MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2017

The following management's discussion and analysis of financial condition and results of operations ("**MD&A**") for the year ended December 31, 2017 prepared as of April 30, 2018, should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2017 of Santacruz Silver Mining Ltd. (the "**Company**" or "**Santacruz**") (the "**2017 Annual Financial Statements**").

The above referenced consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**"), as issued by the International Accounting Standards Board ("**IASB**"). 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.

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 "forwarding-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 Cinco Estrellas property ("**Cinco Estrellas Property**" which is part of the **Rosario Project**), the Membrillo prospect ("Membrillo Prospect" which is part of the Rosario Project); and the Veta Grande mine (the "**Veta Grande Mine**" which is part of the "**Veta Grande Project**"), 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**"), the Company's expected production and recoveries for its Rosario Project and Veta Grande Project; expectations regarding the continuity of mineral deposits; the Company's goals regarding raising capital and developing its projects; the timing and success of the Company's plan to de-risk the Company's operations; 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 Cinco Estrellas Property, the Membrillo Prospect, and the Panuco Deposit; plans for drilling; expectations regarding environmental issues that may affect the exploration progress; project capital cost estimates; 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 Rosario Mine and 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, at pages 12 to 23 of the annual information form (revised) of the Company for the year ended December 31, 2015 dated July 6, 2016 (the "**AIF**"), filed on SEDAR on July 8, 2016. 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 also trades on the Santiago Stock Exchange Venture under the trading symbol "SZCL".

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 Rosario Project and the Veta Grande Project. In addition, the Company holds two exploration properties in its mineral property portfolio, the Minillas Property and the Zacatecas Properties (which includes the Panuco Deposit).

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 the Rosario Project and Veta Grande Project.

The decisions to commence the production phase at the Rosario Mine, Veta Grande Project, Cinco Estrellas Property, and the 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.

2017 Business Highlights

- Selected operating and financial information for the three months and years ended December 31, 2017 and December 31, 2016 is presented below:

	Three months ended Dec 31,		Years ended Dec 31,	
	2017	**2016**	**2017**	**2016**
Financial				
Revenue – Mining Operations	1,292	1,874	7,816	11,812
Revenue – Mining Services	3,580	-	3,580	-
Gross Loss [5]	(451)	(1,896)	(5,156)	(51)
Impairment	(8,831)	1,073	(20,079)	(15,615)
Net Loss	(10,012)	(3,646)	(22,906)	(18,506)
Net Loss Per Share – Basic ($/share)	(0.06)	(0.02)	(0.14)	(0.14)
Adjusted EBITDA [5]	(1,435)	(1,560)	(5,297)	580
Operating [1]				
Material Processed (tonnes milled)	30,974	42,746	181,073	117,962
Silver Equivalent Produced (ounces) [2]	139,670	200,122	865,459	928,467
Silver Equivalent Sold (payable ounces) [3]	94,204	166,734	643,767	935,158
Production Cost per Tonne [4]	86.49	72.33	63.74	79.59
Cash Cost per Silver Equivalent ($/oz.) [4]	32.38	23.97	23.07	13.69
All-in Sustaining Cost per Silver Equivalent ($/oz.) [4]	38.53	26.15	27.56	16.82
Average Realized Silver Price per Ounce ($/oz.) [4]	16.73	16.55	17.06	17.23

(1) The Veta Grande Project commenced commercial production effective October 1, 2016 and therefore is not included in the first, second and third quarter 2016 operating results.

(2) Silver equivalent ounces produced in 2017 have been calculated using prices of $16.00/oz., $1,150/oz., $1.00/lb. and $1.15/lb. for silver, gold, lead and zinc respectively applied to the metal content of the lead and zinc concentrates produced by the Rosario Project as well as by the Veta Grande Project. Silver equivalent ounces produced in 2016 have been calculated using prices of $14.50/oz., $1,100/oz., $0.76/lb and $0.71/lb for silver, gold, lead and zinc respectively applied to the metal content of the lead and zinc concentrates produced by the Rosario Project during the first, second, and third quarters of 2016, and the Rosario Project as well as by the Veta Grande Project during the fourth quarter of 2016.

(3) 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 and Veta Grande Project.

(4) 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.

(5) 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.

(6) Average realized silver price per ounce is prior to all treatment, smelting and refining charges.

- On February 15, 2017 the Company filed on SEDAR an independent Technical Report dated as of January 31, 2017 titled "Technical Report, Veta Grande Project, Zacatecas State, Mexico" and subsequently filed on SEDAR with effective date of February 26, 2017 an amendment to the January 31, 2017 Technical Report;
- On March 2, 2017 the Company completed a transaction (the "**ASC Transaction**") with Americas Silver Corporation ("**Americas Silver**") pursuant to which it assigned 100% of its interest in the San Felipe project to Americas Silver for total consideration of $7,000 cash plus applicable value added tax ("**VAT**"). The proceeds were used by the Company to make an approximate $4,250 payment on the JMET Note (see section titled "*Pre-paid Silver Purchase*") as well as a $2,000 (plus VAT) payment to Minera Hochschild Mexico, S.A. de C.V. ("**Hochschild**"), the optionor of the San Felipe project;

- On March 28, 2017 the Company completed the sale (the "**First Majestic Transaction**") of its interest in the El Gachi property in Sonora State, Mexico to First Majestic Silver Corp. ("**First Majestic**") for total consideration of $2,500 cash (plus applicable VAT). Of the total proceeds received by the Company, approximately $757 was paid against the JMET Note (see section titled "*Pre-paid Silver Purchase*") and $500 (plus applicable VAT) was paid to Hochschild;
- On May 29, 2017 the Company entered into an agreement (the "**Membrillo Agreement**") pursuant to which the Company acquired the exclusive right for five years (the "Exclusive Mining Right") to explore, develop and mine the Membrillo Prospect, a silver-zinc-lead-gold vein structure situated approximately four km from the Company's Rosario Project mill facility located near Charcas, San Luis Potosi, Mexico. As consideration for the Exclusive Mining Right the Company agreed to pay the vendor an annual fee of $60 and granted to them a 2.5% net smelter return royalty ("NSR") on any mineralized material from the property that is milled or otherwise treated for the eventual sale of the contained metal. The Exclusive Mining Right covers an area of approximately 500 hectares that is situated within the San Rafael concession;
- On June 14, 2017, as amended December 13, 2017, the Company signed an agreement (the "**Option Agreement**") with Minera Contracuña I, S.A. de C.V. and Vetalinda Compania Minera, S.A. de C.V. (together "**Contracuña**") pursuant to which Contracuña granted Santacruz an option to purchase a 100% interest in the Veta Grande and Minillas properties, for aggregate cash consideration of $15,500, payable over five years.
- On July 28, 2017 and August 21, 2017 the Company closed respectively the first and second tranches of a private placement offering pursuant to which it issued in total 4,875,000 units for gross proceeds of $783 (CAD$975);
- On August 16, 2017, the Company completed a transaction (the "**Gavilanes Transaction**") with Marlin Gold Mining Ltd. ("**Marlin**"), pursuant to which Marlin acquired 100% of the Company's interest in the Gavilanes property (the "**Gavilanes Property**" or "**Gavilanes Project**") for cash consideration of $3,500 plus applicable value added taxes. The Company settled the outstanding balance owing on certain of the claims included in the Gavilanes Property (the "**Gavilanes Outstanding Balance**") by making a cash payment of $500 and issuing 1,250,000 common shares of the Company to the property vendor.
- On November 3, 2017 the Mexican Environmental Protection Agency ("**PROFEPA**") requested that the Company's Mexican operating subsidiary, Impulsora Minera Santacruz, S.A. de C.V., hold the Veta Grande Mine Environmental License directly in its name and not under the terms of the agreement with Minera Contracuña I, S.A. de C.V. In connection with this matter PROFEPA issued a notice temporarily suspending operation of the Veta Grande mill until appropriate documentation was filed with regulatory bodies. On November 8, 2017 the Company submitted all appropriate documents to PROFEPA and the Secretariat of Environment and Natural Resources ("**SEMARNAT**"). On November 22, 2017 PROFEPA authorized the resumption of mill operations;
- On November 28, 2017 the Company entered into a services agreement (the "Services Agreement") with Carrizal pursuant to which Santacruz will provide to Carrizal certain mine development, metallurgical and geological consulting services as well as other administrative services. The Services Agreement revenues for Q4 2017 amounted to $3,580 while cost of sales amounted to $2,724;
- On December 14, 2017 the Company advised that it had entered into a binding letter of intent (the "LOI") with Carrizal Mining, S.A. de C.V. ("Carrizal"), a private Mexican silver producing company, pursuant to which Carrizal has the right to acquire a 20% working interest of the Company's interest in the Veta Grande Project, as well as the Zacatecas Properties under option by Santacruz from Golden Minerals Company (see press release dated May 4, 2016) (collectively the "Zacatecas Mineral Assets"). Carrizal may earn its 20% working interest by funding 100% of the cost to increase the capacity of the Veta Grande milling facility to 750 tpd, as well as providing a surface diamond drill rig and drilling materials to conduct exploration drill campaigns at the Veta Grande mine, proximate to the Company's current mining activities, and at the Navidad property and Panuco Deposit; and

- March 7, 2018 the Company reported that its wholly-owned subsidiary, Impulsora Minera Santacruz, S.A de C.V., had arranged a loan (the "Loan") from a private Bolivian mining company, for US$2.3 million. The Loan bears interest at 9% per annum, is repayable July 1st, 2018, and is unsecured. In connection with the Loan the Company agreed to issue the lender 2,000,000 warrants exercisable until the end of business on March 6, 2019, at $0.16 per share. The warrants were issued on April 19, 2018 after the transaction was approved by the TSX Venture Exchange.

