MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED MARCH 31, 2019

The following management's discussion and analysis of financial condition and results of operations ("**MD&A**") for the three months ended March 31, 2019 prepared as of May 30, 2019, should be read in conjunction with the unaudited condensed interim consolidated financial statements for the three months ended March 31, 2019 and the related notes thereto of Santacruz Silver Mining Ltd. (the "**Company**" or "**Santacruz**") (the "**2019 Q1 Financial Statements**"), together with the audited consolidated financial statements for the year ended December 31, 2018 as well as the accompanying MD&A for the year then ended (the "**Annual MD&A**").

The above referenced condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**"), as issued by the International Accounting Standards Board ("**IASB**") and as applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting*. All dollar amounts are expressed in thousands of US dollars (US$000's) unless otherwise indicated. Throughout this MD&A the terms first quarter, second quarter and third quarter are respectively used interchangeably with the terms Q1, Q2 and Q3.

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

Forward-Looking Statements

This MD&A and the documents incorporated herein by reference contain "forward-looking information" within the meaning of applicable Canadian securities regulations and "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; 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 Panuco Deposit obtained by the Company are within reasonable bounds of accuracy (including with respect to size, grade and recovery); and that the Company's current exploration and development programs and objectives can be achieved.

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

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

General

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

The Company is engaged in the operation, acquisition, exploration and development of mineral properties in Mexico, with a primary focus on silver and zinc, but also including gold and lead. The Company currently has two producing projects, the Veta Grande Project and the Rosario Project. In addition, the Company holds two exploration properties in its mineral property portfolio, the Minillas Property and the Zacatecas Properties.

The Company'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 Veta Grande Project and Rosario 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.

Transactions with Carrizal Mining

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

On November 30, 2017 the Company entered into a binding Letter of Intent (the "Carrizal LOI") wherein the Company granted Carrizal the right to earn a 20% working interest in all mining concessions and assets comprising the Veta Grande Project as well as a 20% working interest in the Zacatecas Properties (collectively "the Properties"). In order to earn its 20% working interest Carrizal was required to fund all expenditures necessary to increase the mining and milling rate at the Veta Grande mine to 750 tpd and in addition had to fund an exploration program sufficient to allow an appropriate mine plan to be developed for the ongoing operation of the Veta Grande mine, subject to the Company agreeing to contribute on an as-is where-is basis a 250 tpd ball mill and motor plus other redundant equipment not in use at the Rosario Project. In March 2018 Carrizal completed the referenced mill expansion. Although the facility is capable of operating at 750 tpd, subsequent metallurgical testing has indicated that the current optimal run rate is 650 tpd to maximize metal recoveries.

On May 22, 2019, the Company announced that Carrizal has earned a 20% working interest in the Properties pursuant to the terms of an agreement dated November 30, 2017.

Further, the Company has entered into separate agreements, with binding effect as of May 21, 2019, to acquire 100% of the outstanding shares of PCG Mining, S.A. de C.V. ("PCG") which is a holding company that owns 100% of Carrizal's outstanding shares. The shares of PCG are owned as to 50% each by two unrelated shareholders. One of the shareholders is at arm's-length to Santacruz and the other shareholder is Carlos Silva, Santacruz's COO.

Consideration for the acquisition is as follows:

1. With respect to the acquisition of PCG shares from the arm's-length party (the "Arm's Length Acquisition"), on closing a cash payment by Santacruz of US$500,000 and other consideration in the amount of approximately US$600,000, including the forgiveness of approximately US$450,000 in debt owed by the shareholder to Carrizal; and

2. With respect the acquisition of PCG shares from Carlos Silva (the "Silva Acquisition", and together with the Arm's Length Acquisition, the "Transaction"), on closing the issuance of 30,000,000 shares of Santacruz (the "Consideration Shares") to Mr. Silva at a deemed price of CDN$0.05 per share.

Completion of the Transaction is subject to receipt of all necessary regulatory approvals, including the approval of the TSX-V and approval of shareholders.

Transaction with Contracuña

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

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

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

Contracuña has agreed to extend the date for payment of the balance of the December 13, 2018 option payment ($526) to June 2019.

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

2019 First Quarter Highlights

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

	2019	2018			
	Q1	Q4	Q3	Q2	Q1
Financial					
Revenue – Mining Operations	2,490	1,258	1,657	1,466	753
Revenue – Mining Services	790	1,466	569	3,569	2,413
Gross (Loss) Profit (4)	(514)	(3,073)	(2,157)	1,287	(117)
Impairment	-	(1,486)	-	-	-
Net (Loss) Income	(1,846)	(4,239)	(2,888)	3,297	(806)
Net (Loss) Income Per Share – Basic ($/share)	(0.01)	(0.03)	(0.02)	0.02	(0.00)
Adjusted EBITDA (4)	(921)	(2,404)	(2,151)	1,290	(209)
Operating					
Material Processed (tonnes milled)	42,904	53,396	57,976	52,025	48,068
Silver Equivalent Produced (ounces) (1)	257,138	237,542	249,431	174,175	154,175
Silver Equivalent Sold (payable ounces) (2)	195,976	106,757	137,834	116,314	59,648
Production Cost per Tonne (3)	83.23	89.97	58.32	66.12	52.97
Cash Cost per Silver Equivalent ($/oz.) (3)	20.64	48.32	27.40	32.54	45.94
All-in Sustaining Cost per Silver Equivalent ($/oz.) (3)	24.38	56.19	31.07	35.48	55.84
Average Realized Silver Price per Ounce ($/oz.) (3) (5)	15.10	14.40	14.31	16.55	16.78

