MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2019

The following management's discussion and analysis of financial condition and results of operations ("**MD&A**") for the year ended December 31, 2019 prepared as of June 16, 2020, should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2019 of Santacruz Silver Mining Ltd. (the "**Company**" or "**Santacruz**") (the "**2019 Annual Financial Statements**").

The above referenced consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("**IFRS**"). 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 Membrillo prospect ("Membrillo Prospect" which is part of the Rosario Project); the Veta Grande mine (the "**Veta Grande Mine**" which is part of the "**Veta Grande Project**"), the leased Zimapan mine and related mineral concessions (the "**Zimapan Mine**"); the Minillas property (the "**Minillas Property**" which is part of the Veta Grande Project), and the Zacatecas properties (the "**Zacatecas Properties**" which are part of the Veta Grande Project) including the Panuco deposit ("**Panuco Deposit**"); expectations regarding the continuity of mineral deposits; the Company's goals regarding raising capital and developing its projects; expected timing regarding installation of certain facilities on the Company's projects; the Company's proposed development and exploration plans for the Veta Grande Mine, the Membrillo Prospect, the Zimapan Mine, and the Panuco Deposit; plans for drilling; expectations regarding environmental issues that may affect the exploration progress; and the Company's other plans for development of its projects. Often, but not always, forward-looking information can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "believes" or the negatives thereof or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved.

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

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

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

General

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

The Company is engaged in the operation, acquisition, exploration and development of mineral properties in Mexico, with a primary focus on silver and zinc, but also including gold, lead and copper. During fiscal 2019 the Company had three producing projects, the Veta Grande Project, the Rosario Project and the leased Zimapan Mine. The Company, through its 100% ownership of Carrizal Mining S.A. de C.V. ("Carrizal"), a private Mexican mining company, has the right to operate the Zimapan Mine until December 31, 2020 under a mining lease agreement with Minera Cedros, S.A. de C.V. ("Minera Cedros"), a wholly-owned subsidiary of Grupo Peñoles, S.A.B. de C.V. In addition, the Company holds two exploration property groups in its mineral property portfolio, the Minillas Property and the Zacatecas Properties.

In March 2020 the Company suspended operations at the Veta Grande Project in order to facilitate capital upgrades to the processing plant and tailings storage facility. The initial estimated time for the completion of the capital upgrades was six months. Prior to commencing such capital upgrades the Company needs to restructure the terms of the Contracuña Option Agreement. Discussions are ongoing between the parties with respect to this matter and management believes that a mutually satisfactory result will be achieved. Given the uncertainty of the timing to conclude this initiative, the Company now expects that operations at the Veta Grande Project will be suspended until at least the end of 2020.

The Company's strategic objective is to become a mid-tier silver producer in Mexico. The Company is focused in the near term on increasing production at both the Zimapan Mine and Rosario Project.

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

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

Carrizal Acquisition

On July 1, 2019, the Company, through its wholly-owned subsidiary Carrizal Holdings Ltd., acquired 50% of the outstanding shares of PCG Mining, S.A. de C.V. ("PCG") (the "Initial PCG Transaction"). The shares of PCG were purchased from one of PCG's shareholders, who was at arm's-length to Santacruz (the "Vendor").

Consideration for the share acquisition was a cash payment on closing by Santacruz to the Vendor of $400 and other consideration in the amount of $974, including the transfer of a life-insurance policy and two vehicles from Carrizal to the Vendor; the forgiveness of approximately $263 in debt owed by the Vendor to Carrizal; and making an undertaking to remit withholding tax of $100 to government authorities related to the cash paid to the vendor.

The Company also entered into a parallel agreement, with binding effect as of May 21, 2019, to acquire the remaining 50% of the outstanding shares of PCG that were owned by Carlos Silva (the "Silva Acquisition"), Santacruz's COO. On October 4, 2019, after receiving the requisite shareholder and TSX-V approvals, the Company completed the Silva Acquisition (together with the Initial PCG Transaction, the "PCG Transaction" or "Carrizal Acquisition". The consideration paid by Santacruz to Mr. Silva with respect to the Silva Acquisition was 30,000,000 shares of Santacruz which was estimated by management to have a fair value of $3,383 on the date of completing the Silva Acquisition.

2019 Business Highlights

Selected operating and financial information for the three months and years ended December 31, 2019 and 2018 is presented below:

	Three months ended Dec 31,		Years ended Dec 31,	
	2019	**2018**	**2019**	**2018**
Financial				
Revenue – Mining Operations	9,964	1,258	27,140	5,134
Revenue – Mining Services	-	1,466	1,971	8,017
Gross Loss (4)	(1,550)	(3,073)	(1,711)	(4,060)
Impairment	(12,202)	(1,486)	(12,202)	(1,486)
Net Loss	(16,017)	(4,239)	(20,432)	(4,637)
Net Loss Per Share – Basic ($/share)	(0.08)	(0.03)	(0.12)	(0.03)
Adjusted EBITDA (4)	(3,442)	(2,404)	(5,181)	(3,468)
Operating				
Material Processed (tonnes milled)	220,154	53,396	469,291	211,465
Silver Equivalent Produced (ounces) (1)	1,324,303	237,542	2,829,453	815,323
Silver Equivalent Sold (payable ounces) (2)	805,468	106,757	1,831,191	420,553
Production Cost per Tonne (3)	51.03	89.97	54.97	67.01
Cash Cost per Silver Equivalent ($/oz.) (3)	18.75	48.32	18.34	36.76
All-in Sustaining Cost per Silver Equivalent ($/oz.) (3)	21.29	56.19	21.55	37.23
Average Realized Silver Price per Ounce ($/oz.) (3)(5)	17.00	14.40	16.75	15.30

(1) Silver equivalent ounces produced in 2019 have been calculated using prices of $15.25/oz., $1,281/oz., $0.94/lb, $1.20/lb and $2.92/lb for silver, gold, lead, zinc and copper respectively applied to the metal content of the concentrates produced by the Veta Grande Project and the Rosario Project for 2019 and including 50% and 100% of the metal content of the concentrates produced at the leased Zimapan Mine in Q3 and Q4 2019 respectively. Silver equivalent ounces produced in 2018 have been calculated using prices of $17.00/oz., $1,295/oz., $1.00/lb and $1.35/lb for silver, gold, lead and zinc respectively applied to the metal content of the 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 concentrates sold from the Veta Grande Project and Rosario Project in 2019 and 2018 and in addition 50% and 100% respectively for Q3 and Q4 2019 of the metal content of the concentrates sold from the leased Zimapan Mine.

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

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

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

Management Business Overview and Outlook

The Company's focus for 2020 will be:

- To return the Zimapan Mine operations to historical levels and conclude negotiations for the outright acquisition of the mine;
- At the Rosario Project to increase mill throughput tonnage with a target nearing 400 tpd by the end of Q3 2020 with the expectation this will result in positive cash flows from operations; and
- To complete the restructuring of the Contracuña Option Agreement for Veta Grande on more commercially acceptable terms.

