

**FORM 51-102F3
MATERIAL CHANGE REPORT**

ITEM 1. NAME AND ADDRESS OF ISSUER

Santacruz Silver Mining Ltd. (the "**Company**")
880 – 580 Hornby Street, Vancouver, BC V6C 3B6
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ITEM 2. DATE OF MATERIAL CHANGE

October 11, 2021.

ITEM 3. NEWS RELEASE

Issued October 13, 2021 and disseminated through the facilities of Newsfile.

ITEM 4. SUMMARY OF MATERIAL CHANGE

The Company entered into a definitive share purchase agreement with Glencore (the "**Agreement**") whereby the Company will acquire a portfolio of Bolivian silver assets from Glencore (the "**Transaction**"), including a 45% interest in the producing Bolivar and Porco mining operations held through an unincorporated joint venture with Corporación Minera de Bolivia, a Bolivian state-owned entity, a 100% interest in the Sinchi Wayra business which includes the producing Caballo Blanco mining complex, the Sorocaya project located in Bolivia and the San Lucas ore sourcing and trading business and certain related properties and assets (together, the "**Assets**"). Pursuant to the Agreement, Santacruz will pay initial upfront consideration of US\$20 million (subject to customary working capital adjustments), and an additional US\$90 million is payable in equal installments over four years from the closing of the Transaction, subject to certain conditions and adjustments. In addition, Glencore will also be granted a 1.5% net smelter returns royalty on the Assets and will have a right to acquire 100% of the offtake from the Assets on market terms to be set forth in definitive agreements to be entered into at closing.

ITEM 5.1 FULL DESCRIPTION OF MATERIAL CHANGE

See news release attached as Schedule "A".

ITEM 5.2 DISCLOSURE FOR RESTRUCTURING TRANSACTIONS

Not applicable.

ITEM 6. RELIANCE ON SUBSECTION 7.1(2) OF NATIONAL INSTRUMENT 51-102

Not Applicable.

ITEM 7. OMITTED INFORMATION

There are no significant facts required to be disclosed herein which have been omitted.

ITEM 8. EXECUTIVE OFFICER

Contact: Arturo Préstamo Elizondo, Executive Chairman
Telephone: 604-569-1609

ITEM 9. DATE OF REPORT

October 21, 2021.

TSX.V: SCZ
FSE: 1SZ

October 13, 2021

NOT FOR DISSEMINATION IN THE UNITED STATES OR THROUGH US NEWSWIRE SERVICES**Santacruz to Acquire Glencore's Producing Silver Mines in Bolivia
Creating a New Significant Latin American based Silver Producer**

Vancouver, British Columbia (October 12, 2021) – Santacruz Silver Mining Ltd. (TSX.V:SCZ) (the "Company" or "Santacruz") announces that it has entered into a definitive share purchase agreement (the "Agreement") with Glencore whereby Santacruz will acquire a portfolio of Bolivian silver assets from Glencore (the "Transaction"), including a 45% interest in the producing Bolivar and Porco mining operations held through an unincorporated joint venture with Corporación Minera de Bolivia ("COMIBOL"), a Bolivian state-owned entity, (the "Illapa JV"), a 100% interest in the Sinchi Wayra business which includes the producing Caballo Blanco mining complex ("Caballo Blanco"), the Sorocaya project located in Bolivia ("Sorocaya") and the San Lucas ore sourcing and trading business ("San Lucas") and certain related properties and assets (together, the "Assets"). Pursuant to the Agreement, Santacruz will pay initial upfront consideration of US\$20 million (subject to customary working capital adjustments), and an additional US\$90MM is payable in equal installments over four years from the closing of the Transaction, subject to certain conditions and adjustments. In addition, Glencore will also be granted a 1.5% net smelter returns royalty on the Assets.

