



Condensed Interim Consolidated Financial Statements

Three and Six Months Ended June 30, 2022 and 2021

(Unaudited - expressed in thousands of US dollars)

Notice of Disclosure of Non-auditor Review of the Condensed Interim Consolidated Financial Statements for the three and six months ended June 30, 2022 and 2021.

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

The accompanying unaudited condensed interim consolidated financial statements of Santacruz Silver Mining Ltd. (“the Company” or “Santacruz”) for the interim period ended June 30, 2022, have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* as issued by the International Accounting Standards Board and are the responsibility of the Company’s management.

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

August 29, 2022

SANTACRUZ SILVER MINING LTD.
Condensed Interim Consolidated Statements of Financial Position
As at June 30, 2022 and December 31, 2021
(Unaudited - Expressed in thousands of United States dollars)

	Note	June 30, 2022	December 31, 2021
		\$	\$
ASSETS			
Current			
Cash and cash equivalents		5,689	938
Marketable securities	5	2,599	4,102
Trade and other receivables	6	70,877	13,260
Inventory	7	63,558	1,271
Prepaid expenses and deposits		23,184	2,503
		165,907	22,074
Other assets		378	53
Recoverable taxes	6	19,648	-
Property, plant and equipment	8	74,331	22,933
Mineral property	9	115,768	15,854
Total assets		376,032	60,914
LIABILITIES			
Current			
Accounts payable and accrued liabilities	10,17	100,388	36,888
Deferred revenue		1,634	-
Loans payable - current portion	11	13,947	4,832
Lease liability - current portion	12,17	160	175
Consideration payable - current portion	13	78,136	-
Royalties payable - current portion		3,669	-
		197,934	41,895
Provisions	10	12,837	-
Loans payable	11	8,278	7,166
Lease liability	12	114	167
Consideration payable	13	68,129	-
Decommissioning and restoration provision	14	23,970	6,715
Taxes payable		23,386	-
Royalties payable		18,510	-
Deferred income tax liability		2,233	2,233
Total liabilities		355,391	58,176
SHAREHOLDERS' EQUITY			
Share capital	15	132,893	129,532
Stock options and warrants reserve	15(c)	14,264	14,343
Contributed surplus		(1,872)	(1,872)
Accumulated other comprehensive income (loss)		(358)	(1,323)
Deficit		(124,286)	(137,942)
Total shareholders' equity		20,641	2,738
Total liabilities and shareholders' equity		376,032	60,914

Nature of operations and going concern (Note 1)
Subsequent events (Note 21)

Approved and authorized for issue on behalf of the Board of Directors:

"Arturo Préstamo Elizondo"

Director

"Larry Okada"

Director

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

SANTACRUZ SILVER MINING LTD.**Condensed Interim Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)**

For the three and six months ended June 30, 2022 and 2021

(Unaudited - Expressed in thousands of United States dollars)

	Note	Three months ended		Six months ended	
		2022	2021	2022	2021
		\$	\$	\$	\$
Revenues		225,128	13,744	268,039	24,912
Cost of sales	16(a)	186,195	9,904	210,211	18,891
Gross profit		38,933	3,840	57,828	6,021
Operating expenses	16(b)	(15,663)	(4,061)	(20,761)	(6,451)
Operating profit (loss)		23,270	(221)	37,067	(430)
Finance expense, net	16(c)	(3,730)	(786)	(4,553)	(449)
Gain (loss) on foreign exchange		235	(1,772)	178	681
Transaction costs for the Sinchi Wayra and Illapa Business acquisition	4(a)	(27)	-	(2,290)	-
Unrealized (loss) gain on marketable securities	5	(1,999)	(531)	(1,630)	2,539
Gain on sale of Zacatecas Properties		-	-	-	911
Profit (loss) before tax		17,749	(3,310)	28,772	3,252
Income tax expense		(11,202)	(474)	(15,116)	(518)
Net income (loss)		6,547	(3,784)	13,656	2,734
Other comprehensive income (loss):					
Currency translation differences		504	461	965	(14)
Comprehensive income (loss)		7,051	(3,323)	14,621	2,720
Net earnings (loss) per share:					
Basic and diluted		0.02	(0.01)	0.04	0.01
Weighted average number of common shares:					
Basic		339,536,896	309,123,264	335,131,556	286,603,226
Diluted		343,691,469	309,123,264	335,131,556	305,332,885

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, 2022 and 2021
(Unaudited - Expressed in thousands of United States dollars)

	2022	2021
	\$	\$
Operating activities:		
Net income	13,656	2,734
Items not affecting cash:		
Accretion of decommissioning provision	790	127
Accretion of Trafigura loan facility	765	618
Accretion of deferred acquisition costs	583	-
Accretion of royalties payable	618	-
Amortization of goodwill	-	176
Carrying and finance charges on loans payable	-	600
Depreciation and depletion	11,322	680
Finance charges on leases	14	-
Gain on sale of the Zacatecas Properties	-	(911)
Income tax expense	15,116	-
Inflation adjustments, surcharges and penalties	2,456	-
Interest expense on loans payable	856	423
Issuance of shares for advisory fees and share-based compensation	-	1,029
Share-based compensation	700	-
Transaction costs for the Sinchi Wayra and Illapa Business acquisition	1,000	-
Unrealized foreign exchange loss	68	14
Unrealized loss (gain) on marketable securities	1,630	(2,539)
Changes in non-cash working capital:		
Trade and other receivables	(21,793)	(6,870)
Inventory	31,865	(66)
Prepaid expenses and deposits	(530)	(616)
Accounts payable and accrued liabilities	19,481	781
Deferred revenue	(55,608)	-
Net cash provided by (used in) operating activities	22,989	(3,820)
Investing activities:		
Cash acquired from the Sinchi Wayra and Illapa Business acquisition	18,182	-
Investment in property, plant and equipment	(5,119)	(5,814)
Mineral property development expenditures	(6,976)	(11,446)
Goodwill paid	-	(3,275)
Cash received from sale of the Zacatecas Properties	-	1,500
Reimbursement of deposit	-	1,000
Net cash provided by (used in) investing activities	6,087	(18,035)
Financing activities:		
Proceeds from issuance of common shares	-	11,228
Less: share-issuance costs	-	(572)
Proceeds from loans payable	4,928	-
Proceeds from exercise of options	1	161
Proceeds from exercise of warrants	1,581	1,883
(Payments on) proceeds from loans payable, net of repayments	(30,750)	13,550
Lease payments on plant and equipment	(83)	(31)
Net cash (used in) provided by financing activities	(24,323)	26,219
Effect of exchange rate on changes in cash	(2)	-
Net change in cash and cash equivalents	4,753	4,364
Cash and cash equivalents - beginning of period	938	430
Cash and cash equivalents - end of period	5,689	4,794
Cash paid during the period for:		
Interest expense	1,026	267
Income taxes	573	-

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

SANTACRUZ SILVER MINING LTD.**Condensed Interim Consolidated Statements of Changes in Shareholders' Equity (Deficiency)**

