



**Condensed Interim Consolidated Financial Statements**

**For the Three and Six Months ended June 30, 2024 and 2023**

(Expressed in thousands of US dollars)

(Unaudited)

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## **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 three and six months ended June 30, 2024, 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.

August 12, 2024

**SANTACRUZ SILVER MINING LTD.**  
**Condensed Interim Consolidated Statements of Financial Position**  
**As at June 30, 2024 and December 31, 2023**  
**(Unaudited)**  
(Expressed in thousands of US dollars)

	Note	June 30, 2024	December 31, 2023
		\$	\$
<b>ASSETS</b>			
<b>Current</b>			
Cash and cash equivalents		7,308	4,947
Trade and other receivables	5	85,255	65,324
Inventories	6	33,731	33,002
Prepaid expenses and deposits		5,492	5,536
		<b>131,786</b>	108,809
Trade and other receivables	5	75,241	63,589
Mineral properties, plant and equipment	7	143,523	148,930
Goodwill		13,921	13,921
Deferred income tax asset	17	6,378	3,787
<b>Total assets</b>		<b>370,849</b>	339,036
<b>LIABILITIES</b>			
<b>Current</b>			
Trade payables and accrued liabilities	8	46,582	48,555
Consideration payable	9	-	49,637
Loans payable	10	19,346	17,027
Taxes payable	17	43,905	29,823
Other liabilities	11	5,598	5,539
Decommissioning and restoration provision	12	1,379	1,396
		<b>116,810</b>	151,977
Trade payables and accrued liabilities	8	8,639	3,418
Consideration payable	9	39,343	113,351
Loans payable	10	748	748
Taxes payable	17	11,868	13,606
Other liabilities	11	12,951	12,704
Decommissioning and restoration provision	12	22,099	22,111
Deferred income tax liability	17	17,884	15,706
<b>Total liabilities</b>		<b>230,342</b>	333,621
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	13	138,798	138,014
Equity reserves		11,445	7,701
Deficit		(9,736)	(140,300)
<b>Total shareholders' equity</b>		<b>140,507</b>	5,415
<b>Total liabilities and shareholders' equity</b>		<b>370,849</b>	339,036

Approved and authorized for issue on behalf of the Board of Directors on August 12, 2024:

*"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 Income (Loss) and Comprehensive Income (Loss)**
**For the Three and Six Months ended June 30, 2024 and 2023**
**(Unaudited)**

(Expressed in thousands of US dollars)

	Note	Three Months ended		Six Months ended	
		2024	June 30, 2023	2024	June 30, 2023
		\$	\$	\$	\$
Revenues	21	<b>70,485</b>	63,854	<b>123,074</b>	129,232
Mine operating costs					
Cost of sales	14	<b>(46,794)</b>	(47,878)	<b>(95,010)</b>	(93,592)
Depletion, depreciation and amortization	7	<b>(8,001)</b>	(5,000)	<b>(11,911)</b>	(9,984)
<b>Gross profit</b>		<b>15,690</b>	10,976	<b>16,153</b>	25,656
General and administrative expenses	15	<b>(6,798)</b>	(7,154)	<b>(11,733)</b>	(13,892)
Share-based payments		<b>(8)</b>	(64)	<b>(19)</b>	(170)
<b>Operating income</b>		<b>8,884</b>	3,758	<b>4,401</b>	11,594
Gain on adjustment to consideration payable	9	-	4,004	<b>133,255</b>	4,004
Finance costs	16	<b>(7,749)</b>	(2,939)	<b>(10,879)</b>	(4,940)
Gain on foreign exchange		<b>7,252</b>	4,626	<b>12,722</b>	3,737
Fair value (gain) loss on marketable securities		-	(553)	<b>12</b>	(1,791)
<b>Income before tax</b>		<b>8,387</b>	8,896	<b>139,511</b>	12,604
Income tax expense	17	<b>(6,848)</b>	(4,545)	<b>(8,947)</b>	(8,429)
<b>Net income for the period</b>		<b>1,539</b>	4,351	<b>130,564</b>	4,175
Other comprehensive income (loss) that may be reclassified subsequently to net income or loss:					
Currency translation differences		<b>3,752</b>	(259)	<b>4,037</b>	(1,694)
<b>Comprehensive income (loss) for the period</b>		<b>5,291</b>	4,092	<b>134,601</b>	2,481
<b>Net income per share:</b>					
Basic	22	<b>0.00</b>	0.01	<b>0.37</b>	0.01
Diluted	22	<b>0.00</b>	0.01	<b>0.37</b>	0.01
<b>Weighted average number of common shares:</b>					
Basic		<b>352,429,081</b>	350,912,143	<b>351,710,109</b>	348,873,776
Diluted		<b>353,072,115</b>	360,379,303	<b>352,353,144</b>	353,185,186

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 and Six Months ended June 30, 2024 and 2023**  
**(Unaudited)**  
(Expressed in thousands of US dollars)

	Note	Three months ended		Six Months ended	
		June 30,		June 30,	
		2024	2023	2024	2023
		\$	\$	\$	\$
<b>Operating activities:</b>					
Net income for the period		1,539	4,351	130,564	4,175
Items not affecting cash:					
Depletion, depreciation and amortization	7	8,001	5,000	11,911	9,984
Gain on adjustment to consideration payable	9	-	(4,004)	(133,255)	(4,004)
Finance costs	23	8,734	4,317	10,604	7,103
Share-based payments	13	9	64	19	170
Fair value (gain) loss on marketable securities		-	553	(12)	1,791
Unrealized foreign exchange loss (gain)		3,471	(90)	4,403	(1,991)
Income tax expense	17	6,848	4,545	8,947	8,429
<b>Operating cash flows before non-cash working capital</b>		<b>28,602</b>	<b>14,736</b>	<b>33,181</b>	<b>25,657</b>
Changes in non-cash working capital:					
Trade and other receivables	5	(25,123)	(19,463)	(30,900)	(18,736)
Inventories	6	(5,137)	(472)	(729)	(3,041)
Prepaid expenses and deposits		(1,082)	(1,089)	44	(878)
Assets held for sale		-	1,264	-	1,264
Trade payables and accrued liabilities	8	5,819	(4,238)	3,319	(531)
Taxes payable	17	3,257	14,725	2,984	14,725
Other liabilities	11	(223)	1,209	850	(24)
Decommissioning and restoration provision	12	(56)	-	(64)	-
<b>Net cash generated by operating activities</b>		<b>6,057</b>	<b>6,672</b>	<b>8,685</b>	<b>18,436</b>
<b>Investing activities:</b>					
Expenditures on mineral properties, plant and equipment	7	(2,798)	(5,077)	(6,688)	(10,484)
Cash received from sale of marketable securities		-	186	-	227
Proceeds on disposition of mineral properties, plant and equipment	7	(1,834)	(2,332)	184	-
<b>Net cash (used by) provided by investing activities</b>		<b>(4,632)</b>	<b>(7,223)</b>	<b>(6,504)</b>	<b>(10,257)</b>
<b>Financing activities:</b>					
Proceeds from exercise of options	13	472	-	472	225
Proceeds from exercise of warrants	13	-	61	-	987
Proceeds from loans payable	10	13,603	9,855	21,767	13,819
Repayments of loans payable	10	(11,918)	(13,947)	(20,562)	(19,941)
Lease payments on plant and equipment	11	(1)	56	(627)	(160)
<b>Net cash used by financing activities</b>		<b>2,156</b>	<b>(3,975)</b>	<b>1,050</b>	<b>(5,070)</b>
Effect of exchange rate on changes in cash		(308)	2	(870)	2
Net change in cash and cash equivalents		3,273	(4,268)	2,361	3,111
Cash and cash equivalents – beginning of period		4,035	11,988	4,947	4,609
<b>Cash and cash equivalents – end of period</b>		<b>7,308</b>	<b>7,720</b>	<b>7,308</b>	<b>7,720</b>
<b>Cash paid during the period for:</b>					
Interest expense		312	342	731	727
Income taxes		4,091	6,464	7,407	6,464

Supplemental cash flow information (Note 23)

