of production combined with a 13% increase in tonnes milled on a quarter over quarter basis. Management expects the Rosario Project to increase mill throughput tonnage to approximately 320 tpd by mid-2021 at improved operating economics arising from changing to horizontal mining of veins from vertical mining during Q1 2021.

Cash cost of production per silver equivalent ounce sold decreased by 5% in Q1 2021 to \$27.19/oz as compared



to Q1 2020. This change in unit costs reflects in part a 14% decrease in silver equivalent payable ounces sold combined offset by an 18% decrease in cash cost of sales. The reasons for these changes are as referenced above.

All-in sustaining cash cost of production per silver equivalent ounce sold increased by 55% in Q1 2021 to \$52.57/oz as compared to Q1 2020. This change in unit costs reflects in part a 14% decrease in silver equivalent payable ounces sold and a 33% increase in all-in sustaining cash cost of sales. The increase in all-in sustaining cash cost of sales is largely due to a one-time consulting fee incurred during Q1 2021 as compared to Q1 2020. The decrease in silver equivalent payable ounces sold occurred for the reasons 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

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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.