For the six months ended June 30, 2022 and 2021

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

	Common shares	Share capital	Stock options and warrants reserves	Contributed surplus	Accumulated other comprehensive (loss) income	Deficit	Total (deficiency) equity
	#	\$	\$	\$	\$	\$	\$
Balance, December 31, 2020	261,606,664	113,217	7,042	(1,872)	(1,429)	(126,377)	(9,419)
Shares issued in private placement	46,980,000	11,228	-	-	-	-	11,228
Less: share issuance costs	-	(815)	243	-	-	-	(572)
Shares issued from exercise of options	1,129,300	266	(105)	-	-	-	161
Shares issued from exercise of warrants	9,939,253	1,882	-	-	-	-	1,882
Share-based payments	-	-	1,029	-	-	-	1,029
Currency translation differences	-	-	-	-	(14)	-	(14)
Net income for the period	-	-	-	-	-	2,734	2,734
Balance, June 30, 2021	319,655,217	125,778	8,209	(1,872)	(1,443)	(123,643)	7,029
Shares issued from exercise of options	230,000	53	(21)	-	-	-	32
Shares issued from exercise of warrants	-	-	-	-	-	-	-
Shares issued as settlement of debt	10,342,604	3,701	-	-	-	-	3,701
Warrants issued to Trafigura	-	-	3,821	-	-	-	3,821
Share-based payments	-	-	2,334	-	-	-	2,334
Currency translation differences	-	-	-	-	120	-	120
Net loss for the period	-	-	-	-	-	(14,299)	(14,299)
Balance, December 31, 2021	330,227,821	129,532	14,343	(1,872)	(1,323)	(137,942)	2,738
Shares issued from exercise of options	10,000	2	(1)	-	-	-	1
Shares issued from exercise of warrants	7,472,500	2,359	(778)	-	-	-	1,581
Shares issued for transaction costs	3,077,317	1,000	-	-	-	-	1,000
Share-based payments	-	-	700	-	-	-	700
Currency translation differences	-	-	-	-	965	-	965
Net loss for the period	-	-	-	-	-	13,656	13,656
Balance, June 30, 2022	340,787,638	132,893	14,264	(1,872)	(358)	(124,286)	20,641

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, 2022 and 2021

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Santacruz Silver Mining Ltd. (the “Company” or “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 under the symbol “SCZ”.

The Company is engaged in the operation, acquisition, exploration and development of mineral properties in Latin America, with a primary focus on silver and zinc, but also including lead and copper. As at June 30, 2022, the Company has acquired ownership including mining concession rights to the following mineral properties:

- the producing Zimapan Mine located in Mexico;
- the “Sinchi Wayra and Illapa Business”, which comprises the following mineral property and business located in Bolivia: the producing Tres Amigos, Reserva and Colquechaquita mines, collectively the “Caballo Blanco Group”; the producing Bolivar and Porco mines held in partnership with Corporación Minera de Bolivia, a Bolivian state-owned entity; the Soracaya development project; as well as the San Lucas ore sourcing and trading business;
- the La Pechuga Property and the Santa Gorgonia Prospect, which are exploration properties located in Mexico, and;
- various other properties located in Mexico, noting that the Rosario Project was placed on care and maintenance in August 2021 and certain equipment related to the Rosario Project was sold in December 2021 as part of a tax restructuring of IMSC.

Going concern

These unaudited condensed interim consolidated financial statements for the three and six months ended June 30, 2022 and 2021 (“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 at least the next twelve months. As at June 30, 2022, the Company has working capital deficiency of \$32,027 (December 31, 2021 - \$19,821) and an accumulated deficit of \$124,286 (December 31, 2021 - \$137,942). Additionally, the Company has non-current loans payable (Note 11) of \$8,278 (December 31, 2021 - \$7,166) and consideration payable of \$68,129 (December 31, 2021 - \$nil) (Note 14). For the three and six months ended June 30, 2022, the Company generated a net profit of \$6,547 and \$13,656 respectively (2021 - net loss of \$3,784 and net profit of \$2,734, respectively) and generated cash in operating activities of \$22,989 (2021 - used cash of \$3,820). These factors indicate the existence of a material uncertainty that may cast significant doubt upon the Company’s ability to continue as a going concern. As a result, the Company may be unable to realize its assets and discharge its liabilities in the normal course of business. The Company’s ability to continue as a going concern is dependent upon its ability to generate positive cash flows from operations, and/or raise adequate funding through equity or debt financing to discharge its liabilities as they come due. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company.

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 the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. Such adjustments could be material.

COVID-19

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. The COVID-19 outbreak has resulted and continued as a widespread health crisis that has adversely affected workforces, economies, and financial markets around the world, resulting in an economic downturn for some industries. As at the date of these consolidated financial statements, COVID-19 has had no significant impact on the Company’s ability to access and explore its current properties, but it may impact the Company’s ability to raise funding, or explore its properties, should travel and other restrictions related to COVID-19 be extended, or expanded in scope.

2. BASIS OF PREPARATION

- a) Statement of compliance

These consolidated financial statements were approved by the Board of Directors and authorized for issue on August 29, 2022.

SANTACRUZ SILVER MINING LTD.**Notes to the Condensed Interim Consolidated Financial Statements**

For the three and six months ended June 30, 2022 and 2021

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

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”) applicable to the preparation of interim financial statements including International Accounting Standard 34 *Interim Financial Reporting*. These interim financial statements do not include all disclosures required for annual audited financial statements. Accordingly, they should be read in conjunction with the notes to the Company’s audited financial statements for the years ended December 31, 2021 and 2020.

b) Basis of presentation

The consolidated financial statements have been prepared using the historical cost basis, except for certain financial assets and liabilities which are measured at fair value, as specified by IFRS, as well as information presented in the condensed interim consolidated statements of cash flows.

c) Functional and presentation currency

The consolidated financial statements are presented in United States dollars (“US dollar” or “USD”). The functional currency is the currency of the primary economic environment in which an entity operates and listed in Note 1(d) below. References to “C\$” or “CAD” are to Canadian dollars, references to “MXN” are to Mexican pesos, references to “BOB” are to Bolivian bolivianos, references to “BMD” are to Bermudian dollars, and references to “PAB” are to Panamanian balboas.

d) Basis of consolidation

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

These consolidated financial statements incorporate the accounts of the Company and the following subsidiaries:

Name of subsidiary	Country of incorporation	Percentage ownership	Functional currency	Principal activity
Santacruz Silver Mining Ltd.	Canada	100%	CAD	Holding company and head office function
Santacruz Holdings Ltd.	Canada	100%	CAD	Holding company
Carrizal Holdings Ltd.	Canada	100%	CAD	Holding company
Impulsora Minera Santacruz, S.A. de C.V. (“IMSC”)	Mexico	100%	USD	Mine operations
Carrizal Mining, S.A. de C.V. (“Carrizal Mining”) ⁽¹⁾	Mexico	100%	USD	Mine operations
Operadora Minera Anacore, S.A. de C.V.	Mexico	100%	MXN	Holding company
PCG Mining, S.A. de C.V.	Mexico	100%	MXN	Holding company
Laikra Limited ⁽²⁾	Bermuda	100%	BMD	Holding company
Apamera Limited ⁽²⁾	Bermuda	100%	BMD	Holding company
Lewron Metals Ltd. ⁽²⁾	Bermuda	100%	BMD	Holding company
Kempsey S.A. ⁽²⁾	Panama	100%	PAB	Holding company
Shattuck Trading Co. Inc. ⁽²⁾	Panama	100%	PAB	Holding company
Iris Mines and Metals S.A. ⁽²⁾	Panama	100%	PAB	Holding company
Sociedad Minera Illapa S.A. ⁽²⁾	Bolivia	100%	USD	Mine operations ⁽³⁾
Sinchi Wayra S.A. ⁽²⁾	Bolivia	100%	USD	Mine operations
Sociedad Minero Metalurgico Reserva Ltda. ⁽²⁾	Bolivia	100%	USD	Mine operations
Empresa Minera San Lucas S.A. ⁽²⁾	Bolivia	100%	USD	Ore trading house
Compania Minera Concepcion S.A. ⁽²⁾	Bolivia	100%	USD	Ore trading house
Compania Minera Colquiri S.A. ⁽²⁾	Bolivia	100%	USD	Inactive
Complejo Metalurgico Vinto S.A. ⁽²⁾	Bolivia	100%	USD	Inactive

⁽¹⁾ On October 1, 2019, the Company acquired a 100% interest in Carrizal Mining.

