



**Condensed Interim Consolidated Financial Statements**

**For the Three Months ended March 31, 2023 and 2022**

(Expressed in thousands of US dollars)

(Unaudited)

## TABLE OF CONTENTS

Notice of no auditor review of condensed interim consolidated financial statements	2
Condensed Interim Consolidated Statements of Financial Position	3
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss	4
Condensed Interim Consolidated Statements of Cash Flows	5
Condensed Interim Consolidated Statements of Changes in Shareholders' (Deficiency) Equity	6
Notes to the Condensed Interim Consolidated Financial Statements	7

## **Notice of no auditor review of condensed interim consolidated financial statements**

Pursuant to National Instrument 51-102, Part 4, subsection 4.3(3)(a), 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. for the interim period ended March 31, 2023, have been prepared by and are the responsibility of the Company's management.

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

June 7, 2023

**SANTACRUZ SILVER MINING LTD.**  
**Condensed Interim Consolidated Statements of Financial Position**  
**As at March 31, 2023 and December 31, 2022**  
**(Unaudited)**

(Expressed in thousands of US dollars, except for share amounts and number of shares)

	Note	March 31, 2023	December 31, 2022
		\$	\$
<b>ASSETS</b>			
<b>Current</b>			
Cash and cash equivalents		11,988	4,609
Marketable securities	6	1,624	2,769
Trade and other receivables	7	98,276	99,027
Inventories	8	32,021	29,452
Prepaid expenses and deposits		5,592	5,803
Assets held for sale	9	4,097	3,841
		<b>153,598</b>	<b>145,501</b>
Other assets		53	53
Trade and other receivables	7	31,407	31,759
Mineral properties, plant and equipment	10	144,613	146,522
Goodwill	5(a)	10,973	10,973
Deferred income tax asset	20	2,650	2,712
<b>Total assets</b>		<b>343,294</b>	<b>337,520</b>
<b>LIABILITIES</b>			
<b>Current</b>			
Trade payables and accrued liabilities	11	68,595	66,023
Consideration payable	12	29,904	7,618
Loans payable	13	17,951	17,957
Current taxes payable	20	26,002	20,267
Other liabilities	14	5,235	6,875
Liabilities associated with assets held for sale	9	20,230	20,230
		<b>167,917</b>	<b>138,970</b>
Trade payables and accrued liabilities	11	3,418	3,418
Consideration payable	12	127,661	148,095
Loans payable	13	3,165	4,258
Other liabilities	14	10,644	10,429
Taxes payable	20	9,037	8,953
Decommissioning and restoration provision	15	21,414	20,618
Deferred income tax liability	20	14,200	15,814
<b>Total liabilities</b>		<b>357,456</b>	<b>350,555</b>
<b>SHAREHOLDERS' DEFICIENCY</b>			
Share capital	16	137,923	136,122
Equity reserves		9,067	11,046
Deficit		(161,152)	(160,203)
<b>Total shareholders' deficiency</b>		<b>(14,162)</b>	<b>(13,035)</b>
<b>Total liabilities and shareholders' equity</b>		<b>343,294</b>	<b>337,520</b>

Approved and authorized for issue on behalf of the Board of Directors on June 7, 2023:

*"Arturo Préstamo Elizondo"*

Director

*"Larry Okada"*

Director

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

**SANTACRUZ SILVER MINING LTD.****Condensed Interim Consolidated Statements of Loss and Comprehensive Loss****For the Three Months ended March 31, 2023 and 2022****(Unaudited)**

(Expressed in thousands of US dollars, except for share amounts and number of shares)

	Note	Three Months ended March 31,	
		2023	2022
		\$	\$
Revenues	24	65,378	32,381
Mine operating costs			
Cost of sales	17	45,714	22,426
Depletion, depreciation and amortization	10	4,984	1,939
<b>Gross profit</b>		<b>14,680</b>	<b>8,016</b>
General and administrative expenses	18	(6,738)	(2,036)
Share-based payments		(106)	(439)
<b>Operating profit</b>		<b>7,836</b>	<b>5,541</b>
Finance (costs) income	19	(2,774)	2,298
(Loss) gain on foreign exchange		(889)	753
Transaction costs for the Sinchi Wayra and Illapa Business acquisition	5(a)	-	(2,263)
Fair value loss on marketable securities	6	(1,238)	369
<b>Profit before tax</b>		<b>2,935</b>	<b>6,698</b>
Income tax expense	20	(3,884)	(5,936)
<b>Net (loss) profit for the period</b>		<b>(949)</b>	<b>762</b>
Other comprehensive income:			
Currency translation differences		(1,435)	460
<b>Comprehensive (loss) income for the period</b>		<b>(2,384)</b>	<b>1,222</b>
<b>Net loss per share:</b>			
Basic	25	(0.00)	0.00
Diluted		(0.00)	0.00
<b>Weighted average number of common shares:</b>			
Basic		346,812,760	330,677,267
Diluted		346,812,760	330,677,267

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

**SANTACRUZ SILVER MINING LTD.**  
**Condensed Interim Consolidated Statements of Cash Flows**  
**For the Three Months ended March 31, 2023 and 2022**  
**(Unaudited)**  
(Expressed in thousands of US dollars)

	Note	Three Months ended March 31,	
		2023	2022
		\$	\$
<b>Operating activities:</b>			
Net (loss) profit for the period		(949)	762
Items not affecting cash:			
Depletion, depreciation and amortization	10	4,984	1,939
Finance costs	19, 26	3,559	2,461
Share-based compensation	16	106	439
Transaction costs for Sinchi Wayra acquisition		-	1,000
Unrealized loss (gain) on marketable securities	6	1,238	(369)
Unrealized foreign exchange (gain) loss		(1,901)	459
Income tax expense	20	3,884	5,936
<b>Operating cash flows before non-change working capital</b>		<b>10,921</b>	<b>12,627</b>
Changes in non-cash working capital:			
Trade and other receivables	7	727	(18,051)
Inventories	8	(2,569)	4,448
Prepaid expenses and deposits		211	863
Trade payables and accrued liabilities	11	3,451	9,595
Other liabilities	14	(1,233)	(9,389)
<b>Net cash generated by (used by) operating activities</b>		<b>11,508</b>	<b>93</b>
<b>Investing activities:</b>			
Cash acquired on the acquisition of Sinchi Wayra and Illapa	5(a)	-	13,780
Expenditures on mineral properties, plant and equipment	10	(5,407)	(4,618)
Proceeds on disposition of mineral properties, plant and equipment	10	2,332	-
Cash received from sale of Zacatecas shares		41	-
<b>Net cash (used by) provided by investing activities</b>		<b>(3,034)</b>	<b>9,162</b>
<b>Financing activities:</b>			
Proceeds from exercise of options	16	225	1
Proceeds from exercise of warrants	16	926	637
Proceeds from loans payable	13	3,964	-
Repayments of loans payable	13	(5,994)	(2,073)
Lease payments on plant and equipment	15	(216)	(41)
<b>Net cash (used by) provided by financing activities</b>		<b>(1,095)</b>	<b>(1,476)</b>
Effect of exchange rate on changes in cash		-	6
Net change in cash and cash equivalents		7,379	7,785
Cash and cash equivalents – beginning of period		4,609	938
<b>Cash and cash equivalents – end of period</b>		<b>11,988</b>	<b>8,723</b>
<b>Cash paid during the period for:</b>			
Interest expense		385	1,026
Income taxes		-	573
Supplemental cash flow information (Note 26)			

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

**SANTACRUZ SILVER MINING LTD.**

**Condensed Interim Consolidated Statements of Changes in Shareholders' (Deficiency) Equity**

**For the Three Months ended March 31, 2023 and 2022**

**(Unaudited)**

(Expressed in thousands of US dollars, except number of shares)

(Deficiency) Equity attributable to Shareholders

	Share Capital		Equity reserves			Total equity reserves	Deficit	Total shareholders' (deficiency) equity
	Shares	Amount	Share-based payment reserve	Contributed surplus	Accumulated other comprehensive (loss) income			
	#	\$	\$	\$	\$	\$	\$	\$
Balance, December 31, 2021	330,227,821	129,532	14,343	(1,872)	(1,323)	11,148	(137,942)	2,738
Shares issued from exercise of options	10,000	2	(1)	-	-	(1)	-	1
Shares issued from exercise of warrants	2,025,000	637	-	-	-	-	-	637
Shares issued for transaction costs	3,077,317	1,000	-	-	-	-	-	1,000
Share-based compensation	-	-	439	-	-	439	-	439
Comprehensive loss	-	-	-	-	460	460	762	1,222
<b>Balance, March 31, 2022</b>	<b>335,340,138</b>	<b>131,171</b>	<b>14,781</b>	<b>(1,872)</b>	<b>(863)</b>	<b>12,046</b>	<b>(137,180)</b>	<b>6,037</b>
<b>Balance, December 31, 2022</b>	<b>346,466,638</b>	<b>136,122</b>	<b>13,861</b>	<b>(1,872)</b>	<b>(943)</b>	<b>11,046</b>	<b>(160,203)</b>	<b>(13,035)</b>
Shares issued from exercise of options	800,000	347	(122)	-	-	(122)	-	225
Shares issued from exercise of warrants	3,453,000	1,454	(528)	-	-	(528)	-	926
Share-based compensation	-	-	106	-	-	106	-	106
Comprehensive loss	-	-	-	-	(1,435)	(1,435)	(949)	(2,384)
<b>Balance, March 31, 2023</b>	<b>350,719,638</b>	<b>137,923</b>	<b>13,317</b>	<b>(1,872)</b>	<b>(2,378)</b>	<b>9,067</b>	<b>(161,152)</b>	<b>(14,162)</b>

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

## **SANTACRUZ SILVER MINING LTD.**

### **Notes to the Condensed Interim Consolidated Financial Statements**

**Three Months ended March 31, 2023 and 2022**

**(Unaudited)**

(Expressed in thousands of US dollars, unless otherwise 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 10<sup>th</sup> 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”.