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

Review of Consolidated Operating Results

	Three months ended December 31,		Years ended December 31,	
	2019	2018	2019	2018
Material Processed (tonnes milled) (5)				
Zimapan Mine	161,071	-	243,313	-
Rosario Project	22,972	16,676	76,088	61,184
Veta Grande Project	36,111	36,720	149,891	150,281
Consolidated	**220,154**	**53,396**	**469,291**	**211,465**
Silver Equivalent Produced (ounces) (1) (5)				
Zimapan Mine	996,032	-	1,602,615	-
Rosario Project	134,523	67,536	465,576	316,839
Veta Grande Project	193,748	128,985	761,262	317,725
Consolidated	**1,324,303**	**196,521**	**2,829,359**	**634,564**
Silver Equivalent Sold (payable ounces) (3) (5)				
Zimapan Mine	612,131	-	962,702	-
Rosario Project (2)	80,531	36,709	351,680	184,809
Veta Grande Project (2)	112,806	70,048	516,809	235,744
Consolidated	**805,468**	**106,757**	**1,851,191**	**420,553**
Cash Cost of Production per Tonne(4) (5)				
Zimapan Mine	50.61	-	47.66	-
Rosario Project	57.15	123.29	75.28	93.60
Veta Grande Project	49.06	74.84	56.53	56.19
Consolidated	**51.03**	**89.97**	**54.97**	**67.01**
Cash Cost per Silver Equivalent ($/oz.) (4) (5)				
Zimapan Mine	18.53	-	17.50	-
Rosario Project	19.87	58.51	19.25	34.28
Veta Grande Project	19.11	42.98	19.28	38.70
Consolidated	**18.75**	**48.32**	**18.34**	**36.76**
All-in Sustaining Cash Cost per Silver Equivalent ($/oz.) (4) (5)				
Zimapan Mine	20.19	-	19.36	-
Rosario Project	26.67	64.83	30.16	39.39
Veta Grande Project	23.96	51.66	23.26	44.88
Consolidated	**21.29**	**56.19**	**21.55**	**42.47**
Average Realized Silver Price per Ounce ($/oz) (4) (5)				
Zimapan Mine	16.85	-	17.20	-
Rosario Project	17.40	14.22	16.87	15.53
Veta Grande Project	17.47	14.49	16.68	15.12
Consolidated	**17.00**	**14.40**	**16.75**	**15.30**

(1) Silver equivalent ounces produced in 2019 have been calculated using prices of $15.25/oz., $1,281/oz., $0.94/lb, $1.20/lb and $2.92/lb for silver, gold, lead, zinc and copper respectively applied to the metal content of the concentrates produced by the Veta Grande Project and the Rosario Project for 2019 and including 50% and 100% of the metal content of the concentrates produced at the leased Zimapan Mine in Q3 and Q4 2019 respectively. Silver equivalent ounces produced in 2018 have been calculated using prices of $17.00/oz., $1,295/oz., $1.00/lb and $1.35/lb for silver, gold, lead and zinc respectively applied to the metal content of the concentrates produced by the Veta Grande Project and the Rosario Project.

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

(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 concentrates sold from the Veta Grande Project, Rosario Project and Zimapan Mine respectively.

(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, below for definitions.

(5) Amounts reported for the Zimapan Mine reflect the Company's proportionate interest in the mine which was 50% and 100% respectively for Q3 and Q4 2019.

Operations Overview

Silver equivalent production for 2019 increased by 346% to 2,829,359 ounces as compared to 634,564 ounces in 2018. This increase is largely due to the inclusion of production from the Zimapan Mine during Q3 and Q4 2019 together with a 140% increase in production at the Veta Grande Project and a 47% increase in production at the Rosario Project.

Silver equivalent production for Q4 2019 increased by 574% to 1,324,303 ounces as compared to 196,521 ounces in Q4 2018. This increase again is substantially due to the inclusion of production from the Zimapan Mine during 2019.

As referenced earlier in this MD&A, management's focus for 2020 is to return the Zimapan Mine operations to historical production levels and work towards concluding negotiations for the outright acquisition of the mine and at the Rosario Project to increase mill throughput tonnage with a target of achieving 400 tpd by the end of Q3 2020 with the expectation this will result in positive cash flows from operations.

Cash Cost per Tonne

Cash cost of production per tonne of mineralized material processed decreased by 18% in 2019 to $54.97/t as compared to $67.01/t in 2018. This positive change in unit costs reflects primarily the inclusion of operating costs from the Zimapan Mine at $50.61/t plus a 20% decrease in unit costs at the Rosario Project. The consolidated cash cost of production increased 82% to $25,798 in 2019 while the tonnes of mineralized material processed increased by 122% in 2019.

Similarly, the Q4 2019 unit costs decreased by 43% to $51.03. This change in unit costs reflects again the impact of the inclusion of the operating costs from the Zimapan Mine together with 54% and 34% decreases respectively at the Rosario Project and Veta Grande Project. The consolidated cash cost of production increased 1341% to $11,377 while the tonnes of mineralized material processed increased by 312%.

Cash Cost per Silver Equivalent Ounce

Cash cost of production per silver equivalent ounce sold decreased by 50% in 2019 to $18.34/oz as compared to $36.76/oz in 2018. As referenced above, this change in unit costs reflects the impact of the inclusion of the operating costs from the Zimapan Mine together with a 50% decrease in unit costs at the Veta Grande Project and a 44% decrease in unit costs at the Rosario Project. The consolidated cash cost of production per silver equivalent ounce sold increased by 117% while silver equivalent payable ounces sold increased by 335%.

As compared to Q4 2018 the Q4 2019 unit costs decreased 61%. This change reflects the inclusion of the operating costs from the Zimapan Mine together with a 56% decrease in unit costs at the Veta Grande Project and a 66% decrease at the Rosario Project. The consolidated cash cost of sales for mining operations increased by 193% while the amount of silver equivalent payable ounces sold increased by 654%.

All-In Sustaining Cash Cost per Silver Equivalent Ounce

All-in sustaining cash cost of production per silver equivalent ounce sold decreased by 49% in 2019 to $21.55/oz as compared to $42.47/oz in 2018. As referenced above, this change in unit costs reflects the impact of the inclusion of the operating costs from the Zimapan Mine together with a 48% decrease in unit costs at the Veta Grande Project and a 36% decrease in unit costs at the Rosario Project. The consolidated all-in sustaining cost for mining operations increased by 121% and there was a 335% increase in silver equivalent payable ounces sold.

As compared to Q4 2018 the Q4 2019 unit costs decreased 62%. This change reflects a 54% decrease in unit costs at the Veta Grande Project and a 59% decrease at the Rosario Project. The consolidated all-in sustaining cost for mining operations increased by 186% offset by a 654% increase in silver equivalent payable ounces sold.

