MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

The following management's discussion and analysis of financial condition and results of operations ("MD&A") for the years ended December 31, 2021 and 2020 prepared as of May 2, 2022, should be read in conjunction with the consolidated financial statements for the years ended December 31, 2021 and 2020 of Santacruz Silver Mining Ltd. ("the Company" or "Santacruz") (the "2021 Annual Financial Statements").

The above referenced consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). All dollar amounts are expressed in thousands of US dollars (US$000's) unless otherwise indicated. References to "CAD" or "C$" are to thousands of Canadian dollars and references to "MXN" are to thousands of Mexican Pesos, unless otherwise noted. Throughout this MD&A the terms first quarter, second quarter, third quarter, and fourth quarter are respectively used interchangeably with the terms Q1, Q2, Q3, and Q4.

Forward-Looking Statements

This MD&A and the documents incorporated herein by reference contain "forward-looking information" within the meaning of applicable Canadian securities regulation. 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 is based on plans, expectations and estimates of management at the date the information is provided and is subject to certain factors and assumptions. In making the forward-looking statements included in this MD&A, the Company has applied several material assumptions, including that the Company's financial condition and development plans do not change as a result of unforeseen events, and that future metal prices and the demand and market outlook for metals will remain stable or improve. Forward-looking information also includes, but is not limited to, statements relating to the potential mineralization and geological merits of the Company's Zimapan mine and related mineral concessions ("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 ("Veta Grande Mine", which is part of the "Veta Grande Project"), the La Pechuga property ("La Pechuga Property") and the Santa Gorgonia prospect ("Santa Gorgonia Prospect", which is part of the Zimapan mine concessions); 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 Membrillo Prospect, and the Zimapan Mine; 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; 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 market conditions and global economic conditions, including increased volatility, will result in negative capital raising conditions arising from the continued COVID-19 pandemic and risks relating to the extent and duration of such pandemic and its impact on global markets, 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 of British Columbia on January 24, 2011. The Company's registered office is located at 10th Floor, 595 Howe Street, Vancouver, British Columbia, Canada V6C 2T5. The Company is listed for trading on the TSX Venture Exchange ("TSXV") under the symbol "SCZ".

The Company is engaged in the operation, acquisition, exploration and development of mineral properties in Latin America, with a primary focus on silver and zinc, but also including lead and copper. As at December 31, 2021, the Company had one producing project, the Zimapan Mine and held two exploration properties in its mineral property portfolio, the La Pechuga Property and the Santa Gorgonia Prospect.

On March 2, 2021, the Company completed the sale of the Zacatecas Properties, comprising 149 mining concessions totaling approximately 7,826 ha (19,338 acres) including the Panuco Deposit, to Zacatecas Silver Corp. ("Zacatecas Silver") for cash consideration of $1,500 and the issuance by Zacatecas Silver of 5,000,000 common shares of Zacatecas Silver to the Company.

On April 13, 2021, the Company completed a non-brokered private placement of 46,980,000 units for gross proceeds of $11,228 (C$14,094). The proceeds from the offering were used by the Company in part to complete the acquisition of the Zimapan Mine and in part for working capital and general corporate purposes.

On April 23, 2021, the Company completed the acquisition of the Zimapan Mine for total consideration of $20,000 (plus applicable Mexican Value Added Tax of $3,200) (the “Transaction”). Funding for the Transaction was arranged with Trafigura Mexico, S.A. de C.V. (“Trafigura”) as to a $17,616 loan facility ("Trafigura Loan Facility"), which included the recapitalization of $2,616 of a prior loan arrangement with them, and with $5,000 from the Company’s treasury. As part of the loan financing, warrants were also issued to Trafigura.

On July 15, 2021, the Company issued 10,342,604 common shares at a price of C$0.432 per share in settlement of outstanding debts totalling $3,701.

On October 5, 2021, the Company announced it was suspending operations at the Rosario Mine and placing it on care and maintenance. The decision was made following an extensive review by management of the Rosario Mine operations and strategic options available. Subsequent to placing the Rosario Project in care and maintenance, a decision was made to sell any other remaining assets and liabilities related to the Rosario Project, along with related accumulated tax losses, as part of a tax planning strategy. The net result of this strategy (which include the impairment loss of plant and equipment of $1,840, in addition to a gain on the disposal of certain net assets held by a subsidiary of the Company of $745) is a loss of $1,095.

On March 18, 2022, the Company completed its previously announced transaction with Glencore plc (“Glencore”), whereby the Company acquired a portfolio of producing assets located in Bolivia from Glencore (“Glencore Transaction”), including a 100% interest in the Sinchi Wayra business, which includes the producing Caballo Blanco mining complex, the Soracaya exploration project, and the San Lucas ore sourcing and trading business, a 45% interest in the producing Bolivar and Porco mining operations held through an unincorporated joint venture with Corporación Minera de Bolivia, a Bolivian state-owned entity, and certain related properties and assets (together, “Glencore Assets”).

Pursuant to an amendment agreement to the Glencore Transaction dated March 18, 2022, the Company will pay an initial upfront consideration of $12,011 within 30 days of closing and an additional deferred consideration of $90,000 in equal installments over four years from closing, subject to certain conditions and adjustments. As a result of certain logistical and closing items delays related to the Glencore Transaction, both parties have mutually agreed to extend the deadline of this initial payment, which should occur during the three months ended June 30, 2022, subject to any additional unforeseen delays

Glencore also retains a 1.5% net smelter returns royalty on all Glencore Assets other than the San Lucas business and a 14% gross profit royalty on the San Lucas business. Glencore has the right to acquire 100% of the offtake from the Glencore Assets in accordance with offtake agreements entered into in connection with closing.

As part of the Glencore Transaction, Glencore agreed to provide the San Lucas business with a working capital facility of up to $10,000.

In connection with the Glencore Transaction, the Company has paid $320 in cash ($85 paid as at December 31, 2021) and issued 3,077,317 common shares at a price of C$0.41 per share to Big Buck Capital, S.C. ("BBC") to settle $1,320 of fees for services provided pursuant to the terms of a consulting services agreement with BBC.

Subsequent to December 31, 2021, Trafigura exercised 7,280,000 warrants for gross proceeds of $2,298 (C$2,876), of which the Company applied $316 towards partial repayment of the Trafigura Loan Facility.

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

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.

Zimapan Mine Acquisition

On July 28, 2020, the Company, through its wholly-owned Mexican subsidiary Carrizal Mining, S.A. de C.V. ("Carrizal Mining"), entered into a legally binding term sheet with Minera Cedros, S.A. de C.V. ("Minera Cedros") to acquire the Zimapan Mine for total consideration of $20,000 (plus applicable Mexican Value Added Tax of $3,200) (the "Transaction"). The Zimapan Mine at the time was under lease by Carrizal Mining from Minera Cedros.

On April 23, 2021, the Company completed the acquisition of the Zimapan Mine.

Assets acquired pursuant to the Transaction include:

- Zimapan mill facility ("Zimapan Mill"), which is a 75,000 dry metric tonnes (DMT) per month facility with zinc, lead and copper circuits.
- Surface and underground infrastructure including electrical and other necessary infrastructure to carry on day-to-day operations.
- 34 mining concessions covering an area of 5,139 hectares. The mining concessions are located seven kilometers from the municipality of Zimapan.

Liabilities acquired pursuant to the Transaction include environmental obligations and the asset retirement obligation ("ARO"). The ARO represents the Company's future obligation to remediate the Zimapan mine site after the life of mine has expired.

Funding for the Transaction was arranged with Trafigura Mexico, S.A. de C.V. ("Trafigura") with a $17,616 loan facility ("Trafigura Loan Facility"), which included the recapitalization of $2,616 of a prior loan arrangement, and with $5,000 from the Company's treasury. Pursuant to the terms of the Transaction, the Company had until September 23, 2021 to pay Minera Cedros the outstanding Mexican Value Added Tax ("VAT") of $3,200 owed in connection with the Transaction. As at December 31, 2021, $981 of the VAT owed to Minera Cedros was outstanding (subsequent to December 31, 2021, the full amount of this VAT was paid to Minera Cedros).