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

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

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

(4) The Company reports additional non-IFRS measures which include Gross Profit (Loss) and Adjusted EBITDA. These additional financial disclosure measures are intended to provide additional information. Refer to the "*Non-IFRS Measures – Additional Information*" section for a reconciliation of Mine Operations Income (Loss) and Adjusted EBITDA to the quarterly financial statements.

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

Management Business Overview and Outlook

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

- To complete the Carrizal acquisition and integrate their operations with those of Veta Grande and Rosario;
- At the Veta Grande Project to continue increasing operating throughput with a blended millfeed consisting of in situ material from the Veta Grande vein, Armados vein, La Flor vein and Navidad mine while also further optimizing metal recoveries;
- In connection with the Carrizal LOI, continue with the drilling campaign at the Veta Grande Project.
- At the Rosario Project to achieve positive cash flows from operations with mill throughput to be generated from the Membrillo Prospect and other sources;

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

	2019	2018			
	Q1	Q4	Q3	Q2	Q1
Material Processed (tonnes milled)					
Veta Grande Project	32,625	36,720	42,011	36,622	34,928
Rosario Project	10,279	16,676	15,965	15,403	13,140
Consolidated	**42,904**	**53,396**	**57,976**	**52,025**	**48,068**
Silver Equivalent Produced (ounces) (1)					
Veta Grande Project	202,787	175,488	183,198	84,271	71,410
Rosario Project	54,351	62,054	66,233	89,904	82,765
Consolidated	**257,138**	**237,542**	**249,431**	**174,175**	**154,175**
Silver Equivalent Sold (payable ounces) (2)					
Veta Grande Project	129,045	70,048	88,462	51,178	26,056
Rosario Project	66,931	36,709	49,372	65,136	33,592
Consolidated	**195,976**	**106,757**	**137,834**	**116,314**	**59,648**
Cash Cost of Production per Tonne(3)					
Veta Grande Project	73.29	74.84	51.68	58.16	39.94
Rosario Project	114.80	123.29	75.79	85.05	87.60
Consolidated	**83.23**	**89.97**	**58.32**	**66.12**	**52.97**
Cash Cost per Silver Equivalent Ounce(3)					
Veta Grande Project	20.95	42.98	26.28	45.33	56.34
Rosario Project	20.05	58.51	29.39	22.49	37.87
Consolidated	**20.64**	**48.32**	**27.40**	**32.54**	**45.94**
All-in Sustaining Cash Cost per Silver Equivalent Ounce(3)					
Veta Grande Project	24.07	51.66	29.62	50.00	68.39
Rosario Project	24.98	64.83	33.68	24.98	46.11
Consolidated	**24.38**	**56.19**	**31.07**	**36.82**	**55.84**
Average Realized Silver Price per Ounce(3)					
Veta Grande Project	15.08	14.49	14.30	16.55	16.81
Rosario Project	15.15	14.22	14.34	16.55	16.76
Consolidated	**15.10**	**14.40**	**14.31**	**16.55**	**16.78**

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

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

Silver equivalent production for Q1 2019 increased by 67% to 257,138 ounces as compared to 154,175 ounces in 2018. This increase reflects a 184% increase in production at the Veta Grande Project to 202,787 ounces offset by a 34% decrease in production at the Rosario Project to 54,351 ounces. As compared to total silver equivalent production for Q4 2018, Q1 2019 production increased by 8% reflecting a 16% increase in production at the Veta Grande Project offset by a 12% decrease in production at the Rosario Project.

As referenced earlier in this MD&A management's focus at the Veta Grande Project for 2019 is to continue increasing production to mill capacity with the source of the millfeed being in situ material from the Veta Grande vein, Armados vein, La Flor vein and Navidad mine. At the Rosario Project the focus is to achieve positive cash flow from operations with mill throughput to be generated from the Membrillo Prospect and other sources.

Preliminary production estimates for April 2019 indicate that the consolidated production for the Company was 20,300 tonnes processed resulting in 125,600 silver equivalent ounces being produced, sourced as to 13,600 tonnes and 82,170 silver equivalent ounces from Veta Grande and 6,700 tonnes and 43,430 silver equivalent ounces from Rosario.

Cash Cost per Tonne
Cash cost of production per tonne of mineralized material processed increased by 57% in Q1 2019 to $83.23/t as compared to $52.97/t in Q1 2018. This change in unit costs reflects an 83% increase in unit costs at the Veta Grande Project and a 31% increase in unit costs at the Rosario Project.