Zimapan Mine, Zimapan, Hidalgo, Mexico

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

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

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

Zimapan Mine Location and Mining Concessions Description

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

The mine concessions are located along the margins of the Sierra Madre Oriental physiographic province. The regional geology is comprised of platform and basin sediments that were formed during the Mesozoic era on top of Paleozoic and Precambrian basement rocks. The region has undergone compression resulting in complex folding, faulting and uplift. Pliocene age intrusions are emplaced into the stratigraphy on a local scale. Locally, the Carrizal and Monte mines contain mineral zones that are hosted in limestone and calcareous shales of the Las Trancas, Tamaulipas, and Soyatal formations [1]. The mineral zones are characterized as polymetallic replacement-style

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

mineralization and consists of silver, lead, zinc and copper rich semi-massive and massive sulfide bodies that occur in proximity to quartz-monzonitic to monzonitic intrusions and monzonitic quartz-

Zimapan Mine Production and Operating Results

Presented in the table and disclosure below are production statistics and unit costs for the Zimapan Mine. An economic study under NI 43-101 has not been completed (see cautionary notes above). The production amounts reported for Q3 2019 reflect Santacruz's 50% proportionate interest of PCG during Q3 2019 and as a result are 50% of the Zimapan Mine production for that period. The production amounts reported for Q4 2019 reflect Santacruz's 100% proportionate interest of PCG during Q4 2019 and as a result are 100% of the Zimapan Mine production for that period.

	2019	
	Q4	**Q3**
Material Processed (tonnes milled) (4)	161,071	82,242
Silver Equivalent Produced (ounces) (1) (4)	996,032	606,583
Silver Equivalent Sold (payable ounces) (2) (4)	612,131	350,571
Production - Silver (ounces) (4)	248,953	151,464
– Lead (tonnes) (4)	695	463
– Zinc (tonnes) (4)	2,591	1,492
– Copper (tonnes) (4)	482	316
Average Grade – Silver (g/t)	72	75
– Lead (%)	0.51	0.59
– Zinc (%)	2.44	2.28
– Copper (%)	0.43	0.48
Metal Recovery – Silver (%)	66.1	75.5
– Lead (%)	84.4	95.6
– Zinc (%)	65.8	79.5
– Copper (%)	69.6	79.6
Cash Cost of Production per Tonne(3)	50.61	41.89
Cash Cost per Silver Equivalent ($/oz.) (3)	18.53	15.70
All-in Sustaining Cash Cost per Silver Equivalent ($/oz.) (3)	20.19	17.91
Average Realized Silver Price per Ounce ($/oz) (2)	16.85	17.51

(1) Silver equivalent ounces produced in 2019 have been calculated using prices of $15.25/oz., $0.94/lb, $1.20/lb and $2.92/lb for silver, lead, zinc and copper respectively applied to the metal content of the lead, copper and zinc concentrates produced by the Zimapan Mine.

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

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

(4) Amounts reflect Santacruz's 50% proportionate ownership of PCG during Q3 and 100% proportionate interest during Q4.

<u>Zimapan Operations Overview</u>

Based on historical production records provided by Carrizal to Santacruz the Zimapan Mine milling facility prior to 2019 operated at a rate of 60,000 tonnes to 65,000 processed per month based on 26 operating days per month, processing mineralized material with head grades and metal recoveries in line with current values. During 2019 the milling facility has operated at a rate of 50,000 to 57,000 tonnes per month. The decreased production is primarily the result of decreased availability of certain mine production equipment. This situation is being addressed by management and it is expected that production rates will increase back to historical levels by the end of Q3 2020.

On November 28, 2017 the Company entered into an agreement (the "Mine Services Agreement") with Carrizal whereby the Company provides Carrizal with certain mine development, metallurgical and geological consulting services as well as administrative services in connection with mining activities at the Zimapan Mine. Following the acquisition of Carrizal Mining in 2019 any sales and costs of sales related to this agreement are eliminated upon consolidation and as such the Company will no longer be reporting mining services revenues or cost of sales related to this agreement.

On April 21, 2020, in response to the global Covid-19 pandemic, the Company temporarily suspended its mine, mill and exploration activities at the Zimapan mine in Zimapan, Hidalgo, Mexico. The suspension of operations was strictly proactive as no cases of Covid-19 had been documented at the Zimapan mine.

On May 19, 2020, the Mexican government authorized the resumption of non-essential activities in municipalities that present low or no known cases of transmission of the SARS-CoV-2 virus, subject to criteria defined by the Secretariat of Health. The municipality of Zimapan, Hidalgo State, Mexico was classified as a low risk municipality. The Zimapan mine resumed operations in May 2020.

Zimapan Production
As compared to Q3 2019, the Zimapan Mine silver equivalent production in Q4 2019 increased by 64%. The increase is entirely due to the fact that the Company owned 100% of PCG during Q4 but only 50% of PCG during Q3. Viewed on a 100% ownership basis in each quarter, silver equivalent production decreased in Q4 by 18%, largely due to lower metal recoveries. This matter has been addressed through reassignment of responsibilities with certain senior operations staff in early 2020 and preliminary results for Q2 2020 indicate that recoveries have returned to historical levels.

Cash Cost per Tonne
Cash cost of production per tonne of mineralized material processed increased by 21% in Q4 2019 to $50.61/t as compared to $41.89/t in Q3 2019. This change reflects a 137% increase in the cash cost of production while the tonnes of mineralized material processed increased by 96%.

Cash Cost per Silver Equivalent Ounce
Cash cost of production per silver equivalent ounce sold increased by 18% in Q4 2019 to $18.53/oz as compared to $15.70/oz in Q3 2019. This change in unit costs reflects a 106% increase in cash cost of sales and a 75% increase in silver equivalent payable ounces produced. The increase in silver equivalent payable ounces was not as much as expected due to lower metal recoveries during Q4. This matter is being addressed by management in Q1 and Q2 with the expectation of improvements by late Q2 and into Q3.

As previously referenced certain senior staff redeployments were made in late Q1 2020 with a view to increasing production back to historical levels by the end of Q3 2020 which should have a positive impact on production unit costs.

All-In Sustaining Cash Cost per Silver Equivalent Ounce
All-in sustaining cash cost of production per silver equivalent ounce sold increased by 13% in Q4 2019 to $20.19/oz as compared to $17.91/oz in Q3 2019. This change in unit costs reflects an 97% increase in cash cost of sales and a 75% increase in silver equivalent payable ounces produced. The increase in cash cost of sales and silver equivalent payable ounces is entirely due to the Company acquiring the remaining 50% interest in Carrizal.

As previously referenced management is taking steps to increase production back to historical levels by the end of Q3 2020 which should have a positive impact on production unit costs.

Veta Grande Project, Veta Grande, Zacatecas, Mexico

Transaction with Contracuña and Carrizal LOI
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 ($526 unpaid);
3. $3,000 on or before December 2, 2019 (unpaid);
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;

The Company concurrently executed on August 27, 2018 a promissory note (the “Promissory Note”) in favour of Contracuña in the amount of $1,422. The Promissory Note was repayable on or before August 30, 2019 and relates to a trade payable balance owing to Contracuña at August 27, 2018. 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.

