Consolidated Financial Statements

Years Ended December 31, 2019 and 2018

(Expressed in thousands of US dollars)

Independent auditor's report

To the Shareholders of Santacruz Silver Mining Ltd.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Santacruz Silver Mining Ltd. and its subsidiaries (together, the Company) as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited
The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2019 and 2018;
- the consolidated statements of loss and comprehensive loss for the years then ended;
- the consolidated statements of cash flows for the years then ended;
- the consolidated statements of changes in equity for the years then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern

We draw attention to Note 1 in the consolidated financial statements, which describes events or conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor’s report is Dean Larocque.

(signed) PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, British Columbia
June 16, 2020

Santacruz Silver Mining Ltd.
Consolidated Statements of Financial Position
(Expressed in thousands of US dollars)

	Note	December 31, 2019 $	December 31, 2018 $
ASSETS			
Current			
Cash and cash equivalents	**5**	123	18
VAT recoverable and receivables	**6**	5,909	3,243
Inventory	**7**	1,146	736
Prepaid expenses and deposits		354	394
		7,532	4,391
Other assets		506	-
Plant and equipment	**8**	14,203	10,552
Mine properties	**9**	-	6,195
Exploration and evaluation properties	**10**	2,344	1,881
		24,585	23,019
LIABILITIES			
Current			
Accounts payable and accrued liabilities	**11,19**	30,152	13,770
Loans payable	**12**	5,749	765
Leases	**13,19**	2,203	1,668
		38,104	16,203
Loans payable	**12,19**	200	2,497
Leases	**13,19**	59	115
Decommissioning and restoration provision	**14**	1,580	1,446
Deferred income tax liability		1,499	1,560
		41,442	21,821
SHAREHOLDERS' (DEFICIT) EQUITY			
Share capital	**15**	101,969	98,586
Stock options and warrants reserve	**15(c)**	9,736	9,333
Contributed surplus		(1,872)	-
Accumulated other comprehensive loss		(1,806)	(2,406)
Deficit		(124,884)	(104,315)
		(16,857)	1,198
		24,585	23,019

Nature of Operations and Going Concern *(Note 1)*
Subsequent events *(Note 25)*

Approved on behalf of the Board:

"Arturo Préstamo Elizondo"	*"Larry Okada"*
Director – Arturo Préstamo Elizondo	Director – Larry Okada

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

Santacruz Silver Mining Ltd.
Consolidated Statements of Loss and Comprehensive Loss
For the years ended December 31, 2019 and 2018
(Expressed in thousands of US dollars, except per share amounts)

	Note	2019 $	2018 $
Revenues			
Mining operations		27,140	5,134
Mining services	**16**	1,971	8,017
Total revenues		29,111	13,151
Cost of sales			
Mining operations	**17**	30,822	16,152
Mining services	**16,1**	-	1,059
Total cost of sales		30,822	17,211
Gross (loss) profit			
Mining operations		(3,682)	(11,018)
Mining services		1,971	6,958
Total gross loss		(1,711)	(4,060)
Operating expenses	**17**	(4,611)	(1,566)
Debt forgiveness	**16**	-	2,724
Gain on disposal of equipment		-	164
Impairment		(12,202)	(1,486)
Operating loss		(18,524)	(4,224)
Interest earned and other finance income	**18**	265	920
Interest expense and other finance expenses	**18**	(2,132)	(925)
Loss before income tax		(20,391)	(4,229)
Income tax expense (recovery)		(41)	(408)
Loss for the year		(20,432)	(4,637)
Other comprehensive loss			
Currency translation differences		600	(1,254)
Comprehensive loss for the year		(19,832)	(5,891)
Loss attributable to shareholders		(20,569)	(4,637)
Non-controlling interest		137	-
Loss per share – basic and diluted		(0.11)	(0.03)
Weighted average number of common shares outstanding		181,653,861	174,453,861

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

Santacruz Silver Mining Ltd.
Consolidated Statements of Cash Flows
For the years ended December 31, 2019 and 2018
(Expressed in thousands of US dollars)

Cash Provided By (Used In):	**2019 $**	**2018 $**
Operations:		
Net loss for the year	(20,432)	(4,637)
Items not affecting cash:		
Deferred income tax (recovery) expense	(61)	362
Accretion of decommissioning provision	68	34
Depletion, depreciation and amortization	1,141	1,998
Issuance of shares for advisory fees and share-based payments	397	16
Debt forgiveness	-	(2,724)
Gain on disposal of equipment	-	(164)
Interest expense on loans payable	428	386
Carrying and finance charges on loans payable	412	377
Impairment	12,202	1,486
Unrealized foreign exchange	856	(1,358)
Changes in non-cash working capital:		
VAT recoverable and receivables	536	4,286
Prepaid expenses and deposits	40	(113)
Inventory	815	(328)
Accounts payable and accrued liabilities	5,391	802
	1,793	423
Investing:		
Cash paid on acquisition of Carrizal Mining	(400)	-
Payments on exploration and evaluation properties	-	(884)
Acquisition of equipment	(540)	(278)
Acquisition and development costs on mine properties	(808)	(789)
Proceeds from disposal of plant and equipment	-	556
	(1,748)	(1,395)
Financing:		
Lease payments on plant and equipment	(269)	(377)
Proceeds from loan payable net of repayments	341	1,334
	72	957
Net increase (decrease) in cash	117	(15)
Effect of exchange rate changes on cash	(12)	(2)
Cash and cash equivalents – beginning of year	18	35
Cash and cash equivalents – end of year	123	18
Cash paid during the year for:		
Interest	257	108
Income taxes	779	-

Non-cash Transactions *(Note 20)*

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

Santacruz Silver Mining Ltd.
Consolidated Statements of Changes in Equity
(Expressed in thousands of US dollars)

	Share Capital							
	Number of Shares	Amount $	Stock Options and Warrants Reserve $	Contributed Surplus $	AOCI $	Deficit $	Non-controlling interest $	Total $
Balance, December 31, 2017	174,420,984	98,570	9,267	-	(1,152)	(99,678)	-	7,007
Issued pursuant to short-term loan	-	-	66	-	-	-	-	66
Issued pursuant to professional services	250,000	16	-	-	-	-	-	16
Comprehensive loss for the year	-	-	-	-	(1,254)	(4,637)	-	(5,891)
Balance, December 31, 2018	174,670,984	98,586	9,333	-	(2,406)	(104,315)	-	1,198
Modified pursuant to short-term loan	-	-	6	-	-	-	-	6
Share-based payments	-	-	397	-	-	-	-	397
Acquisition of Carrizal Mining	-	-	-	-	-	-	1,374	1,374
Acquisition of non-controlling interest	30,000,000	3,383	-	(1,872)	-	-	(1,511)	-
Comprehensive (loss) income for the year	-	-	-	-	600	(20,569)	137	(19,832)
Balance, December 31, 2019	**204,670,984**	**101,969**	**9,736**	**(1,872)**	**(1,806)**	**(124,884)**	**-**	**(16,857)**

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

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".

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:

- Veta Grande Project including the Veta Grande Mine and various other properties in Veta Grande, Zacatecas, Mexico.
- Rosario Project including the Rosario Mine and various other properties in Charcas, San Luis Potosi, Mexico.
- Minillas Property in Genaro Cidina, Zacatecas, Mexico.
- Zacatecas Properties in Zacatecas, Zacatecas, Mexico.
- Zimapan Mine, Zimapan, Hidalgo, 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 December 31, 2019, the Company had a working capital deficiency of $30,572 (2018 - $11,812) and an accumulated deficit of $124,884 (2018 - $104,315). For the year ended December 31, 2019 the Company incurred a loss of $20,432 (2018 - $4,637) and negative operating cash flows of $18,524 (2018 - $4,224). . 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. 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.