As compared to Q4 2018 the Q1 2019 unit costs decreased 7%. This change in unit costs reflects a 2% decrease in unit costs at the Veta Grande Project and a 7% decrease at the Rosario Project. Operating processes were more efficient as the consolidated cash cost of production decreased 27% to $3,575 compared to a 20% decrease in mineral processed.

Cash Cost per Silver Equivalent Ounce
Cash cost of production per silver equivalent ounce sold decreased by 55% in Q1 2019 to $20.64/oz as compared to $45.94/oz in Q1 2018. This change in unit costs reflects a 63% decrease in unit cost at the Veta Grande Project and a 47% decrease in unit cost at the Rosario Project. There was a 229% increase in silver equivalent payable ounces sold, offset by an increase in consolidated cash cost of sales for mining operations of 43%.

As compared to Q4 2018 the Q1 2019 unit costs decreased 57%. This change reflects a decrease in unit costs of 51% at the Veta Grande Project and 66% at the Rosario Project. The consolidated cash cost of sales for mining operations decreased 27% while the amount of silver equivalent payable ounces sold increased by 84%.

All-In Sustaining Cash Cost per Silver Equivalent Ounce
All-in sustaining cash cost of production per silver equivalent ounce sold decreased by 56% in Q1 2019 to $24.38/oz as compared to $55.84/oz in Q1 2018. This change in unit costs reflects a 65% decrease in unit costs at the Veta Grande Project and a 46% decrease in unit costs at the Rosario Project. There was a 229% increase in silver equivalent payable ounces sold, offset by an increase in consolidated all-in sustaining cost for mining operations of 44%.

As compared to Q4 2018 the Q1 2019 unit costs decreased 57%. This change reflects a 53% decrease in unit costs at the Veta Grande Project and a 61% decrease at the Rosario Project. The consolidated all-in sustaining cost for mining operations decreased by 20% offset by an 84% increase in silver equivalent payable ounces sold.

Veta Grande Project, Veta Grande, Zacatecas, Mexico

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

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

Veta Grande Project Production and Operating Results

	2019	2018			
	Q1	Q4	Q3	Q2	Q1
Material Processed (tonnes milled)	32,625	36,720	42,011	36,622	34,928
Silver Equivalent Produced (ounces) (1)	202,787	175,488	183,198	84,271	71,410
Silver Equivalent Sold (payable ounces) (2)	129,045	70,048	88,462	51,178	26,056
Production - Silver (ounces)	79,582	58,921	62,250	36,741	32,413
- Gold (ounces)	97	59	140	59	56
- Lead (tonnes)	218	295	268	111	109
- Zinc (tonnes)	492	398	432	164	118
Average Grade – Silver (g/t)	119	81	77	70	62
– Gold (g/t)	0.19	0.19	0.26	0.17	0.15
– Lead (%)	0.77	0.95	0.80	0.41	0.46
– Zinc (%)	1.89	1.90	1.94	1.14	0.94
Metal Recovery – Silver (%)	63.8	61.7	59.9	44.6	46.7
– Gold (%)	49.4	49.8	40.3	29.6	33.7
– Lead (%)	86.3	84.5	80.2	74.7	67.9
– Zinc (%)	80.0	57.2	52.9	39.2	36.2
Cash Cost of Production per Tonne(3)	73.29	74.84	51.68	58.16	39.94
Cash Cost per Silver Equivalent ($/oz.) (3)	20.95	42.98	26.28	45.33	56.34
All-in Sustaining Cash Cost per Silver Equivalent ($/oz.) (3)	24.07	51.66	29.62	50.00	68.39
Average Realized Silver Price per Ounce ($/oz) (2)	15.08	14.49	14.30	16.55	16.81

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

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

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

Veta Grande Operations Overview

The focus at the Veta Grande Project during 2018 was to optimize operations, in particular at the milling facility. Emphasis was placed on increasing the production rate and grade of the mineralized material processed at the milling facility by accessing newly developed headings in the Veta Grande vein, Armados vein, and La Flor vein.

In addition, a technical study by a metallurgical consultant was completed late in Q4 at the Veta Grande milling facility that has led to reconfiguring certain of the mill circuits and changing the reagents utilized. This has led to improvement in metal recoveries during Q1 2019 most particularly with respect to the recovery of zinc which increased to 80%. Further, the cost of reagents consumed in the milling process has decreased as a result of changes in the types of reagents used as well as the quantities consumed.

In early Q2 2019 the capacity at the milling facility was increased to 570 tpd with plans to bring back online one additional small ball mill currently being refurbished by early Q3 bringing the capacity to 650 tpd. At present management has determined that this is the optimal milling rate in order maximize metal recoveries. Work is continuing with respect to increasing the milling rate without decreasing the metal recoveries. In this regard, preliminary production estimates for April 2019 indicate that 13,600 tonnes were processed at the milling facility and 82,170 silver equivalent ounces were produced.

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

Veta Grande Production

Veta Grande Project silver equivalent production increased by 184% to 202,787 ounces in Q1 2019 as compared to 71,410 ounces in Q1 2018. The increased production reflects in part a 77% increase in average silver equivalent head grade processed to 269 g/t in Q1 2019 as well as significant increases to the metal recoveries in Q1 2019 for all metals.