Management Change

On November 27, 2017 the Company announced the appointment of Carlos Silva as Chief Operating Officer. Mr. Silva is a well-known and highly respected Mexican mining engineer with a degree in mine engineering from the University of Guanajuato, and additionally holds an MBA from ITESM (Instituto Tecnologico de Estudios Superiores Monterrey). He has more than 30 years' of experience working in the mining industry in Mexico with both senior and junior mining companies, the last 17 years of which were in senior management roles.

Management Business Overview and Outlook

During the first three quarters of 2017 the Company continued with its objective of reducing its corporate debt from the proceeds raised by assigning/selling the Company's interest in the San Felipe Project, the El Gachi Property, and the Gavilanes Property. The gross proceeds realized from the ASC Transaction, the First Majestic Transaction, and the Gavilanes Transaction, inclusive of the applicable IVA payments, amounted to $19,140 of which approximately $7,357 was paid to JMET to settle in full the amount owing to them under the JMET Note (see section titled "*Pre-paid Silver Purchase*"). In addition, the Company made payments, inclusive of IVA, to the underlying vendors of the properties, of $3,480, with the residual funds used for working capital purposes.

Also in this time period the Company entered into the Membrillo Agreement pursuant to which it acquired the Exclusive Mining Right to explore, develop and mine the Membrillo Prospect. Management now expects that the Membrillo Prospect will be the primary source mill feed to the Rosario milling facility for the foreseeable future.

During the fourth quarter of 2017 and into the first quarter of 2018, the Company completed a number of other important initiatives. Included in these initiatives was the appointment of Carlos Silva as Chief Operating Officer, an experienced and successful Mexican mine operator; the execution of the Option Agreement with Contracuña which now allows the Company to acquire outright the Veta Grande Project; the execution of the LOI with Carrizal whereby the Company gains an experienced Mexican mining company to assist in the development of the Veta Grande Project and which has led to the increase in milling capacity at the Veta Grande Project to 750 tpd; the execution of the Services Agreement with Carrizal which is expected to provide approximately $0.75 million of net cash flow to the Company on a monthly basis thereby helping to address the Company's working capital deficiency; and the execution of the Loan agreement that provides short-term financing of $2.3 million to further address current working capital needs.

The Company's focus for 2018 will be:

- In connection with the LOI with Carrizal, complete a drilling campaign of approximately 20,000 metres at the Veta Grande Project. Carrizal is currently executing a 6,000-metre surface drilling program proximate to current mining operations at Veta Grande as well as a 3,000-metre underground program on the Armados vein. Upon completion of the current program the Company plans to conduct a surface drilling campaign 1.5 km from the current location on the northern strike of the Veta Grande vein system as well as completing programs on the Navidad Property and Panuco Deposit;
- At the Veta Grande Project to increase operating throughput to 750 tpd with a blended millfeed consisting of 70% in situ material from the Veta Grande vein, Armados vein, La Flor vein and Navidad mine, with remaining 30% sourced from Chorros, Continue the systematic improvement of mining and milling operations at the Veta Grande Project and Rosario Project; and
- At the Rosario Project to source millfeed from the Membrillo Prospect at 350 tpd on a go forward basis.

The decisions to commence the production phase at the Rosario Mine, the Veta Grande Project, the Cinco Estrellas Property, and the 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 these decisions. 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.

Review of Consolidated Operating Results

	Three months ended December 31,		**Years ended December 31,**	
	2017	**2016**	**2017**	**2016**
Material Processed (tonnes milled)				
Rosario Project	13,317	16,636	78,963	91,852
Veta Grande Project	17,657	26,110	102,110	26,110
Consolidated	**30,974**	**42,746**	**181,073**	**117,962**
Silver Equivalent Produced (ounces) (1)				
Rosario Project	74,683	99,749	442,329	828,094
Veta Grande Project	64,987	100,373	423,130	100,373
Consolidated	**139,670**	**200,122**	**865,459**	**928,467**
Silver Equivalent Sold (payable ounces) (2)				
Rosario Project	56,172	85,860	345,602	854,284
Veta Grande Project	38,032	80,874	298,165	80,874
Consolidated	**94,204**	**166,734**	**643,767**	**935,158**
Cash Cost of Production per Tonne(3)				
Rosario Project	111.21	69.67	72.38	81.17
Veta Grande Project	67.85	74.03	57.07	74.03
Consolidated	**86.49**	**72.33**	**63.74**	**79.59**
Cash Cost per Silver Equivalent ($/oz.) (3)				
Rosario Project	29.80	18.60	21.83	12.18
Veta Grande Project	36.18	29.66	24.50	29.66
Consolidated	**32.38**	**23.97**	**23.07**	**13.69**
All-in Sustaining Cash Cost per Silver Equivalent ($/oz.) (3)				
Rosario Project	33.81	20.96	2603	15.42
Veta Grande Project	41.89	31.65	29.33	31.65
Consolidated	**38.53**	**26.15**	**27.56**	**16.82**
Average Realized Silver Price per Ounce ($/oz) (3)				
Rosario Project	16.77	16.62	17.00	17.30
Veta Grande Project	16.67	16.47	17.12	16.47
Consolidated	**16.73**	**16.55**	**17.06**	**17.23**

(1) Silver equivalent ounces produced in 2017 have been calculated using prices of $16.00/oz., $1,150/oz., $1.00/lb. and $1.15/lb. for silver, gold, lead and zinc respectively applied to the metal content of the lead and zinc concentrates produced by the Rosario Project as well as by the Veta Grande Project. Silver equivalent ounces produced in 2016 have been calculated using prices of $14.50/oz., $1,100/oz., $0.76/lb and $0.71/lb for silver, gold, lead and zinc respectively applied to the metal content of the lead and zinc concentrates produced by the Rosario Project during the first, second, and third quarters of 2016, and the Rosario Project as well as by the Veta Grande Project during the fourth quarter of 2016.

(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 and Veta Grande Project respectively.

(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.

Operations Overview

In 2017 silver equivalent production decreased by 7% to 865,459 ounces from 928,467 ounces in 2016. This decrease is virtually all due to a 47% decrease in production from the Rosario Project offset in part by a 322%

increase in production at the Veta Grande Project. The increase in production at the Veta Grande Project reflects the fact that the project only commenced commercial production on October 1, 2016.

Silver equivalent production for Q4 2017 decreased by 30% to 139,670 ounces as compared to 200,122 ounces in 2016. This decrease is due to a 25% decrease in production at the Rosario Project to 74,683 ounces and a 35% decrease in production at the Veta Grande Project. As compared to total silver equivalent production for Q3 2017, Q4 2017 production decreased by 40% reflecting a 37% decrease in production at the Rosario Project and a 42% decrease in production at the Veta Grande Project.

As referenced earlier in this MD&A management's focus at the Veta Grande Project for 2018 is to increase production to 750 tpd with the source of the millfeed being 70% from in situ material from the Veta Grande vein, Armados vein, La Flor vein and Navidad mine and 30% from mineralized material from previously mined stopes ("Chorros or Chorro"). Management is confident that by achieving a consistent throughput tonnage of 750 tpd the Company will achieve economies of scale that will decrease unit production costs on a cost/t basis. Further, by changing the source of millfeed from 90% Chorros and 10% in situ vein material as was the case throughout much of 2017 management expects that the average head grade of material processed will increase which in combination with the expected lower production cost/t will result in lower production costs/Ag equivalent ounce.

With respect to the Rosario Project, by focussing on mining the Membrillo Prospect at 350 tpd management expects that the Rosario Project operations will generate positive cash flow.

Cash Cost per Tonne

Cash cost of production per tonne of mineralized material processed decreased by 20% in 2017 to $63.74/t as compared to $79.59/t in 2016. This positive change in unit costs reflects a 23% decrease in unit cash production costs at the Veta Grande Project which resulted largely from operating for the full year in 2017.

Cash cost of production per tonne of mineralized material processed increased by 20% in the fourth quarter of 2017 to $86.49/t as compared to $72.33/t in 2016. This negative result is virtually all due to a 60% increase in unit cost per tonne of production at the Rosario Project.

Cash Cost per Silver Equivalent Ounce

Cash cost of production per silver equivalent ounce sold increased by 69% in 2017 to $23.07/oz as compared to $13.69/oz in 2016. This change in unit cost reflects a 79% increase in unit cash production costs at the Rosario Project that were somewhat offset by a 17% decrease in the unit cash production costs realized at the Veta Grande Project.

Cash cost of production per silver equivalent ounce sold increased by 35% in the fourth quarter of 2017 to $32.38/oz as compared to $23.97/oz in 2016. This change in unit costs reflects a 60% increase in unit cash production costs at the Rosario Project and a 22% increase in unit cash production costs at the Veta Grande Project.

All-In Sustaining Cash Cost per Silver Equivalent Ounce

All-in sustaining cash cost of production per silver equivalent ounce sold increased by 64% in 2017 to $27.56/oz as compared to $16.82/t in 2016. This change in unit cost reflects a 69% increase in unit cash production costs at the Rosario Project that were nominally offset by a 7% decrease in the unit cash production costs realized at the Veta Grande Project.

