



Condensed Interim Consolidated Financial Statements

Three and Nine months ended September 30, 2020 and 2019

(Unaudited - expressed in thousands of US dollars)

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

The accompanying unaudited condensed interim consolidated financial statements of the Company and all information contained in the third quarter 2020 report have been prepared by and are the responsibility of the Company's management.

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

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

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

		September 30, 2020	December 31, 2019
	Note	\$	\$
ASSETS			
Current			
Cash and cash equivalents	5	1,335	123
VAT recoverable and receivables	6	6,748	5,909
Inventory	7	967	1,146
Prepaid expenses and deposits		274	354
		9,324	7,532
Other assets			
		506	506
Plant and equipment	8	14,016	14,203
Exploration and evaluation properties	10	2,344	2,344
		26,190	24,585
LIABILITIES			
Current			
Accounts payable and accrued liabilities	11,19	32,086	30,152
Shares to be issued	24	456	-
Loans payable	12	6,696	5,749
Leases	13,19	1,124	2,203
		40,362	38,104
Loans payable	12	-	200
Leases	13,19	43	59
Decommissioning and restoration provision	14	1,368	1,580
Deferred income tax liability		1,499	1,499
		43,272	41,442
SHAREHOLDERS' DEFICIT			
Share capital	15	102,593	101,969
Stock options and warrants reserve	15(c)	10,127	9,736
Contributed surplus		(1,953)	(1,872)
Accumulated other comprehensive loss		(2,079)	(1,806)
Deficit		(125,770)	(124,884)
		(17,082)	(16,857)
		26,190	24,585

Nature of Operations and Going Concern (Note 1)
Subsequent events (Notes 10 and 24)

Approved on behalf of the Board:

“Arturo Préstamo Elizondo”
Director – Arturo Préstamo Elizondo

“Larry Okada”
Director – Larry Okada

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

Santacruz Silver Mining Ltd.
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
For the three and nine months ended September 30, 2020 and 2019
(Unaudited - expressed in thousands of US dollars, except per share amounts)

	Note	Three months ended September 30,		Nine months ended September 30,	
		2020 \$	2019 \$	2020 \$	2019 \$
Revenues					
Mining operations		9,437	11,439	23,192	17,176
Mining services	16	-	293	-	1,971
Total revenues		9,437	11,732	23,192	19,147
Cost of sales					
Mining operations	17	8,178	11,630	23,011	19,308
Total cost of sales		8,178	11,630	23,011	19,308
Gross profit (loss)					
Mining operations		1,259	(191)	181	(2,132)
Mining services		-	293	-	1,971
Total gross profit (loss)		1,259	102	181	(161)
Operating expenses	17	(1,167)	(1,349)	(3,513)	(2,581)
Debt forgiveness		-	-	412	-
Operating profit (loss)		92	(1,247)	(2,920)	(2,742)
Interest earned and other finance income	18	674	273	2,828	228
Interest expense and other finance expenses	18	(888)	(174)	(730)	(1,450)
Loss before income tax		(122)	(1,148)	(822)	(3,964)
Income tax expense		(41)	(284)	(64)	(451)
Loss for the period		(163)	(1,432)	(886)	(4,415)
Other comprehensive income (loss)					
Currency translation differences		190	24	(273)	612
Comprehensive income (loss) for the period		27	(1,408)	(1,159)	(3,803)
Loss attributable to shareholders		(163)	(1,537)	(886)	(4,520)
Non-controlling interest		-	105	-	105
Loss per share – basic and diluted		(0.00)	(0.01)	(0.00)	(0.03)
Weighted average number of common shares outstanding		211,350,814	174,670,984	209,727,195	174,670,984

(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, 2020 and 2019
(Unaudited - expressed in thousands of US dollars)

