MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2015

The following management's discussion and analysis of financial condition and results of operations ("MD&A") for the nine months ended September 30, 2015 prepared as of November 10, 2015, should be read in conjunction with the unaudited condensed interim consolidated financial statements for the nine months ended September 30, 2015 and the related notes thereto of Santacruz Silver Mining Ltd. ("the Company" or "Santacruz") ("the 2015 Q3 Financial Statements"), together with the audited consolidated financial statements of the Company for the year ended December 31, 2014 as well as the accompanying MD&A for the year then ended ("the Annual MD&A").

The referenced consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts are expressed in US dollars unless otherwise indicated.

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

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

Forward-looking information includes, but is not limited to, statements with respect to the future price of silver, gold and other metals and the effects thereof on the Company's mineral resources; statements relating to the potential mineralization and geological merits of the Company's Rosario mine (the "**Rosario Mine**"), San Felipe project (the "**San Felipe Project**"), Gavilanes property (the "**Gavilanes Property**" or "**Gavilanes Project**") and the El Gachi property (the "**El Gachi Property**"), as described below; the Company's expected production and recoveries for its Rosario Mine; the expectations for the development of the main access at the Rosario Mine; expectations regarding the utilization of a geotextile containment system to dewater and store tailings on an interim basis until a permanent solution is developed; expectations regarding the continuity of mineral deposits; the Company's goals regarding raising capital and developing its projects; the Company's proposed development and exploration plans for the San Felipe Project and the Gavilanes Property; timing of a pre-feasibility study for the San Felipe Project; plans for drilling; expectations regarding environmental issues that may affect the exploration progress; project capital cost estimates; efficiencies and the amendment of the Pre-paid Silver Forward Purchase Agreement; 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 sufficient to expand the existing resources at the Gavilanes Property consistent with management's expectations; that general business and economic conditions will not change in a material adverse manner; that the Company's exploration of its properties is not adversely affected by unexpected adverse weather conditions; that the estimates of the resources at the Rosario Mine, the San Felipe Project and the Gavilanes Project obtained by the Company are within reasonable bounds of accuracy (including with respect to size, grade and recovery); that the Pre-paid Silver Forward Purchase Agreement is amended on satisfactory terms; and that the Company's current exploration and development programs and objectives can be achieved.

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

Forward-looking information involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information. Such factors include, among others, the risk that actual results of exploration activities will be different than anticipated, that cost of labour, equipment or materials increase more than expected, that the future price of silver, gold and base metals will decline, that mineral resources are not as estimated, that actual costs of reclamation activities are greater than expected; that changes in project parameters as plans continue to be refined result in increased costs, that lower rates of production are achieved than are expected, that unexpected variations in ore grade or recovery rates occur, that plant, equipment or processes fail to operate as anticipated, that accidents of labour disputes occur, that unanticipated delays occur in obtaining governmental approvals or financing or in the completion of development or construction activities, as well as those factors discussed in the section entitled "Risks and Uncertainties" in this MD&A, at pages 7 to 18 of the annual information form of the Company for the year ended December 31, 2012 dated November 19, 2013 (the "AIF"), filed on SEDAR on November 21, 2013, and other continuous disclosure filings. 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. There can be no assurance that the Company will be successful in negotiating a satisfactory amendment of the Pre-paid Silver Forward Purchase Agreement. 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’s shares are listed for trading on the TSX Venture Exchange under the symbol “SCZ”. The Company also trades on the OTCQX under the trading symbol "SZSMF" and the Santiago Stock Exchange Venture under the trading symbol “SZCL”.

The Company is engaged in the operation, acquisition, exploration and development of mineral properties in Mexico, with a primary focus on silver, but also including gold, zinc and lead. The Company is currently focused on meeting and maintaining its primary production objective of producing approximately 1.5 million silver equivalent ounces on a yearly basis at its producing property, the Rosario Mine. In addition, the Company is exploring three other mineral properties, being the San Felipe Project (an advanced stage project), the Gavilanes Project (an exploration project), and the El Gachi Property (an early stage exploration project).

The Company's strategic objective is to become a mid-tier silver producer in Mexico. As first steps to achieving this objective, the Company is focused in the near term, on the following:

- Continuing to increase production and upgrade performance at the Rosario Mine;
- Rehabilitating and commencing mining operations at the Contracuña properties (see section titled Contracuña Agreement); and
- Completing additional fieldwork, technical studies and permitting activities at the San Felipe Project in preparation for taking a development decision.

Third Quarter 2015 Highlights

- Selected operating and financial information for the first, second, and third quarters of 2015 and the first, second, third, and fourth quarters of 2014 is presented below:

