



Condensed Interim Consolidated Financial Statements

Three and Six Months Ended June 30, 2019 and 2018

(Unaudited - expressed in thousands of US dollars)

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

The accompanying unaudited condensed interim consolidated financial statements of the Company and all information contained in the second quarter 2019 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)

	Note	June 30, 2019 \$	December 31, 2018 \$
ASSETS			
Current			
Cash and cash equivalents	3	114	18
VAT recoverable and receivables	4	4,519	3,243
Inventory	5	696	736
Prepaid expenses and deposits		216	394
		5,545	4,391
Restricted cash	22	500	-
Plant and equipment	6	10,285	10,552
Mine properties	7	6,828	6,195
Exploration and evaluation properties	8	1,881	1,881
		25,039	23,019
LIABILITIES			
Current			
Accounts payable and accrued liabilities	9	16,316	13,770
Loans payable	10	4,937	765
Leases	11	1,742	1,668
		22,995	16,203
Loans payable	10	-	2,497
Leases	11	-	115
Decommissioning and restoration provision	12	1,513	1,446
Deferred income tax liability		1,722	1,560
		26,230	21,821
SHAREHOLDERS' (DEFICIT) EQUITY			
Share capital	13	98,586	98,586
Stock options and warrants reserve	13(c)	9,339	9,333
Accumulated other comprehensive loss		(1,818)	(2,406)
Deficit		(107,298)	(104,315)
		(1,191)	1,198
		25,039	23,019

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

Approved on behalf of the Board:

"Arturo Préstamo Elizondo"
 Director – Arturo Préstamo Elizondo

"Larry Okada"
 Director – Larry Okada

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

Santacruz Silver Mining Ltd.
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
For the three and six months ended June 30, 2019 and 2018
(Unaudited - expressed in thousands of US dollars, except per share amounts)

		Three months ended		Six months ended	
		June 30,		June 30,	
	Note	2019	2018	2019	2018
		\$	\$	\$	\$
Revenues					
Mining operations		3,247	1,466	5,737	2,219
Mining services	14	888	3,569	1,678	5,982
Total revenues		4,135	5,035	7,415	8,201
Cost of sales					
Mining operations	15	3,884	3,631	7,678	6,513
Mining services	14,15	-	117	-	518
Total cost of sales		3,884	3,748	7,678	7,031
Gross profit (loss)					
Mining operations		(637)	(2,165)	(1,941)	(4,294)
Mining services		888	3,452	1,678	5,464
Total gross profit (loss)		251	1,287	(263)	1,170
Operating expenses	15	(605)	(290)	(1,232)	(784)
Debt forgiveness		-	2,590	-	2,590
Operating (loss) profit		(354)	3,587	(1,495)	2,976
Interest earned and other finance income	16	-	13	-	187
Interest expense and other finance expenses	16	(701)	(202)	(1,321)	(482)
(Loss) income before income tax		(1,055)	3,398	(2,816)	2,681
Income tax expense		(82)	(101)	(167)	(190)
(Loss) income for the period		(1,137)	3,297	(2,983)	2,491
Other comprehensive income (loss)					
Currency translation differences		285	(281)	588	(715)
Comprehensive (loss) income for the period		(852)	3,016	(2,395)	1,776
(Loss) earnings per share – basic and diluted		(0.01)	0.02	(0.02)	0.01
Weighted average number of common shares outstanding		174,670,984	174,420,984	174,670,984	174,420,984

(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 six months ended June 30, 2019 and 2018
(Unaudited - expressed in thousands of US dollars)

	2019	2018
Cash Provided By (Used In):	\$	\$
Operations:		
Net (loss) income for the period	(2,983)	2,491
Items not affecting cash:		
Deferred income tax expense	163	157
Accretion of decommissioning provision	28	17
Depletion, depreciation and amortization	461	697
Debt forgiveness	-	(2,590)
Interest expense on loans payable	169	124
Carrying and finance charges on loans payable	198	333
Unrealized foreign exchange	744	(413)
Changes in non-cash working capital:		
Restricted cash	(500)	-
VAT recoverable and receivables	(1,276)	(421)
Prepaid expenses and deposits	178	(216)
Inventory	41	(760)
Accounts payable and accrued liabilities	2,269	1,594
	(508)	1,013
Investing:		
Payments on exploration and evaluation properties	-	(553)
Acquisition of equipment	(18)	(248)
Acquisition and development costs on mine properties	(641)	(115)
Lease payments on plant and equipment	(51)	(394)
	(710)	(1,310)
Financing:		
Proceeds from loan payable net of repayments	1,314	1,921
	1,314	1,921
Net increase in cash	96	1,624
Effect of exchange rate changes on cash	-	13
Cash and cash equivalents – beginning of period	18	35
Cash and cash equivalents – end of period	114	1,672
Cash paid during the period for:		
Interest	108	67
Income taxes	-	-
Non-cash Transactions (Note 18)		

