Research Note

Santacruz Silver – Acquires 500tpd Mill in Bolivia; Uplisting on Monday

Rating	Target Price
BUY	**C$27.00**
Unchanged	*Unchanged*

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Disseminated on Behalf of Santacruz Silver

All figures in USD unless otherwise stated

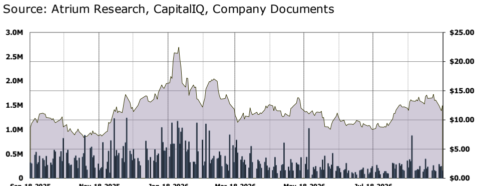
Santacruz Silver Mining Ltd.	**SCZ:TSXV**
Rating	BUY
Target Price	C$27.00
Return to Target	117%

Market Data	
Share Price	C$12.45
Average Daily Volume (M)	0.2
FD ITM Shares (M)	94.1
Market Cap ($M)	$836.4
Cash & Marketable Securities ($M)	$72.8
Debt ($M)	$68.8
Enterprise Value ($M)	$832.4

Estimates (FYE Dec 31)	**2025A**	**2026E**	**2027E**
AgEq Production (Moz)	14.4	11.5	13.0
Revenue ($M)	$326.4	$524.8	$615.8
EBITDA ($M)	$104.6	$213.1	$352.8
Operating Cash Flow ($M)	$129.9	$177.9	$219.7
CFPS	$1.38	$1.89	$2.34

Valuation	
NAVPS	$19.25
P/NAV	0.5x
2026E EV/CF	4.7x
2027E EV/CF	3.8x
FCF Yield (2026E)	4%
2026E P/E	11.7x

Please refer to the applicable disclosures on the back page
Source: Atrium Research, CapitalIQ, Company Documents



Santacruz Silver is engaged in the operation, acquisition, exploration, and development of mineral properties in Latin America. The Bolivian operations are comprised of three operating mines, Bolivar, Porco, and Caballo Blanco Group. The Soracaya exploration project and San Lucas ore sourcing and trading business are also in Bolivia. The Zimapan mine is in Mexico.

What you need to know:

- SCZ has acquired a new 500tpd mill in Bolivia that will be utilized to continue expanding the San Lucas ore-sourcing business.
- The additional capacity will also remove processing constraints to grow SCZ's other three Bolivian mine operations, which deliver higher margins.
- Commercial production at the new mill is expected in Q4, and SCZ anticipates higher consolidated production in 2027.
- Further, the Company has announced it will begin trading on the TSX on Monday, providing the growth story with increased visibility.

This morning, Santacruz Silver (SCZ:TSXV, SCZM:NASDAQ) announced that it has completed the acquisition of a 500tpd mill in Bolivia. The milling facility comprises two 250tpd processing circuits, which are both equipped with selective flotation systems to recover Pb and Zn with high-grade Ag, and is strategically situated ~5km from SCZ's Reserva Mine. The mill will be solely utilized for San Lucas, facilitating continued expansion of SCZ's 3rd party ore-sourcing business, while freeing up capacity at its existing three mine processing plants. In addition, after receiving approval to uplist from the TSXV earlier this month, SCZ has announced it will begin trading on the TSX on Monday (Sept 21st). With continued execution on growth, while becoming more investable for institutional investors, we remain bullish on a re-rating toward silver producing peers. **We are maintaining our BUY rating and target price of C$27.00/share on SCZ.**

SCZ will pay $9.2M for the mill facility, $4.6M of which has been paid. The Company is expected to receive the plant on October 8th, and the remaining $4.6M will be payable one month later on November 8th. SCZ has allocated a further $4.8M toward mill upgrades and working capital to bring the facility through commissioning to commercial production, **bringing the all-in cost for the additional capacity to ~$14M**. With $72.8M in cash and marketable securities at the end of Q2, and OCF (pre-WC) generating ~$50M per quarter so far in 2026, this incremental "tack-on" acquisition will not strain the balance sheet, while facilitating increased production at San Lucas and flexibility across Bolivia.

