



MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019

The following management's discussion and analysis of financial condition and results of operations ("**MD&A**") for the three and nine months ended September 30, 2019 prepared as of November 29, 2019, should be read in conjunction with the unaudited condensed interim consolidated financial statements for the three and nine months ended September 30, 2019 and the related notes thereto of Santacruz Silver Mining Ltd. (the "**Company**" or "**Santacruz**") (the "**2019 Q3 Financial Statements**"), together with the audited consolidated financial statements for the year ended December 31, 2018 as well as the accompanying MD&A for the year then ended (the "**Annual MD&A**").

The above referenced 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**") and as applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting*. All dollar amounts are expressed in thousands of US dollars (US\$000's) unless otherwise indicated. Throughout this MD&A the terms first quarter, second quarter and third quarter are respectively used interchangeably with the terms Q1, Q2 and Q3.

The Company's critical accounting estimates, significant accounting policies and risk factors as disclosed in the Annual MD&A have remained substantially unchanged and are still applicable to the Company unless otherwise indicated.

Forward-Looking Statements

This MD&A and the documents incorporated herein by reference contain "forward-looking information" within the meaning of applicable Canadian securities regulations and "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995 (collectively, "**forward-looking information**"). The forward-looking information contained in this MD&A is made as of the date hereof. Except as required under applicable securities legislation, the Company does not intend, and does not assume any obligation, to update forward-looking information.

Forward-looking information includes, but is not limited to, statements with respect to the future price of silver, gold and other metals and the effects thereof on the Company's mineral resources; statements relating to the potential mineralization and geological merits of the Company's Rosario mine and related mineral concessions (the "**Rosario Mine**" which is part of the "**Rosario Project**"), the Membrillo prospect ("Membrillo Prospect" which is part of the Rosario Project); the Veta Grande mine (the "**Veta Grande Mine**" which is part of the "**Veta Grande Project**"), the leased Zimapan mine and related mineral concessions (the "**Zimapan Mine**"); the Minillas property (the "**Minillas Property**" which is part of the Veta Grande Project), and the Zacatecas properties (the "**Zacatecas Properties**" which are part of the Veta Grande Project) including the Panuco deposit ("**Panuco Deposit**"); expectations regarding the continuity of mineral deposits; the Company's goals regarding raising capital and developing its projects; expected timing regarding installation of certain facilities on the Company's projects; the Company's proposed development and exploration plans for the Veta Grande Mine, the the Membrillo Prospect, and the Panuco Deposit; plans for drilling; expectations regarding environmental issues that may affect the exploration progress; and the Company's other plans for development of its projects. Often, but not always, forward-looking information can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "believes" or the negatives thereof or variations of

such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved.

This forward-looking information is based on certain assumptions that the Company believes are reasonable, including that: the Company is able to obtain any required government or other regulatory approvals and adequate financing to complete its current and future exploration and development programs; current gold, silver and base metal prices will not materially decrease; the proposed development of the Company's mineral projects will be viable operationally and economically and proceed as expected; the Company will not experience any material accident, labour dispute or failure of plant or equipment; any additional financing needed by the Company will be available on reasonable terms; that planned drilling at its mineral properties will be completed and that the results of such drilling will be consistent with management's expectations; that general business, economic, and political conditions will not change in a material adverse manner; that the Company's exploration of its properties is not adversely affected by unexpected adverse weather conditions; that the estimates of the resources at the Panuco Deposit obtained by the Company are within reasonable bounds of accuracy (including with respect to size, grade and recovery); and that the Company's current exploration and development programs and objectives can be achieved.

Any financial outlook contained herein, as defined by applicable securities legislation, is provided for the purpose of providing information about management's current expectations and plans relating to the future. Readers are cautioned that reliance on such information may not be appropriate for other purposes.

Forward-looking information involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information. Such factors include, among others, the risk that actual results of exploration activities will be different than anticipated, that cost of labour, equipment or materials increase more than expected, that the future price of silver, gold and base metals will decline, that mineral resources are not as estimated, that actual costs of reclamation activities are greater than expected; that changes in project parameters as plans continue to be refined result in increased costs, that lower rates of production are achieved than are expected, that unexpected variations in mineral grade or recovery rates occur, that plant, equipment or processes fail to operate as anticipated, that accidents or labour disputes occur, that unanticipated delays occur in obtaining governmental approvals or financing or in the completion of development or construction activities, as well as those factors discussed in the section entitled "Risks and Uncertainties" in this MD&A. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking information, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Readers are cautioned not to place undue reliance on forward-looking information due to the inherent uncertainty thereof.

General

Santacruz was incorporated pursuant to the *Business Corporations Act* (British Columbia) on January 24, 2011. The Company's registered office is located at the 10th Floor, 595 Howe Street, Vancouver, British Columbia, Canada V6C 2T5. The Company's shares are listed for trading on the TSX Venture Exchange ("TSX-V") under the symbol "SCZ".

The Company is engaged in the operation, acquisition, exploration and development of mineral properties in Mexico, with a primary focus on silver and zinc, but also including gold and lead. The Company currently has two producing projects, the Veta Grande Project and the Rosario Project. In addition, the Company holds two exploration properties in its mineral property portfolio, the Minillas Property and the Zacatecas Properties. The Company also owns, as of October 4, 2019, 100% of PCG Mining, S.A. de C.V. ("PCG"), a holding company that owns 100% of Carrizal Mining S.A. de C.V. ("Carrizal"). Carrizal is a private Mexican mining company, the principal asset of

which is a 20% working interest in all mining concessions and assets comprising the Company's Veta Grande Project and Zacatecas Properties (collectively the "Properties"). Carrizal also has the right to operate the Zimapan Mine until December 31, 2020 under a mining lease agreement with Minera Cedros, S.A. de C.V. ("Minera Cedros"), a wholly-owned subsidiary of Grupo Peñoles, S.A.B. de C.V.

The Company's strategic objective is to become a mid-tier silver producer in Mexico. As first steps to achieving this objective the Company is focused in the near term on continuing to increase production and upgrade performance at both the Veta Grande Project and Rosario Project, as well as at the leased Zimapan Mine.

The decisions to commence the production phase at the Rosario Mine, Veta Grande Project, and the Membrillo Prospect were not based on a feasibility study with mineral reserves demonstrating economic and technical viability or any other independent economic study under NI 43-101. Accordingly, there is increased uncertainty and economic and technical risks of failure associated with this decision. Production and economic variables may vary considerably due to the absence of a complete and detailed site analysis in accordance with NI 43-101.

Production at the leased Zimapan Mine is not supported by a feasibility study on mineral reserves demonstrating economic and technical viability or any other independent economic study under NI 43-101. Accordingly, there is increased uncertainty and economic and technical risks of failure associated with production operations at the Zimapan Mine. Production and economic variables may vary considerably due to the absence of a complete and detailed site analysis in accordance with NI 43-101. There is no assurance that the Company will be successful in either negotiating any further extensions to the lease of the Zimapan Mine or acquiring outright the Zimapan Mine (including obtaining the necessary funding in connection with any such acquisition), and therefore there is a risk that the allocation to the Company of production from the Zimapan Mine will discontinue after December 31, 2020, which would result in a significant reduction to future production results as compared to the results contained in this MD&A. Any transaction to acquire the Zimapan Mine will be subject to receipt of all necessary regulatory approvals, including Santacruz obtaining the approval of the TSX-V.

Transactions with Carrizal Mining

On November 28, 2017 the Company entered into an agreement (the "Mine Services Agreement") with Carrizal whereby the Company provides Carrizal with certain mine development, metallurgical and geological consulting services as well as administrative services in connection with Carrizal's mining activities. The costs included in the Mine Services Agreement are only labour and other costs incurred by Santacruz in performing services. Costs for equipment and supplies incurred by Carrizal are not included as these are not billed to Santacruz. The Mine Services Agreement has no fixed termination date but may be terminated by either party giving 30 days written notice to the counter party.

On November 30, 2017 the Company entered into a binding Letter of Intent (the "Carrizal LOI") wherein the Company granted Carrizal the right to earn a 20% working interest in the Properties. In order to earn its 20% working interest Carrizal was required to fund all expenditures necessary to increase the mining and milling rate at the Veta Grande mine to 750 tpd and in addition had to fund an exploration program sufficient to allow an appropriate mine plan to be developed for the ongoing operation of the Veta Grande mine, subject to the Company agreeing to contribute on an as-is where-is basis a 250 tpd ball mill and motor plus other redundant equipment not in use at the Rosario Project. Although the facility is capable of operating at 750 tpd, subsequent metallurgical testing has indicated that the current optimal run rate is 650 tpd to maximize metal recoveries.

On May 22, 2019, the Company announced that Carrizal had earned a 20% working interest in the Properties pursuant to the terms of the Carrizal LOI.

Carrizal Acquisition

On July 1, 2019, the Company, through its wholly-owned subsidiary Carrizal Holdings Ltd., acquired 50% of the outstanding shares of PCG (the “Initial PCG Transaction”). The shares of PCG were purchased from one of PCG’s shareholders, who was at arm’s-length to Santacruz (the “Vendor”).

Consideration for the share acquisition was a cash payment on closing by Santacruz to the Vendor of \$500 and other consideration in the amount of approximately \$680, including the transfer of a life-insurance policy and three vehicles from Carrizal to the Vendor; and the forgiveness of approximately \$301 in debt owed by the Vendor to Carrizal.

The Company also entered into a parallel agreement, with binding effect as of May 21, 2019, to acquire the remaining 50% of the outstanding shares of PCG that were owned by Carlos Silva (the "Silva Acquisition"), Santacruz's COO. On October 4, 2019, after receiving the requisite shareholder and TSX-V approvals, the Company completed the Silva Acquisition (together with the Initial PCG Transaction, the “PCG Transaction”). The consideration paid by Santacruz to Mr. Silva with respect to the Silva Acquisition was 30,000,000 shares of Santacruz at a deemed price of CDN\$0.05 per share.

Transaction with Contracuna

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

Details of the payment schedule per the Contracuna Option Agreement are as follows:

1. \$500 on December 13, 2017 (paid);
2. \$750 on or before December 13, 2018 (\$224 paid);
3. \$3,000 on or before December 2, 2019;
4. \$3,000 on or before December 2, 2020;
5. \$4,000 on or before December 2, 2021; and
6. \$4,250 on or before December 2, 2022;

Contracuna has agreed to extend the date for payment of the balance of the December 13, 2018 option payment (\$526) to January 15, 2020.

The Company concurrently executed on August 27, 2018 a promissory note (the “Promissory Note”) in favour Contracuna in the amount of \$1,422. The Promissory Note was repayable on or before August 30, 2019 and relates to a trade payable balance owing to Contracuna at August 27, 2018. Contracuna has agreed to defer payment of the Promissory Note to January 15, 2020. Failure by the Company to settle the Promissory Note on its due date, as amended, will constitute an event of default under the terms of the Contracuna Option Agreement. In addition, the Company granted to Contracuna a 1% net smelter royalty (“NSR”) over all mineral properties under option pursuant to the Contracuna Option Agreement. The NSR takes effect December 2, 2021. The Company has the right to acquire the NSR at any time by paying Contracuna US\$1,500.