	2020	,2019
	\$	\$
Cash Provided By (Used In):		
Operations:		
Net loss for the period	(886)	(4,415)
Items not affecting cash:		
Deferred income tax expense	-	266
Accretion of decommissioning provision	39	49
Depletion, depreciation and amortization	785	1,003
Share-based payments	244	240
Interest expense on loans payable	275	251
Carrying and finance charges on loans payable	241	359
Forgiveness of debt	(412)	-
Unrealized foreign exchange	(531)	625
Changes in non-cash working capital:		
VAT recoverable and receivables	(840)	(547)
Prepaid expenses and deposits	80	166
Inventory	179	600
Accounts payable and accrued liabilities	1,193	2,914
	367	1,511
Investing:		
Cash paid on acquisition of Carrizal	-	(500)
Cash acquired on acquisition of Carrizal	-	(129)
Acquisition of equipment	(308)	(197)
Acquisition and development costs on mine properties	-	(1,219)
	(308)	(2,045)
Financing:		
Proceeds from issuance of common shares	553	-
Less: share-issuance costs	(16)	-
Lease payments on plant and equipment	(224)	(251)
Proceeds from exercise of options	123	-
Proceeds from exercise of warrants	27	-
Shares to be issued	456	-
Proceeds from loan payable net of repayments	231	1,627
	1,150	1,376
Net increase in cash	1,209	842
Effect of exchange rate changes on cash	3	(3)
Cash and cash equivalents – beginning of period	123	18
Cash and cash equivalents – end of period	1,335	857
Cash paid during the period for:		
Interest	54	150
Income taxes	-	218
Non-cash Transactions (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 (Deficit)
(Unaudited - expressed in thousands of US dollars)

	Share Capital		Stock Options and Warrants Reserve \$	Contributed Surplus \$	AOCI \$	Deficit \$	Non- controlling interest \$	Total \$
	Number of Shares	Amount \$						
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	-	-	240	-	-	-	-	240
Acquisition of Carrizal Mining	-	-	-	-	-	-	1,444	1,444
Comprehensive income (loss) for the period	-	-	-	-	612	(4,520)	105	(3,803)
Balance, September 30, 2019	174,670,984	98,586	9,579	-	(1,794)	(108,835)	1,549	(915)
Share-based payments	-	-	157	-	-	-	-	157
Acquisition of Carrizal Mining	-	-	-	-	-	-	(70)	(70)
Acquisition of non-controlling interest	30,000,000	3,383	-	(1,872)	-	-	(1,511)	-
Comprehensive income (loss) for the period	-	-	-	-	(12)	(16,049)	32	(16,029)
Balance, December 31, 2019	204,670,984	101,969	9,736	(1,872)	(1,806)	(124,884)	-	(16,857)
Shares issued in private placement	6,117,917	404	149	-	-	-	-	553
Less: share issuance costs	-	(16)	3	-	-	-	-	(13)
Shares issued from exercise of options	994,000	204	(81)	-	-	-	-	123
Shares issued from exercise of warrants	200,000	32	(5)	-	-	-	-	27
Share-based payments	-	-	244	-	-	-	-	244
Comprehensive loss for the period	-	-	-	-	(273)	(886)	-	(1,159)
Balance, September 30, 2020	211,982,901	102,593	10,046	(1,872)	(2,079)	(125,770)	-	(17,082)

(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, 2020 and 2019

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

1. Nature of Operations and Going Concern

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

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 condensed interim consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to meet its obligations and continue its operations for the next twelve months. As at September 30, 2020, the Company had a working capital deficiency of \$31,038 (December 31, 2019 - \$30,572) and an accumulated deficit of \$125,770 (December 31, 2019 - \$124,884). For the nine months ended September 30, 2020 the Company incurred a net loss of \$886 (year ended December 31, 2019 - \$20,432) and a loss from operations of \$2,920 (year ended December 31, 2019 - \$18,524). 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. Subsequent to period end the Company completed a private placement in an aggregate amount of 45,427,463 units (the "Units") for gross proceeds of approximately CDN\$10,000 (US\$7,540) (Note 24).

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 condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting*. These condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2019 which have been prepared in accordance with IFRS as issued by the IASB.

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

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.

These condensed interim consolidated financial statements were approved for issue by the Board of Directors on November 26, 2020.

