

Santacruz Silver Reports Third Quarter 2021 Financial Results

Vancouver, B.C. – Santacruz Silver Mining Ltd. (TSX-V:SCZ) (“the Company” or “Santacruz”) reports its financial and operating results for the third quarter (“Q3”) of 2021. The full version of the consolidated financial statements and accompanying management discussion and analysis (“MD&A”) 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 International Financial Reporting Standards (“IFRS”) and all dollar amounts are expressed in thousands of United States dollars, except per unit amounts, unless otherwise indicated.

- Revenues increased by 55% to \$14.6 million during Q3 2021 (Q3 2020 - \$9.4 million)
- Gross profit increased by 190% to \$3.7 million during Q3 2021 (Q3 2020 - \$1.3 million)
- On October 13, 2021, the Company announced it had entered into a definitive share purchase agreement with Glencore plc whereby Santacruz has the right to acquire a portfolio of Bolivian silver-base metal assets from Glencore plc.

Carlos Silva, CEO of Santacruz, stated; “We continue to increase our mine production and revenue for the third and fifth consecutive quarter respectively. Production costs were impacted as a result of a Mexican labour reform that came into effect during the quarter. This labour reform required the Company to recognize certain labour liability accruals for their employees, including but not limited to vacation, holiday bonuses, annual bonuses, savings funds, and seniority departure payments which totaled approximately \$1.3 million. In addition, a non-recurring charge to administrative expenses of \$0.4 million related to severance payments resulting from the decision to place the Rosario mine on care and maintenance, various non-recurring costs associated with the Zimapan Mine acquisition and other non-cash charges also impacted the quarter-end results.”

Financial Results

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

	2021			2020		Q3 2021 % Change vs	
	Q3	Q2	Q1	Q4	Q3	Q2 2021	Q3 2020
Revenue – Mining Operations	14,601	13,744	11,168	9,905	9,437	6%	55%
Gross Profit (Loss) ⁽¹⁾	3,656	3,840	2,181	807	1,259	-5%	190%
Net (Loss) Income	(3,849)	(3,784)	6,518	(607)	(163)	2%	2,261%
Net (Loss) Earnings Per Share – Basic (\$/share)	(0.01)	(0.01)	0.02	0.00	0.00	-	-
Adjusted EBITDA ⁽¹⁾	1,263	2,270	1,649	1,090	1,046	-44%	21%
Working Capital Deficiency	(12,671)	(11,665)	(16,478)	(22,514)	(31,038)	9%	-59%

⁽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.

As compared to Q2 2021, the Q3 2021 working capital deficiency has increased by 9%. The Company has capital management processes in place to manage liquidity risk.

Selected financial information for the Zimapan Mine and Rosario Project for the three months ended September 30, June 30 and March 31, 2021 and December 31 and September 30, 2020 is presented below:

	2021			2020		Q3 2021 % Change vs	
	Q3	Q2	Q1	Q4	Q3	Q2 2021	Q3 2020
Revenue							
- Zimapan Mine	14,419	13,022	10,442	8,772	8,982	11%	61%
- Rosario Project	182	410	1,011	1,445	642	-56%	-72%
Gross profit (loss)							
- Zimapan Mine	3,928	4,401	2,581	496	1,964	-11%	100%
- Rosario Project	(272)	(873)	(115)	220	(705)	-69%	-61%

Operating Results

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

	2021			2020		Q3 2021 % Change vs	
	Q3	Q2	Q1	Q4	Q3	Q2 2021	Q3 2020
Material Processed (tonnes milled) ⁽⁴⁾							
Zimapan Mine	186,642	155,407	156,433	180,003	164,846	20%	13%
Rosario Project ⁽⁵⁾	2,306	16,917	19,806	21,582	11,794	-86%	-80%
Consolidated	188,948	172,324	176,239	201,585	176,640	10%	7%
Silver Equivalent Produced (ounces) ^{(1) (3) (4)}							
Zimapan Mine	867,215	757,937	646,085	909,379	920,985	14%	-6%
Rosario Project ⁽⁵⁾	5,698	41,120	60,893	90,863	56,693	-86%	-90%
Consolidated	872,913	799,057	706,978	1,000,242	977,678	9%	-11%
Silver Equivalent Sold (payable ounces) ⁽⁴⁾							
Zimapan Mine	829,164	658,590	553,450	545,580	625,036	26%	33%
Rosario Project ⁽⁵⁾	10,765	20,328	52,520	74,511	36,628	-47%	-71%
Consolidated	839,929	678,918	605,970	620,091	661,664	24%	27%
Cash Cost of Production per Tonne ^{(2) (4)}							
Zimapan Mine	53.88	53.92	49.04	48.90	39.91	-	35%
Rosario Project ⁽⁵⁾	173.04	69.81	57.86	59.68	87.08	148%	99%
Consolidated	55.33	55.48	50.03	50.06	43.06	-	29%
Cash Cost per Silver Equivalent Ounce ^{(2) (4)}							
Zimapan Mine	17.72	18.37	19.91	23.21	17.45	-4%	2%
Rosario Project ⁽⁵⁾	42.81	68.58	27.19	21.82	34.13	-38%	25%
Consolidated	18.04	19.87	20.54	23.04	18.38	-9%	-2%
All-in Sustaining Cash Cost per Silver Equivalent Oz ^{(2) (4)}							
Zimapan Mine	21.33	21.35	21.03	24.95	18.54	-	15%
Rosario Project ⁽⁵⁾	67.27	101.19	52.57	47.63	42.07	34%	60%
Consolidated	21.91	23.74	23.76	27.67	19.85	-8%	10%
Average Realized Silver Price per Ounce ^{(2) (4)}							
Zimapan Mine	22.81	25.67	25.07	23.98	21.01	-11%	9%
Rosario Project ⁽⁵⁾	22.47	25.63	25.00	24.56	24.08	-12%	-7%
Consolidated	22.81	25.67	25.06	24.05	21.18	-11%	8%

⁽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.
- (5) Operations at the Rosario Project are suspended and there was minimal production in July 2021 and no production in August and September 2021.

