



Condensed Interim Consolidated Financial Statements

Three and Nine Months Ended September 30, 2021 and 2020

(Unaudited - expressed in thousands of US dollars)

Notice of Disclosure of Non-auditor Review of the Condensed Interim Consolidated Financial Statements for the three and nine months ended September 30, 2021 and 2020.

Pursuant to National Instrument 51-102, Part 4, subsection 4.3(3)(a) issued by the Canadian Securities administrators, if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of Santacruz Silver Mining Ltd. (“the Company” or “Santacruz”) for the interim period ended September 30, 2021, have been prepared in accordance with the International Accounting Standard 34, *Interim Financial Reporting* as issued by the International Accounting Standards Board and are the responsibility of the Company’s management.

The Company’s independent auditors, PricewaterhouseCoopers LLP, have not performed a review of these interim financial statements.

November 29, 2021

SANTACRUZ SILVER MINING LTD.Condensed Interim Consolidated Statements of Financial Position
(Expressed in thousands of United States dollars) - Unaudited

| | Note | September 30, 2021 | December 31, 2020 |
|--|-------|-----------------------|----------------------|
| | | \$ | \$ |
| ASSETS | | | |
| Current | | | |
| Cash and cash equivalents | | 2,555 | 430 |
| Marketable securities | 5 | 2,747 | - |
| VAT recoverable and receivables | 6 | 16,120 | 10,928 |
| Inventory | 7 | 1,300 | 1,425 |
| Prepaid expenses and deposits | | 1,848 | 1,069 |
| Asset held for sale | 8 | - | 2,569 |
| | | 24,570 | 16,421 |
| Other assets | | 506 | 506 |
| Deposit on Zimapan Mine acquisition | | - | 1,000 |
| Properties, plant and equipment | 4,9 | 20,582 | 14,905 |
| Mine property | 4,10 | 12,593 | - |
| Exploration and evaluation assets | | - | - |
| Goodwill | 4 | 7,344 | - |
| Total assets | | 65,595 | 32,832 |
| LIABILITIES | | | |
| Current | | | |
| Accounts payable and accrued liabilities | 11 | 32,312 | 32,483 |
| Loans payable – current portion | 12 | 4,752 | 6,287 |
| Leases – current portion | 13 | 177 | 165 |
| | | 37,241 | 38,935 |
| Loans payable | 12 | 7,971 | - |
| Leases | 13 | 199 | 304 |
| Decommissioning and restoration provision | 14 | 5,540 | 1,548 |
| Deferred income tax liability | | 1,464 | 1,464 |
| Total liabilities | | 52,415 | 42,251 |
| SHAREHOLDERS' EQUITY (DEFICIENCY) | | | |
| Share capital | 15 | 129,565 | 113,250 |
| Stock options and warrants reserve | 15(c) | 12,501 | 7,009 |
| Contributed surplus | | (1,872) | (1,872) |
| Accumulated other comprehensive income (loss) | | 478 | (1,429) |
| Deficit | | (127,492) | (126,377) |
| Total shareholders' equity (deficiency) | | 13,180 | (9,419) |
| Total liabilities and shareholders' equity (deficiency) | | 65,595 | 32,832 |

Nature of Operations and Going Concern (Note 1)
Subsequent Event (Note 22)

Approved and authorized for issue on behalf of the Board:

"Arturo Préstamo Elizondo"
Director

"Larry Okada"
Director

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

SANTACRUZ SILVER MINING LTD.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

For the three and nine months ended September 30, 2021 and 2020

(Expressed in thousands of United States dollars, except number of shares) - Unaudited

| | Note | Three months ended September 30, 2021 | September 30, 2020 | Nine months ended September 30, 2021 | September 30, 2020 |
|--|-------|---|-----------------------|--|-----------------------|
| | | \$ | \$ | \$ | \$ |
| Revenues | | 14,601 | 9,437 | 39,513 | 23,192 |
| Cost of sales | 16(a) | 10,945 | 8,178 | 29,836 | 23,011 |
| Gross profit | | 3,656 | 1,259 | 9,677 | 181 |
| Operating expenses | 16(b) | (3,233) | (1,167) | (9,684) | (3,513) |
| Debt forgiveness | | - | - | - | 412 |
| Gain on sale of Zacatecas properties | 8 | - | - | 911 | - |
| Operating profit (loss) | | 423 | 92 | 904 | (2,920) |
| Finance income (expense) | 16(c) | (672) | 491 | (1,121) | 2 |
| Gain (loss) on foreign exchange | | (1,719) | (705) | (1,038) | 2,096 |
| Unrealized gain (loss) on marketable securities | 5 | (1,836) | - | 703 | - |
| Loss before tax | | (3,804) | (122) | (552) | (822) |
| Income tax expense | | (45) | (41) | (563) | (64) |
| Loss for the period | | (3,849) | (163) | (1,115) | (886) |
| Other comprehensive income (loss): | | | | | |
| Currency translation differences | | 1,921 | 190 | 1,907 | (273) |
| Comprehensive (loss) income for the period | | (1,928) | 27 | 792 | (1,159) |
| Net loss per share: | | | | | |
| Basic | | (0.01) | (0.00) | (0.00) | (0.00) |
| Diluted | | (0.01) | (0.00) | (0.00) | (0.00) |
| Weighted average number of common shares outstanding: | | | | | |
| Basic | | 328,543,493 | 211,350,814 | 300,532,296 | 209,727,195 |
| Diluted | | 328,543,493 | 211,350,814 | 305,702,573 | 209,727,195 |

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

SANTACRUZ SILVER MINING LTD.

Condensed Interim Consolidated Statements of Cash Flows

For the nine months ended September 30, 2021 and 2020

(Expressed in thousands of United States dollars) - Unaudited

| | Note | 2021 | 2020 |
|--|-------|-----------------|--------------|
| | | \$ | \$ |
| Operating activities: | | | |
| Loss for the period | | (1,115) | (886) |
| Items not affecting cash: | | | |
| Accretion of decommissioning and restoration provision | 14 | 309 | 39 |
| Accretion of Trafigura Loan Facility | 12 | 736 | - |
| Depletion, depreciation and amortization | 9 | 1,023 | 785 |
| Interest expense on loans payable | 12 | 696 | 275 |
| Carrying and finance charges on loans payable | 12 | 606 | 241 |
| Finance charges on leases | 13 | 32 | - |
| Forgiveness of debt | | - | (412) |
| Unrealized gain on marketable securities | 5 | (703) | - |
| Gain on sale of Zacatecas Properties | 8 | (911) | - |
| Share-based compensation | 15(d) | 1,554 | 244 |
| Unrealized foreign exchange | | (1,044) | (531) |
| Changes in non-cash working capital: | | | |
| VAT recoverable and receivables | | (5,192) | (840) |
| Inventory | | 125 | 179 |
| Prepaid expenses and deposits | | (779) | 80 |
| Accounts payable and accrued liabilities | | 1,922 | 1,193 |
| Net cash used in operating activities | | (1,044) | (531) |
| Investing activities: | | | |
| Acquisition of the Zimapan Mine | 4 | (20,000) | - |
| Expenditures on plant and equipment | 9 | (634) | (308) |
| Expenditures on mine property | 5 | (1,370) | - |
| Cash received on sale of Zacatecas Properties | 8 | 1,500 | - |
| Reimbursement of deposit | 4 | 1,000 | - |
| Net cash used in investing activities | | (19,504) | (308) |
| Financing activities: | | | |
| Proceeds from issuance of common shares | 15(b) | 11,228 | 553 |
| Proceeds from exercise of options | 15(d) | 193 | 123 |
| Proceeds from exercise of warrants | 15(e) | 1,882 | 27 |
| Proceeds from loans payable, net of repayments | 12 | 11,764 | 231 |
| Share-issuance costs | | (572) | (16) |
| Subscriptions received | | - | 456 |
| Lease payments | 13 | (125) | (224) |
| Net cash provided by financing activities | | 24,370 | 1,150 |
| Effect of exchange rate on changes in cash | | - | 3 |
| Net change in cash and cash equivalents | | 2,125 | 1,212 |
| Cash and cash equivalents - beginning of period | | 430 | 123 |
| Cash and cash equivalents - end of period | | 2,555 | 1,335 |
| Cash paid during the period for: | | | |
| Interest | | 696 | 54 |
| Income taxes | | - | - |

Supplemental cash flow information (Note 20)

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

SANTACRUZ SILVER MINING LTD.

