



## **Condensed Interim Consolidated Financial Statements**

**Three Months Ended March 31, 2021 and 2020**

(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 first quarter 2021 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 Canadian Institute of Chartered Accountants 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)*

		March 31, 2021	December 31, 2020
	Note	\$	\$
<b>ASSETS</b>			
<b>Current</b>			
Cash and cash equivalents	4	1,789	430
Marketable securities	5	5,050	-
VAT recoverable and receivables	6	12,868	10,928
Inventory	7	1,453	1,425
Prepaid expenses and deposits		1,538	1,069
Assets held for sale	9	-	2,569
		22,698	16,421
<b>Other assets</b>		506	506
<b>Deposit on Zimapan Mine acquisition</b>	22	2,000	1,000
<b>Plant and equipment</b>	8	14,673	14,905
		39,877	32,832
<b>LIABILITIES</b>			
<b>Current</b>			
Accounts payable and accrued liabilities	10,17	31,395	32,483
Loans payable	11	6,314	6,287
Leases	12,17	141	165
Subscriptions received		1,326	-
		39,176	38,935
<b>Leases</b>	12,17	269	304
<b>Decommissioning and restoration provision</b>	13	1,505	1,548
<b>Deferred income tax liability</b>		1,464	1,464
		42,414	42,251
<b>SHAREHOLDERS' DEFICIT</b>			
<b>Share capital</b>	14	105,719	104,749
<b>Stock options and warrants reserve</b>	14(c)	15,379	15,510
<b>Contributed surplus</b>		(1,872)	(1,872)
<b>Accumulated other comprehensive loss</b>		(1,904)	(1,429)
<b>Deficit</b>		(119,859)	(126,377)
		(2,537)	(9,419)
		39,877	32,832

**Nature of Operations and Going Concern** (Note 1)  
**Subsequent events** (Notes 11(a), 11(b), 14(d), 14(e) and 22)

**Approved on behalf of the Board:**

\_\_\_\_\_  
*"Arturo Préstamo Elizondo"*  
 Director – Arturo Préstamo Elizondo

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*"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 Income (loss) and Comprehensive Income (loss)**

**For the three months ended March 31, 2021 and 2020**

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

		<b>2021</b>	<b>2020</b>
		<b>\$</b>	<b>\$</b>
Revenues		11,168	7,816
Cost of sales	<b>15</b>	8,987	9,690
<b>Gross profit (loss)</b>		2,181	(1,874)
Operating expenses	<b>15</b>	(2,390)	(1,303)
Gain on sale of Zacatecas Properties	<b>9</b>	911	-
<b>Operating profit (loss)</b>		702	(3,177)
Interest earned and other finance income	<b>16</b>	6,166	3,424
Interest expense and other finance expenses	<b>16</b>	(306)	(349)
<b>Income (loss) before income tax</b>		6,562	(102)
Income tax (expense) recovery		(44)	15
<b>Income (loss) for the period</b>		6,518	(87)
<b>Other comprehensive loss</b>			
Currency translation differences		(475)	(1,020)
<b>Comprehensive income (loss) for the period</b>		6,043	(1,107)
<b>Earnings (loss) per share – basic and diluted</b>		0.02	(0.00)
<b>Weighted average number of common shares outstanding - basic</b>		263,895,942	176,774,029
<b>Weighted average number of common shares outstanding - diluted</b>		278,504,610	176,774,029

(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 three months ended March 31, 2021 and 2020**  
*(Unaudited - expressed in thousands of US dollars)*

	<b>2021</b>	<b>2020</b>
<b>Cash Provided By (Used In):</b>	<b>\$</b>	<b>\$</b>
<b>Operations:</b>		
Net income (loss) for the period	6,518	(87)
Items not affecting cash:		
Accretion of decommissioning provision	10	13
Depletion, depreciation and amortization	274	268
Issuance of shares for advisory fees and share-based payments	30	109
Interest expense on loans payable	128	79
Carrying and finance charges on loans payable	30	234
Unrealized gain on marketable securities	(3,070)	-
Gain on sale of Zacatecas Properties	(911)	-
Unrealized foreign exchange	(526)	(1,335)
Changes in non-cash working capital:		
VAT recoverable and receivables	(1,939)	2,026
Prepaid expenses and deposits	(469)	(43)
Inventory	(28)	287
Accounts payable and accrued liabilities	(1,117)	(1,739)
	<b>(1,070)</b>	<b>(188)</b>
<b>Investing:</b>		
Acquisition of equipment	(42)	(16)
Cash received on sale of Zacatecas Properties	1,500	-
Deposit paid	(1,000)	-
	<b>458</b>	<b>(16)</b>
<b>Financing:</b>		
Proceeds from issuance of common shares	-	553
Less: share-issuance costs	-	(16)
Subscriptions received	1,326	-
Lease payments on plant and equipment	(31)	(269)
Proceeds from exercise of options	30	-
Proceeds from exercise of warrants	779	-
Proceeds from loans payable net of repayments	(131)	59
	<b>1,973</b>	<b>327</b>
<b>Net increase in cash and cash equivalents</b>	<b>1,362</b>	<b>123</b>
Effect of exchange rate changes on cash	(3)	(1)
<b>Cash and cash equivalents – beginning of period</b>	<b>430</b>	<b>123</b>
<b>Cash and cash equivalents – end of period</b>	<b>1,789</b>	<b>245</b>
<b>Cash paid during the period for:</b>		
Interest	139	8
Income taxes	-	-
<b>Non-cash Transactions (Note 18)</b>		