All-in sustaining cash cost of production per silver equivalent ounce sold increased by 47% in the fourth quarter of 2017 to $38.53/oz as compared to $26.15/t in 2016. This change in unit costs reflects a 61% increase in unit costs at the Rosario Project plus a 32% increase in the unit cash production costs realized at the Veta Grande Project.

Veta Grande Project, Veta Grande, Zacatecas, Mexico

Contracuña Agreement

On June 14, 2017, as amended December 13, 2017, the Company entered into an agreement with Contracuña pursuant to which Contracuña granted Santacruz an option to purchase a 100% interest in the Veta Grande and Minillas properties, for aggregate cash consideration of $15,500. The payment schedule is as follows:

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

In addition, on the date that Santacruz makes the final payment it must grant to Contracuña a 1% NSR that the Company may buy back for $1,500 at any time.

Veta Grande Project Production and Operating Results

	Three months ended December 31,		**Years ended December 31,**	
	2017	**2016**	**2017**	**2016**
Material Processed (tonnes milled)	17,657	26,110	102,110	26,110
Silver Equivalent Produced (ounces) (1)	64,987	100,373	423,130	100,373
Silver Equivalent Sold (payable ounces) (2)	38,032	80,874	298,165	80,874
Production - Silver (ounces)	25,665	28,027	201,285	28,027
- Gold (ounces)	53	106	424	106
- Lead (tonnes)	70	220	466	220
- Zinc (tonnes)	163	362	803	362
Average Grade – Silver (g/t)	78	57	100	57
– Gold (g/t)	0.18	0.17	0.20	0.17
– Lead (%)	0.55	1.02	0.60	1.02
– Zinc (%)	1.44	1.75	1.18	1.75
Metal Recovery – Silver (%)	58.1	58.1	61.4	58.1
– Gold (%)	52.6	72.0	63.9	72.0
– Lead (%)	72.5	82.6	76.3	82.6
– Zinc (%)	64.1	79.1	66.5	79.1
Cash Cost of Production per Tonne(3)	67.85	74.03	57.07	74.03
Cash Cost per Silver Equivalent ($/oz.) (3)	36.18	29.66	24.50	29.66
All-in Sustaining Cash Cost per Silver Equivalent ($/oz.) (3)	43.62	31.65	29.33	31.65

* Commercial production at the Veta Grande Project was declared effective October 1, 2016.

(1) Silver equivalent ounces produced in 2017 have been calculated using prices of $16.00/oz., $1,150/oz., $1.00/lb. and $1.15/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 the fourth quarter of 2016 have been calculated using prices of $14.50/oz., $1,100/oz., $0.76/lb. and $0.71/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 realized silver prices of $17.12 in 2017, $16.47 in 2016, $16.67 in Q4 2017, and $16.47 in Q4 2016, applied to the payable metal content of the lead and zinc concentrates sold from the Veta Grande Project.

(4) 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.

Veta Grande Operations Overview

Mineralized material from previously mined stopes ("Chorros or Chorro") on the Veta Grande vein were a primary source of mill feed to the Veta Grande milling facility during 2017, combined with mineralized material from other mine working faces being developed at the Garcia mine.

As the year progressed it became evident that this material was inconsistent in grade with one Chorro having good grade material and then the next Chorro producing low grade material leading to an overall lower head grade on average being sent to the milling facility. In order to address this issue the operations team increased its focus during Q4 on developing in situ vein material to be mined for mill feed. In early November the Company encountered two sections of unmined Veta Grande vein at Level 6, both believed to be pillars left by previous mine operators. The Company is continuing to develop mining faces on veins within the Garcia mine and is beginning development work at the Navidad mine, part of the mineral portfolio acquired from Contracuña, located approximately 8 km from the Veta Grande milling facility. The 2018 mine plan anticipates that by the end of Q3 2018 approximately 70% of the mill feed to the Veta Grande milling facility will be sourced from in situ vein material with 30% being sourced from the Chorros.

Currently the Company has completed driving an access ramp to a vertical depth of approximately 210 metres (Level 7) from the current workings at the Veta Grande vein, the largest of the vein systems contained within the Garcia mine.

On December 14, 2017 the Company announced that it had entered into the LOI with Carrizal pursuant to which Carrizal has the right to acquire a 20% working interest in the Company's Zacatecas Mineral Assets. Carrizal may earn its 20% working interest by, among other things, funding 100% of the cost to increase the capacity of the Veta Grande milling facility to 750 tpd. In connection with the LOI the Company agreed to provide to Carrizal for no cost on an as-is, where-is basis a 250 tpd ball mill and motor plus other small equipment not in use. On March 23, 2018 the Company reported that Carrizal had completed the mill expansion to 750 tpd.

Also in connection with the LOI, on January 24, 2018, the Company announced that Carrizal had initiated a 6,000-metre surface diamond drilling campaign. The campaign is expected to consist of 15 drill holes testing the Veta Grande vein at depth below the current level being mined by the Company and is expected to also intersect the La Flor, San Jose and Armados veins that run parallel to the Veta Grande vein. In addition, on February 28, 2018 the Company advised that Carrizal had also commenced a 3,000-metre underground diamond drill program on the Armados vein

Further, Carrizal has committed to adding a second surface diamond drill identical to the first unit delivered and to providing a single-boom jumbo drill to be used initially for developing the Navidad Mine. Management is reviewing the current operational results at the Veta Grande Project and expects that a decision regarding Carrizal's earn-in will be made by mid-May.

On November 3, 2017 the Mexican Environmental Protection Agency (PROFEPA) requested that the Company's Mexican operating subsidiary, Impulsora Minera Santacruz, S.A. de C.V., hold the Veta Grande Mine Environmental License directly in its name and not under the terms of the original agreement with Minera Contracuña I, S.A. de C.V. (see press release dated November 2, 2015). In connection with this matter PROFEPA issued a notice temporarily suspending operation of the Veta Grande mill until appropriate documentation was filed with regulatory bodies. On November 8, 2017 the Company submitted all appropriate documents to PROFEPA and the Secretariat of Environment and Natural Resources ("SEMARNAT"). On November 22, 2017 PROFEPA authorized the resumption of mill operations.

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

Silver equivalent production in 2017 from the Veta Grande Project increased by 322% (322,757 ounces) compared to 2016. The increase is due to the fact that the Veta Grande Project only commenced commercial production on October 1, 2017.

In Q4 2017 silver equivalent production from the Veta Grande Project decreased by 35% (35,386 ounces) compared to Q4 2016. The decrease reflects a 32% decrease in tonnes milled largely caused by the temporary milling suspension imposed by PROFEPA in November 2017. As compared to silver equivalent production in Q3 2017, the Q4 2017 production decreased by 37%, again largely due to the temporary milling suspension imposed by PROFEPA in November 2017.

Cash Cost per Tonne

Cash cost of production per tonne of mineralized material processed decreased by 23% in 2017 to $57.07/t as compared to $74.03/t in 2016. It must be noted that the unit production cost for 2016 only reflects operating activities from the fourth quarter of 2016 as commencement of commercial production was declared as of October 1, 2016. No further discussion of the annual results is included herein as any figures generated would not be meaningful because of the large difference in production periods being referenced.

In Q4 2017 the cash cost of production per tonne of mineralized material processed decreased by 8% to $67.85/t as compared to Q4 2016. The Q4 2017 would have been lower if not for thetemporary suspension of milling operations for most of November 2017 pursuant to an order from PROFEPA.

Cash Cost per Silver Equivalent Ounce

Cash cost of production per silver equivalent ounce sold decreased by 17% in 2017 to $24.50/oz as compared to $29.66/oz in 2016. This change in unit costs reflects largely the improved production cost per tonne processed described above. Again, it must be noted that the unit production cost for 2016 only reflects operating activities from the fourth quarter of 2016 as commencement of commercial production was declared as of October 1, 2016. No further discussion of the annual results is included herein as any figures generated would not be meaningful because of the large difference in production periods being referenced.

Cash cost of production per silver equivalent ounce sold during Q4 of 2017 increased by 22% in 2017 to $36.18/oz as compared to $29.66/oz in 2016. As with the unit cost of production per tonne the Q4 2017 results were negatively impacted by the temporary suspension of milling activities in November pursuant to an order from PROFEPA. Further, the cash cost of production per silver equivalent ounce sold also reflects a combination of lower grade zinc and lead mineralized material being processed in Q4 2017 together with lower metal recoveries for gold, lead and zinc being realized as compared to 2016. The primary source of mill feed in Q4 2017 was mineralized material from Chorros and as previously referenced the Chorros proved to be an inconsistent source with respect to the head grade of the material mined resulting in an overall lower head grade than expected.

All-In Sustaining Cash Cost per Silver Equivalent Ounce

All-in sustaining cash cost of production per silver equivalent ounce sold decreased by 7% in 2017 to $29.33/oz as compared to $31.65/oz in 2016. It must be noted that the unit production cost for 2016 only reflects operating activities from the fourth quarter of 2016 as commencement of commercial production was declared as of October 1, 2016. No further discussion of the annual results is included herein as any figures generated would not be meaningful because of the large difference in production periods being referenced.

All-in sustaining cash cost of production per silver equivalent ounce sold increased by 38% in Q4 2017 to $43.62/oz as compared to $31.65/oz in 2016. This increase in unit costs occurred largely for the same reasons as described above with respect to the cash cost of production per silver equivalent ounce sold.

Rosario Project, Charcas, San Luis Potosi, Mexico

The Rosario Project currently 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.

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 ($120 paid). The property is subject to a 2.5% NSR.

