

EARLY WARNING REPORT

Form 62-103F1

Filed pursuant to National Instrument 62-103

Item 1 – Security and Reporting Issuer

- 1.1 *State the designation of securities to which this report relates and the name and address of the head office of the issuer of the securities.*

The issuer of the securities to which this report relates is Santacruz Silver Mining Ltd. (the "**Company**"), with a head office in Canada at Suite 880 – 580 Hornby Street, Vancouver, British Columbia, V6C 3B6.

This report relates to common shares in the capital of the Company ("**Shares**").

- 1.2 *State the name of the market in which the transaction or other occurrence that triggered the requirement to file this report took place.*

The transaction that triggered the requirement to file this report occurred privately and not over a market.

Item 2 – Identity of the Acquiror

- 2.1 *State the name and address of the acquiror.*

Carlos Alberto Silva Ramos ("**Silva**"), c/o Suite 880 – 580 Hornby Street, Vancouver, British Columbia, V6C 3B6.

- 2.2 *State the date of the transaction or other occurrence that triggered the requirement to file this report and briefly describe the transaction or other occurrence.*

The transaction that triggered the requirement to file this report occurred on October 4, 2019 and involved the issuance of Shares by the Company to Silva and certain of his family members in consideration for the acquisition by the Company (through a wholly-owned subsidiary of the Company) from Silva of 50% of the outstanding shares of PCG Mining, S.A. de C.V. ("**PCG**"), which owns Carrizal Mining, S.A. de C.V., a private Mexican mining company (the "**Transaction**"). For further details of the Transaction, refer to the section titled "Approval of Carrizal Transaction" in the Company's information circular dated August 22, 2019 and filed on the SEDAR website (www.sedar.com) on August 29, 2019.

2.3 *State the names of any joint actors.*

Minerva Hernandez Garcia (the wife of Silva) ("**Minerva**"), Itzel Andrea Silva Hernandez (the daughter of Silva) ("**Itzel**") and Carlos Alberto Silva Hernandez (the son of Silva) ("**Carlos**"), are each considered to act jointly or in concert with Silva.

Silva, Minerva, Itzel and Carlos are collectively referred to in this report as the "**Acquiror**".

Item 3 – Interest in Securities of the Reporting Issuer

3.1 *State the designation and number or principal amount of securities acquired or disposed of that triggered the requirement to file this report and the change in the acquiror's securityholding percentage in the class of securities.*

Pursuant to the Transaction, Silva acquired 15,000,000 Shares, Minerva acquired 6,000,000 Shares, Itzel acquired 4,500,000 Shares and Carlos acquired 4,500,000 Shares, for a total of 30,000,000 Shares (the "**Transaction Shares**") representing approximately 14.7% of the issued and outstanding Shares.

3.2 *State whether the acquiror acquired or disposed ownership of, or acquired or ceased to have control over, the securities that triggered the requirement to file this report.*

Each Acquiror acquired ownership and control over the securities referred to in Item 3.1 above.

3.3 *If the transaction involved a securities lending arrangement, state that fact.*

Not applicable.

3.4 *State the designation and number or principal amount of securities and the acquiror's securityholding percentage in the class of securities, immediately before and after the transaction or other occurrence that triggered the requirement to file this report.*

Immediately before the closing of the Transaction, the Acquirors did not own any Shares and Silva holds stock options exercisable to purchase 1,500,000 Shares.

Immediately after the closing of the Transaction, the Acquirors collectively own 30,000,000 Transaction Shares representing approximately 14.7% of the issued and outstanding Shares on a non-diluted basis and 15.3% on a partially-diluted basis assuming the exercise of the stock options owned by Silva.

3.5 *State the designation and number or principal amount of securities and the acquiror's securityholding percentage in the class of securities referred to in Item 3.4 over which*

- (a) *the acquiror, either alone or together with any joint actors, has ownership and control,*

The Acquirors have ownership and control over the securities referred to in Item 3.4.

- (b) *the acquiror, either alone or together with any joint actors, has ownership but control is held by persons or companies other than the acquiror or any joint actor, and*

Not applicable.

- (c) *the acquiror, either alone or together with any joint actors, has exclusive or shared control but does not have ownership.*

Not applicable.

- 3.6 *If the acquiror or any of its joint actors has an interest in, or right or obligation associated with, a related financial instrument involving a security of the class of securities in respect of which disclosure is required under this item, describe the material terms of the related financial instrument and its impact on the acquiror's securityholdings.*

Not applicable.