(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 Shareholders' Equity (Deficit)**  
*(Unaudited - expressed in thousands of US dollars)*

	Share Capital		Stock Options and Warrants Reserve \$	Contributed Surplus \$	AOCI \$	Deficit \$	Total \$
	Number of Shares	Amount \$					
Balance, December 31, 2019	204,670,984	101,969	9,736	(1,872)	(1,806)	(124,884)	(16,857)
Shares issued in private placement	6,117,917	404	149	-	-	-	553
Less: share issuance costs	-	(16)	3	-	-	-	(13)
Share-based payments	-	-	109	-	-	-	109
Comprehensive loss for the period	-	-	-	-	(1,020)	(87)	(1,107)
<b>Balance, March 31, 2020</b>	<b>210,788,901</b>	<b>102,357</b>	<b>9,997</b>	<b>(1,872)</b>	<b>(2,826)</b>	<b>(124,971)</b>	<b>(17,315)</b>
Shares issued in private placement	45,631,463	2,185	5,351	-	-	-	7,536
Less: share issuance costs	-	(858)	390	-	-	-	(468)
Shares issued from exercise of options	4,786,300	1,000	(398)	-	-	-	602
Shares issued from exercise of warrants	400,000	65	(10)	-	-	-	55
Share-based payments	-	-	180	-	-	-	180
Comprehensive income (loss) for the period	-	-	-	-	1,397	(1,406)	(9)
<b>Balance, December 31, 2020</b>	<b>261,606,664</b>	<b>104,749</b>	<b>15,510</b>	<b>(1,872)</b>	<b>(1,429)</b>	<b>(126,377)</b>	<b>(9,419)</b>
Shares issued from exercise of options	230,000	51	(21)	-	-	-	30
Shares issued from exercise of warrants	5,437,917	919	(140)	-	-	-	779
Share-based payments	-	-	30	-	-	-	30
Comprehensive (loss) income for the period	-	-	-	-	(475)	6,518	6,043
<b>Balance, March 31, 2021</b>	<b>267,274,581</b>	<b>105,719</b>	<b>15,379</b>	<b>(1,872)</b>	<b>(1,904)</b>	<b>(119,859)</b>	<b>(2,537)</b>

(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 months ended March 31, 2021 and 2020**

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

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**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 10<sup>th</sup> 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”.

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

- Zimapan Mine, Zimapan, Hidalgo, Mexico
- Rosario Project including the Rosario Mine and various other properties in Charcas, San Luis Potosi, Mexico.
- Veta Grande Project including the Veta Grande Mine and various other properties in Veta Grande, Zacatecas, Mexico.
- Minillas Property in Genaro Cidina, Zacatecas, Mexico.

These 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. As at March 31, 2021, the Company had a working capital deficiency of \$16,478 (December 31, 2020 - \$22,514) and an accumulated deficit of \$119,859 (December 31, 2020 - \$126,377). For the three months ended March 31, 2021 the Company incurred a net income of \$6,518 (year ended December 31, 2020 – net loss of \$1,493) and a profit from operations of \$702 (year ended December 31, 2020 - \$5,744). At March 31, 2021, the Company was in breach of two of the loans payables, the Trafigura Credit Facility and the MineCo Loan, due to repayments not made in accordance with the contract (note 11). 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 generate positive cash flows from operations, and/or raise adequate funding through equity or debt financing to discharge its liabilities as they come due. 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.

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or results of operations at this time.

Should the Company be unable to continue as a going concern, asset and liability realization values may be substantially different from their carrying values. These 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.

**Santacruz Silver Mining Ltd.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three months ended March 31, 2021 and 2020**

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

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**2. Basis of Presentation**

**a) Statement of Compliance and Functional Currency**

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (“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, 2020 which have been prepared in accordance with IFRS as issued by the IASB.

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

These consolidated financial statements were approved for issue by the Board of Directors on May 31, 2021.

The financial statements for the Company and each of its subsidiaries are prepared using their functional currencies. Functional currency is the currency of the primary economic environment in which an entity operates. The functional currency of Santacruz, Santacruz Holdings and Carrizal Holdings is the Canadian dollar. The functional currency of IMSC and Carrizal Mining is the US dollar. The functional currency of OMA and PCG Mining is the Mexican peso. The presentation currency of the Company is the US dollar.

Entities whose functional currencies differ from the presentation currency are translated into US dollars as follows: assets and liabilities – at the closing rate as at the reporting date, and income and expenses – at the average rate of the period. All resulting changes are recognized in other comprehensive loss as cumulative translation differences.

Transactions in foreign currencies are translated into the functional currency at the exchange rate at the date of the transaction. Foreign currency differences arising on translation are recognized in profit or loss. Foreign currency monetary assets and liabilities are translated at the functional currency exchange rate at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using exchange rates as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. All gains and losses on translation of these foreign currency transactions are included in profit or loss.

**b) Basis of Measurement**

These consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair value.