⁽²⁾ On March 18, 2022, the Company acquired a 100% interest in the Sinchi Wayra and Illapa Business (Note 4(a)).

⁽³⁾ The mine operation includes a 55% interest in the cash flow generated from the Bolivian government.

SANTACRUZ SILVER MINING LTD.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2022 and 2021

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

3. SIGNIFICANT ACCOUNTING POLICIES

In the preparation of these consolidated financial statements, the Company used the same accounting policies as in the most recent audited annual financial statements for the Company for the year ended December 31, 2021, with exception of the following:

a) Deferred revenue

Deferred revenue consists of payments received by the Company in consideration for future commitments to deliver payable metal contained in concentrate at contracted prices. In addition, it includes the fair value of such commitments acquired by way of business combination. As deliveries are made, the Company records a portion of the deferred revenue as revenue, based on a proportionate share of deliveries made compared with the total estimated contractual commitment.

b) Deferred consideration payable

Deferred consideration payable consists of amounts payable to vendors pursuant to business acquisitions. Amounts are recorded at their value on the date of initial recognition, determined using the discounted net present value of the consideration payable using discount rates commensurate with the Company's credit risk profile.

c) Construction-in-progress

Assets under construction are capitalized as construction-in-progress until the asset is available for use. The cost of construction-in-progress comprises its purchase price and any costs directly attributable to bringing it into working condition for its intended use. Construction-in-progress is not depreciated. Upon completion of the asset under construction and it is commissioned for use, the asset is transferred from construction-in-process to the applicable category of property, plant and equipment and depreciation commences.

d) Royalties

Certain of the Company's properties are subject to royalty arrangements based on mineral production at the properties. The primary type of royalty is a net smelter return ("NSR") royalty. Under this type of royalty, the Company pays the holder an amount calculated as the royalty percentage multiplied by the value of metals production at market metals prices less third-party smelting, refining and transportation costs. Other types of royalties include an adjusted gross margin royalty on the Company's San Lucas business and the mine royalty payable to the Bolivian government.

4. ACQUISITIONS

a) Sinchi Wayra and Illapa Business acquisition

On March 18, 2022 (the "Acquisition Date"), the Company acquired 100% ownership of a portfolio of companies (the "Sinchi Wayra and Illapa Business") from Glencore plc ("Glencore"). The "Sinchi Wayra and Illapa Business" comprises the following mineral property and business located in Bolivia: the producing Tres Amigos, Reserva and Colquechaquita mines, collectively the "Caballo Blanco Group"; the producing Bolivar and Porco mines held in partnership with Corporación Minera de Bolivia, a Bolivian state-owned entity; the Soracaya development project; as well as the San Lucas ore sourcing and trading business.

Consideration for the acquisition comprised: \$20,000 cash consideration payable prior to June 30, 2022; \$90,000 deferred cash consideration payable in four annual installments from the closing date, a 1.5% NSR over the producing life of the mineral property (excluding the San Lucas ore sourcing and trading business), as well as a 14% adjusted gross margin royalty exclusively over the San Lucas ore sourcing and trading business in perpetuity. In addition, the Company will pay to Glencore the value of certain assets acquired as part of the acquisition which existed as at the Acquisition Date including (1) the total profits on sale of the inventory acquired, estimated to be \$6,087, and (2) the amount of value added taxes ("VAT") receivable from the Bolivian government, estimated to be \$50,541, which is expected to be recovered through to the end of 2023 upon completion of requisite and customary government audit procedures for which the timing is not certain.

As a result of certain logistical and closing item delays, the cash consideration payable prior to June 30, 2022 was renegotiated and reduced to \$12,011. As at June 30, 2022, following Glencore and the Company's continued efforts to resolve the logistical and closing items delays, the cash consideration remains unpaid. Management continues to negotiate with Glencore the final amount of this initial cash payment. Management determined the preliminary fair value of the deferred cash consideration as \$71,322 applying a discount rate of 10%. Management determined the preliminary fair value of the royalties as \$21,561 applying a discount rate of 10% as applicable to the acquired assets.

SANTACRUZ SILVER MINING LTD.**Notes to the Condensed Interim Consolidated Financial Statements**

For the three and six months ended June 30, 2022 and 2021

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

The acquisition of the Sinchi Wayra and Illapa Business has been accounted for by the Company as a business combination under IFRS 3 *Business Combinations*, with the assets and liabilities acquired recorded at their fair values at the acquisition date. The Company is required to determine the fair value of tangible and identifiable intangible assets acquired and liabilities assumed.

Given the complexity of certain assets and liabilities acquired, primarily intangibles, mineral property values and income tax items, the purchase accounting recorded in the accompanying interim financial statements is preliminary and the amounts below are provisional. The Company is completing a full and detailed valuation of the fair value of the net assets of acquired using income, market, and cost valuation methods with the assistance of an independent third party. As of the date of these consolidated financial statements, the allocation of purchase price with respect to the fair value increment of assets acquired and liabilities assumed have been updated to reflect new information obtained which existed at the Acquisition Date. The fair value of assets acquired, and liabilities assumed are subject to change for up to one year from the Acquisition Date. The Company is finalizing its full and detailed assessment of the fair value of the net assets acquired. Additionally, any consequential impact on the deferred tax liabilities, has yet to be finally determined. If new information arises which would impact management's assessment of the fair value at the Acquisition Date, any adjustments to the allocation of the purchase consideration will be recognized retrospectively and comparative information will be revised. Consequently, the final allocation of the purchase price consideration may result in material adjustments to the amounts shown in these consolidated financial statements.

The following table is a preliminary summary of the Company's allocation of the purchase price to the fair values of assets acquired and liabilities assumed at the acquisition date.

	Preliminary as reported March 31, 2022	Adjustments	Preliminary as reported June 30, 2022
	\$	\$	\$
<i>Fair values of acquired assets and liabilities:</i>			
Cash	18,182	-	18,182
Inventory	108,128	(13,976)	94,152
Trade receivable	5,257	(4,878)	379
Prepaid expenses and deposits	15,273	4,878	20,151
Recoverable taxes	55,274	-	55,274
Investment in shares	325	-	325
Plant and equipment	38,933	-	38,933
Construction-in-progress	27,327	(17,324)	10,003
Computer hardware and software	2,178	-	2,178
Mineral properties	5,935	93,490	99,425
Accounts payable and accrued liabilities	(76,440)	28,864	(47,576)
Deferred revenue	(57,242)	-	(57,242)
Decommissioning liabilities	(17,098)	-	(17,098)
Lease liabilities	(8,271)	8,271	-
Loans payable	(34,428)	-	(34,428)
Taxes payable	-	(15,415)	(15,415)
Net assets acquired	83,333	83,910	167,243
<i>Purchase price:</i>			
Initial cash payment	12,011	-	12,011
Deferred purchase price due over four years from acquisition date	71,322	-	71,322
Royalties payable to Glencore	-	21,561	21,561
Payables to Glencore	-	62,349	62,349
Total consideration	83,333	83,910	167,243

Inventory comprises ore, finished concentrate, concentrate in process and various supplies.

Trade receivables comprises balances owed to the Company for sales transactions, which are expected to be collected by the Company upon final processing and settlement.

Prepaid expenses and deposits comprise amounts advanced to suppliers for construction projects as well as insurance costs and other deposits.

