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Santacruz Silver Reports Second Quarter Financial Results

Vancouver, B.C. – Santacruz Silver Mining Ltd. (TSX.V:SCZ) (the "Company" or "Santacruz") reports on its financial and operating results for the second quarter of 2017 ("Q2"). The full version of the financial statements and accompanying management discussion and analysis can be viewed on the Company's website at www.santacruzsilver.com or on SEDAR at www.sedar.com. All financial information is prepared in accordance with IFRS and all dollar amounts are expressed in thousands of US dollars, except per unit amounts, unless otherwise indicated.

Q2 HIGHLIGHTS:

- Revenues of $2,641
- Production cost per tonne of $63.38
- Silver equivalent production increased 21% to 270,659 in Q2 from 223,968 in Q1
- Net loss of $8,485 after reflecting impairment charge of $5,284 on the Gavilanes Property
- Cash cost per silver equivalent ounce sold of $21.24
- AISC per silver equivalent ounce sold of $24.62

"Our Q2 results reflect production equipment availability challenges that resulted from working capital constraints," said Arturo Préstamo, President and CEO. "With the recent sale of the Gavilanes Project, we have remedied this issue and have seen immediate improvement in production in terms of both tonnes of production and grade that are in line with management's expectations at the Rosario Project. At the Veta Grande Project we are now accessing mineralized material from Level 6 of the Garcia mine and again are seeing an improvement in grade that is in line with management's expectations."

Second Quarter 2017 Financial Summary (Q2 2017 compared to Q1 2017 and Q2 2016)

Highlights	Q2 2017	Q1 2017	Q2 vs Q1 % change	Q2 2016
Revenue	$2,641	$2,085	27%	$3,375
Mine Operations (Loss) Income[1]	$(1,827)	$(1,059)	-73%	$597
Net (Loss) Income[2]	$(8,485)	$1,490	-	$(796)
Adjusted EBITDA[1]	$(1,390)	$(848)	-64%	$670
Basic Loss per Share[2]	$(0.05)	$0.01	-	$(0.01)

[1] The Company reports additional non-IFRS measures which include Mine Operations Income and Adjusted EBITDA. These additional financial disclosure measures are intended to provide additional information.

[2] The Q2 2017 net loss includes an impairment charge of $5,284 related to the Gavilanes Property while the Q1 2017 net income includes a credit of $3,308 for a change in fair value of foreign currency derivative. Before taking these matters into account the Q2 net loss was $3,201, or $0.02 per share, while the Q1 results were a net loss of $1,818, or $0.01 per share.

Second Quarter 2017 Mine Operations Summary (Q2 2017 compared to Q1 2017 and Q2 2016)

Highlights	Q2 2017	Q1 2017	Q2 vs Q1 % change	Q2 2016
Mill Production (tonnes)	57,685	45,474	27%	26,419
Silver Equivalent Production (ounces)(1)	270,659	223,968	21%	271,985
Silver Equivalent Sold (payable ounces)(2)	219,226	163,457	34%	251,189
Cash Cost per Silver Equivalent Sold ($/oz.)(3)	$21.24	$19.55	9%	$11.57
Production Cost ($/tonne)(3)	$63.38	$52.87	20%	$79.26
All-in Sustaining Cost per Silver Equivalent Sold ($/oz.)(3)	$24.62	$24.56	0%	$14.83
Average Realized Silver Price ($/oz.)(3)	$17.17	$17.31	-1%	$16.50

(1) Silver equivalent ounces produced in 2017 have been calculated using prices of $16.00/oz., $1,150/oz., $1.00/lb. and $1.15/lb. for silver, gold, lead and zinc respectively applied to the metal content of the lead and zinc concentrates produced by the Rosario Project as well as by the Veta Grande Project. . Silver equivalent ounces produced in 2016 have been calculated using prices of $14.50/oz., $1,100/oz., $0.76/lb and $0.71/lb for silver, gold, lead and zinc respectively applied to the metal content of the lead and zinc concentrates produced by the Rosario Project during the second quarter of 2016.

(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 from the Rosario Project and Veta Grande Project

(3) The Company reports non-IFRS measures which include Cash Cost per Silver Equivalent, Production Cost, All-in Sustaining Cost per Silver Equivalent and Average Realized Silver Price. 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.

Financial Results

The Company recorded a net loss of $8,485 in Q2 2017 compared to a net loss of $796 in 2016. The increase in net loss in Q2 2017 relates largely to an impairment charge of $5,284 recorded with respect to the Gavilanes Project and to a $2,424 decrease in mine operations income.

Revenues in Q2 2017 of $2,641 decreased 22% as compared to 2016 primarily as a result of a 13% decrease in silver equivalent ounces sold combined with an approximate 7% increase in treatment and refining fees offset by an increase in the realized silver price. The decrease in the silver equivalent ounces sold primarily reflects lower head grades of silver and zinc at the Rosario Project during Q2 2017 combined with somewhat lower head grades at the Veta Grande Project.

Production costs of $3,534 recorded during Q2 2017 increased by 66% as compared to 2016 reflecting the inclusion of operating results from the Veta Grande Project in 2017 offset in part by the cost savings measures initiated by management at the Rosario Project.