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

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

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

b) Basis of Measurement

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

c) Basis of Consolidation

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

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

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

d) Consistency of Presentation

The Company retains the presentation and classification of items in the financial statements from the previous period. However, some items in the Operating expenses disclosed in note 17(b) were reclassified in order to improve the presentation of the financial statements. The table below provides a summary of how the previous period presentation was amended accordingly to be consistent with the current presentation:

	Three months ended		Nine months ended	
	September 30, 2019 Reclassified \$	September 30, 2019 Reported \$	September 30, 2019 Reclassified \$	September 30, 2019 Reported \$
Administrative	(84)	(491)	(329)	(892)
Shipping costs	(407)	-	(563)	-
	(491)	(491)	(892)	(892)

e) Accounting Policies

In the preparation of these condensed interim consolidated financial statements, the Company has used the same accounting policies and methods of computation as in the most recent audited annual financial statements for the Company for the year ended December 31, 2019.

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 was 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.

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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

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

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5. Cash and Cash Equivalents

	September 30, 2020	December 31, 2019
	\$	\$
Cash on hand or held with banks	1,327	114
Short-term investments	8	9
Total	1,335	123

6. VAT Recoverable and Receivables

	September 30, 2020	December 31, 2019
	\$	\$
Mexican value added taxes recoverable	3,159	4,005
Canadian GST recoverable	12	4
Trade receivables	2,966	1,243
Other receivables	611	657
Total	6,748	5,909

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

	September 30, 2020	December 31, 2019
	\$	\$
Mineralized material stockpiles	40	27
Concentrate inventory	114	141
Supplies inventory	813	978
Total	967	1,146

Santacruz Silver Mining Ltd.
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8. Plant and Equipment

Cost	Office Furniture and Equipment \$	Building \$	Plant and Equipment \$	Vehicles \$	Computer Hardware \$	Total \$
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
Additions	-	-	598	-	-	598
Balance, September 30, 2020	62	419	21,680	499	263	22,923
Accumulated Depreciation						
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
Depreciation for the year	-	23	726	-	36	785
Balance, September 30, 2020	27	38	8,295	322	225	8,907
Carrying amount at December 31, 2019	35	404	13,513	177	74	14,203
Carrying amount at September 30, 2020	35	381	13,385	177	38	14,016

(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 (Note 9).

Depreciation during the nine months ended September 30, 2020 was \$785 (2019 – \$715).

As at September 30, 2020, the Company's plant and equipment includes a net carrying amount of \$2,715 for leased mining equipment (December 31, 2019 - \$2,911). Depreciation on the leased mining equipment for the three months ended September 30, 2020 was \$191 (2019 - \$74).

9. Mine Properties

	Veta Grande Project \$
Balance, December 31, 2018	6,195
Additions	1,130
Acquisition of Carrizal Mining	1,704
Amortization and depletion	(379)
Impairment	(8,650)
Balance, December 31, 2019 and September 30, 2020	-

Veta Grande Project, Veta Grande, Zacatecas, Mexico

On September 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:

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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 \$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 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, 2019 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, which includes impairment charges against the property and the related plant and equipment, 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”).

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.

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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 September 30, 2020 and December 31, 2019 and the additions during those periods is as follows:

	Balance, December 31, 2018 \$	Additions year ended December 31, 2019 \$	Balance, December 31, 2019 \$	Additions period ended September 30, 2020 \$	Balance, September 30, 2020 \$
Zacatecas Properties, Zacatecas, Zacatecas, Mexico					
<i>Acquisition costs</i>					
Option payments – cash	1,581	-	1,581	-	1,581
Acquisition of Carrizal Mining	-	463	463	-	463
<i>Exploration costs</i>					
Mining claims, taxes and duties	300	-	300	-	300
Total	1,881	463	2,344	-	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 September 30, 2020, all payments have been made and the Company owns these concessions subject to a 1% NSR.

On July 23, 2020 the Company announced that it has entered into an agreement with Zacatecas Silver Corp. (“Zacatecas Silver”), a private Canadian company, for the sale of a 100% interest in the Zacatecas Properties for consideration of \$1,500 and the issuance of 5,000,000 common shares of Zacatecas Silver to the Company. The transaction is subject to approval of the TSX Venture Exchange and the entering into a definitive agreement by the parties.