The Trafigura Loan Facility is for a period of 42 months at an annual interest rate of three-month LIBOR + 6.5% (effective interest rate approximately 6.71% as at December 31, 2021), repayable in monthly instalments of principal plus accrued interest for the respective period. The Trafigura Loan Facility is secured by a first charge over all Zimapan Mine assets and all other material assets owned by the Company and its subsidiaries. In addition, the Company issued to Trafigura 28,000,000 warrants ("Trafigura Warrants"), each warrant exercisable into a Santacruz common share at C$0.395 per share, for a period of 12 months with respect to 7,280,000 of the Trafigura Warrants and 42 months with respect to the remaining 20,720,000 Trafigura Warrants. The Trafigura Loan Facility contains normal course liquidity and financial ratio covenants, among others.

Pursuant to the Trafigura Loan Facility, Trafigura will have the right to offset payments owing by Trafigura to Carrizal Mining and/or its affiliates under existing commodity purchase and sale agreements, against payments owing by Carrizal Mining to Trafigura under the Trafigura Loan Facility.

2021 Financial and Operating Highlights

Selected financial and operating information for the three months and years ended December 31, 2021 and 2020 is presented below. The Company is not including production and unit cost results from the Veta Grande Project in this MD&A as operations at Veta Grande were suspended during Q1 2020 and to date have not recommenced.

(Expressed in thousands of US Dollars, except where noted)	Three months ended Dec 31,		Years ended Dec 31,	
	2021	**2020**	**2021**	**2020**
Financial				
Revenues	13,821	10,217	53,334	33,097
Gross Profit	621	1,119	10,298	988
Net (Loss)	(10,450)	(295)	(11,565)	(1,493)
Net (Loss) Per Share - Basic ($/share)	(0.03)	(0.00)	(0.04)	(0.01)
Adjusted EBITDA (Loss) (3)	(4,469)	1,385	713	(181)
Operating				
Material Processed (tonnes milled)	192,901	201,585	730,411	652,424
Silver Equivalent Produced (ounces) (1)	842,027	1,000,242	3,220,974	3,590,450
Silver Equivalent Sold (payable ounces) (2)	836,718	620,091	2,962,588	2,500,355
Cash Cost of Production per Tonne ($/t) (3)	51.83	50.06	53.16	46.53
Cash Cost per Silver Equivalent Ounce Sold ($/oz) (3)	18.19	23.04	19.01	18.53
All-in Sustaining Cash Cost per Silver Equivalent Ounce Sold ($/oz) (3)	26.26	24.41	23.93	20.82
Average Realized Price per Ounce of Silver Equivalent Sold ($/oz) (3) (4)	22.77	24.05	23.92	19.58

(1) Silver Equivalent Produced (ounces) in 2021 have been calculated using prices of $25.00/oz, $1,925.00/oz, $0.85/lb, $1.05/lb and $3.00/lb for silver, gold, lead, zinc and copper respectively applied to the metal production divided by the silver price plus the respective concentrate produced by the Zimapan Mine and the Rosario Project multiplied by the respective silver content. Silver Equivalent Produced (ounces) in 2020 have been calculated using prices of $17.85/oz, $1,480.00/oz, $0.92/lb, $1.09/lb and $2.80/lb for silver, gold, lead, zinc and copper respectively applied to the metal production divided by the silver price plus the respective concentrate produced by the Zimapan mine and the Rosario Project multiplied by the respective silver content.

(2) Silver Equivalent Sold (payable ounces) have been calculated using the Average Realized Price per Ounce of Silver Equivalent Sold stated in the table above, applied to the payable metal content of the concentrates sold from the Zimapan Mine and Rosario Project in 2021 and 2020.

(3) The Company reports non-IFRS measures, which include Cash Cost of Production per Tonne, Cash Cost per Silver Equivalent Ounce Sold, All-in Sustaining Cash Cost per Silver Equivalent Ounce Sold, Average Realized Price per Ounce of Silver Equivalent Sold, Adjusted EBITDA. 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) Average Realized Price per Ounce of Silver Equivalent Sold is prior to all treatment, smelting and refining charges.

Management Business Overview and Outlook

The Company's focus for 2022 will be:

- To steadily increase production from the Zimapan mine with focus on the Lomo del Toro mineralized zone;
- Complete exploration campaigns at both the Horizontes Zone (Lomo del Tora zone) and Santa Gorgonia Prospect located within the Zimapan Mine mining concessions;
- Integration of the Bolivian assets acquired from the Glencore transaction

Review of Consolidated Operating Results

	Three months ended Dec 31,		Years ended Dec 31,	
	2021	**2020**	**2021**	**2020**
Material Processed (tonnes milled) (4) (6)				
Zimapan Mine	192,901	180,003	691,383	591,477
Rosario Project	-	21,582	39,029	60,947
Consolidated	**192,901**	**201,585**	**730,411**	**652,424**
Silver Equivalent Produced (ounces) (1) (4) (6)				
Zimapan Mine	842,027	909,379	3,113,264	3,298,899
Rosario Project	-	90,863	107,710	291,551
Consolidated	**842,027**	**1,000,242**	**3,220,974**	**3,590,450**
Silver Equivalent Sold (payable ounces) (2) (4) (6)				
Zimapan Mine	836,718	545,580	2,877,922	2,298,086
Rosario Project	-	74,511	84,666	202,268
Consolidated	**836,718**	**620,091**	**2,962,588**	**2,500,355**
Cash Cost of Production per Tonne (3) (4) (6)				
Zimapan Mine	50.77	48.90	51.92	43.88
Rosario Project (7)	-	59.68	75.11	72.33
Consolidated	**51.83**	**50.06**	**53.16**	**46.53**
Cash Cost per Silver Equivalent Ounce Sold (3) (4) (6)				
Zimapan Mine	17.95	23.21	18.36	17.79
Rosario Project (7)	-	21.82	41.21	27.00
Consolidated	**18.19**	**23.04**	**19.01**	**18.53**
All-in Sustaining Cash Cost per Silver Equivalent Ounce Sold (3) (4) (6)				
Zimapan Mine	25.38	24.95	22.45	19.03
Rosario Project (7)	-	47.63	74.12	41.17
Consolidated	**26.26**	**24.41**	**23.93**	**20.82**
Average Realized Price per Ounce of Silver Equivalent Sold (3) (4) (5) (6)				
Zimapan Mine	22.77	23.98	23.89	19.46
Rosario Project	-	24.56	23.75	20.86
Consolidated	**22.77**	**24.05**	**23.92**	**19.58**

(1) Silver Equivalent Produced (ounces) in 2021 have been calculated using prices of $25.00/oz, $1,925.00/oz, $0.85/lb, $1.05/lb and $3.00/lb for silver, gold, lead, zinc and copper respectively applied to the metal production divided by the silver price plus the respective concentrate produced by the Zimapan Mine and the Rosario Project multiplied by the respective silver content. Silver Equivalent Produced (ounces) in 2020 have been calculated using prices of $17.85/oz, $1,480.00/oz, $0.92/lb, $1.09/lb and $2.80/lb for silver, gold, lead, zinc and copper respectively applied to the metal production divided by the silver price plus the respective concentrate produced by the Zimapan mine and the Rosario Project multiplied by the respective silver content.

(2) Silver Equivalent Sold (payable ounces) have been calculated using the Average Realized Price per Ounce of Silver Equivalent Sold stated in the table above, applied to the payable metal content of the concentrates sold from the Zimapan Mine and Rosario Project in 2021 and 2020.

(3) The Company reports non-IFRS measures, which include Cash Cost of Production per Tonne, Cash Cost per Silver Equivalent Ounce Sold, All-in Sustaining Cash Cost per Silver Equivalent Ounce Sold and Average Realized Price per Ounce of Silver Equivalent Sold. 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 is not including production and unit cost results from the Veta Grande Project in this MD&A as operations at Veta Grande were suspended during Q1 2020 and to date have not recommenced.

(5) Average Realized Price per Ounce of Silver Equivalent Sold is prior to all treatment, smelting and refining charges.

(6) Operations at the Rosario Project were suspended with no production from August 2021. The net assets of the Rosario Project were disposed of in December 2021.

(7) No production tonnes or silver equivalent ounces sold for Q4 2021, metric not meaningful.