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' Equity (Deficiency)**

**For the Six Months ended June 30, 2024 and 2023**

**(Unaudited)**

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

Equity (Deficiency) 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 income (loss)			
	#	\$	\$	\$	\$			
Balance, December 31, 2022	346,466,638	136,122	13,861	(1,872)	(943)	11,046	(156,448)	(9,280)
Shares issued from exercise of options	800,000	416	(191)	-	-	(191)	-	225
Shares issued from exercise of warrants	3,724,500	1,476	(489)	-	-	(489)	-	987
Share-based compensation	-	-	170	-	-	170	-	170
Comprehensive Income (loss)	-	-	-	-	(1,694)	(1,694)	4,175	2,481
<b>Balance, June 30, 2023</b>	<b>350,991,138</b>	<b>138,014</b>	<b>13,351</b>	<b>(1,872)</b>	<b>(2,637)</b>	<b>8,842</b>	<b>(152,273)</b>	<b>(5,417)</b>
<b>Balance, December 31, 2023</b>	<b>350,991,138</b>	<b>138,014</b>	<b>13,410</b>	<b>(1,872)</b>	<b>(3,837)</b>	<b>7,701</b>	<b>(140,300)</b>	<b>5,415</b>
Shares issued from exercise of options	3,574,400	784	(312)	-	-	(312)	-	472
Share-based compensation	-	-	19	-	-	19	-	19
Comprehensive income (loss)	-	-	-	-	4,037	4,037	130,564	134,601
<b>Balance, June 30, 2024</b>	<b>354,565,538</b>	<b>138,798</b>	<b>13,117</b>	<b>(1,872)</b>	<b>200</b>	<b>11,445</b>	<b>(9,736)</b>	<b>140,507</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 and Six Months ended June 30, 2024 and 2023**

**(Unaudited)**

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

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#### **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 1111 West Hastings Street, 15<sup>th</sup> Floor, Vancouver, British Columbia, Canada V6E 2J3. The Company is listed for trading on the TSX Venture Exchange (“TSXV”) 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, 2024, the Company had interests in, including mining concession rights, to the following:

- Sinchi Wayra S.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 producing Zimapan mine located in Mexico held by Carrizal Mining S.A. de C.V. (“Carrizal Mining”); and,
- The La Pechuga Property and the Santa Gorgonia Prospect, which are exploration properties located in Mexico.

#### **Going concern**

These unaudited condensed interim consolidated financial statements for the three and six months ended June 30, 2024 and 2023 (“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 and six months ended June 30, 2024, the Company reported net income of \$1,539 and \$130,564, respectively (2023 – net income of \$4,351 and \$4,175, respectively) and as at June 30, 2024, the Company has working capital of \$14,976 (December 31, 2023 – working capital deficiency of \$43,168) and an accumulated deficit of \$9,736 (December 31, 2023 - \$140,300).

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.

#### **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 years ended December 31, 2023 and 2022, as some disclosures from the annual consolidated financial statements have been condensed or omitted.



## **SANTACRUZ SILVER MINING LTD.**

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

**Three and Six Months ended June 30, 2024 and 2023**

**(Unaudited)**

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

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## **2. BASIS OF PRESENTATION (continued)**

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 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, 2023.

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**

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

The amendments to IAS 1, clarifies the presentation of liabilities with covenants. 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 amendment was applied effective January 1, 2023, and did not have a material impact on the Company's consolidated financial statements.

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

#### IFRS 18 - Presentation and Disclosure in Financial Statements

In April 2024, the IASB released IFRS 18 Presentation and Disclosure in Financial Statements. IFRS 18 replaces IAS 1 Presentation of Financial Statements while carrying forward many of the requirements in IAS 1. IFRS 18 introduces new requirements to: i) present specified categories and defined subtotals in the statement of earnings, ii) provide disclosures on management-defined performance measures ("MPMs") in the notes to the financial statements, iii) improve aggregation and disaggregation. Some of the requirements in IAS 1 are moved to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and IFRS 7 Financial Instruments: Disclosures. The IASB also made minor amendments to IAS 7 Statement of Cash Flows and IAS 33 Earnings per Share in connection with the new standard. IFRS 18 requires retrospective application with specific transition provisions. The Company is required to apply IFRS 18 for annual reporting periods beginning on or after January 1, 2027 with early adoption permitted. The Company is currently evaluating the impact of IFRS 18 on its financial statements.

## SANTACRUZ SILVER MINING LTD.

### Notes to the Condensed Interim Consolidated Financial Statements

Three and Six Months ended June 30, 2024 and 2023

(Unaudited)

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

#### 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 years ended December 31, 2023 and 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 June 30, 2024.

#### 5. TRADE AND OTHER RECEIVABLES

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

	June 30, 2024	December 31, 2023
	\$	\$
Trade receivables	28,246	18,558
COMIBOL contract receivables (Note 5) (a)	45,323	40,633
Bolivian VAT receivable	59,714	62,483
Bolivian taxes receivable	14,991	-
Mexican VAT receivable	5,258	-
Other receivables	6,964	7,239
<b>Balance, end of period</b>	<b>160,496</b>	<b>128,913</b>
Less: current portion	85,255	65,324
<b>Non-current portion</b>	<b>75,241</b>	<b>63,589</b>

##### a) COMIBOL contract receivables

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, and are recorded at the present value as at the period-end 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.

#### 6. INVENTORIES

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

	June 30, 2024	December 31, 2023
	\$	\$
Mineralized material stockpiles	6,765	6,288
Concentrate inventory	13,641	12,845
Supplies inventory	13,325	13,869
	<b>33,731</b>	<b>33,002</b>

During the three and six months ended June 30, 2024, the inventory recognized as cost of sales was \$46,794 and \$95,010, respectively (2023 – \$47,878 and \$93,592, respectively), which includes production costs directly attributable to the inventory production process.

During the three and six months ended June 30, 2024, the Company recognized through cost of sales a net realizable value write-off of inventory for \$nil and \$nil, respectively (2023 - \$520 and \$686, respectively).

**SANTACRUZ SILVER MINING LTD.****Notes to the Condensed Interim Consolidated Financial Statements****Three and Six Months ended June 30, 2024 and 2023****(Unaudited)**

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

**7. 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, 2022	55,709	1,467	15,000	115,896	188,072
Additions	12,889	-	-	8,780	21,669
Change in decommissioning and restoration costs (note 15)	2,292	-	-	-	2,292
Disposals	-	-	-	(144)	(144)
<b>Balance, December 31, 2023</b>	<b>70,890</b>	<b>1,467</b>	<b>15,000</b>	<b>124,532</b>	<b>211,889</b>
Additions	4,748	-	-	1,940	6,688
Disposals	-	-	-	(439)	(439)
<b>Balance, June 30, 2024</b>	<b>75,638</b>	<b>1,467</b>	<b>15,000</b>	<b>126,033</b>	<b>218,138</b>
<b>Accumulated depreciation and impairment</b>					
Balance, December 31, 2022	12,291	-	-	21,409	33,700
Depletion, depreciation and amortization	6,056	-	-	15,771	21,827
Disposals	-	-	-	(122)	(122)
Impairment (Note 7)	-	-	-	7,554	7,554
<b>Balance, December 31, 2023</b>	<b>18,347</b>	<b>-</b>	<b>-</b>	<b>44,612</b>	<b>62,959</b>
Depletion, depreciation and amortization	6,553	-	-	5,358	11,911
Disposals	-	-	-	(255)	(255)
<b>Balance, June 30, 2024</b>	<b>24,900</b>	<b>-</b>	<b>-</b>	<b>49,715</b>	<b>74,615</b>
Cost as at December 31, 2023	70,890	1,467	15,000	124,532	211,889
Accumulated depreciation and impairment	18,347	-	-	44,612	62,959
<b>Carrying value - December 31, 2023</b>	<b>52,543</b>	<b>1,467</b>	<b>15,000</b>	<b>79,920</b>	<b>148,930</b>
Cost as at June 30, 2024	75,638	1,467	15,000	126,033	218,138
Accumulated depreciation and impairment	24,900	-	-	49,715	74,615
<b>Carrying value - June 30, 2024</b>	<b>50,738</b>	<b>1,467</b>	<b>15,000</b>	<b>76,318</b>	<b>143,523</b>

As at June 30, 2024, the Company's plant and equipment included right-of-use assets with a carrying amount of \$4,625 for leased mining equipment (December 31, 2023 - \$4,772). Depreciation on the right of use assets for the three and six months ended June 30, 2024 was \$164 and \$323, respectively (2023 - \$28 and \$54, respectively).

In accordance with the Company's accounting policies, the Company assesses its CGUs for indicators of impairment or impairment reversal at each period-end. If indicators of impairment exist for any CGU, those CGUs are tested for impairment. In general, the CGU carrying amount includes the carrying value of the MPPE and goodwill, less deferred tax liabilities and decommissioning and restoration provision related to each CGU. For CGUs that have allocated goodwill, the CGUs are tested for impairment annually and if an impairment is determined to exist at these CGUs the impairment is first allocated to goodwill and any excess applied to the remaining MPPE.

As at June 30, 2024 the Company did not identify any indicators of impairment or impairment reversal.

In the fourth quarter of 2023, the Company determined that the Company's market capitalization was below the Company's net assets, which triggered the impairment test for all CGUs.