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

	Three months ended December 31,		Years ended December 31,	
	2017	**2016**	**2017**	**2016**
Material Processed (tonnes milled)	13,317	16,636	78,963	91,852
Silver Equivalent Produced (ounces) (1)	74,683	99,749	442,329	828,094
Silver Equivalent Sold (payable ounces) (2)	56,172	85,860	345,602	854,284
Production - Silver (ounces)	18,652	39,900	112,663	425,838
- Gold (ounces)	186	179	1,007	496
- Lead (tonnes)	23	62	157	705
- Zinc (tonnes)	249	364	1,488	2,635
Average Grade – Silver (g/t)	53	81	52	155
– Gold (g/t)	0.60	0.55	0.52	0.25
– Lead (%)	0.24	0.42	0.25	0.84
– Zinc (%)	2.10	2.62	2.17	3.42
Metal Recovery – Silver (%)	81.7	91.8	85.5	93.0
– Gold (%)	72.6	61.3	76.6	68.3
– Lead (%)	73.6	87.5	80.4	83.9
– Zinc (%)	89.2	83.4	87.0	91.8
Cash Cost of Production per Tonne(3)	111.21	69.67	72.38	81.17
Cash Cost per Silver Equivalent ($/oz.) (3)	29.80	18.60	21.83	12.18
All-in Sustaining Cash Cost per Silver Equivalent ($/oz.) (3)	35.09	20.96	26.03	15.42

(1) Silver equivalent ounces produced in 2017 have been calculated using prices of $16.00/oz., $1,150/oz., $1.00/lb. and $1.15/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 2016 have been calculated using prices of $14.50/oz., $1,100/oz., $0.76/lb and $0.71/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 realized silver prices of $17.00 in 2017, 16.84 in 2016, $17.30 in Q4 2017 and $16.62 in Q4 2016, 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.

Rosario Operations Overview

Throughout a large portion of the year working capital constraints restricted the operations team from effectively managing operations resulting in a longer time period to complete the initial mine development at the Membrillo Prospect leading to reduced production.

During Q4 2017 management took the decision to suspend operations at both the Rosario Mine and Cinco Estrellas Property so as to focus all current mining activity on the Membrillo Prospect. Management is confident that additional mineral resources exist at the Rosario Mine that will be mined in the future but an exploration program primarily consisting of a surface drilling program needs to be completed and a mine plan developed before production will commence. With limited capital resources at present the Company has determined to concentrate on mining the Membrillo Prospect for the immediate future.

Similarly the Cinco Estrellas Property requires capital to further delineate mineral resources. As with the Rosario Mine, capital constraints are dictating that the recommencement of mining activity is not likely to occur for the immediate future.

At the Membrillo Prospect the Company has completed access to Levels 1 and 2 on the main Membrillo vein as well as on the San Rafael vein.
The mine plan for 2018 at the Membrillo Prospect targets increasing mine production to 350 tpd by the third quarter of this year.

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

In 2017 silver equivalent production from the Rosario Project decreased by 47% (385,765 ounces) compared to 2016. The decrease reflects a 14% decrease in tonnes milled combined with a 66% decrease in silver head grade. The decreased tonnage milled reflects inconsistent availability of mining equipment due to mechanical failures that were not remedied on a timely basis because of working capital constraints. The decreased head grade is the result of greater than anticipated mining dilution at the Cinco Estrellas Property and an extended period during which development material was the primary source of material being fed to the mill from the Membrillo Prospect. As at the date of this MD&A sufficient development has been completed that mineralized material sent to the milling facility will be sourced from mining stopes. The mining dilution experienced at the Cinco Estrellas Property led to management's decision to suspend operations there during Q4 2017.

Silver equivalent production in Q4 2017 decreased by 25% (25,066 ounces) as compared to Q4 2016. The decrease reflects a 20% decrease in tonnes milled combined with a 35% decrease in the silver head grade.

Cash Cost per Tonne

Cash cost of production per tonne of mineralized material processed decreased by 11% in 2017 to $72.38/t as compared to $81.17/t in 2016. This positive change in unit costs reflects cost savings measures implemented by management during 2017.

Cash cost of production per tonne of mineralized material processed increased by 60% in Q4 2017 to $111.21/t as compared to $69.67/t in 2016. This change in unit costs reflects a loss of economies of scale from processing fewer tonnes of mineralized material plus costs incurred in connection with the suspension of mining activities at the Cinco Estrellas Property.

Cash Cost per Silver Equivalent Ounce

Cash cost of production per silver equivalent ounce sold increased by 79% in 2017 to $21.83/oz as compared to $12.18/oz in 2016. This change in unit costs reflects in part a decrease of 66% in the silver grade of the mineralized material processed offset by an 28% reduction in cash costs of production. The decrease in grade is because of the mining dilution at the Cinco Estrellas Property and an extended period running development material at the Membrillo Prospect as referenced above.

Cash cost of production per silver equivalent ounce sold increased by 60% in the Q4 2017 to $29.80/oz as compared to $18.60/oz in 2016. This change in unit costs reflects a lower silver grade (35%) and a lower silver recovery (11%) offset by a 5% decrease in cash costs of production.

All-In Sustaining Cash Cost per Silver Equivalent Ounce

All-in sustaining cash cost of production per silver equivalent ounce sold increased by 69% in 2017 to $26.03/oz as compared to $15.42/t in 2016. This change in unit costs occurred largely for the same reasons as the cash cost of production per silver equivalent ounce sold increases as described above.

All-in sustaining cash cost of production per silver equivalent ounce sold increased by 67% in the fourth quarter of 2017 to $35.09/oz as compared to $20.96/t in 2016. This change in unit costs occurred largely for the same reasons as the cash cost of production per silver equivalent ounce sold increases as described above.

Technical Reports

May 17, 2016

On May 17, 2016 the Company filed on SEDAR the Original Zacatecas Report, for the Veta Grande Project located in Zacatecas, Mexico. For purposes of the Original Zacatecas Report, the Veta Grande Project was defined to include: the Veta Grande and Minillas Properties held under the agreement with Contracuña, and the Zacatecas Properties held under option from Golden Minerals Company. The Original Zacatecas Report, with an effective date of May 17, 2016, was prepared in accordance with CIM Standards, by independent qualified persons. The report was completed by Van Phu Bui, P.Geo. and Gilles R. Dessureau, P.Geo. of ARC Geoscience Group.

The Original Zacatecas Report noted that the Veta Grande Project mineral prospects were located in the Mexican Silver Belt and cover an area of 8,944 hectares (22,101 acres) in the Zacatecas Mining District, Zacatecas, Mexico, including two significant vein systems known for silver mineralization in the district: La Cantera and Veta Grande, both of which have extensive artisanal and small scale mining histories.

Oxide and sulfide bearing quartz veins within the La Cantera and Veta Grande vein systems strike northwest-southeast, generally dip southwest, and are characterized as low-sulfidation epithermal silver (+lead+zinc+gold) veins. They range in thickness from less than 1 m to over 30 m, average between 2-10 m, and in some instances have been traced along surface for several kilometres.

The Original Zacatecas Report characterized the Veta Grande Project as an intermediate stage mineral exploration project for the following reasons: access to past underground workings for continued exploration, a permitted mineral processing facility for 500 tpd with current operating capacity of approximately 700 tpd, and good infrastructure being situated between the municipality of Veta Grande and the state capital of Zacatecas. The project has access to electric power, highways and paved roads, civil amenities, and a local skilled labor force.

November 17, 2016

On November 17, 2016 the Company filed on SEDAR an independent Technical Report titled “2016 Mineral Resource Estimate, Panuco Deposit, Zacatecas, Mexico" (the "Panuco Report"), for the Panuco deposit located in Zacatecas, Mexico. The Panuco Report, with an effective date of October 5, 2016, was prepared in accordance with CIM Standards, by independent qualified persons. The report was completed by Van Phu Bui, P.Geo. of ARC Geoscience Group and Gary H. Giroux, P.Eng. of Giroux Consultants Ltd.

The report contained an estimated inferred mineral resource of 16,342,456 AgEq ounces grading 192.40 g/t AgEq (or 181.0 g/t Ag, 0.17 g/t Au, 0.02 % Pb, and 0.04 % Zn) at a cut-off grade of 100 g/t AgEq. The report noted that the Panuco deposit is a low sulfidation (silver-gold, ±lead-zinc) vein system comprised of three vein structures: Panuco Central vein, Panuco NW vein and Tres Cruces vein. The Mineral Resource Estimate presented in the report encompasses all three vein structures and includes mineralization defined by trenching and drilling over a distance of 2.4 km. The report also noted that the Panuco resource sits outside of currently mined areas of the Veta Grande and La Cantera vein systems and is the first indication of mineral resource growth potential in the Veta Grande project area. The veins are open along strike and down dip, providing numerous drill targets to further clarify resource potential. A drill program was recommended to continue to explore and expand the resource base.

February 15, 2017

On February 15, 2017 the Company filed on SEDAR an independent Technical Report titled "Technical Report, Veta Grande Project, Zacatecas State, Mexico" (the "Expanded Zacatecas Report"), with an effective date of January 31, 2017, prepared in accordance with CIM Standards, by independent qualified persons. The report was completed by Van Phu Bui, of ARC Geoscience Group and Gary H. Giroux, P.Eng. of Giroux Consultants Ltd.

The Expanded Zacatecas Report updated the geological information contained in the Report (SEDAR filed on May 17, 2016) and combined this information with the resource estimate and associated information contained in the Panuco Report (SEDAR filed on November 17, 2016).

