



Condensed Interim Consolidated Financial Statements
Three and Six Months Ended June 30, 2016 and 2015

(Unaudited – expressed in thousands of US dollars)

**NOTICE OF NO AUDITOR REVIEW OF
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

The accompanying unaudited condensed interim consolidated financial statements of the Company and all information contained in the second quarter 2016 report have been prepared by and are the responsibility of the Company's management.

The Audit Committee of the Board of Directors has reviewed the condensed interim consolidated financial statements and related financial reporting matters.

The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of condensed interim consolidated financial statements by an entity's auditor.

Santacruz Silver Mining Ltd.
Condensed Interim Consolidated Statements of Financial Position
(Unaudited – expressed in thousands of US dollars)

	Note	June 30, 2016 \$	December 31, 2015 \$
ASSETS			
Current			
Cash and cash equivalents	3	537	277
VAT recoverable and receivables	4	4,822	4,593
Inventory	5	306	342
Prepaid expenses and deposits		565	1,375
Deferred financing charges	22	111	-
Derivative assets	12, 20(b)(iv)	33	3,721
		6,374	10,308
VAT recoverable	4	250	2,540
Plant and equipment	6	18,694	14,882
Mine properties	7	10,755	9,886
Exploration and evaluation properties	8	26,941	26,313
		63,014	63,929
LIABILITIES			
Current			
Accounts payable and accrued liabilities	9	7,601	5,701
Loan payable	10	533	670
Leases	11	1,057	-
Silver loan	12	8,023	7,987
		17,214	14,358
Leases	11	979	-
Silver loan	12	11,931	12,843
Decommissioning and restoration provision	13	504	533
Deferred income tax liability		3,459	3,380
		34,087	31,114
EQUITY			
Share capital	14	86,654	86,587
Stock options and warrants reserve	14(c)	6,297	5,869
Warrants to be issued	10	-	59
Accumulated other comprehensive loss		(1,962)	(1,434)
Deficit		(62,062)	(58,266)
		28,927	32,815
		63,014	63,929

Nature of Operations and Going Concern (Note 1)

Commitments (Notes 7, 8, 11 and 21)

Subsequent Events (Notes 12 and 22)

Approved on behalf of the Board:

“Arturo Préstamo Elizondo”

Director – Arturo Préstamo Elizondo

“Larry Okada”

Director – Larry Okada

(The accompanying notes are an integral part of these condensed interim consolidated financial statements)

Santacruz Silver Mining Ltd.
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
For the three and six months ended June 30, 2016 and 2015

(Unaudited – expressed in thousands of US dollars, except per share amounts)

	Note	Three months ended June 30,		Six months ended June 30,	
		2016 \$	2015 \$	2016 \$	2015 \$
Revenues		3,375	3,147	6,912	3,549
Cost of sales	15	(2,778)	(3,020)	(5,853)	(4,631)
Gross profit (loss)		597	127	1,059	(1,082)
Operating expenses	15	(586)	(570)	(1,384)	(1,022)
Operating income (loss)		11	(443)	(325)	(2,104)
Interest earned and other finance income	16	854	478	584	10
Interest expense and other finance expenses	16	(1,622)	(1,674)	(3,909)	(2,294)
Loss before income tax		(757)	(1,639)	(3,650)	(4,388)
Income tax expense		(39)	(379)	(146)	(181)
Net loss for the period		(796)	(2,018)	(3,796)	(4,569)
Other comprehensive (loss) income					
<i>Items which maybe subsequently recycled to profit and loss</i>					
Currency translation differences		(533)	233	(528)	(429)
Comprehensive loss for the period		(1,329)	(1,785)	(4,324)	(4,998)
Loss per share – basic and diluted		(0.01)	(0.02)	(0.03)	(0.04)
Weighted average number of common shares outstanding		113,801,176	103,493,484	113,544,672	103,493,484

(The accompanying notes are an integral part of these condensed interim consolidated financial statements)

Santacruz Silver Mining Ltd.
Condensed Interim Consolidated Statements of Cash Flows
For the six months ended June 30, 2016 and 2015
(Unaudited – expressed in thousands of US dollars)

	2016	2015
Cash Provided By (Used In):	\$	\$
Operations:		
Net loss for the period	(3,796)	(4,569)
Items not affecting cash:		
Deferred income tax expense	79	132
Accretion of decommissioning and restoration provision	19	23
Depletion, depreciation and amortization	1,218	608
Share-based payments	378	53
Interest expense on loan payable	53	-
Interest expense on silver loan	1,926	2,058
Change in fair value of derivative assets	1,911	143
Unrealized foreign exchange	(528)	(457)
Changes in non-cash working capital:		
VAT recoverable and receivables	2,061	(378)
Prepaid expenses and deposits	810	72
Inventory	36	103
Accounts payable and accrued liabilities	1,333	149
	5,500	(2,063)
Investing:		
Exploration and evaluation properties	(2)	(409)
Acquisition and development costs on mine property	(1,339)	(352)
Acquisition of plant and equipment	(2,583)	(1,166)
	(3,924)	(1,927)
Financing:		
Proceeds from exercise of warrants	58	-
Deferred financing costs	(111)	-
Cash received from settlement of derivative assets	-	224
Repayment of silver loan	(1,004)	(2,000)
Issuance costs incurred for silver loan	(21)	-
Repayment of loan payable	(190)	-
	(1,268)	(1,776)
Net increase (decrease) in cash and cash equivalents	308	(5,766)
Effect of exchange rate changes on cash and cash equivalents	(48)	(8)
Cash and cash equivalents – beginning of period	277	6,016
Cash and cash equivalents – end of period	537	242
Cash paid during the period for:		
Interest	-	-
Income taxes	67	49

Non-cash Transactions *(Note 18)*

(The accompanying notes are an integral part of these condensed interim consolidated financial statements)

Santacruz Silver Mining Ltd.

Condensed Interim Consolidated Statements of Changes in Equity

(Unaudited – expressed in thousands of US dollars, except share and per share amounts)

	Share Capital		Stock Options and Warrants Reserve \$	Warrants to be Issued \$	AOCI \$	Deficit \$	Total \$
	Number of Shares	Amount \$					
Balance, December 31, 2014	103,493,484	85,607	5,792	-	(372)	(34,034)	56,993
Share-based payments	-	-	53	-	-	-	53
Comprehensive loss for the period	-	-	-	-	(429)	(4,569)	(4,998)
Balance, June 30, 2015	103,493,484	85,607	5,845	-	(801)	(38,603)	52,048
Issued pursuant to private placement	10,000,000	986	-	-	-	-	986
Share issuance costs	-	(6)	-	-	-	-	(6)
Transaction costs on loan payable	-	-	-	59	-	-	59
Share-based payments	-	-	24	-	-	-	24
Comprehensive loss for the period	-	-	-	-	(633)	(19,663)	(20,296)
Balance, December 31, 2015	113,493,484	86,587	5,869	59	(1,434)	(58,266)	32,815
Exercise of warrants	500,000	67	(9)	-	-	-	58
Issuance of warrants pursuant to transaction costs on loan payable	-	-	59	(59)	-	-	-
Share-based payments	-	-	378	-	-	-	378
Comprehensive loss for the period	-	-	-	-	(528)	(3,796)	(4,324)
Balance, June 30, 2016	113,993,484	86,654	6,297	-	(1,962)	(62,062)	28,927

(The accompanying notes are an integral part of these condensed interim consolidated financial statements)

Santacruz Silver Mining Ltd.
Notes to the Condensed Interim Consolidated Financial Statements
For the Three and Six Months Ended June 30, 2016 and 2015
(Unaudited – expressed in thousands of US dollars, except share and per share amounts)

1. Nature of Operations and Going Concern

Santacruz Silver Mining Ltd. (“Santacruz”) was incorporated pursuant to the Business Corporations Act of British Columbia on January 24, 2011. The Company’s registered office is located at 10th Floor, 595 Howe Street, Vancouver, British Columbia, Canada V6C 2T5. The Company is listed for trading on the TSX Venture Exchange (“TSX-V”) under the symbol “SCZ” and the Santiago Stock Exchange Venture under the trading symbol “SZCL”.

