



Condensed Interim Consolidated Financial Statements
Three and Nine Months Ended September 30, 2017 and 2016

(Unaudited – expressed in thousands of US dollars)

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

The accompanying unaudited condensed interim consolidated financial statements of the Company and all information contained in the third quarter 2017 report have been prepared by and are the responsibility of the Company's management.

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

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

Santacruz Silver Mining Ltd.
Condensed Interim Consolidated Statements of Financial Position

(Unaudited – expressed in thousands of US dollars)

		September 30, 2017	December 31, 2016
	Note	\$	\$
ASSETS			
Current			
Cash and cash equivalents	3	22	40
Restricted cash	14	-	150
VAT recoverable and receivables	4	5,207	4,631
Inventory	5	660	608
Prepaid expenses and deposits		591	181
Exploration and evaluation properties held for sale	6	-	3,746
		6,480	9,356
Plant and equipment	7	19,342	21,383
Mine properties	8	8,971	12,833
Exploration and evaluation properties	9	820	8,307
		35,613	51,879
LIABILITIES			
Current			
Accounts payable and accrued liabilities	10	12,591	10,137
Loan payable	11	836	394
Leases	12	1,470	1,684
JMET note	13	-	5,000
Forward contract derivative liability	14	-	3,716
JMET warrants derivative liability	13	-	93
		14,897	21,024
Leases	12	583	1,216
JMET note	13	-	749
Decommissioning and restoration provision	15	561	485
Deferred income tax liability		2,783	2,951
		18,824	26,425
EQUITY			
Share capital	16	98,555	95,057
Stock options and warrants reserve	16(c)	9,292	8,986
Accumulated other comprehensive loss		(1,392)	(1,817)
Deficit		(89,666)	(76,772)
		16,789	25,454
		35,613	51,879

Nature of Operations and Going Concern (Note 1)

Commitments (Notes 8 and 9)

Approved on behalf of the Board:

“Arturo Préstamo Elizondo”
 Director – Arturo Préstamo Elizondo

“Larry Okada”
 Director – Larry Okada

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

Santacruz Silver Mining Ltd.
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
For the three and nine months ended September 30, 2017 and 2016
(Unaudited – expressed in thousands of US dollars, except per share amounts)

		Three months ended September 30,		Nine months ended September 30,	
	Note	2017	2016	2017	2016
		\$	\$	\$	\$
Revenues		1,798	3,026	6,524	9,938
Cost of sales	17	(3,617)	(2,240)	(11,229)	(8,093)
Gross (loss) profit		(1,819)	786	(4,705)	1,845
Operating expenses	17	(500)	(512)	(1,480)	(1,896)
Impairment	6, 8	(4,350)	(16,688)	(9,634)	(16,688)
Operating loss		(6,669)	(16,414)	(15,819)	(16,739)
Interest earned and other finance income	18	990	6,636	4,275	7,220
Interest expense and other finance expenses	18	(183)	(2,146)	(1,381)	(6,055)
Loss before income tax		(5,862)	(11,924)	(12,925)	(15,574)
Income tax (expense) recovery		(37)	860	31	714
Net loss for the period		(5,899)	(11,064)	(12,894)	(14,860)
Other comprehensive income (loss)					
Currency translation differences		(114)	(44)	425	(572)
Comprehensive loss for the period		(6,013)	(11,108)	(12,469)	(15,432)
Loss per share – basic and diluted		(0.04)	(0.08)	(0.08)	(0.12)
Weighted average number of common shares outstanding		172,313,104	146,939,544	159,519,787	124,825,738

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

Santacruz Silver Mining Ltd.
Condensed Interim Consolidated Statements of Cash Flows
For the nine months ended September 30, 2017 and 2016
(Unaudited – expressed in thousands of US dollars)

	2017	2016
	\$	\$
Cash Provided By (Used In):		
Operations:		
Net loss for the period	(12,894)	(3,796)
Items not affecting cash:		
Deferred income tax (recovery) expense	(168)	79
Accretion of decommissioning provision	25	19
Depletion, depreciation and amortization	2,321	1,218
Share-based payments	1	378
Interest expense on loan payable	28	53
Interest expense on silver loan	-	1,926
Interest expense on JMET Note	489	-
Change in fair value of derivative assets / liabilities	(3,809)	1,911
Impairment	9,634	-
Unrealized foreign exchange	425	(528)
Changes in non-cash working capital:		
Restricted cash	150	-
VAT recoverable and receivables	(576)	2,061
Prepaid expenses and deposits	(410)	810
Inventory	(52)	36
Accounts payable and accrued liabilities	1,847	1,333
	(2,989)	5,500
Investing:		
Exploration and evaluation properties	(3,973)	(2)
Proceeds from disposal of exploration and evaluation properties held for sale	13,000	-
Acquisition and development costs on mine properties	(603)	(1,339)
Acquisition of plant and equipment	(103)	(2,583)
Proceeds from disposal of plant and equipment	541	-
Lease payments on plant and equipment	(847)	-
	8,015	(3,924)
Financing:		
Proceeds from exercise of warrants	-	58
Deferred financing costs	-	(111)
Proceeds from issuance of common shares	783	-
Share issuance costs	(54)	-
Repayment of silver loan and issuance costs incurred	-	(1,025)
Repayment of JMET Note	(6,238)	-
Proceeds from (repayment of) loan payable	414	(190)
	(5,095)	(1,268)
Net (decrease) increase in cash and cash equivalents	(69)	308
Effect of exchange rate changes on cash and cash equivalents	51	(48)
Cash and cash equivalents – beginning of period	40	277
Cash and cash equivalents – end of period	22	537
Cash paid during the period for:		
Interest	119	-
Income taxes	137	67

Non-cash Transactions (Note 20)

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

Santacruz Silver Mining Ltd.