11. Accounts Payable and Accrued Liabilities

	September 30, 2020 \$	December 31, 2019 \$
Trade payables	26,951	25,391
Accrued liabilities	5,135	4,761
Total	32,086	30,152

Santacruz Silver Mining Ltd.
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12. Loans Payable

	September 30, 2020 \$	December 31, 2019 \$
a) Trafigura credit facility	2,542	1,468
b) MineCo loan	3,002	2,782
c) Banco Base loan 1	690	588
d) Banco Base loan 2	248	400
e) Credit Facility	100	500
f) Swap Facility	114	211
Total loans payable	6,696	5,949
Less: current portion	(6,696)	(5,749)
Non-current portion	-	200

a) Trafigura credit facility

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

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

- the Finance Charges were waived and the \$100 payment made for such has been applied to the principal balance borrowed, reducing the outstanding balance to \$1,400;
- Trafigura agreed to advance an additional \$1,200 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.

	\$
Balance, December 2018	-
Proceeds advanced	1,500
Interest expense and finance charge	116
Repayment	(148)
Balance, December 31, 2019	1,468
Proceeds advanced	1,200
Interest expense and finance charge	155
Finance charges applied to principal balance	(100)
Repayment	(181)
Balance, September 30, 2020	2,542

b) MineCo loan

On March 6, 2018 the Company entered into a loan agreement (the “MineCo Loan”) with a private

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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. In 2020, the Company and MineCo further extended the repayment date to March 31, 2020.

The MineCo Loan is unsecured.

The change in the MineCo Loan payable during the period ended September 30, 2020 and year ended December 31, 2019 is as follows:

	\$
Balance, December 31, 2018	2,497
Transaction costs	(6)
Interest expense	291
Balance, December 31, 2019	2,782
Interest expense	220
Balance, September 30, 2020	3,002

c) Banco Base loan 1

On August 15, 2018, the Company entered into a short-term loan with Banco Base ("Banco Base Loan 1"). Funds may be drawn down under the Banco Base Loan 1 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 drawdown amount the Company may borrow the same amount immediately as a new draw under the Banco Base Loan 1. The Banco Base Loan 1 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 Banco Base Loan 1 balance outstanding at September 30, 2020 of \$690 was repaid in full in October 2020.

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The change in the Banco Base Loan 1 during the period ended September 30, 2020 and year ended December 31, 2019 is as follows:

	\$
Balance, December 31, 2018	350
Proceeds advanced	238
Carrying charges	225
Repayment	(225)
Balance, December 31, 2019	588
Carrying charges	142
Repayment	(40)
Balance, September 30, 2020	690

d) 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 Banco Base Loan 2 balance outstanding at September 30, 2020 of \$248 was repaid in full in October 2020.

The change in the Banco Base Loan 2 during the period ended September 30, 2020 and year ended December 31, 2019 is as follows:

	\$
Balance, December 31, 2018	-
Amount pursuant to Carrizal Mining Acquisition	400
Carrying charges	141
Repayment	(141)
Balance, December 31, 2019	400
Carrying charges	63
Repayment	(215)
Balance, September 30, 2020	248

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e) Credit Facility

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

The change in the Credit Facility payable during the period ended September 30, 2020 and year ended December 31, 2019 is as follows:

	\$
Balance, December 31, 2018	-
Proceeds advanced	600
Carrying charges	44
Repayment	(144)
Balance, December 31, 2019	500
Proceeds advanced	100
Carrying charges	13
Repayment	(513)
Balance, September 30, 2020	100

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.

f) 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 period ended September 30, 2020 and year ended December 31, 2019 is as follows:

	\$
Balance, December 31, 2018	-
Proceeds advanced	211
Carrying charges	2
Repayment	(2)
Balance, December 31, 2019	211
Carrying charges	23
Repayment	(120)
Balance, September 30, 2020	114

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13. Leases

The Company entered into certain mining equipment leases expiring between 2020 and 2022 with interest rates between 6.5% and 10.5% per annum. The Company's obligations under these finance leases are secured by the lessor's title to the leased assets. The terms and the outstanding balances as at September 30, 2020 and December 31, 2019 are as follows:

	September 30, 2020 \$	December 31, 2019 \$
Leased equipment repayable in monthly instalments of \$95 with interest of 6.5% and 10.5% per annum. Due dates between September 30, 2020 and November 1, 2022	1,167	2,262
Less: Current portion	(1,124)	(2,203)
Non-current portion	43	59

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

	September 30, 2020 \$
2020	1,114
2021	31
2022	28
Total minimum lease payments	1,173
Less: imputed interest	(6)
Total present value of minimum lease payments	1,167
Less: Current portion	(1,124)
Non-current portion	43

During the period ended September 30, 2020, the Company recorded a debt forgiveness of \$412 from the lease payments owing on some mining equipment.