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

Santacruz Silver Mining Ltd.
Condensed Interim Consolidated Statements of Changes in Shareholders' Equity (Deficit)
(Unaudited - expressed in thousands of US dollars)

	Share Capital		Stock Options and Warrants Reserve \$	AOCI \$	Deficit \$	Total \$
	Number of Shares	Amount \$				
Balance, December 31, 2017	174,420,984	98,570	9,267	(1,152)	(99,678)	7,007
Issued pursuant to short-term loan	-	-	66	-	-	66
Comprehensive (loss) income for the period	-	-	-	(715)	2,491	1,776
Balance, June 30, 2018	174,420,984	98,570	9,333	(1,867)	(97,187)	8,849
Issued pursuant to professional services	250,000	16	-	-	-	16
Comprehensive loss for the period	-	-	-	(539)	(7,128)	(7,667)
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
Comprehensive income (loss) for the period	-	-	-	588	(2,983)	(2,395)
Balance, June 30, 2019	174,670,984	98,586	9,339	(1,818)	(107,298)	(1,191)

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

Santacruz Silver Mining Ltd.
Notes to the Condensed Interim Consolidated Financial Statements
For the three and six months ended June 30, 2019 and 2018

(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, lead and zinc. The Company has acquired, or has options to acquire, 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, México.
- Zacatecas Properties in Zacatecas, Zacatecas, Mexico.

These condensed interim consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to meet its obligations and continue its operations for the next twelve months. At June 30, 2019, the Company had a working capital deficiency of \$17,450 (December 31, 2018 - \$11,812), a loss for the period of \$2,983 (year ended December 31, 2018 - \$4,637), negative operating cash flows before changes in working capital items of \$1,220 (year ended December 31, 2018 - \$4,224) and had an accumulated deficit of \$107,298 (December 31, 2018 - \$104,315). These factors indicate the existence of a material uncertainty that cast significant doubt upon the Company's ability to continue as a going concern. As a result, the Company may be unable to realize its assets and discharge its liabilities in the normal course of business. The Company's ability to continue as a going concern is dependent upon its ability to generate positive cash flows from operations, and/or raise adequate funding through equity or debt financing to discharge its liabilities as they come due. The Company has a capital management process in place to safeguard the Company's ability to continue as a going concern. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company.

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

2. Basis of Presentation

a) Statement of Compliance and Functional Currency

These 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, 2018 which have been prepared in accordance with IFRS as issued by the IASB.

Santacruz Silver Mining Ltd.
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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.

These condensed interim consolidated financial statements were approved for issue by the Board of Directors on August 27, 2019.

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 and Holdings is the Canadian dollar. The functional currency of IMSC is the US dollar. The functional currency of OMA 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. (“Holdings”), Impulsora Minera Santacruz, S.A. de C.V. (“IMSC”), and Operadora Minera Anacore, S.A. De C.V. (“OMA”).

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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d) 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, 2018, except as outlined below:

The Company adopted all of the requirements of IFRS 16 *Leases* as of January 1, 2019. IFRS 16 replaces IAS 17 *Leases* ("IAS 17"). IFRS 16 provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The Company has adopted IFRS 16 using the modified retrospective application method, where the 2018 comparatives are not restated and a cumulative catch up adjustment is recorded on January 1, 2019 for any differences identified, including adjustments to opening retained earnings balance.

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

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

Leases

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

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

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

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3. Cash and Cash Equivalents

	June 30, 2019	December 31, 2018
	\$	\$
Cash on hand or held with banks	105	10
Short-term investments	9	8
Total	114	18

4. VAT Recoverable and Receivables

	June 30, 2019	December 31, 2018
	\$	\$
Mexican value added taxes recoverable	2,857	2,958
Canadian GST recoverable	10	2
Trade receivables	1,584	218
Other receivables	68	65
Total	4,519	3,243
Non-current portion of Mexican value added taxes recoverable	-	-
	4,519	3,243

The Company expects full recovery of the value added taxes recoverable and trade receivables amounts outstanding and therefore, no allowance has been recorded against these receivables.