Condensed Interim Consolidated Statements of Changes in Equity

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

	Share Capital		Stock Options and Warrants Reserve	Warrants to be Issued	AOCI	Deficit	Total
	Number of Shares	Amount \$	\$	\$	\$	\$	\$
Balance, December 31, 2015	113,493,484	86,587	5,869	59	(1,434)	(58,266)	32,815
Exercise of warrants	500,000	67	(9)	-	-	-	58
Issuance of warrants pursuant to transaction costs on loan payable	-	-	59	(59)	-	-	-
Share-based payments	-	-	378	-	-	-	378
Comprehensive loss for the period	-	-	-	-	(528)	(3,796)	(4,324)
Balance, June 30, 2016	113,993,484	86,654	6,297	-	(1,962)	(62,062)	28,927
Issued pursuant to private placement	37,975,000	8,793	2,986	-	-	-	11,779
Share issuance costs	-	(738)	(251)	-	-	-	(989)
Exercise of warrants	2,522,500	348	(54)	-	-	-	294
Share-based payments	-	-	8	-	-	-	8
Comprehensive loss for the period	-	-	-	-	145	(14,710)	(14,565)
Balance, December 31, 2016	154,490,984	95,057	8,986	-	(1,817)	(76,772)	25,454
Issued for mineral properties	15,055,000	3,074	-	-	-	-	3,074
Issued pursuant to private placement	4,875,000	478	305	-	-	-	783
Share issuance costs	-	(54)	-	-	-	-	(54)
Share-based payments	-	-	1	-	-	-	1
Comprehensive loss for the period	-	-	-	-	425	(12,894)	(12,469)
Balance, September 30, 2017	174,420,984	98,555	9,292	-	(1,392)	(89,666)	16,789

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

Santacruz Silver Mining Ltd.
Notes to the Condensed Interim Consolidated Financial Statements
For the Three and Nine Months Ended September 30, 2017 and 2016
(Unaudited – expressed in thousands of US dollars, except share and per share amounts)

1. Nature of Operations and Going Concern

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

Santacruz, together with its subsidiaries (the “Company”), is engaged in the operation, exploration and commercial exploitation of mining concessions in Mexico, with a primary focus on silver, but also including gold, lead and zinc. The Company has acquired the mining concession rights to the following properties:

- Rosario Project including the Rosario Mine and various other properties in Charcas, San Luis Potosi, Mexico.
- Veta Grande Mine, which is part of the Veta Grande Project in Veta Grande, Zacatecas, Mexico.
- Minillas Property in Genaro Cidina, Zacatecas, México, which is part of the Veta Grande Project.
- Zacatecas Properties in Zacatecas, Zacatecas, Mexico, which is part of the Veta Grande Project.

These condensed interim consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to meet its obligations, and continue its operations for the next twelve months. At September 30, 2017, the Company had a working capital deficiency of \$8,417 and had accumulated an inception to date deficit of \$89,666. 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 financings to discharge its liabilities as they come due. The Company has a capital management process in place to safeguard the Company’s ability to continue as a going concern. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company.

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

2. Basis of Presentation

a) Statement of Compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting*. These condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2016 which have been prepared in accordance with IFRS as issued by the IASB.

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These condensed interim consolidated financial statements were approved for issue by the Board of Directors on November 27, 2017.

b) New Standards and Interpretations Not Yet Adopted

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company has not early adopted any of these standards in the consolidated financial statements.

The IASB issued IFRS 15, *Revenue from Contracts with Customers* (“IFRS 15”) in May 2014. The new standard provides a comprehensive five-step revenue recognition model for all contracts with customers and requires management to exercise judgment and make estimates that affect revenue recognition. IFRS 15 is effective for annual periods commencing on or after January 1, 2018. The Company is currently evaluating the impact that the new guidance is expected to have on its consolidated financial statements.

IFRS 9, *Financial Instruments* (“IFRS 9”) addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through P&L. The standard introduces a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities, there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. The standard is effective for accounting periods beginning on or after January 1, 2018. Early adoption is permitted. The Company is in the process of assessing IFRS 9’s impact on its financial statements.

IFRS 16, *Leases* (“IFRS 16”) specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The standard was issued in January 2016 and is effective for annual periods beginning on or after January 1, 2019. The Company is currently evaluating the impact that the new guidance is expected to have on its consolidated financial statements.

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3. Cash and Cash Equivalents

	September 30, 2017	December 31, 2016
	\$	\$
Cash on hand or held with banks	13	31
Short-term investments	9	9
Total	22	40

4. VAT Recoverable and Receivables

	September 30, 2017	December 31, 2016
	\$	\$
Mexican value added taxes recoverable	4,032	4,367
Canadian GST recoverable	11	11
Trade receivables	1,108	198
Other receivables	56	55
Total	5,207	4,631

The Company expects full recovery of the value added taxes recoverable and trade receivables amounts outstanding and therefore, no allowance has been recorded against these receivables. No trade receivables are past due and all are expected to be settled within twelve months.

5. Inventory

	September 30, 2017	December 31, 2016
	\$	\$
Ore stockpiles	152	43
Concentrate inventory	131	186
Supplies inventory	377	379
Total	660	608

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6. Exploration and Evaluation Properties Held For Sale

	Balance, Dec 31, 2015 \$	Additions Year Ended Dec 31, 2016 \$	Balance, Dec 31, 2016 \$	Additions Period Ended Sept 30, 2017 \$	Balance, Sept 30, 2017 \$
a) Gavilanes Property, San Dimas, Durango, Mexico					
Reclassification as held for sale	-	-	-	3,500	3,500
Disposal	-	-	-	(3,500)	(3,500)
	-	-	-	-	-
b) San Felipe Project, San Felipe de Jesús, Sonora, Mexico					
<u>Acquisition costs</u>					
Option payments – cash	25,884	-	25,884	2,500	28,384
Option payments – shares	1,293	-	1,293	2,862	4,155
	27,177	-	27,177	5,362	32,539
<u>Exploration costs</u>					
Depreciation	41	22	63	4	67
Drilling	5,416	-	5,416	-	5,416
Ejidal surface right payments	649	-	649	77	726
Environmental studies	74	-	74	-	74
Geological consulting	2,033	14	2,047	-	2,047
Mining claims, taxes and duties	1,078	475	1,553	311	1,864
Mine site support and office costs	1,456	96	1,552	-	1,552
Professional fees	149	-	149	-	149
Safety and maintenance	34	73	107	-	107
	10,930	680	11,610	392	12,002
Impairment	(19,426)	(15,615)	(35,041)	-	(35,041)
Disposal	-	-	-	(9,500)	(9,500)
	18,681	(14,935)	3,746	(3,746)	-
Total	18,681	(14,935)	3,746	(3,746)	-

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

a) Gavilanes Property, San Dimas, Durango, Mexico

The Company made total payments of \$5,890 and acquired a 100% interest in the Gavilanes property located in San Dimas, Durango, Mexico. In addition, on August 16, 2017, the Company issued 1,250,000 common shares of the Company to the property vendor with an estimated fair value of \$212.

On August 16, 2017, the Company completed the sale of the Gavilanes property to Marlin Gold Mining Ltd. ("Marlin"), pursuant to which Marlin will acquire 100% of the Company's interest in the Gavilanes property for cash consideration of \$3,500 plus applicable value added taxes.