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 March 31, 2023, the Company had interests in, including mining concession rights, to the following:

- The producing Zimapan mine located in Mexico held by Carrizal Mining S.A. de C.C. (“Carrizal Mining”);
- Sinchi Wayra A.A. (“Sinchi Wayra”) and Sociedad Minera Illapa S.A. (“Illapa”) which consist of the following mineral properties and businesses located in Bolivia: the producing Tres Amigos, Reserva and Colquechaquita mines, collectively the “Caballo Blanco Group”; the producing Bolivar and Porco mines held under an association agreement with Corporación Minera de Bolivia (“COMIBOL”), a Bolivian state-owned entity; the Soracaya exploration project (“Soracaya Project”); as well as the San Lucas ore sourcing and trading business (“San Lucas”);
- 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 assets related to the Rosario Project were sold in December 2021 as part of a tax restructuring of Impulsora Minera Santacruz, S.A. de C.V. (“IMSC”).

#### **Going concern**

These condensed interim consolidated financial statements for the three months ended March 31, 2023 and 2022 (“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. For the three months ended March 31, 2023, the Company incurred a net loss of \$949 (year ended December 31, 2022 – \$22,261) and as at March 31, 2023, the Company has a working capital deficiency of \$14,319 (December 31, 2022 – working capital of \$5,362). The Company has non-current loans payable of \$3,165 (December 31, 2022 - \$4,258), and consideration payable to Glencore of \$127,661 (December 31, 2022 - \$148,095). In addition, the Company has an accumulated deficit of \$161,152 (December 31, 2022 - \$160,203) and a shareholders’ deficiency of \$14,162 (December 31, 2022 - \$13,035). 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 acceptable 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.



## **SANTACRUZ SILVER MINING LTD.**

### **Notes to the Condensed Interim Consolidated Financial Statements**

**Three Months ended March 31, 2023 and 2022**

**(Unaudited)**

(Expressed in thousands of US dollars, unless otherwise noted)

---

## **2. BASIS OF PRESENTATION**

These consolidated financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34, “*Interim Financial Reporting*” of the International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). These consolidated financial statements should be read in conjunction with the Company’s audited consolidated financial statements as at and for the year ended December 31, 2022, as some disclosures from the annual consolidated financial statements have been condensed or omitted.

These consolidated financial statements have been prepared on a historical cost basis except for certain items that are measured at fair value including marketable securities. All dollar amounts presented are in thousands of United States dollars unless otherwise specified.

These consolidated financial statements incorporate the financial statements of the Company and its controlled subsidiaries. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The consolidated financial statements include the accounts of the Company and its subsidiaries. Intercompany balances, transactions, income and expenses are eliminated on consolidation.

These condensed interim consolidated financial statements were prepared using accounting policies consistent with those in the audited consolidated financial statements as at and for the year ended December 31, 2022.

References made throughout the consolidated financial statements to “US dollar” or “USD” are to United States dollars, “C\$” or “CAD” are to Canadian dollars, “MXN” are to Mexican pesos, “BOB” are to Bolivian bolivianos, “BMD” are to Bermudian dollars, and references to “PAB” are to Panamanian balboas.

## **3. MATERIAL ACCOUNTING POLICIES**

### **a) New accounting standards and interpretations effective for the current year**

#### Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2

The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy. Examples of when an accounting policy is likely to be material are added. To support the amendment, the IASB has also developed guidance and examples to explain and demonstrate the application of the ‘four-step materiality process’ described in IFRS Practice Statement 2. The amendments are effective for annual reporting periods beginning on or after January 1, 2023.

The amendments were applied effective January 1, 2023, and did not have a material impact on the Company's consolidated financial statements.

#### Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendments to IAS 12)

The amendment clarifies that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition. The amendment is effective for annual reporting periods beginning on or after January 1, 2023.

The amendment was applied effective January 1, 2023, and did not have a material impact on the Company's consolidated financial statements.

## **SANTACRUZ SILVER MINING LTD.**

### **Notes to the Condensed Interim Consolidated Financial Statements**

**Three Months ended March 31, 2023 and 2022**

**(Unaudited)**

(Expressed in thousands of US dollars, unless otherwise noted)

---

### **3. MATERIAL ACCOUNTING POLICIES (continued)**

#### **b) New accounting standards and interpretations not yet adopted**

##### Presentation of Financial Statements (Amendment to IAS 1)

The amendments to IAS 1, clarifies the presentation of liabilities. The classification of liabilities as current or non-current is based on contractual rights that are in existence at the end of the reporting period and is affected by expectations about whether an entity will exercise its right to defer settlement. A liability not due over the next twelve months is classified as non-current even if management intends or expects to settle the liability within twelve months. The amendment also introduces a definition of 'settlement' to make clear that settlement refers to the transfer of cash, equity instruments, other assets, or services to the counterparty. The amendment issued in October 2022 also clarifies how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. Covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. The amendments are effective for annual reporting periods beginning on or after January 1, 2024. The implementation of this amendment is not expected to have a material impact on the Company.

### **4. MATERIAL ACCOUNTING ESTIMATES AND JUDGMENTS**

The preparation of the financial statements in conformity with IFRS requires management to select accounting policies and make estimates and judgments that may have a material impact on the financial statements. Estimates are continuously evaluated and are based on management's experience and expectations of future events that are believed to be reasonable under the circumstances. Actual outcomes may differ from these estimates. The Company's critical accounting judgements and estimates were presented in Note 4 of the audited annual consolidated financial statements for the year ended December 31, 2022, and have been consistently applied in the preparation of these consolidated financial statements. No new judgements and estimates were applied for the period ended March 31, 2023.

### **5. SINCHI WAYRA AND ILLAPA ACQUISITION**

On March 18, 2022 (the "Acquisition Date"), the Company acquired 100% ownership of Sinchi Wayra and Illapa (the "Acquisition") from Glencore plc ("Glencore"). Sinchi Wayra and Illapa consist of the following mineral properties and businesses 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 COMIBOL (Illapa holds a 45% interest – Note 3(f)); the Soracaya Project; as well as the San Lucas ore sourcing and trading business.

The acquisition of Sinchi Wayra and Illapa 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.

Consideration for the acquisition of Sinchi Wayra and Illapa comprised: \$2,106 cash payment which was made in the fourth quarter of 2022; \$90,000 deferred cash consideration payable in installments from March 18, 2024 to March 18, 2026, 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. These royalties are determined to be contingent consideration and are classified as liabilities measured at fair value. 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 (Note 12) including (a) the total profits on sale of the inventory acquired, and (b) the amount of value added taxes ("VAT") receivable from the Bolivian government, 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.

**SANTACRUZ SILVER MINING LTD.****Notes to the Condensed Interim Consolidated Financial Statements****Three Months ended March 31, 2023 and 2022****(Unaudited)**

(Expressed in thousands of US dollars, unless otherwise noted)

**5. SINCHI WAYRA AND ILLAPA ACQUISITION (continued)**

The Company has completed a full and detailed valuation of the fair value of the net assets of Sinchi Wayra and Illapa Business acquired using income, market, and cost valuation methods with the assistance of an independent third party. As of the date

of the audited annual consolidated financial statements, the allocation of purchase price with respect to the fair value of assets acquired and liabilities assumed was updated to reflect new information obtained which existed at the Acquisition Date.

The final estimates of fair value have been adjusted retrospectively at the Acquisition Date. Certain previously reported financial statement line items were updated to reflect the impact of the adjusted final estimates of fair value of assets acquired and liabilities assumed related to the acquisition.

The following table summarizes the consideration payable as part of the purchase price:

	<b>Final</b>
	\$
Initial cash payment	2,106
Deferred purchase price (i)	84,454
Royalties payable to Glencore (ii)	17,395
Payables to Glencore	
(a) Profits (after-tax) on sale of inventory acquired (iii)	4,555
(b) Payment of VAT to be collected (iv)	43,483
<b>Consideration payable</b>	<b>151,993</b>

- (i) Fair value of the deferred purchase price was estimated based on the future \$90.0 million cash payments discounted by a cost of debt rate of 4.7%.
- (ii) Fair value of the royalties payable to Glencore was estimated based on the future estimated royalties payable discounted by a discount rate of 6.6% considering the risks in the cash flow forecasts and the cost of debt. In the projection of the cash outflows related to the royalties, net revenue from Bolivar, Porco and the Caballo Blanco Group and the adjusted gross margin royalty from San Lucas were used.
- (iii) Fair value of the before-tax profits on sale of inventory acquired upon the Acquisition was estimated based on the inventory profit calculation as outlined in the Share Purchase Agreement ("SPA").
- (iv) Fair value of the payment of VAT to be collected was estimated based on the agreed amount with Glencore as per the SPA.

**SANTACRUZ SILVER MINING LTD.****Notes to the Condensed Interim Consolidated Financial Statements****Three Months ended March 31, 2023 and 2022****(Unaudited)**

(Expressed in thousands of US dollars, unless otherwise noted)

**5. SINCHI WAYRA AND ILLAPA ACQUISITION (continued)**

The following table sets out the final allocation of the purchase price to the assets acquired and liabilities assumed in the Acquisition.

	<b>Final</b>
	\$
<b>Fair values of net assets acquired</b>	
Cash and cash equivalents	13,780
Trade and other receivables	62,744
COMIBOL receivables	50,464
Inventories	87,978
Prepaid expenses and deposits	4,908
Mineral properties, plant and equipment	110,472
Goodwill (*)	10,973
Trade payables and accrued liabilities	(58,691)
Loans payable	(34,135)
Taxes payable	(20,923)
Other liabilities	(50,878)
Decommissioning and restoration provision	(13,726)
Deferred income tax liability	(10,973)
<b>Net assets acquired</b>	<b>151,993</b>

Note:

(\*) Goodwill of \$10,973 was recognized due to the net deferred tax liability of \$10,973 generated on the business combination (deferred tax liability of \$19,776 offset by a deferred tax asset of \$8,803).