5. Inventory

	June 30, 2019	December 31, 2018
	\$	\$
Ore stockpiles	164	84
Concentrate inventory	48	57
Supplies inventory	484	595
Total	696	736

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6. Plant and Equipment

Cost	Office Furniture and Equipment \$	Plant and Equipment \$	Vehicles \$	Computer Hardware \$	Total \$
Balance, December 31, 2017	60	18,157	381	184	18,782
Additions	-	204	65	9	278
Disposals	-	(650)	(14)	-	(664)
Impairment ¹	-	(484)	-	-	(484)
Balance, December 31, 2018	60	17,227	432	193	17,912
Additions	-	18	-	-	18
Balance, June 30, 2019	60	17,245	432	193	17,930
Accumulated Depreciation					
Balance, December 31, 2017	21	5,613	280	145	6,059
Depreciation for the year	4	1,524	30	15	1,573
Disposals	-	(260)	(12)	-	(272)
Balance, December 31, 2018	25	6,877	298	160	7,360
Depreciation for the period	1	271	11	2	285
Balance, June 30, 2019	26	7,148	309	162	7,645
Carrying amount at December 31, 2018	35	10,350	134	33	10,552
Carrying amount at June 30, 2019	34	10,097	123	31	10,285

(1) The impairment relates to the impairment charge recorded on the Rosario CGU during 2018 of \$1,486. An impairment charge of \$484 was taken on plant and equipment, with the remaining \$1,002 impairment taken on the Rosario Project (Note 7).

Depreciation during the six months ended June 30, 2019 was \$285 (2018 – \$318).

As at June 30, 2019, the Company's plant and equipment includes a net carrying amount of \$1,536 for leased mining equipment (December 31, 2018 - \$1,610).

7. Mine Properties

	Rosario Project \$	Veta Grande Project \$	Total \$
Balance, December 31, 2017	315	5,432	5,747
Additions	750	1,125	1,875
Amortization and depletion	(63)	(362)	(425)
Impairment	(1,002)	-	(1,002)
Balance, December 31, 2018	-	6,195	6,195
Additions	69	740	809
Amortization and depletion	-	(176)	(176)
Balance, June 30, 2019	69	6,759	6,828

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

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

Rey David, Charcas, San Luis Potosi, Mexico

As at June 30, 2019, the Company has made total payments of \$2,000 and acquired a 100% interest in the Rey David property located in the municipality of Charcas, San Luis Potosi, Mexico. The property is subject to a 0.4% Net Smelter Return (“NSR”). The NSR increases by 0.1% per year, until it reaches a maximum of 1%. The payments were due to start on December 31, 2015, but have been deferred for the time being and are being accrued for by the Company.

\$Nil (2018 - \$608 of the \$750) in additions to the Rosario Project above related to the change in ARO estimate during the six months ended June 30, 2019 (Note 12).

San Rafael, Charcas, San Luis Potosi, Mexico

As at June 30, 2019, the Company has made total payments of \$220 and acquired a 100% interest in the San Rafael property, located in the municipality of Charcas, San Luis Potosi, Mexico. The vendor retains a 2.5% NSR. The Company has agreed to pay the vendor an annual fee of \$40 (2018 fee – paid). The Company also has an obligation to pay the local indigenous community 300,000 Mexican pesos (\$17) per year for surface access on the San Rafael concessions.

Cinco Estrellas, Charcas, San Luis Potosi, Mexico

Pursuant to an option agreement dated September 7, 2016, the Company has made total payments of \$130 and acquired a 100% interest in the Cinco Estrellas property located in Charcas, San Luis Potosi, Mexico. The property is subject to a 2.5% NSR.

\$Nil in additions to the Rosario Project above related to the development of the Cinco Estrellas property during the six months ended June 30, 2019 and the year ended December 31, 2018.

Membrillo, Charcas, San Luis Potosi, Mexico

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

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

As consideration for being granted the Exclusive Mining Right, the Company agreed to pay the vendor an annual fee of \$60 (2018 fee – paid), plus has granted to them a 2.5% NSR on any mineralized material from the Membrillo Prospect that is mined and milled or otherwise treated for the eventual sale of the contained metal.