The Company is not in compliance with the terms of the Contracuña Option Agreement but Contracuña has not filed a Notice of Default to date. The Company and Contracuña are in discussions with respect to restructuring the terms of the Contracuña Option Agreement.

On November 30, 2017 the Company entered into a binding Letter of Intent (the “Carrizal LOI”) wherein the Company granted Carrizal the right to earn a 20% working interest in the Zacatecas Properties and the Veta Grande Project (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. Although the facility is capable of operating at 750 tpd, subsequent metallurgical testing has indicated that the optimal run rate is 650 tpd to maximize metal recoveries.

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

Veta Grande Project Production and Operating Results

	Three months ended December 31,		Years ended December 31,	
	2019	**2018**	**2019**	**2018**
Material Processed (tonnes milled)	36,111	36,720	149,891	150,281
Silver Equivalent Produced (ounces) (1) (2)	193,748	128,985	761,262	414,636
Silver Equivalent Sold (payable ounces) (3)	112,806	70,048	516,809	235,744
Production - Silver (ounces) (2)	53,615	42,217	237,715	150,725
– Gold (ounces) (2)	116	84	457	314
– Lead (tonnes) (2)	277	237	1,082	664
– Zinc (tonnes) (2)	534	283	1,949	868
Average Grade – Silver (g/t)	102	81	105	73
– Gold (g/t)	0.24	0.19	0.22	0.19
– Lead (%)	1.27	0.95	1.18	0.66
– Zinc (%)	2.23	1.90	2.09	1.50
Metal Recovery – Silver (%) (2)	45.1	44.2	47.1	42.9
– Gold (%) (2)	42.0	37.0	42.7	33.5
– Lead (%) (2)	59.3	67.9	59.9	66.9
– Zinc (%) (2)	56.2	40.7	52.3	38.4
Cash Cost of Production per Tonne(4)	49.06	74.84	56.53	56.19
Cash Cost per Silver Equivalent ($/oz.) (4)	19.11	42.98	19.28	38.70
All-in Sustaining Cash Cost per Silver Equivalent ($/oz.) (4)	23.70	51.66	23.20	44.88

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

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

(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 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

The focus at the Veta Grande Project during 2019 was to optimize operations, in particular at the milling facility. Emphasis was placed on increasing the grade of the mineralized material processed at the milling facility and optimizing metal recoveries which was achieved. As a result silver equivalent production increased by 84% to 761,262 ounces on a year over year basis.

In March 2020 the Company suspended operations at the Veta Grande Project in order to facilitate capital upgrades to the processing plant and tailings storage facility. The initial estimated time for the completion of the capital upgrades is six months. Prior to commencing such capital upgrades the Company needs to restructure the terms of the Contracuña Option Agreement to terms more commercially acceptable to it. Discussions are ongoing between the parties with respect to this matter. Given the uncertainty of the outcome and the time needed to conclude this initiative the Company is not able to project a date for the resumption of operations. In connection with this matter and other impairment indicators, the Company recorded an impairment charge of $12,202 against the Veta Grande Project in Q4 2019.

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 are 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 84% to 761,262 ounces in 2019 as compared to 414,636 ounces in 2018. The increased production primarily reflects a 47% increase in tonnes milled, significantly improved head grades and a 36% increase in zinc recovery.

As compared to Q4 2018, silver equivalent production increased by 50% to 193,748 ounces in Q4 2019 from 128,985 ounces in Q4 2018. The increased production is the result of improved head grades, in particular a 26% increase in silver head grade and a 17% increase in zinc head grade, as well as a 38% increase in zinc recovery.

Cash Cost per Tonne
Cash cost of production per tonne of mineralized material processed was essentially unchanged in 2019 as compared to 2018 as both the tonnes milled the cash cost of production were nearly identical in both periods.

As compared to Q4 2018 the Q4 2019 unit costs decreased 34%. This change reflects a 28% decrease in the cash cost of production while the tonnes of mineralized material processed decreased by 2

Cash Cost per Silver Equivalent Ounce
Cash cost of production per silver equivalent ounce sold decreased by 50% in 2019 to $19.28/oz as compared to $38.70/oz in 2018. This change in unit costs reflects a 9% increase in cash cost of sales combined with a 119% increase in silver equivalent payable ounces sold during the year. The increase in silver equivalent payable ounces sold is largely the result of the above referenced improvement in head grades experienced in 2019 as compared to 2018.

As compared to Q4 2018 the Q4 2019 unit costs decreased 56%. The cash cost of production decreased 34% while the amount of silver equivalent payable ounces sold increased 61%.

The decrease in unit costs reflects ongoing efforts for cost control and development of more efficient processes.

All-In Sustaining Cash Cost per Silver Equivalent Ounce
All-in sustaining cash cost of production per silver equivalent ounce sold decreased by 48% in 2019 to $23.20/oz as compared to $44.88/oz in 2018

As compared to Q4 2018 the Q4 2019 all-in sustaining unit costs decreased 54% to $23.70/oz. The all-in sustaining cash cost of production decreased by 26% while there was a 61% increase in silver equivalent payable ounces sold.

The decreases in all-in sustaining cash cost of production occurred for the same reasons as the decreases in cash cost per equivalent ounce.

Rosario Project, Charcas, San Luis Potosi, Mexico
The Rosario Project currently includes the Rosario Mine 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.

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,**	
	2019	**2018**	**2019**	**2018**
Material Processed (tonnes milled)	22,972	16,676	76,088	61,184
Silver Equivalent Produced (ounces) (1) (2)	134,523	67,537	465,576	304,461
Silver Equivalent Sold (payable ounces) (3)	80,531	36,709	351,680	184,809
Production - Silver (ounces) (2)	43,106	20,320	149,687	74.981
- Gold (ounces) (2)	163	164	508	412
- Lead (tonnes) (2)	88	41	287	136
- Zinc (tonnes) (2)	379	168	1,350	1,081
Average Grade – Silver (g/t)	64	42	65	43
– Gold (g/t)	0.28	0.36	0.27	0.29
– Lead (%)	0.41	0.26	0.40	0.24
– Zinc (%)	2.02	1.26	2.09	2.02
Metal Recovery – Silver (%) (2)	90.6	89.9	93.4	89.4
– Gold (%) (2)	78.7	84.5	76.8	71.2
– Lead (%) (2)	88.9	88.8	90.2	86.4
– Zinc (%) (2)	77.1	72.4	79.4	84.3
Cash Cost of Production per Tonne (4)	57.15	123.29	75.28	93.60
Cash Cost per Silver Equivalent ($/oz.) (4)	19.87	58.51	19.25	34.28
All-in Sustaining Cash Cost per Silver Equivalent ($/oz.) (4)	26.67	64.83	25.14	39.39

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

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

(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.