The fair value of the mineral properties, plant and equipment was determined with the assistance of an independent third party who completed a valuation of Sinchi Wayra and Illapa 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 the acquired businesses reserves and resources statement.

The fair value of the San Lucas ore sourcing and trading business was determined with the assistance of an independent third party and was valued using an income approach, discounted cash flow method with the consideration of a terminal value based on an exit multiple.

Significant assumptions used in the valuation of the mineral properties and the San Lucas ore sourcing and trading business were silver price of \$21.20 to \$24.90 per ounce, zinc price of \$2,500-\$3,000 per metric tonne ("mt"), lead price of \$2,014-\$2,333 per mt, discount rates ranging from 7.1% to 14.5% and a tax rate of 37.5%.

Property, plant and equipment comprise real-estate properties and various on-site equipment including mill facilities. 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.

The decommissioning and restoration provision represents the Company's future obligation to remediate the mine sites after completion of the mining activities. The fair value was determined using a discounted cash flow analysis based on real dollar estimated costs (pre-inflation) and changes in the period-end exchange rate. Significant assumptions used in the determination of the fair value were discount rates of 7.25 to 7.99% based on when the costs are expected to be incurred.

The Company incurred acquisition-related costs of \$3,600, including the issuance of 3,077,317 common shares with a fair value of \$1,000 (C\$0.41 per common share), in the year ended December 31, 2022 which are recorded as a separate line item in the Consolidated Statements of Loss and Comprehensive Loss.

**SANTACRUZ SILVER MINING LTD.****Notes to the Condensed Interim Consolidated Financial Statements****Three Months ended March 31, 2023 and 2022****(Unaudited)**

(Expressed in thousands of US dollars, unless otherwise noted)

**6. MARKETABLE SECURITIES**

A summary of the Company's marketable securities is as follows:

	<b>March 31, 2023</b>	December 31, 2022
	\$	\$
Balance, beginning of period	<b>2,769</b>	4,102
Foreign exchange (loss) gain	<b>134</b>	211
Change in fair value	<b>(1,238)</b>	(1,544)
Sale of shares	<b>(41)</b>	-
<b>Balance, end of period</b>	<b>1,624</b>	2,769

The securities owned by the Company represent a 6.1% ownership in Zacatecas Silver Corp ("Zacatecas"). The change in fair value represents the change in price of the underlying shares of Zacatecas from the date of sale of the Zacatecas Properties to December 31, 2022. The shares of Zacatecas are measured at FVTPL using Level 1 inputs (Note 22).

**7. TRADE AND OTHER RECEIVABLES**

A summary of the Company's trade and other receivables is as follows:

	<b>March 31, 2023</b>	December 31, 2022
	\$	\$
Trade receivables	<b>15,570</b>	16,916
COMIBOL contract receivables	<b>38,356</b>	38,519
Mexican VAT recoverable	<b>536</b>	1,915
Bolivian VAT recoverable (Note 5)	<b>62,933</b>	63,657
Canadian GST recoverable	<b>56</b>	33
Other receivables	<b>12,232</b>	9,746
<b>Balance, end of period</b>	<b>129,683</b>	130,786
Less: non-current portion	<b>31,407</b>	31,759
<b>Current portion</b>	<b>98,276</b>	99,027

COMIBOL contract receivables represent COMIBOL's obligation to pay their portion of committed funding related to the investment of plant and equipment made to date. The payments are due to the Company based on pre-defined excess net cash flow that COMIBOL is entitled to receive. In the event the net cash flows are insufficient any remaining balance is to be paid within a maximum period of one hundred and twenty (120) days from the date of termination of the agreement.

## SANTACRUZ SILVER MINING LTD.

### Notes to the Condensed Interim Consolidated Financial Statements

Three Months ended March 31, 2023 and 2022

(Unaudited)

(Expressed in thousands of US dollars, unless otherwise noted)

#### 8. INVENTORIES

A summary of the Company's inventories is as follows:

	March 31, 2023	December 31, 2022
	\$	\$
Mineralized material stockpiles	1,047	542
Concentrate inventory	8,040	5,793
Supplies inventory	22,934	23,117
	<b>32,021</b>	<b>29,452</b>

During the three months ended March 31, 2023, the inventory recognized as cost of sales was \$45,714 (2022 – \$22,426), which includes production costs and amortization and depletion directly attributable to the inventory production process.

During the three months ended March 31, 2023, the Company recognized through cost of sales a net realizable value write-off of inventory related to the Rosario Project for \$166 (2022 - \$150).

#### 9. ASSETS HELD FOR SALE

IMSC is a non-operational Mexican subsidiary of the Company, which holds the Rosario Project and the accompanying infrastructure assets including the milling facility, and third-party liabilities including the Rosario Project reclamation obligation. IMSC also has approximately \$45.0 million of unrecognized non-capital loss carryforwards. IMSC has a wholly-owned subsidiary OMA which is a holding company with historical tax balances payable to the Mexican tax authorities.

In October 2021, the Company placed the Rosario Project on care and maintenance, which resulted in the impairment of certain remaining carrying value of associated plant and equipment used on site, mainly the mine access ramp and electrical installation. Subsequent to placing the Rosario Project in care and maintenance, a decision was made to sell any other remaining assets and liabilities related to the Rosario Project. The Company incorporated a new wholly owned subsidiary Mineworks, S.A. de C.V. ("Mineworks"), and transferred from IMSC to Mineworks certain assets and liabilities related to the Rosario Project, except for the decommissioning and rehabilitation provision, which remained with IMSC. The entire ownership in Mineworks was then sold to a third-party buyer in December 2021.

In the fourth quarter of 2022, the Company adopted a plan for the sale of shares in IMSC to an unrelated third party which was approved by the Board of Directors. The Company is currently assessing the tax implications of the sale transaction. It is in the final stages of negotiation with the counterparty and the sale is expected to be completed by the end of the third quarter of 2023.

**SANTACRUZ SILVER MINING LTD.****Notes to the Condensed Interim Consolidated Financial Statements****Three Months ended March 31, 2023 and 2022****(Unaudited)**

(Expressed in thousands of US dollars, unless otherwise noted)

**9. ASSETS HELD FOR SALE (continued)**

The components of assets and liabilities of IMSC and OMA classified as held for sale as at are as follows:

	March 31, 2023	December 31, 2022
	\$	\$
<b>Assets:</b>		
Cash and cash equivalents	16	15
Trade and other receivables	3,222	3,027
Prepaid expenses and deposits	859	799
<b>Total assets held for sale</b>	<b>4,097</b>	<b>3,841</b>
<b>Liabilities:</b>		
Trade payables and accrued liabilities	17,514	17,697
Decommissioning and restoration provision	2,716	2,533
<b>Total liabilities associated with assets held for sale</b>	<b>20,230</b>	<b>20,230</b>
<b>Net liabilities held for sale</b>	<b>(16,133)</b>	<b>(16,389)</b>

In accordance with *IFRS 5 – Non-Current Assets Held for Sale and Discontinued Operations*, the Company assessed the carrying amount of all of the assets and liabilities of IMSC and OMA for impairment prior classifying IMSC and OMA as assets held for sale, as the decision to sell IMSC and OMA is a triggering event for impairment assessment. The Company concluded that the carrying value of the property, plant and equipment should be fully impaired. Accordingly, the Company recorded an impairment charge of \$4,538 in the year ended December 31, 2022 (note 10).

**SANTACRUZ SILVER MINING LTD.**

**Notes to the Condensed Interim Consolidated Financial Statements**

**Three Months ended March 31, 2023 and 2022**

**(Unaudited)**

(Expressed in thousands of US dollars, unless otherwise noted)

**10. MINERAL PROPERTIES, PLANT AND EQUIPMENT**

	Depletable mineral properties	Non- depletable mineral properties	Exploration and evaluation	Plant and equipment	Total
	\$	\$	\$	\$	\$
<b>Cost</b>					
Balance, December 31, 2021	17,147	1,467	-	34,982	53,596
Acquisition (Note 5))	19,521	-	7,291	83,660	110,472
Additions	2,775	-	-	6,610	9,385
Mine development expenditures	7,208	-	-	-	7,208
Change in decommissioning and restoration costs (note 15)	1,610	-	-	-	1,610
Disposals	-	-	-	(1,890)	(1,890)
<b>Balance, December 31, 2022</b>	<b>48,261</b>	<b>1,467</b>	<b>7,291</b>	<b>123,362</b>	<b>180,381</b>
Additions	1,599	-	-	3,808	5,407
Disposals	-	-	-	(2,332)	(2,332)
<b>Balance, March 31, 2023</b>	<b>49,860</b>	<b>1,467</b>	<b>7,291</b>	<b>124,838</b>	<b>183,456</b>
<b>Accumulated depreciation and impairment</b>					
Balance, December 31, 2021	2,760	-	-	12,049	14,809
Depletion, depreciation and amortization	2,224	-	-	12,423	14,647
Disposals	-	-	-	135	135
Impairment (Note 9)	-	-	-	4,538	4,538
<b>Balance, December 31, 2022</b>	<b>4,984</b>	<b>-</b>	<b>-</b>	<b>28,875</b>	<b>33,859</b>
Depletion, depreciation and amortization	556	-	-	4,428	4,984
<b>Balance, March 31, 2023</b>	<b>5,540</b>	<b>-</b>	<b>-</b>	<b>33,303</b>	<b>38,843</b>
Cost as at December 31, 2022	48,261	1,467	7,291	123,362	180,381
Accumulated depreciation and impairment	4,984	-	-	28,875	33,859
<b>Carrying value - December 31, 2022</b>	<b>43,277</b>	<b>1,467</b>	<b>7,291</b>	<b>94,487</b>	<b>146,522</b>
Cost as at March 31, 2023	49,860	1,467	7,291	124,838	183,456
Accumulated depreciation and impairment	5,540	-	-	33,303	38,843
<b>Carrying value – March 31, 2023</b>	<b>44,320</b>	<b>1,467</b>	<b>7,291</b>	<b>91,535</b>	<b>144,613</b>

As at March 31, 2023, the Company's plant and equipment included right-of-use assets with a carrying amount of \$2,648 for leased mining equipment (December 31, 2021 - \$2,674). Depreciation on the right of use assets for the three months ended March 31, 2023 was \$26 (2022 - \$53).