\$69 additions to the Rosario Project above related to the development of the Membrillo Prospect during the six months ended June 30, 2019 (\$142 of the \$750 in additions during 2018).

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2018 Impairment

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

Although management believes the estimates applied in this impairment assessment are reasonable, such estimates are subject to significant uncertainties and judgments. The Company recorded an impairment charge of \$1,486 before tax against the carrying value of the Rosario Project during the year ended December 31, 2018, with an impairment charge of \$484 taken on plant and equipment, and the remaining \$1,002 impairment taken on the Rosario Project.

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

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

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

1. \$500 on December 13, 2017 (paid);
2. \$750 on or before December 13, 2018 (\$224 paid);
3. \$3,000 on or before December 2, 2019;
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;

Contracuña has agreed to extend the date for payment of the balance of the December 13, 2018 option payment (\$526) to September 15, 2019.

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

Carrizal LOI

On November 30, 2017 the Company entered into a binding Letter of Intent (the "Carrizal LOI") wherein the Company granted Carrizal Mining, S.A. de C.V. ("Carrizal"), a private Mexican mining company, 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

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Agreement, as well as the Zacatecas Properties the Company acquired from Golden Minerals (collectively “the Properties”).

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

8. Exploration and Evaluation Properties

The Company is actively investigating, evaluating and conducting exploration activities on projects in Mexico. A summary of accumulated costs on its exploration and evaluation properties as of June 30, 2019 and December 31, 2018 and the additions during those periods is as follows:

	Balance, December 31, 2017 \$	Additions year ended December 31, 2018 \$	Balance, December 31, 2018 \$	Additions period ended June 30, 2019 \$	Balance, June 30, 2019 \$
Zacatecas Properties, Zacatecas, Zacatecas, Mexico					
<i>Acquisition costs</i>					
Option payments – cash	835	746	1,581	-	1,581
<i>Exploration costs</i>					
Mining claims, taxes and duties	162	138	300	-	300
Total	997	884	1,881	-	1,881

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 June 30, 2019, all payments have been made and the Company owns these concessions outright subject to a 1% NSR.

9. Accounts Payable and Accrued Liabilities

	June 30, 2019 \$	December 31, 2018 \$
Trade payables	12,966	11,835
Accrued liabilities	3,350	1,935
Total	16,316	13,770

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10. Loans Payable

	June 30, 2019 \$	December 31, 2018 \$
a) Trafigura credit facility	1,600	-
b) Trafigura loan	89	415
c) MineCo loan	2,642	2,497
d) Banco Base loan	606	350
Total loans payable	4,937	3,262
Less: current portion	(4,937)	(765)
Non-current portion	-	2,497

a) Trafigura credit facility

	\$
Balance, December 31, 2017 and 2018	-
Proceeds advanced	1,500
Finance charge	100
Balance, June 30, 2019	1,600

On July 11, 2019, the Company entered into a short-term credit facility (the "Credit Facility") with Trafigura Mexico, S.A. de C.V. ("Trafigura") in the amount of \$1,500. The funds were advanced to the Company on May 31, 2019 and June 19, 2019. The principal is to be repaid on October 11, 2019. As part of the terms of the Credit Facility, the Company is obligated to pay \$100,000 in finance charges related to the structuring of the loan on October 11, 2019. The loan is secured on certain mine equipment of the Company.

b) Trafigura loan

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

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The change in the Loan payable during the periods ended June 30, 2019 and December 31, 2018 is as follows:

	\$
Balance, December 31, 2017	731
Proceeds advanced	580
Transaction costs	(14)
Repayment	(1,005)
Interest expense	123
Balance, December 31, 2018	415
Repayment	(344)
Interest expense	18
Balance, June 30, 2019	89

c) MineCo loan

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

On October 2, 2018, the Company and MineCo agreed to further extend the repayment date of the MineCo Loan to January 30, 2020. The MineCo Loan is unsecured.

The change in the MineCo Loan payable during the periods ended June 30, 2019 and December 31, 2018 is as follows:

	\$
Balance, December 31, 2017	-
Proceeds advanced	2,300
Transaction costs	(66)
Interest expense	263
Balance, December 31, 2018	2,497
Transaction costs	(6)
Interest expense	151
Balance, June 30, 2019	2,642

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d) Banco Base loan

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

Funds drawn down must be repaid within a maximum of 15 business days following the drawdown date. Funds drawn down in US dollars must be repaid in Mexican pesos and vice-versa. Drawdown amounts are limited to a maximum of \$600 or the equivalent amount in Mexican pesos. The Company repays the loan in full within a maximum of 15 business days, and upon repayment of any particular draw down amount the Company may borrow the same amount immediately as a new draw under the Banco Base Loan. The Banco Base Loan is unsecured and the imputed carrying charges that are tied to the spread between the US dollar and Mexican peso foreign exchange rates were approximately 31% per annum.