2019 Third Quarter Highlights

- Selected operating and financial information for the third and fourth quarters of 2018 and first, second and third quarters of 2019 is presented below:

	2019			2018	
	Q3	Q2	Q1	Q4	Q3
Financial					
Revenue – Mining Operations	11,439	3,247	2,490	1,258	1,657
Revenue – Mining Services	293	888	790	1,466	569
Gross Profit (Loss) ⁽⁴⁾	102	251	(514)	(3,073)	(2,157)
Debt forgiveness	-	-	-	134	-
Impairment	-	-	-	(1,486)	-
Net (Loss) Income	(1,432)	(1,137)	(1,846)	(4,239)	(2,888)
Net (Loss) Income Per Share – Basic (\$/share)	(0.01)	(0.01)	(0.01)	(0.03)	(0.02)
Adjusted EBITDA ⁽⁴⁾	(705)	(113)	(921)	(2,404)	(2,151)
Operating					
Material Processed (tonnes milled)	148,289	57,945	42,904	53,396	57,976
Silver Equivalent Produced (ounces) ⁽¹⁾⁽⁶⁾	952,832	337,722	202,967	191,039	201,021
Silver Equivalent Sold (payable ounces) ⁽²⁾	526,334	277,748	205,374	106,757	137,834
Production Cost per Tonne ⁽³⁾	49.58	62.80	83.23	89.97	58.32
Cash Cost per Silver Equivalent (\$/oz.) ⁽³⁾	18.52	16.09	20.39	48.32	27.40
All-in Sustaining Cost per Silver Equivalent (\$/oz.) ⁽³⁾	22.83	18.37	23.96	56.19	31.07
Average Realized Silver Price per Ounce (\$/oz.) ⁽³⁾⁽⁵⁾	17.52	14.66	15.10	14.40	14.31

- (1) Silver equivalent ounces produced in 2019 have been calculated using prices of \$15.25/oz., \$1,281/oz., \$0.94/lb and \$1.20/lb for silver, gold, lead and zinc respectively applied to the metal content of the lead and zinc concentrates produced by the Veta Grande Project and the Rosario Project for all three quarters and including 50% the leased Zimapan Mine for Q3. Silver equivalent ounces produced in 2018 have been calculated using prices of \$17.00/oz., \$1,295/oz., \$1.00/lb and \$1.35/lb for silver, gold, lead and zinc respectively applied to the metal content of the lead and zinc concentrates produced by the Veta Grande Project and the Rosario Project.
- (2) Silver equivalent sold ounces have been calculated using the realized silver prices stated in the table above, applied to the payable metal content of the lead and zinc concentrates sold from the Veta Grande Project, the Rosario Project and 50% of the leased Zimapan Mine.
- (3) The Company reports non-IFRS measures which include Production Cost per Tonne, Cash Cost per Silver Equivalent, All-in Sustaining Cost per Silver Equivalent and Average Realized Silver Price per Ounce. These measures are widely used in the mining industry as a benchmark for performance, but do not have a standardized meaning and may differ from methods used by other companies with similar descriptions. See "Non-IFRS Measures" section, below for definitions.
- (4) The Company reports additional non-IFRS measures which include Gross Profit (Loss) and Adjusted EBITDA. These additional financial disclosure measures are intended to provide additional information. Refer to the "Non-IFRS Measures – Additional Information" section for a reconciliation of Mine Operations Income (Loss) and Adjusted EBITDA to the quarterly financial statements.
- (5) Average realized silver price per ounce is prior to all treatment, smelting and refining charges.
- (6) The comparative figures for Q1 and Q2 2019 and for Q3 and Q4 2018 have been restated from the originally disclosed amounts based on an internal review of past metallurgical reporting practice and the adoption by management of new procedures designed to more accurately calculate the relevant data.

Management Business Overview and Outlook

The Company's focus for the duration of 2019 will be:

- To integrate the Zimapan Mine operations with those of Veta Grande and Rosario and return Zimapan Mine operations to historical levels;
- At the Veta Grande Project to continue optimizing the operations, in particular metal recoveries;
- At the Rosario Project to increase mill throughput tonnage with a target of nearing 400 tpd by Q1 2020 with the expectation this will result in positive cash flows from operations;
- Completing a 2000 metre surface drill program at the Rosario Project on the Membrillo Prospect.

The decisions to commence the production phase at the Rosario Mine, the Veta Grande Project, the Membrillo Prospect and the Zimapan Mine were not based on a feasibility study with mineral reserves demonstrating economic and technical viability or any other independent economic study under NI 43-101. Accordingly, there is increased uncertainty and economic and technical risks of failure associated with these decisions and production operations. See "General" above.

Review of Consolidated Operating Results

	2019			2018	
	Q3	Q2	Q1	Q4	Q3
Material Processed (tonnes milled)					
Zimapan Mine ⁽⁵⁾	82,242	-	-	-	-
Veta Grande Project	43,999	37,156	32,625	36,720	42,011
Rosario Project	22,048	20,789	10,279	16,676	15,965
Consolidated	148,289	57,945	42,904	53,396	57,976
Silver Equivalent Produced (ounces) ^{(1) (4)}					
Zimapan Mine ⁽⁵⁾	606,589	-	-	-	-
Veta Grande Project	214,282	204,612	148,616	128,985	134,788
Rosario Project	131,961	141,409	57,681	67,536	64,256
Consolidated	952,832	346,021	206,297	195,521	199,044
Silver Equivalent Sold (payable ounces) ⁽²⁾					
Zimapan Mine ⁽⁵⁾	346,490	-	-	-	-
Veta Grande Project	114,705	149,898	134,549	70,048	88,462
Rosario Project	65,139	127,850	70,825	36,709	49,372
Consolidated	526,334	277,748	205,374	106,757	137,834
Cash Cost of Production per Tonne ⁽³⁾					
Zimapan Mine	41.89	-	-	-	-
Veta Grande Project	47.67	59.59	73.29	74.84	51.68
Rosario Project	82.10	68.55	114.80	123.29	75.79
Consolidated	49.58	62.80	83.23	89.97	58.32
Cash Cost per Silver Equivalent Ounce ⁽³⁾					
Zimapan Mine	16.32	-	-	-	-
Veta Grande Project	19.79	17.68	20.71	42.98	26.28
Rosario Project	27.96	14.23	19.78	58.51	29.39
Consolidated	18.52	16.09	20.39	48.32	27.40
All-in Sustaining Cash Cost per Silver Equivalent Ounce ⁽³⁾					
Zimapan Mine	18.56	-	-	-	-
Veta Grande Project	26.77	19.70	23.70	51.66	29.62
Rosario Project	38.63	16.81	24.44	64.83	33.68
Consolidated	22.83	18.37	23.96	56.19	31.07
Average Realized Silver Price per Ounce ⁽³⁾					
Zimapan Mine	17.45	-	-	-	-
Veta Grande Project	17.64	14.67	15.08	14.49	14.30
Rosario Project	17.65	14.65	15.15	14.22	14.34
Consolidated	17.52	14.66	15.10	14.40	14.31

⁽¹⁾ Silver equivalent ounces produced in 2019 have been calculated using prices of \$15.25/oz., \$1,281/oz., \$0.94/lb, \$1.20/lb and \$2.92 for silver, gold, lead, zinc and copper respectively applied to the metal content of the lead and zinc concentrates produced by the Veta Grande Project and the Rosario Project for all three quarters and 50% of the lead, zinc and copper concentrates produced by the Zimapan Mine in Q3 respectively. Silver equivalent ounces produced in 2018 have been calculated using prices of \$17.00/oz., \$1,295/oz., \$1.00/lb and \$1.35/lb for silver, gold, lead and zinc respectively applied to the metal content of the lead and zinc concentrates produced by the Veta Grande Project and Rosario Project.

⁽²⁾ Silver equivalent sold ounces have been calculated using the realized silver prices stated in the table above, applied to the payable metal content of the lead and zinc concentrates sold from the Veta Grande Project, Rosario Project in all respective quarters referenced above and 50% of the lead, zinc and copper concentrates produced by the Zimapan Mine in Q3 2019.

⁽³⁾ The Company reports non-IFRS measures which include Cash Cost per Silver Equivalent, All-in Sustaining Cash Cost per Silver Equivalent, Cash Cost of Production per Tonne, and Average Realized Silver Price per Ounce. These measures are widely used in the mining industry as a benchmark for performance, but do not have a standardized meaning and may differ from methods used by other companies with similar descriptions. See "Non-IFRS Measures" section, below for definitions.

⁽⁴⁾ The comparative figures for Q1 and Q2 2019 and for Q3 and Q4 2018 have been restated from the originally disclosed amounts based on an internal review of past metallurgical reporting practice and the adoption by management of new procedures designed to more accurately calculate the relevant data.

⁽⁵⁾ Amounts reflect Santacruz's 50% proportional ownership of PCG during Q3.

Operations Overview

Silver equivalent production for Q3 2019 increased by 379% to 952,826 ounces as compared to 199,044 ounces in Q3 2018. This increase largely reflects the inclusion of 606,589 ounces in Q3 2019 (2018 – nil) from Santacruz's 50% proportionate interest in the Zimapan Mine production. The increase also reflects a 59% increase in production at the Veta Grande Project to 214,282 ounces and a 105% increase in production at the Rosario Project to 131,961 ounces. As compared to total silver equivalent production for Q2 2019, Q3 2019 production increased by 175%, again largely as a result of the inclusion of 606,589 silver equivalent ounces from the Zimapan Mine in Q3 2019. At the Veta Grande Project production increased by 5% offset by a decrease in production of 7% at the Rosario Project.

Cash Cost per Tonne

Cash cost of production per tonne of mineralized material processed decreased by 10% in Q3 2019 to \$49.58/t as compared to \$58.32/t in Q3 2018. This change in unit costs largely reflects the addition of the Zimapan Mine production at \$41.89/t and to a lesser extent an 8% decrease in unit costs at the Veta Grande Project offset by an 8% increase in unit costs at the Rosario Project. On a consolidated comparative basis the 2019 Q3 unit costs reflect a 117% increase in cash cost of production complemented by a 156% increase in consolidated tonnes milled. Both of these large changes again reflect the impact of the addition of production from the Zimapan Mine.

As compared to Q2 2019 the Q3 2019 unit costs decreased 21%. Again, this change in unit costs largely reflects the addition of the Zimapan mine production at \$41.89/t and to a lesser extent an 8% decrease in unit costs at the Veta Grande Project and an 8% increase at the Rosario Project. Operating processes were more efficient as the consolidated cash cost of production increased 102% complemented by a 156% increase in tonnes of mineralized material processed.

Cash Cost per Silver Equivalent Ounce

Cash cost of production per silver equivalent ounce sold decreased by 32% in Q3 2019 to \$18.52/oz as compared to \$27.40/oz in Q3 2018. This change in unit costs reflects the addition of the Zimapan Mine production at \$16.32/oz and to a lesser extent a 25% decrease in unit cost at the Veta Grande Project and a 5% decrease in unit cost at the Rosario Project. There was a 282% increase in silver equivalent payable ounces sold, offset by an increase in consolidated cash cost of sales for mining operations of 158%. Both of these large changes again reflect the impact of the addition of production from the Zimapan Mine.

As compared to Q2 2019 the Q3 2019 unit costs increased 15%. This change in unit costs reflects the addition of the Zimapan Mine production at \$16.32/oz and to a lesser extent reflects increases in unit costs of 12% at the Veta Grande Project and 97% at the Rosario Project. The consolidated cash cost of sales for mining operations increased 118% while the amount of silver equivalent payable ounces sold increased by 90%.

All-In Sustaining Cash Cost per Silver Equivalent Ounce

All-in sustaining cash cost of production per silver equivalent ounce sold decreased by 27% in Q3 2019 to \$22.83/oz as compared to \$31.07/oz in Q3 2018. This change in unit costs reflects the addition of the Zimapan Mine production at \$18.56/oz and to a lesser extent a 10% decrease in unit cost at the Veta Grande Project and a 15% increase in unit cost at the Rosario Project. There was a 282% increase in silver equivalent payable ounces sold offset by an increase in consolidated all-in sustaining cost for mining operations of 181%.

As compared to Q2 2019 the Q3 2019 unit costs increased 24%. This change in unit costs reflects the addition of the Zimapan Mine production at \$18.56/oz and to a lesser extent a 36% increase in unit cost at the Veta Grande Project and a 130% increase in unit cost at the Rosario Project. The silver equivalent payable ounces sold increased by 90%, offset by a 136% increase in consolidated all-in sustaining cost for mining operations.