**c) Basis of Consolidation**

These consolidated financial statements include the financial statements of all subsidiaries which are wholly owned subject to control by the Company, which include Santacruz Holdings Ltd. (“Santacruz Holdings”), Carrizal Holdings Ltd. (“Carrizal Holdings”), Impulsora Minera Santacruz, S.A. de C.V. (“IMSC”), Operadora Minera Anacore, S.A. De



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C.V. ("OMA"), PCG Mining, S.A. de CV. ("PCG Mining") and Carrizal Mining, S.A. de C.V. ("Carrizal Mining").

Control is achieved when the Company is exposed to, or has rights to, variable returns from its involvement with an entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is obtained and continue to be consolidated until the date that such control ceases. Intercompany balances, transactions and unrealized intercompany gains and losses are eliminated upon consolidation.

The Company attributes total comprehensive income of subsidiaries between the owners of the parent and the non-controlling interests.

**3. Accounting Policies**

In the preparation of these condensed interim consolidated financial statements, the Company has used the same accounting policies and methods of computation as in the most recent audited annual financial statements for the Company for the year ended December 31, 2020.

**New Standards and Interpretations Not Yet Adopted**

On May 14, 2020, the International Accounting Standards Board published an amendment to IAS 16 Property, Plant and Equipment - Proceeds before Intended Use. The amendments prohibit deducting from the cost of property, plant and equipment any proceeds received from selling items produced while bringing that asset for its intended use. Instead, proceeds received will be recognized as sales proceeds and related cost in profit or loss. The effective date is for annual periods beginning on or after January 1, 2022, with early adoption permissible. The Company is assessing the effect of this amendment on its consolidated financial statements.

As at March 31, 2021 there are no other IFRS or IFRIC interpretations with future effective dates that are expected to have a material impact on the Company.

**4. Cash and Cash Equivalents**

	March 31, 2021	December 31, 2020
	\$	\$
Cash on hand or held with banks	1,789	421
Short-term investments	-	9
<b>Total</b>	<b>1,789</b>	<b>430</b>

**5. Marketable securities**

	March 31, 2021	December 31, 2020
	\$	\$
Amount at beginning of period	-	-
Received on sale of Zacatecas Properties (note 9)	1,980	-
Change in fair value	3,070	-
<b>Total</b>	<b>5,050</b>	<b>-</b>

**Santacruz Silver Mining Ltd.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three months ended March 31, 2021 and 2020**

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**6. VAT Recoverable and Receivables**

	March 31, 2021	December 31, 2020
	\$	\$
Mexican value added taxes recoverable	6,008	6,151
Canadian GST recoverable	8	10
Trade receivables	6,275	4,202
Other receivables	577	565
<b>Total</b>	<b>12,868</b>	<b>10,928</b>

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.

**7. Inventory**

	March 31, 2021	December 31, 2020
	\$	\$
Mineralized material stockpiles	50	60
Concentrate inventory	729	616
Supplies inventory	674	749
<b>Total</b>	<b>1,453</b>	<b>1,425</b>

**8. Plant and Equipment**

<b>Cost</b>	Office Furniture and Equipment \$	Building \$	Plant and Equipment \$	Vehicles \$	Computer Hardware \$	Total \$
Balance, December 31, 2019	62	419	21,082	499	263	22,325
Additions	-	-	1,412	-	-	1,412
Balance, December 31, 2020	62	419	22,494	499	263	23,737
Additions	-	-	42	-	-	42
<b>Balance, March 31, 2021</b>	<b>62</b>	<b>419</b>	<b>22,536</b>	<b>499</b>	<b>263</b>	<b>23,779</b>
<b>Accumulated Depreciation</b>						
Balance, December 31, 2019	27	15	7,569	322	189	8,122
Depreciation for the year	1	37	658	-	14	710
Balance, December 31, 2020	28	52	8,227	322	203	8,832
Depreciation for the period	-	7	260	-	7	274
<b>Balance, March 31, 2021</b>	<b>28</b>	<b>59</b>	<b>8,487</b>	<b>322</b>	<b>210</b>	<b>9,106</b>
<b>Carrying amount at December 31, 2020</b>	<b>34</b>	<b>367</b>	<b>14,267</b>	<b>177</b>	<b>60</b>	<b>14,905</b>
<b>Carrying amount at March 31, 2021</b>	<b>34</b>	<b>360</b>	<b>14,049</b>	<b>177</b>	<b>53</b>	<b>14,673</b>

Depreciation during the three months ended March 31, 2021 was \$274 (2020 – \$268).

As at March 31, 2021, the Company's plant and equipment includes a net carrying amount of \$1,370 for leased mining equipment (December 31, 2020 - \$1,370). Depreciation on the leased mining equipment for the three months ended March 31, 2021 was \$68 (2020 - \$64).

**Santacruz Silver Mining Ltd.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three months ended March 31, 2021 and 2020**

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**9. 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 March 31, 2021 and December 31, 2020 and the additions during those periods is as follows:

	Balance, December 31, 2019 \$	Year ended December 31, 2020 \$	Balance, December 31, 2020 \$	Period ended March 31, 2021 \$	Balance, March 31, 2021 \$
<b>Zacatecas Properties, Zacatecas, Zacatecas, Mexico</b>					
<i>Acquisition costs</i>					
Option payments – cash	1,581	-	1,581	-	-
Acquisition of Carrizal Mining	463	-	463	-	-
<i>Exploration costs</i>					
Mining claims, taxes and duties	300	225	525	-	-
	2,344	225	2,569	-	-
Sale of Zacatecas Properties	-	-	-	(2,569)	-
<b>Total</b>	<b>2,344</b>	<b>225</b>	<b>2,569</b>	<b>(2,569)</b>	<b>-</b>

**Zacatecas Properties, Zacatecas, Zacatecas, Mexico**

On May 2, 2016 the Company entered into an option agreement, as amended February 8, 2018, 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.