	2015			2014			
	Q3	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Operating							
Ore Processed (tonnes milled) (1)	25,007	26,492	1,823	25,099	23,677	22,612	20,447
Silver Equivalent Produced (ounces) (2)	277,487	265,834	20,643	244,200	192,400	168,300	160,600
Silver Equivalent Sold (payable ounces) (3)	231,332	247,135	30,931	263,300	188,100	148,800	121,800
Production Cost per Tonne (4) (7)	104.00	87.23	*	116.50	97.81	128.75	110.94
Cash Cost per Silver Equivalent ($/oz.) (4) (7)	14.13	13.01	*	15.08	18.13	22.17	25.04
All-in Sustaining Cost per Silver Equivalent ($/oz.) (4) (7)	17.55	16.86	*	20.68	23.68	29.70	35.49
Average Realized Silver Price per Ounce ($/oz.) (4) (6)	17.00	17.00	17.41	16.15	19.55	19.76	20.55
Financial							
Revenue ($000’s)	2,592	3,147	402	3,226	3,167	2,302	1,931
Mine Operations Income (Loss) ($000’s) (5) (7)	(554)	127	(1,210)	(292)	27	(895)	(861)
Net Loss ($000’s) (7)	(1,628)	(2,018)	(2,551)	(4,498)	(1,054)	(1,579)	(1,575)
Net Loss Per Share – Basic ($/share) (7)	(0.02)	(0.02)	(0.02)	(0.05)	(0.01)	(0.01)	(0.02)
Adjusted EBITDA ($000’s) (5) (7)	(541)	139	(1,580)	(595)	(198)	(1,066)	(1,261)

* During Q1 2015 there was a temporary halt in operations from January 2 to March 25 following a malfunction in the tailings dam dewatering pipe. As such the Q1 2015 per unit cost calculations are not considered relevant and have not been included in this table.

(1) Ore processed includes 21,600 and 4,025, and 11,453 tonnes respectively in the third, second, and first quarters of 2014 arising from third party ore purchased by the Company and processed through the milling facility.

(2) Silver equivalent ounces produced in 2015 are calculated using prices of US$17.75/oz., US$1,250/oz., US$0.83/lb and US$1.09/lb for silver, gold, lead and zinc respectively applied to the metal content of the lead and zinc concentrates produced by the Rosario Mine. Silver equivalent ounces produced in 2014 are calculated using prices of US$20.00/oz., US$1,250/oz., US$0.96/lb and US$0.90/lb for silver, gold, lead and zinc respectively applied to the metal content of the lead and zinc concentrates produced by the Rosario Mine.

(3) Silver equivalent sold ounces in the third, second and first quarters of 2015 were calculated using a realized silver price of US$17.00/oz., after giving effect to the MPPP (see Financing Activities - Prepaid Silver Purchase), and US$17.41/oz., respectively, applied to the payable metal content of the lead and zinc concentrates sold from the Rosario Mine. Silver equivalent sold ounces in the fourth, third, second, and first quarters of 2014 were calculated using realized silver prices of

US$16.15/oz., US$19.55/oz., US$19.76/oz., and US$20.55/oz., respectively, applied to the payable metal content of the lead and zinc concentrates sold from the Rosario Mine.

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

(5) The Company reports additional non-IFRS measures which include Mine Operations Income (Loss) and Adjusted EBITDA. These additional financial disclosure measures are intended to provide additional information. Refer to the "Non-IFRS Measures – Additional Information" section for a reconciliation of Mine Operations Income (Loss) and Adjusted EBITDA to the 2014 Q2, Q3, Annual and 2015 Q1, Q2, and Q3 Financial Statements.

(6) Average realized silver price per ounce is prior to all treatment, smelting and refining charges. The average realized silver price per ounce for the second and third quarters of 2015 has been calculated after taking into account the additional funds received in the quarter from the MPPP that the Company put in place in connection with the JMET Agreement (see Financing Activities - Prepaid Silver Purchase),

(7) During the second quarter of 2014 the Company took the decision to capitalize the expenditures incurred subsequent to December 31, 2013 to develop the Ramp. Accordingly, $735,096 was capitalized to Plant and Equipment during the second quarter. Included in this amount was $486,514 relating to the first quarter of 2014. For the purposes of this comparison the referenced 2014 second quarter figures have been adjusted to reflect this change.

- On April 13, 2015 the Company announced that the Pre-Paid Silver Purchase Agreement (the "JMET Agreement") entered into with JMET, LLC ("JMET") had been further amended (the "Amended JMET Agreement") to extend until December 31, 2015 the repayment of $5 million of the $7 million due on April 1, 2015. The Company paid $2 million to JMET on April 1, 2015.
- On July 15 and October 27, 2015 the Amended JMET Agreement was further amended so that the first delivery of 52,000 ounces of silver is deferred to December 2015, and sales of an additional 52,000 ounces shall still occur each month through August 2019, except that the delivery of silver in December 2015 is amended to 156,000 ounces from the previous 52,000 ounces and the delivery of silver in October 2016 is amended to 260,000 ounces from the previous 52,000 ounces. Further, the Company has agreed to deliver in October 2016 an additional 44,625 ounces of silver as a restructuring fee.
- On August 2, 2015 the Company commenced using a new permanent tailings disposal system that utilizes dry-stacking technology in conjunction with the prior existing tailings structure. Operating costs are expected to decrease as a result of the implementation of this system.
- During August and September, the Company converted from using a mining contractor to using an in-house mine operating team, and the benefits of such measures are expected to be realized in Q4 2015.
- On November 2, 2015 the Company announced it had reached agreement with Contracuña giving the Company the right for thirty years to explore, mine, and operate Contracuña's Veta Grande and Minillas silver-gold-zinc-lead mineral properties within the state of Zacatecas, in central Mexico.

Tailings Discharge

On January 2, 2015 a tailings decant line running from the Rosario Mine tailings impoundment to a secondary settling pond ruptured causing an estimated 2,000 m^3 of tailings pulp to be discharged outside of the tailings storage facility.