Discussion of Financial Results

The Company recorded a net loss of \$3,849 for Q3 2021 (Q3 2020 - \$163) and a gross operating profit of \$3,656 (Q3 2020 - \$1,259). The gross profit increase reflects a 100% increase in gross profit at the Zimapan Mine driven by a 61% 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 Q3 2020.

The increase in net loss resulted primarily from a \$2,066 increase in operating expenses, a \$1,163 increase in net finance expense, a \$1,014 increase in loss on foreign exchange, and a \$1,836 unrealized loss on marketable securities from Q3 2020. Operating expenses increased primarily due to the growth in the Company in addition to non-recurring costs associated with the Zimapan Mine acquisition and a \$431 charge in administrative severance costs paid as a result of placing the Rosario Project on care and maintenance. Also impacting operating expense is a \$466 increase in share-based compensation as a result of additional stock options granted compared to Q3 2020. The increase in net finance expense is primarily due to a \$665 increase IVA recovery inflationary loss which results from changes in the Mexican inflation rate, an additional \$162 in interest charges associated with the increased Trafigura loan balance compared to Q3 2020 and an additional \$169 of accretion of the Zimapan Mine decommissioning and restoration provision.

Also impacting the net loss for Q3 2021 are production costs resulting from a non-recurring charge of \$1,294 due to a Mexican labour reform that became effective September 2021. The Company was required to recognize certain labour liability accruals for their employees, including but not limited to vacation, holiday bonuses, annual bonuses, savings funds and seniority departure payments.

Discussion of Operational Results and Costs

Zimapan Mine

As compared to Q3 2020, the Q3 2021 silver equivalent production decreased by 6% due to the impact of using different metal price decks for the respective 2021 and 2020 fiscal years. The Q3 2021 silver equivalent production increased by 20% (after adjusting for the metal price deck) as compared to Q3 2020.

As compared to Q2 2021, the Q3 2021 silver equivalent production increased 14%. This increase arose primarily as a result of a 20% increase in tonnes milled during the period.

Operations during Q2 2021 reflect reduced milling availability with operations negatively impacted by 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 was immediate as production for July 2021 improved to over 60,000 tonnes of material processed at the milling facility with August and September seeing further production improvements.

The cash cost of production per tonne of mineralized material processed increased by 35% in Q3 2021 to \$53.88/t as compared to Q3 2020. This resulted from a 53% increase in the cash cost of production which included a non-recurring charge of \$6.93/t due to a Mexican labour reform that came into effect during the quarter, offset by a 13% increase in the tonnes of mineralized material processed.

As compared to Q2 2021, the cash cost of production per tonne of mineralized material processed decreased by \$0.04/t. This result reflects a 20% increase in the cash cost of production offset by a 20% increase in the tonnes of mineralized material processed during Q3 2021.

The cash cost of production per silver equivalent ounce sold increased by 2% to \$17.72/oz in Q3 2021 compared to Q3 2020. This resulted from a 35% increase in the cash cost of sales of silver equivalent ounces which



included a non-recurring charge of \$1.56/oz due to the Mexican labour reform that came into effect during the quarter, while the silver equivalent payable ounce produced increased by 33%.

As compared to Q2 2021, the cash cost of production per silver equivalent ounce sold in Q3 2021 decreased by 4%. This resulted from a 21% increase in the cash cost of sales of silver equivalent ounces while the silver equivalent payable ounces produced increased by 26%. As noted earlier, the increase in silver equivalent production arose primarily as a result of a 20% increase in tonnes milled during the period.

All-in sustaining cash cost of production per silver equivalent ounce sold increased by 15% to \$21.33/oz as compared to Q3 2020. This resulted from a 51% increase in the cash cost of sales which included a non-recurring charge of \$1.56/oz due to the Mexican labour reform that came into effect during the quarter, while the silver equivalent payable ounces produced increased by 33%.

As compared to Q2 2021, the AISC in Q3 2021 decreased by \$0.02/oz. This resulted from a 24% increase in the cash cost of sales of silver equivalent ounces while the silver equivalent payable ounces sold increased by 26%. 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 Q2 2021, the Q3 2021 silver equivalent production decreased by 86%. This decrease occurred due to an 86% decrease in mineralized material processed at the milling facility and in part from processing lower grade material. As noted above, subsequent to Q3 2021, the Company announced it had suspended operations at the Rosario Mine and placed the asset on care and maintenance. As a consequence of the minimal production during Q3 2021, reflective of the suspension of operations, no comparative analysis of Q3 2021 to Q3 2020 and Q2 2021 is provided.

About Santacruz Silver Mining Ltd.

Santacruz is a Mexican focused silver company with one producing silver project, the Zimapan Mine 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



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 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.