

# **Santacruz Silver Reports First Quarter 2018 Financial Results**

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TSX.V: SCZ  
FSE: 1SZ

VANCOUVER, May 31, 2018 /CNW/ - [Santacruz Silver Mining Ltd.](#) (TSX.V:SCZ) (the "Company" or "Santacruz") reports operating and financial results from the Veta Grande Project in Zacatecas, Mexico and the Rosario Project in San Luis Potosí, Mexico and for the first quarter of 2018. The full version of the financial statements and accompanying management's discussion and analysis can be viewed on the Company's website at [www.santacruzsilver.com](http://www.santacruzsilver.com) or on SEDAR at [www.sedar.com](http://www.sedar.com). All amounts are in thousands of US dollars unless otherwise indicated.

"As previously reported, in the first quarter management focussed on mine development at Veta Grande in order to put a production framework in place for achieving targeted production during the third quarter of this year and beyond," stated Arturo Preciado, President and Chief Executive Officer of Santacruz. "Although this decision will benefit the Company going forward the financial and operational results were negatively impacted as the result was feeding the Veta Grande mill with low grade material. Similarly, ongoing development at the Membrillo Prospect resulted in a lower grade of millfeed to the Rosario Project. However, continued, "Importantly, the gross margin realized from the mining services contract with Carrizal largely offset the mining operations loss during the quarter."

Selected operating and financial information for the three-month periods ended March 31, 2018, December 31, 2017 and March 31, 2017 is presented below:

|                                                                      | 2018 Q1 | 2017 Q4  | 2017 Q1 |
|----------------------------------------------------------------------|---------|----------|---------|
| Financial                                                            |         |          |         |
| Revenue & Mining Operations                                          | 753     | 1,292    | 2,085   |
| Revenue & Mining Services                                            | 2,413   | 3,580    | -       |
| Gross Loss <sup>(4)</sup>                                            | (117)   | (451)    | (1,059) |
| Impairment                                                           | -       | (10,445) | -       |
| Net Income (Loss)                                                    | (806)   | (10,012) | 1,490   |
| Net Income (Loss) Per Share & Basic (\$/share)                       | 0.00    | (0.06)   | 0.01    |
| Adjusted EBITDA <sup>(4)</sup>                                       | (209)   | (1,435)  | (848)   |
| Operating                                                            |         |          |         |
| Material Processed (tonnes milled)                                   | 48,068  | 30,974   | 45,474  |
| Silver Equivalent Produced (ounces) <sup>(1)</sup>                   | 154,175 | 139,670  | 223,968 |
| Silver Equivalent Sold (payable ounces) <sup>(2)</sup>               | 59,648  | 94,204   | 163,457 |
| Production Cost per Tonne <sup>(3)</sup> (\$/t)                      | 52.97   | 86.49    | 54.93   |
| Cash Cost per Silver Equivalent (\$/oz.) <sup>(3)</sup>              | 45.94   | 32.38    | 19.55   |
| All-in Sustaining Cost per Silver Equivalent (\$/oz.) <sup>(3)</sup> | 55.84   | 38.53    | 24.56   |
| Average Realized Silver Price per Ounce (\$/oz.) <sup>(2) (5)</sup>  | 16.78   | 16.73    | 17.31   |

- (1) Silver equivalent ounces produced in 2018 have been calculated using prices of US\$17.00/oz., US\$1,295/oz., US\$1.00/lb. and US\$1.35/lb. for silver, gold, lead and zinc respectively applied to the metal content of the lead and zinc concentrates produced by the Company. Silver equivalent ounces produced in 2017 have been calculated using prices of US\$16.00/oz., US\$1,150/oz., US\$1.00/lb. and US\$1.15/lb. for silver, gold, lead and zinc respectively applied to the metal content of the lead and zinc concentrates produced by the Company.
- (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 lead and zinc concentrates sold by the Company.
- (3) The Company reports non-IFRS measures which include Production Cost per Tonne, Cash Cost per Silver Equivalent, All-in Sustaining Cost per Silver Equivalent 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.
- (4) 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.
- (5) Average realized silver price per ounce is prior to all treatment, smelting and refining charges.

## Financial Results

The Company realized an average silver price of \$16.78 per ounce during Q1 2018 which is largely unchanged from Q4 2017 and a 3% decrease as compared to Q1 2017.

The Company recorded a net loss of \$806 in Q1 2018 compared to a net loss of \$10,012 in Q4 2017 and net income of \$1,490 in Q1 2017. The Q1 2017 net income arose primarily from a non-cash change in fair value of derivative liabilities of \$3,308 that was recorded to other finance income. The Q4 2017 net loss arose largely from an impairment charge of \$10,445 that was recorded against the Rosario Project.

Revenues in Q1 2018 of \$3,166 include mining operations of \$753 (Q1 2017 - \$2,085; Q4 2017 - \$1,292) and mining services of \$2,413 (Q1 2017 - \$nil; Q4 2017 - \$3,580). Mining operations revenues in Q1 2018 decreased as a result of management's decision to focus on mine development at both the Veta Grande and Rosario Projects leading to lower grade mineralized material being sent for processing.

The Company recorded a gross loss from operations of \$117 during Q1 2018 (Q1 2017 &ndash; loss of \$1,059; Q4 2017 &ndash; loss of \$451). The losses recorded in Q1 2018 and Q4 2017 reflect the combined results of the Company's mining operations and mining services activities. During these periods the mining operations resulted in gross losses of \$2,129 and \$1,474 for Q1 2018 and Q4 2017 respectively while mining services resulted in gross profit of \$2,012 and \$856 for the same periods.

## Operational Results and Costs

Cash cost per ounce for the quarter was \$45.94 per payable ounce of silver sold, an increase of 135% from \$19.55 per ounce in Q1 2017 and an increase of 42% from \$32.38 per ounce per ounce in Q4 2017. Cash cost per ounce was higher primarily due to lower head grades in the quarter arising from management's decision to focus on mine development at both the Veta Grande and Rosario Projects leading to lower grade mineralized material being sent for processing. Cash costs at both projects are expected to decrease in Q3 2018 as higher grade material will be available for mining on a consistent basis at that time and production throughput is also expected to increase.

All-in Sustaining Cost per ounce in the first quarter was \$55.84 per payable ounce of silver sold, an increase of 127% from \$24.56 per ounce in Q1 2017 and an increase of 45% from \$38.53 per ounce per ounce in Q4 2017. The increases occurred for the same reasons as those relating to the cash cost per ounce increases referenced above.

## About Santacruz Silver Mining Ltd.

Santacruz is a Mexican focused silver company with two producing silver projects (Veta Grande Project and Rosario Project) and two exploration properties (Minillas Property and Zacatecas Properties). 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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## Forward looking information

Certain statements contained in this news release 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, that the Company's financial condition and development plans do not change as a result of unforeseen events, that third party mineralized material to be milled by the Company will have properties consistent with management's expectations, that the Company will receive all required regulatory approvals, 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 prove not to be valid or reliable, which could result in lower revenue, higher cost, or lower production levels; delays and/or cessation in planned work; changes in the Company's financial condition and development plans; delays in regulatory approval; risks associated with the interpretation of data (including in respect of the third party mineralized material) regarding 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](http://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 Project

The decisions to commence production at the Rosario Mine, Cinco Estrellas Property and Membrillo Prospect were 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 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.

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