Santacruz, together with its subsidiaries, (the “Company”) is engaged in the operation, exploration and commercial exploitation of mining concessions in Mexico, with a primary focus on silver, but also including gold, lead and zinc. The Company has acquired the mining concession rights to the following properties:

- Rosario in the mining municipality of Charcas, San Luis Potosi, Mexico.
- Veta Grande in the mining municipality of Veta Grande, Zacatecas, Mexico.
- Minillas in the mining municipality of Genaro Cidina, Zacatecas, México.
- Zacatecas in the mining municipality of Zacatecas, Zacatecas, Mexico.
- San Felipe in the mining municipality of San Felipe de Jesús, Sonora, Mexico.
- Gavilanes in the mining municipality of San Dimas, Durango, Mexico.

These condensed interim consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to meet its obligations, and continue its operations for the next twelve months. At June 30, 2016, the Company had not yet achieved profitable operations, had a working capital deficiency of \$10,840, had accumulated an inception to date deficit of \$62,062 and may incur further losses in the development of its business. These factors indicate the existence of a material uncertainty that may cast significant doubt upon the Company’s ability to continue as a going concern. As a result, the Company may be unable to realize its assets and discharge its liabilities in the normal course of business. The Company’s ability to continue as a going concern is dependent upon its ability to raise adequate funding through equity or debt financings to discharge its liabilities as they come due. The Company has a capital management process in place to safeguard the Company’s ability to continue as a going concern. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company. Subsequent to June 30, 2016, the Company closed a public offering of 37,975,000 units for total gross proceeds of CDN\$15,190 and used a portion of the proceeds to restructure its silver loan. Refer to Note 22.

Should the Company be unable to continue as a going concern, asset realization values may be substantially different from their carrying values. These condensed interim consolidated financial statements do not give effect to adjustments that would be necessary to carrying values, and classification of assets and liabilities should the Company be unable to continue as a going concern. Such adjustments could be material.

2. Basis of Presentation

a) Statement of Compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting*. These condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2015 which have been prepared in accordance with IFRS as issued by the IASB.

Santacruz Silver Mining Ltd.
Notes to the Condensed Interim Consolidated Financial Statements
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These condensed interim consolidated financial statements were approved for issue by the Board of Directors on August 23, 2016.

b) Initial Adoption of Accounting Policies

These condensed interim consolidated financial statements have been prepared on a basis consistent with the significant accounting policies disclosed in Note 3 of the annual consolidated financial statements for the year ended December 31, 2015, except for the following policy adopted in the current financial period:

Leases which transfer substantially all of the benefits and risks incidental to the ownership of property are accounted for as finance leases. Finance leases are capitalized at the lease commencement at the lower of the fair market value of the leased property and the net present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charge. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the asset's useful life and the lease term.

All other leases are accounted for as operating leases wherein rental payments are expensed as incurred.

c) New Standards and Interpretations Not Yet Adopted

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company has not early adopted any of these standards in the consolidated financial statements.

The IASB issued IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15") in May 2014. The new standard provides a comprehensive five-step revenue recognition model for all contracts with customers and requires management to exercise judgment and make estimates that affect revenue recognition. IFRS 15 is effective for annual periods commencing on or after January 1, 2018. The Company is currently evaluating the impact that the new guidance is expected to have on its consolidated financial statements.

IFRS 9, *Financial Instruments* ("IFRS 9") is mandatorily effective for the Company's consolidated financial statements for the year ending December 31, 2018. IFRS 9 brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. IFRS 9 also amends some of the requirements of IFRS 7, *Financial Instruments: Disclosures*, including added disclosures about investments in equity instruments measured at fair value in other comprehensive income, and guidance on financial liabilities and derecognition of financial instruments. The Company is currently evaluating the impact, if any that the new guidance is expected to have on its consolidated financial statements.

IFRS 16, *Leases* ("IFRS 16") specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The standard was issued in January 2016 and is effective for annual periods beginning on or after January 1, 2019. The Company is currently evaluating the impact that the new guidance is expected to have on its consolidated financial statements.

Santacruz Silver Mining Ltd.
Notes to the Condensed Interim Consolidated Financial Statements
For the Three and Six Months Ended June 30, 2016 and 2015
(Unaudited – expressed in thousands of US dollars, except share and per share amounts)

3. Cash and Cash Equivalents

	June 30, 2016	December 31, 2015
	\$	\$
Cash on hand or held with banks	528	269
Short-term investments	9	8
Total	537	277

4. VAT Recoverable and Receivables

	June 30, 2016	December 31, 2015
	\$	\$
Mexican value added taxes recoverable	4,129	6,367
Canadian GST recoverable	11	186
Trade receivables	889	519
Other receivables	43	61
Total	5,072	7,133
Current portion	(4,822)	(4,593)
Non-current portion	250	2,540

The Company expects full recovery of the value added taxes recoverable and trade receivables amounts outstanding and therefore, no allowance has been recorded against these receivables. No trade receivables are past due and all are expected to be settled within twelve months. A portion of the Mexican value added taxes recoverable has been classified as non-current as this portion of the Mexican value added taxes recoverable is expected to be received after twelve months from June 30, 2016.

5. Inventory

	June 30, 2016	December 31, 2015
	\$	\$
Ore stockpiles	9	-
Concentrate inventory	67	127
Supplies inventory	230	215
Total	306	342

Santacruz Silver Mining Ltd.
Notes to the Condensed Interim Consolidated Financial Statements
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6. Plant and Equipment

Cost	Office Furniture and Equipment \$	Assets under Construction \$	Plant and Equipment \$	Vehicles \$	Computer Hardware \$	Total \$
Balance, December 31, 2014	56	383	14,324	356	157	15,276
Additions	5	206	2,386	25	11	2,633
Foreign exchange	(2)	-	-	-	-	(2)
Balance, December 31, 2015	59	589	16,710	381	168	17,907
Additions	1	1,876	2,730	-	12	4,619
Balance, June 30, 2016	60	2,465	19,440	381	180	22,526
Accumulated Depreciation						
Balance, December 31, 2014	12	-	1,707	144	75	1,938
Additions	5	-	997	60	26	1,088
Foreign exchange	(1)	-	-	-	-	(1)
Balance, December 31, 2015	16	-	2,704	204	101	3,025
Additions	3	-	732	24	48	807
Balance, June 30, 2016	19	-	3,436	228	149	3,832
Carrying amount at December 31, 2015	43	589	14,006	177	67	14,882
Carrying amount at June 30, 2016	41	2,465	16,004	153	31	18,694

Depreciation during the three and six months ended June 30, 2016 was \$435 and \$807 (2015 – \$336 and \$382). During the three and six months ended June 30, 2016, \$40 and \$46 of the depreciation was capitalized to mine properties (2015 – \$nil and \$nil) and \$6 and \$13 of the depreciation was capitalized to exploration and evaluation properties (2015 – \$6 and \$14).