**SANTACRUZ SILVER MINING LTD.****Notes to the Condensed Interim Consolidated Financial Statements****Three and Six Months ended June 30, 2024 and 2023****(Unaudited)**

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

**7. MINERAL PROPERTIES, PLANT AND EQUIPMENT (continued)**

Accordingly, the Company performed an impairment analysis for all of its CGUs, and recorded an impairment charge of \$7,554 for the Porco CGU for the year ended December 31, 2023. The recoverable amount for the Porco CGU (\$1,560) were determined by applying a fair value less cost of disposal methodology based on future after-tax cash flows expected to be derived from the CGU discounted with after-tax weighted average cost of capital ("WACC") of 9.7%, a Level 3 fair value estimate. The projected cash flows used in impairment testing are significantly affected by changes in assumptions for metal prices, estimated quantities of mineral reserves and resources, production costs estimates, capital expenditure estimates, and discount rates.

As at December 31, 2023, the Company's impairment testing incorporated the following key assumptions:

**Pricing assumptions:**

	<b>December 31, 2023</b>	
	<b>2024-2027 Average</b>	<b>2028 and long-term</b>
Zinc price per tonne	\$2,676	\$2,601
Silver price per ounce	\$23.81	\$22.71

**Additional Porco-specific assumptions affecting the recoverable amount assessment:**

- Discount rate applied to future cash flows is based on a WACC adjusted for specific risks for the Porco CGU;
- The future cash flows are based on the updated life-of-mine ("LOM") plan which reflects the updated mineral resource and reserves estimate and the corresponding capital expenditures to sustain this level of production;
- Mining operations are expected to continue to the end of 2028, equal to the end of the association contract with COMIBOL (i.e. assume no extension of the contract).

**8. TRADE PAYABLES AND ACCRUED LIABILITIES**

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

	<b>June 30, 2024</b>	December 31, 2023
	<b>\$</b>	<b>\$</b>
Trade payables	<b>33,758</b>	34,229
COMIBOL contract obligations Note 8 (a)	<b>8,871</b>	9,859
Accrued liabilities	<b>12,682</b>	7,885
Balance, end of period	<b>55,221</b>	51,973
Less: current portion	<b>46,582</b>	48,555
<b>Non-current portion</b>	<b>8,639</b>	3,418

**a) COMIBOL contract obligations**

COMIBOL contract obligations represent the Company's obligation to pay its portion of committed funding related to the investment of inventories and fixed assets made prior to 2013 under the previous contract of \$6,441, and COMIBOL's share of the VAT receivable of \$3,418 (all of which classified as non-current).

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**9. CONSIDERATION PAYABLE**

On March 18, 2022, the Company acquired 100% ownership of Sinchi Wayra and Illapa (the "Acquisition") from Glencore plc ("Glencore") under the terms and conditions outlined in the Share Purchase Agreement ("SPA").

On May 10, 2023, the Company signed amendments to the SPA ("Amended SPA") that impacted the timing of the repayments of the deferred cash consideration and timing of payment of certain VAT amounts collected by the Company.

On March 28, 2024, the Company entered into a binding term sheet (the "Term Sheet") with Glencore, subject to the approval of the TSXV, to amend the SPA, Amended SPA and certain transaction documents in connection with the Acquisition. The total consideration payable by the Company to Glencore under the Term Sheet will be in lieu of all present and future amounts owing or payable by the Company under the SPA, Amended SPA and certain transaction documents entered into pursuant to the Acquisition.

Consideration payable was adjusted for the terms and conditions outlined in the Term Sheet in the first quarter of 2024 and for the Amended SPA in the second quarter of 2023 giving rise to a gain on adjustment to consideration payable as presented on the condensed interim consolidated statement of income (loss) and comprehensive income (loss).

The following table summarizes the consideration payable to Glencore.

	June 30, 2024	December 31, 2023
	\$	\$
Base purchase price (a)(i)	30,996	-
Contingent value rights (a)(ii)	8,347	-
Deferred cash consideration (b)	-	91,619
Royalties payable (c)	-	15,102
Other payables (d)	-	56,267
Balance, end of period	39,343	162,988
Less: current portion	-	49,637
<b>Non-current portion</b>	<b>39,343</b>	<b>113,351</b>

**a) Term Sheet****(i) Base purchase price**

Subject to the Acceleration Option (as defined below), the Company will pay up to \$80,000 in cash to Glencore in eight equal annual instalments of \$10,000 each (the "Base Purchase Price" or "BPP") with the first payment being made on or before November 1, 2025. The Company can exercise an option to accelerate the payment of the outstanding balance of the Base Purchase Price in full at any time, such prepayment amount will be \$40,000 if exercised prior to November 1, 2025 and shall decrease by \$2,000 for each annual instalment of \$10,000 that has been paid by the Company (the "Acceleration Option").

**(ii) Contingent value rights**

The Company granted to Glencore a contingent value right (the "CVR") whereby the Company will pay Glencore a monthly payment of \$1,333 (the "CVR Payment"), subject to a total cap of \$77,700 (the "Valuation Cap"), in the event that in any calendar month after the date the parties enter into the Term Sheet, the average London Metal Exchange ("LME") spot price of zinc (or the highest open hedge price if the Hedging Option (as defined below) has been exercised) in the calendar month is at least \$3,850 per tonne (the "Base Price"). The CVR Payment will increase by \$83 for each increase of \$100 per tonne above the Base Price and up to a price of \$5,049.99 per tonne.

**SANTACRUZ SILVER MINING LTD.**

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**9. CONSIDERATION PAYABLE (continued)**

In addition to the CVR Payment, in the event the average LME spot price of zinc (or the highest open hedge price if the Hedging Option has been exercised) in a calendar month is at least \$5,050 per tonne (the "Additional Payment Price"), the CVR Payment will increase by \$83 for each increase of \$100 per tonne above the Additional Payment Price and the Company will pay Glencore a monthly payment of \$83 as a Bonus Payment that will increase by \$83 for each increase of \$100 per tonne above the Additional Payments Price. The Bonus Payment is not considered as part of the CVR Payment.

Upon the occurrence of the monthly average zinc LME spot price exceeding the Base Price, Glencore can require the Company to hedge a limited amount of zinc production from its Bolivian mining operations (so long as the hedging price would exceed the Base Price) subject to certain conditions (the "Hedging Option").

The CVR and Additional Payments will be effective from the date of the Term Sheet until the earlier of December 31, 2032 and the date the Valuation Cap is reached. The Additional Payments and the Hedging Option will terminate once the Company is no longer obligated to make CVR Payments.

As at the date of the Term Sheet the fair value of the Base Purchase Price was estimated using a discounted cash flow method to calculate the net present value of the expected cash flows. A discount rate of 20% was used based on various qualitative and quantitative considerations. The fair value of the CVR was calculated using a Monte Carlo Simulation with key inputs and assumptions including the zinc spot price (\$2,502 per tonne), expected price of zinc at the maturity date, risk-free rate, daily mean reversion parameter, daily volatility and credit spread. This led to the recognition of a gain on consideration payable of \$133,255.

The Company has undertaken a valuation exercise as at June 30, 2024, based on the Term Sheet, and determined a fair value of the Base Purchase Price of \$30,996, net of a fair value of approximately \$3,877 related to the fair value of the Acceleration Option and a fair value of the CVR of \$8,347.

**b) Deferred cash consideration**

Payments were 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 \$45,000 payment due March 18, 2026, at a rate of Secured Overnight Financing Rate ("SOFR") plus 4%.

**c) Royalties payable**

Royalties were payable monthly except with respect to the royalty payment for the period from March 18, 2022 to December 31, 2022, which was due by November 30, 2023.

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**9. CONSIDERATION PAYABLE (continued)****d) Other payables***(i) Profits (after-tax) on sale of inventory acquired.*

The profits (after-tax) based on final settlements of \$7,755, on the sale of inventory acquired by the Company was to 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 accrued 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 Amended 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.