February 28, 2017
On February 28, 2017 the Company filed on SEDAR an independent Technical Report titled "Technical Report, Veta Grande Project, Zacatecas State, Mexico" (the "Amended Zacatecas Report"), with an effective date of January 31, 2017, prepared in accordance with CIM Standards, by independent qualified persons. The report was completed by Van Phu Bui, P.Geo. of ARC Geoscience Group and Gary H. Giroux, P.Eng. of Giroux Consultants Ltd.

The Amended Zacatecas Report was filed at the request of the BC Securities Commission to clarify certain matters contained in the Expanded Zacatecas Report. The amendments did not include new data or other inputs and there was no material change to any interpretations, results or conclusions.

Copies of the reports are available on SEDAR or the Company's website, www.santacruzsilver.com

Selected Annual Information
The Company’s fiscal period ends on December 31. The following is a summary of certain selected audited financial information for the last three completed fiscal years:

(Prepared in accordance with IFRS; Expressed in thousands of US Dollars except per share amounts)	**2017**	**2016**	**2015**
	$	**$**	**$**
Cash	35	40	277
Working Capital (Deficiency)(2)	(12,367)	(11,668)	(4,050)
Mineral Property Interest	6,744	21,140	36,199
Total Assets	27,671	51,879	63,929
Total Liabilities	20,664	26,425	31,114
Total Equity	7,007	25,454	32,815
Total Revenues	11,396	11,812	8,643
Net Loss(3)	(22,906)	(18,506)	(24,232)
Net Loss Per Share (basic and diluted)(1)(3)	(0.14)	(0.14)	(0.23)

(1) The basic and diluted loss per share calculations result in the same amount due to the anti-dilutive effect of outstanding stock options and warrants, if any.
(2) The 2017 working capital deficiency balance includes $nil (2016 - $5,000; 2015 - $7,987) owing to JMET following the restructuring of the Amended JMET Agreement and/or pursuant to the Amended JMET Agreement.
(3) The 2017 net loss includes an impairment of the Rosario Property of $14,975 (2016 and 2015 - $nil), the San Felipe project of $nil (2016 - $15,615; 2015 - $19,426), and the Gavilanes Property of $5,284 (2016 and 2015 - $nil). It also includes a gross margin from mining services of $856 (2016 and 2015 - $nil).
(4) Revenues in 2017 include $3,580 (2016 and 2015 - $nil) from mining services.

Financial Results

Review of Operations

	Three months ended December 31,		Years ended December 31,	
	2017	**2016**	**2017**	**2016**
Revenue				
Mining operations	1,292	1,874	7,816	11,812
Mining services	3,580	-	3,580	-
	4,872	**1,874**	**11,396**	**11,812**
Cost of sales				
Direct cost of sales - mining operations	2,766	3,111	11,684	9,404
Direct cost of sales - mining services	2,724	-	2724	-
Depletion and amortization	(167)	659	2,144	2,459
	5,323	**3,770**	**16,552**	**11,863**
Gross loss	**(451)**	**(1,896)**	**(5,156)**	**(51)**
Operating expenses				
Administrative	(171)	92	(449)	(295)
Management and consulting fees	(108)	(64)	(401)	(342)
Professional fees	(64)	(186)	(625)	(683)
Share-based payments	-	-	(1)	(386)
Other	(59)	(165)	(406)	(513)
	(402)	**(323)**	**(1,882)**	**(2,219)**
Loss on disposal of equipment	**(415)**	**-**	**(415)**	**-**
Impairment	**(10,445)**	**1,073**	**(20,079)**	**(15,615)**
Interest earned and other finance income				
Interest earned	19	3	21	6
IVA recovery inflationary gain	-	(6)	464	166
Change in fair value of derivative assets	-	-	3,569	-
Gain on settlement of debt	-	-	-	6,377
Foreign exchange gain	317	-	-	503
	336	**(3)**	**4,054**	**7,052**
Interest Expense and Other Finance Expenses				
Accretion of decommissioning and restoration provision	(9)	(9)	(34)	(37)
Change in fair value of derivatives	(240)	(1,651)	-	(5,562)
Foreign exchange loss	-	(165)	(522)	-
Interest expense on loan payable	(33)	(7)	(61)	(66)
Interest expense on silver loan	-	-	-	(2,057)
Interest expense and loss on settlement of JMET note	93	(232)	(396)	(232)
	(189)	**(2,064)**	**(1,013)**	**(7,954)**
Income tax recovery (expense)	1,554	(433)	1,585	281
Net income (loss) for the period	**(10,012)**	**(3,646)**	**(22,906)**	**(18,506)**

Year ended December 31, 2017

The Company recorded a net loss of $22,906 ($0.14 per share) for the year ended December 31, 2017 compared to a net loss of $18,506 ($0.14 per share) for the year ended December 31, 2016. The net losses in both years included significant impairment charges, $20,079 in 2017 and $15,615 in 2016, related in both years to dispositions of certain mineral properties and in 2017 to a charge to the carrying value of the Rosario Project. The 2017 financial results include revenues and cost of sales relating to the Mining Services contract with Carrizal. The gross margin from the Mining Services contract amounted to $856 while the gross margin from mining operations was a loss of $6,012 (2016 – loss of $51).

Revenues in 2017 of $11,396 include mining operations of $7,816 (2016 - $11,812) and mining services of $3,580 (2016 - $nil). As noted above the mining services revenue is in connection with the Mining Services contract with Carrizal. Based on projected contracted mining services, management anticipates that this revenue will be approximately $2,600 per month in 2018.

The 2017 mining operations revenue was generated in approximate equal amounts from the Veta Grande Project (47%) and Rosario Project (53%) whereas in 2016 mining operations revenue related mostly to the Rosario Project ($10,922). The decreased Rosario Project revenue is primarily the result of less tonnes milled, lower silver and zinc head grade and lower silver recovery. As noted elsewhere in this MD&A management took the decision to suspend mining operations at the Cinco Estrellas Property and Rosario Mine in Q4 2017 and is focusing ongoing mining activity at the Rosario Project on the Membrillo Prospect. With respect to the Veta Grande Project, revenues were lower than expected as the head grade of the mineralized material sent to the milling facility was largely sourced from Chorros during the year which proved to have inconsistent mineralization and an overall lower grade than anticipated.

Direct cost of sales in 2017 includes mining operations of $11,684 (2016 - $9,404) and mining services of $2,724 (2016 - $nil). The increase in mining operations cost of sales is largely a result of a full year of operations at the Veta Grande mine as compared to three months in 2016 as it commenced commercial production in the fourth quarter of 2016.

The operations for the year ended December 31, 2017 resulted in a gross loss of $5,156 (2016 – $51). This increase in loss is largely the result of decreased mining operations revenue during the current year for the reasons referenced above.

During the year ended December 31, 2017 the Company recorded operating expenses of $1,882 as compared to $2,219 in the year ended December 31, 2016. This is primarily the result of a decrease in share-based payments of $385.

As detailed in Note 20(a) to the 2017 Financial Statements, interest earned and other finance income decreased for the year ended December 31, 2017 compared to the year ended December 31, 2016 due to a gain on settlement of debt of $6,377 in the year ended December 31, 2016, offset by a change in fair value of derivative liabilities of $3569 recorded in the year ended December 31, 2017 related to the settlement of certain forward exchange contracts during the year.

As detailed in Note 20(b) to the 2017 Financial Statements, interest expense and other finance expenses in 2017 of $1,013 (2016 - $7,954) decreased as silver loan interest expense was nil in 2017 (2016 - $2,057) and the change in derivatives associated with the JMET Note were nil in 2017 (2016 - $5,562) as these derivatives were settled in 2016.

Summary of Quarterly Results

	THREE MONTHS ENDED			
(Expressed in thousands of US Dollars except per share amounts)	**Dec 31, 2017**	**Sep 30, 2017**	**Jun 30, 2017**	**Mar 31, 2017**
	$	**$**	**$**	**$**
Revenues – Mining operations	1,292	1,798	2,641	2,085
Revenues – Mining services	3,580	-	-	-
Cost of sales – Mining operations	2,766	3,617	4,468	3,144
Cost of sales – Mining services	2,724	-	-	-
Administrative expenses	402	500	497	483
Net loss(2)(3)	(10,012)	(5,899)	(8,485)	1,490
Net income (loss) per share(1)	(0.06)	(0.04)	(0.05)	0.01
	THREE MONTHS ENDED			
	Dec 31, 2016	**Sep 30, 2016**	**Jun 30, 2016**	**Mar 31, 2016**
Revenues – Mining operations	1,874	3,026	3,375	3,537
Cost of sales – Mining operations	3,770	2,240	2,778	3,075
Administrative expenses	323	512	586	798
Net loss(5)	(3,646)	(11,064)	(796)	(3,000)
Net loss per share(1)	(0.02)	(0.08)	(0.01)	(0.03)

(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 Q1 2017 net income arose from a decrease in derivative liabilities of $3,308 recorded in the period.
(3) The Q3 2017 net loss includes an impairment of the Rosario Project of $4,350.
(4) The Q4 2017 net loss includes an impairment of the Rosario Project of $10,445.
(5) The Q3 2016 net loss includes an impairment of the San Felipe Project of $15,615 and a gain on settlement of debt of $6,377.

Fourth quarter ended December 31, 2017
The Company recorded a net loss of $10,012 ($0.06 per share) for the quarter ended December 31, 2017, as compared to a net loss of $3,646 ($0.02 per share) for the quarter ended December 31, 2016. The increase in net loss on a quarter over quarter basis arose in large part from the impairment charge of $10,445 taken against the Rosario Project in Q4 2017.