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity (Deficiency)
(Expressed in thousands of United States dollars, except number of shares) - Unaudited

| | Common shares | Share capital | Stock options and warrants reserves | Contributed surplus | Accumulated other comprehensive (loss) income | Deficit | Total equity (deficiency) |
|--|--------------------|----------------|--|------------------------|--|------------------|------------------------------|
| | # | \$ | \$ | \$ | \$ | \$ | \$ |
| Balance, December 31, 2019 | 204,670,984 | 104,980 | 6,725 | (1,872) | (1,806) | (124,884) | (16,857) |
| Shares issued in private placement | 6,117,917 | 553 | - | - | - | - | 553 |
| Share issuance costs | - | (16) | 3 | - | - | - | (13) |
| Shares issued from exercise of options | 994,000 | 204 | (81) | - | - | - | 123 |
| Shares issued from exercise of warrants | 200,000 | 32 | - | - | - | - | 32 |
| Share-based payments | - | - | 244 | - | - | - | 244 |
| Comprehensive loss for the period | - | - | - | - | (273) | (886) | (1,159) |
| Balance, September 30, 2020 | 211,982,901 | 105,753 | 6,891 | (1,872) | (2,079) | (125,770) | (17,077) |
| Shares issued in private placement | 45,631,463 | 7,536 | - | - | - | - | 7,536 |
| Share issuance costs | - | (858) | 390 | - | - | - | (468) |
| Shares issued from exercise of options | 3,792,300 | 796 | (317) | - | - | - | 479 |
| Shares issued from exercise of warrants | 200,000 | 23 | - | - | - | - | 23 |
| Share-based payments | - | - | 45 | - | - | - | 45 |
| Comprehensive income (loss) for the period | - | - | - | - | 650 | (607) | 43 |
| Balance, December 31, 2020 | 261,606,664 | 113,250 | 7,009 | (1,872) | (1,429) | (126,377) | (9,419) |
| Shares issued in private placement | 46,980,000 | 11,228 | - | - | - | - | 11,228 |
| Share issuance costs | - | (815) | 243 | - | - | - | (572) |
| Shares issued from exercise of options | 1,359,300 | 319 | (126) | - | - | - | 193 |
| Shares issued from exercise of warrants | 9,939,253 | 1,882 | - | - | - | - | 1,882 |
| Shares issued as settlement of debt | 10,342,604 | 3,701 | - | - | - | - | 3,701 |
| Warrants issued to Trafigura Mexico | - | - | 3,821 | - | - | - | 3,821 |
| Share-based payments | - | - | 1,554 | - | - | - | 1,554 |
| Comprehensive (loss) income for the period | - | - | - | - | 1,907 | (1,115) | 792 |
| Balance, September 30, 2021 | 330,227,821 | 129,565 | 12,501 | (1,872) | 478 | (127,492) | 13,180 |

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

SANTACRUZ SILVER MINING LTD.

Notes to the Condensed Interim Consolidated Financial Statements
For the three and nine months ended September 30, 2021 and 2020
(Expressed in thousands of United States dollars, except where noted) - Unaudited

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, the mining concession rights to the following properties:

- Zimapan Mine, Zimapan, Hidalgo, Mexico
- Rosario Project including the Rosario Mine and various other properties in Charcas, San Luis Potosi, Mexico.

These condensed interim consolidated financial statements for the three and nine months ended September 30, 2021 and 2020 ("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 September 30, 2021, the Company had a working capital deficiency of \$12,671 (December 31, 2020 - \$22,514) and an accumulated deficit of \$127,492 (December 31, 2020 - \$126,377). Additionally, the Company has non-current loans payable (Note 12) of \$7,971 (December 31, 2020 - \$nil). These factors indicate the existence of a material uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern. As a result, the Company may be unable to realize its assets and discharge its liabilities in the normal course of business. The Company's ability to continue as a going concern is dependent upon its ability to generate positive cash flows from operations, and/or raise adequate funding through equity or debt financing to discharge its liabilities as they come due. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company.

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

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

2. BASIS OF PREPARATION

a) Statement of compliance

These consolidated financial statements were approved by the Board of Directors and authorized for issue on November 29, 2021.

These consolidated financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* using accounting policies consistent with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). As such, these financial statements do not contain all the disclosures required by IFRS for annual financial statements and should be read in conjunction with the Company's audited annual consolidated financial statements for the years ended December 31, 2020 and 2019 ("annual financial statements").

b) Basis of presentation

The consolidated financial statements have been prepared using the historical cost basis, except for certain financial assets and liabilities which are measured at fair value, as specified by IFRS for each type of asset, liability, income and expense as set out in the accounting policies below.

SANTACRUZ SILVER MINING LTD.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2021 and 2020

(Expressed in thousands of United States dollars, except where noted) - Unaudited

c) Functional and presentation currency

The consolidated financial statements are presented in United States dollars ("USD"). The functional currency is the currency of the primary economic environment in which an entity operates. The functional currency of Santacruz, Santacruz Holdings Ltd. and Carrizal Holdings Ltd. is the Canadian dollar. The functional currency of Impulsora Minera Santacruz, S.A. de C.V. ("IMSC") and Carrizal Mining, S.A. de C.V. ("Carrizal Mining") is the US dollar. The functional currency of Operadora Minera Anacore, S.A. De C.V. and PCG Mining, S.A. de CV. is the Mexican peso. References to CAD are to Canadian dollars and references to MXN are to Mexican pesos.

d) Basis of consolidation

These consolidated financial statements include the accounts of the Company and its subsidiaries. All intercompany transactions and balances are eliminated on consolidation. Control exists where the parent entity has power over the investee and is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Subsidiaries are included in the consolidated financial statements from the date control commences until the date control ceases. These consolidated financial statements incorporate the accounts of the Company and the following subsidiaries:

| Name of subsidiary | Country of Incorporation | Percentage Ownership | Functional Currency | Principal Activity |
|--|--------------------------|----------------------|---------------------|--------------------|
| Santacruz Silver Mining Ltd. | Canada | 100% | CAD | Holding company |
| Santacruz Holdings Ltd. | Canada | 100% | CAD | Holding company |
| Carrizal Holdings Ltd. | Canada | 100% | CAD | Holding company |
| Impulsora Minera Santacruz, S.A. de C.V. | Mexico | 100% | USD | Mine operations |
| Carrizal Mining, S.A. de C.V. ⁽¹⁾ | Mexico | 100% | USD | Mine operations |
| Operadora Minera Anacore, S.A. De C.V. | Mexico | 100% | MXN | Holding company |
| PCG Mining, S.A. de CV. | Mexico | 100% | MXN | Holding company |