Key Transaction Highlights

- Creation of a significant Americas-focused silver producer approaching senior status, with additional significant leverage to the zinc market
- Diversifies production across a robust portfolio of producing mines and creates a platform for future growth
- Assets include five producing mines, two exploration projects, three milling facilities, one trading company and two power plants (thermo and hydroelectric) among the most relevant
- For the nine months ended September 30, 2021, the Assets produced 6.4MM oz Ag Eq¹ (100% basis)
- Immediately accretive to cash flow and all key metrics
- Majority of consideration deferred and to be funded by cash flows resulting in limited upfront dilution compared to an all-share transaction

Arturo Préstamo Elizondo, Executive Chairman and Interim CFO of Santacruz, commented: *"This is a transformational acquisition that creates a leading mid-tier silver producer in the Americas. The Transaction represents a unique opportunity to significantly enhance our portfolio of operations – it is highly accretive on all key metrics and the transaction structure allows the Company to finance the majority of the acquisition via the cash flow generated by these Assets."* Mr. Préstamo continued; *"Santacruz shareholders will participate in a larger, more diverse silver producer with strong production growth and enhanced cash flow profile. We look forward to operating in Bolivia and partnering with COMIBOL to generate value for all stakeholders."*

Carlos Silva, Chief Executive Officer commented: *"We are very pleased to team up with a great group of professionals in Bolivia. Glencore has performed extraordinary work on these assets while achieving very high standards in terms of responsible mining practices and their commitment to responsible business and community relations."* Mr. Silva continued; *"We will ensure that this excellent legacy continues as we operate the projects in the coming years."*

¹ Production of 2.7MM oz Ag, 30kt Zn and 4kt Pb. Ag Eq calculated using metal prices of (US\$): Ag-\$25.66/oz, Zn-\$1.31/lb and Pb-\$0.98/lb.

Overview of the Assets

Bolivar (45% owned by Glencore)

- Underground silver-zinc-lead mine located in Antequera near Oruro City, which was first mined in 1810
- 45% interest in Bolivar through the Illapa JV with COMIBOL (55%)
- Processing at a 1,200 tpd plant using differential flotation process to concentrate zinc, lead and silver minerals
- Historical Mineral Reserves and Resources² (JORC Compliant; Mineral Resources are inclusive of Mineral Reserves shown at 100% ownership):

Category	Tonnes (Mt)	Silver (g/t)	Zinc (%)	Lead (%)
Proved Ore Reserves	0.8	251	9.4%	1.1%
Probable Ore Reserves	0.7	215	8.6%	0.9%
Measured Mineral Resources	1.4	308	12.7%	1.4%
Indicated Mineral Resources	1.0	283	12.2%	1.3%
Inferred Mineral Resources	5.4	350	9.0%	0.9%

Porco (45% owned by Glencore)

- Located 50 km southwest of Potosí City in Antonio Quijarro province comprised of two underground mining sectors: Central and Hundimiento
- 45% interest in Porco through the Illapa JV with COMIBOL (55%)
- Processing at a 1,200 tpd concentrator plant
- Historical Mineral Reserves and Resources³ (JORC Compliant; Mineral Resources are inclusive of Mineral Reserves shown at 100% ownership):

Category	Tonnes (Mt)	Silver (g/t)	Zinc (%)	Lead (%)
Proved Ore Reserves	0.1	67	8.9%	0.4%
Probable Ore Reserves	0.1	104	7.8%	0.5%
Measured Mineral Resources	0.7	83	10.7%	0.6%
Indicated Mineral Resources	0.4	114	10.9%	0.8%
Inferred Mineral Resources	2.2	98	11.8%	0.8%

Caballo Blanco (100% owned by Glencore)

- Underground mining complex located in Potosí comprised of three operating mines: Colquechaquita, Tres Amigos and Reserva
- Processing at the Don Diego processing plant (current capacity of 1,000 tpd) which uses the flotation method to obtain zinc-silver and lead-silver ore concentrates
- Also includes thermo and hydroelectric power generation facilities
- Long track record of production with the mines in operation since 1988 (Colquechaquita) and 1996 (Reserva, Tres Amigos)

² Reported reserves and resources are based on Glencore's Resources & Reserves report as at 31 December 2020 (see https://www.glencore.com/dam/jcr:3c05a365-e6ae-4c1a-9439-960249a42e35/GLEN_2020_Resources_reserves_report.pdf for details).

³ Reported reserves and resources are based on Glencore's Resources & Reserves report as at 31 December 2020 (see https://www.glencore.com/dam/jcr:3c05a365-e6ae-4c1a-9439-960249a42e35/GLEN_2020_Resources_reserves_report.pdf for details).