As compared to Q4 2018, silver equivalent production increased by 16% in Q1 2019. The increased production primarily reflects a 6% increase in silver equivalent head grade processed during Q1 2019 as well as a significant increase in zinc recovery to 80.0% in Q1 2019 as compared to 57.2% in Q4 2018. Management anticipates continuing gradual increases in tonnage milled, head grade and metal recoveries will continue during 2019.

Cash Cost per Tonne

Cash cost of production per tonne of mineralized material processed increased by 83% in Q1 2019 to $73.29/t as compared to $39.94/t in Q1 2018. This change reflects a 7% decrease in tonnes milled and an increase in the cash cost of production of 74%. The increased cash cost of production in Q1 2019 reflects increased mining costs from extracting mineralized material from stopes developed in areas never previously mined as compared Q1 2018 where the mineralized material processed in the mill came from previously mined areas.

As compared to Q4 2018 the Q1 2019 unit costs decreased 2%. This change reflects a 15% decrease in the cash cost of production while the tonnes of mineralized material processed decreased by 11%. The improvement in operating unit costs reflects continuing efforts by management to operate in a more effective and efficient manner.

Cash Cost per Silver Equivalent Ounce

Cash cost of production per silver equivalent ounce sold decreased by 63% in Q1 2019 to $20.95/oz as compared to $56.34/oz in Q1 2018. This change in unit costs reflects a 395% increase in silver equivalent payable ounces sold during the quarter, offset by a 74% increase in cash cost of sales. The increase in silver equivalent payable ounces sold largely reflects the 184% increase in silver equivalent ounces produced during Q1 2019 as compared to Q1 2018 due to an increase in both the head grade and recovery of all metals.

As compared to Q4 2018 the Q1 2019 unit costs decreased 51%. The cash cost of sales decreased 15% while the amount of silver equivalent payable ounces sold increased 84%. The improvement in operating unit costs reflects in part efforts by management to operate in a more effective and efficient manner and in part is a result of higher head grades and realizing better metal recoveries on a comparative basis.

All-In Sustaining Cash Cost per Silver Equivalent Ounce

All-in sustaining cash cost of production per silver equivalent ounce sold decreased by 65% in Q1 2019 to $24.07/oz as compared to $68.39/oz in Q1 2018. The all-in sustaining cash cost of production increased by 74% while the amount of silver equivalent payable ounces sold increased 395%. The increase in silver equivalent payable ounces sold during the quarter arose for the reasons described above in the section titled “Cash Cost per Silver Equivalent Ounce”.

As compared to Q4 2018 the Q1 2019 all-in sustaining unit costs decreased 53%. The all-in sustaining cash cost of production decreased by 14% and there was an 84% increase in silver equivalent payable ounces sold. The increase in silver equivalent payable ounces sold is a result of higher head grades and realizing better metal recoveries on a comparative basis.

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 (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

	2019	2018			
	Q1	**Q4**	**Q3**	**Q2**	**Q1**
Material Processed (tonnes milled)	10,279	16,676	15,965	15,403	13,140
Silver Equivalent Produced (ounces) (1)	54,351	62,084	66,233	89,904	82,765
Silver Equivalent Sold (payable ounces) (2)	66,931	36,709	49,372	65,136	33,592
Production - Silver (ounces)	13,991	18,927	18,361	19,381	15,689
- Gold (ounces)	61	186	85	84	79
- Lead (tonnes)	27	23	33	31	25
- Zinc (tonnes)	182	249	212	344	331
Average Grade – Silver (g/t)	47	53	41	44	43
– Gold (g/t)	0.29	0.60	0.26	0.26	0.28
– Lead (%)	0.29	0.24	0.23	0.23	0.22
– Zinc (%)	2.09	2.10	1.58	2.54	2.91
Metal Recovery – Silver (%)	89.6	81.7	87.3	88.8	85.4
– Gold (%)	64.2	72.6	63.1	65.0	66.1
– Lead (%)	87.0	73.6	88.5	86.2	84.6
– Zinc (%)	79.4	89.2	84.3	87.8	86.6
Cash Cost of Production per Tonne(3)	114.80	123.29	75.79	85.05	87.60
Cash Cost per Silver Equivalent ($/oz.) (3)	20.05	58.51	29.39	22.49	37.87
All-in Sustaining Cash Cost per Silver Equivalent ($/oz.) (3)	24.98	64.83	33.68	25.90	46.11
Average Realized Silver Price per Ounce ($/oz) (2)	15.15	14.22	14.34	16.55	16.76

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

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

Work at the Rosario Project in Q1 2019 involved making final infrastructure changes and completing stope development to allow for a systematic improvement in mill throughput tonnage and head grade of material processed during Q2 and beyond. Preliminary production estimates for April indicate that 6,700 tonnes were processed at the milling facility and 43,430 silver equivalent ounces were produced.