The following table summarizes the details of the consideration payable to Glencore:

	BPP (a)	CVRs (a)	Deferred cash consideration (b)	Royalties payable (c)	Other payables (d)	Total
	\$	\$	\$	\$	\$	\$
Balance, December 31, 2022	-	-	85,464	18,157	57,916	161,537
Accretion	-	-	3,839	901	1,497	6,237
Loss (gain) on adjustment to consideration payable	-	-	2,316	121	(3,370)	(933)
Loss (gain) on change in fair value of consideration payable	-	-	-	(4,077)	224	(3,853)
<b>Balance, December 31, 2023</b>	-	-	<b>91,619</b>	<b>15,102</b>	<b>56,267</b>	<b>162,988</b>
Less: current portion	-	-	26,132	5,987	17,518	49,637
Non-current portion	-	-	65,487	9,115	38,749	113,351
<b>Balance, December 31, 2023</b>	-	-	<b>91,619</b>	<b>15,102</b>	<b>56,267</b>	<b>162,988</b>
Accretion (Note 16)	-	-	976	18	584	1,578
Gain on adjustment to consideration payable	29,925	1,386	(92,595)	(15,120)	(56,851)	(133,255)
Loss on change in fair value of consideration payable	1,071	6,961	-	-	-	8,032
<b>Balance, June 30, 2024</b>	<b>30,996</b>	<b>8,347</b>	-	-	-	<b>39,343</b>
Less: current portion	-	-	-	-	-	-
<b>Non-current portion</b>	<b>30,996</b>	<b>8,347</b>	-	-	-	<b>39,343</b>

**SANTACRUZ SILVER MINING LTD.****Notes to the Condensed Interim Consolidated Financial Statements****Three and Six Months ended June 30, 2024 and 2023****(Unaudited)**

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**10. LOANS PAYABLE**

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

	Bank facilities (a)	Bank loan (b)	Trafigura (c)	Other loans payable (d)	Total
	\$	\$	\$	\$	\$
Balance, December 31, 2022	10,123	2,464	8,496	1,132	22,215
Proceeds advanced	32,057	-	-	-	32,057
Accretion	-	-	693	-	693
Interest expense	537	-	781	-	1,318
Repayment with cash	(31,390)	(2,464)	(4,472)	(182)	(38,508)
<b>Balance, December 31, 2023</b>	<b>11,327</b>	<b>-</b>	<b>5,498</b>	<b>950</b>	<b>17,775</b>
Less: Current portion	11,327	-	5,498	202	17,027
Non-current portion	-	-	-	748	748
<b>Balance, December 31, 2023</b>	<b>11,327</b>	<b>-</b>	<b>5,498</b>	<b>950</b>	<b>17,775</b>
Proceeds advanced	21,002	-	-	765	21,768
Accretion	-	-	465	-	465
Interest expense	288	-	361	-	649
Repayment with cash	(19,684)	-	-	(878)	(20,562)
<b>Balance, June 30, 2024</b>	<b>12,933</b>	<b>-</b>	<b>6,324</b>	<b>837</b>	<b>20,094</b>
Less: Current portion	12,933	-	6,324	89	19,346
<b>Non-current portion</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>748</b>	<b>748</b>

**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 June 30, 2024, \$5,000 (December 31, 2023 - \$5,000), was drawn down which is repayable by October 2024.

\$244 of the \$10,000 loan guarantee credit facility was used to provide collateral to the Bolivian government on VAT refunds received as at June 30, 2024 (December 31, 2023 - \$144).

The Company also has an unsecured revolving credit facility for working capital requirements and a loan guarantee with Banco de Credito de Bolivia S.A. for a total of \$7,000 (BOL 48,720). The credit facility has a weighted average fixed interest rate of 6.0% per annum and the weighted average interest rate on the loan guarantee facility is 2.0%. As at June 30, 2024, \$7,723 (December 31, 2023 - \$6,124) was drawn down on the credit facility and \$95 (December 31, 2023 - \$142) was used on the loan guarantee. The credit facility has varying maturity dates between July 2024 and December 2024. The loan guarantee is used 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.



## **SANTACRUZ SILVER MINING LTD.**

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

##### **b) Bank loan**

The Company had 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 December 31, 2023, was \$nil as the loan matured on December 20, 2023.

##### **c) Trafigura loan facility**

On April 23, 2021, in connection with the acquisition of Zimapan, 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 11.45% (approximately 12.23% as at December 31, 2023), 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 rights and properties owned by Carrizal Mining. 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 June 30, 2024, a total of 13,280,000 Trafigura Warrants were exercised for gross proceeds to the Company of \$4,049 (C\$5,246) (December 31, 2023 - 13,280,000 warrants for proceeds of \$4,049 (C\$5,246)).

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. No offsets were made as of June 30, 2024.

In the fourth quarter of 2023, the Company was granted a principal repayment holiday period from September 2023 to March 2024, effectively extending the Trafigura Loan Facility maturity date from November 2024 to May 2025. As at June 30, 2024 the Company was not compliant with financial covenants associated with the Trafigura Loan Facility. The Company has requested an extension of the waiver and has not made any principal repayments pending finalization of the revised payment terms which are still under negotiation.

##### **d) 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.

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#### 10. LOANS PAYABLE (continued)

In accordance with IFRS 9, these contracts were recorded as a financial liability at amortized cost using the effective interest rate method. As at June 30, 2024, the financial liability was \$837 (December 31, 2023 - \$950). No interest expense was accrued as it was immaterial.

##### e) 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. On March 18, 2024 the Credit Facility matured undrawn.

#### 11. OTHER LIABILITIES

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

	June 30, 2024	December 31, 2023
	\$	\$
Provisions (a)	12,951	12,631
Deferred revenue (b)	4,145	3,615
Lease liability	1,453	1,997
<b>Balance, end of the period</b>	<b>18,549</b>	<b>18,243</b>
Less: current portion	5,598	5,539
<b>Non-current portion</b>	<b>12,951</b>	<b>12,704</b>

##### a) Provisions

As at June 30, 2024, the Company recognized a provision of \$12,951 (December 31, 2023 - \$12,631) for payments that will be made to employees of Sinchi Wayra and Illapa and Zimapan in the event that their employment is terminated and is in compliance with Bolivian and Mexican 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 an 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.

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**12. 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 six months ended June 30, 2024 and year ended December 31, 2023 are allocated as follows:

	Bolivar	Porco	Caballo Blanco Group	Zimapan	Total
	\$	\$	\$	\$	\$
Balance, December 31, 2022	3,529	5,278	7,249	4,562	20,618
Change in estimate	(263)	(77)	1,504	1,038	2,202
Reclamation work performed	(287)	(97)	(142)	-	(526)
Accretion	126	192	254	465	1,037
Foreign exchange gain	-	-	-	176	176
Balance, December 31, 2023	3,105	5,296	8,865	6,241	23,507
Less: current portion	305	435	656	-	1,396
<b>Non-current portion</b>	<b>2,800</b>	<b>4,861</b>	<b>8,209</b>	<b>6,241</b>	<b>22,111</b>
Balance, December 31, 2023	3,105	5,296	8,865	6,241	23,507
Change in estimate	-	-	-	(421)	(421)
Reclamation work performed	-	-	(64)	-	(64)
Accretion	126	215	346	274	961
Foreign exchange gain	-	-	-	(505)	(505)
<b>Balance, June 30, 2024</b>	<b>3,231</b>	<b>5,511</b>	<b>9,147</b>	<b>5,589</b>	<b>23,478</b>
Less: current portion	317	453	609	-	1,379
<b>Non-current portion</b>	<b>2,914</b>	<b>5,058</b>	<b>8,538</b>	<b>5,589</b>	<b>22,099</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.

**Decommissioning and restoration provisions – June 30, 2024**

	Bolivar	Porco	Caballo Blanco Group	Zimapan
Undiscounted uninflated estimated cash flow	3,758	6,345	11,470	9,234
Discount rate	8.1%	8.2%	8.2%	9.9%
Inflation rate	3.5%	3.5%	3.5%	3.4%

**Decommissioning and restoration provisions - December 31, 2023**

	Bolivar	Porco	Caballo Blanco Group	Zimapan
Undiscounted uninflated estimated cash flow	3,758	6,345	11,470	9,116
Discount rate	8.1%	8.2%	8.2%	9.3%
Inflation rate	3.5%	3.5%	3.5%	3.5%

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**13. 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, 2024, the Company had the following share capital transactions:

- The Company issued 3,574,400 shares from the exercise of options for proceeds of \$472.

During the year ended December 31, 2023, the Company had the following share capital transactions:

- The Company issued 3,724,500 shares from the exercise of warrants for proceeds of \$987 and 800,000 shares from the exercise of options for proceeds of \$225.

**c) Stock options**

On December 20, 2023, the Company's shareholders approved the adoption of a new omnibus equity incentive plan (the "Omnibus Incentive Plan") to replace the existing 10% Rolling Stock Option Plan (the "Stock Option Plan"), effective November 13, 2023.

Pursuant to the Omnibus Incentive Plan, the Company may grant Options, RSUs, PSUs, and DSUs to directors, officers, employees, management company employees, and consultants of the Company and its subsidiaries. The maximum number of shares available for issuance under the Omnibus Incentive Plan and the Stock Option Plan is limited to 10% of the issued and outstanding common shares.

Pursuant to the Omnibus Incentive Plan and the Stock Option Plan, Options granted have a maximum term of ten years and the vesting provisions of options granted are at the discretion of the Board of Directors. Options are non-transferrable and the exercise price of the options shall be determined by the Board of Directors at the time the Options are granted but in no event shall be lower than the discounted market price permitted by the TSX-V.

Options granted under the Stock Option Plan prior to November 13, 2023, remain outstanding and are governed by the Omnibus Incentive Plan.