- Historical Mineral Reserves and Resources⁴ (JORC Compliant; Mineral Resources are inclusive of Mineral Reserves):

Category	Tonnes (Mt)	Silver (g/t)	Zinc (%)	Lead (%)
Proved Ore Reserves	0.9	234	7.3%	2.3%
Probable Ore Reserves	0.6	194	7.6%	1.8%
Measured Mineral Resources	0.9	364	13.7%	3.7%
Indicated Mineral Resources	0.6	318	13.1%	3.2%
Inferred Mineral Resources	2.3	241	12.2%	2.4%

Soracaya Project (100% owned by Glencore)

- Greenfield project in Potosí, Bolivia, 7 km south of the town of San Ramon
- The Soracaya project is situated 4.4 km along strike from Pan American Silver Corp.'s San Vicente mine and forms part of the same mineralized system

San Lucas Ore Sourcing & Trading Business (100% owned by Glencore)

- Third party ore sourcing business formally established in 2017
- Generates most of its income by sourcing ore from third parties, before processing it through plants at Bolivar, Porco and Caballo Blanco (Don Diego plant), and then selling the produced concentrate

Historical Resource Estimates – Bolivar, Porco and Caballo Blanco

Glencore reports resources and reserves in accordance with the 2012 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code), the 2016 edition of the South African Code for Reporting of Mineral Resources and Mineral Reserves (SAMREC) and the Canadian Institute of Mining, Metallurgy and Petroleum (CIM) Standards on Mineral Resources and Reserves (2014 edition). The term 'Ore Reserves', as defined in Clause 28 of the JORC Code, has the same meaning as 'Mineral Reserves' as defined in the CIM Definition Standards for Mineral Resources and Mineral Reserves. All tonnage information has been rounded to reflect the relative uncertainty in the estimates; there may therefore be small differences in the totals. The Measured and Indicated resources are reported inclusive of those resources modified to produce reserves, unless otherwise noted. Commodity prices and exchange rates used to establish the economic viability of reserves are based on long-term forecasts applied at the time the reserve was estimated.

Glencore's Resources & Reserves report as at December 31, 2020 disclosed Bolivar, Porco and Caballo Blanco mineral resource statements as well as mineral reserve estimates as of December 31, 2020, which remain current for Glencore as of the date hereof. In accordance with National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* ("NI 43-101"), the Bolivar, Porco and Caballo Blanco historical mineral resource and mineral reserve estimates use the terms "mineral resource", "inferred mineral resource", "indicated mineral resource" and "measured mineral resource" along with "probable reserve" and "proven reserve" having the same meanings ascribed to those terms by the Canadian Institute of Mining, Metallurgy and Petroleum, as the CIM Definition Standards on Mineral Resources and Mineral Reserves adopted by CIM Council, as amended. As the mineral resource and mineral reserve estimates pre-date Santacruz's agreement to acquire the Assets, Santacruz is treating them as "historical estimates" under NI 43-101, but they remain relevant as the most recent mineral resource and reserves estimates for Bolivar, Porco and Caballo Blanco. Further drilling and resource modelling would be required to upgrade or verify these historical estimates as current mineral resources or reserves for the respective assets and accordingly, they should be relied upon only as a historical resource and

⁴ Reported reserves and resources are based on Glencore's Resources & Reserves report as at 31 December 2020 (see https://www.glencore.com/dam/jcr:3c05a365-e6ae-4c1a-9439-960249a42e35/GLEN_2020_Resources_reserves_report.pdf for details).

reserve estimate of Glencore, which pre-dates Santacruz's agreement to acquire the Assets. A Santacruz "Qualified Person" under NI 43-101 has not done sufficient work to classify the historical estimate as current Mineral Resources or Mineral Reserves and Santacruz is not treating the historical estimate as current Mineral Resources or Mineral Reserves. The Company has engaged JDS Energy & Mining Inc. ("**JDS**") to validate and verify the historical resources. JDS completed its site visits in August 2021.

The Company has retained Mr. Garth Kirkham, P.Geo., who is a Qualified Person as defined by NI 43-101, to review the disclosure of the Company's historical mineral resources and reserves. Mr. Kirkham is an employee of Kirkham Geosystems Ltd. and is independent of the Company under NI 43-101.