Operations Overview

Consolidated silver equivalent production in 2021 decreased 10% to 3,220,974 ounces as compared to 3,590,450 ounces in 2020. This decrease is largely due to a higher silver price being used in the silver equivalent ounce production calculation for 2021 (Ag $25.00/oz) compared to 2020 (Ag $17.85/oz).

It must be noted that when the price decks for comparative periods are relatively similar (as is the case for quarterly comparisons within a fiscal year), this analytical metric is a useful tool. However, a comparison of silver equivalent production between periods with substantially different price decks can be misleading. Such is the case when comparing the 2021 silver equivalent production to 2020. In order to provide a better comparison for this metric, the table below shows the silver equivalent production for 2021 calculated using the 2020 metal price deck.

	Year ended Dec 31 2021	Year ended Dec 31 2020	Variance %
Silver Equivalent Produced (ounces)			
Zimapan Mine	3,113,264	3,298,899	(5.6%)
Rosario Project	107,710	291,551	(63.1%)
Consolidated	**3,220,974**	3,590,450	**(10.3%)**

The increase in silver equivalent production at the Zimapan Mine in 2021 as compared to 2020 is primarily due to a 16.9% increase in mineralized material processed at the Zimapan milling facility in 2021. Conversely, at Rosario, the decrease in silver equivalent production in 2021 as compared to 2020 reflects, in large part, the suspension of operations in Q3 2021.

Cash Cost of Production per Tonne

Consolidated cash cost of production per tonne of mineralized material processed increased 14.2% in 2021 to $53.16/t as compared to $46.53/t in 2020. This change is largely due to an 18.3% increase in unit costs at the Zimapan Mine. The Zimapan Mine cash cost of production increased 40.6% to $35,883, which included a non-recurring charge of $1.49/t due to a Mexican labour reform that came into effect during 2021 that required companies engaging labour hire organizations to recognize all labour obligations (vacation accruals, seniority premiums, bonuses). The Zimapan Mine cash cost of production also increased $3.83/t due to various cost escalations relating to the increased mining depth and $5.30/t due to additional maintenance costs associated with preventative maintenance. Cash cost of production per tonne was offset in part by a 12.0% increase in tonnes milled.

As compared to Q4 2020, the Q4 2021 consolidated cash cost of production per tonne of mineralized material processed increased by $1.77/t to $51.83/t. This change was primarily due to a 3.8% increase in unit costs at the Zimapan Mine, which reflected an ongoing focus on development work at the Lomo del Toro mineralized zone. The Zimapan Mine cash cost of production increased 18.3% to $9,880, which was due in part to a 7.2% increase in tonnes milled.

Cash Cost per Silver Equivalent Ounce Sold

Consolidated cash cost per silver equivalent ounce sold increased 2.6% in 2021 to $19.01/oz as compared to $18.53/oz in 2020. This change largely reflects a 3.2% increase in the unit costs at the Zimapan Mine offset by the suspension of operations at the Rosario Project. The consolidated cash cost increased 21.5% to $56,321, which included a non-recurring charge of $0.36/oz due to compliance with a Mexican labour reform that came into effect during 2021 in addition to cost escalations and increased maintenance costs discussed above. Increased costs were offset by a 25.2% increase in silver equivalent ounces sold at the Zimapan Mine.

As compared to Q4 2020, the Q4 2021 consolidated cash cost per silver equivalent ounce sold decreased 21.0% to $18.19/oz, which was driven primarily by the Zimapan Mine with silver equivalent ounces sold increasing 53.4% to 836,718 ounces, which was offset by an increase in cash costs of 18.6% to $15,018.

All-In Sustaining Cash Cost (“AISC”) per Silver Equivalent Ounce Sold

Consolidated AISC per silver equivalent ounce sold increased 14.9% in 2021 to $23.93/oz as compared to $20.82/oz in 2020. This change in unit costs largely reflects a 18.0% increase in the unit costs at the Zimapan Mine, partially offset by the suspension of operations at the Rosario Project. Consolidated AISC increased 36.2% to $70,887, whilst consolidated silver equivalent ounces sold increased 18.5% to 2,962,588. The AISC increase at the Zimapan Mine of 47.8% resulted from cost impacts discussed above and an increase in administrative costs which is outlined below. Increased costs were offset by the aforementioned 25.2% increase in silver equivalent ounces sold at the Zimapan Mine.

As compared to Q4 2020, the Q4 2021 consolidated AISC per silver equivalent ounce sold increased 7.6% to $26.26/oz. This result reflects a 28.0% increase in the consolidated AISC and a 34.9% increase in consolidated silver equivalent ounces sold in Q4 2021. As mentioned above, the increase in consolidated silver equivalent ounces sold reflects a 53.4% increase at the Zimapan Mine offset by a 100% decrease at the Rosario Project following suspension of operations in Q3 2021.

Zimapan Mine, Zimapan, Hidalgo, Mexico

As noted earlier, Carrizal Mining acquired the Zimapan Mine in April 2021 pursuant to the Transaction.

Zimapan Mine Production and Operating Results

Presented in the table below are production statistics and unit costs for the Zimapan Mine.

		Three months ended Dec 31, [1]		Years ended Dec 31, [1]	
		2021	2020	2021	2020
Material Processed (tonnes milled)		192,901	180,003	691,383	591,477
Silver Equivalent Produced (ounces) [2]		842,027	909,379	3,113,264	3,298,899
Silver Equivalent Sold (payable ounces) [3]		836,718	545,580	2,877,922	2,298,086
Production	- Silver (ounces)	318,374	297,538	1,236,859	1,007,478
	- Lead (tonnes)	1,012	948	3,659	3,601
	- Zinc (tonnes)	3,442	2,711	12,101	10,016
	- Copper (tonnes)	488	402	1,820	1,543
Average Grade	- Silver (g/t)	76	76	79	75
	- Lead (%)	0.60	0.62	0.60	0.69
	- Zinc (%)	2.26	2.20	2.34	2.37
	- Copper (%)	0.35	0.32	0.35	0.37
Metal Recovery	- Silver (%)	67.2	67.4	70.4	70.4
	- Lead (%)	86.8	84.4	87.9	87.8
	- Zinc (%)	78.9	68.3	74.9	71.4
	- Copper (%)	72.4	69.5	76.1	70.7
Cash Cost of Production per Tonne ($/t) [4]		50.77	48.90	51.92	43.88
Cash Cost per Silver Equivalent Ounce Sold ($/oz) [4]		17.95	23.21	18.36	17.79
All-in Sustaining Cash Cost per Silver Equivalent Ounce Sold ($/oz) [4]		25.38	24.95	22.45	19.03

(1) The Zimapan Mine was acquired in April 2021. Prior to acquisition, the Company conducted operations at Zimapan Mine under a mining lease agreement with Minera Cedros.

(2) Silver Equivalent Produced (ounces) in 2021 have been calculated using prices of $25.00/oz, $0.85/lb, $1.05/lb and $3.00/lb for silver, lead, zinc and copper respectively applied to the metal production divided by the silver price plus the respective concentrate produced by the Zimapan Mine and the Rosario Project multiplied by the respective silver content. Silver Equivalent Produced (ounces) in 2020 have been calculated using prices of $17.85/oz, $0.92/lb, $1.09/lb and $2.80/lb for silver, lead, zinc and copper respectively applied to the metal production divided by the silver price plus the respective concentrate produced by the Zimapan mine and the Rosario Project multiplied by the respective silver content.

(3) Silver Equivalent Sold (payable ounces) have been calculated using the Average Realized Price per Ounce of Silver Equivalent Sold applied to the payable metal content of the concentrates sold from the Zimapan Mine in 2021 and 2020.

(4) The Company reports non-IFRS measures, which include Cash Cost of Production per Tonne, Cash Cost per Silver Equivalent Ounce Sold and All-in Sustaining Cash Cost per Silver Equivalent Ounce Sold. 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.

Zimapan Operations Overview

Silver equivalent ounce production in 2021 decreased 5.6% to 3,113,264 ounces as compared to 3,298,899 ounces in 2020. This decrease is due to the impact of using different metal price decks for the 2021 and 2020 fiscal years (see prior discussion). The Q4 2021 silver equivalent ounce production increased 7.4% (after adjusting for the metal price deck) as compared to Q4 2020.