Impairment

At June 30, 2017, an assessment for impairment indicators was performed which indicated that an impairment test was required. This resulted in an impairment of \$5,284 which was based on the net sales proceeds from the disposal of the Gavilanes property.

b) San Felipe Project, San Felipe de Jesús, Sonora, Mexico

Pursuant to a mining exploration and promissory sale agreement dated August 3, 2011 and amended on certain dates between December 9, 2011 and February 28, 2017 (the "San Felipe Agreement"), the Company was granted an option to acquire a 100% interest in the San Felipe project located in San Felipe de Jesús, Sonora, Mexico and the El Gachi property located near the San Felipe project, including all assets related to the properties.

Pursuant to the terms of the February 27, 2017 amendment to the San Felipe Agreement, the Company was required to make cash payments to the property vendor of \$2,000, \$500, and \$8,000 respectively on March 3, March 31, and December 15, 2017. In addition, on March 9, 2017 the Company issued 13,415,000 common shares of the Company to the property vendor with an estimated fair value of \$2,781.

Disposal of San Felipe Property

On March 2, 2017, the Company entered into an agreement with Americas Silver Corporation ("Americas Silver") to assign 100% of its interest in the San Felipe project to Americas Silver for \$7,000, which was paid on execution of the agreement. Of this amount \$2,000 was paid to the property vendor from these proceeds. The requirement to make cash payment of \$8,000 by December 15, 2017 was also assigned to Americas Silver. In consideration for financial advisory services rendered in connection with the transaction, the Company issued 390,000 common shares to an arms-length consultant with an estimated fair value of \$81.

Disposal of El Gachi Property

On March 28, 2017, the Company completed the sale of its interest in the El Gachi property to First Majestic Silver Corp. for total consideration of \$2,500. Of this amount \$500 was paid to the property vendor.

2016 Impairment

At December 31, 2016, an assessment for impairment indicators was performed which indicated that an impairment test was required. This resulted in an impairment of \$15,615 which was based on the net sales proceeds from the disposal of the San Felipe project.

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

7. Plant and Equipment

Cost	Office Furniture and Equipment \$	Plant and Equipment \$	Vehicles \$	Computer Hardware \$	Total \$
Balance, December 31, 2015	59	17,299	381	168	17,907
Additions	1	8,117	-	14	8,132
Balance, December 31, 2016	60	25,416	381	182	26,039
Additions	11	90	-	2	103
Disposals	(11)	(541)	-	-	(552)
Balance, September 30, 2017	60	24,965	381	184	25,590
Accumulated Depreciation					
Balance, December 31, 2015	16	2,704	204	101	3,025
Depreciation for the year	5	1,560	42	24	1,631
Balance, December 31, 2016	21	4,264	246	125	4,656
Depreciation for the period	10	1,553	25	15	1,603
Disposals	(11)	-	-	-	(11)
Balance, September 30, 2017	20	5,817	271	140	6,248
Carrying amount at December 31, 2016	39	21,152	135	57	21,383
Carrying amount at September 30, 2017	40	19,148	110	44	19,342

Depreciation during the three and nine months ended September 30, 2017 was \$503 and \$1,603 (2016 – \$471 and \$1,278). During the three and nine months ended September 30, 2017, \$nil of the depreciation was capitalized to mine properties (2016 – \$77 and \$123) and \$nil and \$4 of the depreciation was capitalized to exploration and evaluation properties (2016 – \$7 and \$20).

As at September 30, 2017, the Company's plant and equipment includes a net carrying amount of \$4,003 for the leased mining equipment.

8. Mine Properties

	Rosario Project \$	Veta Grande Project \$	Total \$
Balance, December 31, 2015	8,774	1,112	9,886
Additions	514	4,902	5,416
Capitalized interest	-	204	204
Decommissioning and restoration provision (Note 15)	(46)	-	(46)
Pre-production sales proceeds	-	(1,772)	(1,772)
Amortization and depletion	(818)	(37)	(855)
Balance, December 31, 2016	8,424	4,409	12,833
Additions	743	467	1,210
Amortization and depletion	(590)	(132)	(722)
Impairment	(4,350)	-	(4,350)
Balance, September 30, 2017	4,227	4,744	8,971

Santacruz Silver Mining Ltd.
Notes to the Condensed Interim Consolidated Financial Statements
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a) Rosario Project, Charcas, San Luis Potosi, Mexico

Rey David, Charcas, San Luis Potosi, Mexico

As at September 30, 2017, the Company has made total payments of \$2,000 and acquired a 100% interest in the Rey David property located in the municipality of Charcas, San Luis Potosi, Mexico. The property is subject to a 0.4% Net Smelter Return (“NSR”). The NSR increases by 0.1% per year, until it reaches a maximum of 1%. The payments were due to start on December 31, 2015, and the Company is currently re-negotiating the NSR payments.

San Rafael, Charcas, San Luis Potosi, Mexico

As at September 30, 2017, the Company has made total payments of \$220 and acquired a 100% interest in the San Rafael property, located in the municipality of Charcas, San Luis Potosi, Mexico. The vendor retains a 2.5% NSR. The Company has agreed to pay the vendor an annual fee of \$40. The Company also has an obligation to pay the local indigenous community 300,000 Mexican pesos (\$17) per year for surface access on the San Rafael concessions.

Cinco Estrellas, Charcas, San Luis Potosi, Mexico

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

\$396 of the \$743 additions to the Rosario Project above related to the development of the Cinco Estrellas property.

Membrillo, Charcas, San Luis Potosi, Mexico

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

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

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

\$244 of the \$743 additions to the Rosario Project above related to the development of the Membrillo Vein.

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

On November 2, 2015, the Company entered into a definitive agreement (the "Contracuña Agreement") with Minera Contracuña I, S.A. de C.V. and Vetalinda Compania Minera, S.A. de C.V. (together "Contracuña"), pursuant to which Contracuña granted the Company the right for thirty years to explore, mine and operate Contracuña's Veta Grande and Minillas silver-gold-zinc-lead mineral properties within the State of Zacatecas, in central Mexico.

The Contracuña Agreement has an initial term of 15 years, with an additional 15 year term extension, at the Company's option. Consideration for the Contracuña Agreement was \$500 (paid). During the term of the Contracuña Agreement a 40% net profits interest basis ("NPI") will be paid to Contracuña. In the event the price of silver is greater than \$22.00 per ounce, the NPI increases to 45%.

The Company determined its Veta Grande Mine to be in commercial production effective October 1, 2016.

c) 2017 Impairment

The assessment of the fair value of mine properties requires the use of estimates and assumptions for recoverable production, long-term commodity prices, discount rates, foreign exchange rates, future capital requirements and operating performance. Changes in any of the assumptions or estimates used in determining the fair values could impact the impairment analysis.

Each asset or CGU is evaluated every reporting period to determine whether there are any indicators of impairment. If any such indicators exist, which is often judgment-based, a formal estimate of recoverable amount is performed and an impairment charge is recognized to the extent that the carrying amount exceeds the recoverable amount. The recoverable amount of an asset or CGU of assets is measured at the higher of fair value less costs of disposal ("FVLCTD") or value in use ("VIU").