The Company recorded mining operations revenue of $1,292, a decrease of $582 or 31% in the quarter ended December 31, 2017 as compared to the quarter ended December 31, 2016 primarily because of a decreased production from the Veta Grande Project as discussed elsewhere in this MD&A. The Company recorded $3,580 of revenue from mining services for the first time in Q4 of 2017.

Direct cost of sales for mining operations decreased by 11% on a comparative basis to Q4 2016 but the unit cost per tonne processed increased by 20% as a result of processing fewer tonnes at both the Veta Grande Project and Rosario Project.

Resource and Exploration Update

Zacatecas Properties, Zacatecas City, Zacatecas, Mexico
On May 2, 2016 the Company entered into an option agreement to acquire from Golden Minerals the Zacatecas Properties.

The Zacatecas Mining District is located in the central part of Mexico, in the main Mexico Silver Belt. The Zacatecas Properties are located at the periphery of the Zacatecas, Veta Grande, Guadalupe, Pánuco, and Morelos municipalities in the state of Zacatecas, Mexico and consist of 149 concessions covering approximately 7,800 hectares and is part of the Veta Grande Project.

In order to acquire the Zacatecas Properties the Company is required to pay to Golden Minerals the sum of $1,500 including an initial payment of $200 on signing the agreement (paid) plus additional payments as follows: $200 on or before November 2, 2016 (paid); $300 on or before May 2, 2017 (paid); $150 on or before November 2, 2017 (paid); $24 on February 8, 2018 (paid); $225 on or before March 15, 2018 (paid); $225 on or before July 15, 2018; and $225 on or before September 15, 2018. A 1% NSR exists with the original property vendors on some of the claims included in the Zacatecas Properties.

When combined with the Company's existing exploration and mining rights acquired under the agreement with Contracuña the Company now controls approximately 8,900 hectares in the historic and prolific silver mining belt of Zacatecas. The neighbouring area includes such mines as the Fresnillo Silver Mine operated by Fresnillo, the Madero Mine operated by Peñoles, and the Cozamin Mine operated by Capstone Mining Corporation.

On November 17, 2016 the Company filed on SEDAR the Panuco Report, and subsequently filed the Expanded Zacatecas Report and the Amended Zacatecas Report on February 15 and February 28, 2017, respectively. Copies of these reports are available on SEDAR or on the Company's website, www.santacruzsilver.com.

Manillas Property, Genaro Cidina, Zacatecas, Mexico
The Minillas Property covers approximately 178 hectares and is located in the Zacatecas State about 25 kilometers southeast of the Zacatecas City in the municipality of Genaro Codina. Access is by paved highway toward Santa Teresa and from there 6 kilometers to the village of Minillas. The Minillas Property is part of the Veta Grande Project.

A number of historic workings surround the village including mine shafts and developments related to exploration activities by small British and American mining companies during the 1800´s.

The Company has not completed any work on this property to date.

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 Rosario Project and the Veta Grande Project 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 Rosario Project and the Veta Grande

Project 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.

Veta Grande Project

(Expressed in thousands of US Dollars except ounces, tonnes, per ounce and per tonne amounts)	**Three months ended December 31,**		**Years ended December 31,**	
	2017	**2016**	**2017**	**2016**
Production costs	1,225	1,957	5,864	1,957
Inventory change	(27)	(24)	(37)	(24)
Cash Cost of Production (A)	1,198	1,933	5,827	1,933
Production costs	1,225	1,957	5,864	1,957
Concentrate treatment, smelting and refining cost	151	442	1,442	442
Cash Cost of Silver Equivalent Sold (B)	1,376	2,399	7,306	2,399
Material processed (tonnes milled) (C)	17,657	26,110	102,110	26,110
Cash Cost of Production per Tonne (A/C)	67.85	74.03	57.07	74.03
Silver Equivalent Sold (payable ounces) (D)	38,032	80,874	298,165	80,874
Cash Cost per Silver Equivalent Ounce (B/D)	36.18	29.66	24.50	29.66

Rosario Project

(Expressed in thousands of US Dollars except ounces, tonnes, per ounce and per tonne amounts)	**Three months ended December 31,**		**Years ended December 31,**	
	2017	**2016**	**2017**	**2016**
Direct cost of sales	1,541	1,154	5,820	7,447
Inventory change	(60)	5	(105)	9
Cash Cost of Production (A)	1,481	1,159	5,715	7,456
Direct cost of sales	1,541	1,154	5820	7,447
Concentrate treatment, smelting and refining cost	133	443	1,723	2,959
Cash Cost of Silver Equivalent Sold (B)	1,674	1,597	7,543	10,406
Material processed (tonnes milled) (C)	13,317	16,636	78,963	91,852
Cash Cost of Production per Tonne (A/C)	111.21	69.67	72.38	81.17
Silver Equivalent Sold (payable ounces) (D)	56,172	85,860	345,602	854,284
Cash Cost per Silver Equivalent Ounce (B/D)	29.8	18.60	21.83	12.18

***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 June 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 Gavilanes Property and Zacatecas Properties, and the Veta Grande Project prior to October 1, 2016, 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 consolidated financial statements.

Veta Grande Project

(Expressed in thousands of US Dollars except ounces and per ounce amounts)	**Three months ended December 31,**		**Year ended December 31,**	
	2017	**2016**	**2017**	**2016**
Direct cost of sales	1,225	1,957	5,864	1,957
Concentrate treatment, smelting and refining cost	151	442	1,442	442
Sustaining capital expenditures	-	-	16	-
Deferred ramp expenditures	66	-	467	-
General and administrative expenses	217	161	956	161
All-in Sustaining Cost	1,659	2,560	8,745	2,560
Silver Equivalent Sold (payable ounces)	38,032	80,874	298,165	80,874
All-in Sustaining Cost per Silver Equivalent Ounce Sold	43.62	31.65	29.33	31.65

Rosario Project

(Expressed in thousands of US Dollars except ounces and per ounce amounts)	Three months ended December 31,		Years ended December 31,	
	2017	**2016**	**2017**	**2016**
Direct cost of sales	1,5451	1,154	5,820	7,447
Concentrate treatment, smelting and refining cost	133	443	1,723	2,959
Sustaining capital expenditures	-	26	42	183
Deferred ramp expenditures	72	6	418	494
General and administrative expenses	216	162	957	1,667
Share-based payments	-	-	1	386
Accretion of decommissioning and restoration provision	9	9	34	37
All-in Sustaining Cost	1,971	1,800	8,995	13,173
Silver Equivalent Sold (payable ounces)	56,172	85,860	345,602	854,284
All-in Sustaining Cost per Silver Equivalent Ounce Sold	35.09	20.96	26.403	15.42

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.

Veta Grande Project

(Expressed in thousands of US Dollars except ounces and per ounce amounts)	Three months ended December 31,		Years ended December 31,	
	2017	**2016**	**2017**	**2016**
Revenues	483	890	3,664	890
Add back: Treatment, smelting and refining charges	151	442	1,442	442
Gross Revenues	634	1,332	4,472	1,332
Silver Equivalent Sold (ounces)	38,032	80,874	261,143	80,874
Avg Realized Price per Ounce of Silver Equivalent Sold	16.67	16.47	17.12	16.47
Avg Market Price per Ounce of Silver per London Silver Fix	16.70	17.18	17.05	17.18

(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)	Three months ended December 31,		Years ended December 31,	
	2017	**2016**	**2017**	**2016**
Revenues	809	984	4,152	10,922
Add back: MPPP impact	-	-	-	901
Add back: Treatment, smelting and refining charges	133	443	1,723	2,959
Gross Revenues	942	1,427	4,933	14,782
Silver Equivalent Sold (ounces)	56,172	85,860	290,188	854,284
Avg Realized Price per Ounce of Silver Equivalent Sold(1)	16.77	16.62	17.00	17.30
Avg Market Price per Ounce of Silver per London Silver Fix	16.70	17.18	17.05	17.10

(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.

When the average realized price of silver is below the MPPP price for the respective period, the amount earned on the MPPP is taken into account for the purposes of this calculation. For the fourth quarter of 2015, the MPPP price for silver was $17.00/oz.

Non-IFRS Measures – Additional Information

The Company uses additional non-IFRS measures which include Mine Operations Income (Loss) and EBITDA. These additional financial disclosure measures are intended to provide additional information.

Mine Operations Income (Loss)

Mine operations income (loss) represents the difference between revenues and mine operating expenses, less depletion, depreciation and amortization expenses. Management believes that mine operations income (loss) provides useful information to investors for evaluating the Company's mining performance.

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 three months and years ended December 31, 2017 and 2016.

	Three months ended December 31,		**Years ended December 31,**	
	2017	**2016**	**2017**	**2016**
Net loss for the period as reported	(10,012)	(3,646)	(22,906)	(18,506)
Income tax expense (recovery)	(1,554)	433	(1,585)	(281)
Interest earned and other finance income and gain on the settlement of debt	(19)	3	(4,054)	(6,549)
Interest expense and other finance expenses	147	1,883	396	7,851
Interest expense on loan payable	33	7	61	66
Accretion expense	9	9	34	37
Amortization and depletion of mineral properties, plant and equipment	(167)	659	2,155	2,464
EBITDA	(11,563)	(652)	(25,899)	(14,918)
Impairment of exploration and evaluation properties	10,445	(1,073)	20,079	15,615
Foreign exchange	(317)	165	522	(503)
Share-based payments	-	-	1	386
Adjusted EBITDA	(1,435)	(1,560)	(5,297)	580

Pre-paid Silver Purchase

On October 2, 2014, the Company entered a Prepaid Silver Purchase Agreement with JMET, LLC (“JMET”) (the "**JMET Agreement**") to receive gross proceeds of $28,400 pursuant to which the Company agreed to sell to JMET 4,635,000 ounces of silver through August 2019, subject to certain adjustments relating to metal prices.