(.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
Production at the Rosario Project, all from the Membrillo Prospect, improved on a year-over-year basis with the silver head grade increasing by 51%, tonnes milled increasing by 24% and silver equivalent ounce production increasing by 53%

Management remains focussed on increasing tonnes of mineralized material processed at the milling facility with the objective of reaching 400 tpd before the end of Q3 2020 with improved head grades. Additional mining equipment was procured for the project in the second quarter of 2020 which should result in an increase of production towards the target amount.

The decision to commence production at the Rosario Mine 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 2019 from the Rosario Project increased by 53% to 465,576 ounces as compared to 304,461 in 2018. This increase reflects a 24% increase in tonnes milled and 51% increase in silver head grade.

As compared to Q4 2018 silver equivalent production increased by 99% to 134,523 ounces from 67,537 ounces as a result of a 38% increase in tonnes milled and respective increases in silver and zinc head grades of 52% and 60%.

Cash Cost per Tonne
Cash cost of production per tonne of mineralized material processed decreased by 20% in 2019 to $75.28/t as compared to $93.60/t in 2018. This positive change reflects the 24% increase in tonnes milled on a quarter over quarter basis.

As compared to Q4 2018 the Q4 2019 unit costs decreased by 54% to $57.15/t. This change reflects a 38% increase in tonnes processed accompanied by a 36% decrease in cash cost of production.

Cash Cost per Silver Equivalent Ounce
Cash cost of production per silver equivalent ounce sold decreased by 44% in 2019 to $19.87/oz as compared to $34.28/oz in 2018. This change in unit costs reflects in part a 7% increase in cash cost of sales and a 90% increase in silver equivalent payable ounces sold. The increase in silver equivalent payable ounces sold in 2019 is largely due to the improved head grade.

As compared to Q4 2018 the Q4 2019 unit costs decreased 66%. The cash cost of sales decreased 25% while the amount of silver equivalent payable ounces sold increased by 119%. The increase in silver equivalent payable ounces sold again reflects improved head grades.

All-In Sustaining Cash Cost per Silver Equivalent Ounce
All-in sustaining cash cost of production per silver equivalent ounce sold decreased by 36% in 2019 to $25.14/oz as compared to $39.39/t in 2018. This change in unit costs reflects in part a 21% increase in cash cost of sales and a 90% increase in silver equivalent payable ounces sold. As referenced above, the increase in silver equivalent payable ounces sold in 2019 is largely due to the improved head grade.

As compared to Q4 2018 the Q4 2019 all-in sustaining unit costs decreased 59%. The cash cost of sales decreased 11% while the amount of silver equivalent payable ounces sold increased by 119%. As referenced above, the increase in silver equivalent payable ounces sold in 2019 is largely due to the improved head grade.

Resource and Exploration Properties

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

Summary of the Technical Report

Location, Exploration and Drilling

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

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

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

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

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

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

Panuco Deposit Mineral Resource

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

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

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

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

Resource classed as Inferred within all mineralized Veins

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

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

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

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

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

AgEq = GMV / Ag Factor = GMV / 0.32

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

Data Verification and Site Visit

During a site visit between July 9-10, 2019, Van Phu Bui, P. Geo of ARC Geoscience Group ("ARC") reviewed drill collar locations and mineralized drill core intersections for the 2018/2019 Phase 1 drill program completed at the Garcia, Armados and Navidad mine areas. ARC collected five quarter-core samples to verify the presence of mineralization. The five verification samples returned analytical results that include silver concentrations ranging between 10.20 g/t Ag to 575.30 g/t Ag. ARC performed a 10% quality control check on collar locations, mineralized drill core sample intervals, and geological descriptions. No material discrepancies were identified and ARC has no reason to doubt the authenticity and quality of the information. During the same site visit, ARC confirmed that no additional work has been performed on the Panuco deposit since the initial surface sampling program completed by Santacruz in 2016 and ARC's site visit on August 16-19, 2016. With respect to the preparation of the Panuco deposit mineral resources estimate, Michael F. O'Brien has not visited the Panuco deposit but has relied on the geological data and information verified by ARC.

Sampling and Laboratory

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

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

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

Qualified Persons

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

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:

(Derived from the Financial Statements; Expressed in thousands of US Dollars except per share amounts)	**2019**	**2018**	**2017**
	$	**$**	**$**
Cash	123	18	35
Working Capital (Deficiency)	(30,572)	(11,812)	(12,367)
Mineral Property Interests	2,344	8,076	6,744
Total Assets	24,585	23,019	tot27,671
Total Liabilities	41,442	21,943	20,664
Total Equity (Deficiency)	(16,857)	1,077	7,007
Total Revenues(1)	29,111	13,151	11,396
Net Loss(2)	(20,432)	(4,637)	(22,906)
Net Loss Per Share (basic and diluted)(3)	(0.12)	(0.03)	(0.14)

(1) Revenues in 2019 include $1,971 (2018 - $8,017 and 2017 - $3,580) from mining services.

(2) The 2019 net loss includes an impairment of the Veta Grande Project of $12,202 (2018 - $nil and 2017 - $nil), the Rosario Property of $nil (2018 - $1,486 and 2017 - $14,975), and the Gavilanes Property of $nil (2017 - $5,284 and 2016 - $nil). It also includes a gross margin from mining services of $1,971 (2018 - $6,958 and 2017 $856).

(3) 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.

Financial Results

Review of Operations

	Three months ended December 31,		Years ended December 31,	
	2019	**2018**	**2019**	**2018**
Revenue				
Mining operations	9,964	1,258	27,140	5,134
Mining services	-	1,466	1,971	8,017
	9,964	**2,724**	**29,111**	**13,151**
Cost of sales				
Cash cost of sales - mining operations	11,378	4,880	29,687	14,158
Cash cost of sales - mining services	-	-	-	1,059
Depletion and amortization – mining operations	136	917	1,135	1,994
	11,514	**5,797**	**30,822**	**17,211**
Gross loss	**(1,550)**	**(3,073)**	**(1,711)**	**(4,060)**
Operating expenses				
Administrative	(910)	(239)	(1,802)	(452)
Management and consulting fees	(64)	(65)	(400)	(386)
Professional fees	(292)	(80)	(1,103)	(424)
Share-based payments	(157)	-	(397)	-
Other	(607)	(22)	(909)	(304)
	(2,030)	**(406)**	**(4,611)**	**(1,566)**
Debt forgiveness	**-**	**134**	**-**	**2,724**
Gain (loss) on disposal of equipment	**-**	**159**	**-**	**164**
Impairment	**(12,202)**	**(1,486)**	**(12,202)**	**(1,486)**
Interest earned and other finance income				
Foreign exchange gain	-	873	-	920
IVA recovery inflationary gain	37	-	265	-
	37	**873**	**265**	**920**
Interest Expense and Other Finance Expenses				
Accretion of decommissioning and restoration provision	(19)	(9)	(68)	(34)
Carrying charges on loans payable	(153)	(14)	(412)	(377)
Interest expense on loans payable	(77)	(166)	(328)	(386)
Other interest expense	(156)	(7)	(158)	(4)
Financing charge on leases	(57)	(124)	(86)	(124)
Foreign exchange loss	(220)	-	(1,081)	-
	(682)	**(320)**	**(2,132)**	**(925)**
Income tax recovery (expense)	(410)	(121)	(41)	(408)
Net loss for the period	**(16,017)**	**(4,240)**	**(20,432)**	**(4, 637)**

Year ended December 31, 2019

The Company recorded a net loss of $20,432 ($0.11 loss per share) for the year ended December 31, 2019 compared to a net loss of $4,637 ($0.03 loss per share) for the year ended December 31, 2018. The net loss recorded in fiscal 2019 includes an impairment charge of $12,202 recorded against the Veta Grande Project, a gross loss of $3,682 from mining operations, operating expenses of $4,611 and interest and other finance expenses of $2,132. The net loss recorded in 2018 arose substantially from the gross loss from mining operations.