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.

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").

These consolidated financial statements were approved for issue by the Board of Directors on June 15, 2020.

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 C.V. ("OMA"), PCG Mining, S.A. de CV. ("PCG Mining") and Carrizal Mining, S.A. de C.V. ("Carrizal Mining"). The consolidated financial statements attribute an amount to non-controlling interest ("NCI") related to Carrizal Mining's net income between the acquisition of 50% on July 1, 2019 and the acquisition of the remaining 50% on October 1, 2019.

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.

d) Functional and Presentation Currency

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.

When the Company disposes of its entire interest in a foreign operation, or loses control, joint control, or significant influence over a foreign operation, the foreign currency gains or losses accumulated in other comprehensive loss related to the foreign operation are recognized in profit or loss. If an entity disposes of part of an interest in a foreign operation which remains a subsidiary, a proportionate amount of foreign currency gains or losses accumulated in other comprehensive loss related to the subsidiary are reallocated between controlling and non-controlling interests.

3. Significant Accounting Policies

a) Change in Accounting Policies

IFRS 16

The Company adopted all of the requirements of IFRS 16 *Leases* as of January 1, 2019. IFRS 16 replaces IAS 17 *Leases* ("IAS 17"). IFRS 16 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 Company has adopted IFRS 16 using the modified retrospective application method, where the 2018 comparatives are not restated and a cumulative catch up adjustment is recorded on January 1, 2019 for any differences identified, including adjustments to opening retained earnings balance.

The Company analyzed its contracts to identify whether they contain a lease arrangement for the application of IFRS 16. No such contracts were identified, and as a result, the adoption of IFRS 16 resulted in no impact to the opening retained earnings on January 1, 2019.

The following is the Company's new accounting policy for financial instruments under IFRS 16:

Leases
At inception of a contract, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Leases of right-of-use assets are recognized at the lease commencement date at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined, and otherwise at the Company's incremental borrowing rate. At the commencement date, a right-of-use asset is measured at cost, which is comprised of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any decommissioning and restoration costs, less any lease incentives received.

Each lease payment is allocated between repayment of the lease principal and interest. Interest on the lease liability in each period during the lease term is allocated to produce a constant periodic rate of interest on the remaining balance of the lease liability. Except where the costs are included in the carrying amount of another asset, the Company recognizes in profit or loss (a) the interest on a lease liability and (b) variable lease payments not included in the measurement of a lease liability in the period in which the event or condition that triggers those payments occurs. The Company subsequently measures a right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses; and adjusted for any remeasurement of the lease liability. Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term, except where the lease contains a bargain purchase option a right-of-use asset is depreciated over the asset's useful life.

b) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held on call with banks and other short-term highly liquid investments with original maturities of three months or less.

c) Restricted Cash

Cash which is subject to legal or contractual restrictions on its use is classified separately as restricted cash. Restricted cash is stated at cost, which approximates fair value.

d) Inventory

Concentrate inventory and mined ore inventory are valued at the lower of average production cost and net realizable value. Net realizable value is the amount estimated to be obtained from sale of the inventory in the normal course of business, less any anticipated costs to be incurred prior to its sale. The production cost of inventories is determined on a weighted average basis and includes cost of production consumables, direct labour, mine-site overhead and depreciation and depletion of mine properties and plant and equipment. Joint-product costing is applied as the primary concentrate products both contribute to the profitability of the operation. Joint costing allocates total production costs based on the relative values of the products.

Write-down of inventory is recognized within cost of sales in the period the write-down occurs. Reversal of any write-down of inventory, arising from an increase in net realizable value, is recorded within cost of sales to the extent that the related inventory has not been sold. Prior to commencement of commercial production, any write-down of inventory is capitalized to mine under construction and development costs.

Supplies inventory is valued at the lower of average cost and net realizable value. Costs include acquisition, freight and other directly attributable costs.

e) Financial Instruments.

i. Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics.

Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The following table shows the classification of the financial instruments under IFRS 9:

	Classification IFRS 9
Cash	amortized cost
Trade receivables	amortized cost
Other receivables	amortized cost
Accounts payable and accrued liabilities	amortized cost
Loans payable	amortized cost

ii. Measurement

Financial assets at FVTOCI

Elected investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses recognized in other comprehensive income (loss).

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statements of net (loss) income. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the consolidated statements of net (loss) income in the period in which they arise. Where management has opted to recognize a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in other comprehensive income (loss).

iii. Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost.

At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the consolidated statements of net (loss) income, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

For the Company's trade receivables, the simplified approach for determining expected credit losses is used under IFRS 9, which requires the Company to determine the lifetime, expected losses for all its trade receivables. The expected lifetime credit loss provision for its trade receivables is based on historical default rates and other relevant forward-looking information. Because of factors including that the company has only two customers, one for the sale of concentrate in its mining operations and one for mining services, and both customers are considered to have low default risk as the historical default rates are low, the lifetime expected credit loss allowance for trade receivables is nominal as at December 31, 2019.

iv. Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the consolidated statements of net (loss) income. However, gains and

losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive income (loss).

Financial liabilities

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets.

f) Plant and Equipment

Plant and equipment are stated at historical cost net of accumulated depreciation and impairment losses.

The cost of an item of plant and equipment includes the purchase price or construction cost, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use, an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, and for qualifying assets, the associated borrowing costs.

Where an item of plant and equipment is comprised of major components with different useful lives, the components are accounted for as separate items of plant and equipment.

Costs incurred for major overhaul of existing equipment and sustaining capital are capitalized as plant and equipment and are subject to depreciation once they are available for use. Major overhauls include improvement programs that increase the productivity or extend the useful life of an asset beyond that initially envisaged. The costs of routine maintenance and repairs that do not constitute improvement programs are accounted for as a cost of inventory.

Costs incurred for leasehold improvements are capitalized as plant and equipment and are subject to depreciation once they are available for use. Once available for use, the leasehold improvement costs incurred will be amortized on a straight-line basis, over the term of the underlying lease.

The carrying amounts of plant and equipment are depreciated to their estimated residual value over the estimated useful lives of the specific assets concerned, or the estimated life of mine or lease, if shorter. Depreciation starts on the date when commissioning is complete and the asset is ready for its intended use. The major categories of plant and equipment are depreciated on a units-of-production or declining-balance basis at the following annual rates:

Office furniture and equipment	10%
Vehicles	25%
Computer hardware	30%
Mine plant and equipment	Life of mine
Mine buildings	Life of mine
Leasehold improvements	Life of lease

g) Mineral Property Interests

Pre-license Costs

Exploration and evaluation expenditures are expensed until the Company has obtained the legal right to explore an area.

Exploration and Evaluation Costs

Once the legal right to explore has been acquired, the Company capitalizes on a property by property basis, the costs of acquiring, maintaining its interest in, exploring and evaluating mineral properties until such time as the lease expires, the mineral properties are abandoned, or sold or are considered impaired in value. Indirect administrative costs are expensed as incurred. Exploration and evaluation properties are not amortized during the exploration and evaluation stage.

Mine Property

The costs associated with exploration and evaluation properties are transferred to mine properties once the work completed to date supports the future development of the property and such development receives appropriate approvals. All costs relating to the construction, installation or completion of a mine that are incurred subsequent to the exploration and evaluation stage are capitalized to mine properties. Development expenditure is net of proceeds from the sale of ore extracted during the development phase.

The Company assesses the stage of each mine under construction to determine when a property reaches the stage when it is in the condition for it to be capable of operating in a manner intended by management. When management determines that a property is capable of commercial production, costs capitalized during development are amortized.