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 September 30, 2020 (December 31, 2019 – \$1,334).

The key assumptions on which the provision estimates were based on at September 30, 2020 and December 31, 2019 are as follows:

- Expected timing of the cash flows is based on the estimated useful life of the Rosario Project. The majority of the expenditures are expected to occur in 2022, which is the anticipated closure date.
- The inflation rate used is 4.17% (2019 – 4.17%).
- The discount rate used is 10.75% (2019 – 10.75%).

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

	September 30, 2020 \$	December 31, 2019 \$
Rosario		
Balance, beginning of year	1,231	1,112
Accretion expense	39	68
Foreign exchange	(207)	51
Balance, end of year	1,063	1,231

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 Contracuna Option Agreement (see Note 9).

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

	September 30, 2020 \$	December 31, 2019 \$
Veta Grande		
Balance, beginning of year	349	334
Foreign exchange	(44)	15
Balance, end of year	305	349

15. Share Capital

a) Authorized

Unlimited number of common shares without par value.

b) Share Capital Transactions

During the period ended September 30, 2020:

- During the nine months ended September 30, 2020, the Company issued 200,000 shares from the exercise of warrants for proceeds of \$27 and 994,000 shares from the exercise of options for proceeds of \$123.
- 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.

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).

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c) Stock Options and Warrants Reserve

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

	September 30, 2020	December 31, 2019
	\$	\$
Stock options	5,254	5,091
Warrants	4,792	4,645
	10,046	9,736

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 period ended September 30, 2020 and year ended December 31, 2019 are as follows:

	Number of Stock Options	Weighted Average Exercise Price (CAD\$)
Balance, December 31, 2018	3,000,000	0.15
Granted	8,500,000	0.18
Balance as at December 31, 2019	11,500,000	0.17
Exercised	(994,000)	(0.16)
Balance as at September 30, 2020	10,506,000	0.17

The balance of options outstanding as at September 30, 2020 is as follows:

Expiry Date	Exercise Price CAD\$	Remaining Life (Years)	Options Outstanding	Options Exercisable
February 10, 2021	0.15	0.62	2,500,000	2,500,000
August 6, 2024	0.18	3.19	8,006,000	4,606,000

During the three and nine months ended September 30, 2020, the Company recorded share-based payments expense of \$59 and \$244 (2019 – \$240 and \$240).

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.

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e) Warrants

Details of warrants activity for the period ended September 30, 2020 and year ended December 31, 2019 are as follows:

	Number of Warrants	Weighted Average Exercise Price CAD\$
Balance, December 31, 2018	25,840,000	0.47
Expired	(18,965,000)	-
Modification	500,000	0.16
Balance, December 31, 2019	7,375,000	0.24
Expired	(7,375,000)	-
Granted – private placement	6,117,917	0.18
Granted – finders' warrants	120,000	0.18
Exercised	(200,000)	0.18
Balance, September 30, 2020	6,037,917	0.18

The balance of warrants outstanding as at September 30, 2020 is as follows:

Expiry Date	Exercise Price CDN\$	Remaining Life (Years)	Warrants Outstanding
February 25, 2021	0.18	0.41	6,037,917
	0.18	0.41	6,037,917

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 – 1.37%; expected life – 1 year; expected volatility – 89.48%; and expected dividends – nil.

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, that at the time was a related party through common management, whereby the Company would 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 mining services revenue for the Company prior to the completion of the Carrizal Mining acquisition.

Once Carrizal Mining was acquired (Note 4) any sales related to this agreement are eliminated upon consolidation.