The following is a summary of the Company's stock options for the six months ended June 30, 2024 and year ended December 31, 2023:

	Number of stock options	Weighted average exercise price
	#	C\$
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
Balance, December 31, 2023	23,714,400	0.40
Exercised	(3,574,400)	0.18
Cancelled	(4,400,000)	0.43
<b>Balance, June 30, 2024</b>	<b>15,740,000</b>	<b>0.44</b>

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**13. SHARE CAPITAL (continued)**

As at June 30, 2024, 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	#
August 6, 2024	1,290,000	0.18	0.10	1,290,000	0.18	0.10
August 16, 2024	1,000,000	0.45	0.13	1,000,000	0.45	0.13
May 7, 2026	12,450,000	0.47	1.85	12,450,000	0.47	1.85
January 10, 2028	1,000,000	0.41	3.53	750,000	0.41	3.53
	<b>15,740,000</b>	<b>0.44</b>	<b>1.71</b>	<b>15,490,000</b>	<b>0.44</b>	<b>1.68</b>

During the three and six months ended June 30, 2024, the Company granted a total of Nil stock options (2023 - 1,000,000 stock options with a fair value of \$213, of which \$149 was recognized in operating expenses during the six months ended June 30, 2023). The weighted average assumptions used in the Black-Scholes option pricing model were as follows:

Assumption	Based on	2024	2023
Risk-free rate (%)	Yield curves on Canadian government zero-coupon bonds with a remaining term equal to the stock options' expected life	N/A	3.37%
Expected life (years)	Expiry term of the options	N/A	5 years
Expected volatility (%)	Historical volatility of the Company's share price	N/A	86%
Dividend yield (%)	Annualized dividend rate as of the date of grant	N/A	Nil

The weighted average closing share price on the date of the option exercises for the three and six months ended June 30, 2024 was C\$N/A per share (year ended December 31, 2023 - C\$0.42).

Subsequent to June 30, 2024 the Company granted 2,470,000 stock options to directors, employees and consultants with an exercise price of C\$0.40 and a five-year life.

**d) Warrants**

The following is a summary of the Company's warrants for the six months ended June 30, 2024 and year ended December 31, 2023:

	Number of warrants	Weighted average exercise price
	#	C\$
Balance, December 31, 2022	107,474,718	0.38
Exercised	(3,724,500)	0.38
Expired	(40,528,257)	0.30
Balance, December 31, 2023	63,221,961	0.44
Expired	(48,501,961)	0.45
<b>Balance, June 30, 2024</b>	<b>14,720,000</b>	<b>0.40</b>

As at June 30, 2024, the Company had 14,720,000 warrants with an exercise price of C\$0.395 expiring on October 24, 2024 outstanding.

**SANTACRUZ SILVER MINING LTD.****Notes to the Condensed Interim Consolidated Financial Statements****Three and Six Months ended June 30, 2024 and 2023****(Unaudited)**

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

**13. SHARE CAPITAL (continued)****e) Restricted Share Units, Deferred Share Units, and Performance Based Share Units**

RSUs are non-transferrable awards for service which upon vesting and settlement entitle the recipient to receive cash or common shares of equivalent value. The choice of settlement method is at the Company's sole discretion. Vesting conditions for RSUs are set by the Board of Directors, no RSUs granted shall vest earlier than one year or later than three years after the grant date, except in the sole discretion of the Board of Directors. Subsequent to June 30, 2024 the Company granted 850,000 RSUs.

PSUs are non-transferrable awards that will vest and become payable upon the attainment of performance criteria within a certain period, which criteria and period shall be selected, settled and determine by the Board of Directors. PSUs are settled through cash or the issuance of common shares of equivalent value. The choice of settlement method is at the Company's sole discretion. Subsequent to June 30, 2024 the Company granted 2,500,000 PSUs.

DSUs are non-transferrable awards that become payable upon termination of service of the participant. Vesting conditions for DSUs are set by the Board of Directors. Upon settlement, DSUs entitle the recipient to receive cash or common shares of an equivalent value. Timing of settlement after vesting occurs at the discretion of the participant and communicated to the Company by the participant in writing at least fifteen days prior to the designated day, or an earlier date as the participant and the Company pay agree. If no notice is given by the participant for a designated day, the DSUs shall be payable on the first anniversary of the date on which the participant's termination of service, or any earlier period on which the DSUs vest, at the sole discretion of the participant. Subsequent to June 30, 2024 the Company granted 675,000 DSUs.

**14. 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 June 30,		Six months ended June 30,	
	2024	2023	2024	2023
	\$	\$	\$	\$
Consumables and materials	4,471	3,693	8,652	7,352
Energy	1,135	576	2,164	1,677
Insurance	1,003	548	1,706	926
Labour costs	11,240	9,330	21,188	18,597
Mine and plant maintenance	3,032	1,630	5,350	3,207
Mining contractors	9,625	9,070	18,441	18,257
Ore and concentrate purchase costs	8,409	5,554	16,903	14,043
Other costs	256	(348)	759	952
<b>Production Costs</b>	<b>39,171</b>	<b>30,053</b>	<b>75,163</b>	<b>65,011</b>
Transportation and other selling costs	6,057	8,329	11,862	16,055
Mine royalty expense	3,046	4,701	5,459	7,768
Finished goods inventory changes	(1,480)	4,795	2,526	4,758
<b>Cost of sales</b>	<b>46,794</b>	<b>47,878</b>	<b>95,010</b>	<b>93,592</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.

**SANTACRUZ SILVER MINING LTD.****Notes to the Condensed Interim Consolidated Financial Statements****Three and Six Months ended June 30, 2024 and 2023****(Unaudited)**

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

**15. GENERAL AND ADMINISTRATIVE EXPENSES**

A summary of the Company's operating expenses is as follows:

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
	\$	\$	\$	\$
Community relationship	404	480	654	808
Corporate administration	919	1,480	1,402	2,996
Professional fees	783	901	1,258	2,287
Salaries and benefits	3,073	3,606	5,507	6,464
Tax penalties	1,619	687	2,912	1,337
	<b>6,798</b>	<b>7,154</b>	<b>11,733</b>	<b>13,892</b>

During the three and six months ended June 30, 2024, included in salaries and benefits, and pursuant to Mexican labour laws, is \$572 and \$487, respectively (2023 - \$822 and \$995, respectively) for annual employee profit sharing tax related to Carrizal Mining.

**16. FINANCE COSTS**

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

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
	\$	\$	\$	
Accretion of consideration payable (note 9)	-	(1,943)	(1,578)	(3,022)
Accretion of decommissioning provisions (note 12)	(480)	(76)	(961)	(527)
Accretion of Trafigura Facility Loan (note 10)	(465)	(255)	(465)	(543)
Accretion of receivable from COMIBOL (note 5(a))	371	-	743	-
Change in decommissioning and restoration provision (note 12)	421	626	421	313
Financing charge on leases	(58)	3	(83)	(8)
Loss on change in fair value of consideration payable (note 9)	(8,032)	-	(8,032)	-
Interest expense, carrying and finance charges on loans payable	(416)	(813)	(857)	(559)
Interest income	281	103	324	477
Other (expense) income	629	(584)	(391)	(1,071)
	<b>(7,749)</b>	<b>(2,939)</b>	<b>(10,879)</b>	<b>(4,940)</b>

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

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

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
	\$	\$	\$	\$
Current tax expense (recovery)	6,220	3,574	8,327	8,752
Deferred tax (recovery)	628	971	620	(324)
Income tax expense (recovery)	6,848	4,544	8,947	8,429

A summary of the Company's reconciliation of income taxes at statutory rates for the three and six months ended June 30, 2024 and 2023, is as follows:

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
	\$	\$	\$	\$
Income before income taxes	8,387	8,896	139,511	12,604
Combined federal and provincial statutory income tax rates	27%	27%	27%	27%
Income tax expense (recovery) at statutory rates	2,264	2,402	37,668	3,403
Permanent differences	(516)	472	(33,784)	2,886
Change due to differences in tax rates	2,183	(921)	2,485	94
Inflation adjustment	(229)	(122)	(357)	(161)
Change due to foreign translation	1,305	3	1,729	(116)
Deferred tax assets not recognized	51	911	(726)	911
Mexico mining royalty tax	1,768	268	748	268
Tax effect of investment in subsidiaries	22	884	790	1,190
Others	-	648	394	(26)
Income tax expense (recovery)	6,848	4,545	8,947	8,429

**b) Deferred taxes**

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

	June 30,	December 31,
	2024	2023
	\$	\$
Trade and other receivables	159	1,665
Other liabilities	6,613	5,101
Mineral properties, plant and equipment	968	1,835
Decommissioning and restoration provision	2,130	2,339
Non-capital losses	5,598	5,061
Inventories	454	916
Other assets	504	401
Mining tax	165	387
Other	2,469	1,479
Deferred tax assets	19,060	19,184



**SANTACRUZ SILVER MINING LTD.****Notes to the Condensed Interim Consolidated Financial Statements****Three and Six Months ended June 30, 2024 and 2023****(Unaudited)**

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

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

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

	June 30, 2024	December 31, 2023
	\$	\$
Mineral properties, plant and equipment	<b>(18,136)</b>	(18,529)
Investment in subsidiaries	<b>(5,700)</b>	(4,910)
Other liabilities	<b>(5,954)</b>	(5,328)
Inventories	-	(1,511)
Trade payables and accrued liabilities	<b>(798)</b>	(793)
Other	<b>22</b>	(32)
Deferred tax liabilities	<b>(30,566)</b>	(31,103)

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

	June 30, 2024	December 31, 2023
	\$	\$
Deferred tax assets	<b>6,378</b>	3,787
Deferred tax liabilities	<b>(17,884)</b>	(15,706)
	<b>(11,506)</b>	(11,919)

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.