Commercial production is expected by year-end, after being commissioned in Q4. Commissioning will entail testing and optimizing circuits, followed by a ramp-up period. In tandem with ongoing optimizations across the portfolio that have delivered QoQ operational improvements (read our Q2 production note here), **SCZ anticipates consolidated production will rise in 2027**. The new mill will be reaching commercial production just as Bolivar achieves full recovery (targeted for Q4/26), and Soracaya begins contributing to production, setting the stage for a strong year ahead. We are forecasting ~11.5Moz AgEq in 2026 and ~13.0Moz AgEq in 2027 and will evaluate our estimates as growth initiatives are delivered.

Higher-margin growth. Moving San Lucas ore to the new plant allows the ore-sourcing business to grow, while alleviating constraints for SCZ to increase production of its own mined ore in Bolivia, which has been competing with San Lucas for available capacity. Given the San Lucas business operates on a defined margin, we anticipate that freeing up a growth pathway for the mining business can facilitate higher-margin production with increased leverage to rising metal prices. Further, we expect uplisting to the TSX on Monday will provide increased visibility on this growth trajectory, driving the re-rating opportunity we continue to flag.

Catalysts

- Soracaya Advancement – Ongoing
- Bolivar Full Recovery – Q4/26
- New Bolivia Mill Commercial Production – Q4/26

Why We Like SCZ

- SCZ has a diversified asset base across four multi-metal assets, reducing risk compared to single-asset/single-metal producers.
- Since the acquisition and refinancing of the three operations from Glencore in 2022, SCZ has optimized these operations, with the majority of capex completed.
- SCZ stock has exhibited a 1.4x beta to the silver price over the last three years, making it an ideal investment for those bullish on silver.
- Santacruz trades at a sizable discount to its silver-producing peers.

Tear Sheet

Market Data	
Ticker	SCZ:TSXV, SCZM:NASDAQ
Stock Price	C$12.45
Rating	BUY
Target Price	C$27.00
NAVPS (5%)	$5.37
Market Cap ($M)	$836.2
Cash ($M)	$72.8
Debt ($M)	$68.8
EV ($M)	$832.1

Capital Structure	
Basic Shares Outstanding (M)	93.0
RSUs, PSUs, & DSUs (M)	0.4
Options (M)	1.0
FD Shares (M)	94.4
FD ITM Shares (M)	94.1

Commodity Assumptions	
Silver Price ($/oz) - LT	$50.00
Zinc Price ($/t)	$2,900
Lead Price ($/t)	$2,000

Financial Estimates	2024A	Q1/25A	Q2/25A	Q3/25A	Q4/25A	2025A	Q1/26A	Q2/26A	Q3/26E	Q4/26E	2026E	2027E
Revenue ($M)	**283.0**	70.3	73.3	80.0	102.8	**326.4**	127.5	113.5	133.3	150.6	**524.8**	**615.8**
Adjusted EBITDA ($M)	**52.6**	27.5	26.8	19.5	30.8	**104.6**	42.6	46.7	54.3	69.6	**213.1**	**352.8**
EPS (Basic)	**0.46**	0.03	0.06	0.05	(0.05)	**0.47**	0.31	0.02	0.32	0.42	**1.06**	**2.15**
OCF ($M, Before WC)	**95.8**	13.9	21.7	34.8	59.6	**129.9**	47.5	52.1	34.6	43.7	**177.9**	**219.7**
Capex ($M)	**22.6**	7.3	4.2	7.1	12.1	**30.6**	9.9	6.5	27.0	27.0	**70.3**	**111.7**
FCFF ($M)	**31.8**	(1.0)	28.1	15.7	5.7	**48.5**	(1.1)	8.9	7.6	16.8	**32.1**	**107.9**

Figure 1: Tear Sheet

	Q3/26E		Q4/26E		2026E		2027E	
	New	Previous	New	Previous	New	Previous	New	Previous
Revenue ($M)	**133.3**	133.3	**150.6**	150.6	**524.8**	524.8	**615.8**	582.8
Gross Profit ($M)	**$52.3**	$52.3	**$67.6**	$67.6	**$213.9**	$213.9	**$376.2**	$356.4
Adj. EBITDA ($M)	**$54.3**	$54.3	**$69.6**	$69.6	**$213.1**	$213.1	**$352.8**	$333.0
OCF ($M, Before WC)	**$34.6**	$34.6	**$43.7**	$43.7	**$177.9**	$177.9	**$219.7**	$207.8

Figure 2: Estimate Revisions

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