As at June 30, 2016, the Company's plant and equipment includes a net carrying amount of \$2,047 (December 31, 2015 – \$nil) for the leased mining equipment.

7. Mine Properties

	Rosario, Charcas, San Luis Potosi, Mexico \$	Veta Grande, Veta Grande, Zacatecas, Mexico \$	Total \$
Balance, December 31, 2014	9,032	-	9,032
Additions	493	1,112	1,605
Decommissioning and restoration provision (Note 13)	(79)	-	(79)
Amortization and depletion	(672)	-	(672)
Balance, December 31, 2015	8,774	1,112	9,886
Additions	42	2,001	2,043
Pre-production revenue	-	(704)	(704)
Amortization and depletion	(470)	-	(470)
Balance, June 30, 2016	8,346	2,409	10,755

Santacruz Silver Mining Ltd.
Notes to the Condensed Interim Consolidated Financial Statements
For the Three and Six Months Ended June 30, 2016 and 2015
(Unaudited – expressed in thousands of US dollars, except share and per share amounts)

a) Rosario Mine, Charcas, San Luis Potosi, Mexico

Rey David, Charcas, San Luis Potosi, Mexico

As at June 30, 2016, the Company has made total payments of \$2,000 and acquired 100% interest in the Rey David property located in the municipality of Charcas, San Luis Potosi, Mexico, in accordance with the terms of the Rey David Agreement. The property is subject to a 0.4% Net Smelter Returns ("NSR") in favour of the optionor. The NSR increases by 0.1% per year, until it reaches a maximum of 1%. The payments were due to start on December 31, 2015, but the Company is currently re-negotiating the extension of the NSR payments.

San Rafael, Charcas, San Luis Potosi, Mexico

As at June 30, 2016, the Company has made total payments of \$220 and acquired 100% interest in the San Rafael property, located in the municipality of Charcas, San Luis Potosi, Mexico. The vendor retains a 2.5% NSR. The Company also has an obligation to pay the local indigenous community 300,000 Mexican pesos (\$17) per year for surface access on the San Rafael concessions.

b) Veta Grande Mine, Veta Grande, Zacatecas, Mexico

On November 2, 2015, the Company entered into a definitive agreement (the "Contracuña Agreement") with Minera Contracuña I, S.A. de C.V. and Vetallinda Compania Minera, S.A. de C.V. (together "Contracuña"), pursuant to which Contracuña granted the Company the right for thirty years to explore, mine and operate Contracuña's Veta Grande and Minillas silver-gold-zinc-lead mineral properties within the State of Zacatecas, in central Mexico.

The Contracuña Agreement has an initial term of 15 years, with an additional 15 year term extension, at the Company's option. Consideration for the Contracuña Agreement was \$500, \$200 of which was paid at the time of signing and an additional \$300 was paid following registration of the agreement with the Deputy of Mines. During the term of the Contracuña Agreement 40% net profits interest basis ("NPI") will be paid to Contracuña. In the event the price of silver is greater than \$22.00 per ounce, the NPI changes to 45%.

8. Exploration and Evaluation Properties

The Company is actively investigating, evaluating and conducting exploration activities on projects in Mexico. A summary of accumulated costs on its exploration and evaluation properties as of June 30, 2016 and December 31, 2015 is as follows:

Santacruz Silver Mining Ltd.
Notes to the Condensed Interim Consolidated Financial Statements
For the Three and Six Months Ended June 30, 2016 and 2015
(Unaudited – expressed in thousands of US dollars, except share and per share amounts)

	Balance, Dec 31, 2014 \$	Additions Year Ended Dec 31, 2015 \$	Balance, Dec 31, 2015 \$	Additions Period Ended Jun 30, 2016 \$	Balance, Jun 30, 2016 \$
a) Gavilanes, San Dimas, Durango, Mexico					
<i>Acquisition costs</i>					
Option payments – cash	5,115	131	5,246	23	5,269
	5,115	131	5,246	23	5,269
<i>Exploration costs</i>					
Depreciation	9	-	9	-	9
Drilling	1,989	-	1,989	-	1,989
Geological consulting	25	11	36	10	46
Mining claims, taxes and duties	97	72	169	20	189
Mine site support and office costs	72	49	121	29	150
Professional fees	53	-	53	-	53
Safety and maintenance	9	-	9	-	9
	2,254	132	2,386	59	2,445
	7,369	263	7,632	82	7,714
b) San Felipe, San Felipe de Jesús, Sonora, Mexico					
<i>Acquisition costs</i>					
Option payments – cash	25,884	-	25,884	-	25,884
Option payments – shares	1,293	-	1,293	-	1,293
	27,177	-	27,177	-	27,177
<i>Exploration costs</i>					
Depreciation	17	24	41	13	54
Drilling	5,392	24	5,416	-	5,416
Ejidal surface right payments	649	-	649	-	649
Environmental studies	28	46	74	-	74
Geological consulting	1,941	92	2,033	-	2,033
Mining claims, taxes and duties	673	405	1,078	241	1,319
Mine site support and office costs	1,125	331	1,456	51	1,507
Professional fees	134	15	149	-	149
Safety and maintenance	30	4	34	41	75
	9,989	941	10,930	346	11,276
Impairment	-	(19,426)	(19,426)	-	(19,426)
	37,166	(18,485)	18,681	346	19,027
c) Zacatecas, Zacatecas, Zacatecas, Mexico					
<i>Acquisition costs</i>					
Option payments – cash	-	-	-	200	200
	-	-	-	200	200
Total	44,535	(18,222)	26,313	628	26,941

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For the Three and Six Months Ended June 30, 2016 and 2015
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a) Gavilanes, San Dimas, Durango, Mexico

Gavilanes I, San Dimas, Durango, Mexico

As at June 30 2016, the Company has made total payments of \$3,600 and acquired 100% interest in the Gavilanes property located in San Dimas, Durango, Mexico, in accordance with the terms of the Gavilanes I Agreement. The property is subject to a 3% NSR in favour of the optionor, up to a maximum of \$2,000.

Gavilanes II, San Dimas, Durango, Mexico

Pursuant to a mining exploration and promise of assignment of rights agreement dated May 1, 2010, as amended on certain dates between October 12, 2010 and January 7, 2015, the Company was granted an option to acquire a 100% interest in the Gavilanes property (named Gavilanes II) located in San Dimas, Durango, Mexico. The property is subject to a 2% NSR in favour of the optionor, up to a maximum of \$1,000. To maintain and exercise the option, the Company must make \$2,265 of cash payments to the property vendor. As at June 30, 2016, the Company has made total payments of \$1,569. The remaining payment of \$695 was due on April 15, 2015, but the Company is currently re-negotiating its extension.

Gavilanes MHM Fraccion, San Dimas, Durango, Mexico

Pursuant to an assignment of mining concession rights agreement dated January 5, 2012, as amended, the Company may acquire 100% of the Gavilanes MHM Fraccion 2 concession and two mining concession applications, Gavilanes MHM Fraccion 1 and Gavilanes HMX. As at June 30, 2016, the Company has paid \$100 and must pay a further \$1,000 upon commencement of commercial production. The property is subject to a 3% NSR.

b) San Felipe, San Felipe de Jesús, Sonora, Mexico

Pursuant to a mining exploration and promissory sale agreement dated August 3, 2011 and amended on certain dates between December 9, 2011 and July 7, 2015 (the "San Felipe Agreement"), the Company was granted an option to acquire a 100% interest in the San Felipe project located in San Felipe de Jesús, Sonora, Mexico and the El Gachi property located near the San Felipe project, including all assets related to the properties. In addition to cash payments of \$25,884 made to June 30, 2016 and the issuance of 1,250,000 common shares of the Company, in order to maintain and exercise the option, the Company incurred exploration expenditures of \$3,000 and must make additional payments as follows:

- Annual surface right payments of 520,000 Mexican Pesos (\$30) on or before February 19 of each year until the project reaches commercial production;
- \$5,000 on or before December 1, 2016; and
- \$14,000 on or before December 15, 2016.