The evaluation of asset carrying values for indications of impairment includes consideration of both external and internal sources of information, including such factors as market and economic conditions, metal prices and forecasts, production budgets and forecasts, and life-of-mine estimates.

The determination of FVLCTD and VIU requires management to make estimates and assumptions about expected production, sales volumes, commodity prices, discount rates, mineral resources, operating costs, taxes and future capital expenditures. The estimates and assumptions are subject to risk and uncertainty; hence, there is the possibility that changes in circumstances will alter these projections, which may impact the recoverable amount of the assets. In such circumstances, some or all of the carrying value of the assets may be further impaired or the impairment charge reversed with the impact recorded in profit or loss.

Based on the review of the Rosario Project CGU for impairment indicators, it was identified that there were indicators that an impairment loss may have occurred at the Rosario Project CGU, primarily as a result of the actual performance being less than expected. The recoverable amount for the Rosario Project was determined by reference to a FVLCD model and the carrying value of the CGU at September 30, 2017 exceeded the recoverable amount for the Rosario Project by \$4,350.

Santacruz Silver Mining Ltd.**Notes to the Condensed Interim Consolidated Financial Statements****For the Three and Nine Months Ended September 30, 2017 and 2016***(Unaudited – expressed in thousands of US dollars, except share and per share amounts)*

Although management believes the estimates applied in these impairment assessments are reasonable, such estimates are subject to significant uncertainties and judgments. The Company has recorded an impairment charge of \$4,350 before tax against the carrying value of the Rosario Project during the nine months ended September 30, 2017.

The recoverable amount of the Rosario Project CGU is classified as level 3 under the fair value hierarchy. In arriving at FVLCD, post-tax cash flows expressed in real terms have been estimated until the end of the life of mine plan and discounted using an asset specific post-tax discount rate of 10%.

Significant assumptions included within the FVLCD for Rosario Project include silver, gold, lead and zinc future prices, forecast production rates, discount rate, operating and capital costs and estimates of mineral resources including measured, indicated and a portion of inferred.

Year End Commodity Price Assumptions	2018	2019	2020	2021	2022
	\$	\$	\$	\$	\$
Silver (per oz)	18.23	18.93	19.47	19.68	19.68
Gold (per oz)	1,285	1,299	1,301	1,304	1,304
Lead (per lb)	1.03	1.02	0.99	0.94	0.94
Zinc (per lb)	1.00	1.00	1.00	1.00	1.00

The assumptions subject to the most estimation uncertainty for the FVLCD calculation is the commodity prices. To illustrate this sensitivity, the recoverable amount would be reduced by \$269 if the commodity prices declined by 1%.

Based on the review of the Veta Grande Project CGU for impairment indicators, it was identified that there were indicators that an impairment loss may have occurred at the Veta Grande Project CGU, primarily as a result of the actual performance being less than expected. Management's impairment evaluation did not result in the identification of an impairment loss on the Veta Grande Project as at September 30, 2017.

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9. Exploration and Evaluation Properties

The Company is actively investigating, evaluating and conducting exploration activities on projects in Mexico. A summary of accumulated costs on its exploration and evaluation properties as of September 30, 2017 and December 31, 2016 is as follows:

	Balance, Dec 31, 2015 \$	Additions Year Ended Dec 31, 2016 \$	Balance, Dec 31, 2016 \$	Additions Period Ended Sept 30, 2017 \$	Balance, Sept 30, 2017 \$
a) Gavilanes Property, San Dimas, Durango, Mexico (refer to Note 6)					
<u>Acquisition costs</u>					
Option payments – cash	5,246	144	5,390	500	5,890
Option payments – shares	-	-	-	212	212
	5,246	144	5,390	712	6,102
<u>Exploration costs</u>					
Depreciation	9	-	9	-	9
Drilling	1,989	-	1,989	-	1,989
Geological consulting	36	10	46	31	77
Mining claims, taxes and duties	169	42	211	32	243
Mine site support and office costs	121	42	163	36	199
Professional fees	53	-	53	103	156
Safety and maintenance	9	-	9	-	9
	2,386	94	2,480	202	2,682
Impairment	-	-	-	(5,284)	(5,284)
Reclassification as held for sale	-	-	-	(3,500)	(3,500)
	7,632	238	7,870	(7,870)	-
b) Zacatecas Properties, Zacatecas, Zacatecas, Mexico					
<u>Acquisition costs</u>					
Option payments – cash	-	385	385	300	685
<u>Exploration costs</u>					
Mining claims, taxes and duties	-	52	52	83	135
	-	437	437	383	820
Total	7,632	675	8,307	(7,487)	820

On May 2, 2016 the Company entered into an option agreement to acquire from Golden Minerals Company (“Golden Minerals”) certain mineral claims located in the Zacatecas Mining District, Zacatecas, Mexico (the “Zacatecas Properties”) consisting of 149 concessions. A 1% NSR exists with the original property vendors on some of the claims included in the Zacatecas Properties.

In order to acquire the Zacatecas Properties the Company is required to pay to Golden Minerals the sum of \$1,500 including an initial payment of \$200 on signing the agreement (paid) plus additional payments as follows:

- \$200 on or before November 2, 2016 (paid);
- \$300 on or before May 2, 2017 (paid);
- \$300 on or before November 2, 2017 (paid \$150); and
- \$500 on or before May 2, 2018.

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	September 30, 2017	December 31, 2016
	\$	\$
Trade payables	10,344	8,686
Accrued liabilities	2,247	1,451
Total	12,591	10,137

11. Loan Payable

On December 22, 2015, the Company entered into a short-term loan facility (the “Loan”) with Trafigura Mexico, S.A. de C.V. (“Trafigura”) in the principal amount of \$725. The Loan bears interest at LIBOR plus 10%, payable monthly in arrears, with the principal to be repaid in six equal monthly installments commencing January 31, 2016. The Loan has been secured by certain personal assets of the CEO of the Company. The principal amount of \$725 has been paid in full.

Trafigura advanced an additional \$200 on January 13, 2017, \$150 on January 31, 2017, \$200 on April 11, 2017 and \$300 on May 25, 2017 to the Company. \$836 of the principal payments remain unpaid and the Company is currently re-negotiating the extension of the outstanding payments.

In connection with this personal guarantee of the Loan, the Company agreed to issue 3,000,000 bonus warrants to the CEO. On January 11, 2016, the Company issued the 3,000,000 bonus warrants, each of which was exercisable to purchase one common share for a price of CDN\$0.15 expiring January 11, 2017. All 3,000,000 bonus warrants were exercised during the year ended December 31, 2016. The fair value of the bonus warrants (\$59) was estimated using the Black Scholes option-pricing model and was recorded against the balance of the loan payable. The assumptions used in the option pricing model were as follows: risk-free interest rate – 0.85%; expected life – 1 year; expected volatility – 78.58%; and expected dividends – nil.