**SANTACRUZ SILVER MINING LTD.****Notes to the Condensed Interim Consolidated Financial Statements****Three Months ended March 31, 2023 and 2022****(Unaudited)**

(Expressed in thousands of US dollars, unless otherwise noted)

**11. TRADE PAYABLES AND ACCRUED LIABILITIES**

A summary of the Company's trade payables and accrued liabilities is as follows:

	March 31, 2023	December 31, 2022
	\$	\$
Trade payables	52,179	52,756
COMIBOL contract obligations	9,109	9,109
Accrued liabilities	10,725	7,576
Balance, end of period	72,013	69,441
Less: non-current portion of COMIBOL contract obligations	3,418	3,418
<b>Current portion</b>	<b>68,595</b>	<b>66,023</b>

**12. CONSIDERATION PAYABLE**

As part of the Acquisition described in Note 5(a), the following table summarizes the details of the consideration payable to Glencore:

	Cash	Deferred cash consideration (a)	Royalties payable (b)	Other payables (c)	Total
	\$	\$	\$	\$	\$
Balance, December 31, 2021	-	-	-	-	-
Acquisition (Note 5(a))	2,106	84,454	17,395	48,038	151,993
Cash paid	(2,106)	-	-	-	(2,106)
Accretion	-	3,120	931	1,775	5,826
<b>Balance, December 31, 2022</b>	<b>-</b>	<b>87,574</b>	<b>18,326</b>	<b>49,813</b>	<b>155,713</b>
Less: current portion	-	-	5,971	1,647	7,618
Non-current portion	-	87,574	12,355	48,166	148,095
<b>Balance, December 31, 2022</b>	<b>-</b>	<b>87,574</b>	<b>18,326</b>	<b>49,813</b>	<b>155,713</b>
Accretion	-	992	296	564	1,852
<b>Balance, March 31, 2023</b>	<b>-</b>	<b>88,566</b>	<b>18,622</b>	<b>50,377</b>	<b>157,565</b>
Less: current portion	-	22,345	5,893	1,666	29,904
Non-current portion	-	66,221	12,729	48,711	127,661

**a) Deferred cash consideration**

Payments are payable as follows: (i) \$22,500 on March 18, 2024, (ii) \$22,500 on March 18, 2025, and (iii) \$45,000 on March 18, 2026. Interest accrues on \$22,500 of the payment due March 18, 2026 at a rate of SOFR plus 4%.

**b) Royalties payable**

Royalties are payable monthly except with respect to the royalty payment for the period from March 18, 2022 to December 31, 2022 which is due by November 30, 2023. Royalties payable are determined to be contingent consideration and are classified as liabilities at fair value with changes recorded in the consolidated statements of loss and comprehensive loss.

**SANTACRUZ SILVER MINING LTD.**

**Notes to the Condensed Interim Consolidated Financial Statements**

**Three Months ended March 31, 2023 and 2022**

**(Unaudited)**

(Expressed in thousands of US dollars, unless otherwise noted)

**12. CONSIDERATION PAYABLE (continued)**

**c) Other payables**

(i) Profits (after-tax) on sale of inventory acquired.

The profits (after-tax) of \$5,055, on the sale of inventory acquired by the Company shall be paid as to one-third of the aggregate amount of such profits by each of June 30, 2023, June 30, 2024, and June 30, 2025. Interest accrues on the amounts due from the original payment date for the specific inventory acquired at a rate of SOFR plus 4% and interest is to be paid on each of the instalment dates.

(ii) Payment of certain VAT amounts collected by the Company.

The Company is required to pay all amounts collected in accordance with the VAT Receivable agreement in the SPA by December 31, 2024, except as detailed below:

- (1) if, in any calendar year, the amount paid or payable by the Company would exceed \$15,000, then the Company shall only pay \$15,000 in that calendar year and the balance of the monies that would otherwise be payable in that calendar year will be paid to Glencore on or before March 31 of the following calendar year;
- (2) any amounts paid on or before March 31 of a calendar year pursuant to (1) shall be taken into account in determining the total amount paid by the Company in that calendar year; and
- (3) if a payment due on or before March 31 of a calendar year pursuant to (1) would exceed \$15,000, then only \$15,000 shall be paid and the balance shall be paid on the first Business Day of the following calendar year.

**13. LOANS PAYABLE**

A summary of the Company's loans payable is as follows:

	Bank facilities (a)	Bank loan (b)	Trafigura (c)	Glencore credit facility (d)	Promissory loan payable	Other loans payable (e)	Total
	\$	\$	\$	\$	\$	\$	\$
Balance, December 31, 2021	-	-	11,998	-	-	-	11,998
Assumed on acquisition (note 5)	4,823	4,312	-	-	25,000	-	34,135
Proceeds advanced	31,440	-	-	-	-	1,132	32,572
Accretion	-	-	1,428	-	-	-	1,428
Interest expense accrual	196	-	825	-	245	-	1,266
Repayment with cash	(26,336)	(1,848)	(5,755)	-	(25,245)	-	(59,184)
<b>Balance, December 31, 2022</b>	<b>10,123</b>	<b>2,464</b>	<b>8,496</b>	-	-	<b>1,132</b>	<b>22,215</b>
Less: Current portion	10,123	2,464	5,164	-	-	206	17,957
Non-current portion	-	-	3,332	-	-	926	4,258
<b>Balance, December 31, 2022</b>	<b>10,123</b>	<b>2,464</b>	<b>8,496</b>	-	-	<b>1,132</b>	<b>22,215</b>
Proceeds advanced	3,964	-	-	-	-	-	3,964
Accretion	-	-	288	-	-	-	288
Interest expense accrual	488	-	155	-	-	-	643
Repayment with cash	(3,964)	(616)	(1,414)	-	-	-	(5,994)
<b>Balance, March 31, 2023</b>	<b>10,611</b>	<b>1,848</b>	<b>7,525</b>	-	-	<b>1,132</b>	<b>21,116</b>
Less: Current portion	10,611	1,848	5,250	-	-	242	17,951
Non-current portion	-	-	2,275	-	-	890	3,165

**SANTACRUZ SILVER MINING LTD.**

**Notes to the Condensed Interim Consolidated Financial Statements**

**Three Months ended March 31, 2023 and 2022**

**(Unaudited)**

(Expressed in thousands of US dollars, unless otherwise noted)

---

**13. LOANS PAYABLE (continued)**

**a) Bank facilities**

The Company has a secured credit facility with Banco BISA S.A. of \$15,000 (BOL 102,900) with a fixed interest rate of 6.0% per annum, which is comprised of 1) a revolving credit facility of \$5,000 for the financing of mining operations and working capital; and 2) a “loan guarantee” credit facility of \$10,000 for the purpose of providing collateral to the Bolivian government for VAT refunds collected prior to the completion of the audit process by the Bolivian tax authority. In Bolivia, companies have the option to receive VAT refunds in advance of the audit process being completed if a loan guarantee for the refund amount is provided. The \$15,000 total credit facility is secured by concentrate inventories at Bolivar, Porco and the Caballo Blanco Group, and certain real estate assets in Bolivia.

The \$5,000 revolving credit facility for working capital purposes can be drawn down at \$500 increments and automatically roll over at maturity once fully repaid. As at March 31, 2023 \$5,000 (December 31, 2022 - \$5,000), was drawn down which is repayable by February 2024.

\$4,200 of the \$10,000 loan guarantee credit facility was used to provide collateral to the Bolivian government on VAT refunds received as at March 31, 2023 (December 31, 2022 - \$3,479).

The Company also has an unsecured revolving credit facility with Banco de Credito de Bolivia S.A. of \$5,000 (BOL 34,800) with a fixed interest rate of 5.75% per annum. As at March 31, 2023, \$4,928 (December 31, 2022 - \$4,928) was drawn down which is repayable by September 2023.

**b) Bank loan**

The Company has an interest-bearing non-renewable loan with Banco BISA S.A. at a fixed interest rate of 5.50% per annum with quarterly principal repayments of \$616 plus accrued interest. The loan was obtained for the financing of capital expenditures, and is secured by the Porco processing plant. The principal balance outstanding as at March 31, 2023 was \$1,848 (December 31, 2022 - \$2,464) and the loan matures on December 20, 2023.

**c) Trafigura loan facility**

On April 23, 2021, in connection with the Zimapan Mine Acquisition (Note 5), 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 the 2020 Facility 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 6.7% (approximately 6.7% as at December 31, 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 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, for a period of 12 months with respect to 7,280,000 of the Trafigura Warrants and 42 months with respect to the remaining 20,720,000 Trafigura Warrants. As at March 31, 2023, a total of 13,280,000 Trafigura Warrants were exercised for gross proceeds to the Company of \$861 (C\$1,185) (December 31, 2022 – 10,280,000 warrants for proceeds of \$3,173 (C\$4,061))

## **SANTACRUZ SILVER MINING LTD.**

### **Notes to the Condensed Interim Consolidated Financial Statements**

**Three Months ended March 31, 2023 and 2022**

**(Unaudited)**

(Expressed in thousands of US dollars, unless otherwise noted)

---

#### **13. LOANS PAYABLE (continued)**

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. No offsets were made as of March 31, 2023.

##### **d) Glencore credit facility**

As at the Acquisition Date, the Company entered into a \$10,000 senior secured working capital revolving credit facility (the "Credit Facility") with Glencore with a maturity date of March 18, 2024, which shall only be used for working capital purposes of the Company and its Bolivian subsidiaries. As at March 31, 2023 \$nil (December 31, 2022 - \$nil) has been drawn under this Credit Facility.