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

Rosario Production

Silver equivalent production in Q1 2019 from the Rosario Project decreased by 34% to 54,351 ounces as compared to 82,765 in Q1 2018. This decrease reflects a 22% decrease in tonnes milled and a 23% decrease in silver equivalent head grade. These decreases reflect in large part the impact of the mine development work that has been ongoing at the Membrillo Prospect throughout the latter half of 2018 and into Q1 2019.

As compared to Q4 2018 silver equivalent production decreased by 13% reflecting a 38% decrease in tonnes milled offset by a 32% increase in the average silver equivalent head grade.

As noted earlier in this MD&A, preliminary production estimates for April indicate that 6,700 tonnes were processed at the milling facility and 43,430 silver equivalent ounces were produced. Management expects that the number of tonnes milled and the head grade of the material milled will gradually increase during 2019.

Cash Cost per Tonne
Cash cost of production per tonne of mineralized material processed increased by 31% in Q1 2019 to $114.80/t as compared to $87.60/t in Q1 2018. This is mainly due to the 22% decrease in tonnes milled during the quarter and an 8% increase in cash costs of production. The decrease in tonnes milled reflects management's decision in late 2018 to focus on operating at a reduced production rate in order to better control mining dilution.

As compared to Q4 2018, the Q1 2019 unit costs decreased by 7%. This change reflects a 30% decrease in cash cost of production offset by a 38% decrease in tonnes processed. The decrease in cash cost of production arose as the result of management initiatives to improve operational efficiencies.

Cash Cost per Silver Equivalent Ounce
Cash cost of production per silver equivalent ounce sold decreased by 47% in Q1 2019 to $20.05/oz as compared to $37.87/oz in Q1 2018. This change in unit costs reflects in part a 99% increase in silver equivalent payable ounces sold offset by an 8% increase in cash cost of sales.

As compared to Q4 2018 the Q1 2019 unit costs decreased 66%. The cash cost of sales decreased 30% while the amount of silver equivalent payable ounces sold increased by 82%.

All-In Sustaining Cash Cost per Silver Equivalent Ounce
All-in sustaining cash cost of production per silver equivalent ounce sold decreased by 46% in Q1 2019 to $24.98/oz as compared to $46.11/t in Q1 2018. This change in unit costs occurred largely for the same reasons as the cash cost of production per silver equivalent ounce sold decrease as described above.

As compared to Q4 2018 the Q1 2019 the all-in sustaining unit costs decreased 61%. This change in unit costs occurred largely for the same reasons as for decrease in the cash cost of production per silver equivalent ounce sold described above.

Resource and Exploration Properties

Zacatecas Properties, Zacatecas City, Zacatecas, Mexico
During 2018 the Company acquired a 100% interest in the Zacatecas Properties by making the final option payments owing to the property vendor. A 1% NSR exists with the original property vendors on some of the claims included in 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.

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.

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 Zacatecas State about 25 kilometers southeast of Zacatecas City in the municipality of Genaro Codina. Access is from paved highway heading to 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.

Financial Results

Review of Operations

	2019	2018	
	Q1	**Q4**	**Q1**
Revenue			
Mining operations	2,490	1,258	753
Mining services	790	1,466	2,413
	3,280	**2,724**	**3,166**
Cost of sales			
Cash cost of sales - mining operations	3,575	4,880	2,492
Cash cost of sales - mining services	-	-	401
Depletion and amortization	219	917	390
	3,794	**5,797**	**3,283**
Gross (Loss) profit	**(514)**	**(3,073)**	**(117)**
Operating expenses			
Administrative	(209)	(239)	(141)
Management and consulting fees	(116)	(65)	(158)
Professional fees	(242)	(80)	(92)
Other	(60)	(22)	(103)
	(627)	**(406)**	**(494)**
Debt forgiveness	-	134	-
Gain (loss) on disposal of equipment	-	159	-
Impairment	-	(1,486)	-
Interest earned and other finance income			
Foreign exchange gain	-	873	174
	-	**873**	**174**
Interest expense and other finance expenses			
Accretion of decommissioning and restoration provision	(17)	(9)	(8)
Foreign exchange loss	(496)	-	-
Carrying charges on loans payable	(15)	(14)	(237)
Interest expense on loans payable	(82)	(166)	(35)
Other interest expense	-	(7)	-
Financing charge on leases	(10)	(124)	-
	(620)	**(320)**	**(280)**
Income tax expense	(85)	(121)	(89)
Net loss for the period	**(1,846)**	**(4,240)**	**(806)**

<u>Three months ended March 31, 2019</u>

The Company recorded a net loss of $1,846 ($0.01 loss per share) for the three months ended March 31, 2019 compared to a net loss of $806 ($0.00 loss per share) for the three months ended March 31, 2018.

The gross margin from the Mining Services contract amounted to a profit of $790 (2018 - $2,012) while the gross margin from mining operations was a loss of $1,304 (2018 – loss of $2,129). The net loss recorded in the quarter ended March 31, 2019 arose substantially from the gross losses from mining operations.