The change in the loan payable during the year ended December 31, 2016 and the nine months ended September 30, 2017 is as follows:

	\$
Balance, December 31, 2015	670
Repayment	(350)
Interest expense	74
Balance, December 31, 2016	394
Proceeds advanced	850
Repayment	(436)
Interest expense	28
Balance, September 30, 2017	836

\$8 of the interest expense was capitalized to mine property during the year ended December 31, 2016, which was capitalized at the weighted average rate of the Company’s general borrowings of 7.5%.

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The Company entered into certain mining equipment leases expiring between 2017 and 2019 with an interest rate between 6.5% and 10.5% per annum. The Company's obligations under these finance leases are secured by the lessor's title to the leased assets. The terms and the outstanding balances as at September 30, 2017 and December 31, 2016 are as follows:

	September 30, 2017 \$	December 31, 2016 \$
Equipment under finance lease repayable in monthly instalments of \$91 with interest between 6.5% and 10.5% per annum. Due dates are between October 2017 and December 2019.	2,053	2,900
Current portion	(1,470)	(1,684)
Non-current portion	583	1,216

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

	September 30, 2017 \$
2017	1,215
2018	800
2019	532
Total minimum lease payments	2,547
Less: imputed interest	(494)
Total present value of minimum lease payments	2,053
Less: Current portion	(1,470)
Non-current portion	583

13. JMET Note**Initial Prepaid Silver Purchase Agreement**

On October 2, 2014, the Company entered a Prepaid Silver Purchase Agreement (the "Original JMET Agreement") with JMET, LLC ("JMET") to receive \$28,400 in exchange for agreeing to sell 4,635,000 ounces of silver bullion through August 2019. In conjunction with the Original JMET Agreement, the Company entered into a minimum price protection program with JMET ("Original PPP") to set a floor price for silver, gold, lead and zinc.

Amendments to the JMET Agreement

On November 27, 2014, April 1, July 15, October 27, December 15, 2015, April 22, 2016 and June 14, 2016, the terms of the Original JMET Agreement were amended ("the Amended JMET Agreement") and the Company repaid a total of \$11,000 to JMET. As a result of these amendments, the Company was to sell to JMET 2,644,625 ounces of silver through October 2019 at spot price less US\$10, which included an additional 44,625 ounces of silver, representing a restructuring fee. The Company incurred transaction costs of \$94 in 2015 and \$21 in 2016 in relation to these amendments. Further, the Company agreed to pay JMET \$100 (paid) on or before April 30, 2016 and another \$100 (paid) on or before May 30, 2016.

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As the change in future payment terms expected was determined to not be substantial, each amendment which occurred in 2015 and up to June 14, 2016 was recorded as a debt modification. Accordingly, the effective interest rate on the silver loan was recalculated at each amendment date based on the carrying value of the debt and the expected future payment terms and no gain or loss was recorded through profit and loss.

During the year ended December 31, 2016, the Company applied \$1,777 against the current portion of the silver loan upon settlement of 1,262,856 ounces of silver, 495 tonnes of lead and 1,038 tonnes of zinc. In addition, a lump sum repayment of \$1,004 was made on April 20, 2016, with \$200 applied against the April and May restructure fees, and \$804 applied against the remaining cash principal balance.

Restructuring of the Amended JMET Agreement and JMET Note

On July 14, 2016, the Company completed the restructuring (the “Restructuring”) of the Amended JMET Agreement such that the Company no longer had any metal delivery obligations to JMET. In connection with the Restructuring, the Company made a \$7,777 payment of the outstanding indebtedness under the Amended JMET Agreement and issued JMET a new secured note in the amount of \$4,890 (the “JMET Note”). The Company incurred transaction costs of \$100 in relation to the Restructuring.

Also pursuant to the Restructuring, the Company issued 3,750,000 warrants to JMET (the “JMET Warrants”). Each JMET Warrant was exercisable to acquire one common share of the Company at a price of CAD\$0.55 per share and was to expire on December 31, 2018; provided that, if the volume weighted average price of the Company’s common shares for any consecutive 20-day trading period on the TSX-V equals or exceeds CAD\$0.88, whereby the Company would have the right to deem the JMET Warrants to be exercised.

The JMET Warrants met the definition of a derivative liability as outlined in IAS 39. As a result, the JMET Warrants were measured initially at fair market value and revalued on each subsequent reporting date with the changes in the fair value of the derivative liability being recorded in profit and loss.

The value of the derivative liability was estimated to be \$93 as at December 31, 2016. Assumptions used in the pricing model were as follows: risk-free interest rate – 1.15%; expected life – 2 years; expected volatility – 88.78%; expected forfeitures – 0%; and expected dividends – \$nil. Expected price volatility was calculated based on the Company’s historical share prices.

The Restructuring was accounted for as an extinguishment as the change in expected payment terms was determined to be substantial. As a result the Company derecognized the debt that arose from the Amended JMET Agreement and recognized the debt as a result of the Restructuring. As a result of the Restructuring the Company recognized a gain of \$6,377.

The Company also agreed to pay JMET \$1,500 of restructuring and finance fees, which fees would be payable in 2019 and were secured by all of the assets of the Company. During the nine months ended September 30, 2017, the amount outstanding on the JMET Note was repaid in full.

Pursuant to an early repayment agreement dated July 19, 2017, the Company paid \$1,200 which was applied toward settling all remaining outstanding debt owing to JMET. JMET has released and discharged all of its security and registrations over the Company’s assets and the 3,750,000 JMET Warrants have been cancelled.

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The change in the JMET Note during the year ended December 31, 2016 and nine months ended September 30, 2017 is as follows:

	\$
Balance, December 31, 2015	20,830
Transaction costs	(21)
Repayment on April 20, 2016	(1,004)
Repayment by settlement of matured derivative assets	(1,777)
Interest expense	2,057
Subtotal	20,085
Repayment on July 14, 2016	(7,777)
Transaction costs	(100)
Fair value of JMET Warrants	(191)
Gain on Restructuring	(6,377)
Fair value of JMET Note on initial recognition	5,640
Interest payment	(146)
Accrued interest waived by JMET	(173)
Interest expense	428
Balance, December 31, 2016	5,749
Repayment	(6,090)
Transaction costs	(29)
Interest payment	(119)
Interest expense	489
Balance, September 30, 2017	-

\$196 of the interest expense was capitalized to mine property during the year ended December 31, 2016, which was capitalized at the weighted average rate of the Company's general borrowings of 7.5%.