The Credit Facility bears an interest rate of Adjusted Term SOFR plus 6.0% per annum. The Adjusted Term SOFR is defined as the Term SOFR plus 0.11448% for one-month, 0.26161% for three-month, and 0.42826% for six-month. The Term SOFR is defined as the greater of (a) the Term SOFR Reference Rate for a tenor comparable to the applicable interest period on the day that is two U.S. Government Securities Business Days prior to the first day of such interest period, as such rate published by the Term SOFR Administrator, and (b) the Floor, which is defined as 2.5% per annum. The interest payment shall be paid on the last business day of each applicable interest period, which is one or three months duration commencing the date of drawdown as selected by the Company.

Subject to the terms and conditions of the Credit Facility, the Company can make drawdowns and repayments. Each drawdown must be in a minimum principal amount of \$1,000 and increments of \$100.

Full repayment (principal plus accrued interest) must be made on the maturity date, upon a change of control, or upon election by Glencore. At any time, the Company can also make voluntary repayments at a minimum amount of \$1,000 and in minimum increments of \$100.

Should the Company utilize this Credit Facility, the Company must provide collateral in the form of a securities pledge agreement that provides a first-priority ranking encumbrance in favour of Glencore over all equity interests owned.

##### **e) Other loans payable**

In the fourth quarter of 2022, the Company entered into contracts to sell trucks and machinery, and the net proceeds totaled \$1,310. The Company subsequently leased the trucks and machinery back from the counterparty for a period of five years at a financing charge of 10.0% per annum, and is required to make quarterly lease payments plus accrued interest.

As the contracts provide the Company the right to repurchase the trucks and machinery at the end of the term for their residual value of 1%, the Company has an irrevocable right to repurchase the assets, and control of the assets did not transfer to the counterparty. Hence, these contracts are accounted for as financing transactions in accordance with IFRS 9 – Financial Instruments, rather than as sale and leaseback transactions under IFRS 16 – Leases.

In accordance with IFRS 9, these contracts were recorded as a financial liability at amortized cost using the effective interest rate method. As at March 31, 2023 the financial liability was \$1,132 (December 31, 2022 - \$1,132). No interest expense was accrued as it was immaterial.

**SANTACRUZ SILVER MINING LTD.****Notes to the Condensed Interim Consolidated Financial Statements****Three Months ended March 31, 2023 and 2022****(Unaudited)**

(Expressed in thousands of US dollars, unless otherwise noted)

**14. OTHER LIABILITIES**

A summary of the Company's other liabilities is as follows:

	March 31, 2023	December 31, 2022
	\$	\$
Provisions (a)	10,544	10,268
Deferred revenue (b)	4,890	6,397
Lease liability (c)	445	639
<b>Balance, end of the period</b>	<b>15,879</b>	<b>17,304</b>
Less: current portion	5,235	6,875
<b>Non-current portion</b>	<b>10,644</b>	<b>10,429</b>

**a) Provisions**

As at March 31, 2023, the Company recognized a provision of \$10,544 (December 31, 2022 - \$10,268) for payments that will be made to employees of Sinchi Wayra and Illapa in the event that their employment is terminated and is in compliance with Bolivian labour legislation. Based on expected employee turnover, this provision is considered non-current.

On May 1, 2009, the Government of Bolivia issued Supreme Decree No. 110, mandating the payment of severance for an employee's time of service, after having completed more than ninety days of continuous work. The payment of compensation for time of service constitutes an acquired right. On May 26, 2010, the Government of Bolivia issued Supreme Decree No. 522, establishing the procedure for the mandatory payment of the five-year period at the request of the employee who has completed five years of continuous work.

**b) Deferred revenue**

Deferred revenue represents the amount of funds for which the Company has received as advance payments for concentrate sales from its customers prior to satisfying the performance obligations under IFRS 15 – Revenue from Contracts to recognize the receipt as revenue.

**c) 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 March 31, 2023 and December 31, 2022 are as follows:

	\$
Balance, December 31, 2021	342
Additions	820
Finance costs	46
Lease payments	(576)
Foreign exchange gain	7
<b>Balance, December 31, 2022</b>	<b>639</b>
Additions	-
Finance costs	11
Lease payments	(216)
Foreign exchange loss	11
<b>Balance, March 31, 2023</b>	<b>445</b>
Current portion	345
Non-current portion	100

**SANTACRUZ SILVER MINING LTD.****Notes to the Condensed Interim Consolidated Financial Statements****Three Months ended March 31, 2023 and 2022****(Unaudited)**

(Expressed in thousands of US dollars, unless otherwise noted)

**14. OTHER LIABILITIES (continued)**

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

	<b>March 31, 2023</b>
	<b>\$</b>
2023	252
2024	141
2025	53
2026	35
Total future minimum lease payments	481
Effects of discounting	(36)
Total present value of minimum lease payments	<b>445</b>
Current portion	345
Non-current portion	100

**SANTACRUZ SILVER MINING LTD.**

**Notes to the Condensed Interim Consolidated Financial Statements**

**Three Months ended March 31, 2023 and 2022**

**(Unaudited)**

(Expressed in thousands of US dollars, unless otherwise noted)

**15. DECOMMISSIONING AND RESTORATION PROVISION**

The Company has an obligation to undertake decommissioning, restoration, rehabilitation and environmental work when environmental disturbance is caused by the development and ongoing production of a mining operation. Movements in decommissioning liabilities during the three months ended March 31, 2023 and year ended December 31, 2022 are allocated as follows

	Bolivar	Porco	Caballo Blanco Group	Zimapan	Rosario	Veta Grande	Total
	\$	\$	\$	\$	\$	\$	\$
Balance, December 31, 2021	-	-	-	4,311	2,059	345	6,715
Acquisition (Note 5)	2,940	4,361	6,425	-	-	-	13,726
Change in estimate	443	689	478	-	-	-	1,610
Accretion	146	228	346	523	-	-	1,243
Reclassification to assets held for sale	-	-	-	-	(2,188)	(345)	(2,533)
Foreign exchange gain	-	-	-	(272)	129	-	(143)
Balance, December 31, 2022	3,529	5,278	7,249	4,562	-	-	20,618
Change in estimate	-	-	-	313	-	-	313
Accretion	50	75	172	154	-	-	451
Foreign exchange gain	-	-	-	32	-	-	32
<b>Balance, March 31, 2023</b>	<b>3,579</b>	<b>5,353</b>	<b>7,421</b>	<b>5,061</b>	-	-	<b>21,414</b>

A provision for decommissioning liabilities is estimated based on current regulatory requirements and is recognized at the present value of such costs. The expected timing of cash flows in respect of the provision is based on the estimated life of the Company's mining operations.

<b>Decommissioning and restoration provisions – March 31, 2023</b>						
	Bolivar	Porco	Caballo Blanco Group	Zimapan	Rosario	Veta Grande
Undiscounted uninflated estimated cash flow	4,111	6,044	8,167	7,587	2,340	N/A
Discount rate	7.6%	7.6%	7.4%	8.8%	8.8%	N/A
Inflation rate	3.5%	3.5%	3.5%	3.5%	3.5%	N/A
<b>Decommissioning and restoration provisions – December 31, 2022</b>						
	Bolivar	Porco	Caballo Blanco Group	Zimapan	Rosario	Veta Grande
Undiscounted uninflated estimated cash flow	4,111	6,044	8,167	7,076	2,182	N/A
Discount rate	7.6%	7.6%	7.4%	9.2%	9.2%	N/A
Inflation rate	3.5%	3.5%	3.5%	4.5%	4.5%	N/A

**SANTACRUZ SILVER MINING LTD.****Notes to the Condensed Interim Consolidated Financial Statements****Three Months ended March 31, 2023 and 2022****(Unaudited)**

(Expressed in thousands of US dollars, unless otherwise noted)

**16. 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 three months ended March 31, 2023, the Company had the following share capital transactions:

- The Company issued 3,453,000 shares from the exercise of warrants for proceeds of \$926 and 800,000 shares from the exercise of options for proceeds of \$225.

During the year ended December 31, 2022, the Company had the following share capital transactions:

- The Company issued 12,851,500 shares from the exercise of warrants for proceeds of \$3,780 and 310,000 shares from the exercise of options for proceeds of \$72.
- The Company issued 3,077,317 shares with a fair value of \$1,000 to a third-party finder pursuant to the acquisition of the Sinchi Wayra and Illapa Business (Note 5).

**c) Stock options**

On December 30, 2022, the Company's shareholders approved the 10% Rolling Stock Option Plan (the "Plan") for directors, officers, employees, management company employees, consultants and eligible charitable organizations of the Company and its subsidiaries, effective November 14, 2022. 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 of Directors. This Plan replaces the Company's previous stock option plan.