17. Operating Costs by Nature

a) Cost of sales

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
	\$	\$	\$	\$
Mining operations – Direct production costs	7,920	11,090	22,226	18,309
Mining operations - Depletion and amortization	258	540	785	999
	8,178	11,630	23,011	19,308

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b) Operating expenses

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
	\$	\$	\$	\$
Administrative	101	407	601	563
Depreciation	-	2	-	4
Management and consulting fees	235	136	332	336
Other	-	(11)	59	64
Professional fees	85	343	484	811
Salaries and benefits	119	114	419	174
Share-based payments	59	240	244	240
Shareholder communications	11	6	15	13
Shipping costs	553	84	1,336	329
Transfer agent and filing fees	2	4	15	16
Travel	2	24	8	31
	1,167	1,349	3,513	2,581

18. a) Interest Earned and Other Finance Income

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
	\$	\$	\$	\$
Interest earned and other	37	68	37	68
IVA inflationary gain	637	160	695	160
Foreign exchange gain	-	45	2,096	-
	674	273	2,828	228

b) Interest Expense and Other Finance Expenses

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
	\$	\$	\$	\$
Accretion of decommissioning and restoration provision	(13)	(21)	(39)	(49)
Foreign exchange loss	(705)	-	-	(861)
Carrying and finance charge on loan payable	(7)	(61)	(241)	(259)
Interest expense	-	-	-	(1)
Interest expense on loan payable	(140)	(82)	(375)	(251)
Finance charge on leases	(23)	(10)	(75)	(29)
	(888)	(174)	(730)	(1,450)

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19. Related Party Transactions

During the three and nine months ended September 30, 2020 and 2019, the Company incurred the following charges by directors and officers of the Company and by companies controlled by directors and officers of the Company:

	Three months ended		Nine months ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
	\$	\$	\$	\$
Mining Services				
Revenues	-	293	-	1,971
Cost of sales	-	-	-	-
	-	293	-	1,971
Expenses				
Directors' fees	-	17	-	51
Management fees	105	123	315	303
Share-based payments	52	212	215	212

At September 30, 2020, directors and officers or their related companies were owed \$289 (December 31, 2019 – \$332) in respect of the services rendered. These are non-interest bearing with standard payment terms.

The Company entered into certain mining equipment leases expiring in 2020 with an interest rate between 6.5% and 10.5% per annum. \$nil of lease payments were paid during the nine months ended September 30, 2020 (2019 - \$nil) and \$368 of the leases payable outstanding at September 30, 2020 were owed to a company owned by the Chairman of the Company (December 31, 2019 - \$1,261). During the period ended September 30, 2020, the Company recorded a debt forgiveness of \$412 from the lease payments owing on this mining equipment.

Prior to completing the acquisition of Carrizal Mining (Note 4), the Company and Carrizal Mining were related parties by virtue of having certain common directors. Accordingly, transactions arising between the parties under the Mine Services Agreement (Note 16) as well as the Carrizal Mining LOI (Note 9) were reported in 2019 as related party transactions.

Once Carrizal Mining was acquired (Note 4) any transactions between the parties 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.

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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 nine months ended September 30, 2020, the following transaction was excluded from the consolidated statements of cash flows:

- 120,000 warrants issued with a fair value of \$3 for share-issuance costs related to the private placement.
- Acquisition of equipment expenditures of \$290 included in accounts payable.

During the three months ended September 30, 2019, the following transactions were 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 \$4,137 included in accounts payable and accrued liabilities at September 30, 2019, less mineral property exploration expenditures included in accounts payable and accrued liabilities at December 31, 2018 of \$4,375 (net inclusion of \$238);

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, Zimapan Mine, Mine Services, and exploration and evaluation properties.

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

Three months ended	Exploration and					Total
September 30, 2020	Rosario	Veta Grande	Zimapan	evaluation	Corporate	
	Project	Project	Mine	properties	and other	\$
	\$	\$	\$	\$	\$	\$
Revenues	642	(187)	8,982	-	-	9,437
Production costs	(1,010)	(150)	(6,760)	-	-	(7,920)
Depletion and amortization	-	-	(258)	-	-	(258)
Cost of sales	(1,010)	(150)	(7,018)	-	-	(8,178)
Gross profit (loss)	(368)	(337)	1,964	-	-	1,259
Operating profit (loss)	(368)	(337)	1,964	-	(1,167)	92
Income (loss) before tax	(368)	(337)	1,964	-	(1,381)	(122)
Interest earned and other finance income	-	-	-	-	674	674
Interest expense and other finance expenses	(13)	-	-	-	(875)	(888)
Income tax expense	-	-	-	-	(41)	(41)