⁽¹⁾ On April 23, 2021, the Company acquired a 100% interest in Carrizal Mining (Note 4).

e) Comparative figures

Certain prior year classifications have been changed to conform to the current year's presentation.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in the preparation of these consolidated financial statements are consistent with those applied and disclosed in Note 3 to the annual financial statements except as described below:

a) Financial assets recorded at fair value through income (loss)

Financial assets are classified at fair value if they are acquired for the purpose of selling in the near term. Gains or losses on these items are recognized in net income (loss). The Company's marketable securities (Note 5) are classified as financial assets measured at fair value through income (loss).

b) Goodwill

The Company allocates goodwill arising from business combinations (Note 4) to each cash generating unit ("CGU") or group of CGUs that are expected to receive the benefits from the business combination. The carrying amount of the CGU or group of CGUs to which goodwill has been allocated is tested annually for impairment or when there is an indication that the goodwill may be impaired. Any impairment is recognized as an expense immediately. Should there be a recovery in the value of a CGU, any impairment of goodwill previously recorded is not subsequently reversed.

c) Estimates and critical judgments by management

The preparation of consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, revenues and expenses. Management continually evaluates these judgments, estimates and assumptions based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these accounting policy judgements and areas of estimation uncertainty which may cause a material adjustment to the carrying amounts of assets and liabilities.

SANTACRUZ SILVER MINING LTD.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2021 and 2020

(Expressed in thousands of United States dollars, except where noted) - Unaudited

The areas which require management to make accounting policy judgments include:

- *Determination of 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 judgments 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.

- *Assessment of the transactions as asset acquisitions or business combinations*

Management has had to apply judgment relating to the acquisition of the Zimapan Mine (Note 4) with respect to whether the acquisition was a business combination or an asset acquisition. Management applied a three-element process to determine whether a business or an asset was purchased, considering inputs, processes and outputs of the acquisition in order to reach a conclusion. The Company has determined the Zimapan Mine is a business by assessing that the following exist: Inputs – tangible and intangible assets, Processes – business operations, management and staff, Outputs – revenue generating from mine operations. While the acquisition of Zimapan Mine was structured legally as an acquisition of assets, upon analysis of IFRS 3 *Business Combinations*, it was determined to constitute a business acquisition.

The areas which require management to make significant estimates and assumptions include:

- *Valuation of net assets acquired in business combinations*

Estimates were made as to the fair value of assets and liabilities acquired. In certain circumstances, such as the valuation of plant and equipment, mine property and mineral concessions, the Company will rely on independent third-party valuers. The Company measured all the assets acquired and liabilities assumed at their acquisition-date fair values. The excess of the consideration paid over the acquisition-date fair values of the net assets acquired, was recognized as goodwill as of the acquisition date in business combination.

- *Valuation of financial liabilities*

Management made critical estimates in determining the amortized cost of the Trafigura Loan Facility (Note 12) including the loan facility's expected life, the effective annual interest rate and the Company's ability to access alternative debt arrangements on commercially viable terms in order to prepay any or all of the Trafigura Loan Facility. The Company assess these estimates and assumptions on a quarterly basis.

d) *Change in accounting policy*

In fiscal 2021, the Company has changed its accounting policy with respect to the valuation of equity units issued in private placements whereby proceeds from private placements are now first allocated to the common shares contained in the units according to their fair value at the time of issuance with the residual amount, if any, attributed to the warrants in the units. This is in line with IAS 32 *Financial Instruments: presentation*, whereby the warrants that are part of the units are exercisable into a fixed number of common shares at a fixed exercise price for a specified period of time. The change in accounting policy provides a better representation of the underlying value of the shares and warrants comprising the units. The Company has applied the change in accounting policy retrospectively.

e) *New accounting standards adopted*

The Company adopted Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9 *Financial instruments*; IAS 39 *Financial Instruments: recognition and measurement*; IFRS 4 *Insurance contracts*; and IFRS 16 *Leases* (the "Phase 2 Amendments") effective on January 1, 2021. Interest rate benchmark reform ("Reform") refers to a global reform of interest rate benchmarks, which includes the replacement of some interbank offered rates ("IBOR") with alternative benchmark rates.

SANTACRUZ SILVER MINING LTD.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2021 and 2020

(Expressed in thousands of United States dollars, except where noted) - Unaudited

The Phase 2 Amendments provide a practical expedient requiring the effective interest rate be adjusted when accounting for changes in the basis for determining the contractual cash flow of financial assets and liabilities that relate directly to the Reform rather than applying modification accounting which might have resulted in a gain or loss. In addition, the Phase 2 Amendments require disclosures to assist users in understanding the effect of the Reform on the Company's financial instruments and risk management strategy. The Company's Trafigura Loan Facility bears interest at a floating rate equal to a base rate of 6.5% plus the London interbank offered rates ("LIBOR"). The Company is working with the lender to assess the potential alternatives to the use of the LIBOR.

f) New accounting standards and interpretations not yet adopted

On May 14, 2020, the International Accounting Standards Board published an amendment to IAS 16 *Property, Plant and Equipment*. The amendments prohibit deducting from the cost of property, plant and equipment any proceeds received from selling items produced while bringing that asset for its intended use. Instead, proceeds received will be recognized as sales proceeds and related cost in profit or loss. The effective date is for annual periods beginning on or after January 1, 2022, with early adoption permissible. The Company is assessing the effect of this amendment on its consolidated financial statements. As at September 30, 2021 there are no other IFRS or IFRIC interpretations with future effective dates that are expected to have a material impact on the Company.

4. ZIMAPAN MINE ACQUISITION

On April 23, 2021, the Company acquired 100% ownership of the Zimapan Mine from Minera Cedros S.A. de C.V ("Minera Cedros"). Prior to this acquisition, the Company, via its subsidiary Carrizal Mining, operated the Zimapan Mine under a lease arrangement with Minera Cedros. The Company paid cash consideration of \$20,000, which was partly funded by a loan facility with Trafigura Mexico, S.A. de C.V. (Note 12) for \$15,000 and \$5,000 from the Company's treasury. The Company will also pay to Minera Cedros a \$438 deferred purchase price charge as a result of the acquisition closing subsequent to December 31, 2020. The assets acquired pursuant to this transaction include the Zimapan mill facility, surface and underground infrastructure, and 34 mining concessions. Environmental and retirement obligations were also assumed with the transaction.

The acquisition of the Zimapan Mine has been accounted for by the Company as a business combination under IFRS 3 *Business combinations*, with the assets and liabilities acquired recorded at their fair values at the acquisition date.

The Company is required to determine the fair value of tangible and identifiable intangible assets acquired and liabilities assumed. The excess of the purchase price over those fair values of the net assets acquired is recorded as goodwill.