The following is a summary of the Company's stock options for the three months ended March 31, 2023 and year ended December 31, 2022:

	Number of stock options	Weighted average exercise price
	#	C\$
Balance, December 31, 2021	21,724,400	0.40
Granted	2,300,000	0.40
Exercised	(310,000)	0.30
Balance, December 31, 2022	23,714,400	0.40
Granted	1,000,000	0.41
Exercised	(800,000)	0.39
Cancelled	(200,000)	0.39
<b>Balance, March 31, 2023</b>	<b>23,714,400</b>	<b>0.40</b>



**SANTACRUZ SILVER MINING LTD.****Notes to the Condensed Interim Consolidated Financial Statements****Three Months ended March 31, 2023 and 2022****(Unaudited)**

(Expressed in thousands of US dollars, unless otherwise noted)

**16. SHARE CAPITAL (continued)**

As at March 31, 2023, the Company had the following stock options outstanding:

Date of expiry	Options outstanding		Options exercisable			
	Number of options	Weighted average exercise price	Weighted average remaining years	Number of options	Weighted average exercise price	Weighted average remaining years
	#	C\$	Years	#	C\$	Years
August 6, 2024	5,464,400	0.18	1.35	5,464,400	0.18	1.35
August 16, 2024	1,000,000	0.45	1.38	500,000	0.45	1.38
May 7, 2026	16,250,000	0.47	3.10	16,250,000	0.47	3.10
January 10, 2028	1,000,000	0.41	4.53	250,000	0.41	4.53
	<b>23,714,400</b>	<b>0.40</b>	<b>2.92</b>	<b>22,464,400</b>	<b>0.40</b>	<b>2.94</b>

During the three months ended March 31, 2023, the Company granted a total of 1,000,000 stock options with a fair value of \$212,628, of which \$100,759 was recognized in operating expenses during the three months ended March 31, 2023. The weighted average assumptions used in the Black-Scholes option pricing model were as follows:

Assumption	Based on	2023	2022
Risk-free rate (%)	Yield curves on Canadian government zero-coupon bonds with a remaining term equal to the stock options' expected life	3.37%	0.87%
Expected life (years)	Expiry term of the options	5 years	5 years
Expected volatility (%)	Historical volatility of the Company's share price	86.42%	87.66%
Dividend yield (%)	Annualized dividend rate as of the date of grant	Nil	Nil

The weighted average closing share price on the date of the option exercises for the three months ended March 31, 2023 was C\$0.41 per share (year ended December 31, 2022 - C\$0.48).

**d) Warrants**

The following is a summary of the Company's warrants for the three months ended March 31, 2023 and year ended December 31, 2022:

	Number of warrants	Weighted average exercise price
	#	C\$
Balance, December 31, 2021	120,326,218	0.38
Exercised	(12,851,500)	0.38
Balance, December 31, 2022	107,474,718	0.38
Exercised	(3,453,000)	0.38
<b>Balance, March 31, 2023</b>	<b>104,021,718</b>	<b>0.38</b>

**SANTACRUZ SILVER MINING LTD.****Notes to the Condensed Interim Consolidated Financial Statements****Three Months ended March 31, 2023 and 2022****(Unaudited)**

(Expressed in thousands of US dollars, unless otherwise noted)

**16. SHARE CAPITAL (continued)**

As at March 31, 2023, the Company had the following warrants outstanding:

Date of expiry	Number of warrants	Weighted	Weighted
		average exercise price	average remaining years
	#	C\$	Years
October 7, 2023	27,327,705	0.30	0.52
October 15, 2023	13,472,052	0.30	0.54
April 12, 2024	48,501,961	0.45	1.03
October 24, 2024	14,720,000	0.40	1.57
	<b>104,021,718</b>	<b>0.38</b>	<b>0.91</b>

**17. COST OF SALES**

Cost of sales excluding depletion, depreciation and amortization are costs that directly relate to production and generation of revenues at the operating segments. Significant components of cost of sales are comprised of the following:

	Three months ended March 31,	
	2023	2022
	\$	\$
Consumables and materials	5,283	880
Energy	1,629	369
Insurance	272	26
Labour costs	11,952	3,959
Mine and plant maintenance	1,445	1,916
Mining contractors	8,396	5,506
Ore and concentrate purchase costs	7,705	2,605
Other costs	-	274
<b>Production Costs</b>	<b>36,682</b>	<b>15,535</b>
Transportation and other selling costs	7,726	631
COMIBOL contract expense	-	750
Mine royalty expense	3,067	(191)
Finished goods inventory changes	(1,762)	5,701
<b>Cost of sales</b>	<b>45,714</b>	<b>22,426</b>

<sup>(1)</sup> 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.**18. GENERAL AND ADMINISTRATIVE EXPENSES**

A summary of the Company's operating expenses for the three months ended March 31, 2023 and 2022 is as follows:

	Three months ended March 31,	
	2023	2022
	\$	\$
Community relationship	328	-
Corporate administration	1,516	966
Professional fees	1,386	256
Salaries and benefits	2,858	778
Tax penalties	650	36
	<b>6,738</b>	<b>2,036</b>

**SANTACRUZ SILVER MINING LTD.****Notes to the Condensed Interim Consolidated Financial Statements****Three Months ended March 31, 2023 and 2022****(Unaudited)**

(Expressed in thousands of US dollars, unless otherwise noted)

**18. GENERAL AND ADMINISTRATIVE EXPENSES (continued)**

During the three months ended March 31, 2023, included in salaries and benefits, and pursuant to Mexican labour laws, is \$173 (2022 - \$nil) for annual employee profit sharing tax related to Carrizal Mining.

**19. FINANCE COSTS**

A summary of the Company's finance (expense) income for the three months ended March 31, 2023 and 2022 is as follows:

	Three months ended March 31,	
	2023	2022
	\$	\$
Accretion of consideration payable (note 12)	<b>(1,852)</b>	(73)
Accretion of decommissioning provisions (note 15)	<b>(451)</b>	(179)
Accretion of Trafigura Facility Loan (note 13)	<b>(288)</b>	(394)
Change in decommissioning and restoration provision (note 15)	<b>(313)</b>	(65)
Financing charge on leases (note 14)	<b>(11)</b>	(7)
Interest expense, carrying charges and finance charges on loans payable	<b>254</b>	(474)
Interest income	<b>374</b>	62
Other (expense) income	<b>(487)</b>	3,428
	<b>(2,774)</b>	2,298

**20. INCOME TAX EXPENSE****a) Income tax expense**

	Three months ended March 31,	
	2023	2022
	\$	\$
Current tax expense	<b>5,179</b>	556
Deferred tax (recovery)	<b>(1,294)</b>	5,380
Income tax expense	<b>3,884</b>	5,936

A summary of the Company's reconciliation of income taxes at statutory rates for the years ended December 31, 2022 and 2021, is as follows:

	Three months ended March 31,	
	2023	2022
	\$	\$
Income before income taxes	<b>2,935</b>	6,698
Combined federal and provincial statutory income tax rates	<b>27%</b>	27%
Income tax expense at statutory rates	<b>792</b>	1,808
Change due to differences in tax rates	<b>1,296</b>	1,658
Permanent differences	<b>1,630</b>	2,470
Deferred tax assets not recognized	<b>(119)</b>	-
Change due to foreign translation	<b>332</b>	-
Inflation adjustment	<b>(39)</b>	-
Other	<b>(8)</b>	-
Income tax expense	<b>3,884</b>	5,936

**SANTACRUZ SILVER MINING LTD.****Notes to the Condensed Interim Consolidated Financial Statements****Three Months ended March 31, 2023 and 2022****(Unaudited)**

(Expressed in thousands of US dollars, unless otherwise noted)

**20. INCOME TAX EXPENSE (continued)****b) Deferred taxes**

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

	<b>March 31, 2023</b>	December 31, 2022
	\$	\$
Other liabilities	<b>3,987</b>	3,969
Trade and other receivables	<b>5,627</b>	3,987
Non-capital losses	<b>3,270</b>	3,566
Mineral properties, plant and equipment	<b>1,864</b>	2,542
Decommissioning and restoration provision	<b>3908</b>	1,871
Inventories	<b>429</b>	429
Other assets	<b>291</b>	291
Other	<b>367</b>	367
<b>Deferred tax assets</b>	<b>19,743</b>	17,022

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

	<b>March 31, 2023</b>	December 31, 2022
	\$	\$
Mineral properties, plant and equipment	<b>(17,727)</b>	(17,982)
Investment in subsidiaries	<b>(5,772)</b>	(5,772)
Other liabilities	<b>(2,152)</b>	(603)
Inventories	<b>(1,578)</b>	(1,578)
Withholdings taxes	<b>(1,435)</b>	(1,435)
Trade payables and accrued liabilities	<b>(1,285)</b>	(1,285)
Decommissioning and restoration provision	<b>(1,127)</b>	(1,127)
Other	<b>(217)</b>	(342)
<b>Deferred tax liabilities</b>	<b>(31,293)</b>	(30,124)

The following table reconciles to the Consolidated Statements of Financial Position presentation:

	<b>March 31, 2023</b>	December 31, 2022
	\$	\$
Deferred tax assets	<b>2,650</b>	2,712
Deferred tax liabilities	<b>(14,200)</b>	(15,814)
	<b>(11,550)</b>	(13,102)

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

**SANTACRUZ SILVER MINING LTD.****Notes to the Condensed Interim Consolidated Financial Statements****Three Months ended March 31, 2023 and 2022****(Unaudited)**

(Expressed in thousands of US dollars, unless otherwise noted)

**20. INCOME TAX EXPENSE (continued)**

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

	<b>March 31, 2023</b>	December 31, 2022
	\$	\$
Deferred income tax assets:		
Non-capital loss carry-forwards and other	<b>1,518</b>	1,518
Deferred financing costs	<b>439</b>	439
Other	<b>1,135</b>	1,135
Unrecognized deferred tax assets	<b>3,092</b>	3,092

As at March 31, 2023, the Company had unrecognized non-capital losses of approximately \$1,518 (C\$1,925) (December 31, 2022 - \$1,518) that arose in Canada which will expire in various years between 2031 and 2039.

The Mexican subsidiary, IMSC, that is held for sale (note 9), had unrecognized deferred tax assets of \$15,167 as at March 31, 2023 (December 31, 2022 - \$15,167).

As at March 31, 2023, the Company had unrecognized taxable temporary differences totaling \$76,310 (December 31, 2022 - \$76,310) for taxes that would be payable on the unremitted earnings of certain subsidiaries of the Company.

**21. CAPITAL MANAGEMENT**

The Company's objective when managing its capital is to maintain its ability to continue as a going concern while at the same time maximizing the growth of its business and providing returns to its shareholders. The Company's capital structure consists of shareholders' equity (comprising issued capital plus equity reserves plus deficit) with a shareholders' deficiency of \$15,718 as at March 31, 2023 (December 31, 2022 - \$13,035). The Company manages its capital structure and makes adjustments based on changes to its economic environment and the risk characteristics of the Company's assets. The Company's capital requirements are effectively managed based on the Company having a thorough reporting, planning and forecasting process to help identify the funds required to ensure the Company is able to meet its operating and growth objectives.