On July 23, 2020 the Company entered into an agreement with Zacatecas Silver Corp. (“Zacatecas Silver”), a private Canadian company, for the sale of a 100% interest in the Zacatecas Properties for consideration of \$1,500 and the issuance of 5,000,000 common shares of Zacatecas Silver to the Company. This transaction closed on March 2, 2021. At December 31, 2020, the Zacatecas Properties were classified as Assets held for sale. These assets were measured at carrying amounts, which was the lower of their carrying amount and estimated fair value less costs to sell.

The gain on the disposal of the Zacatecas Properties is as follows:

	\$
Consideration received	3,480
Less total assets held for sale at December 31, 2020	(2,569)
<b>Gain on sale of Zacatecas Properties</b>	<b>911</b>

**Santacruz Silver Mining Ltd.**  
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The consideration consists of the following:

	\$
Cash received on sale	1,500
Shares received (5,000,000 shares at CAD\$0.50 share)	1,980
<b>Total consideration</b>	<b>3,480</b>

**10. Accounts Payable and Accrued Liabilities**

	March 31, 2021 \$	December 31, 2020 \$
Trade payables	30,261	31,355
Accrued liabilities	1,134	1,128
<b>Total</b>	<b>31,395</b>	<b>32,483</b>

**11. Loans Payable**

	March 31, 2021 \$	December 31, 2020 \$
a) Trafigura credit facility	2,715	2,677
b) MineCo loan	3,196	3,106
c) Credit Facility	90	50
d) Swap Facility	104	104
e) Muutrade Facility	209	350
Total loans payable	6,314	6,287
Less: current portion	(6,314)	(6,287)
Non-current portion	-	-

**a) Trafigura credit facility**

On July 11, 2019, the Company entered into a short-term credit facility (the "Trafigura Facility") with Trafigura Mexico, S.A. de C.V. ("Trafigura") in the amount of \$1,500. The funds were advanced to the Company on May 31, 2019 and September 19, 2019. The principal was to be repaid on October 11, 2019. As part of the terms of the Trafigura Facility, the Company was obligated to pay \$100 in finance charges (the "Finance Charges") and interest expense related to the structuring of the loan on October 11, 2019. On October 12, 2019, the Trafigura Facility was amended. The amended payment schedule was for 15 months beginning in December 2019 for an amount of \$100 per month. The Trafigura Facility was secured on certain of the Carrizal Mining mine equipment.

On April 20, 2020 the Trafigura Facility was further amended by the parties as follows:

- the Finance Charges were waived and the \$100 payment made for such has been applied to the principal balance borrowed, reducing the outstanding balance to \$1,400;
- Trafigura agreed to advance an additional \$1,828 under the facility, bringing the new principal balance to \$2,600 (the "2020 Facility"); and
- The 2020 Facility is to be repaid in 12 equal monthly installments of \$217 commencing August 31, 2020 and bears interest at LIBOR plus 7%, payable monthly.

The 2020 Facility is secured on certain of the Carrizal Mining mine equipment.

**Santacruz Silver Mining Ltd.**  
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	\$
Balance, December 31, 2019	1,468
Proceeds advanced	1,828
Interest expense and finance charge	146
Finance charges applied to principal balance	(100)
Repayment	(665)
Balance, December 31, 2020	2,677
Interest expense and finance charge	38
Balance, March 31, 2021	2,715

Subsequent to period end, the Company recapitalized this loan into a new loan facility with Trafigura (the "Trafigura Loan Facility"). See note 22.

**b) MineCo loan**

On March 6, 2018 the Company entered into a loan agreement (the "MineCo Loan") with a private Bolivian mining company ("MineCo"), for \$2,300. The MineCo Loan bore interest at 9% per annum and was repayable July 1<sup>st</sup>, 2018. In connection with the MineCo Loan the Company issued MineCo 2,000,000 warrants (the "Warrants") exercisable until March 6, 2019, at CAD\$0.16 per share.

The fair value of the Warrants (\$66) 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 – 0.73%; expected life – 1 year; expected volatility – 66.73%; and expected dividends – nil.

On July 2, 2018, the Company reached an agreement with MineCo to extend the repayment date of the MineCo Loan to October 1, 2018. As consideration for receiving the debt repayment date extension, the Company agreed to increase the interest rate to 12% effective July 1, 2018. In addition, the Company agreed to increase the number of Warrants to 2,500,000 at an exercise price of \$0.16, and to extend the expiry date to March 6, 2020. The assumptions used in the option pricing model on the modified warrants were as follows: risk-free interest rate – 1.30%; expected life – 1 year; expected volatility – 76.17%; and expected dividends – nil. This resulted in \$6 in transaction costs.