Revenues in 2019 of $29,111 include mining operations of $27,140 (2018 - $13,151) and mining services of $1,971 (2018 - $8,017).

The 2019 mining operations revenue was significantly impacted by the Company's interest in the leased Zimapan Mine that came to the Company as part of the acquisition of Carrizal. Individually the Zimapan Mine, Veta Grande Project and Rosario Project generated respectively 58%, 25% and 17% in fiscal 2019 as compared to 56% and 44% respectively in 2018 at the Veta Grande Project and Rosario Project. At the Veta Grande Project, revenues increased in 2019 as a result of improved head grades. At the Rosario Project revenue increased in part because of increased tonnes milled and in part because of improved head grades.

Cash cost of sales in 2019 includes mining operations of $29,687 (2018 - $14,158) and mining services of $nil (2018 - $1,059). The increase in mining operations cash cost of sales is virtually all related to the Company's interest in the leased Zimapan Mine.

During the year ended December 31, 2019 the Company recorded operating expenses of $4,611 (2018 - $1,566). Operating expenses increased in 2019 reflecting the addition of the Zimapan Mine operations, share-based payments and certain one-time accounting adjustments to its other Mexican operating entities.

The Company took an impairment charge of $12,202 in 2019 against the Veta Grande Project reflecting continued losses generated from the project and management's uncertainty with respect to achieving a restructuring of the Contracuña Option Agreement on commercial terms acceptable to the Company.

The Company recorded a foreign exchange loss of $1,081 in 2019 as compared to a foreign exchange gain of $920 in 2018. The foreign exchange accounting policy followed by the Company in compliance with International Financial Reporting Standards leads to large swings in foreign currency gains or losses during periods of volatile currency markets such as was experienced in 2019 and 2018.

Three months ended December 31, 2019

The Company recorded a net loss of $16,017 ($0.08 loss per share) for the three months ended December 31, 2019, compared to the net loss of $4,240 ($0.03 loss per share) for the three months ended December 31, 2018.

The Company recorded mining operations revenues of $9,964 (2018 - $1,258), mining services revenues of $nil (2018 - $1,466), mining operation cash cost of sales of $11,378 (2018 - $4,880), mining services cash cost of sales of $nil (2018 - $nil), and amortization and depletion expenses of $136 (2018 – $917) for Q4 2018 resulting in a gross loss of $1,550 (2018 - $3,073). As referenced above, the significant increase to revenues and mining operations cash cost of sales arose from the interest in the leased Zimapan Mine that the Company was entitled to as a result of the Carrizal Acquisition. The higher net loss in 2019 is largely the result of the impairment charge taken in Q4 2019 of $12,202 (2018 - $1,486),

Summary of Quarterly Results

	THREE MONTHS ENDED			
(Expressed in thousands of US Dollars except per share amounts)	Dec 31, 2019	Sep 30, 2019	Jun 30, 2019	Mar 31, 2019
	$	$	$	$
Revenues – Mining operations	9,964	11,439	3,247	2,490
Revenues – Mining services	-	293	888	790
Cost of sales – Mining operations	11,514	11,630	3,884	3,794
Cost of sales – Mining services	-		-	-
Administrative expenses	2,030	1,349	605	627
Net (loss) income (2)(3)(4)	(16,017)	(1,432)	(1,137)	(1,846)
Net (loss) income per share(1)	(0.08)	(0.01)	(0.01)	(0.01)
	THREE MONTHS ENDED			
	Dec 31, 2018	Sep 30, 2018	Jun 30, 2018	Mar 31, 2018
Revenues – Mining operations	1,258	1,657	1,466	753
Revenues – Mining services	1,466	569	3,569	2,413
Cost of sales – Mining operations	4,880	3,842	3,631	2,882
Cost of sales – Mining services	-	541	117	401
Administrative expenses	406	376	290	494
Net (loss) income (2)(3)(4)	(4,240)	(2,888)	3,297	(806)
Net (loss) income per share(1)	(0.03)	(0.02)	0.02	(0.00)

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

(2) The Q3 2019 and Q4 2019 revenues and cost of sales from mining operations increased significantly as a result of including 50% and 100% of the Zimapan Mine revenues and cost of sales in the Company's accounts in Q3 and Q4 2019 respectively.

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

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 Consolidated Statements of Loss and Comprehensive Loss contained in the respective financial statements for the referenced periods.

Zimapan Mine

(Expressed in thousands of US Dollars except ounces, tonnes, per ounce and per tonne amounts)	**Q4 2019**	**Q3 2019**
Cash cost of sales(1)	8,264	3,610
Inventory change(1)	(113)	(165)
Cash Cost of Production(1) (A)	8,151	3,445
Cash cost of sales(1)	8,264	3,610
Concentrate treatment, smelting and refining cost(1)	3,079	1,895
Cash Cost of Silver Equivalent Sold(1) (B)	11,343	5,505
Material processed (tonnes milled) (1) (C)	161,071	82,242
Cash Cost of Production per Tonne (A/C)	50.61	41,89
Silver Equivalent Sold (payable ounces) (1) (D)	612,131	350,571
Cash Cost per Silver Equivalent Ounce (B/D)	18.53	15.70

(1) The Q4 2019 and Q3 2019 amounts reflect Santacruz's respective 100% and 50% proportional ownership of PCG that was acquired as to the initial 50% ownership on July 1, 2019 and the additional 50% on October 4, 2019.