The Company is not subject to any externally imposed capital requirements with the exception of complying with covenants for the Trafigura Loan Facility. As at March 31, 2023 and December 31, 2022, the Company was fully in compliance with these covenants.

**SANTACRUZ SILVER MINING LTD.****Notes to the Condensed Interim Consolidated Financial Statements****Three Months ended March 31, 2023 and 2022****(Unaudited)**

(Expressed in thousands of US dollars, unless otherwise noted)

**22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

<b>March 31, 2023</b>	<b>Amortized cost</b>	<b>FVTPL</b>	<b>Total</b>
	\$	\$	\$
<b>Financial assets</b>			
Cash and cash equivalents	11,988	-	11,988
Marketable securities	-	1,624	1,624
Trade and other receivables	114,113	15,570	129,683
	<b>126,101</b>	<b>17,194</b>	<b>143,295</b>
<b>Financial liabilities</b>			
Trade payables and accrued liabilities	72,013	-	72,013
Consideration payable	138,943	18,622	157,565
Loans payable	21,116	-	21,116
Other liabilities	15,879	-	15,879
	<b>247,951</b>	<b>18,622</b>	<b>266,573</b>
<b>December 31, 2022</b>			
<b>Financial assets</b>			
Cash and cash equivalents	4,609	-	4,609
Marketable securities	-	2,769	2,769
Trade and other receivables	113,870	16,916	130,786
	<b>118,479</b>	<b>19,685</b>	<b>138,164</b>
<b>Financial liabilities</b>			
Trade payables and accrued liabilities	69,441	-	69,441
Consideration payable	137,387	18,326	155,713
Loans payable	22,215	-	22,215
Other liabilities	17,304	-	17,304
	<b>246,347</b>	<b>18,326</b>	<b>264,673</b>

The categories of the fair value hierarchy that reflect the inputs to valuation techniques used to measure fair value are as follows:

**Level 1:** Quoted prices in active markets for identical assets or liabilities;

**Level 2:** Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

**Level 3:** Inputs for the asset or liability based on unobservable market data.

As at March 31, 2023, marketable securities 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.

Trade receivables are measured at fair value using Level 2 inputs. The fair value of trade receivables is measured based on inputs other than quoted 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 trade payables and accrued liabilities approximate their fair values because of their short-term nature.

**SANTACRUZ SILVER MINING LTD.****Notes to the Condensed Interim Consolidated Financial Statements****Three Months ended March 31, 2023 and 2022****(Unaudited)**

(Expressed in thousands of US dollars, unless otherwise noted)

**22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)**

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 levels in the fair value hierarchy into which the Company's financial assets and liabilities that are measured and recognized on the consolidated statements of financial position at fair value on a recurring basis were categorized as follows:

	March 31, 2023			December 31, 2022		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
	\$	\$	\$	\$	\$	\$
<b>Assets</b>						
Marketable securities	1,624	-	-	2,769	-	-
Trade and other receivables	15,570	-	-	16,916	-	-
	17,194	-	-	19,685	-	-
<b>Liabilities</b>						
Consideration payable	-	-	18,622	-	-	18,326
	-	-	18,622	-	-	18,326

The majority of the Company's trade receivables arose from provisional concentrate sales and are valued using quoted market prices based on the forward London Metal Exchange for silver, zinc and lead and the London Bullion Market Association P.M. fix for silver.

The methodology and assessment of inputs for determining the fair value of financial assets and liabilities as well as the levels of hierarchy for the Company's financial assets and liabilities measured at fair value remains unchanged from that at December 31, 2022.

The Company has exposure to risks of varying degrees of significance which could affect its ability to achieve its strategic objectives for growth and shareholder returns. The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework and reviews the Company's policies on an ongoing basis.

***Credit risk***

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's trade receivables.

The Company has concentrate contracts to sell the zinc and lead concentrates produced by all of the Company's mines. Concentrate contracts are a common business practice in the mining industry. The terms of the concentrate contracts may require the Company to deliver concentrate that has a value greater than the payment received at the time of delivery, thereby introducing the Company to credit risk of the buyers of concentrates. Should any of these counterparties not honour purchase arrangements, or should any of them become insolvent, the Company may incur losses for products already shipped and be forced to sell its concentrates on the spot market or it may not have a market for its concentrates and therefore its future operating results may be materially adversely impacted. At March 31, 2023, the Company had receivable balances associated with buyers of its concentrates of \$15,570 (December 31, 2022 - \$16,916). The vast majority of the Company's concentrate is sold to well-known concentrate buyers.

**SANTACRUZ SILVER MINING LTD.****Notes to the Condensed Interim Consolidated Financial Statements****Three Months ended March 31, 2023 and 2022****(Unaudited)**

(Expressed in thousands of US dollars, unless otherwise noted)

**22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)**

The following financial assets represent the maximum credit risk to the Company:

	March 31, 2022	December 31, 2022
	\$	\$
Cash and cash equivalents	11,988	4,609
Trade and other receivables	129,683	130,786
Supplier advances	5,592	5,803

Management constantly monitors and assesses the credit risk resulting from its concentrate sales, trading counterparties and customers. With the exception to the above, the Company believes it is not exposed to significant credit risk.

**Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due (see Note 1). The Company manages its liquidity risk by continuously monitoring forecasted and actual cash flows. The Company has in place a rigorous planning and budgeting process to help determine the funds required to support the Company's normal operating requirements on an ongoing basis and its expansion plans. The Company strives to maintain sufficient liquidity to meet its short-term business requirements, taking into account its anticipated cash flows from operations, its holdings of cash and short-term investments, and its committed loan facilities.

In the normal course of business, the Company enters into contracts that give rise to commitments for future minimum payments. The following tables summarize the remaining contractual maturities of the Company's financial liabilities and operating and capital commitments on an undiscounted basis:

	<1 year	1 – 2 years	2 – 5 years	>5 years	Total
	\$	\$	\$	\$	\$
Trade payables and accrued liabilities	68,595	3,418	-	-	72,013
Consideration payable	29,904	40,602	124,474	4,611	199,591
Loans payable	17,951	3,165	-	-	22,146
Operating lease payments	252	194	35	-	481
	<b>116,183</b>	<b>48,928</b>	<b>124,509</b>	<b>4,611</b>	<b>294,231</b>

**Currency risk**

The Company reports its financial statements in USD; however, the Company operates in jurisdictions that utilize other currencies. As a consequence, the financial results of the Company's operations as reported in USD are subject to changes in the value of the USD relative to local currencies. Since the Company's sales are denominated in USD and a portion of the Company's operating costs and capital spending are in local currencies, the Company is negatively impacted by strengthening local currencies relative to the USD and positively impacted by the inverse.

The sensitivity of the Company's net loss to changes in the exchange rate between the US dollar and the Bolivian boliviano, the Mexican peso and the Canadian dollar, respectively, would be as follows: a 1% change in the US dollar exchange rate relative to the Bolivian boliviano would change the Company's net profit by approximately \$169, a 1% change in the US dollar exchange rate relative to the Mexican peso would change the Company's net loss by approximately \$91, and a 1% change in the US dollar exchange rate relative to the Canadian dollar would change the Company's net loss by approximately \$83.



**SANTACRUZ SILVER MINING LTD.****Notes to the Condensed Interim Consolidated Financial Statements****Three Months ended March 31, 2023 and 2022****(Unaudited)**

(Expressed in thousands of US dollars, unless otherwise noted)

**22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)**

The Company's financial assets and liabilities as at March 31, 2023 are denominated in Canadian dollars, US dollars, Bolivian bolivianos and Mexican pesos and translated to US dollars as follows:

	<b>CAD</b>	<b>BOB</b>	<b>USD</b>	<b>MXN</b>	<b>Total</b>
	\$	\$	\$	\$	\$
<b>Financial assets</b>					
Cash and cash equivalents	71	4,356	7,488	73	<b>11,988</b>
Marketable securities	1,624	-	-	-	<b>1,624</b>
Trade and other receivables	56	113,521	15,570	536	<b>129,683</b>
	<b>1,751</b>	<b>117,877</b>	<b>23,058</b>	<b>609</b>	<b>143,295</b>
<b>Financial liabilities</b>					
Trade payables and accrued liabilities	37	71,593	-	383	<b>72,013</b>
Consideration payable	-	-	157,565	-	<b>157,565</b>
Loans payable	-	13,591	7,525	-	<b>21,116</b>
	<b>37</b>	<b>85,184</b>	<b>165,090</b>	<b>383</b>	<b>250,694</b>
<b>Net financial assets (liabilities)</b>	<b>1,714</b>	<b>32,693</b>	<b>(142,032)</b>	<b>226</b>	<b>(107,399)</b>

**Interest rate risk**

Interest rate risk is the risk that the fair values and future cash flows of the Company will fluctuate because of changes in market interest rates. The Company monitors its exposure to interest rates and has not entered into any derivative contracts to manage this risk. As at March 31, 2023, the Company's exposure to interest rate risk on interest bearing liabilities is limited to its consideration payable, debt facilities and lease liabilities. Based on the Company's interest rate exposure at March 31, 2023, a change of 1% increase or decrease of market interest rate would impact the Company's profit or loss by approximately \$216.

**Price risk**

Metal price risk is the risk that changes in metal prices will affect the Company's income or the value of its related financial instruments. The Company derives its revenue from the sale of silver, zinc, lead and copper. The Company's sales are directly dependent on metal prices that have shown significant volatility and are beyond the Company's control. Consistent with the Company's mission to provide equity investors with exposure to changes in precious metal prices, the Company's current policy is to not hedge the price of precious metal.