As at June 30, 2024, the Company had unrecognized capital losses of approximately \$51,548 (December 31, 2023 - \$56,929) that arose in Canada, the capital losses can be carried forward indefinitely.

As at June 30, 2024, the Company had unrecognized taxable temporary differences totaling \$110,877 (December 31, 2023 - \$105,098) for taxes that would be payable on the unremitted earnings of certain subsidiaries of the Company.

**c) Bolivia uncertain income tax position relating to tax year 2017**

As part of the Acquisition, the Company assumed potential pre-acquisition income tax liabilities for Bolivia's 2017 tax year related to decommissioning and restoration provisions, depreciation of mineral properties, plant and equipment, undeclared income, and non-deductible expenses in the determination of the Bolivian current income tax. As at the Acquisition date and throughout 2022, the Company was still undergoing tax appeal proceedings. In the second quarter of 2023, the Company received notification from the Bolivian tax authorities on its decision to deny the appeal and confirmed the tax reassessment of \$16,998, which includes tax interest and penalties. The Company and the Bolivian tax authorities agreed on a financing arrangement ("Financing Arrangement") by making an initial deposit of \$5,816 (which represents 35% of the total balance) in the second quarter of 2023, and monthly instalments for the remaining balance of \$10,801 over the next five years to June 2028.

The Company is challenging the Bolivian tax authorities' decision and has filed legal proceedings with the Supreme Court of Justice and the Constitutional Court in Bolivia. On December 6, 2023, the Supreme Court of Justice issued Judgment No. 270 ("Judgment No. 270") in which it resolved to annul the tax reassessment. On April 4, 2024, Judgment No. 270 was annulled. The Company continues to defend its original position.

## **SANTACRUZ SILVER MINING LTD.**

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

**Three and Six Months ended June 30, 2024 and 2023**

**(Unaudited)**

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

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#### **17. INCOME TAX EXPENSE (continued)**

As the matter relates to income tax, and there is uncertainty over whether the relevant authorities will accept the current tax treatment under the Bolivian tax law, management believes that it meets the definition of an uncertain tax treatment and this is within the scope of *IAS 12 – Income Taxes* and *IFRIC 23 – Uncertainty over Income Tax Treatments*. In accordance with IFRIC 23, an entity shall consider whether it is probable (more likely than not) that a taxation authority will accept an uncertain tax treatment. If an entity concludes it is probable that a taxation authority will accept an uncertain tax treatment, the entity shall determine the taxable income or loss consistent with the tax treatment applied in its income tax filings.

Pursuant to the Amended SPA for the Acquisition and related agreements, Glencore has agreed to indemnify the Company for up to a maximum of \$25,000, in aggregate, for all claims and liabilities under the Amended SPA and such related agreements. Such indemnification would, subject to such cap and certain conditions, extend to income tax liabilities. In the unlikely event that the Company exhausts all avenues and receives an unfavourable ruling, the Company is indemnified by the Amended SPA and would not be liable for any income tax liability up to \$25,000.

The Company obtained legal advice to assess the probability of a final favourable ruling from its legal proceedings and the acceptance of the current tax treatments of the various tax items. Based on the legal assessment, the Company believes it is probable that the current tax treatments will be accepted as it has a strong substantive defense. Accordingly, the Company believes no current tax liability related to this matter needs to be recognized as at June 30, 2024.

As at June 30, 2024, the Company already remitted tax instalments totaling \$8,062 inclusive of interest and penalties to the Bolivian tax authorities based on the financing arrangement. The Company needs to continue to make payments under the financing arrangement until there is final legal resolution to avoid adverse actions from the taxation authorities such as the seizing of bank accounts. However, as the Company believes the current tax related to this matter is \$nil and the amounts paid will ultimately be refunded to the Company the total payment made to date of \$8,062 is recognized as “other receivables” in Note 7.

#### **18. 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’ equity of \$140,507 as at June 30, 2024 (December 31, 2023 - \$5,415). 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 compliance with covenants for the Trafigura Loan Facility. As at June 30, 2024 the Company was not compliant with financial covenants associated with the Trafigura Loan Facility. The Company has requested an extension of the waiver and has not made any principal repayments pending finalization of the revised payment terms which are still under negotiation (Note 10(c)).

**SANTACRUZ SILVER MINING LTD.****Notes to the Condensed Interim Consolidated Financial Statements****Three and Six Months ended June 30, 2024 and 2023****(Unaudited)**

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

**19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

<b>June 30, 2024</b>	<b>Amortized cost</b>	<b>FVTPL</b>	<b>Total</b>
	\$	\$	\$
<b>Financial assets</b>			
Cash and cash equivalents	7,308	-	7,308
Trade and other receivables	52,287	28,246	80,533
	<b>59,595</b>	<b>28,246</b>	<b>87,841</b>
<b>Financial liabilities</b>			
Trade payables and accrued liabilities	55,221	-	55,221
Consideration payable	30,996	8,347	39,343
Loans payable	20,094	-	20,094
Other liabilities	18,549	-	18,549
	<b>124,860</b>	<b>8,347</b>	<b>133,207</b>
<b>December 31, 2023</b>			
<b>Financial assets</b>			
Cash and cash equivalents	4,947	-	4,947
Trade and other receivables	47,812	18,618	66,430
	<b>52,759</b>	<b>18,618</b>	<b>71,377</b>
<b>Financial liabilities</b>			
Trade payables and accrued liabilities	51,973	-	51,973
Consideration payable	147,886	15,102	162,988
Loans payable	17,775	-	17,775
Other liabilities	18,243	-	18,243
	<b>235,877</b>	<b>15,102</b>	<b>250,979</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.

Trade receivables are measured at fair value using Level 1 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.

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.

**SANTACRUZ SILVER MINING LTD.****Notes to the Condensed Interim Consolidated Financial Statements****Three and Six Months ended June 30, 2024 and 2023****(Unaudited)**

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

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

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:

	June 30, 2024			December 31, 2023		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
	\$	\$	\$	\$	\$	\$
<b>Assets</b>						
Trade and other receivables	28,246	-	-	18,618	-	-
	<b>28,246</b>	-	-	<b>18,618</b>	-	-
<b>Liabilities</b>						
Consideration payable	-	-	8,347	-	-	15,102
	-	-	<b>8,347</b>	-	-	<b>15,102</b>

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, 2023.

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 June, 2024, the Company had receivable balances associated with buyers of its concentrates of \$28,246 (December 31, 2023 - \$18,558). The vast majority of the Company's concentrate is sold to well-known concentrate buyers.

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

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

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

	June 30, 2024	December 31, 2023
	\$	\$
Cash and cash equivalents	7,308	4,947
Trade and other receivables	80,533	66,370
Prepaid expenses and deposits	5,492	5,536

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 at June 30, 2024:

	<1 year	1 – 2 years	2 – 5 years	>5 years	Total
	\$	\$	\$	\$	\$
Trade payables and accrued liabilities	46,582	8,639	-	-	55,221
Consideration payable <sup>(1)</sup>	-	10,000	40,000	30,000	80,000
Loans payable	19,346	748	-	-	20,094
Lease payments	1,087	-	-	-	1,087
	<b>67,015</b>	<b>19,387</b>	<b>40,000</b>	<b>30,000</b>	<b>156,402</b>

<sup>(1)</sup> The Base Purchase Price, as disclosed in Note 9(a)(i), includes acceleration options that enable the Company to repay less than the contractually committed amounts as presented in the table above. The Company continues to monitor its liquidity position and will determine prior to November 1, 2025 whether it will exercise the first acceleration option available to the Company.

**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 income by approximately \$138, a 1% change in the US dollar exchange rate relative to the Mexican peso would change the Company's net loss by approximately \$(11), and a 1% change in the US dollar exchange rate relative to the Canadian dollar would change the Company's net loss by approximately \$(33).