The project is subject to a 1% NSR in favour of the optionor. The Company has the right at any time to buy back the NSR for a cash payment of \$3,000.

Pursuant to the terms of the San Felipe Agreement, a change of control could accelerate payments required under this agreement to acquire the rights. In the event the Company is unable to make such payments within 15 days after a change of control, it could lose its rights to the San Felipe project.

Santacruz Silver Mining Ltd.
Notes to the Condensed Interim Consolidated Financial Statements
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(Unaudited – expressed in thousands of US dollars, except share and per share amounts)

Impairment

In the impairment assessment at December 31, 2015, the recoverable amount of the San Felipe project was determined to be the fair value less costs of disposal (“FVLCTD”), which is based upon the CGU's estimated future after-tax cash flows. The cash flows were determined based on life-of-mine cash flow projections, which incorporate management's estimates of forecast metal prices, production based on current estimates of mineral resources including measured, indicated and a portion of inferred, and future operating costs and capital expenditures. Metal prices included in the cash flow projections were based on market consensus forecasts. Projected cash flows under the FVLCTD model include estimates of inflation and foreign exchange rates and are after-tax and discounted using an estimated weighted average cost of capital of a market participant adjusted for asset specific risks.

Pricing

For the impairment assessment, the metal price assumptions were as follows:

Year End Commodity Price Assumptions	2016	2017	2018	2019	2020 and after
	\$	\$	\$	\$	\$
Silver (per oz)	15.94	16.78	17.11	17.79	17.33
Gold (per oz)	1,156	1,174	1,192	1,216	1,201
Lead (per lb)	0.83	0.88	0.87	0.91	0.91
Zinc (per lb)	0.91	1.01	1.07	1.15	1.01

Discount rate

The post-tax discount rate adjusted for asset specific risks used for the impairment assessment was 10%.

At December 31, 2015, the recoverable amount of \$17,500 was lower than the carrying value of the CGU and therefore the Company recorded an impairment charge of \$19,426 before tax and \$12,868 after tax. This charge was recognized against the carrying value of the San Felipe project in 2015.

Sensitivity

The assumptions subject to the most estimation uncertainty for the FVLCTD calculation are the commodity prices. To illustrate this sensitivity, the recoverable amount would be reduced by \$1,576 if the commodity prices declined by 1%. Average commodity prices would have to increase by approximately 11% for the remaining cash flow projections to be break-even, in which case there would not be an impairment.

At June 30, 2016, there was an impairment indicator test done and neither a further impairment nor a reversal was indicated at this time.

c) Zacatecas, Zacatecas, Zacatecas, Mexico

On May 2, 2016 the Company entered into an option agreement to acquire from Golden Minerals Company (“Golden Minerals”) certain mineral claims located in the Zacatecas Mining District, Zacatecas, Mexico (the “Zacatecas Properties”) consisting of 149 concessions. A 1% NSR exists with the original property vendors on some of the claims included in the Zacatecas Properties.

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In order to acquire the Zacatecas Properties the Company is required to pay to Golden Minerals the sum of \$1,500 including an initial payment of \$200 on signing the agreement (paid) plus additional payments as follows:

- \$200 on or before November 2, 2016;
- \$300 on or before May 2, 2017;
- \$300 on or before November 2, 2017; and
- \$500 on or before May 2, 2018.

9. Accounts Payable and Accrued Liabilities

	June 30, 2016	December 31, 2015
	\$	\$
Trade payables	6,341	4,647
Accrued liabilities	1,260	1,054
Total	7,601	5,701

10. Loan Payable

On December 22, 2015, the Company entered into a short-term loan facility (the “Loan”) with Trafigura Mexico, S.A. de C.V. (“Trafigura”) in the principal amount of \$725. The Loan bears interest at LIBOR plus 10%, payable monthly in arrears, with the principal to be repaid in six equal monthly installments commencing January 31, 2016. The Loan has been secured by certain personal assets of the CEO of the Company.

In connection with this personal guarantee of the Loan, the Company agreed to issue 3,000,000 bonus warrants to the CEO. On January 11, 2016, the Company issued the 3,000,000 bonus warrants, each of which is exercisable to purchase one common share for a price of CDN\$0.15 and expires January 11, 2017. The fair value of the bonus warrants (\$59) was estimated using the Black Scholes option-pricing model and was recorded against the balance of the loan payable. The assumptions used in the option pricing model were as follows: risk-free interest rate – 0.85%; expected life – 1 year; expected volatility – 78.58%; and expected dividends – nil.

On March 10, 2016, Trafigura agreed to amend the terms such that the remaining principal payments now consist of seven monthly installments of \$75 commencing May 31, 2016 and one final payment of \$19 on December 30, 2016. All other terms and conditions remain unchanged. The monthly installments due in May and June 2016 have been paid subsequent to June 30, 2016.

The change in the loan payable during the year ended December 31, 2015 and the six months ended June 30, 2016 is as follows:

	\$
Proceeds advanced	725
Transaction costs	(59)
Net loan proceeds	666
Interest expense	4
Balance, December 31, 2015	670
Repayment	(190)
Interest expense	53
Balance, June 30, 2016	533

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11. Leases

The Company entered into certain mining equipment leases expiring between 2017 and 2019 with an interest rate between 6.5% and 10.5% per annum. The Company's obligations under these finance leases are secured by the lessor's title to the leased assets. The terms and the outstanding balances as at June 30, 2016 and December 31, 2015 are as follows:

	June 30, 2016 \$	December 31, 2015 \$
Equipment under finance lease repayable in monthly instalments of \$91 with interest between 6.5% and 10.5% per annum. Due dates are between October 2017 and December 2019.	2,036	-
Current portion	(1,057)	-
Non-current portion	979	-

The following is a schedule of the Company's future minimum lease payments related to the equipment under finance lease:

	June 30, 2016 \$
2016	559
2017	1,050
2018	386
2019	284
Total minimum lease payments	2,279
Less: imputed interest	(243)
Total present value of minimum lease payments	2,036
Less: Current portion	(1,057)
Non-current portion	979

12. Silver Loan

Initial Prepaid Silver Purchase Agreement

On October 2, 2014, the Company entered a Prepaid Silver Purchase Agreement (the "Original JMET Agreement") with JMET, LLC ("JMET") to receive \$28,400 in exchange for agreeing to sell 4,635,000 ounces of silver bullion through August 2019. The Company recorded the obligation to sell 4,635,000 ounces of silver bullion to JMET at a US\$10/ounce discount as debt recognized initially at fair value and subsequently at amortized cost using the effective interest rate method. The Company incurred certain transaction fees and costs in the amount of \$2,322. JMET held back \$800 of the principal amount of the debt which will be received by the Company on satisfaction of all obligations to JMET.

In conjunction with the Original JMET Agreement, the Company entered into a minimum price protection program with JMET ("Original PPP") to set a floor price for silver, gold, lead and zinc. As a result at October 2, 2014 the Company recognized derivative assets totaling \$2,361.