Representatives of PROFEPA (the Mexican Federal Agency for Environmental Protection) were immediately contacted and were onsite from time to time to observe and make recommendations with respect to the Company's remediation procedures. As part of this process PROFEPA set out the necessary steps the Company had to take to resume operations. These steps included completing a full remediation of the spill area and delivering an engineering report outlining steps for the continued use of the existing tailings storage system or such other alternative solution as is appropriate.

On March 26, 2015 the Company announced that it had received approval from PROFEPA and SEMARNAT (Mexico's environmental regulatory authorities) to resume operations at its Rosario Mine. The approval was received following completion of the remediation and cleanup of the above referenced tailings pulp discharge.

The Company also advised at that time that the tailings structure had been stabilized with remaining work focused on definitively sealing the decant system. Subsequently the sealing of the decant system was completed. From March 26th until August 2nd, an alternate tailings management system that utilized a geotextile containment system to dewater and store tailings was used. On August 2nd the Company commenced using a new permanent tailings disposal system that utilizes dry-stacking technology in conjunction with the prior existing tailings structure. Production resumed in late March at 300 tpd and subsequent to the implementation of the new permanent tailings disposal system the plan is to increase production to 450 tpd in a systematic manner over the coming weeks.

In connection with the tailings discharge incident the Company was initially advised by PROFEPA that it would be fined an amount equivalent to approximately $180,000. Subsequently the Company has been advised by PROFEPA that the amount of the fine has been decreased to approximately $130,000. Pursuant to applicable regulations, certain remediation and community related expenses incurred by the Company will be offset against the fine. To date the Company has incurred approximately $651,000 of expenditures in connection with its remediation activities.

Rosario Mine, Charcas, San Luis Potosi, Mexico
The Rosario Mine comprises the Rey David and San Rafael mining concessions located in the Municipality of Charcas in the State of San Luis Potosi, Mexico, 184 kilometres north of the capital city of San Luis Potosi. Details of the acquisition terms are contained in Note 7 of the 2015 Q3 Financial Statements. The property covers 500 hectares.

Production and Operating Results for the Third, Second and First Quarter 2015 and the Fourth, Third Second, and First Quarter 2014

	2015			2014			
	Q3	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Ore Processed (tonnes milled) 4)	25,007	26,492	1,823	25,099	23,677	22,612	20,447
Silver Equivalent Produced (ounces) (1)	277,487	265,834	20,643	244,200	192,400	168,300	160,600
Silver Equivalent Sold (payable ounces) (2)	231,332	247,135	30,931	263,300	188,100	148,800	121,800
Production - Silver (ounces) 4)	164,467	150,738	12,751	158,564	115,455	100,240	94,312
- Gold (ounces) (4)	109	113	11	310	94	104	166
- Lead (tonnes) (4)	278	233	16	201	191	171	186
- Zinc (tonnes) (4)	567	615	41	453	514	437	367
Average Ore Grade – Silver (g/t)	213	188	240	212	161	153	167
– Gold (g/t)	0.18	0.17	0.27	0.14	0.16	0.21	0.33
– Lead (%)	1.18	1.03	1.03	1.03	0.91	0.86	1.02
– Zinc (%)	2.50	2.66	2.60	3.01	2.39	2.29	2.34
Metal Recovery – Silver (%)	96.0	94.1	90.7	93.3	90.0	89.9	85.7
– Gold (%)	76.0	78.3	68.9	74.5	79.0	70.4	77.3
– Lead (%)	94.3	85.3	82.2	90.6	86.1	88.2	89.7
– Zinc (%)	90.9	87.2	86.2	86.1	81.7	84.4	76.8
Cash Cost per Silver Equivalent ($/oz.) (3) (5)	14.13	13.01	*	15.08	18.13	22.17	25.04
All-in Sustaining Cash Cost per Silver Equivalent ($/oz.) (3) (5)	17.55	16.86	*	20.68	23.68	29.70	35.49
Cash Cost of Production per Tonne (3) (5)	104.00	87.23	*	116.50	97.81	128.75	110.94

* During Q1 2015 there was a temporary halt in operations from January 2 to March 25 following a malfunction in the tailings dam dewatering pipe. As such the Q1 2015 per unit cost calculations are not considered relevant and have not been included in this table.

(1) Silver equivalent ounces produced in 2015 are calculated using prices of US$17.75/oz., US$1,250/oz., US$0.83/lb and US$1.09/lb for silver, gold, lead and zinc respectively applied to the metal content of the lead and zinc concentrates produced by the Rosario Mine. Silver equivalent ounces produced in 2014 are calculated using prices of US$20.00/oz., US$1,250/oz., US$0.96/lb and US$0.90/lb for silver, gold, lead and zinc respectively applied to the metal content of the lead and zinc concentrates produced by the Rosario Mine.

(2) Silver equivalent sold ounces in the third, second and first quarters of 2015 were calculated using a realized silver price of US$17.00/oz., after giving effect to the MPPP (see Financing Activities - Prepaid Silver Purchase), and US$17.41/oz., respectively, applied to the payable metal content of the lead and zinc concentrates sold from the Rosario Mine. Silver equivalent sold ounces in the fourth, third, second, and first quarters of 2014 were calculated using realized silver prices of US$16.15/oz., US$19.55/oz., and US$19.76/oz., respectively, applied to the payable metal content of the lead and zinc concentrates sold from the Rosario Mine.