	\$
Balance, December 31, 2017	-
Proceeds advanced	350
Carrying charges	14
Repayment	(14)
Balance, December 31, 2018	350
Proceeds advanced	256
Carrying charges	98
Repayment	(98)
Balance, June 30, 2019	606

11. Leases

The Company entered into certain mining equipment leases expiring between 2018 and 2020 with interest rates between 6.5% and 10.5% per annum. The Company's obligations under these finance leases are secured by the lessor's title to the leased assets. The terms and the outstanding balances as at June 30, 2019 and December 31, 2018 are as follows:

	June 30, 2019 \$	December 31, 2018 \$
Leased equipment repayable in monthly instalments of \$95 with interest of 6.5% and 10.5% per annum. Due dates between April 2019 and March 2020.	1,742	1,783
Less: Current portion	(1,742)	(1,668)
Non-current portion	-	115

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

	June 30, 2019 \$
2019	1,626
2020	116
Total minimum lease payments	1,742
Less: imputed interest	-
Total present value of minimum lease payments	1,742
Less: Current portion	(1,742)
Non-current portion	-

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12. 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 June 30, 2019 (December 31, 2018 – \$1,334).

The key assumptions on which the provision estimates were based on at June 30, 2019 and December 31, 2018 are:

- Expected timing of the cash flows is based on the estimated useful life of the Rosario Project. The majority of the expenditures are expected to occur in 2022, which is the anticipated closure date.
- The inflation rate used is 4.23% (2018 – 4.23%).
- The discount rate used is 10.75% (2018 – 10.75%).

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

	June 30, 2019	December 31, 2018
	\$	\$
Rosario		
Balance, beginning of period	1,112	486
Accretion expense	28	34
Change in estimate	-	608
Foreign exchange	24	(16)
Balance, end of period	1,164	1,112

b) Veta Grande Project

The decommissioning and restoration provision at the Veta Grande Project is determined to be the amount that the Company would be liable for according to the Amended Contracuaña Agreement (see note 7(b)).

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

	June 30, 2019	December 31, 2018
	\$	\$
Veta Grande		
Balance, beginning of period	334	-
Change in estimate	-	334
Foreign exchange	15	-
Balance, end of period	349	334

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13. Share Capital

a) Authorized

Unlimited number of common shares without par value.

b) Share Capital Transactions

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

c) Stock Options and Warrants Reserve

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

	June 30, 2019 \$	December 31, 2018 \$
Stock options	4,695	4,695
Warrants	4,644	4,638
	9,339	9,333

d) Stock Options

The Company established a stock option plan (the "Plan") for the benefit of full-time and part-time employees, officers, directors and consultants of the Company and its affiliates. The maximum number of shares available under the Plan is limited to 10% of the issued common shares. Options granted under the Plan have a maximum term of ten years and the vesting provisions of options granted are at the discretion of the Board.

Details of options activity for the periods ended June 30, 2019 and December 31, 2018 are as follows:

	Number of Stock Options	Weighted Average Exercise Price (CDN\$)	Weighted Average Remaining Contractual Life (Years)
Balance, December 31, 2017	3,900,000	0.15	3.12
Forfeited	(900,000)	0.15	-
Balance, December 31, 2018	3,000,000	0.15	2.12
Balance and Exercisable, June 30, 2019	3,000,000	0.15	1.62

The balance of options outstanding as at June 30, 2019 is as follows:

	Exercise Price CDN\$	Remaining Life (Years)	Options Outstanding
Expiry Date			
February 10, 2021	0.15	1.62	3,000,000

During the six months ended June 30, 2019, the Company recorded share-based payments expense of \$nil (2018 –\$nil).