Cash Cost of Production per Tonne

Cash cost of production per tonne of mineralized material processed increased 18.3% in 2021 to $51.92/t as compared to $43.88/t in 2020, which is primarily driven by various cost escalations as described above, and a non-recurring charge of $1.49/t due to a Mexican labour reform that came into effect during 2021.

As compared to Q4 2020, the Q4 2021 cash cost of production per tonne of mineralized material processed increased by 3.8% to $50.77/t. This result reflects an 18.3% increase in the cash cost of production offset by a 7.2% increase in the tonnes of mineralized material processed during Q4 2021.

Cash Cost per Silver Equivalent Ounce Sold

Cash cost per silver equivalent ounce sold increased 3.2% in 2021 to $18.36/oz as compared to $17.79/oz in 2020. The cash cost increased 29.3% to $52,832, which included various cost escalations as described above and a non-recurring charge of $0.36/oz due to a Mexican labour reform that came into effect during 2021, while the silver equivalent ounces sold increased 25.2%.

As compared to Q4 2020, the Q4 2021 cash cost per silver equivalent ounce sold decreased 22.7% to $17.95/oz. This resulted from an 18.6% increase in the cash cost to $15,018 while the silver equivalent ounces sold increased 53.4% to 836,718 ounces. The increase in silver equivalent ounces sold reflects significant increases in metal prices for lead, copper and zinc along with significant increases in payable metal for zinc and silver.

All-In Sustaining Cash Cost ("AISC") per Silver Equivalent Ounce Sold

AISC per silver equivalent ounce sold increased 18.0% in 2021 to $22.45/oz as compared to $19.03/oz in 2020. AISC increased 47.8%, which included a non-recurring charge of $0.36/oz due to a Mexican labour reform that came into effect during 2021, in addition to cost impacts discussed above, offset by the aforementioned 25.2% increase in silver equivalent ounces sold.

As compared to Q4 2020, the Q4 2021 AISC per silver equivalent ounce sold increased 1.7% to $25.38/oz. This result reflects a 56.0% increase in AISC and a 53.4% increase in silver equivalent ounces sold in Q4 2021.

Rosario Project, Charcas, San Luis Potosi, Mexico

The Rosario Project included 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 formed the Rosario Mine comprised the Rey David and San Rafael mining concessions. The concessions covered 500 hectares. The Company has no further vendor payments to make on the concessions except for an annual fee of $40. The property was subject to a 0.4% net smelter returns royalty ("NSR"). The NSR increased by 0.1% per year, until reaching a maximum of 1%. The outstanding NSR obligations of $156 were settled on July 15, 2021 pursuant to a shares-for-debt agreement between the parties as approved by the TSXV. Effective October 5, 2021, the Company suspended operations at the Rosario Mine and placed it on care and maintenance. This decision was made following an extensive review by management of the Rosario Mine operations and strategic options available including the potential sale of the operation. In December 2021, the Company completed the disposal of certain net assets of the Rosario Project. The decommissioning and restoration provision for the Rosario Project continues to remain with the Company.

Membrillo Prospect

Pursuant to the Membrillo Agreement dated May 29, 2017, the Company acquired from Grupo Mexico, S.A.B de C.V. the Exclusive Mining Right for five years to explore, develop and mine the Membrillo Prospect situated approximately four kilometres from the Company's Rosario Project mill facility located near Charcas, San Luis Potosi, Mexico. The Exclusive Mining Right covered an area of approximately 500 hectares that was situated within the San Rafael concession and brought the total of the Company's exploration and exploitation rights to 958 hectares of the 2,912 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 and a 2.5% net smelter returns royalty on any mineralized material from the Membrillo Prospect that was mined and milled or otherwise treated for the eventual sale of the contained metal.

Rosario Project Production and Operating Results

Presented in the table below are production statistics and unit costs for the Rosario Project.

		Three months ended Dec 31, (1)		**Years ended Dec 31,** (1)	
		2021	**2020**	**2021**	**2020**
Material Processed (tonnes milled)		-	21,582	39,029	60,947
Silver Equivalent Produced (ounces) (2)		-	90,863	107,710	291,551
Silver Equivalent Sold (payable ounces) (3)		-	74,511	84,666	202,268
Production	- Silver (ounces)	-	43,350	52,313	128,235
	- Gold (ounces)	-	77	132	277
	- Lead (tonnes)	-	73	88	226
	- Zinc (tonnes)	-	244	417	852
Average Grade	- Silver (g/t)	-	71	53	75
	- Gold (g/t)	-	0.18	0.17	0.21
	- Lead (%)	-	0.38	0.29	0.43
	- Zinc (%)	-	1.40	1.46	1.74
Metal Recovery	- Silver (%)	-	87.5	79.0	87.4
	- Gold (%)	-	62.4	60.5	66.1
	- Lead (%)	-	88.5	76.6	86.9
	- Zinc (%)	-	80.9	73.3	80.3
Cash Cost of Production per Tonne ($/t) (4) (5)		-	59.68	75.11	72.33
Cash Cost per Silver Equivalent Ounce Sold ($/oz) (4) (5)		-	21.82	41.21	27.00
All-in Sustaining Cash Cost per Silver Equivalent Ounce Sold ($/oz) (4) (5)		-	47.63	74.12	41.17

(1) Operations at the Rosario Project were suspended with no production from August 2021. Certain net assets of the Rosario Project were disposed of in December 2021.
(2) Silver Equivalent Produced (ounces) in 2021 have been calculated using prices of $25.00/oz, $1,925.00/oz, $0.85/lb, $1.05/lb and $3.00/lb for silver, gold, lead, zinc and copper respectively applied to the metal production divided by the silver price plus the respective concentrate produced by the Zimapan Mine and the Rosario Project multiplied by the respective silver content. Silver Equivalent Produced (ounces) in 2020 have been calculated using prices of $17.85/oz, $1,480.00/oz, $0.92/lb, $1.09/lb and $2.80/lb for silver, gold, lead, zinc and copper respectively applied to the metal production divided by the silver price plus the respective concentrate produced by the Zimapan mine and the Rosario Project multiplied by the respective silver content.
(3) Silver Equivalent Sold (payable ounces) have been calculated using the Average Realized Price per Ounce of Silver Equivalent Sold applied to the payable metal content of the concentrates sold from the Rosario Project in 2021 and 2020.
(4) The Company reports non-IFRS measures, which include Cash Cost of Production per Tonne, Cash Cost per Silver Equivalent Ounce Sold and All-in Sustaining Cash Cost per Silver Equivalent Ounce Sold. 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) No production tonnes or silver equivalent ounces sold for Q4 2021, metric not meaningful.

Rosario Operations Overview

As noted in “General” above, on October 5, 2021, the Company announced it was suspending operations at the Rosario Mine and placing it on care and maintenance. In December 2021, the Company completed the sale of the net assets of the Rosario Project. In view of these events, the Company has determined not to provide any comparison of unit production or results of operations to prior periods as all such comparisons are significantly impacted by the suspension of operations and subsequent sale of the net assets of the Rosario Project, making a comparison of limited value.

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 “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 (unpaid);
5. $4,000 on or before December 2, 2021 (unpaid);
6. $4,250 on or before December 2, 2022

The Company concurrently executed on August 27, 2018 a promissory note (“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% NSR over all mineral properties under option pursuant to the Contracuña Option Agreement. The NSR took effect December 2, 2021. The Company has the right to acquire the NSR at any time by paying Contracuña $1,500.

The Company did not repay the Promissory Note in full by August 30, 2019 and did not make full payment on the Contracuña Option Agreement as disclosed above. To date, Contracuña has not served the Company a formal Notice of Default. The Company has commenced legal action seeking termination of the Contracuña Option Agreement and damages. The Company notes that no additional penalty or outflow of economic benefits are expected or provided for as at December 31, 2021.

Veta Grande Operations Overview

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. Discussions are ongoing between the parties with respect to this matter. Given the uncertainty as to the outcome of these discussions, the Company is unable to project if or when operations will resume at the Veta Grande Project.

In view of the current suspension of operations at the Veta Grande Project, the Company has determined to not provide any comparison of unit production or results of operations to prior periods as all such comparisons are significantly impacted by the suspension of operations making a comparison of limited value.