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

(4) The 2014 Q2 production figures include 4,025 tonnes of third party ore that produced 11,552 ounces Ag; 23 ounces Au; 22 tonnes Pb; and 85 tonnes Zn. Not included in the 2014 Q3 production figures is 1,146 ounces Ag and 327 ounces Au included in third party precipitate purchased and processed.

(5) During the second quarter of 2014 the Company took the decision to capitalize the expenditures incurred subsequent to December 31, 2013 to develop the Ramp. Accordingly, $735,096 was capitalized to Plant and Equipment during the second quarter. Included in this amount was $486,514 relating to the first quarter of 2014. For the purposes of this comparison the referenced 2014 second quarter figures have been adjusted to reflect this change.

Resource Expansion

In connection with the Main Access Ramp development, management initially planned a 4,000 metre underground drilling program for early 2015 to test the Rosario Mine to depth. During February of 2015 the decision was taken to complete this work using a surface drill and by early April 2015 a drill contractor had been mobilized to site and commenced the surface drilling program that completed July 9, 2015. In total 21 drill holes were completed totalling 5,960 metres. Of this amount, 11 drill holes totalling 3,852 metres were drilled to depths greater than 200 metres, the previous deepest drill holes at the Rosario Mine.

Results of the drill program were very encouraging with successful intersection of the Rosario Mine vein systems at depth. Based on the geological information obtained from this program the Company plans to complete an approximate 3000 metre underground delineation drilling campaign in the second quarter of 2016 to further assist in the development of the mine plan for Levels 4, 5 and 6.

Contracuña Agreement

The Company has entered into a definitive agreement (the “Contracuña Agreement”) with Minera Contracuña I, S.A. de C.V. and Vetalinda Compania Minera, S.A. de C.V. (together "Contracuña"), pursuant to which Contracuña has granted the Company the right for thirty years to explore, mine and operate Contracuña's Veta Grande and Minillas silver-gold-zinc-lead mineral properties (the “Contracuña properties”) which cover approximately 1,100 hectares within the State of Zacatecas, in central Mexico.

The Contracuña Agreement has an initial term of 15 years, with an additional 15 year term extension at the Company's option at the end of the original term. Cash payments of $200,000 are due on the execution of the agreement (paid) and an additional payment of $300,000 is due upon registration of the agreement with the Deputy of Mines, which is expected to occur in 2016. The Company is to operate the properties on a 60%/40% net profits interest basis ("NPI") with Santacruz holding 60% and Contracuña holding 40%. In the event the price of silver is greater than USD$22.00/ounce, the NPI changes to 55%/45%.

The agreement will allow the Company to utilize the extra milling capacity available at its Rosario Mine milling facility which will help the Company to realize certain economies of scale. The Company has previously in 2014 processed mineralization from the Contracuña properties at its Rosario Mine milling facility and it reacted favourably on a metallurgical basis.

The Contracuña Agreement will also allow the Company access to a 500 tpd fully permitted operational mill. Preliminary reconnaissance sampling has been carried out by the Company over different areas of the Contracuña properties with silver assay results averaging 180 g/t as well as significant lead, zinc and gold credits. The Company has a quality assurance program for field sampling procedures which covers collection, labelling, and the shipping of samples. The assays were carried out at the Rosario Mine laboratory with proper QA/QC protocols.

Further, the Company will have the opportunity to complete an economic analysis to see if there is a viable plan for increasing the Contracuña milling facility capacity beyond 500 tpd.

Review of Operations – Three Months Ended September 30, 2015

Note, for the purposes of the following discussion the results of operations for the third quarter of 2015 are compared to the third quarter of 2014 and to the second quarter of 2015.

Financial

($)	**Q3 2015**	**Q2 2015**	**Q3 2014**
Operating loss	(1,113,334)	(442,543)	(881,202)
Interest earned	1,494	6,293	51,216
Foreign exchange gain (loss)	483,143	(426,857)	(189,075)
Accretion of decommissioning and restoration provision	(11,610)	(11,610)	(10,402)
Loss before the undernoted items	(640,307)	(874,717)	(1,029,463)
Interest expense on silver loan	(1,333,465)	(1,235,876)	-
Change in fair value of derivative assets	1,786,586	471,529	-
Loss before income tax	(187,186)	(1,639,064)	(1,029,463)
Income tax expense	(1,440,784)	(378,763)	(24,599)
Net loss	(1,627,970)	(2,017,827)	(1,054,062)

The Company recorded a net loss of $1,627,970 ($0.02 per share) for the third quarter of 2015 compared to the net loss of $1,054,062 ($0.01 per share) for the third quarter of 2014 and a net loss of $2,017,827 ($0.02) in the second quarter of 2015. Significant components of the increased loss in the third quarter of 2015 versus the third quarter of 2014 are the increase in income tax expense and impact of the JMET Agreement (see Financing Activities - Prepaid Silver Purchase). The increase in tax expense arose from the increase in the deferred income tax liability, which resulted mainly from intercompany loan transactions and the effect of foreign exchange.

The JMET Agreement impacts the consolidated statements of loss for the respective reporting periods in two ways, being the amount of interest expense recorded on the silver loan and the amount of change in fair value of derivative assets recorded.

Prior to accounting for the referenced JMET Agreement accounting matters and income taxes during the second quarter of 2015 the Company recorded a loss of $640,307 which decreased from the $874,717 loss recorded in the second quarter of 2015, primarily as a result of the foreign exchange gain.