Once a mineral property has been brought into commercial production, costs of any additional work on that property are expensed as incurred, except for development programs which constitute a betterment, which will be deferred and depleted over the remaining useful life of the related assets. Mine properties include decommissioning and restoration costs related to the reclamation of mine properties. Mine properties are derecognized upon disposal, or impaired when no future economic benefits are expected to arise from continued use of the asset. Any gain or loss on disposal of the asset, determined as the difference between the proceeds received and the carrying amount of the asset is recognized in profit or loss.
Mine properties are depreciated and depleted on the unit-of-production basis using the mineable tonnes extracted in the period from deposits contained in the mine property as a percentage of the total mineable tonnes to be extracted in current and future periods based on total ineral resources available.

Mine properties are recorded at cost, net of accumulated depreciation and depletion and accumulated impairment losses, and are not intended to represent future values. Recovery of capitalized costs is dependent on successful development of economic mining operations or the disposition of the related mineral property.

h) Impairment of Non-Financial Assets

The Company performs impairment tests on non-financial assets when events or circumstances occur which indicate the carrying amount of the assets may not be recoverable.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years.

The recoverable amount is the higher of the fair value less costs of disposal and the value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows ("cash generating units" or "CGU"s). These are typically the individual mines or projects. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assignments of the time value of money and the risks specific to the asset.

Fair value less cost of disposal is the amount that would be received from selling an asset in an orderly transaction between market participants at the measurement date, less the costs of disposal. For mining assets, fair value less cost of disposal is often estimated using a discounted cash flow approach because a fair value is not readily available from an active market or binding sale agreement. Estimated future post-tax cash flows are calculated using estimated future prices, mineral reserves and resources, operating and capital costs.

i) Site Closure and Reclamation Provision

The Company recognizes a provision for statutory, contractual, constructive or legal obligations associated with decommissioning of mining operations and reclamation and rehabilitation costs arising when environmental disturbance is caused by the exploration or development of mineral properties, plant and equipment. Provisions for site closure and reclamation are recognized in the period in which the obligation is incurred or acquired, and are measured based on expected future cash flows to settle the obligation, discounted to their present value. The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and risks specific to the liability.

When an obligation is initially recognized, the corresponding cost is capitalized to the carrying amount of the related asset in mine property, plant and equipment. These costs are depreciated on a basis consistent with the depreciation, depletion, and amortization of the underlying assets.

The obligation is accreted over time for the change in its present value, with this accretion charge recognized as a finance expense in profit or loss. The obligation is also adjusted for changes in the estimated timing and amount of expected future cash flows, and changes in the discount rate. Such changes in estimates are added to or deducted from the related asset except where deductions are greater than the carrying value of the related asset in which case, the amount of the excess is recognized in profit or loss.

j) Share Capital

The Company records proceeds from share issuances net of issue costs and any tax effects in equity. Common shares issued for consideration other than cash are valued based on their fair value at the date of issuance.

k) Valuation of Equity Units Issued in Private Placements

The Company follows the residual method with respect to the measurement of common shares and common share purchase warrants issued as private placement units. Proceeds from private placements are first allocated to warrants according to their fair value at the time of issuance. The fair value of the warrants is determined at the issue date using the Black-Scholes option pricing model and recorded in warrant reserve. Any residual in the proceeds is allocated to common shares.

l) Share-based Payments

From time to time, the Company grants options to directors, officers, employees and non-employees to purchase common shares. The Company accounts for share-based payments, including stock options, at their fair value on the grant date and recognizes the cost as compensation expense over the period that the employees become entitled to the award. The fair value of the options on the grant date is determined using the Black-Scholes option pricing model for stock option awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service conditions are expected to be met such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service conditions at the vesting date. A corresponding increase is recognized in equity for these costs.

m) Revenue

Concentrate Sales

The Company recognizes revenue from contracts with customers for the sale of metal concentrates at the point in time when it transfers control of the concentrates over to the customers, which occurs upon delivery. Revenue is measured based on the market metal prices expected at the time of settlement and estimates of the mineral content (assays), which are both subject to adjustment until the final settlement date. At the end of each reporting period, the amounts receivable are marked-to-market using the most up-to-date market prices for the settlement. These variations between the sales price recorded at the initial recognition date and the actual final sales price recorded at the settlement date are caused by changes in the market prices and assay results. The settlement receivable is recorded at fair value each period until final settlement occurs, with changes in fair value recorded as a separate component of revenue. Revenue is also recorded net of treatment and refining charges of the counterparties under the terms of the relevant sales agreements.

Mining services revenue

The Company recognizes revenue from mining services with reference to the work performed on an output appropriate to the particular service contract, such as performance of agreed service deliverables. Payments received prior to recognition of the related revenue are recorded as deferred revenue.

n) Loss per Share

Basic loss per share is calculated using the weighted average number of shares issued and outstanding during the year. The Company uses the treasury stock method for calculating diluted loss per share. When a loss is incurred during the year, diluted and basic loss per share are the same because the effects of potential issuance of shares under options and warrants will be anti-dilutive.

o) Income Taxes

Provision for income taxes consists of current and deferred tax expense. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized either in other comprehensive loss or directly in equity, in which case it is recognized in other comprehensive loss or in equity, respectively. Mining duties, taxes, royalties and withholding taxes are treated and disclosed as current and deferred taxes if they have the characteristics of an income tax. This is considered to be the case when they are imposed under government authority and the amount payable is calculated by reference to taxable income.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for temporary differences associated with the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable income or loss and temporary differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

p) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration of each business combination is measured, at the date of the exchange, as the aggregate of the fair value of assets given, liabilities incurred or assumed, and equity instruments issued by the Company in exchange for control of the acquiree. Under the guidance of IFRS 10, Consolidated Financial Statements, control is established by having power over the acquiree, exposure or rights to variable returns from its involvement with the acquiree, and the ability to use its power over the acquiree to affect the amount of the acquiror's returns. The acquiree's identifiable assets, liabilities and contingent liabilities are recognized at their fair value at the acquisition date.

q) Critical Judgements in Applying Accounting Policies

The critical judgements that the Company's management has made in the process of applying the Company's accounting policies, apart from those involving estimations (Note 3(r)) that have the most significant effect on the amounts recognized in the Company's consolidated financial statements are as follows:

Functional Currency

The functional currency for each of the Company's subsidiaries is the currency of the primary economic environment in which the entity operates. Determination of functional currency involves certain judgements to determine the primary economic environment of an entity. The Company re-evaluates the functional currency of its entities when there is a change in events and conditions which previously determined the primary economic environment of an entity.

Collectability and Classification of Value Added Tax ("VAT") Recoverable

VAT recoverable is collectible from the government of Mexico. The collection of VAT is subject to risk due to the complex application and collection process and therefore, risk related to the collectability and timing of payment from the Mexican government. The Company uses its best estimates based on the facts known at the time and its experience to determine its best estimate of the collectability and timing of these recoveries. Changes in the assumptions regarding collectability and the timing of collection could impact the valuation and classification of VAT recoverable.

Business combination and asset acquisition

On the acquisition of a subsidiary, the Company must determine whether the acquisition is a business combination by applying the definition in IFRS 3 Business Combinations. If the assets and liabilities assumed do not constitute a business the transaction would be accounted for as an asset acquisition. Management has determined that the acquisition of Carrizal Mining constituted a business combination as Carrizal Mining met the definition of a business. A business consists of inputs to which processes are applied resulting in outputs that provide a return to the Company and its shareholders. Judgements are used in this determination. Business combinations are accounted for using the acquisition method whereby acquired assets and liabilities are recorded at fair value as of the date of acquisition. Judgements are used by management in determining the fair value of the assets at acquisition. If an acquisition does not meet a business combination definition, it is accounted for as an asset acquisition. Refer to Note 4 for discussion on Carrizal Mining acquisition completed during the year ended December 31, 2019.

r) Key Sources of Estimation Uncertainty

The preparation of consolidated financial statements requires that the Company's management make assumptions and estimates of the effects of uncertain future events on the carrying amounts of the Company's assets and liabilities at the end of the reporting period. Actual results may differ from those estimates as the estimation process is inherently uncertain. Actual future outcomes could differ from present estimates and assumptions, potentially having material future effects on the Company's consolidated financial statements. Estimates are reviewed on an ongoing basis and are based on historical experience and other facts and circumstances. Revisions to estimates and the resulting effects on the carrying amounts of the Company's assets and liabilities are accounted for prospectively.