Zimapan Mine, Zimapan, Hidalgo, Mexico

As referenced earlier in this MD&A, through two transactions completed on July 1 and October 4, 2019 respectively, the Company, through a wholly-owned subsidiary, acquired 100% of PCG (50% acquired in each transaction). PCG's sole asset is its 100% ownership of Carrizal and in turn Carrizal's principal asset at the time of the PCG acquisition was a 20% working interest in certain of Santacruz's mining interests and rights to mineral concessions located in Zacatecas State, Mexico.

In addition, at the time of the PCG acquisition, Carrizal had the right to operate the Zimapan Mine until December 31, 2019 under a mining lease agreement with Minera Cedros. In late October 2019 Carrizal and Minera Cedros agreed to extend the terms of the Zimapan Mine lease agreement to December 31, 2020 thereby providing the parties additional time to negotiate the terms of the potential acquisition or extension of the Zimapan Mine by Carrizal. Pursuant to the terms of the Zimapan Mine lease agreement, Carrizal must make monthly payments to Minera Cedros based on 4% of the net smelter receipts from the concentrates produced by the Zimapan Mine for each respective month, subject to the minimum payment each month being US\$45,000 and the maximum payment being US\$60,000.

Production at the Zimapan Mine is not supported by a feasibility study on mineral reserves demonstrating economic and technical viability or any other independent economic study under NI 43-101. Accordingly, there is increased uncertainty and economic and technical risks of failure associated with production operations at the Zimapan Mine. Production and economic variables may vary considerably due to the absence of a complete and detailed site analysis in accordance with NI 43-101. There is no assurance that the Company will be successful in either negotiating any further extensions to the lease of the Zimapan Mine or acquiring outright the Zimapan Mine (including obtaining the necessary funding in connection with any such acquisition), and therefore there is a risk that the allocation to the Company of production from the Zimapan Mine will discontinue after December 31, 2020, which would result in a significant reduction to future production results as compared to the results contained in this MD&A. Any transaction to acquire the Zimapan Mine will be subject to receipt of all necessary regulatory approvals, including Santacruz obtaining the approval of the TSX-V.

Zimapan Mine Location and Mining Concessions Description

The Zimapan Mine is located in the Zimapan Mining District near the town of Zimapan, in the western part of Hidalgo State, Mexico. The mine is 200 kilometres north of Mexico City and seven kilometres northwest from the town of Zimapan. The Zimapan Mine includes the Carrizal and Monte mines, as well as the El Monte mineral processing facility. The Zimapan Mine consists of 34 mining concessions covering an area of 5,139 ha. The concessions are wholly owned by Minera Cedros.

The mine concessions are located along the margins of the Sierra Madre Oriental physiographic province. The regional geology is comprised of platform and basin sediments that were formed during the Mesozoic era on top of Paleozoic and Precambrian basement rocks. The region has undergone compression resulting in complex folding, faulting and uplift. Pliocene age intrusions are emplaced into the stratigraphy on a local scale. Locally, the Carrizal and Monte mines contain mineral zones that are hosted in limestone and calcareous shales of the Las Trancas, Tamaulipas, and Soyatal formations¹. The mineral zones are characterized as polymetallic replacement-style mineralization and consists of silver, lead, zinc and copper rich semi-massive and massive sulfide bodies that occur in proximity to quartz-monzonitic to monzonitic intrusions and monzonitic quartz-

¹ Reyes, J., Montano, J., Casillas, S., and Bermeo, G., Carta Geologico-Minera Pachuca F14-11 [1:250,000]. Servicio Geologico Mexicano, 1997.

Zimapan Mine Production and Operating Results

Presented in the table and disclosure below are production statistics and unit costs for the Zimapan Mine. An economic study under NI 43-101 has not been completed (see cautionary notes above). The production amounts reported for Q3 2019 reflect Santacruz's 50% proportionate interest of PCG during Q3 2019 and as a result are 50% of the Zimapan Mine production for that period. The information reported for Q2 and Q1 2019 is included to provide some historical context with regard to 50% of the Zimapan Mine production in those periods. Santacruz had no rights to such production during those periods.

Solely as a result of completing the acquisition of the remaining 50% of PCG on October 4, 2019, the Company expects that the Zimapan Mine production for Q4 2019 will be approximately double that of Q3 2019.

	2019		
	Q3	Q2	Q1
Material Processed (tonnes milled) ⁽⁴⁾	82,242	75,379	85,420
Silver Equivalent Produced (ounces) ^{(1) (4)}	606,583	532,683	700,468
Silver Equivalent Sold (payable ounces) ^{(2) (4)}	346,490	344,934	477,489
Production - Silver (ounces) ⁽⁴⁾	151,464	128,298	159,591
- Lead (tonnes) ⁽⁴⁾	463	400	415
- Zinc (tonnes) ⁽⁴⁾	1,492	1,320	1,860
- Copper (tonnes) ⁽⁴⁾	316	287	384
Average Grade - Silver (g/t)	75	73	77
- Lead (%)	0.59	0.59	0.54
- Zinc (%)	2.28	2.20	2.56
- Copper (%)	0.48	0.47	0.53
Metal Recovery - Silver (%)	75.5	72.5	75.6
- Lead (%)	95.6	76.4	73.0
- Zinc (%)	79.5	75.9	81.1
- Copper (%)	79.6	60.2	64.5
Cash Cost of Production per Tonne ⁽³⁾	41.89	49.31	52.85
Cash Cost per Silver Equivalent (\$/oz.) ⁽³⁾	16.32	15.11	14.25
All-in Sustaining Cash Cost per Silver Equivalent (\$/oz.) ⁽³⁾	18.56	18.65	15.66
Average Realized Silver Price per Ounce (\$/oz) ⁽²⁾	17.45	17.07	17.76

⁽¹⁾ Silver equivalent ounces produced in 2019 have been calculated using prices of \$15.25/oz., \$1,281/oz., \$0.94/lb and \$1.20/lb for silver, gold, lead and zinc respectively applied to 50% of the metal content of the lead, copper and zinc concentrates produced by the Zimapan Mine. Santacruz had no rights to the Q1 and Q2 production and the information is included only to provide some historical production context.

⁽²⁾ Silver equivalent sold ounces have been calculated using the realized silver prices stated in the table above, applied to 50% of the payable metal content of the lead, copper and zinc concentrates sold from the Zimapan Mine in Q3 2019.

⁽³⁾ The Company reports non-IFRS measures which include Cash Cost per Silver Equivalent, All-in Sustaining Cash Cost per Silver Equivalent, Cash Cost of Production per Tonne, and Average Realized Silver Price per Ounce. These measures are widely used in the mining industry as a benchmark for performance, but do not have a standardized meaning and may differ from methods used by other companies with similar descriptions. See "Non-IFRS Measures" section for definitions.

⁽⁴⁾ Amounts reflect Santacruz's 50% proportional ownership of PCG during Q3.

Zimapan Operations Overview

Based on historical production records provided by Carrizal to Santacruz the Zimapan Mine milling facility prior to 2019 operated at a rate of 60,000 tonnes to 65,000 processed per month based on 26 operating days per month, processing mineralized material with head grades and metal recoveries in line with current values. During 2019 the milling facility has operated at a rate of 50,000 to 57,000 tonnes per month. The decreased production is primarily the result of decreased availability of certain mine production equipment. This situation has been remedied during Q4 2019. Management expects that production rates will increase back to historical levels by the end of Q4 2019.

Zimapan Production

As compared to Q2 2019, the Zimapan Mine silver equivalent production in Q3 2019 increased by 14%. The increased production reflects improved mine production equipment availability. As previously referenced management is taking steps to increase production back to historical levels by the end of Q4 2019.

Cash Cost per Tonne

Cash cost of production per tonne of mineralized material processed decreased by 15% in Q3 2019 to \$41.89/t as compared to \$49.31 in Q2 2019. This change reflects a 7% decrease in the cash cost of production while the tonnes of mineralized material processed increased by 9%.

Cash Cost per Silver Equivalent Ounce

Cash cost of production per silver equivalent ounce sold increased by 8% in Q3 2019 to \$16.32/oz as compared to \$15.11/oz in Q2 2019. This change in unit costs reflects an 8% increase in cash cost of sales. The increase in cash cost of sales largely reflects a decision by management to stockpile its zinc concentrate during September and mix it with concentrate produced in Q4 to optimize metal payments. Management expects that operations will return to normalized levels in Q4 2019.

As previously referenced management is taking steps to increase production back to historical levels by the end of Q4 2019 which should have a positive impact on production unit costs.

All-In Sustaining Cash Cost per Silver Equivalent Ounce

All-in sustaining cash cost of production per silver equivalent ounce sold was virtually unchanged in Q3 2019 (\$18.56) from Q2 2019 (\$18.65).

As previously referenced management is taking steps to increase production back to historical levels by the end of Q4 2019 which should have a positive impact on production unit costs.

Veta Grande Project, Veta Grande, Zacatecas, Mexico

Contracuña Agreement and Carrizal LOI

In June 2017, as subsequently amended, the Company entered into the Contracuña Option Agreement pursuant to which Santacruz was granted an option to purchase a 100% interest in the Veta Grande Mine and Minillas properties, for aggregate cash consideration of \$15,500 over five years, all as described in detail earlier in this MD&A (see Transaction With Contracuña).

The Company also entered into the Carrizal LOI in December 2017 pursuant to which Carrizal had the right to acquire a 20% working interest in all mining concessions and assets comprising the Veta Grande Project as well as a 20% working interest in the Zacatecas Properties. On May 22, 2019, the Company announced that Carrizal had earned a 20% working interest in the Properties pursuant to the terms of the Carrizal LOI.

Veta Grande Project Production and Operating Results

	2019			2018	
	Q3	Q2	Q1	Q4	Q3
Material Processed (tonnes milled)	43,999	37,156	32,625	36,720	42,011
Silver Equivalent Produced (ounces) ^{(1) (4)}	214,282	204,612	148,616	128,985	134,788
Silver Equivalent Sold (payable ounces) ⁽²⁾	114,705	149,898	134,549	70,048	88,462
Production - Silver (ounces) ⁽⁴⁾	62,394	59,864	61,858	42,217	46,054
- Gold (ounces) ⁽⁴⁾	139	120	82	84	99
- Lead (tonnes) ⁽⁴⁾	370	301	134	237	204
- Zinc (tonnes) ⁽⁴⁾	519	541	356	283	312
Average Grade - Silver (g/t)	99	101	119	81	77
- Gold (g/t)	0.24	0.21	0.19	0.19	0.26
- Lead (%)	1.45	1.11	0.77	0.95	0.80
- Zinc (%)	2.11	2.12	1.89	1.90	1.94
Metal Recovery - Silver (%) ⁽⁴⁾	44.6	49.5	49.6	44.2	44.4
- Gold (%) ⁽⁴⁾	40.24	47.5	41.6	37.0	28.7
- Lead (%) ⁽⁴⁾	58.0	72.7	53.0	67.9	61.1
- Zinc (%) ⁽⁴⁾	56.0	68.7	57.8	40.7	38.2
Cash Cost of Production per Tonne ⁽³⁾	47.67	59.59	73.29	74.84	51.68
Cash Cost per Silver Equivalent (\$/oz.) ⁽³⁾	19.79	17.68	20.71	42.98	26.28
All-in Sustaining Cash Cost per Silver Equivalent (\$/oz.) ⁽³⁾	26.77	19.70	23.70	51.66	29.62
Average Realized Silver Price per Ounce (\$/oz) ⁽²⁾	17.64	14.67	15.08	14.49	14.30

⁽¹⁾ Silver equivalent ounces produced in 2019 have been calculated using prices of \$15.25/oz., \$1,281/oz., \$0.94/lb and \$1.20/lb for silver, gold, lead and zinc respectively applied to the metal content of the lead and zinc concentrates produced by the Veta Grande Project. Silver equivalent ounces produced in 2018 have been calculated using prices of \$17.00/oz., \$1,295/oz., \$1.00/lb. and \$1.35/lb. for silver, gold, lead and zinc respectively applied to the metal content of the lead and zinc concentrates produced by the Veta Grande Project.