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

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

The Company's financial assets and liabilities as at June 30, 2024 are denominated in Canadian dollars, US dollars, Bolivian bolivianos and Mexican pesos and translated to US dollars as follows:

	CAD	BOB	USD	MXN	Total
	\$	\$	\$	\$	\$
<b>Financial assets</b>					
Cash and cash equivalents	61	3,877	3,097	273	7,308
Trade and other receivables	-	46,129	34,404	-	80,533
	61	50,006	37,501	273	87,841
<b>Financial liabilities</b>					
Trade payables and accrued liabilities	2,282	43,706	7,283	1,950	55,221
Consideration payable	-	-	39,343	-	39,343
Loans payable	-	13,770	6,324	-	20,094
Other liabilities	-	11,395	5,598	1,556	18,549
	2,282	68,871	58,548	3,506	133,207
<b>Net financial assets (liabilities)</b>	<b>(2,221)</b>	<b>(18,865)</b>	<b>(21,047)</b>	<b>(3,233)</b>	<b>(45,366)</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 June 30, 2024, 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 June 30, 2024, a change of 1% increase or decrease of market interest rate would impact the Company's income or loss by approximately \$215.

**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 and Six Months ended June 30, 2024 and 2023

(Unaudited)

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

## 20. 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 and six months ended June 30, 2024 and 2023, 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, the CFO, the Executive Chairman, and other members of key management. Compensation to key management personnel was as follows:

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Management and consulting fees	\$ 529	\$ 362	\$ 1,071	\$ 1,057
Share-based compensation	8	64	19	170
	<b>537</b>	<b>426</b>	<b>1,090</b>	<b>1,227</b>

Of the \$529 and \$1,071 in management and consulting fees incurred with related parties during the three and six months ended June 30, 2024, \$24 and \$51, respectively (2023 - \$-53 and \$47, respectively) was related to directors' fees and \$505 and \$1,020 respectively (2023 - \$415 and \$1,010, respectively), was related to management fees.

As at June 30, 2024, directors and officers or their related companies were owed \$Nil (December 31, 2023 - \$27) in respect of the services rendered. These are non-interest bearing with standard payment terms.

## 21. 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.

<sup>(1)</sup> In the following tables it should be noted that the CODM reviews Bolivar and Porco revenues, cost of sales information, capital expenditures, total assets and total liabilities on a 100% basis whereas this financial information is recorded at 45% in the Consolidated Statements of Income (Loss) and Comprehensive Income (Loss).

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**21. SEGMENT INFORMATION (continued)**

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

<b>Three months ended June 30, 2024</b>			<b>Caballo Blanco Group</b>	<b>San Lucas</b>	<b>Zimapan</b>	<b>Corporate and other</b>	<b>Illapa Joint Operation eliminations<sup>(1)</sup></b>	<b>Inter-company eliminations</b>	<b>Total</b>
	<b>Bolivar</b>	<b>Porco</b>	<b>Bolivia</b>	<b>Bolivia</b>	<b>Mexico</b>		<b>Bolivia</b>	<b>Bolivia</b>	
Country	Bolivia	Bolivia	Bolivia	Bolivia	Mexico		Bolivia	Bolivia	
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues	21,900	10,799	18,709	17,252	20,949	-	(17,062)	(2,062)	70,485
Mine operating costs									-
Cost of sales	(12,413)	(7,988)	(11,889)	(13,866)	(13,721)	-	11,021	2,062	(46,794)
Depletion and amortization	(4,429)	112	(3,118)	(17)	(2,796)	-	2,247	-	(8,001)
	(16,842)	(7,876)	(15,007)	(13,883)	(16,517)	-	13,268	2,062	(54,795)
<b>Gross profit (loss)</b>	<b>5,058</b>	<b>2,923</b>	<b>3,702</b>	<b>3,369</b>	<b>4,432</b>	<b>-</b>	<b>(3,794)</b>	<b>-</b>	<b>15,690</b>

<b>Three months ended June 30, 2023</b>			<b>Caballo Blanco Group</b>	<b>San Lucas</b>	<b>Zimapan</b>	<b>Corporate and other</b>	<b>Illapa Joint Operation eliminations<sup>(1)</sup></b>	<b>Inter-company eliminations</b>	<b>Total</b>
	<b>Bolivar</b>	<b>Porco</b>	<b>Bolivia</b>	<b>Bolivia</b>	<b>Mexico</b>		<b>Bolivia</b>	<b>Bolivia</b>	
Country	Bolivia	Bolivia	Bolivia	Bolivia	Mexico		Bolivia	Bolivia	
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues	14,497	8,467	15,226	38,312	7,991	-	(6,137)	(14,502)	63,854
Mine operating costs									-
Cost of sales	(12,587)	(7,913)	(9,053)	(34,177)	(9,953)	-	11,303	14,502	(47,878)
Depletion and amortization	(2,991)	(1,377)	(2,230)	(2)	(889)	-	2,489	-	(5,000)
	(15,578)	(9,290)	(11,283)	(34,179)	(10,842)	-	13,792	14,502	(52,878)
<b>Gross profit (loss)</b>	<b>(1,081)</b>	<b>(823)</b>	<b>3,943</b>	<b>4,133</b>	<b>(2,851)</b>	<b>-</b>	<b>7,655</b>	<b>-</b>	<b>10,976</b>

<b>Six months ended June 30, 2024</b>			<b>Caballo Blanco Group</b>	<b>San Lucas</b>	<b>Zimapan</b>	<b>Corporate and other</b>	<b>Illapa Joint Operation eliminations<sup>(1)</sup></b>	<b>Inter-company eliminations</b>	<b>Total</b>
	<b>Bolivar</b>	<b>Porco</b>	<b>Bolivia</b>	<b>Bolivia</b>	<b>Mexico</b>		<b>Bolivia</b>	<b>Bolivia</b>	
Country	Bolivia	Bolivia	Bolivia	Bolivia	Mexico		Bolivia	Bolivia	
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues	41,932	19,543	29,438	32,572	35,467	-	(32,140)	(3,738)	123,074
Mine operating costs									-
Cost of sales	(26,590)	(15,981)	(25,403)	(28,431)	(25,558)	-	23,215	3,738	(95,010)
Depletion and amortization	(7,281)	(1,455)	(3,400)	(22)	(4,430)	-	4,677	-	(11,911)
	(33,871)	(17,436)	(28,803)	(28,453)	(29,988)	-	27,892	3,738	(106,921)
<b>Gross profit (loss)</b>	<b>8,061</b>	<b>2,107</b>	<b>635</b>	<b>4,119</b>	<b>5,479</b>	<b>-</b>	<b>(4,248)</b>	<b>-</b>	<b>16,153</b>

<b>Six months ended June 30, 2023</b>			<b>Caballo Blanco Group</b>	<b>San Lucas</b>	<b>Zimapan</b>	<b>Corporate and other</b>	<b>Illapa Joint Operation eliminations<sup>(1)</sup></b>	<b>Inter-company eliminations</b>	<b>Total</b>
	<b>Bolivar</b>	<b>Porco</b>	<b>Bolivia</b>	<b>Bolivia</b>	<b>Mexico</b>		<b>Bolivia</b>	<b>Bolivia</b>	
Country	Bolivia	Bolivia	Bolivia	Bolivia	Mexico		Bolivia	Bolivia	
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues	32,622	19,895	40,276	65,140	22,239	-	(17,134)	(33,806)	129,232
Mine operating costs									-
Cost of sales	(24,345)	(16,393)	(27,269)	(58,302)	(22,293)	-	21,204	33,806	(93,592)
Depletion and amortization	(6,259)	(2,553)	(4,698)	(4)	(1,375)	-	4,905	-	(9,984)
	(30,604)	(18,946)	(31,967)	(58,306)	(23,668)	-	26,109	33,806	(103,576)
<b>Gross profit (loss)</b>	<b>2,018</b>	<b>949</b>	<b>8,309</b>	<b>6,834</b>	<b>(1,429)</b>	<b>-</b>	<b>8,975</b>	<b>-</b>	<b>25,656</b>



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**21. SEGMENT INFORMATION (continued)**

<b>As at June 30, 2024</b>	<b>Bolivar</b>	<b>Porco</b>	<b>Caballo Blanco Group</b>	<b>San Lucas</b>	<b>Zimapan</b>	<b>Corporate and other</b>	<b>Illapa Joint Operation eliminations<sup>(2)</sup></b>	<b>Inter-company eliminations</b>	<b>Total</b>
Country	Bolivia	Bolivia	Bolivia	Bolivia	Mexico		Bolivia	Bolivia	
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Capital expenditures	1,163	389	5,125	-	2,950	-	(2,939)	-	6,688
Total assets	96,893	60,140	84,017	53,624	52,116	47,127	(23,068)	-	370,849
Total liabilities	(46,951)	(32,802)	(66,678)	(21,400)	(52,428)	(42,736)	32,653	-	(230,342)