The repayment date was further extended in October 2019 to January 30, 2020, and in 2020 to March 31, 2020. Subsequent to period end on April 21, 2021, the Company and MineCo further extended the repayment to July 21, 2021.

The MineCo Loan is unsecured.

The change in the MineCo Loan payable during the periods ended March 31, 2021 and December 31, 2020 is as follows:

	\$
Balance, December 31, 2019	2,782
Interest expense	324
Balance, December 31, 2020	3,106
Interest expense	90
Balance, March 31, 2021	3,196

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**c) Credit Facility**

On September 30, 2019, the Company entered into a credit facility (the “Credit Facility”) with a private Mexican financial institution.

The change in the Credit Facility payable during the periods ended March 31, 2021 and December 31, 2020 is as follows:

	\$
Balance, December 31, 2019	500
Proceeds advanced	564
Carrying charges	14
Repayment	(1,028)
Balance, December 31, 2020	50
Proceeds advanced	230
Carrying charges	13
Repayment	(203)
Balance, March 31, 2021	90

Funds may be drawn down under the Credit Facility either in US dollars or Mexican pesos. Funds drawn down must be repaid within 21 business days following the drawdown date. Funds drawn down in US dollars must be repaid in Mexican pesos and vice-versa. Drawdown amounts are limited to a maximum of \$600 or the equivalent amount in Mexican pesos but can be increased at the discretion of the lender. Upon repayment of any particular draw down amount the Company may borrow the same amount immediately as a new draw under the Credit Facility. The Credit Facility is unsecured and the implied carrying charges are tied to the spread between the US dollar and Mexican peso foreign exchange rates.

**d) Swap facility**

On September 30, 2019, the Company entered into a credit facility (the “Swap Facility”) with a private Mexican financial institution.

Funds are drawn down under the Credit Facility in Mexican pesos. Funds drawn down must be repaid within 45 business days following the drawdown date. Funds drawn down must be repaid in US dollars. Drawdown amounts are limited to a maximum of \$3,000,000 Mexican pesos. Upon repayment of any particular draw down amount the Company may borrow the same amount immediately as a new draw under the Credit Facility. The Credit Facility is unsecured and the implied carrying charges are tied to the spread between the US dollar and Mexican peso foreign exchange rates.

The change in the Credit Facility payable during the periods ended March 31, 2021 and December 31, 2020 is as follows:

	\$
Balance, December 31, 2019	211
Carrying charges	4
Repayment	(111)
Balance, December 31, 2020 and March 31, 2021	104

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**e) Muustrade facility**

On September 11, 2020, the Company entered into a credit facility (the “Muustrade Facility”) with a private Mexican financial institution.

The Muustrade Facility bears interest at 2% monthly until the repayment date of October 8, 2020. After this date, the interest is charged at 4.5% monthly.

The change in the Credit Facility payable during the periods ended March 31, 2021 and December 31, 2020 is as follows:

	\$
Balance, December 31, 2019	-
Proceeds advanced	330
Carrying charges	40
Repayment	(20)
Balance, December 31, 2020	350
Carrying charges	17
Repayment	(158)
Balance, March 31, 2021	209

**12. Leases**

The Company entered into certain mining equipment leases expiring between 2020 and 2022 with interest rates 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 March 31, 2021 and December 31, 2020 are as follows:

	March 31, 2021	December 31, 2020
	\$	\$
Leased equipment repayable in monthly instalments of \$95 with interest of 6.5% and 10.5% per annum. Due dates between March 31, 2021 and November 1, 2022	410	469
Less: Current portion	(141)	(165)
Non-current portion	269	304

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

	March 31, 2021
	\$
2021	180
2022	136
2023	163
Total minimum lease payments	479
Less: imputed interest	(69)
Total present value of minimum lease payments	410
Less: Current portion	(141)
Non-current portion	269

During the year ended December 31, 2020, the Company recorded a debt forgiveness of \$412 from the lease payments owing on some mining equipment.

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**13. Decommissioning and Restoration Provision**

The Company's estimates of future decommissioning and restoration for reclamation and closure costs are based on reclamation standards that meet Mexican regulatory requirements.

**a) Rosario Project**

The undiscounted amount of estimated cash flows required to settle the decommissioning and reclamation costs at the Rosario Project at the end of mine life was estimated at \$1,334 as at March 31, 2021 (December 31, 2020 – \$1,334).

The key assumptions on which the provision estimates were based on at March 31, 2021 and December 31, 2020 are as follows:

- Expected timing of the cash flows is based on the estimated useful life of the Rosario Project. The majority of the expenditures are expected to occur in 2022, which is the anticipated closure date.
- The inflation rate used is 4.17% (2020 – 4.17%).
- The discount rate used is 10.75% (2020 – 10.75%).

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

	<b>March 31, 2021</b>	<b>December 31, 2020</b>
	\$	\$
<b>Rosario</b>		
Balance, beginning of period	1,203	1,231
Accretion expense	10	51
Foreign exchange	(41)	(79)
Balance, end of period	1,172	1,203

**b) Veta Grande Project**

The decommissioning and restoration provision at the Veta Grande Project is determined to be the amount that the Company would be liable for according to the Contracuña Option Agreement.