In all accounting periods referenced herein the foreign exchange loss (gain) is affected by the volatility in the Canadian versus US dollar exchange rate as well as the Mexican peso versus the US dollar exchange rate. Pursuant to the terms of the JMET Agreement and certain inter-company loans between Santacruz Silver Mining Ltd. and its Mexican operating subsidiary, period over period changes in foreign exchange expense can be significant. Notwithstanding this, only a relatively small amount of foreign exchange loss has been realized to date, with the greater amount of the recorded foreign exchange expense being an unrealized balance.

($)	**Q3 2015**	**Q2 2015**	**Q3 2014**
Revenues	2,592,215	3,147,077	3,167,067
Cash cost of sales	(2,567,946)	(2,466,795)	(2,703,397)
Depletion and amortization	(553,835)	(553,109)	(437,606)
Adjustment to NRV of mined ore and concentrate inventory	(25,045)	-	-
Gross profit (loss)	(554,611)	127,173	26,064
Operating expenses	(558,723)	(569,716)	(907,266)
Operating loss	(1,113,334)	(442,543)	(881,202)

The Company recorded revenues of $2,592,215, a decrease of $574,852 or 18% in the third quarter of 2015 as compared to the third quarter of 2014 primarily because of lower metal prices and because of decreased payable metal amounts sold. Revenues as reported decreased as compared to the second quarter of 2015 ($554,862 or 18%) primarily because of lower metal prices (approximately $0.5 million), and from decreased payable metal amounts sold. Although the amounts earned from the MPPP under IFRS cannot be added to revenue and are instead recorded with "Interest earned and other finance income" on the consolidated statement of loss, the amount of this gain largely offsets the decrease in revenue due to the metal prices falling below the pre-determined floor price of the contract. The amount of gain attributable to sales in Q2 and Q3 2015 was approximately $116,000 and $666,000 respectively. As compared to the second quarter of 2015, in the current quarter the payable metal amount sold decreased primarily because of a lower head grade of silver in the ore that was milled, combined with lower tonnes milled. Management expects that the ore head grade will improve, in particular the silver head grade, during the fourth quarter and for ensuing quarters.

Cash cost of sales of $2,567,946 decreased by $135,451 or 5% as compared to the third quarter of 2014 as the result of operating efficiencies. As compared to the second quarter of 2015 cash cost of sales increased by $101,151 or 4% primarily as the result of increased Level 3 development costs in the third quarter.

During the third quarter of 2015 the Company replaced its mining contractor with an in-house mine operations team. Management expects that this action, along with the development of a new tailings system will allow the Company to maintain better operational control over the mining operation and realize lower operating costs. The benefits of such measures are expected to be realized in Q4 2015.

Amortization and depletion expenses in the third quarter of 2015 amounted to $553,835 (2014 - $437,606) and amounted to $553,109 in the second quarter of 2015. These expenses vary largely in direct relation to the number of tonnes milled during the period.

Primarily due to the decreased revenues recorded in the third quarter of 2015, the Rosario Mine operations for the three months ended September 30, 2015 resulted in a gross loss of $554,611 (2014 – gross profit of $26,064) as compared to a gross profit of $127,173 in the second quarter of 2015.

During the third quarter of 2015 the Company recorded operating expenses of $558,723 (2014 - $907,266) as compared to $569,716 in the second quarter of 2015.

Variances of note in operating expenses for the third quarter of 2015 as compared to the same quarter in 2014 are detailed below:

- Management and consulting fees of $144,501 (2014 - $225,030). The management and consulting fees were lower during the third quarter of 2015 due to a recruitment fee paid in the prior year for a senior management position.
- Share-based payments of $15,967 (2014 - $243,167). No stock options were granted during the three months ended September 30, 2015 as compared to 600,000 stock options granted during the three months ended September 30, 2014. The share-based payments recorded during the three months ended September 30, 2015 were due to the vesting of previously granted stock options.
- Shareholder communications of $10,958 (2014 - $19,235). These expenses decreased primarily as the result of decreased investor awareness initiatives.
- Travel expenses of $10,614 (2014 - $22,789). Travel expenses decreased in connection with a decrease in general corporate travel associated with industry conferences and investor meetings.
- Administrative expenses of $161,787 (2014 - $157,877). Administrative expenses increased in the third quarter of 2015 primarily as a result of an adjustment to insurance expense.

Production

Total production for the quarter was 277,487 silver equivalent ounces and consisted of 164,467 ounces of silver, 109 ounces of gold, 278 tonnes of lead and 567 tonnes of zinc. The significant increase in production as compared to the third quarter of 2014 is the result of increased mill throughput tonnage (6%) in the current quarter as well as higher head grade of ore processed and higher mill recoveries (with the exception of gold).

As compared to the second quarter of 2015, increased production in the current quarter is largely reflective of the increase in head grade of the ore processed (with the exception of zinc) and higher mill recoveries (with the exception of gold).

Cash Cost of Production per Tonne

The cash cost of production per tonne for the current quarter was $104 per tonne, an increase of 6% over the third quarter of 2014. This increase was primarily the result of an unusually high amount of level development completed during the quarter resulting in higher mining costs for this period.

As compared to the second quarter of 2015, the cash cost of production per tonne increased by 16% from $87.23 per tonne to $104 per tonne for the same reason mentioned above.