Various amendments were made to the JMET Agreement from November 27, 2014 through July 14, 2016 and certain payments were made against the outstanding balance in this period.

On July 14, 2016 the Company completed a restructuring (the "**Restructuring**") of the JMET Agreement, as amended, such that the Company no longer had any metal delivery obligations to JMET. In connection with the Restructuring, the Company made a $7,777 payment against the outstanding indebtedness under the JMET Agreement, as amended, and issued JMET a new secured note in the amount of $4,890 (the "**JMET Note**"), bearing interest at 14% per annum. The Company incurred transaction costs of $100 in relation to the Restructuring. In addition, the Company also agreed to pay JMET $1,500 of restructuring and finance fees, which fees were payable in 2019 and were secured by all of the assets of the Company.

Also pursuant to the Restructuring, the Company issued 3,750,000 warrants to JMET (the "**JMET Warrants**"). Each JMET Warrant was exercisable to acquire one common share of the Company at a price of CAD$0.55 per share and expired on December 31, 2018.
As a result of the successful completion of the ASC Transaction and the First Majestic Transaction the outstanding balance of the JMET Note ($4,890) was repaid in full. In addition, in connection with the completion of the Gavilanes Transaction, the outstanding balance owing to JMET with respect to restructure fees ($1,500) was settled in full with a payment of $1,200 Further, upon making the final payment to JMET for restructuring fees, JMET tendered to the Company the JMET Warrants for cancellation.

Loan Payable
On December 22, 2015, the Company entered into a short-term loan facility (the “Loan”) with Trafigura Mexico, S.A. de C.V. (“Trafigura”) in the principal amount of $725. The Loan bore interest at LIBOR plus 10%, payable monthly in arrears, with the principal to be repaid in six equal monthly installments commencing January 31, 2016. The Loan was secured by certain personal assets of the CEO of the Company. 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 Loan was $731. Pursuant to the terms of the Amended Loan, Trafigura will advance 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 terminating on March 31, 2019. The monthly installment amounts will be the greater of $109,245 and 10% of the net concentrate sales amount for the respective month. The Amended Loan is secured by certain personal assets of the CEO of the Company and by a first charge on the Rosario Project mineral concessions. On February 15, 2018, Trafigura advanced the $580 to the Company.

In connection with this personal guarantee of the Loan, the Company agreed to issue 3,000,000 bonus warrants to the CEO. On January 11, 2016, the Company issued the 3,000,000 bonus warrants, each of which was exercisable to purchase one common share for a price of CDN$0.15 expiring January 11, 2017. All 3,000,000 bonus warrants were exercised during the year ended December 31, 2016. The fair value of the bonus warrants ($59) was estimated using the Black Scholes option-pricing model and was recorded against the balance of the loan payable.

Credit facility
On November 30, 2017, 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 10 to 12 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 $200 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 is unsecured and the implied carrying charges that are tied to the spread between the US dollar and Mexican peso foreign exchange rates is approximately 70% per annum.

Management expects to repay the facility in full by the end of the Q2 2018.

Use of Proceeds from Financings

The Company will use the net proceeds of $719 (CDN$895) from the July 28, 2017 public offering of units for general working capital and corporate purposes.

The Company used the net proceeds of $11,073 (CDN$14,279) from the July 14, 2016 public offering of units as follows:

	Original Estimated Expenditure	Approximate Actual Expenditure
Silver pre-payment restructuring	6,000	6,000
Additional partial payment of indebtedness to JMET	1,777	1,777
Costs of the offering	155	288
General working capital	3,141	3,008
	11,073	**11,073**

Capital Expenditures

The Company incurred expenditures of $9,168 on its mineral properties during the year ended December 31, 2017. The Company currently has two mineral property option agreements that are outstanding being the agreement with Golden Minerals for the Zacatecas Properties and the agreement with Contracuña for the Veta Grande Project

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

Liquidity and Capital Resources and Going Concern

As at December 31, 2017, the Company had cash and cash equivalents of $35 (December 31, 2016 – $40) and a working capital deficiency of $12,367 (December 31, 2016 – $11,668). During the year ended December 31, 2017, net cash used in operating activities was $3,619, net cash provided by investing activities was $8,392 including costs relating to the exploration activities on its mineral properties as well as the proceeds realized on disposal of various mineral properties; and net cash used for financing activities was $4,743 including repaying $6,238 against the JMET Note.

During the year ended December 31, 2016, the Company entered into a series of forward contracts to purchase Mexican pesos in exchange for a total of $42,000 at 18.874 Mexican pesos per US dollar over the time period from October 31, 2016 to December 31, 2017 inclusive. All of the outstanding forward contracts settled during the year ended December 31, 2017. A loss of $145 was incurred in connection with the settlement of the contracts.

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

At December 31, 2017, in addition to the working capital deficiency referenced above, the Company had accumulated an inception to date deficit of $99,678. 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:

- Malaspina Consultants Inc., a company owned by Robert McMorran, the Chief Financial Officer
- 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 years ended December 31, 2017 and 2016, the Company incurred the following charges by directors and officers of the Company and by companies controlled by directors and officers of the Company:

	2017 $	2016 $
Mining Services		
Revenues [1]	3,580	-
Cost of sales [2]	1,500	-
Expenses		
Accounting and corporate secretarial fees [3]	149	252
Directors' fees [4]	62	68
Management fees [5]	196	186
Share-based payments	-	293
Salaries and benefits capitalized [5]	-	113

(1) The amount recorded relates to services provided to Carrizal Mining S.A. de C.V.

(2) The amount recorded relates to equipment rented to and materials provided to the Company by Carrizal Mining S.A. de C.V.

(3) The charge includes accounting and corporate secretarial fees paid or payable to Malaspina Consultants Inc.

(4) The charge includes directors' fees paid or payable to Federico Villaseñor, Roland Löhner, and Larry Okada.

(5) The charge in 2017 includes management fees paid to Arturo Préstamo Elizondo, the Chief Executive Officer. In 2016 the charge includes management fees paid to Arturo Préstamo Elizondo, the Chief Executive Officer, as well as salaries and benefits paid to César Maldonado, former Chief Operating Officer.

At December 31, 2017, directors and officers or their related companies were owed $266 (December 31, 2016 – $227) in respect of the services rendered. These are non-interest bearing with standard payment terms.

In connection with the personal guarantee of the Loan by the CEO of the Company, the Company issued 3,000,000 bonus warrants to the CEO, each of which was exercisable to purchase one common share for a price of CDN$0.15 expiring January 11, 2017. All 3,000,000 bonus warrants were exercised during the year ended December 31, 2016.

The Company entered into certain mining equipment leases expiring between 2017 and 2020 with an interest rate between 6.5% and 10.5% per annum. $532 of lease payments were paid during the year ended December 31, 2017 (2016 - $583) and $998 of the leases payable outstanding at December 31, 2017 were owed to a company owned by the CEO of the Company (2016 - $1,484).

The Company entered into the Mine Services Agreement (note 19) as well as the Carrizal LOI (Note 10b) with a related company with common directors during the year ended December 31, 2017. As at December 31, 2017, $1,552 was owing from Carrizal (2016 - $nil).

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.

Financial Instruments

Fair Value of Financial Instruments

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

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

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

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

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

Management of Risks Arising from Financial Instruments

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

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

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

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

Contractual cash flow requirements as at December 31, 2017 were as follows:

	< 1 year $	1 – 2 years $	2 – 5 years $	>5 years $	Total $
Accounts payable and accrued liabilities	15,783	-	-	-	15,783
Loan payable	1231	-	-	-	1,231
Leases	1,477	489	-	-	1,966
Total	18,491	489	0	-	18,980

(iv) Foreign Exchange Rate Risk – The Company operates in Canada and Mexico and is exposed to foreign exchange risk due to fluctuations in the US dollar and Mexican peso. Foreign exchange risk arises from financial assets and liabilities denominated in these foreign currencies. The sensitivity of the Company's net loss to changes in the exchange rate between the US dollar and respectively the Mexican peso and the Canadian dollar would be as follows: a 10% change in the US dollar exchange rate relative to the Mexican peso would change the Company's net loss by approximately $1,015 and a 10% change in the US dollar exchange rate relative to the Canadian dollar would change the Company's net loss by approximately $108.

The Company's financial assets and liabilities as at December 31, 2017 are denominated in Canadian dollars, US dollars, and Mexican pesos as follows:

	Canadian dollar $	US dollar $	Mexican peso $	Total $
Financial assets				
Cash and cash equivalents	10	14	11	35
Trade receivables	-	603	3,051	3,654
Other receivables	4	-	1,802	1,806
	14	617	4,864	5,495
Financial liabilities				
Accounts payable and accrued liabilities	443	72	15,268	15,783
Loan payable	-	1,231	-	1,231
	443	1,303	15,268	17,014
Net financial liabilities	(429)	(686)	(10,404)	(11,519)

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

Critical Judgements in Applying Accounting Policies

The critical judgements that the Company's management has made in the process of applying the Company's accounting policies, apart from those involving estimations that have the most significant effect on the amounts recognized in the Company's consolidated financial statements are as follows:

Economic Recoverability and Probability of Future Economic Benefits of Exploration, Evaluation and Development Costs

Management uses several criteria in its assessments of economic recoverability and probability of future economic benefit including geologic and metallurgic information, scoping and feasibility studies, accessible facilities, existing permits and life of mine plans.