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

	<b>March 31, 2021</b>	<b>December 31, 2020</b>
	\$	\$
<b>Veta Grande</b>		
Balance, beginning of period	345	349
Foreign exchange	(12)	(4)
Balance, end of period	333	345



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**14. Share Capital**

**a) Authorized**

Unlimited number of common shares without par value.

**b) Share Capital Transactions**

During the three months ended March 31, 2021:

- The Company issued 5,437,917 shares from the exercise of warrants for proceeds of \$779 and 230,000 shares from the exercise of options for proceeds of \$30.

During the year ended December 31, 2020:

- On October 7, 2020 and October 15, 2020, the Company completed a private placement in two tranches in an aggregate amount of 45,427,463 units (the "Units") for gross proceeds of approximately CAD\$10,000 (USD\$7,536). Each Unit consists of one common share of the Company and one non-transferable common share purchase warrant (a "Warrant"). Each Warrant entitles the holder to acquire one common share of the Company at a price of CAD\$0.30 per share for a period of 36 months following the issue of the Warrant.
- The Company issued 400,000 shares from the exercise of warrants for proceeds of \$55 and 4,786,300 shares from the exercise of options for proceeds of \$602.
- On February 25, 2020, the Company raised gross proceeds of CAD\$734 (USD\$553) from the sale of 6,117,917 units (the "Units") pursuant to a private placement at price of CAD\$0.12 per Unit. Each Unit consisted of one common share of the Company and one non-transferable common share purchase warrant (a "Warrant"). Each Warrant entitles the holder to acquire one common share of the Company at a price of CAD\$0.18 per share until February 25, 2021.

**c) Stock Options and Warrants Reserve**

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

	<b>March 31, 2021</b>	<b>December 31, 2020</b>
	<b>\$</b>	<b>\$</b>
Stock options	4,989	4,980
Warrants	10,390	10,530
	<b>15,379</b>	<b>15,510</b>

**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.

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Details of options activity for the periods ended March 31, 2021 and December 31, 2020 is as follows:

	Number of Stock Options	Weighted Average Exercise Price (CAD\$)
Balance as at December 31, 2019	11,500,000	0.17
Exercised	(4,786,300)	(0.16)
<b>Balance as at December 31, 2020</b>	<b>6,713,700</b>	<b>0.18</b>
Exercised	(230,000)	(0.18)
<b>Balance as at March 31, 2021</b>	<b>6,483,700</b>	<b>0.18</b>

The balance of options outstanding as at March 31, 2021 is as follows:

Expiry Date	Exercise Price CAD\$	Remaining Life (Years)	Options Outstanding	Options Exercisable
August 6, 2024	0.18	3.35	6,483,700	4,783,700

Subsequent to period end, 100,000 options were exercised for gross proceeds of CAD\$18 (USD\$15).

During the three months ended March 31, 2021, the Company recorded share-based payments expense of \$30 (2019 –\$109). The weighted average share price on option exercises during the three months ended March 31, 2021 was \$0.39.

The fair value of the options was estimated using the Black Scholes option-pricing model. The assumptions used in the option pricing model were as follows: risk-free interest rate – 1.20%; expected life – 5 years; expected volatility – 80.83%; and expected dividends – nil.

**e) Warrants**

Details of warrants activity for the periods ended March 31, 2021 and December 31, 2020 are as follows:

	Number of Warrants	Weighted Average Exercise Price CAD\$
Balance, as at December 31, 2019	7,375,000	0.24
Expired	(7,375,000)	-
Issued – private placement	6,117,917	0.18
Issued – finders' warrants	120,000	0.18
Issued – private placement	45,427,463	0.30
Issued – broker and finders' warrants	2,748,130	0.30
Exercised	(400,000)	0.18
Balance as at December 31, 2020	54,013,510	0.29
Expired	(400,000)	0.18
Exercised	(5,437,917)	0.18
<b>Balance as at March 31, 2021</b>	<b>48,175,593</b>	<b>0.29</b>

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The balance of warrants outstanding as at March 31, 2021 is as follows:

<b>Expiry Date</b>	<b>Exercise Price CAD\$</b>	<b>Remaining Life (Years)</b>	<b>Warrants Outstanding</b>
October 7, 2023	0.30	2.52	34,678,541
October 15, 2023	0.30	2.54	13,497,052
	0.30	2.52	48,175,593

Subsequent to period end, 1,690,518 warrants were exercised for gross proceeds of CAD\$507 (USD\$420).

The fair value of the warrants granted in 2020 was estimated using the Black Scholes option-pricing model. The assumptions used in the option pricing model were as follows: risk-free interest rate – 0.24%-1.37%; expected life – 1-3 years; expected volatility – 84.76%-89.48%; and expected dividends – nil.

