

# Santacruz Silver Reports Second Quarter 2020 Financial Results and Resignation of Chief Financial Officer

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Vancouver, September 1, 2020 - [Santacruz Silver Mining Ltd.](#) (TSXV: SCZ) (FSE: 1SZ) (the "Company" or "Santacruz") reports on the operating and financial results Zimapan Mine in Zimapan Hidalgo Mexico and the Rosario Project in San Luis Potosi, Mexico for the second quarter of 2020. 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.

## Q2 2020 Highlights

- Cash Cost per tonne decreased 34% from \$62.80/t to \$41.44/t as compared to Q2 2019;
- Gross Profit from mining operations of \$796, notwithstanding the mine suspension period for 42 days at the Zimapan Mine and a 40% personnel reduction at the Rosario Project; and,
- Consolidated cash cost per silver equivalent ounce sold \$15.25/oz and AISC of \$16.90/oz.

Carlos Silva, CEO of Santacruz stated, "The global outbreak of COVID-19 and the steps necessary to mitigate the impact of this disease on our operations has created a more agile decision making process at all levels and strong leadership to guide these efforts as we strive to be more efficient and productive in these trying times. Some of the operational and administrative adjustments undertaken in Q2 are here to stay, specifically those aimed at the safety of our employees and our performance target metrics." Mr. Silva continued, "We are enjoying a solid third quarter, leaving behind the COVID-19 mandatory suspension and aiming to re-establish our mines' production targets and improved profitability with stronger metal prices."

The Company also announces the resignation of Mr. Rob McMorran from the office of Chief Financial Officer of the Company which he has held since the Company's formation in April 2012. Mr. McMorran will remain as an advisor to the Company's Board of Directors. Arturo Prestamo, Executive Chairman, has been appointed Interim CFO while the Company finds an appropriate candidate for this position. The Company would like to thank Mr. McMorran for his valuable service these past eight years. Mr. Arturo Prestamo, Executive Chairman stated, "I would like to personally thank Rob for his significant contribution to the Company over the past years and wish him well in his retirement."

## Financial Results

Selected financial information for the three-month periods ended June 30, 2020, March 31, 2020 and June 30, 2019 is presented below:

	2020 Q2	2020 Q1	2019 Q2
Revenue - Mining Operations	5,939	7,816	3,247
Revenue - Mining Services	-	-	888
Gross Profit (Loss) <sup>(1)</sup>	796	(1,874)	251
Debt forgiveness	412	-	-
Net Loss	(636)	(87)	(1,137)
Net Loss Per Share - Basic (\$/share)	(0.00)	(0.00)	(0.01)
Adjusted EBITDA <sup>(1)</sup>	12	(2,909)	(113)

<sup>(1)</sup> 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.

(2) Financial results from the Zimapan Mine have been recorded on a 100% basis in the Q2 and Q1 2020 figures but not in the Q2 2019 as the Company did not acquire the lease rights to the Zimapan Mine until July 2019.

The Company realized an average silver price of \$16.49 per ounce during Q2 2020, which represents an 12% increase from Q2 2019 and a 1% decrease from Q1 2020.

The Company recorded a net loss of \$636 (\$0.00 per share) for the three-month period ended June 30, 2020 compared to a net loss of \$1,137 (\$0.01 loss per share) for the same period in 2019.

Revenues in 2020 of \$5,939 arose entirely from mining operations whereas in 2019 \$3,247 was generated by mining operations and \$888 by mining services. The significant increase in mining operations revenue is a result of the acquisition of Carrizal Mining during 2019.

Silver equivalent production for Q2 2020 increased by 105% to 709,765 ounces as compared to 346,021 ounces in Q2 2019. This increase is largely due to the inclusion of production from the Zimapan Mine during Q2 2020 (2019 - nil) offset by a 50% decrease in production at the Rosario Project and suspension of operations at the Veta Grande Project.

Selected operating information for the three-month periods ended June 30, 2020, March 31, 2020 and June 30, 2019 is presented below:

#### Operational Results and Costs

	2020		2019
	Q2	Q1	Q2
Material Processed (tonnes milled)			
Zimapan Mine <sup>(5)</sup>	106,725	139,903	-
Veta Grande Project	-	11,095	37,156
Rosario Project	10,074	17,497	20,789
Consolidated	116,799	168,495	57,945
Silver Equivalent Produced (ounces) <sup>(1) (4)</sup>			
Zimapan Mine <sup>(5)</sup>	639,021	829,514	-
Veta Grande Project	-	64,870	204,612
Rosario Project	70,744	73,251	141,409
Consolidated	709,765	967,635	346,021
Silver Equivalent Sold (payable ounces) <sup>(2)</sup>			
Zimapan Mine <sup>(5)</sup>	461,324	626,984	-
Veta Grande Project	-	47,854	149,898
Rosario Project	30,018	61,111	127,850
Consolidated	491,341	735,949	277,748
Cash Cost of Production per Tonne <sup>(3)</sup>			
Zimapan Mine	40.67	48.15	-
Veta Grande Project	-	148.36	59.59
Rosario Project	49.53	62.12	68.55
Consolidated	41.44	56.20	62.80
Cash Cost per Silver Equivalent Ounce <sup>(3)</sup>			
Zimapan Mine	14.88	16.53	-
Veta Grande Project	-	39.52	17.68
Rosario Project	21.45	23.47	14.23
Consolidated	15.25	18.60	16.09
All-in Sustaining Cash Cost per Silver Equivalent Oz <sup>(3)</sup>			
Zimapan Mine	16.00	17.57	-
Veta Grande Project	-	46.34	19.70
Rosario Project	31.91	29.01	16.59
Consolidated	16.90	20.39	18.27