Revenues in Q1 2019 of $3,280 include mining operations of $2,490 (Q1 2018 - $753) and mining services of $790 (Q1 2018 - $2,413). 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 $400 to $625 per month for the rest of 2019.

The Q1 2019 mining operations revenue was generated from the Veta Grande Project as to 67% and the Rosario Project as to 33% whereas in Q1 2018 mining operations revenue was generated from the Veta Grande Project as to 47% and the Rosario Project as to 53%. With respect to the Veta Grande Project, revenues increased as a result of processing higher grade mineralized material in Q1 2019 and realizing improved metal recoveries than in Q1 2018. The increased Rosario Project revenue is primarily the result of increase silver equivalent sold in Q1 2019.

Cash cost of sales in Q1 2019 includes mining operations of $3,575 (Q1 2018 - $2,492) and mining services of $nil (Q1 2018 - $401). The increase in mining operations cost of sales is largely a result of increased mine development costs at both mines.

During the three months ended March 31, 2019 the Company recorded operating expenses of $627 (2018 - $494). Operating expenses increased in Q1 2019 as compared to Q1 2018 as the result of higher professional and administrative fees in 2019.

As detailed in Note 16(a) to the Q1 2019 Financial Statements, interest earned and other finance income decreased by $174 for the three months ended March 31, 2019 compared to the three months ended March 31, 2018 as the Q1 2018 quarter includes foreign exchange gain of $174.

As detailed in Note 16(b) to the Q1 2019 Financial Statements, interest expense and other finance expenses in Q1 2019 amounted to $620 (Q1 2018 - $280). The 2019 balance arises from a number of sources including foreign exchange loss, interest expense on various loans, and certain carrying charges.

Summary of Quarterly Results

	THREE MONTHS ENDED			
(Expressed in thousands of US Dollars except per share amounts)	Mar 31, 2019	Dec 31, 2018	Sep 30, 2018	Jun 30, 2018
	$	$	$	$
Revenues – Mining operations	2,490	1,258	1,657	1,466
Revenues – Mining services	790	1,466	569	3,569
Cost of sales – Mining operations	3,794	4,880	3,842	3,631
Cost of sales – Mining services	-	-	541	117
Administrative expenses	627	406	376	290
Net (loss) income[3]	(1,846)	(4,240)	(2,888)	3,297
Net (loss) income per share[1]	(0.01)	(0.03)	(0.02)	0.02
	THREE MONTHS ENDED			
	Mar 31, 2018	Dec 31, 2017	Sep 30, 2017	Jun 30, 2017
Revenues – Mining operations	753	1,292	1,798	2,641
Revenues – Mining services	2,413	3,580	-	-
Cost of sales – Mining operations	2,882	2,766	3,617	4,468
Cost of sales – Mining services	401	2,724	-	-
Administrative expenses	494	402	500	497
Net loss[4][5]	(806)	(10,012)	(5,899)	(8,485)
Net loss per share[1]	(0.00)	(0.06)	(0.04)	(0.05)

(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 Q4 2018 net loss includes an impairment of the Rosario Project of $1,486.
(3) The Q2 2018 net income arose from the gross profit earned from the mining services agreement.
(4) The Q4 2017 net loss includes an impairment of the Rosario Project of $10,445.
(5) The Q3 2017 net loss includes an impairment of the Rosario Project of $4,350.

Non-IFRS Measures

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

Cash Cost per Silver Equivalent Ounce and Production Cost per Tonne

The non-IFRS measures of cash cost per silver equivalent ounce and cash cost of production per tonne are used by the Company to manage and evaluate operating performance at the Veta Grande Project and the Rosario 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 Veta Grande Project and the Rosario

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)	**2019 Q1**	**2018 Q4**	**2018 Q3**	**2018 Q2**	**2018 Q1**
Cash cost of sales	2,388	2,824	2,123	2,118	1,373
Inventory change	3	(76)	48	12	22
Cash Cost of Production (A)	2,391	2,748	2,171	2,130	1,395
Cash cost of sales	2,388	2,824	2,123	2,118	1,373
Concentrate treatment, smelting and refining cost	315	187	202	202	95
Cash Cost of Silver Equivalent Sold (B)	2,703	3,011	2,325	2,320	1,468
Material processed (tonnes milled) (C)	32,625	36,720	42,011	36,622	34,928
Cash Cost of Production per Tonne (A/C)	73.29	74.84	51.68	58.16	39.94
Silver Equivalent Sold (payable ounces) (D)	129,045	70,048	88,462	51,178	26,056
Cash Cost per Silver Equivalent Ounce (B/D)	20.95	42.98	26.28	45.33	56.34