SANTACRUZ SILVER MINING LTD.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2022 and 2021

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

Recoverable taxes relate to the amount of funds the Company expects to recover related to Bolivian VAT recoverable, of which \$43,625 (which is net of an \$8,000 provision for non-collection) is expected to be received within twelve months of the balance sheet date and the remaining amount recorded as non-current as a result of the expected timing of the receipt of funds from the Bolivian tax authority over 2023.

Investment in shares comprises the book value of private company shares located in Bolivia. The Company is not aware of any indications of adverse business conditions which would indicate the fair value is less than the carrying value.

Plant and equipment comprise various on-site equipment including the mill facility and on-site structures. Construction-in-progress comprises various investments in equipment, overhauls, installations and other mining infrastructure projects. Computer hardware and software comprises software licenses and other on-site technology. The acquired mineral property comprises 89 mining claims along with various development expenditures and infrastructure which are part of the operating mines part of the Sinchi Wayra and Illapa Business. The Company has engaged an independent valuation firm to complete a valuation of the acquired property, plant and equipment, including the construction-in-progress and computer hardware and software, and continues to refine and finalize its purchase price allocation to the various identifiable tangible and intangible assets and allocation to goodwill (if any).

Accounts payable and accrued liabilities represents regular course vendor payables for services provided. Of the balance acquired, \$11,556 is related to state and federal income taxes payable, which is net of prepaid tax instalments of \$8,235 that were made up to the acquisition date.

Deferred revenue represents the amount of funds for which the Company's Bolivian subsidiaries have received as advance payment for concentrate shipments, which is part of the revenue process for the Sinchi Wayra and Illapa Business. The Company receives advance payments from its customer for concentrate sales prior to the concentrate being shipped to the customer and as a result does not meet revenue recognition criteria under IFRS 15 *Revenues*.

Decommissioning liabilities represent the Company's future obligation to remediate the producing mines, which are part of the Sinchi Wayra and Illapa Business after the lives of these mines have expired.

Loans payable comprises a bank loan of \$9,312 and a promissory loan payable to a Bolivian brokerage house for \$25,000. The bank loan accrues interest at an annual rate of 6.0% with a capital repayment of \$5,000 due in 2022 with the balance due in 2023. The promissory loan payable accrues interest at an annual rate of 2.5% and matured on May 1, 2022. The fair value of these loans payable was determined to be equal to its carrying value as the loan is collateralized, the borrower did not breach any of the default provisions, and the lenders are unrelated third parties. During the period ended June 30, 2022, the Company repaid the promissory loan payable in full.

Taxes payable comprises income tax due to the Bolivian tax authority from historic operations.

Provisions represents accrued amounts payable to employees of the Sinchi Wayra and Illapa Business in the event that their employment is terminated.

In connection with this acquisition, the Company paid \$320 in cash and issued 3,077,317 common shares with a fair value of C\$0.41 per share to Big Buck Capital, S.C. ("BBC") to settle \$1,320 of fees for services provided pursuant to the terms of a consulting services agreement with BBC. In addition, the Company incurred \$970 in legal and consulting costs in order to complete the acquisition. These transaction costs of \$2,290 have been expensed in accordance with IFRS 3.

b) Zimapan Mine Acquisition

On April 23, 2021, the Company acquired 100% ownership of the Zimapan Mine (the "Zimapan Mine Acquisition") from Minera Cedros S.A. de C.V. ("Minera Cedros"). Prior to this acquisition, the Company, via its subsidiary Carrizal Mining, operated the Zimapan Mine under a lease arrangement with Minera Cedros. The Company paid cash consideration of \$20,000, which was funded in part by a loan facility with Trafigura Mexico, S.A. de C.V. (Note 11) for \$15,000 and by \$5,000 from the Company's treasury. The Company also paid Minera Cedros a \$661 deferred purchase price charge in cash as a result of the acquisition closing subsequent to December 31, 2020.

The assets acquired pursuant to this transaction include the Zimapan mill facility, surface and underground infrastructure, and 34 mining claims. Environmental and retirement obligations were also assumed with the transaction.

The acquisition of the Zimapan Mine has been accounted for by the Company as a business combination under IFRS 3 *Business Combinations*, with the assets and liabilities acquired recorded at their fair values at the acquisition date. The Company is required to determine the fair value of tangible and identifiable intangible assets acquired and liabilities assumed.

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

	April 23, 2021
	\$
<i>Fair values of acquired assets and liabilities:</i>	
Mineral property*	16,051
Plant and equipment	7,761
Property	1,713
Buildings	459
Decommissioning and restoration provision	(4,059)
Accounts payable	(113)
Deferred income tax liability	(1,151)
Net assets acquired	20,661
<i>Purchase price:</i>	
Cash	20,000
Deferred purchase price	661
Total consideration	20,661

*Consists of producing and depleting mineral property of \$14,584 and non-depleting mineral property of \$1,467 which represents further exploration potential at Zimapan Mine.

The acquired mineral property comprises 34 mining claims, which include the Zimapan Mine. The fair value of the mineral property was determined with the assistance of an independent valuation firm who completed a valuation of the Zimapan mining operations, including the mining concessions, using a discounted cash flow model. The model takes into account forecasted production and sales, which is derived from a technical resource study completed by the Company in 2021. Significant assumptions used in the valuation were: silver price of \$22.80 to \$25.60 per ounce, discount rate of 19.0%, and a tax rate of 30.0%.

Plant and equipment comprise various on-site equipment including the mill facility. The fair value was determined by an independent valuation firm, which used replacement value and comparable market value of similar assets approaches as the basis for determining this fair value.

Property comprises 308 hectares of land with surface and underground infrastructure. Buildings include various on-site structures. The fair value was determined by an independent valuation firm, which reviewed similar commercial real estate transactions to determine this fair value.

The decommissioning and restoration provision represents the Company's future obligation to remediate the Zimapan Mine site after completion of the mining activities. The fair value was determined using a discounted cash flow analysis adjusted for the impacts for inflation and changes in the period-end exchange rate. Significant assumptions used in the determination of the fair value were: discount rate of 10.75%, inflation rate of 4.65%, and 7.5 years until payment of the rehabilitation costs.

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

The deferred income tax liability represents the amount of future income taxes that will be incurred as a result of the non-deductibility of the acquisition's purchase price for purposes of calculating a 7.5% mining tax as required per Mexican tax law.

As part of the acquisition, the Company deposited \$1,000 to Minera Cedros. As at December 31, 2021, upon completion of the acquisition, the deposit was refunded back to the Company.

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5. MARKETABLE SECURITIES

	June 30, 2022	December 31, 2021
	\$	\$
Balance, beginning of year	4,102	-
Shares received on sale of the Zacatecas Properties	-	1,980
Change in fair value	(1,630)	2,083
Foreign exchange gain	127	39
Balance, end of period	2,599	4,102

The unrealized (loss) gain on the marketable securities for the six months ended June 30, 2022 and 2021 was a loss of \$1,630 and a gain of \$2,083, respectively, based on the change in price of the underlying shares of Zacatecas Silver during those respective periods. The shares of Zacatecas Silver are measured at FVTPL using Level 1 inputs (Note 19). The securities owned by the Company represent a 9.47% ownership in the public company noted above.