Average Realized Silver Price per Ounce <sup>(3)</sup>

Zimapan Mine	16.47	16.38	-
Veta Grande Project		17.01	14.67
Rosario Project	16.89	16.38	14.65
Consolidated	16.49	16.66	14.66

(1) 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 Veta Grande Project, Rosario Project and the Zimapan Mine. Silver equivalent ounces produced in 2019 have been calculated using prices of \$15.25/oz., \$1,281/oz., \$0.94/lb, and \$1.20/lb for silver, gold, lead and zinc respectively applied to the metal content of the concentrates produced by the Veta Grande Project and the Rosario Project.

(2) The comparative figures for Q2 2019 have been restated from the originally disclosed amounts based on an internal review of past metallurgical reporting practice and the adoption by management of new procedures designed to more accurately calculate the relevant data.

(3) 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 Veta Grande Project, Rosario Project and Zimapan Mine respectively.

(4) 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.

(5) Amounts reported for the Zimapan Mine reflect the Company's 100% interest in the mine operations during Q1 and Q2 2020 but was nil% during Q2 2019 as the Company did not acquire the lease rights to the Zimapan Mine until July 2019.

Cash cost of production per silver equivalent ounce sold decreased by 5% in Q2 2020 to \$15.25/oz as compared to \$16.09/oz in Q2 2019. This change in unit costs reflects the positive impact of the inclusion of the operating costs from the Zimapan Mine offset by a 51% increase in unit costs due to a 50% decrease in the silver equivalent ounce produced at the Rosario Project. The increase in unit costs at the Rosario Project is entirely due to the decreased production in Q2 2020 that occurred as a result of reduced staffing levels in connection with Covid-19 pandemic safety measures.

As compared to Q1 2020 the Q2 2020 unit costs decreased 18%. This change reflects a 10% decrease in unit costs at the Zimapan Mine together with a 9% decrease at the Rosario Project. The consolidated cash cost of sales for mining operations decreased by 41% while the amount of silver equivalent payable ounces sold decreased by 28% due to the mine suspension period for 42 days at Zimapan and a 40% personnel reduction at Rosario mine.

All-in sustaining cash cost of production per silver equivalent ounce sold decreased by 7% in Q2 2020 to \$16.90/oz as compared to \$18.27/oz in Q2 2019. As referenced above, this change in unit costs reflects the impact of the inclusion of the operating costs from the Zimapan Mine offset by the suspension of mining activities at the Veta Grande Project, and a 92% increase in unit costs at the Rosario Project due to a 50% decrease in the silver equivalent ounces produced. The consolidated all-in sustaining cost for mining operations increased by 77% and there was a 91% increase in silver equivalent payable ounces sold.

As compared to Q1 2020 the Q2 2020-unit costs decreased 10%. This change reflects a 9% decrease in unit costs at the Zimapan Mine and suspension of the Veta Grande Project, offset by a 10% increase at the Rosario Project. The consolidated all-in sustaining cost for mining operations decreased by 40% with a 33% decrease in silver equivalent payable ounces.

## About Santacruz Silver Mining Ltd.

Santacruz is a Mexican focused silver company that currently owns and operates the Rosario Project. The Company also owns 100% of Carrizal Mining S.A. de C.V. Carrizal Mining is a Mexican mining company that holds a 20% working interest in the Company's Zacatecas Project and has the right to operate the Zimapan Mine until December 31, 2020 under a mining lease agreement. On July 28, 2020 the Company announced that it had reached agreement with Minera Cedros, S.A. de C.V. ("Minera Cedros"), a wholly owned subsidiary of IndustriasPeñoles, S.A.B. de C.V., to acquire outright the Zimapan Mine for US\$20.0 million

(plus applicable IVA of US\$3.2 million), subject to a number of conditions, including receipt of all necessary regulatory approvals including approval of the TSXV to the transaction which will constitute a "Fundamental Acquisition" pursuant to TSXV Policy 5.3.

The Company also has rights to two exploration properties, the Minillas property and Zacatecas properties as well as the Veta Grande Project where mining operations are currently suspended.

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.

#### 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 Zimapan property 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); 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](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.

#### 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.

#### 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 in accordance with NI 43-101.

'signed'

Arturo Préstamo Elizondo,  
Executive Chairman

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