Rosario Project

(Expressed in thousands of US Dollars except ounces, tonnes, per ounce and per tonne amounts)	**2019 Q1**	**2018 Q4**	**2018 Q3**	**2018 Q2**	**2018 Q1**
Cash cost of sales	1,187	1996	1,337	1,208	1,119
Inventory change	(7)	-	(127)	102	32
Cash Cost of Production (A)	1,180	1,996	1,210	1,310	1,151
Cash cost of sales	1,187	1,996	1,337	1,208	1,119
Concentrate treatment, smelting and refining cost	155	92	114	257	153
Cash Cost of Silver Equivalent Sold (B)	1,342	2,148	1,451	1,465	1,272
Material processed (tonnes milled) (C)	10,279	16,676	15,965	15,403	13,140
Cash Cost of Production per Tonne (A/C)	114.80	123.29	75.79	85.05	87.60
Silver Equivalent Sold (payable ounces) (D)	66,931	36,709	49,372	65,136	33,592
Cash Cost per Silver Equivalent Ounce (B/D)	20.05	58.51	29.39	22.49	37.87

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

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

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

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

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

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

Veta Grande Project

(Expressed in thousands of US Dollars except ounces and per ounce amounts)	**Q1 2019**	**Q4 2018**	**Q3 2018**	**Q2 2018**	**Q1 2018**
Cash cost of sales	2,388	2,824	2,123	2,118	1,373
Concentrate treatment, smelting and refining cost	315	187	202	202	95
Deferred ramp expenditures	89	405	107	94	67
General and administrative expenses	314	203	188	145	247
All-in Sustaining Cost	3,106	3,619	2,620	2,559	1,782
Silver Equivalent Sold (payable ounces)	129,045	70,048	88,462	51,178	26,056
All-in Sustaining Cost per Silver Equivalent Ounce Sold	24.07	51.66	29.62	50.00	68.39

Rosario Project

(Expressed in thousands of US Dollars except ounces and per ounce amounts)	**Q1 2019**	**Q4 2018**	**Q3 2018**	**Q2 2018**	**Q1 2018**
Cash cost of sales	1,187	2,056	1,337	1,208	1,119
Concentrate treatment, smelting and refining cost	155	92	114	257	153
Deferred ramp expenditures	-	20	16	68	22
General and administrative expenses	313	203	188	85	247
Accretion of decommissioning and restoration provision	17	9	8	9	8
All-in Sustaining Cost	1,672	2,380	1,663	1,627	1,549
Silver Equivalent Sold (payable ounces)	66,931	36,709	49,372	65,136	33,592
All-in Sustaining Cost per Silver Equivalent Ounce Sold	24.98	64.83	33.68	24.98	46.11

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)	**Q1 2019**	**Q4 2018**	**Q3 2018**	**Q2 2018**	**Q1 2018**
Revenues	1,631	828	1,063	645	343
Add back: Treatment, smelting and refining charges	315	187	202	202	95
Gross Revenues	1,946	1,015	1,265	847	438
Silver Equivalent Sold (ounces)	129,045	70,048	88,462	51,178	26,056
Avg Realized Price per Ounce of Silver Equivalent Sold	15.08	14.49	14.30	16.55	16.81
Avg Market Price per Ounce of Silver per London Silver Fix	15.58	14.54	15.02	16.65	16.85

(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)	**Q1 2019**	**Q4 2018**	**Q3 2018**	**Q2 2018**	**Q1 2018**
Revenues	859	430	594	821	410
Add back: Treatment, smelting and refining charges	155	92	114	257	153
Gross Revenues	1,014	522	708	1,078	563
Silver Equivalent Sold (ounces)	66,931	36,709	49,372	65,136	33,592
Avg Realized Price per Ounce of Silver Equivalent Sold(1)	15.15	14.22	14.34	16.55	16.76
Avg Market Price per Ounce of Silver per London Silver Fix	15.58	14.54	15.02	16.65	16.85

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

Non-IFRS Measures – Additional Information

The Company uses additional non-IFRS measures which include 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 2018 Q1, Q2, Q3 and Q4 periods and 2019 Q1 period to the respective financial statements.

	Q1 2019	**Q4 2018**	**Q3 2018**	**Q2 2018**	**Q1 2018**
Net (loss) income for the period as reported	(1,846)	(4,240)	(2,888)	3,297	(806)
Income tax expense (recovery)	85	120	97	101	89
Interest earned and other finance income and gain on the settlement of debt	-	-	(16)	-	-
Interest expense and other finance expenses	10	131	-	8	-
Carrying charges on loan payable	15	14	30	96	237
Interest expense on loan payable	82	166	96	89	35
Accretion expense	17	9	8	9	8
Amortization and depletion of mineral properties, plant and equipment	220	917	382	293	402
EBITDA	(1,417)	(2,883)	(2,291)	3,893	(35)
Impairment of exploration and evaluation properties	-	1,486	-	-	-
Foreign exchange	496	(873)	140	(13)	(174)
Debt forgiveness	-	(134)	-	(2,590)	
Adjusted EBITDA	(921)	(2,404)	(2,151)	1,290	(209)

Trafigura Loan

On December 22, 2015, the Company entered into a short-term loan facility (the "Loan") with Trafigura Mexico, S.A. de C.V. ("Trafigura") in the principal amount of $725. Subsequently, the Loan terms were amended at various dates in 2016 and 2017 pursuant to which the Company at various times repaid a portion of the Loan and at other times received new advances under the Loan such that as at December 22, 2017, the date of the most recent amendment (the "Amended Loan") the outstanding principal balance of the Amended Loan was $731. Pursuant to the terms of the Amended Loan, Trafigura advanced on February 15, 2018 an additional $580 bringing the balance of the Amended Loan to $1,311. The Amended Loan bears interest at LIBOR plus 10%, payable monthly in arrears, with the principal to be repaid in twelve monthly installments commencing April 30, 2018 and terminating on March 31, 2019. The monthly installment amounts were the greater of $109 and 10% of the net concentrate sales amount for the respective month. As at March 31, 2019 the balance of the Amended Loan was $109. Subsequent to March 31, 2019 no payments have been made.

