

Santacruz Silver Enters Definitive Agreement to Acquire the Zimapan Mine and Arranges Financing For Transaction

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Vancouver, February 25, 2021 - [Santacruz Silver Mining Ltd.](#) (TSXV: SCZ) (OTC: SZSMF) (FSE: 1SZ) (the "Company" or "Santacruz") reports that its wholly-owned subsidiary, Carrizal Mining S.A. de C.V. ("Carrizal"), has entered into a definitive agreement (the "P&S Agreement") 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 "Acquisition") 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 P&S Agreement supersedes the term sheet previously entered into by the parties.

The Acquisition remains subject to a number of conditions, including receipt of all necessary regulatory approvals including approval of the TSX Venture Exchange ("TSXV"), as the Acquisition constitutes a "Fundamental Acquisition" pursuant to TSXV Policy 5.3.

Assets to be acquired pursuant to the Acquisition include:

- Zimapan processing facility with a capacity of 75,000 dry metric tonnes per month and zinc, lead and copper circuits.
- Surface and underground infrastructure including electrical and other necessary infrastructure required for day-to-day operations.
- 34 mining concessions covering an area of 5,139 hectares, including the highly prospective 337-hectare Santa Gorgonia 1 concession. The mining concessions are all located proximate to 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.

The Company previously filed an independent technical report relating to the Zimapan Mine dated August 5, 2020 titled "Technical Report Zimapan Property Hidalgo Mexico" under National Instrument 43-101 Standards of Disclosure for Mineral Projects ("NI 43-101"), available at www.sedar.com.

The Company also reports that it has concurrently entered into a loan facility agreement with Trafigura México, S.A. de C.V. ("Trafigura Mexico") providing for a loan to Carrizal in the amount of approximately US\$17.6 million (the "Trafigura Loan Facility"), US\$15 million of which Trafigura Mexico will advance to Minera Cedros on behalf of Carrizal on closing of the Acquisition in partial satisfaction of the Purchase Price. The remaining balance of the Purchase Price payable to Minera Cedros pursuant to the P&S Agreement, being US\$8.2 million, is being financed by Minera Cedros (the "Vendor Loan Facility"). The US\$2.6 million balance of the Trafigura Loan Facility represents the refinancing of existing debt owing to Trafigura Mexico by Carrizal and an affiliate.

Carlos Silva, CEO of Santacruz, commented: "The completion of this transaction and concurrent financing will be transformational for Santacruz and will mark the Company as an emerging mid-tier silver producer." He continued, "We thank Minera Cedros and Trafigura Mexico for their support in concluding the definitive agreements as we now work towards closing this important acquisition. Our goals following completion of the Acquisition include continuing to implement operational efficiencies, achieve quarterly production of approximately 200,000 wet metric tonnes by Q3 2021 and further explore opportunities for growth on the property."

Details of Trafigura Loan Facility and Vendor Loan Facility

The Trafigura Loan Facility is for a period of 42 months at an annual interest rate of three-month LIBOR + 6.5% (currently approximately 7.5%), repayable in monthly instalments of principal plus accrued interest for the respective period. The Trafigura Loan Facility will be secured by a first charge over all Zimapan Mine assets and all other material assets owned by the Company and its subsidiaries. In addition, the Company has agreed to issue to Trafigura Mexico or an affiliate 28 million bonus warrants, each warrant exercisable into a Santacruz common share at \$0.395 per share, for a period of 12 months with respect to 26% of the warrants and 42 months with respect to 74% of the warrants, subject to the policies and approval of the TSXV. The Trafigura Loan Facility contains normal course liquidity and financial ratio covenants, among others.

The Vendor Loan Facility will be repayable as to US\$3.0 million, plus accrued interest at the rate of 10% per annum, on or before March 31, 2021 and US\$5.2 million, plus accrued interest, on or before June 30, 2021. The Vendor Loan Facility will be secured by a subordinated charge against the Zimapan Mine assets.

Pursuant to the Trafigura Loan Facility, Trafigura Mexico will have the right to offset payments owing by Trafigura Mexico to Carrizal and/or its affiliates under existing commodity purchase and sale agreements, against payments owing by Carrizal to Trafigura Mexico under the Trafigura Loan Facility.

Concurrent completion of the Acquisition and the Trafigura Loan Facility remain subject to customary closing conditions, in addition to receipt of all necessary regulatory approvals including approval of the TSXV.

Qualified Person

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

About Santacruz Silver Mining Ltd.

Santacruz is a Mexican focused silver company that through its Mexican subsidiaries owns and operates the Rosario Mine and currently operates the Zimapan Mine.

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 planned completion of the Acquisition and the Trafigura Loan Facility and quarterly production targets. 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, 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, unanticipated delays in obtaining or failure to obtain regulatory or stock exchange approvals; the risk that any of the assumptions referred to above prove not to be valid or reliable; risk of delays or inability to obtain the approval of the TSXV to the Acquisition and/or the Trafigura Loan Facility; 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.

To view the source version of this press release, please visit <https://www.newsfilecorp.com/release/75427>

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