The following table summarizes the fair values of assets acquired and liabilities assumed.

| | April 23, 2021 |
|--|-----------------------|
| | \$ |
| <i>Fair values of acquired assets and liabilities:</i> | |
| Mining concessions | 11,223 |
| Plant and equipment | 4,352 |
| Property | 1,151 |
| Buildings | 563 |
| Asset retirement obligation | (4,059) |
| Accounts payable | (136) |
| Net assets acquired | 13,094 |
| <i>Purchase price:</i> | |
| Cash | 20,000 |
| Deferred purchase price | 438 |
| Total consideration | 20,438 |
| Goodwill | 7,344 |

SANTACRUZ SILVER MINING LTD.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2021 and 2020

(Expressed in thousands of United States dollars, except where noted) - Unaudited

Mining concessions comprises 34 mining claims (5,139 hectares) upon which the Company owns and operates the Zimapan Mine. The fair value was determined by using the contractually agreed price. The Company has engaged an independent valuation firm to complete a valuation of the mineral concessions and continues to refine and finalize its purchase price allocation to mining concessions for the fair value of the identifiable intangible assets and the allocation of goodwill.

Plant and equipment comprise various on-site equipment including a mill facility located at the Zimapan Mine. The fair value was determined using an independent valuation firm, which used a forced liquidation value basis for determining this fair value.

Property comprises 308 hectares of land with surface and underground infrastructure. The fair value was determined using an independent valuation firm, which reviewed similar commercial real estate transactions to determine this fair value.

Buildings includes various on-site structures. The fair value was determined using an independent valuation firm, which reviewed similar commercial real estate transactions to determine this fair value.

Asset retirement obligation represents the Company's future obligation to remediate the Zimapan Mine site after the life of mine has expired. The fair value was determined using a discounted cash flow analysis after impacts for inflation and changes in the period end exchange rate.

Accounts payable represents historic unpaid lease payments the Company owes to Minera Cedros for operation of the Zimapan Mine prior to the acquisition.

At December 31, 2020, the Company had paid a \$1,000 deposit to Minera Cedros as part of the Acquisition. Upon completion of the acquisition, the deposit was refunded back to the Company.

5. MARKETABLE SECURITIES

| | September 30, 2021 | December 31, 2020 |
|--|-------------------------------|----------------------|
| | \$ | \$ |
| Balance, beginning of period | - | - |
| Shares received on sale of Zacatecas Properties (Note 8) | 1,980 | - |
| Change in fair value | 703 | - |
| Foreign exchange loss | 64 | - |
| Balance, end of period | 2,747 | - |

The securities owned by the Company represent 9.47% ownership in the public company noted above.

6. VAT RECOVERABLE AND RECEIVABLES

| | September 30, 2021 | December 31, 2020 |
|---------------------------------------|-------------------------------|----------------------|
| | \$ | \$ |
| Mexican value added taxes recoverable | 8,906 | 6,151 |
| Canadian GST recoverable | 10 | 10 |
| Trade receivables | 6,403 | 4,202 |
| Other receivables | 801 | 565 |
| | 16,120 | 10,928 |

7. INVENTORY

| | September 30, 2021 | December 31, 2020 |
|---------------------------------|-------------------------------|----------------------|
| | \$ | \$ |
| Mineralized material stockpiles | 39 | 60 |
| Concentrate inventory | 635 | 616 |
| Supplies inventory | 626 | 749 |
| | 1,300 | 1,425 |

SANTACRUZ SILVER MINING LTD.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2021 and 2020

(Expressed in thousands of United States dollars, except where noted) - Unaudited

8. ASSETS HELD FOR SALE

A summary of accumulated costs on its assets held for sale (exploration and evaluation properties) as of September 30, 2021 and December 31, 2020 and the additions during those periods is as follows, which relate solely to the Company's Zacatecas Properties:

| | Options payments | Acquisition of Carrizal Mining | Exploration costs | Total |
|------------------------------------|---------------------|-----------------------------------|----------------------|----------|
| Balance, December 31, 2019 | \$ 1,581 | \$ 463 | \$ 300 | \$ 2,344 |
| Additions | - | - | 225 | 225 |
| Balance, December 31, 2020 | 1,581 | 463 | 525 | 2,569 |
| Disposal | (1,581) | (463) | (525) | (2,569) |
| Balance, September 30, 2021 | - | - | - | - |

On May 2, 2016, the Company entered into an option agreement, as amended February 8, 2018, to acquire from Golden Minerals Company certain mineral claims located in the Zacatecas Mining District, Zacatecas, Mexico (the "Zacatecas Properties") consisting of 149 concessions.

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

| | March 2, 2021 |
|---|----------------------|
| | \$ |
| <i>Carrying value of assets disposed:</i> | |
| Exploration and evaluation assets | 2,569 |
| Net assets disposed | 2,569 |
| <i>Consideration received:</i> | |
| Cash | 1,500 |
| Shares received (5,000,000 shares at CAD\$0.50 share) | 1,980 |
| Total consideration | 3,480 |
| Gain on disposal of the Zacatecas Properties | 911 |

SANTACRUZ SILVER MINING LTD.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2021 and 2020

(Expressed in thousands of United States dollars, except where noted) - Unaudited

9. PROPERTY, PLANT AND EQUIPMENT

| | Office Furniture and Equipment | Property and Buildings | Plant and Equipment | Vehicles | Computer Hardware | Total |
|------------------------------------|---|------------------------------|------------------------|------------|----------------------|---------------|
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Cost | | | | | | |
| Balance, December 31, 2019 | 62 | 419 | 21,082 | 499 | 263 | 22,325 |
| Additions | - | - | 1,412 | - | - | 1,412 |
| Balance, December 31, 2020 | 62 | 419 | 22,494 | 499 | 263 | 23,737 |
| Acquisition (Note 4) | - | 1,714 | 4,352 | - | - | 6,066 |
| Additions | 46 | - | 573 | 30 | - | 649 |
| Disposals | - | - | (147) | - | - | (147) |
| Balance, September 30, 2021 | 108 | 2,133 | 27,272 | 529 | 263 | 30,305 |
| Accumulated depreciation | | | | | | |
| Balance, December 31, 2019 | 27 | 15 | 7,569 | 322 | 189 | 8,122 |
| Depreciation | 1 | 37 | 658 | - | 14 | 710 |
| Balance, December 31, 2020 | 28 | 52 | 8,227 | 322 | 203 | 8,832 |
| Depreciation | 14 | 23 | 957 | 10 | 19 | 1,023 |
| Disposals | - | - | (132) | - | - | (132) |
| Balance, September 30, 2021 | 42 | 75 | 9,052 | 332 | 222 | 9,723 |
| Carrying amount | | | | | | |
| Balance, December 31, 2020 | 34 | 367 | 14,267 | 177 | 60 | 14,905 |
| Balance, September 30, 2021 | 66 | 2,058 | 18,220 | 197 | 41 | 20,582 |

Depreciation during the nine months ended September 30, 2021 was \$1,023 (2020 - \$785).

As at September 30, 2021, the Company's plant and equipment includes a net carrying amount of \$1,175 for leased mining equipment (December 31, 2020 - \$1,370). Depreciation on the leased mining equipment for the nine months ended September 30, 2021 was \$195 (2020 - \$383).

Subsequent to September 30, 2021, the Company placed the Rosario Mine on care and maintenance, which is an indicator of impairment. The Company is evaluating strategic options available including the potential sale of the operation. At September 30, 2021, the carrying value of property and equipment related to the Rosario Mine is \$7,410 (December 31, 2021 - \$7,410). The Company will continue with permitting activities and remediation programs so that the Rosario Project is positioned for a timely restart should project economics justify such.