⁽²⁾ Silver equivalent sold ounces have been calculated using the realized silver prices stated in the table above, applied to the payable metal content of the lead and zinc concentrates sold from the Veta Grande Project.

⁽³⁾ The Company reports non-IFRS measures which include Cash Cost per Silver Equivalent, All-in Sustaining Cash Cost per Silver Equivalent, Cash Cost of Production per Tonne, and Average Realized Silver Price per Ounce. These measures are widely used in the mining industry as a benchmark for performance, but do not have a standardized meaning and may differ from methods used by other companies with similar descriptions. See "Non-IFRS Measures" section for definitions.

⁽⁴⁾ The comparative figures for Q1 and Q2 2019 and for Q3 and Q4 2018 have been restated from the originally disclosed amounts based on an internal review of past metallurgical reporting practice and the adoption by management of new procedures designed to more accurately calculate the relevant data.

Veta Grande Operations Overview

During Q4 2018 a technical study by a metallurgical consultant was completed at the Veta Grande milling facility that led to reconfiguring certain of the mill circuits and changing the reagents utilized which in turn has resulted in an improvement in metal recoveries during the first three quarters of 2019, most particularly with respect to the recovery of zinc. Further, the cost of reagents consumed in the milling process has decreased as a result of the changes in the types of reagents used as well as the quantities consumed.

Total production at Veta Grande during Q3 measured both in terms of tonnes milled (43,999) and in terms of silver equivalent ounces produced (214,282) is the highest quarterly production recorded to date.

One additional ball mill with a capacity of 80 tpd is now scheduled to be refurbished by the beginning of Q1 2020 which will bring total milling capacity to 650 tpd. Management has determined 650 tpd is presently the optimal milling rate in order maximize metal recoveries. Work is continuing with respect to increasing the milling rate without decreasing the metal recoveries.

The decision to commence the production phase at the Veta Grande Project was not based on a feasibility study with mineral reserves demonstrating economic and technical viability. Accordingly, there is increased uncertainty and economic and technical risks of failure associated with this decision. Production and economic variables may

vary considerably due to the absence of a complete and detailed site analysis according to and in accordance with NI 43-101.

Veta Grande Production

Veta Grande Project silver equivalent production increased by 59% to 214,282 ounces in Q3 2019 as compared to 134,788 ounces in Q3 2018. The increased production primarily reflects a 25% increase in the silver equivalent head grade processed from 235 g/t in Q3 2018 to 294 g/t in Q3 2019 and a 47% increase in zinc recovery to 56% in Q3 2019 from 38% in Q3 2018.

As compared to Q2 2019, silver equivalent production increased by 5% in Q3 2019. The increased production arose as a combination of an 18% increase in mill throughput tonnage and a 5% increase in the silver equivalent head grade processed offset by a decrease in metal recoveries ranging from 10% to 20% on a quarter over quarter basis.

Cash Cost per Tonne

Cash cost of production per tonne of mineralized material processed decreased by 8% in Q3 2019 to \$47.67/t as compared to \$51.68/t in Q3 2018. This change reflects a decrease in the cash cost of production of 3% and a 5% increase in tonnes milled. These improvements reflect management's ongoing efforts to optimize operations.

As compared to Q2 2019 the Q3 2019 unit costs decreased 20%. This change reflects a 5% decrease in the cash cost of production while the tonnes of mineralized material processed increased by 18%. Again, the improvement in operating unit costs reflects continuing efforts by management to operate in a more effective and efficient manner.

Cash Cost per Silver Equivalent Ounce

Cash cost of production per silver equivalent ounce sold decreased by 25% in Q3 2019 to \$19.79/oz as compared to \$26.28/oz in Q3 2018. This change in unit costs reflects a 30% increase in silver equivalent payable ounces sold during the quarter and a 2% decrease in cash cost of sales. The increase in silver equivalent payable ounces sold largely reflects the increase in both the head grade and improved recovery of zinc described earlier.

As compared to Q2 2019 the Q3 2019 unit costs increased 12%. The cash cost of sales decreased 14% while the amount of silver equivalent payable ounces sold decreased 23%. The Company has made changes in Q4 to the Veta Grande operating schedule such that it is now milling mineralized material from only one of the Garcia mine or Armados vein at any point in time and is not blending these materials as mill feed. Management expects improved recoveries from this change in operations.

All-In Sustaining Cash Cost per Silver Equivalent Ounce

All-in sustaining cash cost of production per silver equivalent ounce sold decreased by 10% in Q3 2019 to \$26.77/oz as compared to \$29.62/oz in Q3 2018. The all-in sustaining cash cost of production increased by 17% while the amount of silver equivalent payable ounces sold increased 30%. The increase in silver equivalent payable ounces sold during the quarter arose for the reasons described above in the section titled "Cash Cost per Silver Equivalent Ounce".

As compared to Q2 2019 the Q3 2019 all-in sustaining unit costs increased 36%. The all-in sustaining cash cost of production increased by 4% and there was a 23% decrease in silver equivalent payable ounces sold that resulted in large part from the sharply increased price of silver in Q3.

Rosario Project, Charcas, San Luis Potosi, Mexico

The Rosario Project includes the Rosario Mine, the Cinco Estrellas Property and the Membrillo Prospect, and is located proximate to the Municipality of Charcas in the State of San Luis Potosi, Mexico, 184 kilometres north of the capital city of San Luis Potosi.

Rosario Mine

The mineral property that forms the Rosario Mine comprises the Rey David and San Rafael mining concessions. The concessions cover 500 hectares. The Company has no further vendor payments to make on the concessions except for certain NSR obligations and an annual fee of \$40. The property is subject to a 0.4% NSR. The NSR increases by 0.1% per year, until it reaches a maximum of 1%. The payments were due to start on December 31, 2015 but have been deferred for the time being and are being accrued for by the Company. Currently there is no mining activity at the Rosario Mine.

Cinco Estrellas Property

Pursuant to an option agreement dated September 7, 2016, the Company was granted an option to acquire a 100% interest in the Cinco Estrellas property located in Charcas, San Luis Potosí, Mexico for the sum of \$130 (paid). The property is subject to a 2.5% NSR. Operations at the Cinco Estrellas property were suspended in Q4 2017.

Membrillo Prospect

Pursuant to the Membrillo Agreement dated May 29, 2017, the Company has acquired from Grupo Mexico the Exclusive Mining Right for five years to explore, develop and mine the Membrillo Prospect situated approximately four km from the Company's 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 and brings the total of the Company's exploration and exploitation rights to 958 hectares of the 2912 hectares comprising the San Rafael concession.

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

Rosario Project Production and Operating Results

	2019			2018	
	Q3	Q2	Q1	Q4	Q3
Material Processed (tonnes milled)	22,048	20,789	10,279	16,676	15,965
Silver Equivalent Produced (ounces) ^{(1) (4)}	131,961	141,409	57,681	67,536	64,256
Silver Equivalent Sold (payable ounces) ⁽²⁾	65,139	127,850	70,825	36,709	49,372
Production - Silver (ounces) ⁽⁴⁾	43,020	47,717	15,844	20,320	16,894
- Gold (ounces) ⁽⁴⁾	134	137	73	164	74
- Lead (tonnes) ⁽⁴⁾	83	87	29	41	34
- Zinc (tonnes) ⁽⁴⁾	383	405	183	168	213
Average Grade - Silver (g/t) ⁽⁴⁾	65	74	52	42	41
- Gold (g/t) ⁽⁴⁾	0.25	0.28	0.29	0.36	0.26
- Lead (%) ⁽⁴⁾	0.40	0.45	0.30	0.26	0.23
- Zinc (%) ⁽⁴⁾	2.04	2.13	2.09	1.26	1.58
Metal Recovery - Silver (%) ⁽⁴⁾	93.2	96.6	92.9	89.9	80.3
- Gold (%) ⁽⁴⁾	76.4	74.4	77.8	84.5	55.2
- Lead (%) ⁽⁴⁾	94.4	94.6	94.5	93.7	90.9
- Zinc (%) ⁽⁴⁾	85.0	91.4	85	80.1	84.6
Cash Cost of Production per Tonne ⁽³⁾	82.10	68.55	114.80	123.29	75.79
Cash Cost per Silver Equivalent (\$/oz.) ⁽³⁾	27.96	14.23	19.78	58.51	29.39
All-in Sustaining Cash Cost per Silver Equivalent (\$/oz.) ⁽³⁾	38.63	16.81	24.44	64.83	33.68
Average Realized Silver Price per Ounce (\$/oz) ⁽²⁾	17.65	14.65	15.15	14.22	14.34

⁽¹⁾ Silver equivalent ounces produced in 2019 have been calculated using prices of \$15.25/oz., \$1,281/oz., \$0.94/lb and \$1.20/lb for silver, gold, lead and zinc respectively applied to the metal content of the lead and zinc concentrates produced by the Rosario Project. Silver equivalent ounces produced in 2018 have been calculated using prices of \$17.00/oz., \$1,295/oz., \$1.00/lb. and \$1.35/lb. for silver, gold, lead and zinc respectively applied to the metal content of the lead and zinc concentrates produced by the Rosario Project.

⁽²⁾ Silver equivalent sold ounces have been calculated using the realized silver prices stated in the table above, applied to the payable metal content of the lead and zinc concentrates sold from the Rosario Project.

-
- (3) The Company reports non-IFRS measures which include Cash Cost per Silver Equivalent, All-in Sustaining Cash Cost per Silver Equivalent, Cash Cost of Production per Tonne, and Average Realized Silver Price per Ounce. These measures are widely used in the mining industry as a benchmark for performance, but do not have a standardized meaning and may differ from methods used by other companies with similar descriptions. See "Non-IFRS Measures" section, below for definitions.
- (4) The comparative figures for Q1 and Q2 2019 and for Q3 and Q4 2018 have been restated from the originally disclosed amounts based on an internal review of past metallurgical reporting practice and the adoption by management of new procedures designed to more accurately calculate the relevant data.

Rosario Operations Overview

Operations at the Rosario Project in Q3 2019 continued to show significant improvement and reflect mine development and operational improvements undertaken by management. The Company anticipates that production from the Rosario project will see a further increase in production during Q1 2020 as a result of additional mine development underway at the Membrillo Prospect. To assist in mine development the Company plans to complete a 2000 metre surface drilling program at the Membrillo Prospect during Q4 2019 and Q1 2020.

The decision to commence production at the Rosario Mine, Cinco Estrellas Property and Membrillo Prospect were not based on a feasibility study with mineral reserves demonstrating economic and technical viability. Accordingly, there is increased uncertainty and economic and technical risks of failure associated with this decision. Production and economic variables may vary considerably due to the absence of a complete and detailed site analysis according to and in accordance with NI 43-101.

Rosario Production

Silver equivalent production in Q3 2019 from the Rosario Project increased by 105% to 131,961 ounces as compared to 64,256 in Q3 2018. This increase reflects a 38% increase in tonnes milled, a 37% increase in silver equivalent head grade and a 16% increase in silver recovery. These increases reflect in large part the impact of the mine development work that has been ongoing at the Membrillo Prospect throughout the latter half of 2018 and throughout 2019.

As compared to Q2 2019 silver equivalent production decreased by 7%. This increase reflects an increase in tonnes milled of 6% offset by and 8% decrease in silver equivalent head grade and a decrease in zinc recovery of 7% and silver recovery of 4%.