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2014 Amendments to the JMET Agreement

On November 27, 2014, the terms of the Original JMET Agreement were amended (“the Amended JMET Agreement”) such that the contractual quantity of silver to be sold to JMET was reduced; the terms of the Original PPP were changed; the Company repaid JMET \$9,000 on execution of the Amended JMET Agreement; and the Company agreed to repay a further \$7,000 on or before April 1, 2015. The amendment of the JMET Agreement and derecognition of the Original PPP were accounted for as an extinguishment as the change in expected payment terms as a result of the Amended JMET Agreement was determined to be substantial. As a result the Company derecognized the debt and derivative assets that arose from the Original JMET Agreement and recognized the debt and derivative asset which arose as a result of the Amended JMET Agreement (“the Settlement Event”). Immediately before the Settlement Event the carrying value of the Original JMET Agreement debt was \$26,691 and the fair value of the derivative assets was \$2,626. As a result of the Settlement Event the Company recognized a loss of \$2,322.

Pursuant to the Amended JMET Agreement the Company agreed to sell to JMET 2,600,000 ounces of silver. The sale price of silver bullion is based on the spot price less a US\$10 per ounce discount. The US\$10 per ounce discount represents the manner of repaying the principal and interest of the borrowed amount. The first delivery of silver to JMET was to be 52,000 ounces in July 2015, and sales of an additional 52,000 ounces each month through August 2019, at which point the contract would be fulfilled.

As part of the Amended JMET Agreement the Company revised the Original PPP as follows:

- with respect to silver, a floor price of \$17 per ounce from January 2015 through March 2016 and \$16 per ounce for the balance of 2016 was put in place. The floor price covered 98,640 ounces per month for 2015 and 105,238 ounces per month for 2016; and
- with respect to gold, lead and zinc, floor prices of \$1,145 per ounce, \$1,975 per metric tonne and \$2,200 per metric tonne were established for the period January 2015 through March 2016. The corresponding quantities of metal covered per month for the respective metals were 180 ounces for 2015 and 190 ounces for the first three months of 2016 for gold; 155 tonnes for 2015 and 165 tonnes for the first three months of 2016 for lead; and 325 tonnes for 2015 and 346 tonnes for the first three months of 2016 for zinc.

In the event the spot price of any of the above referenced metals was greater than or equal to the respective floor price for any particular month, the Company received the spot price for all metal shipped less US\$10. In the event the spot price of any of the metals was less than the floor price for any particular month, the Company received the spot price plus cash payments from JMET for the difference between the spot price and the floor price multiplied by the contracted monthly amount of the respective metal less US\$10. The revised minimum price protection program was accounted for as a financial asset classified at fair value through profit or loss (“FVTPL”) and remeasured at each period end with changes in fair value being recorded through profit and loss.

The derivative asset was valued upon initial measurement and subsequent periods using Black Scholes pricing models. Key inputs used by the Company in its valuation included: the spot commodity price, the floor price, estimated volatility of the commodity over the life of the individual monthly contracts and the counterparty credit adjusted discount rate.

2015 and 2016 amendments to the Amended JMET Agreement

On April 1, 2015, the Company repaid \$2,000 of the \$7,000 due pursuant to the Amended JMET Agreement and further amended the Amended JMET Agreement to extend the repayment of the remaining \$5,000 until December 31, 2015. As a result of this amendment,

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the Company also agreed that all payments received from JMET under the revised price protection program would be offset against the remaining cash principal balance due December 31, 2015.

On July 15, October 27, December 15, 2015, April 22, 2016 and June 14, 2016, the Amended JMET Agreement was further amended. As a result of these amendments, the Company must sell to JMET 2,644,625 ounces of silver at spot less US\$10, which includes an additional 44,625 ounces of silver at spot less US\$10 which represents a restructuring fee. The first delivery of silver to JMET is to be 67,811 ounces in August 2016, with sales of 67,811 ounces occurring each month through October 2019. The Company incurred transaction costs of \$94 in 2015 and \$21 in 2016 in relation to these amendments. Further, as consideration for the deferral of the silver delivery, the Company agreed to pay JMET \$100 (paid) on or before April 30, 2016 and another \$100 (paid) on or before May 30, 2016.

As the change in future payment terms expected as a result of each 2015 and 2016 amendment to the Amended JMET Agreement were not determined to be substantial, each amendment which occurred in 2015 and 2016 was recorded as a debt modification. Accordingly, the effective interest rate on the silver loan was recalculated at each amendment date based on the carrying value of the debt and the expected future payment terms and no gain or loss was recorded through profit and loss.

During the year ended December 31, 2015, the Company received cash payments of \$224 under the revised price protection plan and applied \$2,910 against the current portion of the silver loan upon settlement of 1,183,680 ounces of silver, 2,730 ounces of gold, 1,860 tonnes of lead and 3,900 tonnes of zinc that matured during the year.

During the six months ended June 30, 2016, the Company applied \$1,777 against the current portion of the silver loan upon settlement of 1,262,856 ounces of silver, 495 tonnes of lead and 1,038 tonnes of zinc that matured during the period. In addition, a lump sum repayment of \$1,004 was made on April 20, 2016, with \$100 applied against the April restructure fee, \$100 applied against the May restructure fee, and \$804 applied against the remaining cash principal balance.

At June 30, 2016, \$564 of the \$3,040 balance due to be paid on December 31, 2015 remained unpaid and is accruing interest at a rate of 12%. As a result of the amendments, the repayment date for this amount was deferred until August 25, 2016.

The change in the silver loan during the year ended December 31, 2015 and the six months ended June 30, 2016 is as follows:

	\$
Balance, December 31, 2014	14,590
Holdback receivable	(800)
Transaction costs	(94)
Amount originally due on April 1, 2015 and subsequently amended to December 31, 2015	7,000
Repayment on April 1, 2015	(2,000)
Repayment by settlement of matured derivative assets	(2,910)
Interest expense	5,044
Balance, December 31, 2015	20,830
Transaction costs	(21)
Repayment on April 20, 2016	(1,004)
Repayment by settlement of matured derivative assets	(1,777)
Interest expense	1,926
Balance, June 30, 2016	19,954

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	June 30, 2016 \$	December 31, 2015 \$
Current portion	8,023	7,987
Non-current portion	11,931	12,843
Total	19,954	20,830

The change in the derivative assets arising from the revised minimum price protection program during the year ended December 31, 2015 and the six months ended June 30, 2016 is as follows:

	\$
Balance, December 31, 2014	4,378
Cash settlement received	(224)
Settlement applied against current portion of the silver loan	(2,910)
Change in fair value	2,477
Balance, December 31, 2015	3,721
Settlement applied against current portion of the silver loan	(1,777)
Change in fair value	(1,944)
Balance, June 30, 2016	-

Subsequent to June 30, 2016, the Company completed the restructuring of its silver loan agreement with JMET such that the Company no longer has any metal delivery obligations to JMET. Specifically, the Company has made a \$7,777 partial payment of the outstanding indebtedness under the Amended JMET Agreement and has issued JMET a new secured note in the amount of \$4,890 (the “JMET Note”), representing the remaining indebtedness to JMET after giving effect to the restructuring. The JMET Note bears interest at a rate of 14% per annum, payable quarterly in arrears commencing September 30, 2016, with principal repayments of \$500 per quarter commencing September 30, 2017 and ending on December 31, 2019.

Also pursuant to the restructuring, the Company has issued 3,750,000 warrants to JMET and has agreed to pay JMET \$1,500 of restructuring and finance fees, which fees will be payable in 2019. For more details of the restructuring, refer to Note 22.