10. MINE PROPERTY

| | September 30, 2021 | December 31, 2020 |
|--------------------------------------|-----------------------|----------------------|
| | \$ | \$ |
| Balance, beginning of period | - | - |
| Acquisition of Zimapan Mine (Note 4) | 11,223 | - |
| Mine development expenditures | 1,370 | - |
| Balance, end of period | 12,593 | - |

As at September 30, 2021, no impairment indicators relating to the mine property were identified.

11. ACCOUNTS PAYABLE

| | September 30, 2021 | December 31, 2020 |
|---------------------|-----------------------|----------------------|
| | \$ | \$ |
| Trade payables | 28,778 | 31,355 |
| Accrued liabilities | 3,534 | 1,128 |
| | 32,312 | 32,483 |

During the nine months ended September 30, 2021, the Company settled an outstanding payables balance of \$156 by way of the issuance of 435,074 common shares of the Company with a fair value of \$156.

SANTACRUZ SILVER MINING LTD.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2021 and 2020

(Expressed in thousands of United States dollars, except where noted) - Unaudited

During September 2021, as a result of labour reform in Mexico, the Company was required to recognize certain labour liability accruals for their employees, including but not limited to: vacation, holiday bonuses, annual bonuses, savings funds, and seniority departure payments. At September 30, 2021, accrued liabilities includes \$1,294 as a result of this labour reform (December 31, 2020 - \$nil).

12. LOANS PAYABLE

| | Trafigura | MineCo | Muutrade | Kampala | FF Swaps | Total |
|--|----------------|----------|----------|----------|----------|----------------|
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Balance, December 31, 2019 | 1,468 | 2,782 | - | 500 | 211 | 4,961 |
| Proceeds advanced | 1,828 | - | 330 | 564 | - | 2,722 |
| Carrying charges and restructuring fees | (100) | - | - | - | - | (100) |
| Interest expense | 146 | 324 | 40 | 14 | 4 | 528 |
| Repayment with cash | (665) | - | (20) | (1,028) | (111) | (1,824) |
| Balance, December 30, 2020 | 2,677 | 3,106 | 350 | 50 | 104 | 6,287 |
| Less: Current portion | (2,677) | (3,106) | (350) | (50) | (104) | (6,287) |
| Non-current portion | - | - | - | - | - | - |
| Balance, December 31, 2020 | 2,677 | 3,106 | 350 | 50 | 104 | 6,287 |
| Proceeds advanced (a) | 17,616 | - | - | 280 | - | 17,896 |
| Repayments of loans payable (a) | (2,616) | - | - | - | - | (2,616) |
| Equity component of proceeds advanced – represented by warrants issued (a) | (3,821) | - | - | - | - | (3,821) |
| Carrying charges and restructuring fees | - | 564 | 25 | 17 | - | 606 |
| Accretion | 736 | - | - | - | - | 736 |
| Interest expense | 538 | 158 | - | - | - | 696 |
| Repayment with shares (b) | - | (3,545) | - | - | - | (3,545) |
| Repayment with cash | (2,407) | (283) | (375) | (347) | (104) | (3,516) |
| Balance, September 30, 2021 | 12,723 | - | - | - | - | 12,723 |
| Less: Current portion | (4,752) | - | - | - | - | (4,752) |
| Non-current portion | 7,971 | - | - | - | - | 7,971 |

a) Trafigura loan facility

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

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

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

The 2020 Facility was secured by certain Carrizal Mining mine equipment.

On April 23, 2021, in connection with the Transaction (Note 4), Trafigura loaned the Company \$17,616 under a new loan facility (the "Trafigura Loan Facility") which included the recapitalization of \$2,616 of indebtedness outstanding under the 2020 Facility. The Trafigura Loan Facility is for a period of 42 months at an annual interest rate of three-month LIBOR + 6.5% (currently approximately 6.67%), repayable in monthly instalments of principal plus accrued interest for the respective period.

SANTACRUZ SILVER MINING LTD.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2021 and 2020

(Expressed in thousands of United States dollars, except where noted) - Unaudited

Pursuant to the terms of the Transaction, the Company had until September 23, 2021 to pay Minera Cedros the outstanding Mexican Value Added Tax of \$3,200 owed in connection with the Transaction. The Company has paid \$500 of this balance to date and has mutually agreed with Minera Cedros to pay the outstanding balance prior to year end.

The Trafigura Loan Facility is secured by a first charge over all Zimapan Mine assets and all other material assets owned by the Company and its subsidiaries. In addition, the Company issued to Trafigura 28,000,000 warrants (the "Trafigura Warrants"), each Trafigura Warrant exercisable into a Santacruz common share at CAD\$0.395 per share, for a period of 12 months with respect to 7,280,000 of the Trafigura Warrants and 42 months with respect to the remaining 20,720,000 Trafigura Warrants.

The fair value of the Trafigura Loan Facility was \$13,795 which has been classified as a financial liability and subsequently measured at amortized cost, which is being accreted to the principal amount over the term of the Trafigura Loan Facility at an effective interest rate of 21.67%. The fair value of the Trafigura Warrants was determined to be \$3,821, being the residual amount of the total Trafigura Loan Facility after deducting its fair value.

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

b) Repayment with shares

During the nine months ended September 30, 2021, the Company settled an outstanding loan balance of \$3,828 by way of the issuance of 9,907,530 common share of the Company with a fair value of \$3,545 and a cash payment of \$283.

13. LEASES

| | September 30, 2021 | December 31, 2020 |
|------------------------------|-----------------------|----------------------|
| Balance, beginning of period | \$ 469 | \$ 284 |
| Additions | - | 447 |
| Finance costs | 32 | 20 |
| Lease payments | (125) | (248) |
| Foreign exchange gain | - | (34) |
| Balance, end of period | 376 | 469 |
| Less: Current portion | (177) | (165) |
| Non-current portion | 199 | 304 |

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

| | September 30, 2021 |
|---|-----------------------|
| 2021 | \$ 41 |
| 2022 | 163 |
| 2023 | 133 |
| 2024 | 89 |
| Total future minimum lease payments | 426 |
| Effects of discounting | (50) |
| Total present value of minimum lease payments | 376 |
| Less: Current portion | (177) |
| Non-current portion | 199 |

SANTACRUZ SILVER MINING LTD.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2021 and 2020

(Expressed in thousands of United States dollars, except where noted) - Unaudited

14. DECOMMISSIONING AND RESTORATION PROVISION

The discounted liabilities for each of the Company's decommissioning and restoration provisions is as follows:

| | Rosario ^(b) | Veta Grande | Zimapan ^(a) | Total |
|------------------------------------|-------------------------------|--------------------|-------------------------------|--------------|
| | \$ | \$ | \$ | \$ |
| Balance, December 31, 2019 | 1,231 | 349 | - | 1,580 |
| Accretion | 51 | - | - | 51 |
| Foreign exchange gain | (79) | (4) | - | (83) |
| Balance, December 31, 2020 | 1,203 | 345 | - | 1,548 |
| Acquisition (Note 4) | - | - | 4,059 | 4,059 |
| Accretion | 40 | - | 269 | 309 |
| Foreign exchange gain | - | - | (376) | (376) |
| Balance, September 30, 2021 | 1,243 | 345 | 3,952 | 5,540 |

a) Zimapan Mine

The undiscounted amount of estimated cash flows required to settle the decommissioning and reclamation costs at the Zimapan Mine at the end of mine life was estimated to be \$6,077 as at September 30, 2021. The key assumptions on which the provision estimates were based as at September 30, 2021 are as follows:

- Expected timing of the cash flows is based on the estimated useful life of the Zimapan Mine. The majority of the expenditures are expected to occur in 2028, which is the currently anticipated closure date;
- The inflation rate used is 4.65%; and
- The discount rate used is 10.75%.

b) Rosario Mine

Subsequent to September 30, 2021, the Company ceased operations at the Rosario Mine and placed it on care and maintenance until further notice.