Cash Cost Per Silver Equivalent Ounce

The cash cost per silver equivalent ounce for the current quarter was $14.13 per payable ounce of silver sold, a decrease of 22% as compared to the third quarter of 2014. This decrease is largely reflective of the increased metal production referenced above. As mill throughput and metal production increases over the coming weeks management expects that the cash cost per silver equivalent ounce will decrease further.

As compared to the second quarter of 2015, the cash cost per silver equivalent ounce increased by 9% largely as the result of a 6% decrease in payable silver equivalent ounces sold.

All-In Sustaining Cost Per Silver Equivalent Ounce

The all-in sustaining cost ("AISC") per silver equivalent ounce for the current quarter was $17.55, a decrease of 26% as compared to the third quarter of 2014. This decrease is largely reflective of the increased metal production referenced above and is in concert with the decreased cash cost per silver equivalent ounce for the referenced periods. As noted above, as mill throughput increases over the coming weeks and the new tailings treatment system is brought on line management expects that the AISC per silver equivalent ounce will decrease further.

As compared to the second quarter of 2015, the AISC per silver equivalent ounce increased by 4% largely as the result of a 6% decrease in payable silver equivalent ounces sold.

Review of Operations – Nine Months Ended September 30, 2015

The Company recorded a net loss of $6,197,104 ($0.06 per share) for the nine months ended September 30, 2015, compared to the net loss of $4,208,166 ($0.04 per share) for the nine months ended September 30, 2014.

The Company recorded revenues of $6,141,332 (2014 - $7,400,690), cash cost of sales of $6,731,762 (2014 - $7,850,551) and amortization and depletion expenses of $1,158,945 (2014 - $1,210,111) for the nine months ended September 30, 2015 resulting in a loss from mine operations of $3,217,681 (2014 - $4,128,507), primarily because there was a temporary halt in operations from January 2 to March 25 following a malfunction in the tailings dam dewatering pipe. Due to this temporary halt in operations the Company is not providing a discussion and analysis comparing the nine-month period ended September 30, 2015 to the same period in 2014 with respect to revenues, cost of sales, and amortization and depletion expense as the 2015 results reflect only six months of operations as compared to nine months in 2014.

Variances of note in operating expenses are detailed below:

- Administrative expenses of $296,466 (2014 - $442,516) and management and consulting fees of $331,355 (2014 - $544,272). The administrative and management and consulting fee were lower during 2015 primarily due to the decreased activities at the Company's Mexican office in connection with the halt in operations at the Rosario Mine in the first quarter of 2015.
- Share-based payments of $68,909 (2014 - $393,124). No options were granted during the nine months ended September 30, 2015 as compared to 1,000,000 stock options granted during the 2014 fiscal period. This resulted in lower share-based payments recorded in 2015 as the share-based payments recorded during the nine months ended September 30, 2015 were due to the vesting of previously granted stock options.
- Shareholder communications of $47,893 (2014 - $116,243). These expenses decreased primarily as the result of decreased investor awareness initiatives.
- Travel expenses of $38,270 (2014 - $94,753). Travel expenses decreased in connection with a decrease in general corporate travel associated with industry conferences and investor meetings.

Included in the operating loss is approximately $651,199 of expenses associated with tailings discharge remediation activities.

Summary of Quarterly Results

	THREE MONTHS ENDED			
	Sep 30, 2015	**Jun 30, 2015**	**Mar 31, 2015**	**Dec 31, 2014**
	$	**$**	**$**	**$**
Revenues	2,592,215	3,147,077	402,040	3,225,927
Cost of sales[(2)]	3,146,826	3,019,904	1,611,692	3,517,264
Administrative expenses	558,723	569,716	452,152	469,831
Net loss[(2)]	(1,627,970)	(2,017,827)	(2,551,307)	(4,497,587)
Net loss per share[(1) (2)]	(0.02)	(0.02)	(0.02)	(0.05)
	THREE MONTHS ENDED			
	Sep 30, 2014	**Jun 30, 2014**	**Mar 31, 2014**	**Dec 31, 2013**
	$	**$**	**$**	**$**
Revenues	3,167,067	2,302,056	1,931,567	Nil
Cost of sales	3,141,003	2,710,200	3,278,678	Nil
Administrative expenses	907,266	768,544	723,506	533,954
Net loss	(1,054,062)	(1,091,827)	(2,062,277)	(4,507,829)
Net loss per share[(1)]	(0.01)	(0.01)	(0.02)	(0.05)

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

(2) Cost of sales are as reported. During the second quarter of 2014 the Company took the decision to capitalize the expenditures incurred subsequent to December 31, 2013 to develop the Ramp. Accordingly, $735,096 was capitalized to Plant and Equipment during the second quarter. Included in this amount was $486,514 relating to the first quarter of 2014. This adjustment has not been reflected in the first or second quarter operating expenses, net loss or net loss per share reported in this table.

During the three months ended March 31, 2015 there was a temporary halt in operations from January 2 to March 25 following a malfunction in the tailings dam dewatering pipe. As such revenues and cost of sales for the quarter were significantly less than in prior quarters and the current quarter.

Effective January 1, 2014, the Company began reporting the operating results of its Rosario Mine and accordingly began reporting revenues and operating expenses for the quarter ended March 31, 2014 and all subsequent quarters in its consolidated statement of loss and comprehensive loss.