Operational Results and Costs

Rosario Project

At the Rosario Project, silver equivalent production decreased in Q2 2017 as compared to 2016 by 54% from 271,985 ounces to 124,717 ounces. The decrease arose primarily from a lower silver head grade in Q2 2017 combined with lower lead and zinc head grades, partially offset by a higher gold head grade,

The low metal grades occurred as a result of working capital constraints that prevented the timely repair and maintenance of certain mine production equipment, primarily underground scooptrams. The reduced availability of the scooptrams delayed the completion of production stopes at both the Membrillo Vein and Cinco Estrellas Property and resulted in a lower production rate for a significant part of the quarter consisting mostly of development material.

With the completion of the sale of the Gavilanes Project the Company has been able to complete the necessary repairs to the scooptram fleet with all of the affected units now back in service thereby allowing the Company to access mineralized material from production stopes while still continuing mine development. Following these changes production at the Rosario Project has increased to approximately 350 tpd with further increased production expected over the coming weeks.

The cash operating cost per tonne of mineralized material processed decreased by 13% to $68.80 in Q2 2017 as compared to 2016 reflecting better mining conditions at both the Cinco Estrellas Property and the Membrillo Vein as well as management initiated cost savings. However, as a result of the decrease in head grades realized in Q2 2017, the cash cost per silver equivalent ounce sold increased by 113% to $24.64. For the same reason the all-in sustaining cost increased by 93% to $28.69 per silver equivalent ounce sold.

Veta Grande Project

At the Veta Grande Project, silver equivalent production in Q2 2017 increased by 34% to 145,942 ounces as compared to Q1 2017. The increase reflects an 11% increase in tonnes milled combined with higher recoveries for all metals as well as higher grades for gold, lead, and zinc.

The cash operating cost per tonne of mineralized material processed decreased by 10% in Q2 2017 to $50.07 as compared to $55.62 in Q1 2017 as a direct result of the 11% increase in tonnes milled.

The cash cost of production per silver equivalent ounce sold decreased by 26% in Q2 2017 to $18.57 as compared to $25.19 in Q1 2017. This positive change in unit costs reflects the 92% increase in silver equivalent ounces sold, offset by an increase in both treatment, smelting and refining costs and production costs during the quarter.

The all-in sustaining cash cost of production per silver equivalent ounce sold decreased by 33% in Q2 2017 to $21.42 as compared to $31.79 in Q1 2017. This positive change occurred for the same reasons that the cash cost of production decreased.

Outlook

During the first half of 2017 management continued with its key objective of de-risking the Company's operations by assigning/selling the Company's interest in the Gavilanes Property, the San Felipe Project and the El Gachi Property. The gross proceeds realized from these transactions, inclusive of the applicable IVA payments, amounted to $19,140 of which approximately $7,357 was paid to JMET, LLC to settle in full the amount owing to them. In addition the Company made payments, inclusive of IVA, to the underlying vendors of the properties, of $3,480, with the residual funds retained for working capital purposes.

Further, in May the Company entered into the Membrillo Agreement pursuant to which it acquired the Exclusive Mining Right to explore, develop and mine the Membrillo Vein. This transaction will provide further diversification of mineralized feed to the Rosario Project's mill thereby providing management much greater flexibility in developing and executing its operations plan at its Rosario Project. The Company expects that once full mining operations are achieved at the Membrillo Vein the combined daily production from the Membrillo Vein and the Cinco Estrellas Property will range from 450 to 500 tpd with an additional 100 to 150 tpd of mineralized material being delivered to the Rosario Project mill facility from the Rosario Mine.

The Company's focus for the duration of 2017 will be to continue the systematic improvement and production increase of mining and milling operations at the Veta Grande Project and Rosario Project.

About Santacruz Silver Mining Ltd.

Santacruz is a Mexican focused silver company with two producing silver projects (Rosario Project, including the Rosario Mine, Cinco Estrellas Property and Membrillo Vein, and the right to operate the Veta Grande Project and milling facility); and two exploration properties, the Minillas Property and Zacatecas properties. Santacruz is managed by a technical team of professionals with proven track records in developing, operating and discovering silver mines in Mexico with a corporate objective 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, such as planned production and milling levels, costs, sales prices and efficiencies, 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, including, that the Company's financial condition and development plans do not change as a result of unforeseen events, that third party ore to be milled by the Company has properties consistent with management's expectations, that the Company obtains all required regulatory approvals, and that future metal prices and the demand and market outlook for metals remains stable or improves. 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, lower production levels, delays, and/or cessation in planned work, that the Company's financial condition and development plans change, delays in regulatory approval, risks associated with the interpretation of data (including in respect of the third party ore), 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. 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.

Financial outlook information contained herein about the Company's prospective costs of production and sales prices is based on assumptions about future events, as described above, based on management's assessment of the relevant information currently available. The purpose of such financial outlook is to provide information about management's current expectations as to the anticipated results of its proposed business activities for the coming quarters. Readers are cautioned that any such financial outlook information contained herein should not be used for purposes other than for which it is disclosed herein.

Rosario Project

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