Resource and Exploration Properties

On August 25, 2020, the Company filed on SEDAR a technical report titled "Technical Report, Zimapan Property, Hidalgo, Mexico" dated effective April 2, 2020 (the "Zimapan Property, Technical Report") under National Instrument 43-101 *Standards of Disclosure for Mineral Projects*. A copy of the Zimapan Property, Technical Report can be found on SEDAR or on the Company's website, www.santacruzsilver.com.

Qualified Person

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

Financial Results

Review of Operations

(Expressed in thousands of US Dollars)	Three months ended Dec 31,		Years ended Dec 31,	
	2021	**2020**	**2021**	**2020**
Revenues	13,821	10,217	53,334	33,097
Cost of sales				
Cash cost of sales	10,086	9,173	38,899	31,399
Depletion and amortization	3,114	(75)	4,137	710
	13,200	**9,098**	**43,036**	**32,109**
Gross profit	**621**	**1,119**	**10,298**	**988**
Operating expenses				
Administrative	(699)	(472)	(3,011)	(1,073)
Exploration costs related to Rosario Project	(296)	-	(296)	-
Management and consulting fees	(388)	59	(934)	(273)
Other	(74)	(800)	(451)	(882)
Penalties and inflation charges	(2,296)	(104)	(2,639)	(104)
Professional fees	369	(1,559)	(1,877)	(2,043)
Salaries and benefits	(1,617)	(116)	(2,391)	(535)
Share-based compensation	(1,809)	(45)	(3,363)	(289)
Shareholder communications	(88)	(43)	(333)	(58)
Shipping	(485)	(551)	(1,772)	(1,887)
	(7,383)	**(3,631)**	**(17,067)**	**(7,144)**
Debt forgiveness	-	-	-	412
Operating (loss)	**(6,762)**	**(2,512)**	**(6,769)**	**(5,744)**
Finance (expense) income				
Accretion of decommissioning provisions	(167)	(12)	(476)	(51)
Accretion of Trafigura Facility Loan	(416)	-	(1,152)	-
Change in decommissioning and restoration provision	(854)	-	(854)	-
Deferred purchase price related to Zimapan Mine	(661)	-	(661)	-
Financing charge on leases	(20)	(17)	(40)	(92)
Interest expense, carrying charges and finance charges on loans payable	(308)	(94)	(2,097)	(710)
Interest income	50	178	274	215
IVA recovery inflationary gain	-	3,944	1,694	4,639
Other (expense) income	-	225	(185)	225
	(2,376)	**4,224**	**(3,497)**	**4,226**
(Loss) gain on foreign exchange	1,164	(1,979)	126	117
Unrealized gain (loss) on marketable securities	1,380	-	2,083	-
Gain on sale of Zacatecas properties	-	-	911	-
Loss on Rosario Project transaction	(1,095)	-	(1,095)	-
Loss before income tax	**(7,689)**	**(267)**	**(8,241)**	**(1,401)**
Income tax (expense)	(2,761)	(28)	(3,324)	(92)
Net loss for the period	**(10,450)**	**(295)**	**(11,565)**	**(1,493)**

Year ended December 31, 2021

The Company recorded a net loss of $11,565 ($0.04 loss per share) for the year ended December 31, 2021, compared to net loss of $1,493 ($0.01 loss per share) for the year ended December 31, 2020.

Revenues were $53,334 (2020 - $33,097), mining operation cash cost of sales to $38,899 (2020 - $31,399), and depletion and amortization expenses to $4,137 (2020 - $710) for the year ended December 31, 2021 resulting in a gross profit of $10,298 (2020 - $988).

The increase in revenues primarily reflects increased metal prices in 2021 as compared to 2020 in addition to increased metal production. The increase in mining operation cash cost of sales is due to cost escalations, increased maintenance expenditure, a non-recurring charge of $1,033 due to a Mexican labour reform that became effective September 2021 and costs incurred reflective of a 12.0% increase in mineralized material processed at the Company's milling facilities.

As compared to the year ended December 31, 2020, operating expenses increased 103.3% to $17,067 in 2021. The increase over the prior year is due to higher administrative costs as well as additional management, consulting and various professional fees related to the Bolivian asset acquisition, an increase in share-based compensation payments as a result of stock options granted to directors, officers, employees and consultants, and severance payments related to the decision to place the Rosario Mine on care and maintenance, which are recorded in salaries and benefits. During 2021, the Company also recognized a charge of $2,286 related to inflation adjustment, penalties, and surcharges on certain tax balances.

As compared to the year ended December 31, 2020, net finance expense increased to $3,497 in 2021, compared to net finance income of $4,226 in 2020. The increase in finance expense is largely due to the $2,945 decrease in IVA recovery inflationary gain as a result of timing differences in the collection of IVA compared to the prior year, which balances are expected to be received in 2022, an $818 increase in interest expense charges associated with the increased Trafigura loan balance and the $1,152 accretion there on, along with and additional $615 in restructuring charges for the Company's other loans payable throughout 2021. As at December 31, 2021, the Company recognized a change in the decommissioning and restoration provision for $854 as a result of changes in the underlying estimates of the provision.

Three months ended December 31, 2021

The Company recorded a net loss of $10,450 ($0.03 loss per share) for the three months ended December 31, 2021 compared to a net loss of $295 ($0.00 per share) for the same period in 2020.

Revenues reported in Q4 2021 were $13,821 as compared to $10,217 in Q4 2020. Revenues in 2021 from the Zimapan Mine were $13,913 (2020 - $8,772) and Rosario Project revenues were ($92) (2020 - $1,445) resulting from a revenue adjustment following receipt of final invoice. The increase in revenues reflects improved metal prices in Q4 2021 as compared to Q4 2020 as well as increased metal production at the Zimapan Mine.

Cash cost of sales for Q4 2021 of $10,086 (2020 - $9,173) includes the direct mining operations costs of $9,880 (2020 - $8,351) at the Zimapan Mine and $206 (2020 - $822) at the Rosario Project. The increase in mining operations cash cost of sales in Q4 2021 is due in part to the 7.2% increase in mineralized material processed through the Zimapan milling facility. Management expects this increased activity level to continue for the foreseeable future.

During Q4 2021, the Company recorded operating expenses of $7,383 (2020 - $3,631). The increase in operating expenses reflects an increase in share-based compensation payments to $1,809 and $2,296 in charges related to inflation adjustment, penalties and surcharges on certain tax balances, as discussed above, offset by a decrease in professional fees (owing in part to the reversal of a $1,000 accrual). Additionally, during Q4 2021, the Company recorded $296 in exploration costs related to the Rosario Project, as well as $767 in profit sharing benefits which is in accordance with Mexican labour law.

Net loss in Q4 2021 was impacted by an increase in finance expense primarily the result of a $3,944 gain in the prior year which did not occur in Q4 2021 due to timing differences in IVA collection, which balances are expected to be received in 2022. Also impacting finance expense was an increase in the decommissioning and restoration provision was recorded for $854 as a result of changes in the assumptions underlying the estimate, as well as $416 of accretion on the Trafigura Loan which was not present during the prior year comparable period. Net loss was also impacted by the net effect on the transfer of certain net assets of the Rosario Project for $1,095.

The unrealized gain on marketable securities arose from the increase in share price related to the 5,000,000 shares of Zacatecas Silver Corp. (TSXV:ZAC) issued to the Company during Q1 2021 as part of the consideration Zacatecas Silver Corp. paid to the Company for acquiring the Zacatecas Properties located in Zacatecas State, Mexico.