6. TRADE AND OTHER RECEIVABLES

	June 30, 2022	December 31, 2021
	\$	\$
Trade receivables	15,025	5,278
Mexican VAT recoverable	6,130	7,277
Bolivian VAT recoverable	47,916	-
Canadian GST recoverable	22	27
Other receivables	1,784	678
Total	70,877	13,260

As at June 30, 2022, in addition to the Bolivian VAT recoverable of \$47,916 (which is net of an \$6,427 provision for non-collection), the Company has recognized an additional \$21,221 (which is net of an \$1,573 provision for non-collection) (December 31, 2021 - \$nil) as non-current recoverable taxes, which are related to Bolivian VAT receivables that are expected to be collected over 2023 as a result of normal course timing of this type of receivable.

7. INVENTORY

	June 30, 2022	December 31, 2021
	\$	\$
Mineralized material stockpiles	11,048	39
Concentrate inventory	26,640	548
Concentrate work-in-process	2,623	-
Supplies inventory	23,247	684
Total	63,558	1,271

As part of the acquisition of the Sinchi Wayra and Illapa Business, the Company recognized supplies inventory of \$19,618 (Note 4(a)), which relates to various types of supplies for the mines forming part of the Sinchi Wayra and Illapa Business in Bolivia.

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8. PROPERTY, PLANT AND EQUIPMENT

	Property and buildings	Plant and equipment	Office furniture and equipment	Vehicles	Computer hardware and software	Construction- in-progress	Total
	\$	\$	\$	\$	\$		\$
Cost							
Balance, December 31, 2020	419	22,494	62	499	263	-	23,737
Acquisition (Note 4(b))	2,172	7,761	-	-	-	-	9,933
Additions	-	1,010	45	106	151	-	1,312
Impairment	-	(1,840)	-	-	-	-	(1,840)
Balance, December 31, 2021	2,591	29,425	107	605	414	-	33,142
Acquisition (Note 4(a))	-	38,933	-	-	2,178	10,003	51,114
Additions	88	2,133	-	98	2	2,798	5,119
Transfers	62	1,893	-	434	554	(2,943)	-
Balance, June 30, 2022	2,741	72,384	107	1,137	3,148	9,858	89,375
Accumulated depreciation							
Balance, December 31, 2020	52	8,227	28	322	203	-	8,832
Depreciation	30	1,293	18	14	22	-	1,377
Balance, December 31, 2021	82	9,520	46	336	225	-	10,209
Depreciation	1,957	2,626	4	89	159	-	4,835
Balance, June 30, 2022	2,039	12,146	50	425	384	-	15,044
Carrying amount							
Balance, December 31, 2021	2,509	19,905	61	269	189	-	22,933
Balance, June 30, 2022	702	60,238	57	712	2,764	9,858	74,331

Depreciation during the six months ended June 30, 2022 was \$4,835 (2021 - \$680).

As at June 30, 2022, the Company's plant and equipment included right-of-use assets with a carrying amount of \$1,017 for leased mining equipment (December 31, 2021 - \$1,122). Depreciation on the right of use assets for the six months ended June 30, 2022 was \$106 (2021 - \$68).

On October 5, 2021, the Company announced it was placing the Rosario Mine on care and maintenance, which resulted in subsequent impairment of some related property and equipment.

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9. MINERAL PROPERTY

	June 30, 2022	December 31, 2021
	\$	\$
Balance, beginning of year	15,854	-
Acquisition of the Zimapan Mine (Note 4(b))	-	16,051
Acquisition of the Sinchi Wayra and Illapa Business (Note 4(a))	99,425	-
Mineral property development expenditures	6,976	2,286
Change in decommissioning and restoration costs (Note 13)	-	277
Depletion	(6,487)	(2,760)
Balance, end of period	115,768	15,854

As part of the Zimapan Mine Acquisition, the Company acquired producing and depleting property with a calculated fair value of \$14,584 and non-depleting mineral property of \$1,467, which represents further exploration potential at the Zimapan Mine. As at June 30, 2022, no impairment indicators relating to the mineral property were identified.

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	June 30, 2022	December 31, 2021
	\$	\$
Trade payables	70,844	25,729
Taxes payable	20,571	7,270
Accrued liabilities	8,973	3,889
Total	100,388	36,888

The Company recognizes accrued liabilities for payments that will be made to employees of the Sinchi Wayra and Illapa Business in the event that employment is terminated. As at June 30, 2022, included in accrued liabilities is \$3,465 related to this provision (December 31, 2021 - \$nil). As at June 30, 2022, the Company has recognized \$12,837 as a non-current provision related to these termination payments (December 31, 2021 - \$nil).

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11. LOANS PAYABLE

	Trafigura	Bank	Promissory loan payable	MineCo	Muutrade	Kampala	FF Swaps	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Balance, December 31, 2020	2,677	-	-	3,106	350	50	104	6,287
Proceeds advanced (a)	17,616	-	-	-	-	280	-	17,896
Repayments of loans payable (a)	(2,616)	-	-	-	-	-	-	(2,616)
Equity component representing warrants issued (a)	(3,821)	-	-	-	-	-	-	(3,821)
Carrying charges and restructuring fees	-	-	-	564	34	17	-	615
Accretion	1,152	-	-	-	-	-	-	1,152
Interest expense	818	-	-	158	-	-	-	976
Repayment with shares (b)	-	-	-	(3,545)	-	-	-	(3,545)
Repayment with cash	(3,828)	-	-	(283)	(384)	(347)	(104)	(4,946)
Balance, December 31, 2021	11,998	-	-	-	-	-	-	11,998
Less: Current portion	(4,832)	-	-	-	-	-	-	(4,832)
Non-current portion	7,166	-	-	-	-	-	-	7,166
Balance, December 31, 2021	11,998	-	-	-	-	-	-	11,998
Acquisition (Note 4(a))	-	9,428	25,000	-	-	-	-	34,428
Proceeds	-	4,928	-	-	-	-	-	4,928
Accretion	765	-	-	-	-	-	-	765
Interest expense	452	159	245	-	-	-	-	856
Repayment with cash	(2,828)	(2,677)	(25,245)	-	-	-	-	(30,750)
Balance, June 30, 2022	10,387	11,838	-	-	-	-	-	22,225
Less: Current portion	(4,995)	(8,952)	-	-	-	-	-	(13,947)
Non-current portion	5,392	2,886	-	-	-	-	-	8,278

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a) Trafigura loan facility

On April 23, 2021, in connection with the Zimapan Mine Acquisition (Note 4(b)), Trafigura Mexico, S.A. de C.V. ("Trafigura") loaned the Company \$17,616 under a new loan facility ("Trafigura Loan Facility"), which included the recapitalization of \$2,616 of indebtedness outstanding under a prior loan facility held with Trafigura since 2019, in addition to the new \$15,000 loan amount. The Trafigura Loan Facility is for a period of 42 months at an annual interest rate of three-month LIBOR + 6.5% (approximately 7.72% as at June 30, 2022), repayable in monthly installments of principal plus accrued interest for the respective period.

The Trafigura Loan Facility is secured by a first charge over all Zimapan Mine assets and all other material assets owned by the Company and its Mexican subsidiaries. In addition, the Company issued to Trafigura 28,000,000 warrants ("Trafigura Warrants"), each Trafigura Warrant exercisable into a Santacruz common share at C\$0.395 per share, expiring April 24, 2022 with respect to 7,280,000 of the Trafigura Warrants and expiring October 24, 2024 with respect to the remaining 20,720,000 Trafigura Warrants. Subsequent to the period, the remaining 5,280,000 of the Trafigura Warrants expiring April 24, 2022 were exercised for gross proceeds to the Company of \$1,665 (C\$2,085).

The Trafigura Loan Facility was initially measured at a fair value of \$13,795, which has been classified as a financial liability, and is subsequently measured at amortized cost, which is being accreted to the principal amount over the term of the Trafigura Loan Facility at an effective interest rate of 21.66%. The fair value of the Trafigura Warrants at the time of issuance was determined to be \$3,821, being the residual amount of the total Trafigura Loan Facility after deducting its fair value.