Cash Cost per Tonne

Cash cost of production per tonne of mineralized material processed increased by 8% in Q3 2019 to \$82.10/t as compared to \$75.79/t in Q3 2018. This is mainly due to a 50% increase in cash cost of sales offset somewhat by a 38% increase in tonnes milled during the current quarter. The increase in cash cost of sales resulted in part from the cost associated with the increase in tonnes milled and in part from a one-time charge in the amount of \$435 for certain mine operations expenditures. Management expects that mill throughput tonnage will increase by Q1 2020 without a significant increase in cash cost of sales (before taking into account the one-time expenditures previously referenced) resulting in a corresponding decrease in unit production costs.

As compared to Q2 2019, the Q3 2019 unit costs increased by 20%. This is mainly due to the 27% increase in cash costs of sales offset somewhat by a 6% increase in tonnes milled during the current quarter. As referenced above, management expects that unit costs will decrease starting in Q1 2020.

Cash Cost per Silver Equivalent Ounce

Cash cost of production per silver equivalent ounce sold decreased by 5% in Q3 2019 to \$27.96/oz as compared to \$29.39/oz in Q3 2018. This change in unit costs reflects a 32% increase in silver equivalent payable ounces sold offset by a 26% increase in cash cost of sales. The increase in cash cost of silver equivalent payable ounces occurred for the reasons referenced above in "Cash Cost per Tonne".

As compared to Q2 2019 the Q3 2019 unit costs increased 97%. The amount of silver equivalent payable ounces sold decreased by 49% while the cash cost of sales was unchanged. The decrease in payable silver equivalent production during the quarter occurred as resources were diverted to complete certain development and mine safety work. Management expects that during Q4 production will return to Q2 levels and then increase at the beginning of Q1 2020.

All-In Sustaining Cash Cost per Silver Equivalent Ounce

All-in sustaining cash cost of production per silver equivalent ounce sold increased by 15% in Q3 2019 to \$38.63/oz as compared to \$33.68/oz in Q3 2018.

This change in unit costs reflects a 51% increase to all-in sustaining cash cost of production offset by a 32% increase in silver equivalent payable ounces sold. The increase to all-in sustaining cash cost of production occurred in part because of the increase in cash cost of production referenced in the section titled “Cash Cost per Tonne” and in part from consulting fees incurred during the quarter with respect to collecting the Company’s IVA recoverable balance. Management expects that during Q4 2019 and Q1 2020 similar consulting charges will occur and that thereafter administration expenses will decrease during Q2 2020.

As compared to Q2 2019 the Q3 2019 the all-in sustaining unit costs decreased 130%. This change in unit costs reflects a 17% increase to all-in sustaining cash cost of production and a 49% decrease in silver equivalent payable ounces sold.

The decrease in payable silver equivalent production during the period occurred for the reasons described in the above section titled “Cash Cost per Silver Equivalent Ounce”. As referenced above, the increase to all-in sustaining cash cost of production largely occurred for the same reasons referenced above.

Resource and Exploration Properties

On August 29, 2019 the Company filed on SEDAR a technical report titled “Technical Report, Veta Grande Project, Zacatecas State, Mexico” dated effective August 20, 2019 (the “Technical Report”) containing an updated mineral resource estimate, under National Instrument 43-101 *Standards of Disclosure for Mineral Projects* (“NI 43-101”). The Technical Report supersedes all previous technical reports prepared for the Company relating to the Veta Grande Project.

Summary of the Technical Report

Location, Exploration and Drilling

The Veta Grande Project consists of 184 mining concessions covering an area of 8,944 hectares (22,102 acres) in the Zacatecas Mining District, Mexico. The Veta Grande Project is divided into three concession groups, described as the Veta Grande properties, Minillas property and Zacatecas properties. Although the concession groups are mostly contiguous and have the possibility of sharing the same infrastructure, the nature of Santacruz’s initial ownership of each concession group are materially different. For this reason, the Technical Report describes the three groups as individual properties within one project area.

Santacruz has collected 472 surface rock samples (channel, chip and grab samples) on various vein exposures within the project area. From underground workings, a total of 2,808 underground channel samples have been collected from at least five veins (La Cantera, Veta Grande, Armados, San Jose, and La Flor) from five underground workings (Armados, Garcia, Guadalupana, La Mecha and Cigarrero).

In August of 2016 Santacruz collected 41 chip samples across the width of the Panuco NW, Panuco Central and Tres Cruces veins. No other exploration activities have been conducted by Santacruz and the Company has not performed drilling on the Panuco deposit.

Between January 24, 2018 and March 26, 2019 Santacruz completed 43 diamond drill holes totaling 13,665.60 m. The work was designed to test for mineralization in proximity to and below the lowest known levels of the Armados, Garcia and Navidad underground workings. Significant mineralized intersections were encountered at the Veta Grande vein to the northwest and below the Garcia mine workings. At this location, assay results range from no significant intersections in VG18-009 to 280.10 g/t Ag over 1.59 m in drill hole VG19-014A. Drilling within the Armados mine from the general ramp below Level-4 resulted in several significant intersections of the Armados vein that range between 129.67 g/t Ag to 235.69 g/t Ag over widths that range between 1.00 m to 3.76 m. Intersections into the Navidad vein intersected grades ranging between trace Ag up to 668.64 g/t Ag over 1.95 m in NA18-006. The Phase 1 drill program was successful at identifying additional mineralization below the known workings in each mine area tested. Intersections are reported in approximated true thickness.

The Veta Grande Project is located near the southeastern boundary of the Sierra Madre Occidental physiographic province in north-central Mexico, within the State of Zacatecas and constitutes a portion of the Zacatecas Mining District and Mexican Silver Belt. The Zacatecas Mining District is comprised of three Mesozoic formations that were subsequently covered by Paleocene volcanic rocks and Quaternary cover.

The project concession boundaries contain a number of northwest-southeast striking, southwest dipping, low-sulphidation epithermal silver (+gold+lead+zinc) vein systems including Veta Grande, La Cantera and Panuco, among others. In surface outcrop, the veins can be traced over a distance of 2.4-3.0 km. Veins range from less than 1 m to over 30 m in thickness and consist of quartz, chalcedony, calcite and pyrite, often showing banded, colloform, crustiform, vuggy and/or brecciated textures. The dominant sulfide minerals include sphalerite and galena along with argentite and native silver, and they occur as disseminations, bands, or zones of massive sulfide. Weak to moderate pervasive silicification and narrow zones (1-5 m) of weak argillic and propylitic alteration immediately surround the veins. Locally, the veins are generally hosted within mafic to intermediate intrusives, intermediate volcanosedimentary rocks, and clastic sediments. These units were subsequently cut by younger diorite to quartz-diorite dykes.

Panuco Deposit Mineral Resource

The Panuco deposit is the only mineral resource estimate calculated and reported for the Veta Grande project. The mineral resource in the Technical Report has an effective date of July 12, 2019 and has been changed since the previous technical report (with effective date of January 31, 2017) due to improvements in the geometric modelling process applied to develop the geometry of the veins and the consequent changes to the sample selections and compositing for the estimation.

The wireframe models representing the mineralized solids were filled using rotated block models with blocks measuring 20 m along strike and dip, and 1 m across strike. Sub-cells were used to fill the models to represent accurate volumes. A different rotation was applied to the block model for each vein to provide a best-fit for each particular vein strike and dip. Average bulk density of 2.74 was applied to the vein portions of blocks while a value of 2.68 was assigned to the waste portions. Grades for gold, silver, lead and zinc were interpolated into blocks containing some percentage of veins by Ordinary Kriging (OK), in the case of the Panuco Central vein, and Inverse Distance Squared, in the case of Panuco NW and Tres Cruces vein. Each vein was estimated separately using only composites from the corresponding vein. Due to the sparsity of drill hole data both drill hole and surface trench composites were used for estimation. A comparison was made between the vein composites and the estimated blocks. The results show reasonable agreement with no significant bias. The relatively sparse data for all three veins has led to classifying all estimated blocks as Inferred.

An economic assessment or similar study has not been completed for the Panuco deposit and an economic cut-off value has not been estimated. The authors of the Technical Report are of the opinion that based on the mineralization characteristics, grade, location and other factors, the Panuco deposit has similarities to the Veta Grande vein system, which is located five km south of the Panuco deposit. Mining operations are currently conducted at a cut-off value of 100 g/t Ag at the Veta Grande.

Applying a nominal cut-off value of 100.0 g/t AgEq for the Panuco deposit, the inferred mineral resource estimate is 3,954,729 tonnes grading 136.00 g/t Ag, 0.14 g/t Au, 0.012% Pb and 0.110% Zn or 153.20 g/t AgEq. This represents 19,472,901 ounces of AgEq as shown in the table below.

Resource classed as Inferred within all mineralized Veins

Cut Off AgEq (g/t)	Tonnes > Cut-off t (m)	Ag (g/t)	Au (g/t)	Pb (%)	Zn (%)	AgEq (g/t)	AgEq (Ozs)
70	5,633,142	117.66	0.13	0.010	0.088	133.0	24,079,401
75	5,405,259	119.98	0.13	0.010	0.090	135.5	23,548,065
80	5,142,065	122.60	0.14	0.011	0.094	138.5	22,892,412
90	4,477,091	129.62	0.14	0.011	0.102	146.4	21,069,521
100	3,954,729	136.00	0.14	0.012	0.110	153.2	19,472,901
115	3,196,451	145.94	0.15	0.012	0.118	163.9	16,847,056
125	2,512,119	156.72	0.15	0.013	0.126	175.8	14,199,767
140	1,921,356	169.60	0.16	0.014	0.126	189.3	11,696,524
150	1,505,278	181.28	0.17	0.014	0.124	201.5	9,753,081
175	915,428	207.87	0.18	0.014	0.108	228.2	6,715,702

Recoveries are based on actual recoveries from the Veta Grande mineral processing facility which is currently processing material from the nearby Veta Grande vein system.

The metal prices used in the silver equivalent estimate are listed below.

Gold price \$1,350/oz	Recovery - 52.2 %	Factor = Au *Rec*Price/31.1035 = 22.66
Silver price \$16.00/oz	Recovery - 62.1 %	Factor = Ag *Rec*Price/31.1035 = 0.32
Lead price \$0.90/lb	Recovery - 87.9 %	Factor = Pb% * 22.046223 * Rec * Price = 17.44
Zinc price \$1.10/lb	Recovery - 78.6 %	Factor = Zn% * 22.046223 * Rec * Price = 19.06

$$GMV = (Au * Rec * Price / 31.1035) + (Pb\% * 22.0462 * Rec * Price) + (Ag * Rec * Price / 31.1035) + (Zn\% * 22.0462 * Rec * Price)$$

$$AgEq = GMV / Ag Factor = GMV / 0.32$$

The resources were estimated by Michael F. O'Brien, P.Geo., of RockRidge Partnership & Associates, who is independent of the Company and a qualified person, pursuant to the meaning of such terms in NI 43-101.

Data Verification and Site Visit

During a site visit between July 9-10, 2019, Van Phu Bui, P. Geo of ARC Geoscience Group ("ARC") reviewed drill collar locations and mineralized drill core intersections for the 2018/2019 Phase 1 drill program completed at the Garcia, Armados and Navidad mine areas. ARC collected five quarter-core samples to verify the presence of mineralization. The five verification samples returned analytical results that include silver concentrations ranging between 10.20 g/t Ag to 575.30 g/t Ag. ARC performed a 10% quality control check on collar locations, mineralized

drill core sample intervals, and geological descriptions. No material discrepancies were identified and ARC has no reason to doubt the authenticity and quality of the information. During the same site visit, ARC confirmed that no additional work has been performed on the Panuco deposit since the initial surface sampling program completed by Santacruz in 2016 and ARC's site visit on August 16-19, 2016. With respect to the preparation of the Panuco deposit mineral resources estimate, Michael F. O'Brien has not visited the Panuco deposit but has relied on the geological data and information verified by ARC.