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Subsequent to period end, the Company granted 8,500,000 stock options to its directors, officers, employees, consultants and advisors (Note 22).

e) Warrants

Details of warrants activity for the periods ended June 30, 2019 and December 31, 2018 are as follows:

	Number of Warrants	Weighted Average Exercise Price CDN\$	Weighted Average Remaining Contractual Life (Years)
Balance, December 31, 2017	23,840,000	0.49	1.25
Issued	2,000,000	0.16	-
Balance, December 31, 2018	25,840,000	0.47	0.25
Expired	(18,965,000)	-	-
Modification	500,000	0.16	-
Balance, June 30, 2019	7,375,000	0.24	0.62

The balance of warrants outstanding as at June 30, 2019 is as follows:

Expiry Date	Exercise Price CDN\$	Remaining Life (Years)	Warrants Outstanding
January 28, 2020	0.28	0.58	4,675,000
February 21, 2020	0.28	0.65	200,000
March 6, 2020	0.16	0.68	2,500,000
	0.24	0.62	7,375,000

14. Mine Services Agreement

On November 28, 2017, and amended January 1, 2018, the Company entered into an agreement (the "Mine Services Agreement") with Carrizal, a related party through common management, whereby the Company will provide Carrizal with certain mine development, metallurgical and geological consulting services as well as administrative services in connection with Carrizal's mining activities. This gives rise to the Mining Services Revenue for the Company. The Mine Services Agreement has no fixed termination date but may be terminated by either party giving 30 days written notice to the counter party.

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

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

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15. Operating Costs by Nature

a) Cost of sales

	Three months ended		Six months ended	
	2019	2018	2019	2018
	\$	\$	\$	\$
Mining operations – Direct production costs	3,644	3,326	7,219	5,818
Mining operations - Depletion and amortization	240	305	459	695
Mining services – Direct costs	-	117	-	518
	3,884	3,748	7,678	7,031

b) Operating expenses

	Three months ended		Six months ended	
	2019	2018	2019	2018
	\$	\$	\$	\$
Administrative	192	(13)	401	128
Depreciation	1	1	2	2
Management and consulting fees	120	107	200	213
Other	33	1	75	82
Professional fees	226	122	468	214
Salaries and benefits	24	52	60	104
Shareholder communications	3	11	7	11
Transfer agent and filing fees	6	7	12	17
Travel	0	2	7	13
	605	290	1,232	784

16. a) Interest Earned and Other Finance Income

	Three months ended		Six months ended	
	2019	2018	2019	2018
	\$	\$	\$	\$
Foreign exchange gain	-	13	-	187
	-	13	-	187

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b) Interest Expense and Other Finance Expenses

	Three months ended		Six months ended	
	2019	June 30, 2018	2019	June 30, 2018
	\$	\$	\$	\$
Accretion of decommissioning and restoration provision	(11)	(9)	(28)	(17)
Foreign exchange loss	(410)	-	(906)	-
Carrying and finance charge on loan payable	(183)	(96)	(198)	(333)
Interest expense	(1)	(8)	(1)	(8)
Interest expense on loan payable	(87)	(89)	(169)	(124)
Finance charge on leases	(9)	-	(19)	-
	(701)	(202)	(1,321)	(482)

17. Related Party Transactions

During the three and six months ended June 30, 2019 and 2018, the Company incurred the following charges by directors and officers of the Company and by companies controlled by directors and officers of the Company:

	Three months ended		Six months ended	
	2019	June 30, 2018	2019	June 30, 2018
	\$	\$	\$	\$
Mining Services				
Revenues	888	3,569	1,678	5,982
Cost of sales	-	117	-	518
	888	3,452	1,678	5,464
Expenses				
Accounting and corporate secretarial fees	-	46	-	69
Directors' fees	17	13	34	27
Management fees	90	107	180	213

At June 30, 2019, directors and officers or their related companies were owed \$259 (December 31, 2018 – \$220) in respect of the services rendered. These are non-interest bearing with standard payment terms.

The Company entered into certain mining equipment leases expiring between 2017 and 2020 with an interest rate between 6.5% and 10.5% per annum. \$51 of lease payments were paid during the six months ended June 30, 2019 (2018 - \$209) and \$1,169 of the leases payable outstanding at June 30, 2019 were owed to a company owned by the CEO of the Company (December 31, 2018 - \$1,210).

The Company entered into the Mine Services Agreement (Note 14) as well as the Carrizal LOI (Note 7) with a related company with common directors during the year ended December 31, 2017. As at June 30, 2019, \$nil was owing from Carrizal (December 31, 2018 - \$nil). The costs included in the Mine Services Agreement are only labour and other costs incurred by Santacruz in performing services. Costs for equipment and supplies incurred by Carrizal are not included as these are not billed to Santacruz.