**15. Operating Costs by Nature**

**a) Cost of sales**

	<b>Three months ended March 31,</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Direct production costs	8,713	9,422
Depletion and amortization	274	268
	<b>8,987</b>	<b>9,690</b>

**b) Operating expenses**

	<b>Three months ended March 31,</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Administrative	398	237
Management and consulting fees	30	44
Other	3	4
Professional fees	1,200	238
Salaries and benefits	235	161
Share-based payments	30	109
Shareholder communications	81	2
Shipping costs	370	494
Transfer agent and filing fees	42	8
Travel	1	6
	<b>2,390</b>	<b>1,303</b>

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**16. a) Interest Earned and Other Finance Income**

	Three months ended March 31,	
	2021	2020
	\$	\$
Interest earned and other	7	-
Foreign exchange gain		
	2,453	3,366
IVA inflationary gain	636	58
Unrealized gain on marketable securities	3,070	-
	6,166	3,424

**b) Interest Expense and Other Finance Expenses**

	Three months ended March 31,	
	2021	2020
	\$	\$
Accretion of decommissioning and restoration provision	(10)	(13)
Carrying and finance charge on loan payable	(30)	(234)
Interest expense	(128)	-
Interest expense on loan payable	(128)	(79)
Finance charge on leases	(10)	(23)
	(306)	(349)

**17. Related Party Transactions**

During the three months ended March 31, 2021 and 2020, the Company incurred the following charges by directors and officers of the Company and by companies controlled by directors and officers of the Company:

	2021	2020
	\$	\$
<b>Expenses</b>		
Management fees	105	105
Share-based payments	26	-

At March 31, 2021, directors and officers or their related companies were owed \$nil (December 31, 2020 – \$17) in respect of the services rendered. These are non-interest bearing with standard payment terms.

The Company entered into certain mining equipment leases with an interest rate between 6.5% and 10.5% per annum. \$nil of lease payments were paid during the three months ended March 31, 2021 (2020 - \$nil) and \$15 of the leases payable outstanding at March 31, 2021 were owed to a company owned by the Chairman of the Company (December 31, 2020 - \$61). During the year ended December 31, 2020, the Company recorded a debt forgiveness of \$412 from the lease payments owing on this mining equipment.

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.

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**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 three months ended March 31, 2021 there were no non-cash transactions included in investing and financing activities.

During the three months ended March 31, 2020, the following transaction was excluded from the consolidated statements of cash flows:

- 120,000 warrants issued with a fair value of \$3 for share-issuance costs related to the private placement.

**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 producing and developing resource projects as well as the aggregate of the exploration and evaluation properties 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 operating and reportable segments have been identified: the Rosario Project, Veta Grande Project, Zimapan Mine, Mine Services, 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:

<b>Three months ended March 31, 2021</b>	<b>Rosario Project</b>	<b>Veta Grande Project</b>	<b>Zimapan Mine</b>	<b>Corporate and other</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Revenues	1,011	(285)	10,442	-	11,168
Production costs	(1,126)	-	(7,587)	-	(8,713)
Depletion and amortization	-	-	(274)	-	(274)
Cost of sales	(1,126)	-	(7,861)	-	(8,987)
Gross (loss) profit	(115)	(285)	2,581	-	2,181
Operating (loss) profit	(115)	(285)	2,581	-	(1,479)
(Loss) income before tax	(115)	(285)	2,581	-	4,381
Interest earned and other finance income	-	-	-	-	6,166
Interest expense and other finance expenses	(10)	-	-	-	(296)
Income tax expense	-	-	-	(44)	(44)

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Three months ended March 31, 2020	Rosario	Veta	Zimapan	Exploration	Corporate	Total
	Project	Grande	Mine	and	and other	
	\$	\$	\$	evaluation	\$	\$
				properties		
				\$		
Revenues	698	586	6,532	-	-	7,816
Production costs	(1,131)	(1,664)	(6,627)	-	-	(9,422)
Depletion and amortization	-	-	(268)	-	-	(268)
Cost of sales	(1,131)	(1,664)	(6,895)	-	-	(9,690)
Gross loss	(433)	(1,078)	(363)	-	-	(1,874)
Operating loss	(433)	(1,078)	(363)	-	(1,303)	(3,177)
(Loss) income before tax	(433)	(1,078)	(363)	-	1,772	(102)
Interest earned and other finance income	-	-	-	-	3,424	3,424
Interest expense and other finance expenses	(13)	-	-	-	(336)	(349)
Income tax recovery	-	-	-	-	15	15

March 31, 2021	Rosario	Veta	Zimapan	Corporate	Total
	Project	Grande	Mine	and other	
	\$	\$	\$	\$	\$
Total assets	8,998	65	19,441	11,373	39,877
Current assets	1,673	65	11,663	9,297	23,698
Non-current assets	7,325	-	7,778	2,076	16,179
Total liabilities	(1,505)	-	(18,682)	(22,227)	(42,414)

December 31, 2020	Rosario	Veta	Zimapan	Exploration	Corporate	Total
	Project	Grande	Mine	and	and other	
	\$	\$	\$	evaluation	\$	\$
				properties		
				\$		
Total assets	9,140	67	16,192	2,569	4,864	32,832
Current assets	1,815	67	8,182	2,569	3,788	16,421
Non-current assets	7,325	-	8,010	-	1,076	16,411
Total liabilities	(1,548)	-	(18,957)	-	(21,746)	(42,251)

**b) Segment Revenue by Location and Major Customers**

For all of the Rosario Project segment, the Veta Grande Project segment and the Zimapan Mine, the Company had only one customer who individually accounted for 100% of total concentrate revenue in Mexico.

For the Mine Services Agreement, the Company only had one customer, Carrizal Mining, who individually accounted for 100% of total mining service revenue in Mexico.

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**c) Non-current Assets by Location**

	December 31, 2020 \$	December 31, 2019 \$
Canada	-	-
Mexico	17,179	17,053
<b>Total</b>	<b>17,179</b>	<b>17,053</b>

**20. Financial Instruments**

**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;

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, trade receivables, other receivables, and accounts payable and accrued liabilities, approximate their fair values because of their short-term nature.