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

b) Repayment with shares

During the year ended December 31, 2021, the Company settled an outstanding loan balance of \$3,828 by way of the issuance of 9,907,530 common share of the Company with a fair value of \$3,545 and a cash payment of \$283.

12. LEASE LIABILITY

The Company entered into certain mining equipment leases with an interest rate between 6.5% and 10.5% per annum. The outstanding balances of the Company's mining equipment leases as at June 30, 2022 and December 31, 2021 are as follows:

	June 30, 2022	December 31, 2021
	\$	\$
Balance, beginning of year	342	469
Finance costs	14	40
Lease payments	(83)	(165)
Foreign exchange loss (gain)	1	(2)
Balance, end of period	274	342
Less: Current portion	(160)	(175)
Non-current portion	114	167

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

	June 30, 2022
	\$
2022	80
2023	133
2024	89
Total future minimum lease payments	302
Effects of discounting	(28)
Total present value of minimum lease payments	274
Less: Current portion	(160)
Non-current portion	114

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13. CONSIDERATION PAYABLE

	Cash	Deferred cash	Other payables	Total
	\$	\$		\$
Balance, December 31, 2020 and 2021	-	-	-	-
Acquisition (Note 4(a))	12,011	71,322	62,349	145,682
Accretion	-	583	-	583
Balance, end of period	12,011	71,905	62,349	146,265
Less: current portion	(12,011)	(22,500)	(43,625)	(78,136)
Non-current portion	-	49,405	18,724	68,129

As part of the acquisition of the Sinchi Wayra and Illapa Business, the Company owes to Glencore deferred purchase consideration payable of \$90,000. The fair value of \$71,322 on initial recognition was determined using a discount rate of 10% applied to each of the four scheduled annual payments of \$22,500 pursuant to the acquisition agreement. Additionally, the Company owes to Glencore the amount of VAT recoverable from the Bolivian government from operations prior to the Acquisition Date.

As at June 30, 2022, the consideration payable of \$12,011 relates to the initial cash payment due to Glencore pursuant to the acquisition of the Sinchi Wayra and Illapa Business. As a result of certain logistical and closing item delays, management is negotiating with Glencore on the timing of this payment.

14. DECOMMISSIONING AND RESTORATION PROVISION

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

	Rosario ^(a)	Veta Grande	Zimapan ^(b)	Sinchi Wayra and Illapa ^(c)	Total
	\$	\$	\$		\$
Balance, December 31, 2020	1,203	345	-	-	1,548
Acquisition (Note 4(b))	-	-	4,059	-	4,059
Change in estimate	854	-	277	-	1,131
Accretion	40	-	436	-	476
Foreign exchange gain	(38)	-	(461)	-	(499)
Balance, December 31, 2021	2,059	345	4,311	-	6,715
Acquisition (Note 4(a))	-	-	-	17,098	17,098
Accretion	-	-	349	441	790
Foreign exchange loss (gain)	62	-	(238)	(457)	(633)
Balance, June 30, 2022	2,121	345	4,422	17,082	23,970

a) Rosario Mine

In October 2021, the Company announced the Rosario Mine had been placed on care and maintenance and was subsequently sold during the year ended December 31, 2021.

b) Zimapan Mine

The undiscounted amount of estimated cash flows required to settle the decommissioning and reclamation costs at the Zimapan Mine at the end of mine life was estimated to be \$6,874 as at June 30, 2022.

The key assumptions on which the provision estimates were based as at June 30, 2022 are as follows:

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

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c) Sinchi Wayra and Illapa Business

The undiscounted amount of estimated cash flows required to settle the decommissioning and reclamation costs of the producing mines forming part of the Sinchi Wayra and Illapa Business at the end of those mines' lives was estimated to be \$34,764 as at June 30, 2022.

The key assumptions on which the provision estimates were based as at June 30, 2022 are as follows:

- Expected timing of the cash flows is based on the estimated useful life of the mines forming part of the Sinchi Wayra and Illapa Business. The majority of the expenditures are expected to occur between 2029 and 2040, which is based on the currently anticipated closure dates of the mines;
- The inflation rate used is 0.67%, based on realized inflation in Bolivia; and
- The discount rate used is 10.0%.

15. SHARE CAPITAL

a) Authorized share capital

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

b) Issued - share capital

During the six months ended June 30, 2022, the Company had the following share capital transactions:

- The Company issued 7,472,500 shares from the exercise of warrants for proceeds of \$2,359 and 10,000 shares from the exercise of options for proceeds of \$1. The \$1 fair value attributed to the options exercised was reclassified from reserves to share capital.
- The Company issued 3,077,317 shares with a fair value of \$0.32 (C\$0.41) to a third-party finder pursuant to the acquisition of the Sinchi Wayra and Illapa Business (Note 4(a)).

During the year ended December 31, 2021, the Company had the following share capital transactions:

- On April 13, 2021, the Company completed a non-brokered private placement of 46,980,000 units ("2021 Units") for gross proceeds of \$11,228 (C\$14,094). Each 2021 Unit consists of one common share of the Company and one non-transferable common share purchase warrant ("2021 Warrant"). Each 2021 Warrant entitles the holder to acquire one common share of the Company at a price of C\$0.45 until April 13, 2024, expiring thereafter. In consideration for their services, the Company paid to certain finders cash finder's fees of \$572 and issued 1,671,961 finders' warrants having the same terms as the 2021 Warrants.
- The Company issued 9,939,253 shares from the exercise of warrants for proceeds of \$1,882 and 1,359,300 shares from the exercise of options for proceeds of \$193. The \$126 fair value attributed to the options exercised was reclassified from reserves to share capital.
- On July 15, 2021, the Company issued 10,342,604 shares with a fair value of \$3,701 pursuant to the settlement of accounts payable and loans payable.

c) Stock options and warrants reserve

	Stock options	Warrants	Total
	\$	\$	\$
Balance, December 31, 2020	5,015	2,027	7,042
Share-based compensation	3,363	-	3,363
Exercise of options and warrants	(126)	-	(126)
Warrants issued as part of private placement	-	243	243
Warrants issued as part of Trafigura loan (Note 11)	-	3,821	3,821
Balance, December 31, 2021	8,252	6,091	14,343
Share-based compensation	700	-	700
Exercise of options and warrants	(1)	(778)	(779)
Balance, June 30, 2022	8,951	5,313	14,264

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d) Stock options

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

The following is a summary of the Company's stock options for the six months ended June 30, 2022 and December 31, 2021:

	Number of stock options	Weighted average exercise price
	#	C\$
Balance, December 31, 2020	7,113,700	0.18
Granted	16,250,000	0.47
Exercised	(1,359,300)	0.18
Expired	(280,000)	0.18
Balance, December 31, 2021	21,724,400	0.40
Exercised	(10,000)	0.18
Balance, June 30, 2022	21,714,400	0.40

As at June 30, 2022, the Company had the following stock options outstanding:

Date of expiry	Number of options outstanding	Number of options exercisable	Weighted average exercise price	Weighted average remaining years
	#	#	C\$	Years
August 6, 2024	5,464,400	5,464,400	0.18	2.10
May 7, 2026	16,250,000	12,187,500	0.47	3.85
	21,714,400	17,651,900	0.40	3.41

The weighted average assumptions used in the Black-Scholes option pricing model for the six months ended June 30, 2022 and 2021 were as follows:

	2022	2021
Risk-free rate	-	1.20%
Expected life	-	5.00 years
Expected volatility	-	80.83%
Dividend yield	-	0.00%

During the six months ended June 30, 2022, the weighted average share price on the date of exercise of the stock options was C\$0.51 per share (2021 - C\$0.39).