- 3.7 *If the acquiror or any of its joint actors is a party to a securities lending arrangement involving a security of the class of securities in respect of which disclosure is required under this item, describe the material terms of the arrangement including the duration of the arrangement, the number or principal amount of securities involved and any right to recall the securities or identical securities that have been transferred or lent under the arrangement.*

Not applicable.

- 3.8 *If the acquiror or any of its joint actors is a party to an agreement, arrangement or understanding that has the effect of altering, directly or indirectly, the acquiror's economic exposure to the security of the class of securities to which this report relates, describe the material terms of the agreement, arrangement or understanding.*

Not applicable.

Item 4 – Consideration Paid

- 4.1 *State the value, in Canadian dollars, of any consideration paid or received per security and in total.*

Pursuant to the Transaction, the Transaction Shares were issued by the Company from treasury at a deemed issued price of C\$0.05 per share and C\$1,500,000 in total.

- 4.2 *In the case of a transaction or other occurrence that did not take place on a stock exchange or other market that represents a published market for the securities, including an issuance from treasury, disclose the nature and value, in Canadian dollars, of the consideration paid or received by the acquiror.*

The consideration paid for the Transaction Shares consisted of 50% of the outstanding shares of PCG, which were transferred by Silva to a wholly-owned subsidiary of the Company (see Item 2.2 above) and valued at approximately C\$1,500,000. As a consequence of the Transaction, the Company indirectly holds all of the outstanding shares of PCG.

- 4.3 *If the securities were acquired or disposed of other than by purchase or sale, describe the method of acquisition or disposition.*

The Transaction Shares were acquired by the Acquirors in exchange for the transfer by Silva of 50% of the outstanding shares of PCG.

Item 5 – Purpose of the Transaction

State the purpose or purposes of the acquiror and any joint actors for the acquisition or disposition of securities of the reporting issuer. Describe any plans or future intentions which the acquiror and any joint actors may have which relate to or would result in any of the following:

- (a) the acquisition of additional securities of the reporting issuer, or the disposition of securities of the reporting issuer;*
- (b) a corporate transaction, such as a merger, reorganization or liquidation, involving the reporting issuer or any of its subsidiaries;*
- (c) a sale or transfer of a material amount of the assets of the reporting issuer or any of its subsidiaries;*
- (d) a change in the board of directors or management of the reporting issuer, including any plans or intentions to change the number or term of directors or to fill any existing vacancy on the board;*
- (e) a material change in the present capitalization or dividend policy of the reporting issuer;*

- (f) *a material change in the reporting issuer's business or corporate structure;*
- (g) *a change in the reporting issuer's charter, bylaws or similar instruments or another action which might impede the acquisition of control of the reporting issuer by any person or company;*
- (h) *a class of securities of the reporting issuer being delisted from, or ceasing to be authorized to be quoted on, a marketplace;*
- (i) *the issuer ceasing to be a reporting issuer in any jurisdiction of Canada;*
- (j) *a solicitation of proxies from securityholders;*
- (k) *an action similar to any of those enumerated above.*

The Acquirors acquired the Transaction Shares primarily for investment purposes. Each Acquiror may increase or decrease his or her investment in the Company from time to time according to market conditions or other relevant factors.

Item 6 – Agreements, Arrangements, Commitments or Understandings With Respect to Securities of the Reporting Issuer

Describe the material terms of any agreements, arrangements, commitments or understandings between the acquiror and a joint actor and among those persons and any person with respect to securities of the class of securities to which this report relates, including but not limited to the transfer or the voting of any of the securities, finder's fees, joint ventures, loan or option arrangements, guarantees of profits, division of profits or loss, or the giving or withholding of proxies. Include such information for any of the securities that are pledged or otherwise subject to a contingency, the occurrence of which would give another person voting power or investment power over such securities, except that disclosure of standard default and similar provisions contained in loan agreements need not be included.

Not applicable.

Item 7 – Change in Material Fact

If applicable, describe any change in a material fact set out in a previous report filed by the acquiror under the early warning requirements or Part 4 in respect of the reporting issuer's securities.

Not applicable.

Item 8 – Exemption

If the acquiror relies on an exemption from requirements in securities legislation applicable to formal bids for the transaction, state the exemption being relied on and describe the facts supporting that reliance.

Not applicable.

Item 9 – Certification

Silva certifies that the statements made in this report are true and complete in every respect.

DATED this 7th day of October, 2019.

"Carlos Alberto Silva Ramos"
CARLOS ALBERTO SILVA RAMOS