13. Decommissioning and Restoration Provision

The Company’s estimates of future decommissioning and restoration for reclamation and closure costs for its mine are based on reclamation standards that meet Mexican regulatory requirements. The undiscounted amount of estimated cash flows required to settle the decommissioning and reclamation costs was estimated at \$1,002 (2015 – \$1,002). The key assumptions on which this estimate was based on are:

- Expected timing of the cash flows is based on the estimated useful life of the Rosario Mine. The majority of the expenditures are expected to occur in 2023, which is the anticipated closure date.
- The discount rate used is 7% (2015 – 7%).

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The discounted liability for the decommissioning and restoration provision is as follows:

	June 30, 2016	December 31, 2015
	\$	\$
Balance, beginning of period / year	533	663
Accretion expense	19	46
Change in estimate	-	(79)
Foreign exchange	(48)	(97)
Balance, end of period / year	504	533

14. Share Capital

a) Authorized

Unlimited number of common shares without par value.

b) Share Capital Transactions

- (i) On October 23, 2015, October 29, 2015 and November 12, 2015, the Company closed the first, second and the third tranches of a non-brokered private placement and issued 10,000,000 common shares at a price of CDN\$0.13 per common share for gross proceeds of \$986 (CDN\$1,300). The Company incurred share issuance costs of \$6 in connection with the private placement.
- (ii) On May 6, 2016, the Company issued 500,000 common shares pursuant to exercise of warrants for total gross proceeds of \$58. A value of \$9 was transferred from warrants reserve to share capital as a result.

c) Stock Options and Warrants Reserve

The following is a summary of the stock options and warrants reserve:

	June 30, 2016	December 31, 2015
	\$	\$
Stock options	4,686	4,308
Warrants	1,611	1,561
	6,297	5,869

d) Stock Options

The Company established a stock option plan (the “Plan”) for the benefit of full-time and part-time employees, officers, directors and consultants of the Company and its affiliates. The maximum number of shares available under the Plan is limited to 10% of the issued common shares. Options granted under the Plan have a maximum term of ten years and the vesting provisions of options granted are at the discretion of the Board. Details of options activity for the year ended December 31, 2015 and the six months ended June 30, 2016 are as follows:

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	Number of Stock Options	Weighted Average Exercise Price (CDN\$)	Weighted Average Remaining Contractual Life (Years)
Balance, December 31, 2014	7,606,666	0.97	2.62
Expired	(4,303,332)	0.90	-
Balance, December 31, 2015	3,303,334	1.06	1.75
Granted	4,500,000	0.15	-
Expired	(2,601,667)	0.90	-
Balance, June 30, 2016	5,201,667	0.25	4.10
Unvested	187,500	0.15	4.62
Exercisable, June 30, 2016	5,014,167	0.25	4.08

The balance of options outstanding as at June 30, 2016 is as follows:

Expiry Date	Exercise Price CDN\$	Remaining Life (Years)	Options Vested and Outstanding
April 12, 2017	0.90	0.78	701,667
February 10, 2021	0.15	4.62	4,500,000
			5,201,667

4,500,000 options were granted during the six months ended June 30, 2016 (2015 – nil). The fair values of the options granted during the six months ended June 30, 2016 were estimated using the Black Scholes option-pricing model. Assumptions used in the pricing model were as follows: risk-free interest rate – 1.50%; expected life – 5 years; expected volatility – 83.36%; expected forfeitures – 0%; and expected dividends – \$nil. Expected price volatility was calculated based on the Company's historical share prices.

The weighted average fair value of stock options granted during the six months ended June 30, 2016 was \$0.08 per option.

During the three and six months ended June 30, 2016, the Company recorded share-based payments expense of \$14 and \$378 (2015 – \$27 and \$53).

e) Warrants

Details of warrants activity for the year ended December 31, 2015 and six months ended June 30, 2016 are as follows:

	Number of Warrants	Weighted Average Exercise Price CDN\$	Weighted Average Remaining Contractual Life (Years)
Balance, December 31, 2014	2,034,750	1.53	0.51
Expired	(1,311,000)	1.85	-
Balance, December 31, 2015	723,750	1.00	0.19
Issued	3,000,000	0.15	-
Expired	(723,750)	1.00	-
Exercised	(500,000)	0.15	-
Balance, June 30, 2016	2,500,000	0.15	0.53

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The balance of warrants outstanding as at June 30, 2016 is as follows:

Expiry Date	Exercise Price CDN\$	Remaining Life (Years)	Warrants Outstanding
January 11, 2017	0.15	0.53	2,500,000

15. Operating Costs by Nature

a) Cost of sales

	Three months ended June 30,		Six months ended June 30,	
	2016 \$	2015 \$	2016 \$	2015 \$
Direct cost of sales	2,135	2,467	4,638	4,195
Depletion and amortization	643	553	1,215	605
Adjustment to NRV of mined ore and concentrate inventory	-	-	-	(169)
	2,778	3,020	5,853	4,631

b) Operating expenses

	Three months ended June 30,		Six months ended June 30,	
	2016 \$	2015 \$	2016 \$	2015 \$
Administrative	145	85	249	135
Depreciation	2	2	3	3
Management and consulting fees	94	98	205	187
Other	82	42	137	95
Professional fees	198	228	326	348
Salaries and benefits	20	40	38	80
Share-based payments	14	27	378	53
Shareholder communications	8	17	10	37
Transfer agent and filing fees	15	19	20	56
Travel	8	12	18	28
	586	570	1,384	1,022

16. a) Interest Earned and Other Finance Income

	Three months ended June 30,		Six months ended June 30,	
	2016 \$	2015 \$	2015 \$	2015 \$
Interest earned	3	6	3	10
IVA recovery inflationary gain	172	-	172	-
Change in fair value of derivative assets	-	472	-	-
Foreign exchange gain	679	-	409	-
	854	478	584	10

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b) Interest Expense and Other Finance Expenses

	Three months ended		Six months ended	
	2016	June 30, 2015	2016	June 30, 2015
	\$	\$	\$	\$
Accretion of decommissioning and restoration provision	(10)	(11)	(19)	(23)
Change in fair value of derivative assets	(664)	-	(1,911)	(143)
Foreign exchange loss	-	(427)	-	(70)
Interest expense on loan payable	(13)	-	(53)	-
Interest expense on silver loan	(935)	(1,236)	(1,926)	(2,058)
	(1,622)	(1,674)	(3,909)	(2,294)

17. Related Party Transactions

During the three and six months ended June 30, 2016 and 2015, the Company incurred the following charges by directors and officers of the Company and by companies controlled by directors and officers of the Company:

	Three months ended		Six months ended	
	2016	June 30, 2015	2016	June 30, 2015
	\$	\$	\$	\$
Accounting and corporate secretarial fees	66	80	101	140
Directors' fees	18	12	32	16
Management fees	47	55	87	109
Share-based payments	-	27	293	53
Salaries and benefits capitalized	35	75	64	133

At June 30, 2016, directors and officers or their related companies were owed \$307 (December 31, 2015 – \$125) in respect of the services rendered. These are non-interest bearing with standard payment terms.

In connection with the personal guarantee of the Loan by the CEO of the Company, the Company issued 3,000,000 bonus warrants to the CEO, each of which is exercisable to purchase one common share for a price of CDN\$0.15 and expires January 11, 2017.

The Company entered into certain mining equipment leases expiring between 2017 and 2019 with an interest rate between 6.5% and 10.5% per annum. \$836 of the leases payable outstanding at June 30, 2016 were owed to a company owned by the CEO of the Company.

Key management includes directors and executive officers of the Company. Other than the amounts disclosed above, there was no other compensation paid or payable to key management for employee services for the reported periods.