Commencement of Commercial Production

When a project nears the end of construction, management has to exercise judgement to determine the date in which the asset was in the location and condition necessary to operate as intended by management at which point commercial production is considered to have commenced. The identification of this date is important since it establishes the point in time at which costs cease to be capitalized unless they provide an enhancement to the economic benefits of the asset, borrowing costs cease to be capitalized, processing costs begin to stabilize, the capitalization of pre-production revenue ceases and depreciation of the asset begins. Criteria used to assess when a property has commenced commercial production include, among other considerations:

- the level of capital expenditures incurred relative to the expected costs to complete;
- the completion of a reasonable period of testing of the mine plant and equipment;
- the ability to produce saleable metals;
- the attainment of relevant permits;
- the ability to sustain ongoing production; and
- the achievement of pre-determined production targets.

Management determined the start date of the Veta Grande Mine commercial production to be October 1, 2016**.**

Functional Currency

The functional currency for each of the Company's subsidiaries is the currency of the primary economic environment in which the entity operates. Determination of functional currency involves certain judgements to determine the primary economic environment of an entity. The Company re-evaluates the functional currency of its entities when there is a change in events and conditions which previously determined the primary economic environment of an entity.

Collectability and Classification of Value Added Tax ("VAT") Recoverable

VAT recoverable is collectible from the government of Mexico. The collection of VAT is subject to risk due to the complex application and collection process and therefore, risk related to the collectability and timing of payment from the Mexican government. The Company uses its best estimates based on the facts known at the time and its experience to determine its best estimate of the collectability and timing of these recoveries. At December 31, 2017, of the $3,831 balance due the amount of $1,751 is expected to be recoverable and collectible within twelve months from the year end. Changes in the assumptions regarding collectability and the timing of collection could impact the valuation and classification of VAT recoverable.

Key Sources of Estimation Uncertainty

The preparation of consolidated financial statements requires that the Company's management make assumptions and estimates of effects of uncertain future events on the carrying amounts of the Company's assets and liabilities at the end of the reporting period. Actual results may differ from those estimates as the estimation process is inherently uncertain. Actual future outcomes could differ from present estimates and assumptions, potentially having material future effects on the Company's consolidated financial statements. Estimates are reviewed on an ongoing basis and are based on historical experience and other facts and circumstances. Revisions to estimates and the resulting effects on the carrying amounts of the Company's assets and liabilities are accounted for prospectively.

The significant assumptions about the future and other major sources of estimation uncertainty as at the end of the reporting period that have a significant risk of resulting in a material adjustment to the carrying amounts of the Company's assets and liabilities are as follows:

Mineral resources estimate

The lives of the Rosario Project and the Veta Grande Project are determined from the tonnes of mineralized material that are available to be extracted at the end of each reporting period. The Company initially estimates the tonnes of mineralized material available based on either the findings of qualified, independent, mining professionals, or on the findings of its own technical staff. These estimates are updated from time to time as additional technical and economic information becomes available. Factors that impact the computation of tonnes of mineralized material available include the geological data on the size, depth and shape of the mineralized body, the prevailing and expected market price for the underlying metals to be extracted and the expected costs to extract and process the mined material. Changes in the mineable tonnes of mineralized material available may impact the carrying values of mine properties, exploration and evaluation properties, plant and equipment, site closure and reclamation provision and changes in the recognition of deferred tax amounts in addition to changes in the recognition of depreciation and depletion.

Review of asset carrying values and impairment assessment

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

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

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

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

Based on a review of the Rosario Project CGU and Veta Grande Project CGU for impairment indicators, it was identified that there were indicators that an impairment loss may have occurred at both these CGU’s, primarily as a result of the actual performance being less than expected. The recoverable amount for the Veta Grande Project was determined by reference to the LOI with Carrizal which exceeded the carrying value of the Veta Grande Project CGU at December 31, 2017 by $7,180. As such no impairment charge has been recognized on the Veta Grande Project in the statement of loss in 2017.

The recoverable amount for the Rosario Project was determined by reference to a FVLCD model which was less than the carrying value of the Rosario Project CGU at September 30, 2017 by $4,350 and at December 31, 2017 by a further $10,445.

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

Although management believes the estimates applied in this impairment assessment are reasonable, such estimates are subject to significant uncertainties and judgments. The Company has recorded an impairment charge of $14,975 before tax against the carrying value of the Rosario Project during the year ended December 31, 2017.

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

Year End Commodity Price Assumptions	**2018 $**	**2019 $**	**2020 $**	**2021 $**	**2022 $**
Silver (per oz)	17.91	18.46	18.87	19.05	19.05
Gold (per oz)	1,295	1306	1,316	1,310	1,3164
Lead (per lb)	1.06	1.04	1.00	0.98	0.93
Zinc (per lb)	1.44	1.32	1.19	1.17	1.07

The assumptions subject to the most estimation uncertainty for the FVLCD calculation are the commodity prices. To illustrate this sensitivity, the recoverable amount would be reduced by $198 if the commodity prices declined by 1%.

Fair value of derivative assets and liabilities

The fair value of the derivative assets and liabilities are determined using the Black-Scholes pricing model at each reporting period and changes in fair value recorded in profit and loss. The Black-Scholes pricing model utilizes assumptions including silver, gold, lead and zinc commodity price volatility, and counterparty credit adjusted discount rate. Changes in these input assumptions can significantly affect the fair value estimate. Fair value of the foreign exchange forward contacts is determined based on the discounted payoff on maturity date.

Decommissioning and restoration provision

Mining and exploration activities are subject to various laws and regulations governing the protection of the environment. In general, these laws and regulations are continually changing and the Company has made, and intends to make in the future, expenditures to comply with such laws and regulations. Accounting for reclamation and remediation obligations requires management to make estimates of the future costs the Company will incur to complete the reclamation and remediation work required to comply with existing laws and regulations at each mining operation and exploration and development property. In addition, future changes to environmental laws and regulations may increase the extent of reclamation and remediation work required to be performed by the Company. Increases in future costs could materially impact the amounts charged to operations for site closure and reclamation. The provision represents management's best estimate of the present value of the future site closure and reclamation obligation.

Due to uncertainties concerning environmental remediation, the ultimate cost to the Company of future site restoration could differ from the amounts provided. The estimate of the total provision for future site closure and reclamation costs is subject to change based on amendments to laws and regulations, changes in technology, price increases and changes in interest rates, changes in mine life, and as new information concerning the Company's closure and reclamation obligations becomes available.

Deferred taxes
The determination of the tax expense for the period and deferred tax assets and liabilities involves significant estimation and judgment by management. In determining these amounts, management interprets tax legislation in a variety of jurisdictions and makes estimates of the expected timing of the reversal of deferred tax assets and liabilities. Management also makes estimates of future earnings which affect the extent to which potential future tax benefits may be used. The Company is subject to assessments by various taxation authorities, which may interpret legislation differently. These differences may affect the final amount or the timing of the payment of taxes. The Company provides for such differences where known based on its best estimate of the probable outcome of these matters.

Share-based Payments
Share-based payments are determined using the Black-Scholes option pricing model based on estimated fair values of all share-based awards at the date of grant and is expensed to the statement of loss and comprehensive loss over each award's vesting period. The Black-Scholes option pricing model utilizes subjective assumptions such as expected price volatility, expected life of the option, risk free interest rates, and forfeiture rates. Different estimates of input assumptions could have resulted in a significantly different fair value estimate.

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.

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

The IASB issued IFRS 15, *Revenue from Contracts with Customers* ("**IFRS 15**") in May 2014. The new standard provides a comprehensive five-step revenue recognition model for all contracts with customers and requires management to exercise judgment and make estimates that affect revenue recognition. IFRS 15 is effective for annual periods commencing on or after January 1, 2018.

Management has performed an assessment on the impact of the implementation of IFRS 15 and concluded it will not change neither the timing nor the amount of revenue recognized compared to the treatment of revenue under the current accounting policies.

The Company expects to present additional disclosure of revenue related to the provisional pricing adjustments of the Company's concentrate sales, separately within the revenue note.

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

The Company does not expect a material impact to the measurement of its financial instruments from the adoption of this standard. The new expected credit loss impairment model and reformed approach to hedge accounting is not expected to have a significant impact on the Company's financial statements.

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

Outstanding Share Data
Authorized share capital: Unlimited number of Common Shares
All share information is reported as of April 30, 2018 in the following table.

Issued and Outstanding Common Shares				174,420,984
	Expiry Date	Exercise Price (CDN$)		
Options				
	February 10, 2021	0.15	3,900,000	3,900,000
Warrants				
	January 14, 2019	0.55	18,965,000	
	January 28, 2020	0.28	4,675,000	
	February 21, 2020	0.28	200,000	
	March 6, 2019	0.16	2,000,000	25,840,000
Fully Diluted				204,160,984

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 consolidated financial statements for the year ended December 31, 2017 and this accompanying MD&A (together, the "Annual 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.

Qualified Persons

Technical disclosure contained in this MD&A was reviewed and approved by Van Phu Bui, B.Sc., P. Geo., who is independent of the Company and a "qualified person" under NI 43-101.

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.