Sampling and Laboratory

For the Pamuco deposit, half-core samples and chip samples from surface trenches were submitted to ALS Chemex in Zacatecas, Mexico, and were assayed at ALS Chemex in Vancouver, Canada. ALS Chemex, now ALS Mineral, is an ISO accredited and certified laboratory service. All samples were prepared by crushing 70% to <2 mm (CRU-31). The fines are rifle split and further pulverized 85% to <75 microns (PUL-31). Pulps were then analyzed by 33 element four acid ICP-AES (0.25 g by ME-ICP61) and fire assay with an AA finish for gold (50g by Au-AA24). Samples with gold results above 10 g/t using Au-AA24 were rerun using fire assay with a gravimetric finish (50g by Au-GRA22). Samples with silver above 100 g/t using ME-ICP61 were rerun using fire assay with gravimetric finish (30g by Ag-GRA21). Over-limit for copper, lead and zinc using ME-ICP61 were rerun by an aqua regia digestion with an ICP-AES finish (ME-OG62).

For the Phase 1 drill program, drill core was logged, photographed and cut in half with a diamond saw. Half-core samples were sent to SGS Minerals Services in Durango, Mexico (17025 accredited), for preparation and analysis. Drill core samples were analyzed for 33 elements by four-acid digestion of a 0.5-gram sample followed by an ICP-AES (inductively coupled plasma atomic emission spectroscopy) finish. Over-limit for Pb, Zn and Cu were further analyzed by sodium peroxide fusion of a 0.5-gram sample followed by ICP-AES finish. Au and Ag was also analyzed by fire assay of a 30-gram sample followed by AAS (atomic absorption spectroscopy) finish for Au and gravimetric finish for Ag. As part of the company's quality assurance/quality control (QA/QC) program, independently certified control samples (standard and blank pulp samples) were inserted in each analytical batch. Field duplicate samples were also submitted for analysis. The control and duplicate sample results were then checked to ensure proper QA/QC.

Qualified Persons

All scientific or technical information included in this MD&A has been reviewed and approved by consulting geologist Van Phu Bui, P.Geo. of ARC Geoscience Group, who is independent of the Company and a qualified person, pursuant to the meaning of such terms in NI 43-101.

A copy of the Technical Report is available on SEDAR or on the Company's website, www.santacruzsilver.com.

Financial Results

Review of Operations

	2019		2018
	Q3	Q2	Q3
Revenue			
Mining operations	11,439	3,247	1,657
Mining services	293	888	569
	11,732	4,135	2,226
Cost of sales			
Cash cost of sales - mining operations	11,090	3,644	3,460
Cash cost of sales - mining services	-	-	541
Depletion and amortization	540	240	382
	11,630	3,884	4,383
Gross profit (loss)	102	251	(2,157)
Operating expenses			
Administrative	(491)	(192)	(85)
Management and consulting fees	(136)	(120)	(108)
Share-based payments	(240)	-	-
Professional fees	(343)	(226)	(130)
Other	(139)	(67)	(53)
	(1,349)	(605)	(376)
Interest earned and other finance income			
Interest earned	68	-	11
IVA recovery inflationary gain	160	-	-
Gain on disposal of equipment	-	-	5
Foreign exchange gain	45	-	-
	273	-	16
Interest expense and other finance expenses			
Accretion of decommissioning and restoration provision	(21)	(11)	(8)
Foreign exchange loss	-	(410)	(140)
Carrying charges and finance charges on loans payable	(61)	(183)	(30)
Interest expense on loans payable	(82)	(87)	(96)
Other interest expense	-	(1)	
Financing charge on leases	(10)	(9)	
	(174)	(701)	(274)
Income tax expense	(284)	(82)	(97)
Net loss for the period	(1,432)	(1,137)	(2,888)

Three months ended September 30, 2019

The Company recorded a net loss of \$1,432 (\$0.01 loss per share) for the three months ended September 30, 2019 compared to a net loss of \$2,888 (\$0.02 earnings per share) for the three months ended September 30, 2018.

The gross margin from the Mining Services contract amounted to a profit of \$293 (2018 - \$28) while the gross margin from mining operations was a loss of \$191 (2018 – loss of \$2,185).

Revenues in Q3 2019 of \$11,732 include mining operations of \$11,439 (Q3 2018 - \$1,657) and mining services of \$293 (Q3 2018 - \$569). As noted earlier in this MD&A the mining services revenue is in connection with the Mining Services contract with Carrizal.

The Q3 2019 mining operations revenue was generated from the Zimapan Mine as to 74%, the Veta Grande Project as to 16% and the Rosario Project as to 10% whereas in Q3 2018 mining operations revenue was generated from the Veta Grande Project as to 64% and the Rosario Project as to 36%. The revenue increase was largely the result of completing the Initial PCG Transaction that provided the Company with a 50% proportionate interest in the results of operations of the leased Zimapan Mine. In addition, revenue from the Veta Grande Project and Rosario Project increased by 74% and 87% respectively. Both of these increases reflect corresponding increases in the silver equivalent ounces sold in Q3 2019, as well as a 23% increase in the average realized price per ounce of silver sold.

Cash cost of sales in Q3 2019 includes mining operations of \$11,630 (Q3 2018 - \$3,842) and mining services of \$nil (Q3 2018 - \$541). The increase in mining operations cost of sales is largely a result of the Initial PCG Transaction as well as a 33% increase in mining operations costs at the Rosario Project. The increase in Rosario costs largely reflects a 38% increase in tonnes of mineralized material milled.

During the three months ended September 30, 2019 the Company recorded operating expenses of \$1,349 (2018 - \$376). Operating expenses increased in Q3 2019 as compared to Q3 2018 in part as a result of consolidating Carrizal's admin expenses starting on July 1, 2019, in part as the result of recording \$240 of share-based payments expense related to the vesting charge on 8,500,000 stock options granted during the quarter, and in part from certain consulting fees related to the Company's ongoing initiative to recover value added taxes (IVA) from the Mexican government.

As detailed in Note 17(a) of the Q3 2019 Financial Statements, interest earned and finance income increased by \$257. This is mostly due to the inflationary gain of \$160 recorded with respect to the value-added tax to be recovered from the Mexican government along with interest earned and foreign exchange gain during the quarter.

As detailed in Note 17(b) of the Q3 2019 Financial Statements, interest expense and other finance expenses in Q3 2019 amounted to \$174 (Q3 2018 - \$274). The 2019 balance decreased due to there being no foreign exchange loss in Q3 2019 (2018 – loss of \$140) offset by an increase in carrying charges and finance charges on various loans payable of \$31.

Nine months ended September 30, 2019

The Company recorded a net loss of \$4,415 (\$0.03 loss per share) for the nine months ended September 30, 2019, compared to net loss of \$397 (\$0.00 earnings per share) for the nine months ended September 30, 2018.

The Company recorded revenues of \$19,147 (2018 - \$10,427), mining operation cash cost of sales of \$18,309 (2018 - \$9,278), mining services cash cost of sales of \$nil (2018 - \$1,059), and amortization and depletion expenses of \$999 (2018 - \$1,077) for the nine months ended September 30, 2019 resulting in a gross loss of \$161 (2018 –\$987

Summary of Quarterly Results

(Expressed in thousands of US Dollars except per share amounts)	THREE MONTHS ENDED			
	Sep 30, 2019	Jun 30, 2019	Mar 31, 2019	Dec 31, 2018
	\$	\$	\$	\$
Revenues – Mining operations	11,439	3,247	2,490	1,258
Revenues – Mining services	293	888	790	1,466
Cost of sales – Mining operations	11,630	3,884	3,794	4,880
Cost of sales – Mining services		-	-	-
Administrative expenses	1,349	605	627	406
Net loss ⁽²⁾⁽³⁾	(1,432)	(1,137)	(1,846)	(4,240)
Net loss per share ⁽¹⁾	(0.01)	(0.01)	(0.01)	(0.03)
	THREE MONTHS ENDED			
	Sep 30, 2018	Jun 30, 2018	Mar 31, 2018	Dec 31, 2017
	\$	\$	\$	\$
Revenues – Mining operations	1,657	1,466	753	1,292
Revenues – Mining services	569	3,569	2,413	3,580
Cost of sales – Mining operations	3,842	3,631	2,882	2,766
Cost of sales – Mining services	541	117	401	2,724
Administrative expenses	376	290	494	402
Net income (loss) ⁽⁴⁾	(2,888)	3,297	(806)	(10,012)
Net income (loss) per share ⁽¹⁾	(0.02)	0.02	(0.00)	(0.06)

⁽¹⁾ The basic and fully diluted calculations result in the same value due to the anti-dilutive effect of outstanding stock options and warrants for all quarters.

⁽²⁾ The Q3 2019 mining operations revenues increased as a result of including 50% of the Zimapan Mine revenues.

⁽³⁾ The Q4 2018 net loss includes an impairment of the Rosario Project of \$1,486.

⁽⁴⁾ The Q2 2018 net income arose from the gross profit earned from the mining services agreement.

⁽⁵⁾ The Q4 2017 net loss includes an impairment of the Rosario Project of \$10,445.

Non-IFRS Measures

The Company has included certain non-IFRS performance measures throughout this MD&A, including cash cost per silver ounce, production cost per tonne, and average realized silver price per ounce, each as defined in this section. These performance measures are employed by the Company to measure its operating and financial performance internally, to assist in business decision-making, and provide key performance information to senior management. The Company believes that, in addition to conventional measures prepared in accordance with IFRS, certain investors and other stakeholders also use these non-IFRS measures as information to evaluate the Company's operating and financial performance. As there are no standardized methods of calculating these non-IFRS measures, the Company's methods may differ from those used by others and, accordingly, the Company's use of these measures may not be directly comparable to similarly titled measures used by others. Accordingly, these non-IFRS measures are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

Cash Cost per Silver Equivalent Ounce and Production Cost per Tonne

The non-IFRS measures of cash cost per silver equivalent ounce and cash cost of production per tonne are used by the Company to manage and evaluate operating performance at the Veta Grande Project, the Rosario Project and the Zimapan Mine and are widely reported in the silver mining industry as benchmarks for performance, but do not

have a standardized meaning. Cash costs are calculated based on the cash operating costs at the Veta Grande Project, the Rosario Project and the Zimapan Mine and, in the case of cash cost per silver ounce, also include the third party concentrate treatment, smelting and refining cost.

Management of the Company believes that the Company's ability to control the cash cost per silver equivalent ounce produced and cash cost of production per tonne are two of its key performance drivers impacting both the Company's financial condition and results of operations. Having a low cash cost of production per tonne, when taken in connection with effective management of mining dilution, will improve the cost per silver equivalent ounce produced. Having a low-cost base per silver equivalent ounce of production allows the Company to continue operating during times of declining commodity prices and provides more flexibility in responding to changing market conditions. In addition, low cost operations offer a better opportunity to generate positive cash-flows, which improves the Company's financial condition. The Company believes these measures provide investors and analysts with useful information about the Company's underlying cash costs of operations and are relevant metrics used to understand the Company's operating profitability and ability to generate cash-flow.

To facilitate a better understanding of these measures as calculated by the Company, the following table provides a detailed reconciliation between the cash cost of production per tonne, cash cost per silver equivalent ounce, and the Company's operating expenses as reported in the Company's Condensed Interim Consolidated Statements of Loss and Comprehensive Loss contained in the respective financial statements for the referenced periods.