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,**	
	2019	**2018**	**2019**	**2018**
Cash cost of sales	1,788	2,824	8,490	8,438
Inventory change	(16)	(76)	(16)	6
Cash Cost of Production (A)	1,772	2,748	8,474	8,444
Cash cost of sales	1,788	2,824	8,490	8,438
Concentrate treatment, smelting and refining cost	368	187	1,475	686
Cash Cost of Silver Equivalent Sold (B)	2,156	3,011	9,965	9,124
Material processed (tonnes milled) (C)	36,111	36,720	149,891	150,281
Cash Cost of Production per Tonne (A/C)	49.06	74.84	56.53	56.19
Silver Equivalent Sold (payable ounces) (D)	112,806	70,048	516,809	235,744
Cash Cost per Silver Equivalent Ounce (B/D)	19.11	42.98	19.28	38.70

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,**	
	2019	**2018**	**2019**	**2018**
Cash cost of sales	1,326	1996	5,712	5,660
Inventory change	(13)	-	16	7
Cash Cost of Production (A)	1,313	1,996	5,728	5,667
Cash cost of sales	1,325	1,996	5,712	5660
Concentrate treatment, smelting and refining cost	275	92	1,059	616
Cash Cost of Silver Equivalent Sold (B)	1,600	2,148	6,771	6,336
Material processed (tonnes milled) (C)	22,972	16,676	76,088	61,184
Cash Cost of Production per Tonne (A/C)	57.15	123.29	75.28	93.6
Silver Equivalent Sold (payable ounces) (D)	80,531	36,709	351,680	184,809
Cash Cost per Silver Equivalent Ounce (B/D)	19.87	58.51	19.25	34.28

***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 consolidated financial statements.

Zimapan Mine

(Expressed in thousands of US Dollars except ounces and per ounce amounts)	Q4 2019	Q3 2019
Cash cost of sales[1]	8,264	3,610
Concentrate treatment, smelting and refining cost[1]	3,079	2046
Deferred ramp expenditures[1]	-	-
General and administrative expenses[1]	1,015	774
All-in Sustaining Cost	12,358	6,430
Silver Equivalent Sold (payable ounces) [1]	612,131	346,490
All-in Sustaining Cost per Silver Equivalent Ounce Sold	20.19	18.56

(1) The Q4 and Q3 2019 amounts reflect Santacruz's respective 100% and 50% proportional ownership of PCG that was acquired as to the initial 50% ownership on July 1, 2019 and the final 50% on October 4, 2019.

Veta Grande Project

(Expressed in thousands of US Dollars except ounces and per ounce amounts)	**Three months ended December 31,**		**Year ended December 31,**	
	2019	**2018**	**2019**	**2018**
Cash cost of sales	1,788	2,824	8,490	8,438
Concentrate treatment, smelting and refining cost	369	187	1,476	686
Deferred ramp expenditures	-	-	215	-
General and administrative expenses	508	405	1,800	673
Accretion of decommissioning and restoration provision	10	203	10	783
All-in Sustaining Cost	2,673	3,619	11,989	10,580
Silver Equivalent Sold (payable ounces)	112,806	70,048	516,809	235,744
All-in Sustaining Cost per Silver Equivalent Ounce Sold	2370	51.66	23.20	44.88

Rosario Project

(Expressed in thousands of US Dollars except ounces and per ounce amounts)	**Three months ended December 31,**		**Years ended December 31,**	
	2019	**2018**	**2019**	**2018**
Cash cost of sales	1,326	2,056	5,712	5,720
Concentrate treatment, smelting and refining cost	275	92	1,059	616
Sustaining capital expenditures	-	-	-	-
Deferred ramp expenditures	-	20	215	126
General and administrative expenses	508	203	1,797	783
Share-based payments	-	-	-	-
Accretion of decommissioning and restoration provision	10	9	59	34
All-in Sustaining Cost	2,118	23.80	8,842	7,279
Silver Equivalent Sold (payable ounces)	80,531	36,709	351,680	184,809
All-in Sustaining Cost per Silver Equivalent Ounce Sold	26.30	63.2	25.14	39.06

Average Realized Silver Price per Ounce

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

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

Zimapan Mine

(Expressed in thousands of US Dollars except ounces and per ounce amounts)	Q4 2019	Q3 2019
Revenues[(2)]	7,235	4,244
Add back: Treatment, smelting and refining charges[(2)]	3,079	1,895
Gross Revenues[(2)]	10,314	6,139
Silver Equivalent Sold (ounces) [(2)]	612,131	350,571
Avg Realized Price per Ounce of Silver Equivalent Sold	16.85	17.51
Avg Market Price per Ounce of Silver per London Silver Fix	17.30	17.02

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

(2) The Q4 and Q3 2019 amounts reflect Santacruz's respective 100% and 50% proportional ownership of PCG that was acquired as to the initial 50% ownership on July 1, 2019 and the final 50% on October 4, 2019.

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Veta Grande Project

(Expressed in thousands of US Dollars except ounces and per ounce amounts)	Three months ended December 31,		Years ended December 31,	
	2019	**2018**	**2019**	**2018**
Revenues	1,602	828	6,850	2,879
Add back: Treatment, smelting and refining charges	369	187	1,476	686
Gross Revenues	1,971	1,015	8,326	3,565
Silver Equivalent Sold (ounces)	112,806	70,048	516,809	235,744
Avg Realized Price per Ounce of Silver Equivalent Sold	17.47	14.49	16.11	15.12
Avg Market Price per Ounce of Silver per London Silver Fix	17.30	14.54	16.21	15.84

(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,	
	2019	**2018**	**2019**	**2018**
Revenues	1,127	430	4,567	2,255
Add back: Treatment, smelting and refining charges	274	92	1,059	616
Gross Revenues	1,401	522	5,626	2,871
Silver Equivalent Sold (ounces)	80,531	36,709	351,680	184,809
Avg Realized Price per Ounce of Silver Equivalent Sold[(1)]	17.40	14.22	16.00	15.53
Avg Market Price per Ounce of Silver per London Silver Fix	17.30	14.54	16.21	15.84

(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 Gross Profit (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 gross profit (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, 2018 and 2017.

	Three months ended December 31,		**Years ended December 31,**	
	2019	**2018**	**2019**	**2018**
Net loss for the period as reported	(16,017)	(4,240)	(20,432)	(4,637)
Income tax expense (recovery)	(410)	120	41	408
Interest earned and other finance income	(37)	-	(265)	-
Interest expense and other finance expenses	213	131	243	128
Carrying charges on loan payable	153	14	412	377
Interest expense on loan payable	77	166	328	386
Accretion expense	19	9	68	34
Amortization and depletion of mineral properties, plant and equipment	138	917	1,141	1,994
EBITDA	(15,864)	(2,883)	(18,464)	(1,310)
Impairment of exploration and evaluation properties	12,202	1,486	12,202	1,486
Foreign exchange loss (gain)	220	(873)	1,081	(920)
Debt forgiveness	-	(134)	-	(2,724)
Adjusted EBITDA	(3,442)	(2,404)	(5,181)	(3,468)

Financing Transactions

Trafigura Credit Facility

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

On April 20, 2020 the Trafigura Facility was further amended by the parties as follows:

- the Finance Charges were waived and the $100 payment made for such has been applied to the principal balance borrowed, reducing the outstanding balance to $1,400;
- Trafigura agreed to advance an additional $1,200 under the facility, which were advanced to the Company on or before April 20, 2020, bringing the new principal balance to $2,600 (the “2020 Facility”); and

- The 2020 Facility is to be repaid in 12 equal monthly installments of $217 commencing August 31, 2020 and bears interest at LIBOR plus 7%, payable monthly.