MineCo Loan

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

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

On October 2, 2018, the Company and MineCo agreed to further extend the repayment date of the MineCo Loan to January 30, 2020. The MineCo Loan is unsecured.

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

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

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

Capital Expenditures
The Company incurred expenditures of $500 on its mineral properties during the three months ended March 31, 2019. The Company currently has one mineral property option agreement outstanding being the agreement with Contracuña for the Veta Grande Project.

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

Liquidity and Capital Resources and Going Concern
As at March 31, 2019, the Company had cash of $36 (December 31, 2018 – $18) and a working capital deficiency of $16,127 (December 31, 2018 – $11,812). During the three months ended March 31, 2019, net cash used in operating activities was $774, net cash used provided by investing activities was $1,021 including costs relating to the exploration activities on its mineral properties and related change in accounts payable related to these costs; and net cash used in financing activities was $230 arising from the repayment of the loans payable.

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

At March 31, 2019, the Company had a working capital deficiency of $16,127 (December 31, 2018 - $11,812), a loss for the period of $1,846 (year ended December 31, 2018 - $4,637), negative operating cash flows before changes in working capital items of $1,037 (year ended December 31, 2018 - $4,224) and had an accumulated deficit of $106,161 (December 31, 2018 - $104,315). The working capital deficiency and accumulated deficit indicate the existence of a material uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern. As a result, the Company may be unable to realize its assets and discharge its liabilities in the normal course of business. The Company's ability to continue as a going concern is dependent upon its ability to generate positive cash flows from operations, and/or to raise adequate funding through equity or debt financings to discharge its liabilities as they come due. The Company has a capital management process in place to safeguard the Company's ability to continue as a going concern. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company.

Transactions with Related Parties

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

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

During the three months ended March 31, 2019 and 2018, the Company incurred the following charges by directors and officers of the Company and by companies controlled by directors and officers of the Company:

	Three months ended March 31,	
	2019	**2018**
	$	**$**
Mining Services		
Revenues	790	2,413
Cost of sales	-	401
	790	2,012
Expenses		
Accounting and corporate secretarial fees	-	23
Directors' fees	17	14
Management fees	90	106

At March 31, 2019, directors and officers or their related companies were owed $240 (December 31, 2018 – $220) in respect of the services rendered. These are non-interest bearing with standard payment terms.

The Company entered into certain mining equipment leases expiring between 2017 and 2020 with an interest rate between 6.5% and 10.5% per annum. $nil of lease payments were paid during the three months ended March 31, 2019 (2018 - $472) and $1,220 of the leases payable outstanding at March 31, 2019 were owed to a company owned by the CEO of the Company (December 31, 2018 - $1,210).

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

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

Fair value and Classification of Financial Instruments

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

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

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

a) Changes in accounting policies – IFRS 16

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

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

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

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

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

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

Outstanding Share Data

Authorized share capital: Unlimited number of Common Shares

All share information is reported as of May 30, 2019 in the following table.

Issued and Outstanding Common Shares				174,670,984
	Expiry Date	Exercise Price (CDN$)		
Options				
	February 10, 2021	0.15	3,250,000	3,250,000
Warrants				
	January 28, 2020	0.28	4,675,000	
	February 21, 2020	0.28	200,000	
	March 6, 2019	0.16	2,000,000	6,875,000
Fully Diluted				184,795,984

* the Company has made and application to regulators to increase the number of warrants to 2,500,000 and to extend the expiry date, but approval of this matter from the TSX-V is still pending.

Disclosure Controls and Procedures and Internal Control over Financial Reporting

Disclosure controls and procedures are intended to provide reasonable assurance that information required to be disclosed is recorded, processed, summarized, and reported within the time periods specified by securities regulations and that the information required to be disclosed is accumulated and communicated to management. Internal controls over financial reporting are intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. In connection with National Instrument 52-109 (Certificate of Disclosure in Issuer's Annual and Interim Filings) (**''NI 52-109**''), the Chief Executive Officer and Chief Financial Officer of the Company have filed a Venture Issuer Basic Certificate with respect to the financial information contained in the 2019 Q1 Financial Statements and this accompanying MD&A (together, the "Interim Filings").

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

Risks and Uncertainties

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

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

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

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

Additional Disclosure for Venture Issuers without Significant Revenue
The Company provides disclosure related to capitalized or expensed exploration and development costs in the notes to the financial statements and disclosure related to general and administration expenses in the statements of loss and comprehensive loss. The Company has no expensed research and development costs.

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.