14. Forward Contract Derivative Liability

The Company enters into foreign exchange forward contracts to manage the risks associated with exchange rate fluctuations. During the year ended December 31, 2016, the Company entered into a forward contract to purchase \$10,081 in exchange for CAD\$13,000 with settlement date of less than one month. The forward contract settled during the year ended December 31, 2016.

During the year ended December 31, 2016, the Company entered into a series of forward contracts to purchase Mexican pesos in exchange for a total of \$42,000 at 18.874 Mexican pesos per US dollar over the time period from October 31, 2016 to December 31, 2017 inclusive.

The fair value of the outstanding foreign currency forward contract at December 31, 2016 was estimated to be a derivative liability of \$3,716, determined using the forward rate at the measurement date, with the resulting value discounted to present value and was categorized within Level 2 of the fair value hierarchy. As of December 31, 2016 the weak Mexican peso prompted a margin call of approximately \$3,600, of which the Company paid \$150. The margin call was reflected in the forward contract derivative liability balance of \$3,716 at December 31, 2016. The deposit of \$150 in the margin account was classified as restricted cash at December 31, 2016.

All of the outstanding forward contracts were settled during the nine months ended September 30, 2017. A loss of \$145 was incurred in connection with the settlement of the contracts.

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The Company's estimates of future decommissioning and restoration for reclamation and closure costs for its mine are based on reclamation standards that meet Mexican regulatory requirements. The undiscounted amount of estimated cash flows required to settle the decommissioning and reclamation costs was estimated at \$779 (2016 – \$779). The key assumptions on which the provision estimate was based on are:

- Expected timing of the cash flows is based on the estimated useful life of the Rosario Project. The majority of the expenditures are expected to occur in 2022, which is the anticipated closure date.
- The inflation rate used is 3.66% (2016 – 3.66%).
- The discount rate used is 7% (2016 – 7%).

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

	September 30, 2017 \$	December 31, 2016 \$
Balance, beginning of period / year	485	533
Accretion expense	25	37
Change in estimate	-	(125)
Foreign exchange	51	40
Balance, end of period / year	561	485

16. Share Capital**a) Authorized**

Unlimited number of common shares without par value.

b) Share Capital Transactions

- (i) On July 14, 2016, the Company closed a public offering (the "Offering") through a syndicate of agents. The Company issued 37,975,000 units (the "Units") pursuant to the Offering at a price of CAD\$0.40 per Unit for total gross proceeds of \$11,779 (CAD\$15,190). Each Unit consisted of one common share and one-half of a common share purchase warrant ("Warrant"). Each full Warrant entitles the holder to acquire one common share at a price of CAD\$0.55 per share for a period of 30 months from closing. The Company incurred share issuance costs of \$986 in connection with the Offering.

The Company has assigned a value of \$2,986 to the warrants based on the estimated fair value using a Black-Scholes option pricing model with the balance of \$8,793 assigned to the shares. The fair value of the warrants issued was estimated on the date of issue using the Black-Scholes option valuation model. The assumptions used in the option pricing model were as follows: risk-free interest rate – 1.15%; expected life – 2.5 years; expected volatility – 87.04%; and expected dividends – nil.

- (ii) During the year ended December 31, 2016, the Company issued 3,022,500 common shares pursuant to exercise of warrants for total gross proceeds of \$352. A value of \$63 was transferred from warrants reserve to share capital as a result.

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- (iii) On March 9, 2017, the Company issued 13,415,000 common shares of the Company at a price of \$0.207 per share valued at \$2,781, pursuant to an amended acquisition agreement for the San Felipe project.
- (iv) On March 10, 2017, in connection with the disposal of the San Felipe project, the Company issued 390,000 common shares to an arms-length consultant with an estimated fair value of \$81 in consideration for financial advisory services rendered.
- (v) On August 16, 2017, the Company issued 1,250,000 common shares of the Company with an estimated fair value of \$212, pursuant to an amended acquisition agreement for the Gavilanes property.
- (vi) On July 28 and August 21, 2017, the Company closed two tranches of a non-brokered private placement for gross proceeds of \$783 (CAD\$975) by issuing 4,875,000 units (the “Units”) at price of CAD\$0.20 per Unit. Each unit consists of one common share of the Company and one common share purchase warrant (a “Warrant”). Each Warrant entitles the holder to acquire one common share of the Company at a price of CAD\$0.28 per share for a period of 30 months. The Company incurred share issuance costs of \$54 in connection with the private placement.

The Company has assigned a value of \$305 to the warrants based on the estimated fair value using a Black-Scholes option pricing model with the balance of \$478 assigned to the shares. The fair value of the warrants issued was estimated on the date of issue using the Black-Scholes option valuation model. The assumptions used in the option pricing model were as follows: risk-free interest rate – 1.35%; expected life – 2.5 years; expected volatility – 84.72%; and expected dividends – nil.

c) Stock Options and Warrants Reserve

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

	September 30, 2017 \$	December 31, 2016 \$
Stock options	4,695	4,694
Warrants	4,597	4,292
	9,292	8,986

d) Stock Options

The Company established a stock option plan (the “Plan”) for the benefit of full-time and part-time employees, officers, directors and consultants of the Company and its affiliates. The maximum number of shares available under the Plan is limited to 10% of the issued common shares. Options granted under the Plan have a maximum term of ten years and the vesting provisions of options granted are at the discretion of the Board. Details of options activity for the year ended December 31, 2016 and the nine months ended September 30, 2017 are as follows:

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	Number of Stock Options	Weighted Average Exercise Price (CDN\$)	Weighted Average Remaining Contractual Life (Years)
Balance, December 31, 2015	3,303,334	1.06	1.75
Granted	4,500,000	0.15	-
Cancelled	(2,101,667)	1.15	-
Forfeited	(500,000)	0.90	-
Balance, December 31, 2016	5,201,667	0.25	3.59
Forfeited	(1,301,667)	0.90	-
Balance and Exercisable, September 30, 2017	3,900,000	0.15	3.37

The balance of options outstanding as at September 30, 2017 is as follows:

Expiry Date	Exercise Price CDN\$	Remaining Life (Years)	Options Outstanding
February 10, 2021	0.15	3.37	3,900,000

4,500,000 options were granted during the year ended December 31, 2016. The fair values of the options granted during the year ended December 31, 2016 were estimated using the Black Scholes option-pricing model. Assumptions used in the pricing model were as follows: risk-free interest rate – 1.50%; expected life – 5 years; expected volatility – 83.36%; expected forfeitures – 0%; and expected dividends – \$nil. Expected price volatility was calculated based on the Company's historical share prices.

The weighted average fair value of stock options granted during the year ended December 31, 2016 was \$0.08 per option.