The significant assumptions about the future and other major sources of estimation uncertainty as at the end of the reporting period that have a significant risk of resulting in a material adjustment to the carrying amounts of the Company's assets and liabilities are as follows:

Mineral resources estimate

The lives of operating mines are determined from the tonnes of mineralized material or ore that are available to be extracted at the end of each reporting period. The Company initially estimates the tonnes of mineralized material or ore available based on either the findings of qualified, independent, mining professionals, or on the findings of its own technical staff. These estimates are updated from time to time as additional technical and economic information becomes available. Factors that impact the computation of tonnes of mineralized material or ore available include the geological data on the size, depth and shape of the mineralized deposit or ore body, the prevailing and expected market price for the underlying metals to be extracted and the expected costs to extract and process the mined material. Changes in the mineable tonnes of mineralized material or ore available may impact the carrying values of mine properties, exploration and evaluation properties, plant and equipment, site closure and reclamation provision and changes in the recognition of deferred tax amounts in addition to changes in the recognition of depreciation and depletion.

Review of asset carrying values and impairment assessment

The assessment of the fair value of plant and equipment, mine properties and exploration and evaluation properties requires the use of estimates and assumptions for recoverable production, long-term commodity prices, discount rates, foreign exchange rates, future capital requirements and operating performance. Changes in any of the assumptions or estimates used in determining the fair values could impact the impairment analysis.

Each asset or CGU is evaluated every reporting period to determine whether there are any indicators of impairment. If any such indicators exist, which is often judgment-based, a formal estimate of recoverable amount is performed and an impairment charge is recognized to the extent that the carrying amount exceeds the recoverable amount. The recoverable amount of an asset or CGU of assets is measured at the higher of fair value less costs of disposal ("FVLCTD") or value in use ("VIU").

The evaluation of asset carrying values for indications of impairment includes consideration of both external and internal sources of information, including such factors as market and economic conditions, metal prices and forecasts, production budgets and forecasts, and life-of-mine estimates.

The determination of FVLCTD and VIU requires management to make estimates and assumptions about expected production, sales volumes, commodity prices, discount rates, mineral resources, operating costs, taxes and future capital expenditures. The estimates and assumptions are subject to risk and uncertainty; hence, there is the possibility that changes in circumstances will alter these projections, which may impact the recoverable amount of the assets. In such circumstances, some or all of the carrying value of the assets may be further impaired or the impairment charge reversed with the impact recorded in profit or loss.

For further discussion of the estimates related to the impairment of mineral properties, refer to note 9.

Decommissioning and restoration provision

Mining and exploration activities are subject to various laws and regulations governing the protection of the environment. In general, these laws and regulations are continually changing and the Company has made, and intends to make in the future, expenditures to comply with such laws and regulations. Accounting for reclamation and remediation obligations requires management to make estimates of the future costs the Company will incur to complete the reclamation and remediation work required to comply with existing laws and regulations at each mining operation and exploration and development property. In addition, future changes to environmental laws and regulations may increase the extent of reclamation and remediation work required to be performed by the Company. Increases in future costs could materially impact the amounts charged to operations for site closure and reclamation. The provision represents management's best estimate of the present value of the future site closure and reclamation obligation.

Due to uncertainties concerning environmental remediation, the ultimate cost to the Company of future site restoration could differ from the amounts provided. The estimate of the total provision for future site closure and reclamation costs are subject to change based on amendments to laws and regulations, changes in technology, price increases and changes in interest rates, changes in mine life, and as new information concerning the Company's closure and reclamation obligations becomes available.

s) New Standards and Interpretations Not Yet Adopted

There are no IFRS with future effective dates that are expected to have a material impact on the Company.

4. Acquisition of Carrizal Mining

On July 1, 2019, the Company, through its wholly-owned subsidiary Carrizal Holdings, acquired 50% of the outstanding shares of PCG Mining, a related party, which is a holding company that owns 100% of the outstanding shares of Carrizal Mining. The shares of PCG were purchased from one of PCG's shareholders (the "Vendor"), who is at arm's-length to Santacruz.

The purchase price was paid in a combination of cash and non-cash consideration. The following provides specific details on each of the cash and non-cash components of the purchase price.

Category	$
Consideration	
Cash	400
Undertaking to remit Vendor withholding tax related to cash paid	100
Forgiveness of debt	263
Life-insurance policy	515
Vehicles	96
	1,374

The Company has determined that this acquisition is a business combination for accounting purposes under IFRS 3, Business Combinations. A business combination requires that the assets and liabilities assumed constitute a business. A business consists of inputs and processes applied to those inputs that have the ability to create outputs, and management considers this acquisition to qualify as such.

The purchase price allocation resulting from a business combination requires management to estimate the fair value of identifiable assets acquired including intangible assets and liabilities assumed. The determination of fair value involves making estimates relating to acquired assets and liabilities, property and equipment, and mineral property interests and was determined based on third party appraisals, discounted cash flow models, quoted market prices, and other research data at the date of acquisition, as deemed appropriate.

The following table summarizes the fair value of the consideration paid and the estimated fair values of identified assets and liabilities recognized as a result of the Transaction.

The net assets acquired were recorded at the fair value of the net assets of Carrizal, which on July 1, 2019 was ($2,748), with 50% allocated to non-controlling interest. The amount was calculated as follows:

Net assets acquired	**$**
Accounts receivable	4,076
Inventory	1,224
Other assets	506
Plant and equipment	7,425
Mine properties	2,167
Accounts payable and accrued liabilities	(10,572)
Leases payable	(566)
Loans payable	(1,512)
Non-controlling interest	(1,374)
	1,374

As at the date of acquisition, Carrizal Mining had a deferred income tax asset ("DIT Asset") arising from accrued income taxes payable on Carrizal Mining's earnings during the 2019 year. The Company has recognized this DIT Asset as Carrizal Mining has been profitable historically and is expected to be able

to fully utilize it. The deferred income tax liablity of Impulsora remains on the Statement of Financial Position as it is unable to be netted against the DIT Asset from Carrizal Mining.

On October 4, 2019, the Company acquired the remaining 50% of the outstanding shares of PCG that were owned by Carlos Silva (the "Silva Acquisition"), Santacruz's COO. The consideration paid by Santacruz to Mr. Silva with respect to the Silva Acquisition was 30,000,000 shares of Santacruz (the "Consideration Shares") at CAD $0.15 per share for total consideration of $3,383,000. The transaction was accounted for as part of a business combination achieved in stages, rather than an asset acquisition, as the operations of Carrizal Mining met the definition of a business.

As the increase in ownership of Carrizal Mining from 50% to 100% on October 4, 2019 did not result in a change in control, the Company did not adjust for any changes in fair value.