15. SHARE CAPITAL

a) Authorized share capital

The Company is authorized to issue an unlimited number of common shares without par value.

b) Issued - common shares

During the nine months ended September 30, 2021, the Company had the following share capital transactions:

- On April 13, 2021, the Company completed a non-brokered private placement in an amount of 46,980,000 units (the "2021 Units") for gross proceeds of \$11,228 (CAD\$14,090). Each 2021 Unit consists of one common share of the Company and one non-transferable common share purchase warrant (a "2024 Warrant"). Each 2024 Warrant entitles the holder to acquire one common share of the Company at a price of CAD\$0.45 until April 13, 2024, expiring thereafter. In consideration for their services, the Company paid to certain finders' cash finders' fees of \$572 and issued 1,671,961 finders' warrants having the same terms as the 2024 Warrants.
- The Company issued 9,939,253 shares from the exercise of warrants for proceeds of \$1,882 and 1,359,300 shares from the exercise of options for proceeds of \$193. The \$126 fair value attributed to the options exercised was reclassified from reserves to share capital.
- The Company issued 10,342,604 shares with a with fair value of \$3,701 pursuant to the settlement of accounts payable and loans payable.

SANTACRUZ SILVER MINING LTD.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2021 and 2020

(Expressed in thousands of United States dollars, except where noted) - Unaudited

During the year ended December 31, 2020, the Company had the following share capital transactions:

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

c) Stock option and warrant reserve

| | Stock options | Warrants | Total |
|--|---------------|--------------|---------------|
| | \$ | \$ | \$ |
| Balance, December 31, 2019 | 5,091 | 1,634 | 6,725 |
| Share-based payments | 289 | - | 289 |
| Exercise of options and warrants | (398) | - | (398) |
| Warrants issued for share issue costs | - | 393 | 393 |
| Balance, December 31, 2020 | 4,982 | 2,027 | 7,009 |
| Share-based payments | 1,554 | - | 1,554 |
| Exercise of options and warrants | (126) | - | (126) |
| Warrants issued as part of private placement | - | 243 | 243 |
| Warrants issued as part of Trafigura loan (Note 4) | - | 3,821 | 3,821 |
| Balance, September 30, 2021 | 6,410 | 6,091 | 12,501 |

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.

The following is a summary of the Company's stock options for the nine months ended September 30, 2021 and the year ended December 31, 2020:

| | Number of stock options | Weighted average exercise price |
|------------------------------------|-------------------------|---------------------------------|
| | # | CAD |
| Balance, December 31, 2019 | 11,500,000 | 0.17 |
| Exercised | (4,386,300) | 0.16 |
| Balance, December 31, 2020 | 7,113,700 | 0.18 |
| Granted | 16,250,000 | 0.47 |
| Exercised | (1,359,300) | 0.18 |
| Expired | (280,000) | 0.18 |
| Balance, September 30, 2021 | 21,724,400 | 0.40 |

SANTACRUZ SILVER MINING LTD.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2021 and 2020

(Expressed in thousands of United States dollars, except where noted) - Unaudited

As at September 30, 2021, the Company had the following stock options outstanding:

| Date of expiry | Number of Options Outstanding | Number of Options Exercisable | Weighted Average Exercise Price | Weighted Average Remaining Years |
|----------------|-------------------------------|-------------------------------|---------------------------------|----------------------------------|
| | \$ | # | CAD | Years |
| August 6, 2024 | 5,474,400 | 5,474,400 | 0.18 | 2.85 |
| May 7, 2026 | 16,250,000 | 4,062,500 | 0.47 | 4.60 |
| | 21,724,400 | 9,536,900 | 0.40 | 4.16 |

During the nine months ended September 30, 2021, the Company granted a total of 16,250,000 stock options with a fair value of \$3,656. The weighted average assumptions used in the Black-Scholes option pricing model were as follows:

| | 2021 | 2020 |
|---------------------|-------------------|------|
| Risk-free rate | 0.87% | - |
| Expected life | 5.00 years | - |
| Expected volatility | 68.37% | - |
| Dividend yield | 0% | - |

e) Warrants

The following is a summary of the Company's warrants for the nine months ended September 30, 2021 and the year ended December 31, 2020:

| | Number of warrants | Weighted average exercise price |
|---|--------------------|---------------------------------|
| | # | CAD |
| Balance, December 31, 2019 | 7,375,000 | 0.24 |
| Expired | (7,375,000) | 0.24 |
| Issued – private placement | 6,117,917 | 0.18 |
| Issued – finders' warrants | 120,000 | 0.18 |
| Issued – private placement | 45,427,463 | 0.30 |
| Issued – broker and finders' warrants | 2,748,130 | 0.30 |
| Exercised | (1,200,000) | 0.18 |
| Balance, December 31, 2020 | 53,213,510 | 0.29 |
| Issued – private placement | 46,980,000 | 0.45 |
| Issued – finders' warrants | 1,671,961 | 0.45 |
| Issued – Trafigura Loan Facility (Note 4) | 28,000,000 | 0.40 |
| Exercised | (9,539,253) | 0.24 |
| Balance, September 30, 2021 | 120,326,218 | 0.38 |

As at September 30, 2021, the Company had the following warrants outstanding:

| Date of expiry | Number of warrants | Weighted Average Exercise Price | Weighted Average Remaining Years |
|------------------|--------------------|---------------------------------|----------------------------------|
| | # | CAD | Years |
| April 24, 2022 | 7,280,000 | 0.40 | 0.82 |
| October 7, 2023 | 30,177,205 | 0.30 | 2.27 |
| October 15, 2023 | 13,497,052 | 0.30 | 2.29 |
| April 12, 2024 | 48,651,961 | 0.45 | 2.79 |
| October 24, 2024 | 20,720,000 | 0.40 | 3.32 |
| | 120,326,218 | 0.38 | 2.57 |

During the nine months ended September 30, 2021, the Company granted a total of 46,980,000 warrants with a fair value of \$nil, 1,671,961 warrants with a fair value of \$243, and 28,000,000 warrants with a fair value of \$3,821.