18. Non-cash Transactions

Investing and financing activities that do not have a direct impact on cash flows are excluded from the consolidated statements of cash flows. During the six months ended June 30, 2016, the following transactions were excluded from the consolidated statements of cash flows:

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- Mineral property exploration expenditures of \$1,482 included in accounts payable and accrued liabilities at June 30, 2016, less mineral property exploration expenditures included in accounts payable and accrued liabilities at December 31, 2015 of \$915 (net inclusion of \$567);
- \$2,036 of leases payable that have been capitalized to plant and equipment at June 30, 2016;
- Fair value of the 3,000,000 bonus warrants (\$59) issued in connection with the CEO's personal guarantee of the Loan; and
- The settlement proceeds of \$1,777 under the revised minimum price protection program applied against the current portion of the silver loan.

During the six months ended June 30, 2015, the mineral property exploration expenditures of \$271 included in accounts payable and accrued liabilities at June 30, 2015 were excluded from the consolidated statements of cash flows.

19. Segmented Information

The Company has identified its operating segments based on the internal reports that are reviewed and used by the chief executive officer and the executive management, collectively the chief operating decision maker, in assessing performance and in determining the allocation of resources. We primarily manage our business by looking at individual resource projects and typically segregate these projects between production, development and exploration.

a) Operating Segments

The corporate division earns income that is considered incidental to our activities and therefore does not meet the definition of an operating segment. Consequently, the following segments have been identified: the Rosario Mine, Veta Grande Mine and exploration and evaluation properties. Below is a summary of the reported amounts of income or loss, and the carrying amounts of assets and liabilities by operating segment:

Three Months Ended June 30, 2016	Rosario Mine \$	Veta Grande Mine \$	Exploration and evaluation properties \$	Corporate and other \$	Total \$
Revenues	3,375	-	-	-	3,375
Direct cost of sales	(2,135)	-	-	-	(2,135)
Depletion and amortization	(643)	-	-	-	(643)
Cost of sales	(2,778)	-	-	-	(2,778)
Gross profit	597	-	-	-	597
Operating income (loss)	597	-	-	(586)	11
Income (loss) before tax	597	-	-	(1,354)	(757)
Interest earned and other finance income	-	-	-	854	854
Interest expense and other finance expenses	(10)	-	-	(1,612)	(1,622)
Income tax expense	(39)	-	-	-	(39)

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Three Months Ended June 30, 2015	Rosario Mine \$	Veta Grande Mine \$	Exploration and evaluation properties \$	Corporate and other \$	Total \$
Revenues	3,147	-	-	-	3,147
Direct cost of sales	(2,467)	-	-	-	(2,467)
Depletion and amortization	(553)	-	-	-	(553)
Cost of sales	(3,020)	-	-	-	(3,020)
Gross profit	127	-	-	-	127
Operating income (loss)	127	-	-	(570)	(443)
Income (loss) before tax	127	-	-	(1,766)	(1,639)
Interest earned and other finance income	-	-	-	478	478
Interest expense and other finance expenses	(11)	-	-	(1,663)	(1,674)
Income tax expense	(379)	-	-	-	(379)

Six Months Ended June 30, 2016	Rosario Mine \$	Veta Grande Mine \$	Exploration and evaluation properties \$	Corporate and other \$	Total \$
Revenues	6,912	-	-	-	6,912
Direct cost of sales	(4,638)	-	-	-	(4,638)
Depletion and amortization	(1,215)	-	-	-	(1,215)
Cost of sales	(5,853)	-	-	-	(5,853)
Gross profit	1,059	-	-	-	1,059
Operating income (loss)	1,059	-	-	(1,384)	(325)
Income (loss) before tax	1,059	-	-	(4,709)	(3,650)
Interest earned and other finance income	-	-	-	584	584
Interest expense and other finance expenses	(19)	-	-	(3,890)	(3,909)
Income tax expense	(146)	-	-	-	(146)
Total assets	26,122	4,491	26,941	5,460	63,014
Current assets	1,772	-	-	4,602	6,374
Non-current assets	24,350	4,491	26,941	858	56,640
Total liabilities	(4,900)	(1,999)	(355)	(26,833)	(34,087)

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Six Months Ended June 30, 2015	Rosario Mine \$	Veta Grande Mine \$	Exploration and evaluation properties \$	Corporate and other \$	Total \$
Revenues	3,549	-	-	-	3,549
Direct cost of sales	(4,195)	-	-	-	(4,195)
Depletion and amortization	(605)	-	-	-	(605)
Adjustment to NRV of inventory	169	-	-	-	169
Cost of sales	(4,631)	-	-	-	(4,631)
Gross loss	(1,082)	-	-	-	(1,082)
Operating loss	(1,082)	-	-	(1,022)	(2,104)
Loss before tax	(1,082)	-	-	(3,306)	(4,388)
Interest earned and other finance income	-	-	-	10	10
Interest expense and other finance expenses	(23)	-	-	(2,271)	(2,294)
Income tax expense	(181)	-	-	-	(181)

Year Ended December 31, 2015	Rosario Mine \$	Veta Grande Mine \$	Exploration and evaluation properties \$	Corporate and other \$	Total \$
Total assets	23,122	1,318	26,313	13,176	63,929
Current assets	1,433	-	-	8,875	10,308
Non-current assets	22,780	1,318	26,313	3,210	53,621
Total liabilities	(6,733)	(514)	(1,979)	(21,888)	(31,114)

b) Segment Revenue by Location and Major Customers

For the Rosario Mine segment, in each of the 2016 and 2015 periods the Company had only one customer who individually accounted for 100% of total concentrate revenue in Mexico during the three and six months ended June 30, 2016 and 2015.

c) Non-current Assets by Location

	June 30, 2016 \$	December 31, 2015 \$
<i>Canada</i>	7	7
<i>Mexico</i>	56,633	53,614
Total	56,640	53,621

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20. Financial Instruments

The classification of the financial instruments as well as their carrying values as at June 30, 2016 and December 31, 2015 is shown in the table below:

	Loans and Receivables	FVTPL	Other Financial Liabilities	Total
At June 30, 2016	\$	\$	\$	\$
Financial assets				
Cash and cash equivalents	537	-	-	537
Trade and other receivables	932	-	-	932
Derivative assets	-	33	-	33
Total financial assets	1,469	33	-	1,502
Financial liabilities				
Accounts payable and accrued liabilities	-	-	7,601	7,601
Loan payable	-	-	533	533
Leases	-	-	2,036	2,036
Silver loan	-	-	19,954	19,954
Total financial liabilities	-	-	30,124	30,124
At December 31, 2015				
	\$	\$	\$	\$
Financial assets				
Cash and cash equivalents	277	-	-	277
Trade and other receivables	580	-	-	580
Derivative assets	-	3,721	-	3,721
Total financial assets	857	3,721	-	4,578
Financial liabilities				
Accounts payable and accrued liabilities	-	-	5,701	5,701
Loan payable	-	-	670	670
Silver loan	-	-	20,830	20,830
Total financial liabilities	-	-	27,201	27,201

a) Fair Value of Financial Instruments

The Company has classified fair value measurements of its financial instruments using a fair value hierarchy that reflects the significance of inputs used in making the measurements as follows:

Level 1: Valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Valuation based on directly or indirectly observable inputs in active markets for similar assets or liabilities, other than Level 1 prices, such as quoted interest or currency exchange rates;

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Level 3: Valuation based on significant inputs that are not derived from observable market data, such as discounted cash flow methodologies based on internal cash flow forecasts.

The carrying values of cash and cash equivalents, trade receivables, other receivables, and accounts payable and accrued liabilities, approximate their fair values because of their short term nature.