Category	**$**
Consideration	
Shares (30,000,000 x CAD$0.15)	3,383
	3,383
Non-Controlling Interest acquired	(1,511)
Amount attributed to equity	**1,872**

5. Cash and Cash Equivalents

	December 31, 2019 $	**December 31, 2018 $**
Cash on hand or held with banks	114	10
Short-term investments	9	8
Total	123	18

6. VAT Recoverable and Receivables

	December 31, 2019 $	**December 31, 2018 $**
Mexican value added taxes recoverable	4,005	2,958
Canadian GST recoverable	4	2
Trade receivables	1,243	218
Other receivables	657	65
Total	5,909	3,243

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

	December 31, 2019 $	December 31, 2018 $
Mineralized material stockpiles	27	84
Concentrate inventory	141	57
Supplies inventory	978	595
Total	1,146	736

8. Plant and Equipment

Cost	Office Furniture and Equipment $	Building $	Plant and Equipment $	Vehicles $	Computer Hardware $	Total $
Balance, December 31, 2017	60	-	18,157	381	184	18,782
Additions	-	-	204	65	9	278
Disposals	-	-	(650)	(14)	-	(664)
Impairment[1]	-	-	(484)	-	-	(484)
Balance, December 31, 2018	60	-	17,227	432	193	17,912
Additions	-	-	471	67	2	540
Acquisition of Carrizal Mining	2	419	6,936	-	68	7,425
Impairment	-	-	(3,552)	-	-	(3,552)
Balance, December 31, 2019	62	419	21,082	499	263	22,325
Accumulated Depreciation						
Balance, December 31, 2017	21	-	5,613	280	145	6,059
Depreciation for the year	4	-	1,524	30	15	1,573
Disposals	-	-	(260)	(12)	-	(272)
Balance, December 31, 2018	25	-	6,877	298	160	7,360
Depreciation for the year	2	15	692	24	29	762
Balance, December 31, 2019	27	15	7,569	322	189	8,122
Carrying amount at December 31, 2018	35	-	10,350	134	33	10,552
Carrying amount at December 31, 2019	35	404	13,513	177	74	14,203

(1) The impairment relates to the impairment charge recorded on the Veta Grande CGU during 2019 of $12,202. An impairment charge of $3,552 was taken on plant and equipment, with the remaining $8,650 impairment taken against the mine property. During 2018 an impairment charge of $1,486 was taken on the Rosario Project. An impairment charge of $484 was taken on plant and equipment, with the remaining $1,002 impairment taken on the mine property (Note 9).

Depreciation during the year ended December 31, 2019 was $762 (2018 – $1,573).

As at December 31, 2019, the Company's plant and equipment includes a net carrying amount of $2,911 for leased mining equipment (December 31, 2018 - $1,610). Depreciation on the leased mining equipment for the year ended December 31, 2019 was $188 (2018 - $283).

9. Mine Properties

	Rosario Project $	Veta Grande Project $	Total $
Balance, December 31, 2017	315	5,432	5,747
Additions	750	1,125	1,875
Amortization and depletion	(63)	(362)	(425)
Impairment	(1,002)	-	(1,002)
Balance, December 31, 2018	-	6,195	6,195
Additions	-	1,130	1,130
Acquisition of Carrizal Mining	-	1,704	1,704
Amortization and depletion	-	(379)	(379)
Impairment	-	(8,650)	(8,650)
Balance, December 31, 2019	-	-	-

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

Rey David, Charcas, San Luis Potosi, Mexico

As at December 31, 2019, the Company has made total payments of $2,000 and acquired a 100% interest in the Rey David property located in the municipality of Charcas, San Luis Potosi, Mexico. The property is subject to a 0.4% Net Smelter Return ("NSR"). 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 have been deferred for the time being and are being accrued for by the Company.

$Nil (2018 - $608 of the $750) in additions to the Rosario Project above related to the change in ARO estimate during the year ended December 31, 2019 (Note 14).

San Rafael, Charcas, San Luis Potosi, Mexico

As at December 31, 2019, the Company has made total payments of $220 and acquired a 100% interest in the San Rafael property, located in the municipality of Charcas, San Luis Potosí, Mexico. The vendor retains a 2.5% NSR. The Company has agreed to pay the vendor an annual fee of $40 (paid). 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.

Membrillo, Charcas, San Luis Potosi, Mexico

On May 29, 2017 the Company entered into an agreement (the "Membrillo Agreement") pursuant to which the Company has acquired the exclusive right for five years (the "Exclusive Mining Right") to explore, develop and mine the Membrillo silver-zinc-lead-gold vein structure ("Membrillo Prospect") situated approximately four km from the Rosario Project mill facility located near Charcas, San Luis Potosi, Mexico.

The Exclusive Mining Right covers an area of approximately 500 hectares that is situated within the San Rafael concession.

As consideration for being granted the Exclusive Mining Right, the Company agreed to pay the vendor an annual fee of $60 (paid), plus has granted to them a 2.5% NSR on any mineralized material from the Membrillo Prospect that is mined and milled or otherwise treated for the eventual sale of the contained metal.

$nil additions to the Rosario Project above related to the development of the Membrillo Prospect during the year ended December 31, 2019 ($142 of the $750 in additions during 2018).

2018 Impairment

Based on a review of the Rosario Project CGU for impairment indicators, it was identified that there were indicators that an impairment loss may have occurred at the CGU, primarily as a result of the actual performance being worse than expected. The recoverable amount for the Rosario Project was determined by reference to a calculation of the salvage value using the fair value less costs to sell approach, which was less than the carrying value of the Rosario Project CGU at December 31, 2018 by $1,486.

Although management believes the estimates applied in this impairment assessment are reasonable, such estimates are subject to significant uncertainties and judgments. The Company recorded an impairment charge of $1,486 before tax against the carrying value of the Rosario Project during the year ended December 31, 2018, with an impairment charge of $484 taken on plant and equipment, and the remaining $1,002 impairment taken on the mine property. During 2019 there were no indicators of impairment reversal.

b) Veta Grande Project, Veta Grande, Zacatecas, Mexico

On June 14, 2017, as revised on December 13, 2017 and further revised on March 28, and August 27, 2018, the Company amended the terms of its prior agreement with Minera Contracuña I, S.A. de C.V. and Vetalinda Compania Minera, S.A. de C.V. (together “Contracuña”) (collectively the “Contracuña Option Agreement”) to acquire 100% ownership of the Veta Grande Project, including the Veta Grande Mine as well as the Minillas Property located in Zacatecas, Mexico.

Details of the payment schedule per the Contracuña Option Agreement are as follows:

1. $500 on December 13, 2017 (paid);
2. $750 on or before December 13, 2018 ($526 unpaid);
3. $3,000 on or before December 2, 2019 (unpaid);
4. $3,000 on or before December 2, 2020;
5. $4,000 on or before December 2, 2021; and
6. $4,250 on or before December 2, 2022;

In addition, the Company granted to Contracuña a 1% net smelter royalty (“NSR”) over all mineral properties under option pursuant to the Contracuña Option Agreement. The NSR takes effect December 2, 2021. The Company has the right to acquire the NSR at any time by paying Contracuña US$1,500. The Company concurrently executed on August 27, 2018 a promissory note (the “Promissory Note”) in favour of Contracuña in the amount of $1,422. The Promissory Note was repayable on or before August 30, 2019 and relates to a trade payable balance owing to Contracuña at August 27, 2018.

The Company did not repay the Promissory Note in full by August 30, 2019, nor did it make the full amount of payments due on or before December 31, 2018 and December 2, 2019 respectively, pursuant to the terms of the Contracuña Option Agreement. As such the Company is in default of the terms of the Contracuña Option Agreement. To date Contracuña has not served the Company with a formal Notice of Default and management of the Company and Contracuña are holding discussions with respect to the restructuring of the terms of the Contracuña Option Agreement.

2019 Impairment

Based on a review of the Veta Grande Project CGU for impairment indicators, it was identified that there were indicators that an impairment loss may have occurred at the CGU, as a result of the actual performance being worse than expected and the uncertainty of whether a restructured acquisition agreement could be reached on terms acceptable to the Company. The recoverable amount for the Veta Grande Project was determined by reference to a calculation of the salvage value using the fair value less costs to sell approach, which was less than the carrying value of the Veta Grande Project CGU at December 31, 2018 by $12,202.