**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, trade receivables and other receivables. 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 considers the credit risk related to cash and trade receivables to be minimal.

**(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 1% change in the interest rate would change the Company's net loss by approximately \$67.

**(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

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ongoing operations and capital expenditures. The Company endeavors to ensure that sufficient funds are raised from equity offerings or debt financing 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 with respect to going concern matters.

Contractual cash flow requirements as at March 31, 2021 were as follows:

	< 1 year \$	1 – 2 years \$	2 – 5 years \$	>5 years \$	Total \$
Accounts payable and accrued liabilities	31,395	-	-	-	31,395
Loan payable	6,314	-	-	-	6,314
Leases	141	269	-	-	410
<b>Total</b>	<b>37,850</b>	<b>269</b>	<b>-</b>	<b>-</b>	<b>38,119</b>

**(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 respectively the Mexican peso and the Canadian dollar would be as follows: a 1% change in the US dollar exchange rate relative to the Mexican peso would change the Company's net income (loss) by approximately \$4 and a 1% change in the US dollar exchange rate relative to the Canadian dollar would change the Company's net income (loss) by approximately \$69.

The Company's financial assets and liabilities as at March 31, 2021 and December 31, 2020 are denominated in Canadian dollars, US dollars, and Mexican pesos as follows:

	Canadian dollar \$	US dollar \$	Mexican peso \$	Total \$
<b>Financial assets</b>				
Cash	1,439	177	173	1,789
Trade receivables	-	6,275	-	6,275
Other receivables	8	-	6,585	6,593
	1,447	6,452	6,758	14,657
<b>Financial liabilities</b>				
Accounts payable and accrued liabilities	268	6,885	24,242	31,395
Loans payable	-	6,314	-	6,314
	268	13,199	24,242	37,709
<b>Net financial liabilities</b>	<b>1,179</b>	<b>(6,747)</b>	<b>(17,484)</b>	<b>(23,052)</b>

**(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



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and costs of metal substitutes; inflation; and political and economic conditions, including interest rates and currency values.

## **21. Capital Management**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders, and to bring its mineral properties to commercial production.

To date, the Company has depended on external financing to fund its activities. The capital structure of the Company currently consists of shareholders' equity (deficit), which was a deficit of \$2,527 as at March 31, 2021 (December 31, 2020 – \$9,419). The Company manages the capital structure and makes adjustments to it for changes in economic conditions and the risk characteristics of the underlying assets, being mineral properties. In order to maintain or adjust the capital structure, the Company may issue new shares through equity offerings or sell assets to fund operations. Management reviews its capital management approach on a regular basis. The Company is not subject to externally imposed capital requirements.

The Company invests all capital that is surplus to its immediate operational needs in short-term, liquid and highly-rated financial instruments, such as cash and other short-term guaranteed deposits, all held with major financial institutions. There have not been changes to the Company's capital management policy during the period.

## **22. Subsequent Events**

### **Zimapan Mine Acquisition**

On July 28, 2020 the Company entered into a legally binding term sheet with Minera Cedros S.A. de C.V. ("Minera Cedros") to acquire (the "Transaction") the Zimapan Mine for total consideration of \$20,000 (plus applicable Mexican Value Added Tax of \$3,200).

The Zimapan Mine at the time was under lease by Carrizal Mining.

The Company completed the acquisition of the Zimapan Mine on April 23, 2021 ("the Zimapan Mine Acquisition Closing Date").

Assets acquired pursuant to the Transaction include:

- Zimapan mill facility (the "Zimapan Mill") which is a 75,000 dry metric tonnes (DMT) per month facility with zinc, lead and copper circuits.
- Surface and underground infrastructure including electrical and other necessary infrastructure to carry on day-to-day operations.
- 34 mining concessions covering an area of 5,139 hectares. The mining concessions are located seven kilometers from the municipality of Zimapan.
- Funding for the Transaction was arranged with Trafigura as to a \$17,600 loan facility (the "Trafigura Loan Facility") which included the recapitalization of \$2,600 of a prior loan arrangement, and as to \$5,000 from the Company's treasury. Pursuant to the terms of the Transaction the Company has until September 23, 2021 to pay Minera Cedros the outstanding Mexican Value Added Tax of \$3,200 owed in connection with the Transaction.

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

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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 secured by a subordinated charge against the Zimapan Mine assets.

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

At March 31, 2021, the Company had paid a \$2,000 deposit to Minera Cedros as part of the Acquisition.

**Private Placement**

On April 13, 2021, the Company closed a private placement offering (the "Private Placement") of units of the Company (each, a "Unit") of 46,980,000 Units at a price of \$0.30 per Unit for gross proceeds of CAD\$14,094 (USD\$11,240).

Each Unit consists of one common share of the Company and one non-transferable common share purchase warrant (a "Warrant"). Each Warrant entitles the holder to acquire one common share of the Company at a price of CAD\$0.45 for a period of 36 months following the issue of the Warrant.

In consideration for their services, the Company has paid to certain finders cash finders' fees totaling CAD\$502 and issued 1,671,961 finders' warrants having the same terms as the Warrants.