The table below summarizes the various expense components included in operating expenses:

(Expressed in thousands of US Dollars)	Three months ended Dec 31,		Years ended Dec 31,	
	2021	2020	2021	2020
Operating expenses				
Administrative	(699)	(472)	(3,011)	(1,073)
Exploration costs related to Rosario Project	(296)	-	(296)	-
Management and consulting fees	(388)	59	(934)	(273)
Other	(74)	(800)	(451)	(882)
Penalties and inflation charges	(2,296)	(104)	(2,639)	(104)
Professional fees	369	(1,559)	(1,877)	(2,043)
Salaries and benefits	(1,617)	(116)	(2,391)	(535)
Share-based payments	(1,809)	(45)	(3,363)	(289)
Shareholder communications	(88)	(43)	(333)	(58)
Shipping	(485)	(551)	(1,772)	(1,887)
	(7,383)	**(3,631)**	**(17,067)**	**(7,144)**

Summary of Quarterly Results

(Expressed in thousands of US Dollars except per share amounts)	Three Months Ended			
	Dec 31, 2021	Sep 30, 2021	Jun 30, 2021	Mar 31, 2021
Revenues	13,821	14,601	13,459	11,453
Cost of sales	13,200	10,945	9,904	8,987
Operating expenses	7,383	3,233	4,061	2,390
Net (loss) income	(10,450)	(3,849)	(4,069)	6,803
Net (loss) income per share [(1)]	(0.03)	(0.01)	(0.01)	0.02
	Three Months Ended			
	Dec 31, 2020	Sep 30, 2020	Jun 30, 2020	Mar 31, 2020
Revenues	10,217	9,624	5,440	7,230
Cost of sales	9,098	8,178	5,143	9,690
Operating expenses	3,631	1,167	1,043	1,303
Net (loss) income	(295)	24	(1,135)	(87)
Net (loss) income per share [(1)]	0.00	0.00	0.00	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.

Non-IFRS Measures

The Company has included certain non-IFRS performance measures throughout this MD&A, including Cash Cost per Silver Equivalent Ounce Sold, Cash Cost of Production per Tonne, All-in Sustaining Cash Cost (“AISC”) per Silver Equivalent Ounce Sold and Average Realized Price per Ounce of Silver Equivalent Sold, 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 Sold and Cash Cost of Production per Tonne

The non-IFRS measures of cash cost per silver equivalent ounce sold and cash cost of production per tonne are used by the Company to manage and evaluate operating performance at the Zimapan Mine 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 Zimapan Mine and the Rosario Project and, in the case of cash cost per silver equivalent ounce sold, 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 cash 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 sold, 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)	**Three months ended Dec 31,**		**Years ended Dec 31,**	
	2021	**2020**	**2021**	**2020**
Cash cost of sales	9,880	8,351	35,883	25,529
Inventory change	(87)	452	16	423
Cash Cost of Production (A)	**9,793**	**8,803**	**35,899**	**25,952**
Cash cost of sales	9,880	8,351	35,883	25,529
Concentrate treatment, smelting and refining cost	5,138	4,311	16,949	15,346
Cash Cost of Silver Equivalent Sold (B)	**15,018**	**12,662**	**52,832**	**40,875**
Material processed (tonnes milled) (C)	192,901	180,003	691,382	591,477
Cash Cost of Production per Tonne (A/C)	**50.77**	**48.90**	**51.92**	**43.88**
Silver Equivalent Sold (payable ounces) (D)	836,718	545,580	2,877,922	2,298,086
Cash Cost per Silver Equivalent Ounce (B/D)	**17.95**	**23.21**	**18.36**	**17.79**

Rosario Project

(Expressed in thousands of US Dollars except ounces, tonnes, per ounce and per tonne amounts)	**Three months ended Dec 31,**		**Years ended Dec 31,**	
	2021 (1)	**2020**	**2021** (1)	**2020**
Cash cost of sales	206	1,241	3,016	4,370
Inventory change	-	47	(84)	38
Cash Cost of Production (A)	**206**	**1,288**	**2,932**	4,408
Cash cost of sales	206	1,241	3,016	4,370
Concentrate treatment, smelting and refining cost	-	385	473	1,091
Cash Cost of Silver Equivalent Sold (B)	**206**	**1,626**	**3,489**	5,461
Material processed (tonnes milled) (C)	-	21,582	39,029	60,947
Cash Cost of Production per Tonne (A/C) (2)	-	**59.68**	**75.11**	**72.33**
Silver Equivalent Sold (payable ounces) (D)	-	74,511	84,666	202,268
Cash Cost per Silver Equivalent Ounce (B/D) (2)	-	**21.82**	**41.21**	**27.00**

(1) Operations at the Rosario Project were suspended with no production from August 2021. The net assets of the Rosario Project were disposed of in December 2021.
(2) No production tonnes or silver equivalent ounces sold for Q4 2021, metric not meaningful.

All-in Sustaining Cash Cost ("AISC") per Silver Equivalent Ounce Sold

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 Zimapan Mine and Rosario 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)	**Three months ended Dec 31,**		**Years ended Dec 31,**	
	2021	**2020**	**2021**	**2020**
Cash cost of sales	9,880	8,351	35,883	25,529
Concentrate treatment, smelting and refining cost	5,138	4,311	16,949	15,346
Mine development	1,307	-	1,835	-
General and administrative expenses	4,743	950	9,509	2,848
Accretion of decommissioning and restoration provision	167	-	436	-
All-in Sustaining Cash Cost	**21,235**	**13,612**	**64,612**	**43,723**
Silver Equivalent Sold (payable ounces)	836,718	545,580	2,877,922	2,298,086
All-in Sustaining Cash Cost per Silver Equivalent Ounce Sold	**25.38**	**24.95**	**22.45**	**19.03**

Rosario Project

(Expressed in thousands of US Dollars except ounces and per ounce amounts)	**Three months ended Dec 31,**		**Years ended Dec 31,**	
	2021	**2020**	**2021**	**2020**
Cash cost of sales	206	1,241	3,016	4,370
Concentrate treatment, smelting and refining cost	-	385	473	1,091
General and administrative expenses	527	1,911	2,746	2,816
Accretion of decommissioning and restoration provision	-	12	40	51
All-in Sustaining Cash Cost	**733**	**3,549**	**6,275**	**8,328**
Silver Equivalent Sold (payable ounces)	-	74,511	84,666	202,268
All-in Sustaining Cash Cost per Silver Equivalent Ounce Sold (1)	-	**47.63**	**74.12**	**41.17**

(1) No production tonnes or silver equivalent ounces sold for Q4 2021, metric not meaningful.

Average Realized Price per Ounce of Silver Equivalent Sold

Revenues are presented as the sum of invoiced revenues related to delivered shipments of lead, zinc and copper 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)	**Three months ended Dec 31,**		**Years ended Dec 31,**	
	2021	**2020**	**2021**	**2020**
Revenues	13,913	8,772	51,796	29,382
Add back: Treatment, smelting and refining charges	5,138	4,311	16,949	15,346
Gross Revenues	**19,051**	**13,083**	**68,745**	**44,728**
Silver Equivalent Sold (ounces)	836,718	545,580	2,877,922	2,298,086
Average Realized Price per Ounce of Silver Equivalent Sold (1)	**22.77**	**23.98**	**24.08**	**19.46**
Average Market Price per Ounce of Silver per London Silver Fix	**23.32**	**24.39**	**25.04**	**20.55**

(1) Average Realized Price per Ounce of Silver Equivalent 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 Dec 31,		Years ended Dec 31,	
	2021	**2020**	**2021**	**2020**
Revenues	(92)	1,445	1,538	3,129
Add back: Treatment, smelting and refining charges	-	385	473	1,091
Gross Revenues	**(92)**	**1,830**	**2,011**	**4,220**
Silver Equivalent Sold (ounces)	-	74,511	84,666	202,268
Average Realized Price per Ounce of Silver Equivalent Sold (1)(2)	**-**	**24.56**	**18.28**	**20.48**
Average Market Price per Ounce of Silver per London Silver Fix	**23.32**	**24.39**	**25.04**	**20.55**

(1) Average Realized Price per Ounce of Silver Equivalent 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) No silver equivalent ounces sold for Q4 2021, metric not meaningful.

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 revenues less operating expenses before interest expense, interest income, income taxes, amortization and depletion and impairment charges.

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, accretion expense, 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 (loss) and Adjusted EBITDA (loss) for the three months and years ended December 31, 2021 and 2020.