Zimapan Mine

(Expressed in thousands of US Dollars except ounces, tonnes, per ounce and per tonne amounts)	Q3 2019	Q2 2019	Q1 2019
Cash cost of sales ⁽¹⁾	3,610	3,606	4,388
Inventory change ⁽¹⁾	(165)	111	126
Cash Cost of Production⁽¹⁾ (A)	3,445	3,717	4,514
Cash cost of sales ⁽¹⁾	3,610	3,606	4,388
Concentrate treatment, smelting and refining cost ⁽¹⁾	2,046	1,608	2,419
Cash Cost of Silver Equivalent Sold⁽¹⁾ (B)	5,656	5,214	6,807
Material processed (tonnes milled) ⁽¹⁾ (C)	82,242	75,379	85,420
Cash Cost of Production per Tonne (A/C)	41.89	49.31	52.85
Silver Equivalent Sold (payable ounces) ⁽¹⁾ (D)	346,490	344,934	477,489
Cash Cost per Silver Equivalent Ounce (B/D)	16.32	15.11	14.25

⁽¹⁾All referenced amounts reflect Santaacruz's 50% proportional ownership of PCG that was acquired July 1, 2019. Comparative figures have been adjusted to 50% of actual amounts.

Veta Grande Project

(Expressed in thousands of US Dollars except ounces, tonnes, per ounce and per tonne amounts)	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018
Cash cost of sales	2,096	2,218	2,388	2,824	2,123
Inventory change	1	(4)	3	(76)	48
Cash Cost of Production (A)	2,097	2,214	2,391	2,748	2,171
Cash cost of sales	2,096	2,218	2,388	2,824	2,123
Concentrate treatment, smelting and refining cost	174	432	398	187	202
Cash Cost of Silver Equivalent Sold (B)	2,270	2,650	2,786	3,011	2,325
Material processed (tonnes milled) (C)	43,999	37,156	32,625	36,720	42,011
Cash Cost of Production per Tonne (A/C)	47.67	59.59	73.29	74.84	51.68
Silver Equivalent Sold (payable ounces) (D)	114,705	149,898	134,549	70,048	88,462
Cash Cost per Silver Equivalent Ounce (B/D)	19.79	17.68	20.71	42.98	26.28

Rosario Project

(Expressed in thousands of US Dollars except ounces, tonnes, per ounce and per tonne amounts)	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018
Cash cost of sales	1,773	1,426	1,187	2,056	1,337
Inventory change	37	(1)	(7)	-	(127)
Cash Cost of Production (A)	1,810	1,425	1,180	2,056	1,210
Cash cost of sales	1,773	1,426	1,187	2,056	1,337
Concentrate treatment, smelting and refining cost	48	393	214	92	114
Cash Cost of Silver Equivalent Sold (B)	1,822	1,819	1,401	2,148	1,451
Material processed (tonnes milled) (C)	22,048	20,789	10,279	16,676	15,965
Cash Cost of Production per Tonne (A/C)	82.10	68.55	114.80	123.29	75.79
Silver Equivalent Sold (payable ounces) (D)	65,139	127,850	70,825	36,709	49,372
Cash Cost per Silver Equivalent Ounce (B/D)	27.96	14.23	19.78	58.51	29.39

All-in Sustaining Cost per Ounce ("AISC")

AISC is a non-IFRS measure and was calculated based on guidance provided by the World Gold Council ("WGC") in September 2013. WGC is not a regulatory industry organization and does not have the authority to develop accounting standards for disclosure requirements. Other mining companies may calculate AISC differently as a result of differences in underlying accounting principles and policies applied, as well as differences in definitions of sustaining versus development capital expenditures.

AISC is a more comprehensive measure than cash cost per ounce for the Company's operating performance by providing greater visibility, comparability and representation of the total costs associated with producing silver from its Rosario Project and Veta Grande Project.

The Company defines sustaining capital expenditures as, "costs incurred to sustain and maintain existing assets at current productive capacity and constant planned levels of productive output without resulting in an increase in the life of assets, future earnings, or improvements in recovery or grade. Sustaining capital includes costs required to improve/enhance assets to minimum standards for reliability, environmental or safety requirements. Sustaining capital expenditures exclude all expenditures at the Zacatecas Properties, the Minillas Property as well as certain expenditures at the Rosario Project which are deemed expansionary in nature."

AISC includes total production cash costs incurred at the Company's mining operations, which forms the basis of the Company's total cash costs. Additionally, the Company includes sustaining capital expenditures, corporate general and administrative expense, share-based payments and reclamation cost accretion. The Company believes that this measure represents the total sustainable costs of producing silver from current operations and provides the Company and other stakeholders of the Company with additional information of the Company's operational performance and ability to generate cash flows. As the measure seeks to reflect the full cost of silver production from current operations, new project capital and expansionary capital at current operations are not included. Certain other cash expenditures, including tax payments, dividends and financing costs are also not included.

The following tables provide a detailed reconciliation of these measures to our operating expenses, as reported in our respective condensed interim consolidated financial statements for the referenced periods.

Zimapan Mine

(Expressed in thousands of US Dollars except ounces and per ounce amounts)	Q3 2019	Q2 2019	Q1 2019
Cash cost of sales ⁽¹⁾	3,610	3,606	4,388
Concentrate treatment, smelting and refining cost ⁽¹⁾	2,046	1,608	2,419
Deferred ramp expenditures ⁽¹⁾	-	-	-
General and administrative expenses ⁽¹⁾	774	1,220	673
All-in Sustaining Cost	6,430	6,434	7,480
Silver Equivalent Sold (payable ounces) ⁽¹⁾	346,490	344,934	477,489
All-in Sustaining Cost per Silver Equivalent Ounce Sold	18.56	18.65	15.66

⁽¹⁾All referenced amounts reflect Santacruz's 50% proportional ownership of PCG that was acquired July 1, 2019. Comparative figures have been adjusted to 50% of actual amounts.

Veta Grande Project

(Expressed in thousands of US Dollars except ounces and per ounce amounts)	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018
Cash cost of sales	2,096	2,218	2,388	2,824	2,123
Concentrate treatment, smelting and refining cost	174	432	398	187	202
Deferred ramp expenditures	126	-	89	405	107
General and administrative expenses	675	303	314	203	188
All-in Sustaining Cost	3,071	2,953	3,189	3,619	2,620
Silver Equivalent Sold (payable ounces)	114,705	149,898	134,549	70,048	88,462
All-in Sustaining Cost per Silver Equivalent Ounce Sold	26.77	19.70	23.70	51.66	29.62

Rosario Project

(Expressed in thousands of US Dollars except ounces and per ounce amounts)	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018
Cash cost of sales	1,773	1,426	1,187	2,056	1,337
Concentrate treatment, smelting and refining cost	48	393	214	92	114
Deferred ramp expenditures	-	-	-	20	16
General and administrative expenses	674	302	313	203	188
Accretion of decommissioning and restoration provision	21	28	17	9	8
All-in Sustaining Cost	2,516	2,149	1,731	2,380	1,663
Silver Equivalent Sold (payable ounces)	65,139	127,850	70,825	36,709	49,372
All-in Sustaining Cost per Silver Equivalent Ounce Sold	38.63	16.81	24.44	64.83	33.68

Average Realized Silver Price per Ounce

Revenues are presented as the sum of invoiced revenues related to delivered shipments of lead and zinc concentrates, after having deducted treatment, smelting and refining charges.

The following is an analysis of the gross revenues prior to treatment, smelting and refining charges, and shows deducted treatment, smelting and refining charges to arrive at the net reportable revenue for the period per IFRS. Gross revenues are divided by silver equivalent ounces sold to calculate the average realized price per ounce of silver equivalents sold.

Zimapan Mine

(Expressed in thousands of US Dollars except ounces and per ounce amounts)	Q3 2019	Q2 2019	Q1 2019
Revenues ⁽²⁾	4,001	3,373	4,958
Add back: Treatment, smelting and refining charges ⁽²⁾	2,045	1,608	2,419
Gross Revenues⁽²⁾	6,046	4,981	7,377
Silver Equivalent Sold (ounces) ⁽²⁾	346,490	344,934	477,489
Avg Realized Price per Ounce of Silver Equivalent Sold	17.45	14.44	15.45
Avg Market Price per Ounce of Silver per London Silver Fix	17.02	14.89	15.58

- (1) Average realized price per ounce of silver sold in each reporting period is affected by mark-to-market adjustments and final settlements on concentrate shipments in prior periods. Concentrates sold to third-party smelters are provisionally priced and the price is not settled until a predetermined future date, typically one to four months after delivery to the customer, based on the market price at that time.
- (2) All referenced amounts reflect Santacruz's 50% proportional ownership of PCG that was acquired July 1, 2019. Comparative figures have been adjusted to 50% of actual amounts.

Veta Grande Project

(Expressed in thousands of US Dollars except ounces and per ounce amounts)	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018
Revenues	1,850	1,767	1,631	828	1,063
Add back: Treatment, smelting and refining charges	174	432	398	187	202
Gross Revenues	2,024	2,199	2,029	1,015	1,265
Silver Equivalent Sold (ounces)	114,705	149,898	134,549	70,048	88,462
Avg Realized Price per Ounce of Silver Equivalent Sold	17.64	14.67	15.08	14.49	14.30
Avg Market Price per Ounce of Silver per London Silver Fix	17.02	14.89	15.58	14.54	15.02

- (1) Average realized price per ounce of silver sold in each reporting period is affected by mark-to-market adjustments and final settlements on concentrate shipments in prior periods. Concentrates sold to third-party smelters are provisionally priced and the price is not settled until a predetermined future date, typically one to four months after delivery to the customer, based on the market price at that time.

Rosario Project

(Expressed in thousands of US Dollars except ounces and per ounce amounts)	Q2 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018
Revenues	1,102	1,480	859	430	594
Add back: Treatment, smelting and refining charges	48	393	214	92	114
Gross Revenues	1,150	1,873	1,073	522	708
Silver Equivalent Sold (ounces)	65,139	127,850	70,825	36,709	49,372
Avg Realized Price per Ounce of Silver Equivalent Sold⁽¹⁾	17.65	14.65	15.15	14.22	14.34
Avg Market Price per Ounce of Silver per London Silver Fi5	17.02	14.89	15.58	14.54	15.02

- (1) Average realized price per ounce of silver sold in each reporting period is affected by mark-to-market adjustments and final settlements on concentrate shipments in prior periods. Concentrates sold to third-party smelters are provisionally priced and the price is not settled until a predetermined future date, typically one to four months after delivery to the customer, based on the market price at that time.

Non-IFRS Measures – Additional Information

The Company uses additional non-IFRS measures which include EBITDA. These additional financial disclosure measures are intended to provide additional information.

EBITDA and Adjusted EBITDA

EBITDA is a non-IFRS measure that provides an indication of whether the Company's operations are generating sufficient operating cash flow to fund working capital needs and to fund capital expenditures. EBITDA comprises revenue less operating expenses before interest expense, interest income, amortization and depletion, impairment charges, and income taxes.

Adjusted EBITDA is a non-IFRS measure in which standard EBITDA (earnings before interest expense, interest income, taxes, amortization and depletion, and impairment charges) is adjusted for share-based payments expense, foreign exchange gains or losses, and non-recurring items. Foreign exchange gains or losses may consist of both realized and unrealized losses. Under IFRS, entities must reflect in compensation expense the cost of share-based payments. In the Company's circumstances, share-based payments can involve a significant accrual of amounts that will not be settled in cash but are settled by the issuance of shares in exchange. The Company discloses adjusted EBITDA to aid in understanding of the results of the Company and is meant to provide further information about the Company's financial results to investors.

The following table provides a reconciliation of EBITDA and Adjusted EBITDA for the 2018 Q2, Q3 and Q4 periods and 2019 Q1 and Q2 period to the respective financial statements.