Although management believes the estimates applied in this impairment assessment are reasonable, such estimates are subject to significant uncertainties and judgments. The Company recorded an impairment charge of $12,202 before tax against the carrying value of the Veta Grande Project during the year ended December 31, 2019, with an impairment charge of $3,552 taken on plant and equipment, and the remaining $8,650 impairment taken on the mine property.

Carrizal Mining LOI

On November 30, 2017 the Company entered into a binding Letter of Intent (the “Carrizal Mining LOI”) wherein the Company granted Carrizal Mining the right to earn a 20% working interest in all mining concessions and assets the Company has the right to acquire from Contracuña under the Amended Contracuña Option Agreement, as well as the Zacatecas Properties the Company acquired from Golden Minerals (collectively “the Properties”).

In order to earn its 20% working interest Carrizal Mining was required, among other things, to fund all expenditures necessary to increase the mining and milling rate at the Veta Grande mine to 750 tpd and in addition to fund an exploration program sufficient to allow an appropriate mine plan to be developed for the ongoing operation of the Veta Grande mine, subject to the Company agreeing to contribute on an as-is where-is basis a 250 tpd ball mill and motor plus other redundant equipment not in use at the Rosario Project. On May 21, 2019, Carrizal Mining earned its 20% working interest in the Properties. During the year ended December 31, 2019, the Company purchased Carrizal (note 4) and therefore re-acquired this 20% interest.

10. 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 December 31, 2019 and December 31, 2018 and the additions during those years is as follows:

	Balance, December 31, 2017 $	Additions year ended December 31, 2018 $	Balance, December 31, 2018 $	Additions year ended December 31, 2019 $	Balance, December 31, 2019 $
Zacatecas Properties, Zacatecas, Zacatecas, Mexico					
Acquisition costs					
Option payments – cash	835	746	1,581	-	1,581
Acquisition of Carrizal Mining	-	-	-	463	463
Exploration costs					
Mining claims, taxes and duties	162	138	300	-	300
Total	997	884	1,881	463	2,344

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.

As at December 31, 2019, all payments have been made and the Company owns these concessions subject to a 1% NSR. As part of the Carrizal Mining LOI discussed in note 9b above, the Company granted Carrizal Mining the right to earn a 20% working interest in the Zacatecas Properties.

11. Accounts Payable and Accrued Liabilities

	December 31, 2019 $	December 31, 2018 $
Trade payables	25,391	11,835
Accrued liabilities	4,761	1,935
Total	30,152	13,770

12. Loans Payable

	December 31, 2019 $	December 31, 2018 $
a) Trafigura credit facility	1,468	-
b) Trafigura loan	-	415
c) MineCo loan	2,782	2,497
d) Banco Base loan 1	588	350
e) Banco Base loan 2	400	-
f) Credit Facility	500	-
g) Swap Facility	211	-
Total loans payable	5,949	3,262
Less: current portion	(5,749)	(765)
Non-current portion	200	2,497

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 June 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 $100in 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 is for 15 months beginning in December 2019 for an amount of $100 per month. The Trafigura Facility is secured on certain of the Carrizal Mining mine equipment.

	$
Balance, December 31, 2017 and 2018	-
Proceeds advanced	1,500
Interest expense and finance charge	116
Repayment	(148)
Balance, December 31, 2019	1,468

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 $1,200 under the facility, which were advanced to the Company on or before April 20, 2020, 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.

b) Trafigura loan

On December 22, 2015, the Company entered into a short-term loan facility (the "Loan") with Trafigura in the principal amount of $725. The Loan bore 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 was secured by certain personal assets of the CEO of the Company. Subsequently, the Loan terms were amended at various dates in 2016 and 2017 pursuant to which the Company at various times repaid a portion of the Loan and at other times received new advances under the Loan such that as at December 22, 2017, the date of the most recent amendment (the "Amended Loan") the outstanding principal balance of the Loan was $731. Pursuant to the terms of the Amended Loan, Trafigura advanced on February 15, 2018 an additional $580 bringing the balance of the Amended Loan to $1,311. The Amended Loan bore interest at LIBOR plus 10%, payable monthly in arrears, with the principal to be repaid in twelve monthly installments commencing April 30, 2018 and original termination date of March 31, 2019. Trafigura agreed to defer the final payment date to October 11, 2019. During the year ended December 31, 2019 the Amended Loan was repaid in full.

The change in the Loan payable during the years ended December 31, 2019 and December 31, 2018 is as follows:

	$
Balance, December 31, 2017	731
Proceeds advanced	580
Transaction costs	(14)
Repayment	(1,005)
Interest expense	123
Balance, December 31, 2018	415
Repayment	(436)
Interest expense	21
Balance, December 31, 2019	-

c) 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 1st, 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.

On October 2, 2019, the Company and MineCo agreed to further extend the repayment date of the MineCo Loan to January 30, 2020. Subsequent to December 31, 2019 the Company and MineCo have engaged in ongoing discussions regarding a further extension of the repayment date.

The MineCo Loan is unsecured.

The change in the MineCo Loan payable during the years ended December 31, 2019 and December 31, 2018 is as follows:

	$
Balance, December 31, 2017	-
Proceeds advanced	2,300
Transaction costs	(66)
Interest expense	263
Balance, December 31, 2018	2,497
Transaction costs	(6)
Interest expense	291
Balance, December 31, 2019	2,782

d) Banco Base loan 1

On August 15, 2018, the Company entered into a short-term loan with Banco Base (“Banco Base Loan”). Funds may be drawn down under the Banco Base Loan either in US dollars or Mexican pesos.

Funds drawn down must be repaid within a maximum of 15 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. The Company repays the loan in full within a maximum of 15 business days, and upon repayment of any particular draw down amount the Company may borrow the same amount immediately as a new draw under the Banco Base Loan. The Banco Base Loan is unsecured and the imputed carrying charges that are tied to the spread between the US dollar and Mexican peso foreign exchange rates were approximately 34% per annum.

The change in the Banco Base Loan during the years ended December 31, 2019 and December 31, 2018 is as follows:

	$
Balance, December 31, 2017	-
Proceeds advanced	350
Carrying charges	14
Repayment	(14)
Balance, December 31, 2018	350
Proceeds advanced	238
Carrying charges	225
Repayment	(225)
Balance, December 31, 2019	588

e) Banco Base loan 2

On July 1, 2019 a Banco Base loan was acquired in the Carrizal Mining Acquisition ("Banco Base Loan 2"). Funds may be drawn down under the Banco Base Loan 2 either in US dollars or Mexican pesos.

Funds drawn down must be repaid within a maximum of 15 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 $400 or the equivalent amount in Mexican pesos. The Company repays the loan in full within a maximum of 15 business days, and upon repayment of any particular draw down amount the Company may borrow the same amount immediately as a new draw under the Banco Base Loan 2. The Banco Base Loan 2 is unsecured and the imputed carrying charges that are tied to the spread between the US dollar and Mexican peso foreign exchange rates were approximately 20% per annum.