During the three and nine months ended September 30, 2017, the Company recorded share-based payments expense of \$nil and \$1 (2016 – \$8 and \$386).

e) Warrants

Details of warrants activity for the year ended December 31, 2016 and the nine months ended September 30, 2017 are as follows:

	Number of Warrants	Weighted Average Exercise Price CDN\$	Weighted Average Remaining Contractual Life (Years)
Balance, December 31, 2015	723,750	1.00	0.19
Issued	25,737,500	0.50	-
Expired	(723,750)	1.00	-
Exercised	(3,022,500)	0.15	-
Balance, December 31, 2016	22,715,000	0.55	1.54
Issued	4,875,000	0.28	-
Cancelled (Note 13)	(3,750,000)	0.55	-
Balance, September 30, 2017	23,840,000	0.49	1.50

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The balance of warrants outstanding as at September 30, 2017 is as follows:

Expiry Date	Exercise Price CDN\$	Remaining Life (Years)	Warrants Outstanding
January 14, 2019	0.55	1.29	18,965,000
January 28, 2020	0.28	2.33	4,675,000
February 21, 2020	0.28	2.39	200,000
			23,840,000

17. Operating Costs by Nature

a) Cost of sales

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
	\$	\$	\$	\$
Production costs	2,933	1,655	8,918	6,293
Depletion and amortization	684	585	2,311	1,800
	3,617	2,240	11,229	8,093

b) Operating expenses

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
	\$	\$	\$	\$
Administrative	86	138	278	387
Depreciation	7	2	10	5
Management and consulting fees	102	73	293	278
Other	70	74	195	211
Professional fees	196	171	561	497
Salaries and benefits	13	17	48	55
Share-based payments	-	8	1	386
Shareholder communications	3	17	20	27
Transfer agent and filing fees	14	5	41	25
Travel	9	7	33	25
	500	512	1,480	1,896

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18. a) Interest Earned and Other Finance Income

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
	\$	\$	\$	\$
Interest earned	1	-	2	3
IVA recovery inflationary gain	13	-	464	172
Change in fair value of foreign currency derivative	42	-	3,809	-
Gain on settlement of debt	-	6,377	-	6,377
Foreign exchange gain	934	259	-	668
	990	6,636	4,275	7,220

b) Interest Expense and Other Finance Expenses

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
	\$	\$	\$	\$
Accretion of decommissioning and restoration provision	(8)	(9)	(25)	(28)
Change in fair value of derivative assets	-	(2,000)	-	(3,911)
Foreign exchange loss	-	-	(839)	-
Interest expense on loan payable	-	(6)	(28)	(59)
Interest expense on silver loan	-	(131)	-	(2,057)
Interest expense on JMET Note	(175)	-	(489)	-
	(183)	(2,146)	(1,381)	(6,055)

19. Related Party Transactions

During the three and nine months ended September 30, 2017 and 2016, the Company incurred the following charges by directors and officers of the Company and by companies controlled by directors and officers of the Company:

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
	\$	\$	\$	\$
Accounting and corporate secretarial fees	41	72	156	249
Directors' fees	14	19	40	51
Management fees	46	46	138	174
Share-based payments	-	-	-	293
Salaries and benefits capitalized	-	30	-	94

At September 30, 2017, directors and officers or their related companies were owed \$200 (December 31, 2016 – \$227) in respect of the services rendered. These are non-interest bearing with standard payment terms.

In connection with the personal guarantee of the Loan by the CEO of the Company, the Company issued 3,000,000 bonus warrants to the CEO, each of which was exercisable to

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purchase one common share for a price of CDN\$0.15 expiring January 11, 2017. All 3,000,000 bonus warrants were exercised during the year ended December 31, 2016.

The Company entered into certain mining equipment leases expiring between 2017 and 2020 with an interest rate between 6.5% and 10.5% per annum. \$252 of lease payments were paid during the nine months ended September 30, 2017 and \$1,197 of the leases payable outstanding at September 30, 2017 were owed to a company owned by the CEO of the Company.

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

20. Non-cash Transactions

Investing and financing activities that do not have a direct impact on cash flows are excluded from the consolidated statements of cash flows. During the nine months ended September 30, 2017, the following transactions were excluded from the consolidated statements of cash flows:

- Mineral property exploration expenditures of \$4,069 included in accounts payable and accrued liabilities at September 30, 2017, less mineral property exploration expenditures included in accounts payable and accrued liabilities at December 31, 2016 of \$3,462 (net inclusion of \$607);
- 13,415,000 common shares of the Company issued pursuant to an amended acquisition agreement for the San Felipe project, valued at \$2,781;
- 390,000 common shares of the Company issued in connection with the disposal of the San Felipe project, valued at \$81; and
- 1,250,000 common shares of the Company issued pursuant to an amended acquisition agreement for the Gavilanes property, valued at \$212;

During the nine months ended September 30, 2016, the following transactions were excluded from the consolidated statements of cash flows:

- Mineral property exploration expenditures of \$2,775 included in accounts payable and accrued liabilities at September 30, 2016, less mineral property exploration expenditures included in accounts payable and accrued liabilities at December 31, 2015 of \$915 (net inclusion of \$1,860);
- \$2,456 of leases payable that have been capitalized to plant and equipment at September 30, 2016;
- Fair value of the 3,000,000 bonus warrants (\$59) issued in connection with the CEO's personal guarantee of the Loan; and
- The settlement proceeds of \$1,777 under the revised minimum price protection program applied against the current portion of the silver loan.

21. Segmented Information

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

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

Three Months Ended September 30, 2017	Rosario Project \$	Veta Grande Project \$	Exploration and evaluation properties \$	Corporate and other \$	Total \$
Revenues	957	841	-	-	1,798
Production costs	(1,289)	(1,644)	-	-	(2,933)
Depletion and amortization	(480)	(204)	-	-	(684)
Cost of sales	(1,769)	(1,848)	-	-	(3,617)
Gross loss	(812)	(1,007)	-	-	(1,819)
Operating loss	(5,162)	(1,007)	-	(500)	(6,669)
(Loss) income before tax	(5,162)	(1,007)	-	307	(5,862)
Interest earned and other finance income	-	-	-	990	990
Interest expense and other finance expenses	(8)	-	-	(175)	(183)
Impairment	(4,350)	-	-	-	(4,350)
Income tax expense	(37)	-	-	-	(37)