<b>As at December 31, 2023</b>	<b>Bolivar</b>	<b>Porco</b>	<b>Caballo Blanco Group</b>	<b>San Lucas</b>	<b>Zimapan</b>	<b>Corporate and other</b>	<b>Illapa Joint Operation eliminations<sup>(2)</sup></b>	<b>Inter-company eliminations</b>	<b>Total</b>
Country	Bolivia	Bolivia	Bolivia	Bolivia	Mexico		Bolivia	Bolivia	
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Capital expenditures	12,327	2,223	9,512	-	5,862	108	(8,003)	-	21,669
Total assets	94,384	53,903	71,575	50,055	42,893	50,406	(24,180)	-	339,036
Total liabilities	(47,508)	(30,934)	(54,448)	(23,000)	(44,253)	(169,504)	36,026	-	(333,621)

**b) Segment revenue by location and major customers**

<b>Three months ended June 30, 2024</b>	<b>Bolivar</b>	<b>Porco</b>	<b>Caballo Blanco Group</b>	<b>San Lucas</b>	<b>Zimapan</b>	<b>Corporate and other</b>	<b>Illapa Joint Operation eliminations<sup>(1)</sup></b>	<b>Inter-company eliminations</b>	<b>Total</b>
Country	Bolivia	Bolivia	Bolivia	Bolivia	Mexico		Bolivia	Bolivia	
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Silver	10,451	3,072	6,504	4,870	9,929	-	-	-	34,826
Zinc	11,042	6,921	11,603	14,240	8,043	-	-	-	51,849
Lead	792	358	1,202	508	3,563	-	-	-	6,423
Copper	-	-	-	-	2,403	-	-	-	2,403
Illapa joint operation 55% interest	-	-	-	-	-	-	(17,062)	-	(17,062)
Intercompany transactions	815	865	382	-	-	-	-	(2,062)	-
Provisional pricing adjustments	1,865	1,373	2,071	32	2,590	-	-	-	7,931
Smelting and refining costs	(3,065)	(1,790)	(3,053)	(2,398)	(5,579)	-	-	-	(15,885)
<b>Sales to external customers</b>	<b>21,900</b>	<b>10,799</b>	<b>18,709</b>	<b>17,252</b>	<b>20,949</b>	<b>-</b>	<b>(17,062)</b>	<b>(2,062)</b>	<b>70,485</b>

<b>Three months ended June 30, 2023</b>	<b>Bolivar</b>	<b>Porco</b>	<b>Caballo Blanco Group</b>	<b>San Lucas</b>	<b>Zimapan</b>	<b>Corporate and other</b>	<b>Illapa Joint Operation eliminations<sup>(1)</sup></b>	<b>Inter-company eliminations</b>	<b>Total</b>
Country	Bolivia	Bolivia	Bolivia	Bolivia	Mexico		Bolivia	Bolivia	
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Silver	2,471	1,298	4,534	24,524	5,460	-	-	-	38,287
Zinc	7,375	7,192	13,050	18,883	5,051	-	-	-	51,551
Lead	-	-	819	3,985	1,418	-	-	-	6,222
Copper	-	-	-	-	1,974	-	-	-	1,974
Illapa joint operation 55% interest	-	-	-	-	-	-	(6,137)	-	(6,137)
Intercompany transactions	8,644	3,160	2,697	-	-	-	-	(14,502)	-
Provisional pricing adjustments	(1,936)	(1,369)	(2,293)	(479)	(2,014)	-	-	-	(8,090)
Smelting and refining costs	(2,057)	(1,814)	(3,581)	(8,601)	(3,898)	-	-	-	(19,951)
<b>Sales to external customers</b>	<b>14,497</b>	<b>8,467</b>	<b>15,226</b>	<b>38,312</b>	<b>7,991</b>	<b>-</b>	<b>(6,137)</b>	<b>(14,502)</b>	<b>63,854</b>

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**21. SEGMENT INFORMATION (continued)**

<b>Six months ended June 30, 2024</b>	<b>Bolivar</b>	<b>Porco</b>	<b>Caballo Blanco Group</b>	<b>San Lucas</b>	<b>Zimapan</b>	<b>Corporate and other</b>	<b>Illapa Joint Operation eliminations<sup>(1)</sup></b>	<b>Inter- company eliminations</b>	<b>Total</b>
Country	Bolivia	Bolivia	Bolivia	Bolivia	Mexico		Bolivia	Bolivia	
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Silver	21,534	5,786	9,809	10,106	18,196	-	-	-	65,431
Zinc	22,858	13,681	20,995	25,711	14,024	-	-	-	97,269
Lead	1,696	635	1,808	1,266	7,444	-	-	-	12,849
Copper	-	-	-	-	4,373	-	-	-	4,373
Illapa joint operation 55% interest	-	-	-	-	-	-	(32,140)	-	(32,140)
Intercompany transactions	1,274	1,767	698	-	-	-	-	(3,738)	-
Provisional pricing adjustments	1,602	1,426	1,917	(47)	2,835	-	-	-	7,733
Smelting and refining costs	(7,032)	(3,752)	(5,788)	(4,464)	(11,405)	-	-	-	(32,441)
<b>Sales to external customers</b>	<b>41,932</b>	<b>19,543</b>	<b>29,438</b>	<b>32,572</b>	<b>35,467</b>	<b>-</b>	<b>(32,140)</b>	<b>(3,738)</b>	<b>123,074</b>

<b>Six months ended June 30, 2023</b>	<b>Bolivar</b>	<b>Porco</b>	<b>Caballo Blanco Group</b>	<b>San Lucas</b>	<b>Zimapan</b>	<b>Corporate and other</b>	<b>Illapa Joint Operation eliminations<sup>(1)</sup></b>	<b>Inter- company eliminations</b>	<b>Total</b>
Country	Bolivia	Bolivia	Bolivia	Bolivia	Mexico		Bolivia	Bolivia	
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Silver	8,783	2,184	7,914	39,211	11,528	-	-	-	69,622
Zinc	18,325	15,562	24,924	36,638	13,070	-	-	-	108,519
Lead	336	-	1,454	6,498	3,565	-	-	-	11,854
Copper	-	-	-	-	5,628	-	-	-	5,628
Illapa joint operation 55% interest	-	-	-	-	-	-	(17,134)	-	(17,134)
Intercompany transactions	12,090	7,079	14,636	-	-	-	-	(33,806)	-
Provisional pricing adjustments	(2,376)	(1,597)	(2,664)	(813)	(1,735)	-	-	-	(9,185)
Smelting and refining costs	(4,537)	(3,334)	(5,989)	(16,395)	(9,817)	-	-	-	(40,072)
<b>Sales to external customers</b>	<b>32,622</b>	<b>19,895</b>	<b>40,276</b>	<b>65,140</b>	<b>22,239</b>	<b>-</b>	<b>(17,134)</b>	<b>(33,806)</b>	<b>129,232</b>

During the three and six months ended June 30, 2024, the Company had two and two customers, respectively (2023 – two and two customers, respectively). One customer accounted for 70% and 71% of the total sales revenue for the three and six months ended June 30, 2024, respectively (2023 – 87% and 83%, respectively). The other customer accounted for the remaining 30% and 29% of the total sales revenue for the three and six months ended June 30, 2024, respectively (2023 – 13% and 17% respectively).

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**22. EARNINGS PER SHARE**

Earnings (loss) per share for the Company was calculated based on the following:

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
	\$	\$	\$	\$
Net income for the period	1,539	4,351	130,564	4,175
Weighted average number of shares outstanding	352,429,081	350,912,143	351,710,109	348,873,776
Earnings per share – basic	0.00	0.01	0.37	0.01

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
	\$	\$	\$	\$
Net income for the period	1,539	4,351	130,564	4,175
Weighted average number of shares outstanding	352,429,081	350,912,143	351,710,109	348,873,776
Incremental shares from options and warrants	643,034	9,467,160	643,034	4,311,410
Earnings per share – diluted	0.00	0.01	0.37	0.01

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.

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:

	2024	2023
Stock options	14,450,000	18,249,600
Warrants	14,720,000	63,221,961
	29,170,000	81,471,561

**23. SUPPLEMENTAL CASH FLOW INFORMATION**

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

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
	\$	\$	\$	\$
Accretion of consideration payable (note 9)	-	1,170	1,578	3,022
Accretion of decommissioning provision (note 12)	480	76	961	527
Accretion of Trafigura Loan Facility (note 10)	465	255	465	543
Accretion of receivable from COMIBOL (note 5(a))	(371)	-	(743)	-
Change in decommissioning and restoration provision (note 12)	(421)	(626)	(421)	(313)
Finance charges on leases	58	(4)	83	8
Loss on change in fair value of consideration payable (note 9)	8,032	-	8,032	-
Interest expense on loans payable	318	406	649	1,049
Other income (expense)	173	3,040	-	2,267
	8,734	4,317	10,604	7,103