

Santacruz Silver Signs Agreement to Acquire the Zimapan Mining Assets from Grupo Penoles

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Vancouver, July 28, 2020 - [Santacruz Silver Mining Ltd.](#) (TSXV: SCZ) (the "Company" or "Santacruz") through its wholly owned subsidiary, Carrizal Mining, S.A. de C.V. ("Carrizal"), has entered into a legally binding term sheet (the "Term Sheet") with Minera Cedros, S.A. de C.V. ("Minera Cedros"), a wholly owned subsidiary of Industrias Peñoles, S.A.B. de C.V. to acquire (the "Transaction") the Zimapan property and related assets (the "Zimapan Mine") located in Zimapan, Hidalgo State, Mexico for total consideration of US\$20 million (plus applicable Mexican Value Added Tax of US\$3.2 million) (the "Purchase Price").

The Zimapan Mine is currently under lease by Carrizal from Minera Cedros expiring December 31, 2020. The Zimapan Mine has had a long mining history with recent production for over the past 10 years being carried out by Carrizal under a mining lease agreement with Minera Cedros. During this time, mining operations were based on underground diamond drilling programs. Santacruz completed the acquisition of Carrizal in October 2019.

Assets to be acquired pursuant to the Transaction include:

- Zimapan mill facility (the "Zimapan Mill") which is a 75,000 dry metric tonnes (DMT) per month facility with zinc, lead and copper circuits. Over the past five years the Zimapan Mill has produced an annual average of 12,400 tonnes of zinc, 3,300 tonnes of lead, 1,850 tonnes of copper and 1,290,000 ounces of silver from an average annual throughput of 700,000 tonnes of mineralized material generating an average of 4,681,000 ounces silver equivalent* (source: Carrizal mine production records).
- Surface and underground infrastructure including electrical and other necessary infrastructure to carry on day to day operations.
- 34 mining concessions covering an area of 5,139 hectares. The mining concessions are located seven kilometers from the municipality of Zimapan. To date, Carrizal has identified 14 mineral zones that are characterized as polymetallic replacement mineralization of Pliocene age. Within the mineral zones, silver, lead, zinc and copper minerals have preferentially replaced the carbonate host rocks and pre-existing skarn bodies to produce disseminated, semi-massive sulphide and massive sulphide bodies that occur in proximity to monzonitic intrusions and quartz-feldspar porphyry dikes.

Pursuant to the Term Sheet, if the parties have not executed definitive agreements relating to the Transaction, and completed the Transaction, on or before December 15, 2020 (the "Closing Deadline"), the party responsible for such lack of performance must pay the other party a break fee in the amount of 20% of the Purchase Price, subject to the extension provisions described below. Accordingly, if the Company is unable to secure funding of the entire Purchase Price or is otherwise unable to complete the Transaction by the Closing Deadline or such later deadline as may result from one or more extensions granted by Minera Cedros (as described below), then Carrizal will be required to pay a break fee equal to 20% of the Purchase Price to Minera Cedros.

If Carrizal pays all outstanding royalties owing to Minera Cedros in connection with the existing lease of the Zimapan Mine, currently amounting to approximately US\$1.05 million, on or before October 31, 2020 and subject to Carrizal maintaining a guaranty through a bank letter of credit or similar instrument in favor of Minera Cedros in the amount of US\$1 million with an expiry date of February 15, 2021 or later, then Carrizal has the right to request an extension of the Closing Deadline to January 31, 2021 and can thereafter further request an extension of the Closing Deadline to March 31, 2021 if such guaranty is increased to US\$2 million and the Purchase Price is increased by 10% after December 15, 2020.

Carlos Silva, Santacruz's CEO, stated, "This would be a transformational transaction for Santacruz to add the Zimapan Mine, which I have had the privilege to lead throughout the last 12 years, to the Company's existing mining projects". Mr. Silva continued; "This acquisition is expected to pave the way for the future growth of Santacruz towards becoming a mid-tier silver producer. We wish to thank Peñoles management for their support throughout this process."

Completion of the Transaction remains subject to a number of conditions, including receipt of all necessary regulatory approvals including approval of the TSX Venture Exchange ("TSXV") to the Transaction which will constitute a "Fundamental Acquisition" pursuant to TSXV Policy 5.3.

* The above Ag Eq references production results and have been calculated using the following metal prices:
2015 Ag Eq was calculated using metal prices of: Ag \$17.75/oz, Pb \$0.83/lb, Zn \$1.09/lb and Cu \$2.49/lb.
2016 Ag Eq was calculated using metal prices of: Ag \$14.50/oz, Pb \$0.76/lb, Zn \$0.71/lb and Cu \$2.20/lb.
2017 Ag Eq was calculated using metal prices of: Ag \$16.00/oz, Pb \$1.00/lb, Zn \$1.15/lb and Cu \$2.81/lb.
2018 Ag Eq was calculated using metal prices of: Ag \$17.00/oz, Pb \$1.00/lb, Zn \$1.35/lb and Cu \$2.93/lb.
2019 Ag Eq was calculated using metal prices of: Ag \$15.25/oz, Pb \$0.94/lb, Zn \$1.20/lb and Cu \$2.72/lb.

Qualified Persons

The scientific or technical information included in this news release has been reviewed and approved by Van Phu Bui, P.Geo. of ARC Geoscience Group, who is an independent consultant geologist of the Company and is a qualified person, pursuant to the meaning of such terms in NI 43-101.

About Santacruz Silver Mining Ltd.

Santacruz is a Mexican focused silver company with one active producing silver project (Rosario), one project whose operations have been suspended (Veta Grande) and two exploration properties, the Minillas property and Zacatecas properties. The Company also owns 100% of Carrizal. Carrizal is a private Mexican mining company, which holds a 20% working interest in the Company's Zacatecas mineral portfolio and assets and has the right to operate the Zimapan Mine until December 31, 2020 under a mining lease agreement.

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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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 agreement with Minera Cedros and the acquisition of the Zimapan Mine by the Company. 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; there can be no assurance that the Company will be successful in completing the acquisition of the Zimapan Mine (including obtaining the necessary funding for the Purchase Price); risk of delays or inability to obtain the approval of the TSXV to the acquisition of the Zimapan Mine; 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 the 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.

Zimapan Mine

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.

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