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e) Warrants

The following is a summary of the Company's warrants for the six months ended June 30, 2022 and the year ended December 31, 2021:

	Number of warrants	Weighted average exercise price
	#	C\$
Balance, December 31, 2020	53,613,510	0.29
Issued - private placement	46,980,000	0.45
Issued - finders' warrants	1,671,961	0.45
Issued - Trafigura Loan Facility (Note 11)	28,000,000	0.40
Exercised	(9,939,253)	0.23
Balance, December 31, 2021	120,326,218	0.39
Exercised	(7,472,500)	0.40
Balance, June 30, 2022	112,853,718	0.38

As at June 30, 2022, the Company had the following warrants outstanding:

Date of expiry	Number of warrants	Weighted average exercise price	Weighted average remaining years
	#	C\$	Years
October 7, 2023	30,177,205	0.30	1.27
October 15, 2023	13,454,552	0.30	1.29
April 12, 2024	48,501,961	0.45	1.79
October 24, 2024	20,720,000	0.40	2.32
	112,853,718	0.38	1.69

The weighted average assumptions used in the Black-Scholes option pricing model for the six months ended June 30, 2022 and 2021 were as follows:

	2022	2021
Risk-free rate	-	0.24%-1.37%
Expected life	-	1-3 years
		84.76%-
Expected volatility	-	89.48%
Dividend yield	-	0.00%

16. COSTS BY NATURE

a) Cost of sales

	Three months ended		Six months ended	
	2022	June 30, 2021	2022	June 30, 2021
	\$	\$	\$	\$
Direct production costs	165,071	9,498	186,957	18,211
COMIBOL contract expense	5,696	-	5,696	-
Mine royalty expense ⁽¹⁾	6,236	-	6,236	-
Depreciation and depletion	9,192	406	11,322	680
Total	186,195	9,904	210,211	18,891

¹⁾ Mine royalty expense relates to the mining royalty due to the Bolivian government as a result of mining operations at the Sinchi Wayra and Illapa Business.

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b) Operating expenses

	Three months ended		Six months ended	
	2022	June 30, 2021	2022	June 30, 2021
	\$	\$	\$	\$
Administrative	1,475	937	2,337	1,335
Licenses and other fees	725	-	725	-
Management and consulting fees	235	67	465	97
Other	17	290	27	293
Penalties and inflation charges	2,420	-	2,456	-
Professional fees	201	895	392	2,095
Salaries and benefits	4,851	319	7,277	554
Share-based compensation (Note 15(d), 17)	261	999	700	1,029
Shareholder communications	46	91	183	172
Shipping	5,368	438	6,099	808
Transfer agent and filing fees	20	19	45	61
Travel	44	6	55	7
Total	15,663	4,061	20,761	6,451

c) Finance expense, net

	Three months ended		Six months ended	
	2022	June 30, 2021	2022	June 30, 2021
	\$	\$	\$	\$
Accretion of decommissioning provisions	(611)	(117)	(790)	(127)
Accretion of Trafigura Facility Loan	(371)	(618)	(765)	(618)
Accretion of consideration payable	(510)	-	(583)	-
Accretion of royalties payable	(618)	-	(618)	-
Financing charge on leases	(14)	(10)	(14)	(20)
Interest expense, carrying charges and finance charges on loans payable	(1,584)	(1,194)	(1,897)	(1,480)
Interest income	43	243	113	250
I/A recovery inflationary gain	-	1,086	-	1,722
Other (expense) income	(65)	(176)	1	(176)
Total	(3,730)	(786)	(4,553)	(449)

17. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION

	Three months ended		Six months ended	
	2022	June 30, 2021	2022	June 30, 2021
	\$	\$	\$	\$
Management and consulting fees	129	133	260	238
Share-based compensation	196	861	525	887
Total	325	994	785	1,125

Of the \$129 and \$260 in management and consulting fees incurred with related parties during the three and six months ended June 30, 2022, \$24 and \$50, respectively (2021 - \$28 and \$28, respectively) was related to directors' fees and \$105 and \$210, respectively (2021 - \$105 and \$210, respectively) was related to management fees.

As at June 30, 2022, directors and officers or their related companies were owed \$21 (December 31, 2021 - \$26) in respect of the services rendered. These are non-interest bearing with standard payment terms. A total of \$38 of the leases payable remains outstanding as at June 30, 2022 (December 31, 2021 - \$38) and are owed to a company owned by the Executive Chairman of the Company.

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

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18. SEGMENT 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 team, collectively the chief operating decision maker, in assessing performance and in determining the allocation of resources. The Company primarily manages its 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 the Company's activities and therefore does not meet the definition of an operating segment. Consequently, the following operating and reportable segments have been identified: the Rosario Project and Veta Grande Project ("Other"), the Zimapan Mine, and the Sinchi Wayra and Illapa Business.

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, 2022	Other	Zimapan	Sinchi Wayra and Illapa	Corporate	Total
Revenues	6	13,444	211,678	-	225,128
Production costs	-	9,808	155,263	-	165,071
COMIBOL contract expense	-	-	5,696	-	5,696
Mine royalty expense	-	-	6,236	-	6,236
Depletion and amortization	-	(206)	9,398	-	9,192
Cost of sales	-	9,602	176,593	-	186,195
Gross profit	6	3,842	35,085	-	38,933
Operating profit (loss)	6	3,842	35,085	(15,663)	23,270
Finance expense	-	(170)	(441)	(3,119)	(3,730)
Gain on foreign exchange	-	-	-	235	235
Transaction costs for Sinchi Wayra acquisition	-	-	-	(27)	(27)
Unrealized loss on marketable securities	-	-	-	(1,999)	(1,999)
Income (loss) before tax	6	3,672	34,644	(20,573)	17,749

Three months ended June 30, 2021	Other	Zimapan	Sinchi Wayra and Illapa	Corporate	Total
	\$	\$	\$	\$	\$
Revenues	722	13,022	-	-	13,744
Production costs	1,283	8,215	-	-	9,498
Depletion and amortization	-	406	-	-	406
Cost of sales	1,283	8,621	-	-	9,904
Gross (loss) profit	(561)	4,401	-	-	3,840
Operating (loss) profit	(561)	4,401	-	(4,061)	(221)
Finance expense	(20)	-	-	(766)	(786)
Loss on foreign exchange	-	-	-	(1,772)	(1,772)
Unrealized loss on marketable securities	-	-	-	(531)	(531)
(Loss) income before tax	(581)	4,401	-	(7,130)	(3,310)

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Six months ended June 30, 2022	Other	Zimapan	Sinchi Wayra and Illapa	Corporate	Total
Revenues	6	28,687	239,346	-	268,039
Production costs	-	19,146	167,811	-	186,957
COMIBOL contract expense	-	-	5,696	-	5,696
Mine royalty expense	-	-	6,236	-	6,236
Depletion and amortization	-	783	10,539	-	11,322
Cost of sales	-	19,929	190,282	-	210,211
Gross profit	6	8,758	49,064	-	57,828
Operating profit (loss)	6	8,758	49,064	(20,761)	37,067
Finance expense	-	(349)	(441)	(3,763)	(4,553)
Gain on foreign exchange	-	-	-	178	178
Transaction costs for Sinchi Wayra acquisition	-	-	-	(2,290)	(2,290)
Unrealized loss on marketable securities	-	-	-	(1,630)	(1,630)
Income (loss) before tax	6	8,409	48,623	(28,266)	28,772