	Three months ended Dec 31,		Years ended Dec 31,	
	2021	**2020**	**2021**	**2020**
Net (loss) for the period as reported	(10,450)	(295)	(11,565)	(1,493)
Income tax expense	2,761	28	3,324	92
Interest (income)	(50)	(178)	(274)	(215)
Interest expense, carrying and finance charges on loans payable	308	94	2,097	710
Amortization and depletion of mineral properties, plant and equipment	3,114	(75)	4,137	710
EBITDA (loss)	**(4,317)**	**(426)**	**(2,254)**	**(179)**
Foreign exchange (gain) loss	(1,164)	1,979	(126)	(117)
Unrealized (gain) on marketable securities	(1,380)	-	(2,083)	-
Share-based payments expense	1,809	45	3,363	289
Accretion expense	583	12	1,628	51
Other expense (income)	-	(225)	185	(225)
Adjusted EBITDA (loss)	**(4,469)**	**1,385**	**713**	**(181)**

Financing Transactions

Private Placements

On February 25, 2020, the Company raised gross proceeds of $553 (C$734) from the sale of 6,117,917 units (“February 2020 Units”) pursuant to a private placement at a price of C$0.12 per February 2020 Unit. Each February 2020 Unit consisted of one common share of the Company and one non-transferable common share purchase warrant (“February 2020 Warrant”). Each February 2020 Warrant entitled the holder to acquire one common share of the Company at a price of C$0.18 per share until February 25, 2021. The funds were used for general working capital and corporate purposes.

On October 7, 2020 and October 15, 2020, the Company completed a non-brokered private placement in two tranches in an aggregate amount of 45,427,463 units (“October 2020 Units”) for gross proceeds of approximately $7,536 (C$10,000). Each October 2020 Unit consists of one common share of the Company and one non-transferable common share purchase warrant ("October 2020 Warrant"). Each October 2020 Warrant entitles the holder to acquire one common share of the Company at a price of C$0.30 per share for a period of 36 months following the issue of the October 2020 Warrant. The funds were used for the purchase of underground mining equipment at the Zimapan Mine as well as for general working capital and corporate purposes.

In consideration for their services, the Company issued to certain finders 2,544,130 finders' warrants having the same terms as the October 2020 Warrants and 204,000 finder units having the same terms as the October 2020 Units.

On April 13, 2021, the Company completed a non-brokered private placement of 46,980,000 units ("2021 Units") for gross proceeds of $11,228 (C$14,094). Each 2021 Unit consists of one common share of the Company and one non-transferable common share purchase warrant ("2021 Warrant"). Each 2021 Warrant entitles the holder to acquire one common share of the Company at a price of C$0.45 until April 13, 2024, expiring thereafter.

In consideration for their services, the Company paid to certain finders cash finders' fees of $572 and issued 1,671,961 finders' warrants having the same terms as the 2021 Warrants.

The proceeds from the offering were used by the Company as to $3,000 for the purchase of the Zimapan Mine and the residual proceeds for general working capital and corporate purposes.

Trafigura Loan Facility

On July 11, 2019, the Company entered into a short-term credit facility ("Trafigura Facility") with Trafigura Mexico, S.A. de C.V. ("Trafigura") for $1,500. The funds were advanced to the Company on May 31, 2019 and September 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 ("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 was for 15 months beginning in December 2019 for an amount of $100 per month. The Trafigura Facility was secured by certain 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 $1,828 under the Trafigura Facility, bringing the new principal balance to $2,600 ("2020 Facility"); and
- the 2020 Facility was to be repaid in 12 equal monthly installments of $217 commencing August 31, 2020 and bore interest at LIBOR plus 7% per annum, payable monthly.

The 2020 Facility was secured by certain Carrizal Mining mine equipment.

On April 23, 2021, in connection with the Transaction, Trafigura loaned the Company $17,616 under a new loan facility ("Trafigura Loan Facility"), which included the recapitalization of $2,616 of indebtedness outstanding under the 2020 Facility. The Trafigura Loan Facility is for a period of 42 months at an annual interest rate of three-month LIBOR + 6.5% (effective interest rate was approximately 6.71% as at December 31, 2021), repayable in monthly instalments of principal plus accrued interest for the respective period.

Pursuant to the terms of the Transaction, the Company had until September 23, 2021 to pay Minera Cedros the outstanding VAT of $3,200 owed in connection with the Transaction. As at December 31, 2021, $981 of the VAT owed to Minera Cedros was outstanding (subsequent to December 31, 2021, the full amount of this VAT was paid to Minera Cedros).

The Trafigura Loan Facility is secured by a first charge over all Zimapan Mine assets and all other material assets owned by the Company and its subsidiaries. In addition, the Company issued to Trafigura 28,000,000 warrants ("Trafigura Warrants"), each Trafigura Warrant exercisable into a Santacruz common share at C$0.395 per share, for a period of 12 months with respect to 7,280,000 of the Trafigura Warrants and 42 months with respect to the remaining 20,720,000 Trafigura Warrants.

Subsequent to December 31, 2021, 7,280,000 of the Trafigura Warrants expiring April 24, 2022 were exercised for gross proceeds of $2,298 (C$2,876), of which the Company applied $316 towards partial repayment of the Trafigura Loan Facility.

MineCo Loan

On March 6, 2018 the Company entered into a loan agreement ("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 ("Warrants") exercisable until March 6, 2019, at C$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% per annum effective July 1, 2018. In addition, the Company agreed to increase the number of Warrants to 2,500,000 at an exercise price of C$0.16 per share and to extend the expiry date to March 6, 2020.

The repayment date was further extended in October 2019 to January 30, 2020, and in 2020 to June 30, 2020. On April 21, 2021, the Company and MineCo further extended the repayment to July 21, 2021.

On July 15, 2021, the Company settled $3,828 of the balance owing to MineCo by issuing to it 9,907,530 common shares of the Company with a fair value of $3,545 and a cash payment of $283. The MineCo Loan was unsecured.

Private Credit Facility

On September 30, 2019, the Company entered into a credit facility ("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, 2021 was $nil.

Swap Facility

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

Funds are drawn down under the Swap 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 MXN 3,000. Upon repayment of any particular draw down amount, the Company may borrow the same amount immediately as a new draw under the Swap Facility. The Swap Facility is unsecured and the implied carrying charges are tied to the spread between the US dollar and Mexican peso foreign exchange rates.

The balance outstanding at December 31, 2021 was $nil.

Muutrade facility

On September 11, 2020, the Company entered into a credit facility ("Muutrade Facility") with a private Mexican financial institution.

The Muutrade Facility bore interest at 2% monthly until the repayment date of October 8, 2020. After this date, interest is charged at 4.5% monthly.

The balance outstanding at December 31, 2021 was $nil.

Capital Expenditures

Not including the assets acquired in connection with the Transaction, the Company incurred capital expenditures of $1,360 during the year ended December 31, 2021 related to the purchase of equipment.

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

Liquidity, Capital Resources and Going Concern

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

As at December 31, 2021, the Company had a working capital deficiency of $19,821 (2020 - $22,514) and an accumulated deficit of $137,942 (2020 - $126,377). Additionally, the Company had non-current loans payable of $7,166 (2020 - $nil). For the year ended December 31, 2021, the Company incurred a comprehensive loss of $11,459 (2020 - $1,116) and used cash in operating activities of $1,472 (2020 - $4,811). These factors indicate the existence of a material uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern. As a result, the Company may be unable to realize its assets and discharge its liabilities in the normal course of business. The Company's ability to continue as a going concern is dependent upon its ability to generate positive cash flows from operations, and/or raise adequate funding through equity or debt financing to discharge its liabilities as they come due. 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.

Subsequent to December 31, 2021, Trafigura exercised 7,280,000 warrants for gross proceeds of $2,298 (C$2,876), of which the Company applied $316 towards partial repayment of the Trafigura Loan Facility. Should the situation warrant, the Company will undertake capital raising in order to fund operations and development activities.

Transactions with Related Parties

During the years ended December 31, 2021 and 2020, the Company incurred the following charges by directors and officers of the Company and by companies controlled by directors and officers of the Company:

	2021	2020
	$	$
Management and consulting fees	**499**	420
Share-based payments	**2,525**	253
Total	**3,024**	673

Of the $499 in management and consulting fees incurred with related parties during the year ended December 31, 2021, $79 was related to directors' fees and $420 was related to management fees (2020 - $nil and $420, respectively).

As at December 31, 2021, directors and officers or their related companies were owed $26 (December 31, 2020 - $17) in respect of the services rendered. These are non-interest bearing with standard payment terms.