Three Months Ended September 30, 2016	Rosario Project \$	Veta Grande Project \$	Exploration and evaluation properties \$	Corporate and other \$	Total \$
Revenues	3,026	-	-	-	3,026
Production costs	(1,655)	-	-	-	(1,655)
Depletion and amortization	(585)	-	-	-	(585)
Cost of sales	(2,240)	-	-	-	(2,240)
Gross profit	786	-	-	-	786
Operating income (loss)	786	-	(16,688)	(512)	(16,414)
Income (loss) before tax	786	-	(16,688)	3,978	(11,924)
Interest earned and other finance income	-	-	-	6,636	6,636
Interest expense and other finance expenses	(9)	-	-	(2,137)	(2,146)
Income tax (expense) recovery	(232)	-	1,092	-	860

Santacruz Silver Mining Ltd.
Notes to the Condensed Interim Consolidated Financial Statements
For the Three and Nine Months Ended September 30, 2017 and 2016
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Nine Months Ended September 30, 2017	Rosario Project \$	Veta Grande Project \$	Exploration and evaluation properties \$	Corporate and other \$	Total \$
Revenues	3,343	3,181	-	-	6,524
Production costs	(4,279)	(4,639)	-	-	(8,918)
Depletion and amortization	(1,684)	(627)	-	-	(2,311)
Cost of sales	(5,963)	(5,266)	-	-	(11,229)
Gross loss	(2,620)	(2,085)	-	-	(4,705)
Operating loss	(6,970)	(2,085)	(5,284)	(1,480)	(15,819)
(Loss) income before tax	(6,970)	(2,085)	(5,284)	1,414	(12,925)
Interest earned and other finance income	-	-	-	4,275	4,275
Interest expense and other finance expenses	(25)	-	-	(1,356)	(1,381)
Impairment	(4,350)	-	(5,284)	-	(9,634)
Income tax recovery	31	-	-	-	31
Total assets	19,827	10,058	820	4,908	35,613
Current assets	1,040	728	-	4,712	6,480
Non-current assets	18,787	9,330	820	196	29,133
Total liabilities	(4,674)	(4,069)	-	(10,081)	(18,824)

Nine Months Ended September 30, 2016	Rosario Project \$	Veta Grande Project \$	Exploration and evaluation properties \$	Corporate and other \$	Total \$
Revenues	9,938	-	-	-	9,938
Production costs	(6,293)	-	-	-	(6,293)
Depletion and amortization	(1,800)	-	-	-	(1,800)
Cost of sales	(8,093)	-	-	-	(8,093)
Gross profit	1,845	-	-	-	1,845
Operating income (loss)	1,845	-	(16,688)	(1,896)	(16,739)
Income (loss) before tax	1,845	-	(16,688)	(731)	(15,574)
Interest earned and other finance income	-	-	-	7,220	7,220
Interest expense and other finance expenses	(28)	-	-	(6,027)	(6,055)
Income tax (expense) recovery	(378)	-	1,092	-	714

Year Ended December 31, 2016	Rosario Project \$	Veta Grande Project \$	Exploration and evaluation properties \$	Corporate and other \$	Total \$
Total assets	23,668	11,123	12,053	5,035	51,879
Current assets	547	259	3,746	4,804	9,356
Non-current assets	23,121	10,864	8,307	231	42,523
Total liabilities	(3,699)	(3,127)	(335)	(19,264)	(26,425)

Santacruz Silver Mining Ltd.
Notes to the Condensed Interim Consolidated Financial Statements
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b) Segment Revenue by Location and Major Customers

For the Rosario Project segment, in each of the 2017 and 2016 periods the Company had only one customer who individually accounted for 100% of total concentrate revenue in Mexico.

For the Veta Grande Project segment, the Company had only one customer, who is the same customer for the Rosario Project, who individually accounted for 100% of total concentrate revenue in Mexico during the three and nine months ended September 30, 2017.

c) Non-current Assets by Location

	September 30, 2017	December 31, 2016
	\$	\$
<i>Canada</i>	-	6
<i>Mexico</i>	29,133	42,517
Total	29,133	42,523

22. Financial Instruments

a) Fair Value of Financial Instruments

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

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

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

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

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

Santacruz Silver Mining Ltd.**Notes to the Condensed Interim Consolidated Financial Statements****For the Three and Nine Months Ended September 30, 2017 and 2016***(Unaudited – expressed in thousands of US dollars, except share and per share amounts)***b) Management of Risks Arising from Financial Instruments**

The Company is exposed to credit risk and market risks including interest rate risk, liquidity risk, foreign exchange rate risk, and price risk.

(i) Credit Risk – Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to fulfill its contractual obligations. The Company's credit risk consists primarily of cash and cash equivalents, trade receivables and other receivables. The credit risk is minimized by placing cash with major financial institutions. Trade receivables are due from a large, multinational corporation that has conducted business in Mexico for many years. The Company regularly reviews the collectability of its trade receivables and contractually receives up to 90% advance on all payments. The Company considers the credit risk related to cash and cash equivalents and trade receivables to be minimal.

(ii) Interest Rate Risk – Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. If interest rates increase, the Company will incur more interest costs. The sensitivity of the Company's net loss to changes in the interest rate would be as follows: a 10% change in the interest rate would change the Company's net loss by approximately \$8.

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

Contractual cash flow requirements as at September 30, 2017 were as follows:

	< 1 year \$	1 – 2 years \$	2 – 5 years \$	>5 years \$	Total \$
Accounts payable and accrued liabilities	12,591	-	-	-	12,591
Loan payable	836	-	-	-	836
Leases	1,215	800	532	-	2,547
Minimum lease payments	22	-	-	-	22
Total	14,664	800	532	-	15,996

(iv) Foreign Exchange Rate Risk – The Company operates in Canada and Mexico and is exposed to foreign exchange risk due to fluctuations in the US dollar and Mexican peso. Foreign exchange risk arises from financial assets and liabilities denominated in these foreign currencies. The sensitivity of the Company's net loss to changes in the exchange rate between the US dollar and the Canadian dollar would be as follows: a 10% change in the US dollar exchange rate relative to the Canadian dollar would change the Company's net loss by approximately \$85.

The Company's financial assets and liabilities as at September 30, 2017 are denominated in Canadian dollars, US dollars, and Mexican pesos as follows:

Santacruz Silver Mining Ltd.**Notes to the Condensed Interim Consolidated Financial Statements****For the Three and Nine Months Ended September 30, 2017 and 2016***(Unaudited – expressed in thousands of US dollars, except share and per share amounts)*

	Canadian dollar \$	US dollar \$	Mexican peso \$	Total \$
Financial assets				
Cash and cash equivalents	10	-	12	22
Trade receivables	-	1,108	-	1,108
Other receivables	-	-	56	56
	10	1,108	68	1,186
Financial liabilities				
Accounts payable and accrued liabilities	(423)	-	(12,168)	(12,591)
Loan payable	-	(836)	-	(836)
	(423)	(836)	(12,168)	(13,427)
Net financial liabilities	(413)	272	(12,100)	(12,241)

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