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

18. Non-cash Transactions

Investing and financing activities that do not have a direct impact on cash flows are excluded from the consolidated statements of cash flows. During the six months ended June 30, 2019, the following transaction was excluded from the consolidated statements of cash flows:

- 2,500,000 warrants were modified with a fair value of \$6 pursuant to the short-term loan.
- Mineral property exploration expenditures of \$4,659 included in accounts payable and accrued liabilities at June 30, 2019, less mineral property exploration expenditures included in accounts payable and accrued liabilities at December 31, 2018 of \$4,375 (net inclusion of \$284);

During the six months ended June 30, 2018, the following transactions were excluded from the consolidated statements of cash flows:

- Mineral property exploration expenditures of \$4,298 included in accounts payable and accrued liabilities at June 30, 2018, less mineral property exploration expenditures included in accounts payable and accrued liabilities at December 31, 2017 of \$4,210 (net inclusion of \$88);
- 2,000,000 warrants issued with a fair value of \$66 pursuant to the issuance of the short-term loan.

19. Segmented Information

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

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a) Operating Segments

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

Three months ended June 30, 2019	Rosario Project \$	Veta Grande Project \$	Exploration and evaluation properties \$	Mine Services \$	Corporate and other \$	Total \$
Revenues	1,480	1,767	-	888	-	4,135
Production costs	(1,426)	(2,218)	-	-	-	(3,644)
Depletion and amortization	-	(240)	-	-	-	(240)
Cost of sales	(1,426)	(2,458)	-	-	-	(3,884)
Gross profit (loss)	54	(691)	-	888	-	251
Operating profit (loss)	54	(691)	-	888	(605)	(354)
Income (loss) before tax	54	(691)	-	888	(1,306)	(1,055)
Interest expense and other finance expenses	(11)	-	-	-	(690)	(701)
Income tax expense	-	-	-	-	(82)	(82)

Three Months Ended June 30, 2018	Rosario Project \$	Veta Grande Project \$	Exploration and evaluation properties \$	Mine Services \$	Corporate and other \$	Total \$
Revenues	821	645	-	3,569	-	5,035
Production costs	(1,208)	(2,118)	-	(117)	-	(3,443)
Depletion and amortization	(99)	(206)	-	-	-	(305)
Cost of sales	(1,307)	(2,324)	-	(117)	-	(3,748)
Gross (loss) profit	(486)	(1,679)	-	3,452	-	1,287
Operating (loss) income	(486)	(1,679)	-	3,452	2,300	3,587
(Loss) income before tax	(486)	(1,679)	-	3,452	2,111	3,398
Interest earned and other finance income	-	-	-	-	13	13
Interest expense and other finance expenses	(9)	-	-	-	(193)	(202)
Income tax expense	-	-	-	-	(101)	(101)

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Six months ended June 30, 2019	Rosario Project	Veta Grande Project	Exploration and evaluation properties	Mine Services	Corporate and other	Total
	\$	\$	\$	\$	\$	\$
Revenues	2,339	3,398	-	1,678	-	7,415
Production costs	(2,613)	(4,606)	-	-	-	(7,219)
Depletion and amortization	-	(459)	-	-	-	(459)
Cost of sales	(2,613)	(5,065)	-	-	-	(7,678)
Gross (loss) profit	(274)	(1,667)	-	1,678	-	(263)
Operating (loss) profit	(274)	(1,667)	-	1,678	(1,232)	(1,495)
(Loss) income before tax	(274)	(1,667)	-	1,678	(2,553)	(2,816)
Interest expense and other finance expenses	(28)	-	-	-	(1,293)	(1,321)
Income tax expense	-	-	-	-	(167)	(167)

Six Months Ended June 30, 2018	Rosario Project	Veta Grande Project	Exploration and evaluation properties	Mine Services	Corporate and other	Total
	\$	\$	\$	\$	\$	\$
Revenues	1,231	988	-	5,982	-	8,201
Production costs	(2,327)	(3,491)	-	(518)	-	(6,336)
Depletion and amortization	(367)	(328)	-	-	-	(695)
Cost of sales	(2,694)	(3,819)	-	(518)	-	(7,031)
Gross (loss) profit	(1,463)	(2,831)	-	5,464	-	1,170
Operating (loss) income	(1,463)	(2,831)	-	5,464	1,806	2,976
(Loss) income before tax	(1,463)	(2,831)	-	5,464	1,511	2,681
Interest earned and other finance income	-	-	-	-	187	187
Interest expense and other finance expenses	(17)	-	-	-	(465)	(482)
Income tax expense	-	-	-	-	(190)	(190)