The change in the Banco Base Loan 2 during the years ended December 31, 2019 and December 31, 2018 is as follows:

	$
Balance, December 31, 2017 and 2018	-
Amount pursuant to Carrizal Mining Acquisition	400
Carrying charges	141
Repayment	(141)
Balance, December 31, 2019	400

f) Credit Facility

On December 31, 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 years ended December 31, 2019 and December 31, 2018 is as follows:

	$
Balance, December 31, 2017 and 2018	-
Proceeds advanced	600
Carrying charges	44
Repayment	(144)
Balance, December 31, 2019	500

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 were approximately 45% per annum.

g) 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 years ended December 31, 2019 and December 31, 2018 is as follows:

	$
Balance, December 31, 2017 and 2018	-
Proceeds advanced	211
Carrying charges	2
Repayment	(2)
Balance, December 31, 2019	211

13. Leases

The Company entered into certain mining equipment leases expiring between 2019 and 2020 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 December 31, 2019 and December 31, 2018 are as follows:

	December 31, 2019 $	December 31, 2018 $
Leased equipment repayable in monthly instalments of $95 with interest of 6.5% and 10.5% per annum. Due dates between December 2019 and November 1, 2022	2,203	1,783
Less: Current portion	(2,144)	(1,668)
Non-current portion	59	115

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

	December 31, 2019 $
2020	2,154
2021	36
2022	33
Total minimum lease payments	2,223
Less: imputed interest	(20)
Total present value of minimum lease payments	2,203
Less: Current portion	(2,144)
Non-current portion	59

14. 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 December 31, 2019 (December 31, 2018 – $1,334).

The key assumptions on which the provision estimates were based on at December 31, 2019 and December 31, 2018 are:

- 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% (2018 – 4.23%).
- The discount rate used is 10.75% (2018 – 10.75%).

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

	December 31, 2019 $	**December 31, 2018 $**
Rosario		
Balance, beginning of year	1,112	486
Accretion expense	68	34
Change in estimate	-	608
Foreign exchange	51	(16)
Balance, end of year	1,231	1,112

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 Amended Contracuña Agreement (see note 9(b)).

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

	December 31, 2019 $	December 31, 2018 $
Veta Grande		
Balance, beginning of year	334	-
Change in estimate	-	334
Foreign exchange	15	-
Balance, end of year	349	334

15. Share Capital

a) Authorized

Unlimited number of common shares without par value.

b) Share Capital Transactions

During the year ended December 31, 2019:

- On October 1, 2019, the Company issued 30,000,000 shares at CAD $0.15 per share for total consideration of $3,383 in the Silva Acquisition (Note 4).

During the year ended December 31, 2018:

- On November 14, 2018, the Company issued 250,000 shares with a fair value of $16 pursuant to professional services.

c) Stock Options and Warrants Reserve

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

	December 31, 2019 $	December 31, 2018 $
Stock options	4,645	4,695
Warrants	5,091	4,638
	9,736	9,333

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 years ended December 31, 2019 and December 31, 2018 are as follows:

	Number of Stock Options	Weighted Average Exercise Price (CAD$)	Weighted Average Remaining Contractual Life (Years)
Balance, December 31, 2017	3,900,000	0.15	3.12
Forfeited	(900,000)	0.15	-
Balance, December 31, 2018	3,000,000	0.15	2.12
Granted	8,500,000	0.18	4.85
Balance and Exercisable, December 31, 2019	11,500,000	0.17	3.94

The balance of options outstanding as at December 31, 2019 is as follows:

Expiry Date	Exercise Price CAD$	Remaining Life (Years)	Options Outstanding
February 10, 2021	0.15	1.37	3,000,000
August 6, 2024	0.18	4.85	8,500,000

During the year ended December 31, 2019, the Company recorded share-based payments expense of $397 (2018 –$nil).

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 years ended December 31, 2019 and December 31, 2018 are as follows:

	Number of Warrants	Weighted Average Exercise Price CAD$	Weighted Average Remaining Contractual Life (Years)
Balance, December 31, 2017	23,840,000	0.49	1.25
Issued	2,000,000	0.16	-
Balance, December 31, 2018	25,840,000	0.47	0.25
Expired	(18,965,000)	-	-
Modification	500,000	0.16	-
Balance, December 31, 2019	7,375,000	0.24	0.37

The balance of warrants outstanding as at December 31, 2019 is as follows:

Expiry Date	Exercise Price CDN$	Remaining Life (Years)	Warrants Outstanding
January 28, 2020	0.28	0.33	4,675,000
February 21, 2020	0.28	0.39	200,000
March 6, 2020	0.16	0.43	2,500,000
	0.24	0.37	7,375,000

All of the outstanding warrants expired unexercised subsequent to December 31, 2020.

16. Mine Services Agreement

On November 28, 2017, and amended January 1, 2018, the Company entered into an agreement (the "Mine Services Agreement") with Carrizal Mining, a related party through common management, whereby the Company will provide Carrizal Mining with certain mine development, metallurgical and geological consulting services as well as administrative services in connection with Carrizal Mining's mining activities. This gave rise to the Mining Services Revenue for the Company prior to the completion of the Carrizal Mining acquisition.

The costs included in the Mine Services Agreement are only labour and other costs incurred by Santacruz in performing services. Costs for equipment and supplies incurred by Carrizal Mining are not included as these are not billed to Santacruz.

During the year ended December 31, 2018, the Company reached an agreement with Carrizal Mining whereby Carrizal Mining agreed to forgive $2,724 of debt owing under the terms of the Mine Services Agreement related to the cost of sales pertaining to the Mine Services Agreement during 2017.

Once Carrizal Mining was acquired (note 4) any sales and costs of sales related to this agreement are eliminated upon consolidation.

17. Operating Costs by Nature

a) Cost of sales

	2019 $	2018 $
Mining operations – Direct production costs	29,687	14,158
Mining operations - Depletion and amortization	1,135	1,994
Mining services – Direct costs	-	1,059
	30,822	17,211

b) Operating expenses

	2019 $	2018 $
Administrative	1,802	452
Depreciation	6	4
Management and consulting fees	400	386
Other	479	28
Professional fees	1,103	424
Salaries and benefits	339	194
Share-based payments	397	
Shareholder communications	16	28
Transfer agent and filing fees	21	22
Travel	48	28
	4,611	1,566

18. a) Interest Earned and Other Finance Income

	2019 $	2018 $
IVA inflationary gain	265	-
Foreign exchange gain	-	920
	265	920

b) Interest Expense and Other Finance Expenses

	2019 $	2018 $
Accretion of decommissioning and restoration provision	(68)	(34)
Foreign exchange loss	(1,081)	-
Carrying and finance charge on loan payable	(412)	(377)
Interest expense	(157)	(4)
Interest expense on loan payable	(328)	(386)
Finance charge on leases	(86)	(124)
	(2,132)	(925)

19. Related Party Transactions

During the years ended December 31, 2019 and 2018, the Company incurred the following charges by directors and officers of the Company and by companies controlled by directors and officers of the Company:

	2019 $	2018 $
Mining Services		
Revenues	1,971	8,017
Expenses		
Accounting and corporate secretarial fees	-	85
Directors' fees	45	67
Management fees	408	383

At December 31, 2019, directors and officers or their related companies were owed $332 (December 31, 2018 – $290) in respect of the services rendered. These are non-interest bearing with standard payment terms.

The Company entered into certain mining equipment leases expiring between 2017 and 2020 with an interest rate between 6.5% and 10.5% per annum. $51 of lease payments were paid during the year ended December 31, 2019 (2018 - $nil) and $1,299 of the leases payable outstanding at December 31, 2019 were owed to a company owned by the CEO of the Company (December 31, 2018 - $1,210).

The Company entered into the Mine Services Agreement (Note 16) as well as the Carrizal Mining LOI (Note 9) with a related company with common directors during the year ended December 31, 2017. Once Carrizal Mining was acquired (note 4) any sales and costs of sales related to the Mine Services Agreement (note are eliminated upon consolidation.

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.

20. 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 year ended December 31, 2019, the following transaction was excluded from the consolidated statements of cash flows:

- 2,500,000 warrants were modified with a fair value of $6 pursuant to the short-term loan.
- Mineral property exploration expenditures of $4,868 included in accounts payable and accrued liabilities at December 31, 2019, less mineral property exploration expenditures included in accounts payable and accrued liabilities at December 31, 2018 of $4,375 (net inclusion of $493);

During the year ended December 31, 2018, the following transactions were excluded from the consolidated statements of cash flows:

- Mineral property exploration expenditures of $4,375 included in accounts payable and accrued liabilities at December 31, 2018, less mineral property exploration expenditures included in accounts payable and accrued liabilities at December 31, 2017 of $4,210 (net inclusion of $132);
- 2,000,000 warrants issued with a fair value of $66 pursuant to the issuance of the short-term loan.