SANTACRUZ SILVER MINING LTD.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2021 and 2020

(Expressed in thousands of United States dollars, except where noted) - Unaudited

The weighted average assumptions used in the Black-Scholes option pricing model were as follows:

| | 2021 | 2020 |
|---------------------|-------------------|------|
| Risk-free rate | 0.88% | - |
| Expected life | 3.00 years | - |
| Expected volatility | 88.06% | - |
| Dividend yield | 0% | - |

16. OPERATING COSTS BY NATURE

a) Cost of sales

| | Three months ended | | Nine months ended | |
|----------------------------|--------------------|-------|-------------------|--------|
| | September 30, | | September 30, | |
| | 2021 | 2020 | 2021 | 2020 |
| | \$ | \$ | \$ | \$ |
| Direct production costs | 10,602 | 7,920 | 28,813 | 22,226 |
| Depletion and amortization | 343 | 258 | 1,023 | 785 |
| | 10,945 | 8,178 | 29,836 | 23,011 |

As a result of labour reform in Mexico (Note 11), during the three and nine months ended September 30, 2021, the Company recognized \$1,294 and \$1,294, respectively (2020 - \$nil and \$nil, respectively) in direct production costs related to employment benefits.

b) Operating expenses

| | Three months ended | | Nine months ended | |
|--------------------------------|--------------------|-------|-------------------|-------|
| | September 30, | | September 30, | |
| | 2021 | 2020 | 2021 | 2020 |
| | \$ | \$ | \$ | \$ |
| Administrative | 1,320 | 101 | 2,655 | 601 |
| Management and consulting fees | 449 | 235 | 546 | 332 |
| Other | 14 | - | 307 | 59 |
| Professional fees | 151 | 85 | 2,246 | 484 |
| Salaries and benefits | 220 | 119 | 774 | 419 |
| Share-based compensation | 525 | 59 | 1,554 | 244 |
| Shareholder communications | 73 | 11 | 245 | 15 |
| Shipping | 479 | 553 | 1,287 | 1,336 |
| Transfer agent and filing fees | 2 | 2 | 63 | 15 |
| Travel | - | 2 | 7 | 8 |
| | 3,233 | 1,167 | 9,684 | 3,513 |

During the three month and nine months ended September 30, 2021, the Company recognized \$431 and \$431, respectively (2020 - \$nil and \$nil, respectively) in severance accruals related to the closure of the Rosario Mine, which are recorded in administrative expenses.

SANTACRUZ SILVER MINING LTD.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2021 and 2020

(Expressed in thousands of United States dollars, except where noted) - Unaudited

c) Finance income (expense)

| | Three months ended | | Nine months ended | |
|---|--------------------|-------|-------------------|-------|
| | September 30, | | September 30, | |
| | 2021 | 2020 | 2021 | 2020 |
| | \$ | \$ | \$ | \$ |
| Interest (expense) earned | (26) | 37 | 224 | 37 |
| IVA recovery inflationary gain (loss) | (28) | 637 | 1,694 | 695 |
| Other expense | (9) | - | (185) | - |
| Accretion of decommissioning provisions | (182) | (13) | (309) | (39) |
| Interest expense, carrying charges and finance charges on loans payable | (309) | (147) | (1,789) | (616) |
| Accretion of Trafigura Loan Facility | (118) | - | (736) | - |
| Finance charge on leases | - | (23) | (20) | (75) |
| | (672) | 491 | (1,121) | 2 |

17. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION

| | Three months ended | | Nine months ended | |
|----------------------|--------------------|------|-------------------|------|
| | September 30, | | September 30, | |
| | 2021 | 2020 | 2021 | 2020 |
| | \$ | \$ | \$ | \$ |
| Directors' fees | 25 | - | 53 | - |
| Management fees | 105 | 105 | 315 | 315 |
| Share-based payments | 280 | 215 | 1,167 | 215 |
| | 410 | 320 | 1,535 | 530 |

At September 30, 2021, directors and officers or their related companies were owed \$53 (December 31, 2020 - \$17) in respect of the services rendered. These are non-interest bearing with standard payment terms. The Company entered into certain mining equipment leases with an interest rate between 6.5% and 10.5% per annum. A total of \$nil lease payments were paid during the three and nine months ended September 30, 2021 (2020 - \$nil and \$nil, respectively) and \$39 of the leases payable outstanding at September 30, 2021 were owed to a company owned by the Executive Chairman of the Company (December 31, 2020 - \$61). During the year ended December 31, 2020, the Company recorded a debt forgiveness of \$412 relating to the lease payments owing on this mining equipment.

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

18. 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 and Veta Grande Project ("Other"), the Zimapan Mine, and exploration and evaluation ("E&E") properties.

Below is a summary of the reported amounts of income or loss, and the carrying amounts of assets and liabilities by operating segment.

SANTACRUZ SILVER MINING LTD.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2021 and 2020

(Expressed in thousands of United States dollars, except where noted) - Unaudited

| Three months ended Sept. 30, 2021 | Other | Zimapan | Corporate | Total | |
|--|----------------|----------------|------------------|------------------|---------------|
| | \$ | \$ | \$ | \$ | |
| Revenues | 182 | 14,419 | - | 14,601 | |
| Production costs | 401 | 10,201 | - | 10,602 | |
| Depletion and amortization | 53 | 290 | - | 343 | |
| Cost of sales | 454 | 10,491 | - | 10,945 | |
| Gross (loss) profit | (272) | 3,928 | - | 3,656 | |
| Operating (loss) profit | (272) | 3,928 | (3,233) | 423 | |
| Finance expense | (20) | (162) | (490) | (672) | |
| Loss on foreign exchange | - | - | (1,719) | (1,719) | |
| Unrealized loss on marketable securities | - | - | (1,836) | (1,836) | |
| (Loss) income before tax | (292) | 3,766 | (7,278) | (3,804) | |
| Three months ended Sept. 30, 2020 | Other | Zimapan | Corporate | Total | |
| | \$ | \$ | \$ | \$ | |
| Revenues | 455 | 8,982 | - | 9,437 | |
| Production costs | 1,160 | 6,760 | - | 7,920 | |
| Depletion and amortization | - | 258 | - | 258 | |
| Cost of sales | 1,160 | 7,018 | - | 8,178 | |
| Gross (loss) profit | (705) | 1,964 | - | 1,259 | |
| Operating (loss) profit | (705) | 1,964 | (1,167) | 92 | |
| Finance income (expense) | (13) | - | 504 | 491 | |
| Loss on foreign exchange | - | - | (705) | (705) | |
| (Loss) income before tax | (718) | 1,964 | (1,368) | (122) | |
| Nine months ended Sept. 30, 2021 | Other | Zimapan | Corporate | Total | |
| | \$ | \$ | \$ | \$ | |
| Revenues | 1,630 | 37,883 | - | 39,513 | |
| Production costs | 2,810 | 26,003 | - | 28,813 | |
| Depletion and amortization | 53 | 970 | - | 1,023 | |
| Cost of sales | 2,863 | 26,973 | - | 29,836 | |
| Gross (loss) profit | (1,233) | 10,910 | - | 9,677 | |
| Operating (loss) profit | (1,233) | 10,910 | (8,773) | 904 | |
| Finance expense | (40) | (269) | (812) | (1,121) | |
| Loss on foreign exchange | - | - | (1,038) | (1,038) | |
| Unrealized gain on marketable securities | - | - | 703 | 703 | |
| (Loss) income before tax | (1,273) | 10,641 | (9,920) | (552) | |
| Nine months ended Sept. 30, 2020 | Other | Zimapan | Corporate | Total | |
| | \$ | \$ | \$ | \$ | |
| Revenues | 2,582 | 20,610 | - | 23,192 | |
| Production costs | 5,048 | 17,178 | - | 22,226 | |
| Depletion and amortization | - | 785 | - | 785 | |
| Cost of sales | 5,048 | 17,963 | - | 23,011 | |
| Gross (loss) profit | (2,466) | 2,647 | - | 181 | |
| Operating (loss) profit | (2,466) | 2,647 | (3,101) | (2,920) | |
| Finance income (expense) | (39) | - | 41 | 2 | |
| Gain on foreign exchange | - | - | 2,096 | 2,096 | |
| (Loss) income before tax | (2,505) | 2,647 | (964) | (822) | |
| At Sept. 30, 2021 | E&E | Other | Zimapan | Corporate | Total |
| | \$ | \$ | \$ | \$ | \$ |
| Current assets | - | 8,420 | 15,371 | 779 | 24,570 |
| Non-current assets | 12,588 | 7,414 | 21,023 | - | 41,025 |
| Total assets | 12,588 | 15,834 | 36,394 | 779 | 65,595 |
| Total liabilities | - | 18,233 | 31,570 | 2,612 | 52,415 |