A total of $38 of leases payable remains outstanding as at December 31, 2021 (December 31, 2020 - $61) and are owed to a company owned by the Executive Chairman of the Company. During the year ended December 31, 2020, the Company recorded a debt forgiveness of $412 from the lease payments owing on this mining equipment.

Key management includes directors of the Company, the Chief Executive Officer and the Executive Chairman. 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 and Risk Management

a) Fair Value of Financial Instruments

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3: Inputs that are not based on observable market data.

As at December 31, 2021, marketable securities are measured at fair value using Level 1 inputs. The fair value of marketable securities is measured based on the quoted market price of the related common shares at each reporting date, and changes in fair value are recognized in profit or loss.

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

The fair value of the loans payable for disclosure purposes is determined using discounted cash flows based on the expected amounts and timing of future cash flows discounted using a market rate of interest adjusted for appropriate credit risk.

b) Management of Risks Arising from Financial Instruments

The Company's financial instruments are exposed to certain financial risks. The risk exposures and the impact on the Company's financial instruments are summarized below.

(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 relates primarily to cash and cash equivalents, trade receivables and other receivables. The Company minimizes its credit risk related to cash and cash equivalents by placing cash with major financial institutions. The Company regularly reviews the collectability of its trade receivables, which are due from a large, multinational corporation that has conducted business in Mexico for many years. The Company considers the credit risk related to both cash and cash equivalents and trade receivables to be minimal.

(ii) Interest Rate Risk – Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. If interest rates increase, the Company will incur more interest expense. 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 $123.

(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 the previous page with respect to going concern matters.

Contractual undiscounted cash flow requirements as at December 31, 2021 were as follows:

	< 1 year $	**1 – 2 years $**	**2 – 5 years $**	**>5 years $**	**Total $**
Accounts payable and accrued liabilities	36,888	-	-	-	**36,888**
Loans payable	5,656	5,656	4,714	-	**16,026**
Leases	163	133	88	-	**384**
Total	**42,707**	**5,789**	**4,802**	**-**	**53,298**

(iv) Foreign Exchange Risk – The Company operates in Canada and Mexico and is exposed to foreign exchange risk due to fluctuations in the US dollar and Mexican peso. Foreign exchange risk arises from financial assets and liabilities denominated in these foreign currencies. The sensitivity of the Company's net loss to changes in the exchange rate between the US dollar and the Mexican peso and the Canadian dollar, respectively, would be as follows: a 1% change in the US dollar exchange rate relative to the Mexican peso would change the Company's net loss by approximately $3 and a 1% change in the US dollar exchange rate relative to the Canadian dollar would change the Company's net loss by approximately $54.

The Company's financial assets and liabilities as at December 31, 2021 are denominated in Canadian dollars, US dollars, and Mexican pesos and translated to US dollars as follows:

	Canadian dollar $	**US dollar $**	**Mexican peso $**	**Total $**
Financial assets				
Cash and cash equivalents	117	296	525	**938**
Marketable securities	4,102	-	-	**4,102**
Trade receivables	-	5,278	-	**5,278**
Other receivables	27	-	7,955	**7,982**
	4,246	5,574	8,480	**18,300**
Financial liabilities				
Accounts payable and accrued liabilities	287	3,880	32,721	**36,888**
Loans payable	-	11,998	-	**11,998**
	287	15,878	32,721	**48,886**
Net financial assets (liabilities)	**3,959**	**(10,304)**	**(24,241)**	**(30,586)**

(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 the Company's 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.

(vi) Geopolitical Risk – This is the risk that the fair value of financial instruments will fluctuate if there is a sudden and rapid destabilization of global financial conditions in response to the current pandemic or future events, as government authorities may have limited resources to respond to the current or future crisis. Future crises may be precipitated by any number of factors outside the Company's control, including another pandemic, natural disasters, geopolitical instability, supply chain constraints or sovereign defaults. Any sudden or rapid destabilization of global economic conditions could negatively impact the Company's ability to obtain equity or debt financing or make other suitable arrangements to operate and/or finance its projects.

In the event of increased levels of volatility or a rapid destabilization of global economic conditions, the Company's profitability, results of operations and financial condition could be adversely affected.

Off-balance Sheet Arrangements

The Company has not entered into any material off-balance sheet arrangement such as guarantee contracts, contingent interests in assets transferred to unconsolidated entities or derivative financial obligations.

Subsequent Events

Glencore Transaction

On March 21, 2022, the Company completed its previously announced transaction with Glencore plc ("Glencore"), whereby the Company acquired a portfolio of producing assets located in Bolivia from Glencore ("Glencore Transaction"), including a 100% interest in the Sinchi Wayra business, which includes the producing Caballo Blanco mining complex, the Soracaya exploration project, and the San Lucas ore sourcing and trading business, a 45% interest in the producing Bolivar and Porco mining operations held through an unincorporated joint venture with Corporación Minera de Bolivia, a Bolivian state-owned entity, and certain related properties and assets (together, "Glencore Assets").

Pursuant to an amendment agreement dated March 18, 2022, the Company was to pay an initial upfront consideration of $12,011 within 30 days of closing and an additional deferred consideration of $90,000 in equal installments over four years from closing, subject to certain conditions and adjustments. As a result of certain logistical and closing items delays related to the Glencore Transaction, both parties have mutually agreed to extend the deadline of this initial payment, which should occur during the quarter ended June 30, 2022, subject to any additional unforeseen delays.

Glencore also retains a 1.5% net smelter returns royalty on all Glencore Assets other than the San Lucas business and a 14% gross profit royalty on the San Lucas business. Glencore has the right to acquire 100% of the offtake from the Glencore Assets in accordance with offtake agreements entered into in connection with closing.

As part of the Glencore Transaction, Glencore agreed to provide the San Lucas business with a working capital facility for an amount up to $10,000.

In connection with the Glencore Transaction, the Company has paid $320 in cash ($85 paid as at December 31, 2021) and issued 3,077,317 common shares at a price of C$0.41 per share to Big Buck Capital, S.C. ("BBC") to settle $1,320 of fees for services provided pursuant to the terms of a consulting services agreement with BBC.

Other

Subsequent to December 31, 2021, Trafigura exercised 7,280,000 warrants for gross proceeds of $2,298 (C$2,876), of which the Company applied $316 towards partial repayment of the Trafigura Loan Facility.

New Accounting Standards

<u>Adopted</u>

The Company adopted Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 ("Phase 2 Amendments") effective on January 1, 2021. Interest rate benchmark reform ("Reform") refers to a global reform of interest rate benchmarks, which includes the replacement of some interbank offered rates ("IBOR") with alternative benchmark rates. The Phase 2 Amendments provide a practical expedient requiring the effective interest rate to be adjusted when accounting for changes in the basis for determining the contractual cash flow of financial assets and liabilities that relate directly to the Reform rather than applying modification accounting, which might have resulted in a gain or loss. In addition, the Phase 2 Amendments require disclosures to assist users in understanding the effect of the Reform on the Company's financial instruments and risk management strategy.

The Company's Trafigura Loan Facility bears interest at a floating rate equal to a base rate of 6.5% plus the London interbank offered rates ("LIBOR").

<u>Not Yet Adopted</u>

On May 14, 2020, the IASB published an amendment to IAS 16 Property, Plant and Equipment. The amendments prohibit deducting from the cost of property, plant and equipment any proceeds received from selling items produced while bringing that asset for its intended use. Instead, proceeds received will be recognized as sales proceeds and related cost in profit or loss. The amendments are effective for annual periods beginning on or after January 1, 2022, with early adoption permissible. The Company is assessing the effect of this amendment on its consolidated financial statements.

As at December 31, 2021, there are no other IFRS or IFRIC interpretations with future effective dates that were 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 May 2, 2022 in the following table.

Issued and Outstanding Common Shares				337,700,321
	Expiry Date	Exercise Price (CAD)		
Options	August 6, 2024	0.18		5,449,400
	May 7, 2026	0.47		16,250,000
Warrants	October 7, 2023	0.30		30,159,705
	October 15, 2023	0.30		13,497,052
	October 24, 2024	0.395		48,501,961
	April 12, 2024	0.45		20,720,000
Fully Diluted				472,278,439

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 fiscal 2021 Financial Statements and this accompanying MD&A (together, “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: 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.

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.