The 2020 Facility is secured on certain of the Carrizal Mining mine equipment.

Trafigura Loan

On December 22, 2015, the Company entered into a short-term loan facility (the "Loan") with 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 advanced on February 15, 2018 an additional $580 bringing the balance of the Amended Loan to $1,311. The Amended Loan bore interest at LIBOR plus 10%, payable monthly in arrears, with the principal to be repaid in twelve monthly installments commencing April 30, 2018 and original termination date of March 31, 2019. Trafigura agreed to defer the final payment date to October 11, 2019. During the year ended December 31, 2019 the Amended Loan was repaid in full.

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 1st, 2018. In connection with the MineCo Loan the Company issued MineCo 2,000,000 warrants (the "Warrants") exercisable until March 6, 2019, at CAD$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 at an exercise price of CAD$0.16, and to extend the expiry date to March 6, 2020.

On October 2, 2019, the Company and MineCo agreed to further extend the repayment date of the MineCo Loan to January 30, 2020. Subsequent to December 31, 2019 the Company and MineCo have engaged in ongoing discussions regarding a further extension of the repayment date.

The MineCo Loan is unsecured.

Banco Base Loan 1

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 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. The Company repays the loan in full within a maximum of 15 business days, and upon repayment of any particular draw down amount the Company may borrow the same amount immediately as a new draw under the Banco Base Loan. 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 34% per annum.

Banco Base Loan 2

On July 1, 2019 a Banco Base loan was acquired in the Carrizal Mining Acquisition ("Banco Base Loan 2"). Funds may be drawn down under the Banco Base Loan 2 either in US dollars or Mexican pesos.

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

Private Credit Facility - 2017
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.

Private Credit Facility - 2019
On September 30, 2019, the Company entered into a credit facility (the "Credit Facility") with a private Mexican financial institution. Funds may be drawn down under the Credit Facility either in US dollars or Mexican pesos. Funds drawn down must be repaid within 21 business days following the drawdown date. Funds drawn down in US dollars must be repaid in Mexican pesos and vice-versa. Drawdown amounts are limited to a maximum of $600 or the equivalent amount in Mexican pesos but can be increased at the discretion of the lender. Upon repayment of any particular draw down amount the Company may borrow the same amount immediately as a new draw under the Credit Facility. The Credit Facility is unsecured and the implied carrying charges that are tied to the spread between the US dollar and Mexican peso foreign exchange rates. The balance outstanding at December 31, 2019 was $500.

Swap Facility
On September 30, 2019, the Company entered into a credit facility (the "Swap Facility") with a private Mexican financial institution.

Funds are drawn down under the Credit Facility in Mexican pesos. Funds drawn down must be repaid within 45 business days following the drawdown date. Funds drawn down must be repaid in US dollars. Drawdown amounts are limited to a maximum of $3,000,000 Mexican pesos. 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 are tied to the spread between the US dollar and Mexican peso foreign exchange rates.

Capital Expenditures
The Company incurred expenditures of $11,262 during 2019, of which $9,129 was related to the Carrizal Acquisition. 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

The Company has made no dividend payments, and currently has no plans to declare any dividends.
At December 31, 2019, the Company had a working capital deficiency of $30,572 (2018 - $11,812), a loss for the year ended December 31, 2019 of $20,432 (2018 - $4,637), and had an accumulated deficit of $125,467 (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

During the years ended December 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:

	2019 **$**	**2018** **$**
Mining Services		
Revenues	1,971	8,017
Expenses		
Accounting and corporate secretarial fees	-	85
Directors’ fees	45	67
Management fees	408	383

At December 31, 2019, directors and officers or their related companies were owed $332 (2018 – $290) in respect of the services rendered. These are non-interest bearing with standard payment terms.

The Company entered into certain mining equipment leases expiring between 2017 and 2020 with an interest rate between 6.5% and 10.5% per annum. $51 of lease payments were paid during the year ended December 31, 2019 (2018 - $nil) and $1,299 of the leases payable outstanding at December 31, 2019 were owed to a company owned by the CEO of the Company (2018 - $1,210).

The Company entered into the Mine Services Agreement as well as the Carrizal Mining LOI with a related company with common directors during the year ended December 31, 2017. Following the acquisition of Carrizal Mining in 2019 any sales and costs of sales related to this agreement are eliminated upon consolidation and as such the Company will no longer be reporting mining services revenues or cost of sales related to this agreement.

During 2018, the Company recognized a gain on sale of mining equipment to Carrizal in the amount of $164.

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

a) Fair Value of Financial Instruments

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

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

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

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

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

b) Management of Risks Arising from Financial Instruments

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

(i) Credit Risk – Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to fulfill its contractual obligations. The Company's credit risk consists primarily of cash, 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 considers the credit risk related to cash 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 1% change in the interest rate would change the Company's net loss by approximately $82.

(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 financing 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, 2019 were as follows:

	< 1 year $	1 – 2 years $	2 – 5 years $	>5 years $	Total $
Accounts payable and accrued liabilities	30,152	-	-	-	30,152
Loan payable	5,749	200	-	-	5,949
Leases	2,203	32	27	-	2,262
Total	38,104	232	27	-	38,322

(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 1% change in the US dollar exchange rate relative to the Mexican peso would change the Company's net income (loss) by approximately $199 and a 1% change in the US dollar exchange rate relative to the Canadian dollar would change the Company's net income (loss) by approximately $11.

The Company's financial assets and liabilities as at December 31, 2019 are denominated in Canadian dollars, US dollars, and Mexican pesos as follows:

	Canadian dollar $	US dollar $	Mexican peso $	Total $
Financial assets				
Cash	22	-	101	123
Trade receivables	-	1,243	-	1,243
Other receivables	4	-	4,662	4,662
	26	1,243	4,763	6,032
Financial liabilities				
Accounts payable and accrued liabilities	464	8,587	21101	30,152
Loans payable	-	5,949	-	5,949
	464	14,536	21,101	36,101
Net financial liabilities	(438)	(13,207)	(16,338)	(30,069)

(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.

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

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.

New Standards and Interpretations Not Yet Adopted

There are no IFRS with future effective dates that are expected to have a material impact on the Company.

Outstanding Share Data
Authorized share capital: Unlimited number of Common Shares

All share information is reported as of June 16, 2020 in the following table.

Issued and Outstanding Common Shares			204,670,984
	Expiry Date	Exercise Price (CDN$)	
Options			
	February 10, 2021	0.15	3,000,000
	August 6, 2024	0.18	8,500,000
Fully Diluted			216,170,984

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, 2019 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. Operational risks also include the occurrence of a contagious disease outbreak (such as Covid-19) and any related adverse public health developments or adverse effect on global workforces, economies, and financial markets.

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.