21. 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, 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:

Year ended December 31, 2019	Rosario Project $	Veta Grande Project $	Zimapan Mine $	Exploration and evaluation properties $	Mine Services $	Corporate and other $	Total $
Revenues	4,567	6,850	15,723	-	1,971	-	29,111
Production costs	(5,712)	(8,490)	(15,485)	-	-	-	(29,687)
Depletion and amortization	-	(959)	(176)	-	-	-	(1,135)
Cost of sales	(5,712)	(9,449)	(15,661)	-	-	-	(30,822)
Gross (loss) profit	(1,145)	(2,599)	62	-	1,971	-	(1,711)
Operating (loss) profit	(1,145)	(2,599)	62	-	1,971	(16,813)	(18,524)
(Loss) income before tax	(1,145)	(2,599)	62	-	1,971	(18,680)	(20,391)
Interest earned and other finance income	-	-	-	-	-	265	265
Interest expense and other finance expenses	(68)	-	-	-	-	(2,064)	(2,132)
Income tax expense	-	-	-	-	-	(41)	(41)

Year ended December 31, 2018	Rosario Project $	Veta Grande Project $	Exploration and evaluation properties $	Mine Services $	Corporate and other $	Total $
Revenues	2,255	2,879	-	8,017	-	13,151
Production costs	(5,720)	(8,438)	-	(1,059)	-	(15,217)
Depletion and amortization	(1,114)	(880)	-	-	-	(1,994)
Cost of sales	(6,834)	(9,318)	-	(1,059)	-	(17,211)
Gross (loss) profit	(4,579)	(6,439)	-	6,958	-	(4,060)
Operating (loss) profit	(6,065)	(6,439)	-	6,958	1,322	(4,224)
(Loss) income before tax	(6,065)	(6,439)	-	6,958	1,317	(4,229)
Interest earned and other finance income	-	-	-	-	920	920
Interest expense and other finance expenses	(34)	-	-	-	(891)	(925)
Income tax expense	-	-	-	-	(408)	(408)

December 31, 2019	Rosario Mine $	Veta Grande Mine $	Zimapan Mine $	Exploration and evaluation properties $	Mine Services $	Corporate and other $	Total $
Total assets	5,757	1,852	12,236	2,344	-	2,396	24,585
Current assets	513	444	4,256	-	-	2,319	7,532
Non-current assets	5,244	1,408	7,980	2,344	-	77	17,053
Total liabilities	(6,448)	(4,869)	(13,803)	-	-	(16,322)	(41,442)

December 31, 2018	Rosario Mine $	Veta Grande Mine $	Exploration and evaluation properties $	Mine Services $	Corporate and other $	Total $
Total assets	5,406	12,276	1,881	-	3,456	23,019
Current assets	432	522	-	-	3,437	4,391
Non-current assets	4,974	11,754	1,881	-	19	18,628
Total liabilities	(5,821)	(4,375)	-	-	(11,625)	(21,821)

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.

c) Non-current Assets by Location

	December 31, 2019 $	December 31, 2018 $
Canada	-	-
Mexico	17,053	18,628
Total	17,053	18,628

22. 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 $82.

(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 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 December 31, 2019 were as follows:

	< 1 year $	**1 – 2 years $**	**2 – 5 years $**	**>5 years $**	**Total $**
Accounts payable and accrued liabilities	30,152	-	-	-	30,152
Loan payable	5,749	200	-	-	5,949
Leases	2,203	32	27	-	2,262
Total	38,104	232	27	-	38,363

(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 $199 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 $11.

The Company's financial assets and liabilities as at December 31, 2019 are denominated in Canadian dollars, US dollars, and Mexican pesos as follows:

	Canadian dollar $	**US dollar $**	**Mexican peso $**	**Total $**
Financial assets				
Cash	22	-	101	123
Trade receivables	-	1,243	-	1,243
Other receivables	4	-	4,662	4,666
	26	1,243	4,763	6,032
Financial liabilities				
Accounts payable and accrued liabilities	464	8,587	21,101	30,152
Loans payable	-	5,949	-	5,949
	464	14,536	21,101	36,101
Net financial liabilities	(438)	(13,293)	(16,338)	(30,069)

(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.

23. 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 $16,857 as at December 31, 2019 (2018 – equity of $1,198). 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 year.

24. Income Tax Expense

a) Income Tax (Expense) Recovery

	December 31, 2019 $	December 31, 2018 $
Current	(102)	(46)
Deferred	61	(362)
Total	(41)	(408)

A reconciliation of income taxes at statutory rates is as follows:

	December 31, 2019 $	December 31, 2018 $
Statutory rate	27.00%	27.00%
Loss before income tax	(20,391)	(4,229)
Income tax recovery at statutory rates	5,506	1,141
Change due to differences in tax rates	576	247
Permanent differences	(786)	(1,008)
Deferred tax assets not recognized	(7,146)	(1,172)
Change due to foreign translation and other	1,799	381
Mexican mining royalty tax	10	3
	(41)	(408)

b) Deferred Taxes

The significant components of the Company's deferred tax liabilities are as follows:

	December 31, 2019 $	December 31, 2018 $
Withholdings taxes	(1,434)	(1,434)
Mineral properties and equipment	(46)	(46)
Deferred revenue	(18)	(1,245)
Tax losses carried forward	-	1,165
Total deferred tax liability	(1,499)	(1,560)

The significant components of the Company's unrecognized deferred tax assets are as follows:

	December 31, 2019 $	December 31, 2018 $
Deferred income tax assets		
Deferred financing costs	161	573
Non-capital loss carry forwards and other	18,829	12,996
Mineral properties	8,413	5,445
Unrecognized deferred tax assets, total	27,402	19,014

Deferred tax assets and liabilities that are probable to be utilized, are offset if they relate to the same taxable entity and same taxation authority. Future potential tax deductions that do not offset deferred tax liabilities are considered to be deferred tax assets.

At December 31, 2019, the Company has non-capital losses of approximately CDN$5,096 that arose in Canada which will expire in various years between 2031 and 2039. At December 31, 2019, the Company also has losses of approximately 1,075,055,000 Mexican Pesos that arose in Mexico which will expire in various years between 2020 and 2029.

Deferred tax assets have not been recognized on non-capital loss carry forwards.

25. Subsequent Events

Private Placement

On February 25, 2020, The Company raised gross proceeds of C$734,150 from the sale of 6,117,917 units (the "Units") pursuant to a private placement at price of C$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 C$0.18 per share until February 25, 2021.

Veta Grande Mine Suspension

On March 10, 2020, following a review of its Veta Grande Mine operations in Zacatecas, Mexico, the Company decided to suspend the operation of the Veta Grande Mine's processing facility for approximately six months

COVID-19

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.

On April 21, 2020, in response to the global Covid-19 pandemic, the Company temporarily suspended its mine, mill and exploration activities at the Zimapan mine in Zimapan, Hidalgo, Mexico. The suspension of operations was strictly proactive as no cases of Covid-19 had been documented at the Zimapan mine.

On May 19, 2020, the Mexican government authorized the resumption of non-essential activities in municipalities that present low or no known cases of transmission of the SARS-CoV-2 virus, subject to criteria defined by the Secretariat of Health. The municipality of Zimapan, Hidalgo State, Mexico was classified as a low risk municipality. The Zimapan mine resumed operations in May 2020.