Six months ended June 30, 2021	Other	Zimapan	Sinchi Wayra and Illapa	Corporate	Total
Revenues	1,448	23,464	-	-	24,912
Production costs	2,409	15,802	-	-	18,211
Depletion and amortization	-	680	-	-	680
Cost of sales	2,409	16,482	-	-	18,891
Gross profit	(961)	6,982	-	-	6,021
Operating profit (loss)	(961)	6,982	-	(6,451)	(430)
Finance expense	(20)	-	-	(429)	(449)
Gain on foreign exchange	-	-	-	681	681
Transaction costs for Sinchi Wayra acquisition	-	-	-	2,539	2,539
Unrealized gain on marketable securities	-	-	-	911	911
(Loss) income before tax	(981)	6,982	-	(2,749)	3,252

As at June 30, 2022	Other	Zimapan	Sinchi Wayra and Illapa	Corporate	Total
	\$	\$	\$	\$	\$
Current assets	6,566	14,606	142,111	1,051	164,334
Non-current assets	4,901	36,853	169,944	-	211,698
Total assets	11,467	51,459	312,055	1,051	376,032
Total liabilities	(20,859)	(38,378)	(293,133)	(3,021)	(355,391)

As at December 31, 2021	Other	Zimapan	Sinchi Wayra and Illapa	Corporate	Total
	\$	\$	\$	\$	\$
Current assets	9,257	12,324	-	493	22,074
Non-current assets	5,554	33,286	-	-	38,840
Total assets	14,811	45,610	-	493	60,914
Total liabilities	(21,012)	(35,617)	-	(1,547)	(58,176)

The Company's consolidated statement of income includes the results of the Sinchi Wayra and Illapa Business for the period from the closing date of the acquisition on March 18, 2022 to June 30, 2022.

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b) Segment revenue by location and major customers

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

c) Non-current assets by location

All of the Company's non-current assets of the Other segment and Zimapan Mine are located in Mexico, all of the Company's non-current assets of the Sinchi Wayra and Illapa Business are located in Bolivia.

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

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

As at June 30, 2022, marketable securities and trade receivables are measured at fair value using Level 1 inputs. The fair value of marketable securities is measured based on the quoted market price of the related common shares at each reporting date, and changes in fair value are recognized in profit or loss. The fair value of trade receivables is measured based on quoted market prices for the underlying commodity prices (silver, lead, zinc, copper) to which the receivable relates as the trade receivables are provisionally priced at the time of sale.

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

The fair value of the other assets, which are shares held in a private company based in Mexico and a private company based in Bolivia, are measured at fair value using Level 3 inputs. The carrying value of these other assets approximates its fair value because of the regular course business activity of the entity. The Company is not aware of any indications of adverse business conditions which would indicate the fair value is less than the carrying value.

The fair value of the loans payable for disclosure purposes is determined using discounted cash flows based on the expected amounts and timing of future cash flows discounted using a market rate of interest adjusted for appropriate credit risk.

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

i) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to fulfill its contractual obligations. The Company's credit risk relates primarily to cash and cash equivalents, trade receivables, and other receivables. The Company minimizes its credit risk related to cash and cash equivalents by placing cash with major financial institutions. The Company regularly reviews the collectability of its trade receivables. The Company considers the credit risk related to both cash and cash equivalents and trade receivables to be minimal.

ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. If interest rates increase, the Company will incur more interest expense. The sensitivity of the Company's profit or loss to changes in the interest rate would be as follows: a 1% change in the interest rate would change the Company's profit or loss by approximately \$225.

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iii) Liquidity risk

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

Contractual undiscounted cash flow requirements as at June 30, 2022 were as follows:

	< 1 year	1 - 2 years	2 - 5 years	>5 years	Total
	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	100,388	-	-	-	100,388
Loans payable	17,494	5,656	1,885	-	25,035
Leases	227	355	22	-	604
Royalties payable	3,669	2,941	18,202	13,111	37,923
Consideration payable	78,136	45,000	41,224	-	164,360
Total	199,914	53,952	61,333	13,111	328,310

iv) Foreign exchange risk

The Company operates in Canada, Mexico and Bolivia and is exposed to foreign exchange risk due to fluctuations in the US dollar, the Mexican peso and the Bolivian boliviano. Foreign exchange risk arises from financial assets and liabilities denominated in these foreign currencies. The sensitivity of the Company's profit or loss to changes in the exchange rate between the US dollar, the Mexican peso, Bolivian boliviano and the Canadian dollar, respectively, would be as follows: a 1% change in the US dollar exchange rate relative to the Mexican peso would change the Company's profit or loss by approximately \$26; a 1% change in the US dollar exchange rate relative to the Bolivian boliviano would change the Company's profit or loss by approximately \$217; and a 1% change in the US dollar exchange rate relative to the Canadian dollar would change the Company's profit or loss by approximately \$41.

The Company's financial assets and liabilities as at June 30, 2022 are denominated in Canadian dollars, US dollars, Bolivian bolivianos and Mexican pesos and translated to US dollars as follows:

	CAD	USD	BOB	MXN	Total
	\$	\$	\$	\$	\$
Financial assets					
Cash and cash equivalents	158	2,690	2,686	155	5,689
Marketable securities	2,599	-	-	-	2,599
Trade receivables	-	9,381	5,644	-	15,025
Other receivables	22	-	47,916	7,914	55,852
Recoverable taxes	-	-	19,648	-	19,648
Total	2,779	12,071	75,894	8,069	98,813
Financial liabilities					
Accounts payable and accrued liabilities	513	6,504	55,646	37,725	100,388
Leases	-	-	-	274	274
Loans payable	-	9,601	12,624	-	22,225
Royalties payable	-	22,179	-	-	22,179
Consideration payable	-	146,265	-	-	146,265
Total	513	184,549	68,270	37,999	291,331
Net financial assets (liabilities)	2,266	(172,478)	7,624	(29,930)	(192,518)

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v) Price risk

Price risk is the risk that the fair value of financial instruments will fluctuate because of changes in commodity prices. Commodity prices are affected by numerous factors that are outside of the Company's 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.

vi) Geopolitical risk

Geopolitical risk is the risk that the fair value of financial instruments will fluctuate if there is a sudden and rapid destabilization of global financial conditions in response to the current pandemic or future events, as government authorities may have limited resources to respond to the current or future crisis. Future crises may be precipitated by any number of factors outside the Company's control, including another pandemic, natural disasters, geopolitical instability, supply chain constraints or sovereign defaults. Any sudden or rapid destabilization of global economic conditions could negatively impact the Company's ability to obtain equity or debt financing or make other suitable arrangements to operate and/or finance its projects. In the event of increased levels of volatility or a rapid destabilization of global economic conditions, the Company's profitability, results of operations and financial condition could be adversely affected.

20. CAPITAL MANAGEMENT

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

Historically, the Company has depended on external financing to fund its activities. The capital structure of the Company currently consists of shareholders' equity, which was \$20,641 as at June 30, 2022 (December 31, 2021 - \$2,738). The Company manages its 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 its capital structure, the Company may issue new shares through equity offerings or sell assets to fund operations. Management reviews the Company's 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.

21. SUBSEQUENT EVENTS

The Company received C\$90 from the exercise of 300,000 stock options with an exercise price C\$0.30 per option.

The Company granted 1,000,000 stock options to an officer of the Company, which are exercisable until August 16, 2024 at an exercise price of C\$0.45 per stock option, and vest 25% immediately and 25% each six months thereafter.

The Company received C\$338 from the exercise of 1,125,000 warrants with an exercise price C\$0.30 per warrant.