June 30, 2016	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets measured at fair value				
Derivative assets	-	33	-	33
Financial liabilities				
Loan payable	-	-	544	544
Leases	-	-	2,279	2,279
Silver loan at fair value	-	-	20,068	20,068

b) Management of Risks Arising from Financial Instruments

The Company is exposed to credit risk and market risks including interest rate risk, liquidity risk, foreign exchange rate risk, and price risk.

(i) Credit Risk – Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to fulfill its contractual obligations. The Company's credit risk consists primarily of cash and cash equivalents, trade receivables, other receivables and derivative assets. The credit risk is minimized by placing cash with major financial institutions. Trade receivables are due from a large, multinational corporation that has conducted business in Mexico for many years. The Company regularly reviews the collectability of its trade receivables and contractually receives up to 90% advance on all payments. The Company considers the credit risk related to cash and cash equivalents and trade receivables to be minimal. The derivative assets are expected to be collectible in full from the counterparty based on the credit history of the counterparty.

(ii) Interest Rate Risk – Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. If interest rates increase, the Company will incur more interest costs. The sensitivity of the Company's net loss to changes in the interest rate would be as follows: a 10% change in the interest rate would change the Company's net loss by approximately \$6.

(iii) Liquidity Risk – Liquidity risk is the risk that the Company will not be able to meet its financial obligations when they become due. To mitigate this risk, the Company has a planning and budgeting process in place to determine the funds required to support its ongoing operations and capital expenditures. The Company ensures that sufficient funds are raised from equity offerings or debt financings to meet its operating requirements, after taking into account existing cash and expected exercise of stock options and share purchase warrants. The Company's cash is held in business accounts which are available on demand for the Company's programs. Refer to Note 1.

Contractual cash flow requirements as at June 30, 2016 were as follows:

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	< 1 year \$	1 – 2 years \$	2 – 5 years \$	>5 years \$	Total \$
Accounts payable and accrued liabilities	7,601	-	-	-	7,601
Loan payable	544	-	-	-	544
Leases	559	1,050	386	284	2,279
Silver loan	8,023	8,137	10,050	-	26,210
Minimum lease payments	13	10	-	-	23
Total	16,740	9,197	10,436	284	36,657

(iv) Foreign Exchange Rate Risk – The Company operates in Canada and Mexico and is exposed to foreign exchange risk due to fluctuations in the US dollar and Mexican peso. Foreign exchange risk arises from financial assets and liabilities denominated in these foreign currencies. The sensitivity of the Company's net loss to changes in the exchange rate between the US dollar and the Canadian dollar would be as follows: a 10% change in the US dollar exchange rate relative to the Canadian dollar would change the Company's net loss by approximately \$1,600.

The Company's financial assets and liabilities as at June 30, 2016 are denominated in Canadian dollars, US dollars, and Mexican pesos as follows:

	Canadian dollar \$	US dollar \$	Mexican peso \$	Total \$
Financial assets				
Cash and cash equivalents	37	313	187	537
Trade receivables	-	889	-	889
Other receivables	-	-	43	43
Derivative assets	-	33	-	33
	37	1,235	230	1,502
Financial liabilities				
Accounts payable and accrued liabilities	(510)	-	(7,091)	(7,601)
Loan payable	-	(533)	-	(533)
Leases	-	(2,036)	-	(2,036)
Silver loan	-	(19,954)	-	(19,954)
	(510)	(22,523)	(7,091)	(30,124)
Net financial liabilities	(473)	(21,288)	(6,861)	(28,622)

During the six months ended June 30, 2015, the Company entered into a forward contract to purchase US dollars in exchange for Canadian dollars at a specified exchange rate. The forward contract has settled subsequent to June 30, 2016.

At June 30, 2016, the Company had an outstanding foreign currency forward contract to buy USD\$10,081 in exchange for CAD\$13,000 with settlement date of less than one month.

The fair value of the outstanding foreign currency forward contract is estimated to be \$33, determined using the forward rate at the measurement date, with the resulting value discounted to present value and is categorized within level 2 of the fair value hierarchy.

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Subsequent to June 30, 2016, the Company entered into a series of forward contracts to purchase Mexican pesos in exchange for a total of \$42,000 at 18.874 Mexican pesos per US dollar over the time period from October 31, 2016 to December 31, 2017 inclusive.

(v) Price Risk – This is the risk that the fair value of derivative financial instruments will fluctuate because of changes in commodity prices. These commodity prices are affected by numerous factors that are outside of our control such as: global or regional consumption patterns; the supply of, and demand for, these metals; speculative activities; the availability and costs of metal substitutes; inflation; and political and economic conditions, including interest rates and currency values.

21. Commitments

On October 1, 2014, the Company entered into an office lease agreement at new premises in the municipality of Monterrey, Nuevo León, Mexico in the amount of \$1 (21,000 Mexican pesos) per month until September 30, 2017. The amount of the total lease payments committed is \$23 (441,000 Mexican pesos) for the fiscal years ending December 31, 2016 and 2017.

22. Subsequent Events

a) Public Offering and Restructuring of Silver Loan

Subsequent to June 30, 2016, the Company closed a public offering (the “Offering”) through a syndicate of agents led by Haywood Securities Inc. and including M Partners Inc. (collectively, the “Agents”) and completed the restructuring of its silver loan agreement with JMET. The restructuring amends the Amended JMET Agreement such that the Company no longer has any metal delivery obligations to JMET.

The Company has issued 37,975,000 units (the “Units”) pursuant to the Offering at a price of CAD\$0.40 per Unit for total gross proceeds of CAD\$15,190. The Offering included 4,875,000 Units issued pursuant to the Agents’ exercise in full of their option to purchase additional Units. Each Unit consisted of one common share and one-half of a common share purchase warrant (“Warrant”). Each Warrant entitles the holder to acquire one common share at a price of CAD\$0.55 per share for a period of 30 months from closing.

The Company has used \$7,777 from the net proceeds of the Offering to make a partial payment to JMET of the outstanding indebtedness under the Amended JMET Agreement and has issued a JMET Note in the amount of \$4,890, representing the remaining indebtedness to JMET after giving effect to the restructuring. The JMET Note bears interest at a rate of 14% per annum, payable quarterly in arrears commencing September 30, 2016, with principal repayments of \$500 per quarter commencing September 30, 2017 and ending on December 31, 2019.

Also pursuant to the restructuring, the Company has issued 3,750,000 warrants to JMET (the “JMET Warrants”). Each JMET Warrant is exercisable to acquire one common share of the Company at a price of CAD\$0.55 per share and expires on December 31, 2018; provided that, if the volume weighted average price of the Company’s common shares for any consecutive 20-day trading period on the TSX-V equals or exceeds CAD\$0.88, the Company has the right to deem the JMET Warrants to be exercised.

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The Company has also agreed to pay JMET \$1,500 of restructuring and finance fees, which fees will be payable in 2019. In certain circumstances, the principal repayments due under the JMET Note and payment of the restructuring and finance fees will be accelerated without penalty if the Company receives net proceeds from sources other than the sale of concentrates or if the Company's working capital and cash balance exceed certain thresholds.

As at June 30, 2016, the Company has incurred \$111 in deferred financing charges with respect to the Offering and the restructuring of its obligations to JMET.

b) Forward Contracts

Subsequent to June 30, 2016, the Company entered into a series of forward contracts to purchase Mexican pesos in exchange for a total of \$42,000 at 18.874 Mexican pesos per US dollar over the time period from October 31, 2016 to December 31, 2017 inclusive.