June 30, 2019	Rosario Mine	Veta Grande Mine	Exploration and evaluation properties	Mine Services	Corporate and other	Total
	\$	\$	\$	\$	\$	\$
Total assets	6,040	13,338	1,881	-	3,780	25,039
Current assets	978	1,301	-	-	3,266	5,545
Non-current assets	5,062	12,037	1,881	-	514	19,494
Total liabilities	(6,172)	(4,659)	-	-	(15,399)	(26,230)

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

b) Segment Revenue by Location and Major Customers

For the both the Rosario Project segment and the Veta Grande Project segment, 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, who individually accounted for 100% of total mining service revenue in Mexico.

c) Non-current Assets by Location

	June 30, 2019 \$	December 31, 2018 \$
Canada	-	-
Mexico	19,494	18,628
Total	19,494	18,628

20. Financial Instruments

a) Fair Value of Financial Instruments

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

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

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

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

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

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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 10% change in the interest rate would change the Company's net loss by approximately \$669.

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

Contractual cash flow requirements as at June 30, 2019 were as follows:

	< 1 year \$	1 – 2 years \$	2 – 5 years \$	>5 years \$	Total \$
Accounts payable and accrued liabilities	16,316	-	-	-	16,316
Loan payable	4,937	-	-	-	4,937
Leases	1,742	-	-	-	1,742
Total	22,995	-	-	-	22,995

(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 10% change in the US dollar exchange rate relative to the Mexican peso would change the Company's net income (loss) by approximately \$384 and a 10% change in the US dollar exchange rate relative to the Canadian dollar would change the Company's net income (loss) by approximately \$62.

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The Company's financial assets and liabilities as at June 30, 2019 are denominated in Canadian dollars, US dollars, and Mexican pesos as follows:

	Canadian dollar \$	US dollar \$	Mexican peso \$	Total \$
Financial assets				
Cash	24	17	73	114
Trade receivables	-	1,584	-	1,584
Other receivables	10	-	2,925	2,935
	34	1,601	2,998	4,633
Financial liabilities				
Accounts payable and accrued liabilities	449	8,728	7,139	16,316
Loans payable	-	4,937	-	4,937
	449	13,665	7,139	21,253
Net financial liabilities	(415)	(12,064)	(4,141)	(16,620)

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

21. 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 \$1,191 as at June 30, 2019 (2018 – equity of \$1,198). The Company manages the capital structure and makes adjustments to it for changes in economic conditions and the risk characteristics of the underlying assets, being mineral properties. In order to maintain or adjust the capital structure, the Company may issue new shares through equity offerings or sell assets to fund operations. Management reviews its capital management approach on a regular basis. The Company is not subject to externally imposed capital requirements.

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

Santacruz Silver Mining Ltd.
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For the three and six months ended June 30, 2019 and 2018

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

22. Subsequent events

PCG Acquisition

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

Consideration for the share acquisition was as follows:

1. On closing a cash payment by Santacruz of \$500 and other consideration in the amount of approximately \$680, including the transfer of a life-insurance policy and three vehicles from Carrizal to the Vendor. As at June 30, 2019, \$500 related to the consideration above was held in trust and classified as restricted cash; and
2. The forgiveness of approximately \$264 in debt owed by the Vendor to Carrizal.

The Company also entered into a parallel agreement, with binding effect as of May 21, 2019, to acquire the remaining 50% of the outstanding shares of PCG that are owned by Carlos Silva (the "Silva Acquisition"), Santacruz's COO. The consideration to be paid by Santacruz to Mr. Silva with respect to the Silva Acquisition is 30,000,000 shares of Santacruz (the "Consideration Shares") at a deemed price of CDN\$0.05 per share. This transaction is subject to shareholder approval as well as the approval of the TSXV.

Grant of Stock Options

On August 6, 2019, the Company granted a total of 8,500,000 stock options to its directors, officers, employees, consultants and advisors. The stock options, which are subject to the terms and conditions of the Company's stock option plan, have a five-year term, are exercisable at \$0.18 per share and subject to certain vesting requirements.