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Three months ended September 30, 2019	Rosario Project \$	Veta Grande Project \$	Zimapan Mine \$	Exploratio n and evaluation properties \$	Mine Services \$	Corporate and other \$	Total \$
Revenues	1,101	1,850	8,488	-	293	-	11,732
Production costs	(1,773)	(2,096)	(7,221)	-	-	-	(11,090)
Depletion and amortization	-	(265)	(275)	-	-	-	(540)
Cost of sales	(1,773)	(2,361)	(7,496)	-	-	-	(11,630)
Gross (loss) profit	(672)	(511)	992	-	293	-	102
Operating (loss) profit	(672)	(511)	992	-	293	(1,349)	(1,247)
(Loss) income before tax	(672)	(511)	992	-	293	(1,250)	(1,148)
Interest earned and other finance income	-	-	-	-	-	228	228
Interest expense and other finance expenses	(21)	-	-	-	-	(108)	(129)
Income tax expense	-	-	-	-	-	(284)	(284)

Nine months ended September 30, 2020	Rosario Project \$	Veta Grande Project \$	Zimapan Mine \$	Exploration and evaluation properties \$	Corporate and other \$	Total \$
Revenues	1,684	898	20,610	-	-	23,192
Production costs	(3,129)	(1,919)	(17,178)	-	-	(22,226)
Depletion and amortization	-	-	(785)	-	-	(785)
Cost of sales	(3,129)	(1,919)	(17,963)	-	-	(23,011)
Gross (loss) profit	(1,445)	(1,021)	2,647	-	-	181
Operating (loss) profit	(1,445)	(1,021)	2,647	-	(3,101)	(2,920)
(Loss) income before tax	(1,445)	(1,021)	2,647	-	(1,003)	(822)
Interest earned and other finance income	-	-	-	-	2,162	2,162
Interest expense and other finance expense	(39)	-	-	-	(691)	(730)
Income tax expense	-	-	-	-	(64)	(64)

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Nine months ended September 30, 2019	Rosario Project \$	Veta Grande Project \$	Zimapan Mine \$	Exploration and evaluation properties \$	Mine Services \$	Corporate and other \$	Total \$
Revenues	3,440	5,248	8,488	-	1,971	-	19,147
Production costs	(4,386)	(6,702)	(7,221)	-	-	-	(18,309)
Depletion and amortization	-	(724)	(275)	-	-	-	(999)
Cost of sales	(4,386)	(7,426)	(7,496)	-	-	-	(19,308)
Gross (loss) profit	(946)	(2,178)	992	-	1,971	-	(161)
Operating (loss) profit	(946)	(2,178)	992	-	1,971	(2,581)	(2,742)
(Loss) income before tax	(946)	(2,178)	992	-	1,971	(3,803)	(3,964)
Interest earned and other finance income	-	-	-	-	-	228	228
Interest expense and other finance expenses	(49)	-	-	-	-	(1,401)	(1,450)
Income tax expense	-	-	-	-	-	(451)	(451)

September 30, 2020	Rosario Mine \$	Veta Grande Mine \$	Zimapan Mine \$	Exploration and evaluation properties \$	Corporate and other \$	Total \$
Total assets	5,860	1,579	13,710	2,344	2,697	26,190
Current assets	615	171	5,918	-	2,620	9,324
Non-current assets	5,245	1,408	7,792	2,344	77	16,866
Total liabilities	(1,368)	-	(14,309)	-	(27,595)	(43,272)

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)

b) Segment Revenue by Location and Major Customers

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

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

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c) Non-current Assets by Location

	September 30, 2020	December 31, 2019
	\$	\$
Canada	-	-
Mexico	16,866	17,053
Total	16,866	17,053

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 \$79.

(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

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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 September 30, 2020 were as follows:

	< 1 year \$	1 – 2 years \$	2 – 5 years \$	>5 years \$	Total \$
Accounts payable and accrued liabilities	32,086	-	-	-	32,086
Loan payable	6,696	-	-	-	6,696
Leases	1,124	23	20	-	1,167
Total	39,906	23	20	-	39,949

(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 \$11 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 \$6.