Transaction Summary

Pursuant to the Agreement, Santacruz will acquire all of Glencore's properties, assets and businesses related to the Assets by acquiring various Glencore subsidiaries. The consideration for the Transaction will be payable through upfront consideration of US\$20 million in cash on closing (subject to customary working capital adjustments) (the "**Closing Cash Payment**"), and deferred consideration of US\$90 million secured against the Assets. The deferred consideration consists of cash payments of US\$22.5 million payable on each anniversary of the closing date for four years and is subject to certain accelerated payment features based on cash flows and silver and zinc prices (the "**Deferred Consideration Amount**"). Glencore will also retain a 1.5% net smelter returns royalty on the Assets (the "**Royalty**") and will have a right to acquire 100% of the offtake from the Assets on market terms to be set forth in definitive agreements to be entered into at closing.

The closing of the Transaction is subject to a number of closing conditions, which include, but are not limited to:

- the entering into of certain definitive agreements with Glencore with respect to the Deferred Consideration Amount, the Royalty and certain offtake rights in favour of Glencore;
- obtaining approval from the TSX Venture Exchange (the "**TSXV**"); and
- customary closing conditions set forth in the Agreement.

The Agreement has been approved by Santacruz's Board of Directors. Maxit Capital LP has provided an opinion to the Santacruz Board of Directors stating that, based upon and subject to the assumptions, limitations, and qualifications set forth therein, the consideration to be paid by Santacruz to Glencore pursuant to the Transaction is fair, from a financial point of view, to Santacruz.

Timetable and Next Steps

It is anticipated that the closing of the Transaction will take place during Q4 2021. In the coming months, Santacruz will be focused on the following activities:

- Completion of acquisition financing for the Closing Cash Payment, the terms of which are to be determined and will be disclosed when known to the Company;
- Completion of all other conditions precedent to closing of the Transaction; and
- Completion of a National Instrument 43-101 technical report on the relevant Assets to be filed in due course.

Advisors

Maxit Capital LP is acting as financial advisor to Santacruz with DuMoulin Black LLP acting as the Company's legal counsel.

In connection with the Transaction, the Company has entered into a consulting services agreement with Big Buck Capital, S.C. ("**BBC**") pursuant to which the Company has agreed to pay to BBC a fee equal to US\$1,320,000, being 1.2% of the Transaction value (the "**Success Fee**"). US\$320,000 of the Success Fee will be payable in cash over six months from the signing of the Agreement and US\$1,000,000 will be payable in common shares of the Company upon closing of the Transaction. The deemed issue price and number of shares



to be issued shall be determined based on the market price of the Company's common shares at the time of issuance, subject to TSXV acceptance.

About Santacruz Silver Mining Ltd.

Santacruz is a Mexican focused silver company with one producing silver project (Zimapan) 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 and Interim CFO

For further information please contact:

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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 constitute "forward-looking information" as such term is used in applicable Canadian securities laws, including statements relating to: the expected benefits of the Transaction; the closing of the Transaction, including the anticipated timing thereof; the satisfaction of all conditions to closing the Transaction including, without limitation, obtaining all necessary consents and approvals; the Company's plan to prepare a technical report on the relevant Assets; the Company's plans to obtain financing to complete the Transaction; the accuracy of estimated mineral resources, anticipated results of future exploration; forecast future metal prices, expectations that environmental, permitting, legal, title, taxation, socio-economic, political, marketing or other issues will not materially affect estimates of mineral resources; and production at the Bolivar and Porco mining operations, Caballo Blanco and Soracaya 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 or escalation of the COVID-19 pandemic and risks relating to the extent and duration of such pandemic and its impact on global markets; controls or regulations and political or economic developments in Bolivia; risk of delay and/or cessation in planned work or changes in the Company's financial condition and development plans; risks associated with the Company being able to secure financing to close the Transaction; 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;



employee relations; relationships with and claims by local communities and indigenous populations; availability and increasing costs associated with mining inputs and labour; the speculative nature of mineral exploration and development, including the risks of obtaining necessary licenses and permits and the presence of laws and regulations that may impose restrictions on mining; 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.