## SANTACRUZ SILVER MINING LTD.

### Notes to the Condensed Interim Consolidated Financial Statements

Three Months ended March 31, 2023 and 2022

(Unaudited)

(Expressed in thousands of US dollars, unless otherwise noted)

### 23. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION

The Company's related parties include its subsidiaries, joint arrangements and key management personnel. During its normal course of operation, the Company enters into transactions with its related parties for goods and services. All related party transactions for the three months ended March 31, 2023 and 2022 have been disclosed in these consolidated financial statements.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the parties.

#### Remuneration of key management personnel

Key management includes directors of the Company, the CEO and the Executive Chairman. The remuneration of directors and other members of key management personnel during the year was as follows:

	Three months ended March 31,	
	2023	2022
	\$	\$
Management and consulting fees	1,005	131
Share-based compensation	122	329
	<b>1,127</b>	460

Of the \$1,005 in management and consulting fees incurred with related parties during the three months ended March 31, 2023, \$24 was related to directors' fees and \$981 was related to management fees (2022 - \$26 and \$105, respectively).

As at March 31, 2023, directors and officers or their related companies were owed \$43 (December 31, 2022 - \$43) 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 March 31, 2023 (December 31, 2022 - \$38) and are owed to a company owned by the Executive Chairman.

### 24. 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 ("CODM"), 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 following reportable operating segments have been identified: the Bolivar mine and processing plant, the Porco mine and processing plant, the Caballo Blanco Group, San Lucas, Zimapan, and Corporate and Other activities. 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.

**SANTACRUZ SILVER MINING LTD.**
**Notes to the Condensed Interim Consolidated Financial Statements**
**Three Months ended March 31, 2023 and 2022**
**(Unaudited)**

(Expressed in thousands of US dollars, unless otherwise noted)

**24. SEGMENT INFORMATION (continued)**

Significant information relating to the Company's reportable operating segments is summarized in the tables below:

Three months ended March 31, 2023			Caballo Blanco				Illapa Joint	Inter-	Total
	Bolivar	Porco	Group	San Lucas	Zimapan	Corporate and other	Operation eliminations <sup>(1)</sup>	company eliminations	
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues	18,125	11,428	25,013	26,799	14,248	66	(10,997)	(19,304)	65,378
Mine operating costs									-
Cost of sales	11,758	8,480	18,216	24,125	12,340	64	(9,965)	(19,304)	45,714
Depletion and amortization	3,268	1,176	2,468	2	486	-	(2,416)	-	4,984
	15,026	9,656	20,684	24,127	12,826	64	(12,381)	(19,304)	50,698
<b>Gross profit</b>	<b>3,099</b>	<b>1,772</b>	<b>4,329</b>	<b>2,672</b>	<b>1,422</b>	<b>2</b>	<b>1,384</b>	<b>-</b>	<b>14,680</b>

(1) The CODM reviews Bolivar and Porco Revenues and Cost of Sales information on a 100% basis whereas this financial information is recorded at 45% in the Consolidated Statements of Loss and Comprehensive Loss.

Three months ended March 31, 2022			Caballo Blanco				Illapa Joint	Inter-	Total
	Bolivar	Porco	Group	San Lucas	Zimapan	Corporate and other	Operation eliminations <sup>(1)</sup>	company eliminations	
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues	3,404	2,592	7,546	8,975	15,243	-	(3,062)	(2,317)	32,381
Mine operating costs									
Cost of sales	2,323	1,401	5,533	5,821	9,764	1,519	(1,618)	(2,317)	22,426
Depletion and amortization	739	789	243	-	989	19	(840)	-	1,939
	3,062	2,190	5,776	5,821	10,753	1,538	(2,458)	(2,317)	24,365
<b>Gross profit (loss)</b>	<b>342</b>	<b>402</b>	<b>1,770</b>	<b>3,154</b>	<b>4,490</b>	<b>(1,538)</b>	<b>(604)</b>	<b>-</b>	<b>8,016</b>

As at March 31, 2023			Caballo Blanco				Illapa Joint	Inter-	Total
	Bolivar	Porco	Group	San Lucas	Zimapan	Corporate and other	Operation eliminations <sup>(2)</sup>	company eliminations	
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Capital expenditures	2,889	523	2,388	-	1,484	-	(1,877)	-	5,407
Total assets	91,188	51,345	110,710	32,652	33,473	23,926	-	-	343,294
Total liabilities	62,635	35,268	51,391	22,338	39,584	148,139	1,899	-	357,456

As at December 31, 2022			Caballo Blanco				Illapa Joint	Inter-	Total
	Bolivar	Porco	Group	San Lucas	Zimapan	Corporate and other	Operation eliminations <sup>(2)</sup>	company eliminations	
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Capital expenditures	8,344	2,513	8,766	37	2,084	-	(5,971)	-	15,773
Total assets	136,092	57,544	75,121	46,345	35,598	22,230	(35,410)	-	337,520
Total liabilities	101,830	37,894	36,588	27,587	39,413	142,554	(35,312)	-	350,555

**SANTACRUZ SILVER MINING LTD.**
**Notes to the Condensed Interim Consolidated Financial Statements**
**Three Months ended March 31, 2023 and 2022**
**(Unaudited)**

(Expressed in thousands of US dollars, unless otherwise noted)

**24. SEGMENT INFORMATION (continued)**
**b) Segment revenue by location and major customers**

Three months ended March 31, 2023	Caballo Blanco					Corporate and other	Illapa Joint Operation eliminations <sup>(2)</sup>	Inter- company eliminations	Total
	Bolivar	Porco	Group	San Lucas	Zimapan				
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Silver	6,313	886	3,380	14,688	6,068	-	-	-	31,335
Zinc	10,950	8,370	11,923	17,756	8,019	-	-	-	57,019
Lead	336	-	635	2,513	2,147	-	-	-	5,631
Copper	-	-	-	-	3,654	-	-	-	3,654
Illapa joint operation 55% interest	-	-	-	-	-	-	(10,997)	-	(10,997)
Intercompany transactions	3,506	3,932	11,866	-	-	-	-	(19,304)	-
Provisional pricing adjustments	(501)	(241)	(384)	(365)	279	68	-	-	(1,143)
Smelting and refining costs	(2,480)	(1,520)	(2,408)	(7,794)	(5,919)	-	-	-	(20,120)
<b>Sales to external customers</b>	<b>18,125</b>	<b>11,428</b>	<b>25,013</b>	<b>26,799</b>	<b>14,248</b>	<b>68</b>	<b>(10,997)</b>	<b>(19,304)</b>	<b>65,378</b>

(2) The CODM reviews Bolivar and Porco Revenues and Cost of Sales information on a 100% basis whereas this financial information is recorded at 45% in the Consolidated Statements of Loss and Comprehensive Loss.

Three months ended March 31, 2022	Caballo Blanco					Corporate and other	Illapa Joint Operation eliminations <sup>(3)</sup>	Inter- company eliminations	Total
	Bolivar	Porco	Group	San Lucas	Zimapan				
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Silver	2,289	452	4,716	1,715	7,812	-	-	-	16,984
Zinc	-	3,263	-	9,832	5,464	-	-	-	18,559
Lead	398	-	1,309	-	4,545	-	-	-	6,252
Copper	-	-	-	-	2,691	-	-	-	2,691
Illapa joint operation 55% interest	-	-	-	-	-	-	(3,062)	-	(3,062)
Intercompany transactions	-	215	2,102	-	-	-	-	(2,317)	-
Provisional pricing adjustments	964	(1,000)	(84)	(542)	268	-	-	-	(394)
Smelting and refining costs	(247)	(338)	(497)	(2,030)	(5,537)	-	-	-	(8,649)
<b>Sales to external customers</b>	<b>3,404</b>	<b>2,592</b>	<b>7,546</b>	<b>8,975</b>	<b>15,243</b>	<b>-</b>	<b>(3,062)</b>	<b>(2,317)</b>	<b>32,381</b>

The Company had two customers during the three months ended March 31, 2023 (2022 – two customers). One customer accounted for 78% of the total sales revenue. The other customer accounted for the remaining 22% of the total sales revenue.

**25. EARNINGS (LOSS) PER SHARE**

Earnings (loss) per share for the three months ended March 31, 2023 and 2022 was calculated based on the following:

	2023	2022
	\$	\$
Net (loss) income for the period	(949)	762
Weighted average number of shares – basic and diluted	346,812,760	330,677,267
Loss per share – basic and diluted	(0.00)	0.00

Earnings per share is based on the weighted average number of common shares of the Company outstanding during the period. The diluted earnings per share reflects the potential dilution of common share equivalents, such as outstanding share options and warrants, in the weighted average number of common shares outstanding during the period, if dilutive.

**SANTACRUZ SILVER MINING LTD.****Notes to the Condensed Interim Consolidated Financial Statements****Three Months ended March 31, 2023 and 2022****(Unaudited)**

(Expressed in thousands of US dollars, unless otherwise noted)

**25. EARNINGS (LOSS) PER SHARE (continued)**

The following securities could potentially dilute basic earnings per share in the future, but were not included in the computation of diluted earnings per share because they were anti-dilutive:

	<b>2023</b>	<b>2022</b>
	\$	\$
Stock options	<b>23,714,400</b>	21,714,400
Warrants	<b>104,021,718</b>	118,301,218
	<b>127,736,118</b>	140,015,618

**26. SUPPLEMENTAL CASH FLOW INFORMATION**

A summary of the Company's finance costs is as follows:

	Three months ended March 31,	
	<b>2023</b>	<b>2022</b>
	\$	\$
Accretion of consideration payable	<b>1,852</b>	73
Accretion of decommissioning provision	<b>451</b>	179
Accretion of Trafigura Loan Facility	<b>288</b>	1,862
Change in decommissioning and restoration provisions	<b>313</b>	-
Finance charges on leases	<b>12</b>	7
Inflation adjustments, surcharges and penalties	-	36
Interest expense on loans payable	<b>643</b>	304
	<b>3,559</b>	2,461