	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018
Net (loss) income for the period as reported	(1,432)	(1,137)	(1,846)	(4,240)	(2,888)
Income tax expense (recovery)	284	82	85	120	97
Interest earned and other finance income and gain on the settlement of debt	(228)	-	-	-	(16)
Interest expense and other finance expenses	10	10	10	131	-
Carrying charges and finance charges on loan payable	61	183	15	14	30
Interest expense on loan payable	82	87	82	166	96
Accretion expense	21	11	17	9	8
Amortization and depletion of mineral properties, plant and equipment	542	241	220	917	382
EBITDA	(660)	(523)	(1,417)	(2,883)	(2,291)
Impairment of exploration and evaluation properties	-	-	-	1,486	-
Foreign exchange	(45)	410	496	(873)	140
Debt forgiveness	-	-	-	(134)	-
Adjusted EBITDA	(705)	(113)	(921)	(2,404)	(2,151)

Trafigura Credit Facility

On July 11, 2019, the Company entered into a short-term credit facility (the “Credit Facility”) with Trafigura Mexico, S.A. de C.V. (“Trafigura”) in the amount of \$1,500. The funds were advanced to the Company on May 31, 2019 and June 19, 2019. The principal was to be repaid on October 11, 2019. As part of the terms of the Credit Facility, the Company was obligated to pay \$100,000 in finance charges related to the structuring of the loan on October 11, 2019. On October 12, the loan was amended. The payment schedule is for 15 months beginning in December 2019 for an amount of \$100 per month. The loan is secured on certain mine equipment of the Company.

Trafigura Loan

On December 22, 2015, the Company entered into a short-term loan facility (the “Loan”) with Trafigura Mexico, S.A. de C.V. (“Trafigura”) in the principal amount of \$725. Subsequently, the Loan terms were amended at various dates in 2016 and 2017 pursuant to which the Company at various times repaid a portion of the Loan and at other times received new advances under the Loan such that as at December 22, 2017, the date of the most recent amendment (the “Amended Loan”) the outstanding principal balance of the Amended Loan was \$731. Pursuant to the terms of the Amended Loan, Trafigura advanced on February 15, 2018 an additional \$580 bringing the balance of the Amended Loan to \$1,311. The Amended Loan bears interest at LIBOR plus 10%, payable monthly in arrears, with the principal to be repaid in twelve monthly installments commencing April 30, 2018 and an original termination date of March 31, 2019. As at September 30, 2019, the loan has been paid in full. Concurrent with the final payment, certain personal assets of the Company’s CEO pledged as security for the Loan were released back to the CEO.

MineCo Loan

On March 6, 2018 the Company entered into a loan agreement (the “MineCo Loan”) with a private Bolivian mining company (“MineCo”), for \$2,300. The MineCo Loan bore interest at 9% per annum and was repayable July 1, 2018. In connection with the MineCo Loan the Company issued MineCo 2,000,000 warrants (the “Warrants”) exercisable until March 6, 2019, at \$0.16 per share.

On July 2, 2018, the Company reached an agreement with MineCo to extend the repayment date of the MineCo Loan to October 1, 2018. As consideration for receiving the debt repayment date extension, the Company agreed to increase the interest rate to 12% effective July 1, 2018. In addition, the Company agreed to increase the number of Warrants to 2,500,000 and to extend the expiry date to March 6, 2020.

On October 2, 2019, the Company and MineCo agreed to further extend the repayment date of the MineCo Loan to March 31, 2021. The MineCo Loan is unsecured.

Banco Base loan

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

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

Credit facility

On November 30, 2017, the Company entered into a credit facility (the “Credit Facility”) with a private Mexican financial institution. Funds could be drawn down under the Credit Facility either in US dollars or Mexican pesos. Funds drawn down had to be repaid within 10 to 12 business days following the drawdown date. Funds drawn down in US dollars had to be repaid in Mexican pesos and vice-versa. Drawdown amounts were limited to a maximum of \$200 or the equivalent amount in Mexican pesos but could be increased at the discretion of the lender. Upon repayment of any particular draw down amount the Company could borrow the same amount immediately as a new draw under the Credit Facility. The Credit Facility was unsecured and the implied carrying charges that were tied to the spread between the US dollar and Mexican peso foreign exchange rates was approximately 190% per annum. The Credit Facility was repaid in full during the year ended December 31, 2018 and management does not expect to utilize this facility in the future.

Banco Base loan 2

On July 1, 2019 a Banco Base loan was acquired in the Carrizal Acquisition (“Banco Base Loan 2”). Funds may be drawn down under the Banco Base Loan 2 in either in US dollars or Mexican pesos. Funds drawn down must be repaid within a maximum of 15 business days following the drawdown date. Funds drawn down in US dollars must be repaid in Mexican pesos and vice-versa. Drawdown amounts are limited to a maximum of \$400 or the equivalent amount in Mexican pesos. The Company repays the loan in full within a maximum of 15 business days, and upon repayment of any particular draw down amount the Company may borrow the same amount immediately as a new draw under the Banco Base Loan 2. The Banco Base Loan 2 is unsecured and the imputed carrying charges that are tied to the spread between the US dollar and Mexican peso foreign exchange rates were approximately 20% per annum.

Credit Facility

On September 30, 2019, the Company entered into a credit facility (the “Credit Facility”) with a private Mexican financial institution. Funds may be drawn down under the Credit Facility either in US dollars or Mexican pesos. Funds drawn down must be repaid within 21 business days following the drawdown date. Funds drawn down in US dollars must be repaid in Mexican pesos and vice-versa. Drawdown amounts are limited to a maximum of \$600 or the equivalent amount in Mexican pesos but can be increased at the discretion of the lender. Upon repayment of any particular draw down amount the Company may borrow the same amount immediately as a new draw under the Credit Facility. The Credit Facility was unsecured and the implied carrying charges that are tied to the spread between the US dollar and Mexican peso foreign exchange rates.

Capital Expenditures

The Company incurred expenditures of \$1,219 on its mineral properties during the nine months ended September 30, 2019. The Company currently has one mineral property option agreement outstanding being the agreement with Contracuña for the Veta Grande Project.

The Company has no capital commitments aside from its mineral property option agreement.

Liquidity and Capital Resources and Going Concern

As at September 30, 2019, the Company had cash of \$857 (December 31, 2018 – \$18) and a working capital deficiency of \$23,735 (December 31, 2018 – \$11,812). During the nine months ended September 30, 2019, net cash provided by operating activities was \$311, net cash used in investing activities was \$1,096 including costs with respect to exploration activities on its mineral properties and related change in accounts payable related to these costs; and net cash provided by financing activities was \$1,627 arising from the loans payable.

The Company has made no dividend payments, and currently has no plans to declare any dividends.

At September 30, 2019, the Company had a working capital deficiency of \$23,735 (December 31, 2018 - \$11,812), a loss for the period of \$4,415 (year ended December 31, 2018 - \$4,637), and had an accumulated deficit of \$108,835 (December 31, 2018 - \$104,315). The working capital deficiency and accumulated deficit 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 to 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.

Transactions with Related Parties

The Company's related parties consist of the Company's directors, officers and companies associated with them including the following:

- Larry M. Okada Inc., a company owned by Larry Okada, a director of the Company
- Carrizal Mining S.A. de C.V., a company 50% owned by Carlos Silva, the Chief Operating Officer

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

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
	\$	\$	\$	\$
Mining Services				
Revenues	293	569	1,971	6,551
Cost of sales	-	541	-	1,059
	293	28	1,971	5,492
Expenses				
Accounting and corporate secretarial fees	-	36	-	105
Directors' fees	17	13	51	40
Management fees	123	90	303	286

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

The Company entered into certain mining equipment leases expiring between 2017 and 2020 with an interest rate between 6.5% and 10.5% per annum. \$51 of lease payments were paid during the nine months ended September 30, 2019 (2018 - \$nil) and \$1,214 of the leases payable outstanding at September 30, 2019 were owed to a company owned by the CEO of the Company (December 31, 2018 - \$1,210).

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

On August 15, 2019, MineCo became a related party to Santacruz by way of an Officer owning shares and having significant influence over MineCo (Note 11(c)), The balance owing to MineCo at September 30, 2019 was \$2,721.

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.

Fair value and Classification of Financial Instruments

The Company's financial instruments consists of cash, trade and other receivables, accounts payable and accrued liabilities, and the loans payable. These financial instruments are classified as financial assets and liabilities at amortized cost and are reported at amortized cost. The carrying values of cash and cash equivalents, trade and other receivables, accounts payable and accrued liabilities, and the loans payable approximate fair values due to the short-term nature of these instruments.

Off-balance Sheet Arrangements

The Company has not entered into any material off-balance sheet arrangements such as guarantee contracts, contingent interests in assets transferred to unconsolidated entities, derivative financial obligations, or with respect to any obligations under a variable interest equity arrangement.

Change in Accounting Policies

In the preparation of these condensed interim consolidated financial statements, the Company has used the same accounting policies and methods of computation as in the most recent audited annual financial statements for the Company for the year ended December 31, 2018, except as outlined below:

a) Changes in accounting policies – IFRS 16

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

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

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

Leases

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

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

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

Outstanding Share Data

Authorized share capital: Unlimited number of Common Shares

All share information is reported as of November 29, 2019 in the following table.

Issued and Outstanding Common Shares				204,670,984
	Expiry Date	Exercise Price (CDN\$)		
Options	February 10, 2021	0.15	3,250,000	11,750,000
	August 6, 2024	0.18	8,500,000	
Warrants	January 28, 2020	0.28	4,675,000	
	February 21, 2020	0.28	200,000	
	March 6, 2020	0.16	2,500,000	7,375,000
Fully Diluted				223,795,984

Disclosure Controls and Procedures and Internal Control over Financial Reporting

Disclosure controls and procedures are intended to provide reasonable assurance that information required to be disclosed is recorded, processed, summarized, and reported within the time periods specified by securities regulations and that the information required to be disclosed is accumulated and communicated to management. Internal controls over financial reporting are intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. In connection with National Instrument 52-109 (Certificate of Disclosure in Issuer's Annual and Interim Filings) ("NI

52-109"), the Chief Executive Officer and Chief Financial Officer of the Company have filed a Venture Issuer Basic Certificate with respect to the financial information contained in the 2019 Q3 Financial Statements and this accompanying MD&A (together, the "Interim Filings").

In contrast to the full certificate under NI 52-109, the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109. For further information the reader should refer to the Venture Issuer Basic Certificates filed by the Company with the Annual Filings on SEDAR at www.sedar.com.

Risks and Uncertainties

Natural resources exploration, development, production and processing involve a number of business risks, some of which are beyond the Company's control. These can be categorized as operational, financial and regulatory risks.

Operational risks include: the Company may not be able to find and develop resources economically, the Company cannot guarantee title to its properties, the Company may have difficulty in marketing production and services, the Company must manage changing governmental laws and regulations, the Company may have difficulty in hiring and retaining skilled employees and contractors, environmental hazards (including discharge of pollutants or hazardous chemicals), industrial accidents and occupational and health hazards, mechanical failures, the unavailability of materials and equipment, pit slope failures, unusual or unexpected rock formations, poor or unexpected geological or metallurgical conditions, poor or inadequate ventilation, failure of mine communication systems, poor water condition, interruptions to gas and electricity supplies, human error and adverse weather conditions, there is no assurance that the Company will acquire additional mineral properties and any acquisitions may expose the Company to new risks, and the mining industry is intensely competitive for the acquisition of new properties, access to capital and hiring of skilled personnel. The Company continuously monitors and responds to changes in these factors and seeks to adhere to all regulations governing its operations.

Financial risks include commodity prices, interest rates and fluctuating foreign exchange rates, all of which are beyond the Company's control. Additional financial risks are the Company's ability to raise capital to continue funding its operations.

Regulatory risks include the possible delays in getting regulatory approval to, and permits for, the transactions that the Board of Directors believe to be in the best interest of the Company, and include increased fees for filings, the introduction of ever more complex reporting requirements the cost of which the Company must meet in order to maintain its exchange listing.

Additional Disclosure for Venture Issuers without Significant Revenue

The Company provides disclosure related to capitalized or expensed exploration and development costs in the notes to the financial statements and disclosure related to general and administration expenses in the statements of loss and comprehensive loss. The Company has no expensed research and development costs.

Other Information

Additional information related to the Company, including the Company's annual information form, is available on SEDAR at www.sedar.com and on the Company's website, www.santacruzsilver.com.