The Company's financial assets and liabilities as at September 30, 2020 are denominated in Canadian dollars, US dollars, and Mexican pesos as follows:

	Canadian dollar \$	US dollar \$	Mexican peso \$	Total \$
Financial assets				
Cash	466	81	788	1,335
Trade receivables	-	2,966	-	2,966
Other receivables	12	-	3,770	3,782
	478	3,047	4,558	8,083
Financial liabilities				
Accounts payable and accrued liabilities	660	7,242	24,184	32,086
Loans payable	-	6,696	-	6,696
	660	13,938	24,184	38,782
Net financial liabilities	(182)	(10,891)	(19,626)	(30,699)

(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.

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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 \$17,082 as at September 30, 2020 (December 31, 2019 – \$16,857). 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. Subsequent Events

Zimapan Mine Acquisition Agreement

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

The Zimapan Mine is currently under lease by Carrizal from Minera Cedros expiring December 31, 2020. Assets to be acquired pursuant to the Transaction include:

Zimapan mill facility (the "Zimapan Mill") which is a 75,000 dry metric tonnes (DMT) per month facility with zinc, lead and copper circuits. Over the past five years the Zimapan Mill has produced an annual average of 12,400 tonnes of zinc, 3,300 tonnes of lead, 1,850 tonnes of copper and 1,290,000 ounces of silver from an average annual throughput of 700,000 tonnes of mineralized material generating an average of 4,681,000 ounces silver equivalent* (source: Carrizal mine production records). Surface and underground infrastructure including electrical and other necessary infrastructure to carry on day to day operations. 34 mining concessions covering an area of 5,139 hectares. The mining concessions are located seven kilometers from the municipality of Zimapan. To date, Carrizal has identified 14 mineral zones that are characterized as polymetallic replacement mineralization of Pliocene age. Within the mineral zones, silver, lead, zinc and copper minerals have preferentially replaced the carbonate host rocks and pre-existing skarn bodies to produce disseminated, semi-massive sulphide and massive sulphide bodies that occur in proximity to monzonitic intrusions and quartz-feldspar porphyry dikes.

Pursuant to the Term Sheet, if the parties have not executed definitive agreements relating to the Transaction, and completed the Transaction, on or before December 15, 2020 (the "Closing Deadline"), the party responsible for such lack of performance must pay the other party a break fee in the amount of 20% of the Purchase Price, subject to the extension provisions described below. Accordingly, if the Company is unable to secure funding of the entire Purchase Price or is otherwise unable to complete the Transaction by the Closing Deadline or such later deadline as may result from one or more extensions granted by Minera Cedros (as described below), then Carrizal will be required to pay a break fee equal to 20% of the Purchase Price to Minera Cedros.

If Carrizal pays all outstanding royalties owing to Minera Cedros in connection with the existing lease of the Zimapan Mine, currently amounting to approximately \$1,050, on or before October 31, 2020 and subject to Carrizal maintaining a guaranty through a bank letter of credit or similar instrument in favor

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of Minera Cedros in the amount of \$1,000 with an expiry date of February 15, 2021 or later, then Carrizal has the right to request an extension of the Closing Deadline to January 31, 2021 and can thereafter further request an extension of the Closing Deadline to March 31, 2021 if such guaranty is increased to \$2,000 and the Purchase Price is increased by 10% after December 15, 2020.

Private placement

On October 7, 2020 and October 15, 2020, the Company completed a private placement in two tranches in aggregate amount of 45,427,463 units (the "Units") for gross proceeds of approximately CDN\$10,000 (US\$7,540). As at September 30, 2020, the Company had received \$456 in subscriptions related to the private placement.

Each Unit consists of one common share of the Company and one non-transferable common share purchase warrant (a "Warrant"). Each Warrant entitles the holder to acquire one common share of the Company at a price of C\$0.30 per share for a period of 36 months following the issue of the Warrant.

In consideration for their services in connection with the the private placement, the Company paid to certain finders cash finders' fees totaling \$499,708.75, issued 2,544,130 broker warrants having the same terms as the Warrants and issued 204,000 finder units having the same terms as the Units.

Exercise of options and warrants

Subsequent to period end, 1,492,300 options were exercised for total proceeds of \$226,614 and 200,000 warrants were exercised for total proceeds of \$36,000.