SANTACRUZ SILVER MINING LTD.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2021 and 2020

(Expressed in thousands of United States dollars, except where noted) - Unaudited

| At Dec. 31, 2020 | E&E | Other | Zimapan | Corporate | Total |
|--------------------|-------|-------|---------|-----------|--------|
| | \$ | \$ | \$ | \$ | \$ |
| Current assets | 2,569 | 1,815 | 8,182 | 3,788 | 16,421 |
| Non-current assets | - | 7,325 | 8,010 | 1,076 | 16,411 |
| Total assets | 2,569 | 9,140 | 16,192 | 4,864 | 32,832 |
| Total liabilities | - | 1,548 | 18,957 | 21,746 | 42,251 |

b) Segment revenue by location and major customers

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

c) Non-current assets by location

All of the Company's non-current assets are located in Mexico.

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The fair values of the Company's financial assets and liabilities approximate their carrying amounts.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

As at September 30, 2021, marketable securities are measured at fair value using Level 1 inputs. The carrying values of cash and cash equivalents, trade and other receivables, and accounts payable and accrued liabilities, approximate their fair values because of their short-term nature.

The fair value of marketable securities is measured based on the quoted market price of the related common shares at each reporting date, and changes in fair value are recognized in net income (loss).

The fair value of the loans payable, leases payable and decommissioning and restoration provision, for disclosure purposes is determined using discounted cash flows based on the expected amounts and timing of the cash flows discounted using a market rate of interest adjusted for appropriate credit risk and inflation factors.

The Company's financial instruments are exposed to certain financial risks. The risk exposures and the impact on the Company's financial instruments are summarized below.

i) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to fulfill its contractual obligations. The Company's credit risk consists primarily of cash and cash equivalents, trade receivables 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 cash equivalents 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 \$131.

SANTACRUZ SILVER MINING LTD.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2021 and 2020

(Expressed in thousands of United States dollars, except where noted) - Unaudited

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 undiscounted cash flow requirements as at September 30, 2021 were as follows:

| | < 1 year | 1 – 2 years | 2 – 5 years | >5 years | Total |
|--|------------------------|------------------------|------------------------|------------------------|---------------|
| | \$ | \$ | \$ | \$ | \$ |
| Accounts payable and accrued liabilities | 32,312 | - | - | - | 32,312 |
| Loans payable | 5,656 | 5,656 | 6,128 | - | 17,440 |
| Leases | 166 | 139 | 121 | - | 426 |
| Total | 38,134 | 5,795 | 6,249 | - | 50,178 |

iv) Foreign exchange 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 \$38 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 \$33.

The Company's financial assets and liabilities as at September 30, 2021 are denominated in Canadian dollars, US dollars, and Mexican pesos as follows:

| | Canadian dollar | US dollar | Mexican peso | Total |
|---|----------------------------|----------------------|-------------------------|-----------------|
| | \$ | \$ | \$ | \$ |
| Financial assets | | | | |
| Cash and cash equivalents | 360 | 1,605 | 590 | 2,555 |
| Marketable securities | 2,747 | - | - | 2,747 |
| Trade receivables | - | 6,403 | - | 6,403 |
| Other receivables | 10 | - | 9,707 | 9,717 |
| | 3,117 | 8,008 | 10,297 | 21,422 |
| Financial liabilities | | | | |
| Accounts payable and accrued liabilities | 322 | 4,113 | 27,877 | 32,312 |
| Loans payable | - | 17,440 | - | 17,440 |
| | 322 | 21,553 | 27,877 | 49,752 |
| Net financial assets (liabilities) | 2,795 | (13,545) | (17,580) | (28,330) |

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.

SANTACRUZ SILVER MINING LTD.

Notes to the Condensed Interim Consolidated Financial Statements
For the three and nine months ended September 30, 2021 and 2020
(Expressed in thousands of United States dollars, except where noted) - Unaudited

20. SUPPLEMENTAL CASH FLOW INFORMATION

During the nine months ended September 30, 2021 and 2020, the following transactions were excluded from the condensed interim consolidated statements of cash flows:

| | 2021 | 2020 |
|--|-------|------|
| | \$ | \$ |
| Warrants issued for share-issuance costs related to private placements (Note 15) | 243 | 3 |
| Shares issued for settlement of debt (Note 15) | 3,701 | - |
| Warrants issued to Trafigura (Note 12) | 3,821 | - |

21. CAPITAL MANAGEMENT

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

Historically, the Company has depended on external financing to fund its activities. The capital structure of the Company currently consists of shareholders' equity, which was of \$13,180 as at September 30, 2021 (December 31, 2020 - \$9,419 (deficit)). The Company manages the capital structure and makes adjustments to it for changes in economic conditions and the risk characteristics of the underlying assets, being mineral properties.

In order to maintain or adjust the capital structure, the Company may issue new shares through equity offerings or sell assets to fund operations. Management reviews its capital management approach on a regular basis. The Company is not subject to externally imposed capital requirements.

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

22. SUBSEQUENT EVENT

On October 13, 2021, the Company entered into a definitive share purchase agreement (the "Agreement") with Glencore plc ("Glencore") whereby Santacruz will acquire a portfolio of Bolivian silver assets from Glencore (the "Glencore Transaction"), including a 45% interest in the producing Bolivar and Porco mining operations held through an unincorporated joint venture with Corporación Minera de Bolivia, a Bolivian state-owned entity, a 100% interest in the Sinchi Wayra business which includes the producing Caballo Blanco mining complex, the Sorocaya project and the San Lucas ore sourcing and trading business and certain related properties and assets (together, the "Assets"). Pursuant to the Agreement, Santacruz will pay initial upfront consideration of \$20,000 (subject to customary working capital adjustments), and an additional deferred consideration of \$90,000 is payable in equal installments of \$22,500 over four years from the closing of the Transaction, subject to certain conditions and adjustments. In addition, Glencore will also be granted a 1.5% net smelter return royalty on the Assets and will have a right to acquire 100% of the offtake from the Assets on market terms to be set forth in definitive agreements to be entered into at closing.

The closing of the Transaction is subject to a number of closing conditions, which include, but are not limited to:

- the entering into of certain definitive agreements with Glencore with respect to the deferred consideration of \$90,000, the 1.5% net smelter return royalty and certain offtake rights in favour of Glencore;
- obtaining approval from the TSX-V; and
- customary closing conditions set forth in the Agreement.

In connection with the Glencore Transaction, the Company has entered into a consulting services agreement with Big Buck Capital, S.C. ("BBC") pursuant to which the Company has agreed to pay to BBC a fee equal to \$1,320, being 1.2% of the Glencore Transaction value (the "Success Fee"). \$320 of the Success Fee will be payable in cash over six months from the signing of the Agreement and \$1,000 will be payable in common shares of the Company upon closing of the Glencore Transaction. The deemed issue price and number of shares to be issued shall be determined based on the market price of the Company's common shares at the time of issuance, subject to TSX-V acceptance.