Resource and Exploration Update

San Felipe Project, San Felipe de Jesús, Sonora, Mexico

The San Felipe Project consists of 14 concessions and is a late stage exploration project, located in the State of Sonora, approximately 130 kilometers north-west of Hermosillo City, the state capital of Sonora. Santacruz acquired exploration rights with the right to purchase the project from Minera Hochschild Mexico, S.A. de C.V. ("Hochschild") pursuant to the terms of a mining exploration and promissory sale agreement dated August 3, 2011, as amended on certain dates between December 9, 2011 and July 7, 2015 (the "San Felipe Agreement"). Details of the acquisition terms are included in note 8(b) to the 2015 Q3 Financial Statements.

Seven mineralized structures are known to exist within the San Felipe Project area: the Santa Rosa, La Ventana, Transversales, San Felipe, Artemisa, Cornucopia, and Las Lamas. In most cases, the mineralized structures are silicified and form resistant, high-relief ridges.

Exploration Summary

Hochschild explored the project from 2006 to 2008, with more than 42,400 meters of diamond drilling on the La Ventana, San Felipe and Las Lamas veins. As well, Hoschchild developed a decline into the Ventana structure and completed preliminary metallurgy and various engineering studies. In 2013 and 2014, Santacruz completed an additional 20,127 meters of drilling on the project and undertook additional metallurgical, engineering and environmental studies. A copy of the most recent NI43-101 Technical Report dated effective September 4, 2014 for the San Felipe Project is available on the Company's website at www.santacruzsilver.com and on SEDAR. The Report was authored by Hans Smit, B.Sc. (Hons), P.Geo.,Fletcher M. Bourke, M.Sc., P.Geo., Gary Giroux, M.Sc., P.Eng., Greg Blaylock, B.Sc., P.Eng. and Deepak Malhotra, Ph.D., SME-RM, who are independent "qualified persons" under NI 43-101. The Report disclosed the indicated and inferred mineral resources estimated within the San Felipe Project, with an effective date of September 4, 2014, and remains current. A mineral reserves estimate was not prepared. Mineral Resources are not Mineral Reserves and do not demonstrate economic viability. There is no certainty that all or any part of the Mineral Resource will be converted to Mineral Reserves.

More detailed information regarding the San Felipe Project is available on the Company's website, www.santacruzsilver.com.

Exploration and Acquisition Costs

During the nine months ended September 30, 2015, Santacruz incurred mineral property acquisition costs and exploration expenditures of $nil and $773,848 respectively at the San Felipe Project.

The Company plans to complete additional fieldwork, technical studies and permitting activities in preparation for taking a development decision at the San Felipe Project.

Gavilanes Property, San Dimas, Durango, Mexico

The Gavilanes Property comprises 10 mining concessions located in the rugged Sierra Madre Occidental mountain range in the municipality of San Dimas in the State of Durango, Mexico, approximately 110 kilometres west-north-west of Durango City. The Gavilanes Property covers a total area of 8,832.28 hectares. Details of the acquisition terms are contained in Note 8(a) of the 2015 Q3 Financial Statements.

Current Exploration Activities

On January 23, 2014, the Company filed a technical report in respect of its previously announced independent NI 43-101 Mineral Resource estimate on the Gavilanes Property. The Mineral Resource estimate was prepared by Gary Giroux, P.Eng. of Giroux Consultants Ltd. and utilized a geological model completed by Hans Smit, P.Geo and Fletcher Bourke, P.Geo. The effective date of this mineral resource estimate is November 13, 2013. No work has been performed on the property since then.

The identified indicated and inferred resource is significant, however engineering and economic studies have not been completed and thus no statement can be made about the project's potential economic viability. Recommended work at Gavilanes includes drilling in the area of current resources with the intent of upgrading resources to Indicated and Measured, drilling the open extent of the area with resources, testing other targets on the property and undertaking preliminary metallurgy, engineering and environmental studies.

Exploration and Acquisition Costs

During the nine months ended September 30, 2015, mineral property acquisition costs and exploration costs were $30,000 and $113,916 respectively for the Gavilanes Property.

El Gachi Property, Sonora, Mexico

The El Gachi Property covers approximately 48,057 hectares and is located approximately 30 kilometres from the San Felipe Project. To date the Company has not completed any exploration work on the property.

Non-IFRS Measures

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

Cash Cost per Silver Equivalent Ounce and Production Cost per Tonne

The non-IFRS measures of cash cost per silver equivalent ounce and cash cost of production per tonne are used by the Company to manage and evaluate operating performance at the Rosario Mine and are widely reported in the silver mining industry as benchmarks for performance, but do not have a standardized meaning. Cash costs are calculated based on the cash operating costs at the Rosario Mine and, in the case of cash cost per silver ounce, also include the third party concentrate treatment, smelting and refining cost.

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

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

(Expressed in US Dollars except ounces, tonnes, per ounce and per tonne)	**Q3 2015**	**Q2 2015**	**Q1* 2015**	**Q4 2014**	**Q3 2014**	**Q2 2014**	**Q1 2014**
Cash cost of sales (as reported)	2,567,946	2,466,795	-	3,053,497	2,302,029	2,181,546	2,965,608
Capitalized Q1 2014 Ramp Expenditures (1)	-	-	-	-	-	486,514	(486,514)
Inventory change	7,729	(155,943)	-	(21,634)	(236,548)	249,724	(210,701)
NRV adjustment of inventory	25,045	-	-	183,262	401,368	74,919	-
Other	-	-	-	(291,000)	-	-	-
Cost of third party precipitate acquired and processed	-	-	-	-	(150,956)	(81,378)	-
Cash Cost of Production (A)	2,600,720	2,310,852	-	2,924,125	2,315,893	2,911,325	2,268,393
Cash cost of sales (as reported)	2,567,946	2,466,795	-	3,053,497	2,302,029	2,181,546	2,965,608
NRV adjustment of inventory	25,045	-	-	183,262	401,368	74,919	-
Other	-	-	-	(291,000)	-	-	-
2014 Q1 Capitalized Ramp Expenditures (1)	-	-	-	-	-	486,514	(486,514)
Concentrate treatment, smelting and refining cost	674,803	747,787	-	1,025,981	858,735	638,005	571,178
Third party precipitate acquired and processed	-	-	-	-	(150,956)	(81,378)	-
Cash Cost of Silver Equivalent Sold (B)	3,267,794	3,214,582	-	3,971,740	3,411,176	3,299,606	3,050,272
Ore processed (tonnes milled) (C)	25,007	26,492	-	25,099	23,677	22,612	20,447
Cash Cost of Production per Tonne(2) (A/C)	104.00	87.23	-	116.50	97.81	128.75	110.94
Silver Equivalent Sold (payable ounces) (D)	231,332	247,135	-	263,300	188,100	148,800	121,800
Cash Cost per Silver Equivalent Ounce (B/D)	14.13	13.01	-	15.08	18.13	22.17	25.04

* During Q1 2015 there was a temporary halt in operations from January 2 to March 25 following a malfunction in the tailings dam dewatering pipe. As such, the operating cost information and cost per unit calculations are not considered relevant and have not been included in this table.

(1) During the second quarter of 2014 the Company took the decision to capitalize the expenditures incurred subsequent to December 31, 2013 to develop the Ramp. Accordingly, $735,096 was capitalized to Plant and Equipment during the second quarter. Included in this amount was $486,514 relating to the first quarter of 2014.

All-in Sustaining Cost per Ounce

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

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

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 San Felipe Project and Gavilanes and El Gachi Properties, as well as certain expenditures at the Rosario Mine 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.

(Expressed in US Dollars except ounces and per ounce)	**Q3 2015**	**Q2 2015**	**Q1 2015***	**Q4 2014**	**Q3 2014**	**Q2 2014**	**Q1 2014**
Cash cost of sales (as reported)	2,567,946	2,466,795	-	3,053,497	2,302,029	2,181,546	2,965,608
NRV adjustment of inventory	25,045	-	-	183,262	401,368	74,919	-
Other	-	-	-	(291,000)	-	-	-
Concentrate treatment, smelting and refining cost	674,803	747,787	-	1,025,981	858,735	638,005	571,178
Cost of third party precipitate processed	-	-	-	-	(150,956)	(81,378)	-
Sustaining capital expenditures	185,199	103,626	-	107,107	201,183	235,785	62,085
Deferred ramp expenditures	54,840	296,391	-	770,904	169,000	735,096	-
General and administrative expenses	541,062	541,368	-	584,298	662,197	625,178	713,117
Accretion of decommissioning and restoration provision	11,610	11,610	-	9,833	10,402	10,487	10,296
All-in Sustaining Cost	4,060,505	4,167,577	-	5,443,882	4,453,958	4,419,638	4,322,284
Silver Equivalent Sold (payable ounces)	231,332	247,135	-	263,300	188,100	148,800	121,800
All-in Sustaining Cost per Silver Equivalent Ounce Sold	17.55	16.86	-	20.68	23.68	29.70	35.49

* During Q1 2015 there was a temporary halt in operations from January 2 to March 25 following a malfunction in the tailings dam dewatering pipe. As such the operating cost information and All-in Sustaining cost per unit calculations are not considered relevant and have not been included in this table.

Average Realized Silver Price per Ounce

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

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

(Expressed in US Dollars except ounces, tonnes, per equivalent ounce and per tonne)	**Q3 2015**	**Q2 2015**	**Q1 2015**	**Q4 2014**	**Q3 2014**	**Q2 2014**	**Q1 2014**
Revenues (as reported)	2,592,215	3,147,077	402,040	3,225,927	3,167,067	2,302,056	1,931,567
Add back: MPPP impact	665,631	306,439	-	-	-	-	-
Add back: Treatment, smelting and refining charges	674,803	747,787	136,484	1,025,981	858,735	638,005	571,178
Deduct: Precipitate revenues	-	-	-	-	(349,814)	-	-
Gross Revenues	3,932,649	4,201,303	538,524	4,251,908	3,675,988	2,940,061	2,502,745
Silver Equivalent Sold (ounces)	231,332	247,135	30,931	263,300	188,100	148,800	121,800
Avg Realized Price per Ounce of Silver Equivalent Sold[(1)]	17.00	17.00	17.41	16.15	19.55	19.76	20.55
Avg Market Price per Ounce of Silver per London Silver Fix	14.91	16.41	16.74	16.47	19.74	19.62	20.49

(1) Average realized price per ounce of silver sold in each reporting period is affected by mark-to-market adjustments and final settlements on concentrate shipments in prior periods. Concentrates sold to third-party smelters are provisionally priced and the price is not settled until a predetermined future date, typically one to four months after delivery to the customer, based on the market price at that time. When the average realized price of silver is below the MPPP price for the respective period, the amount earned on the MPPP is taken into account for the purposes of this calculation. For the first, second, and third quarter of 2015 the MPPP price for silver was $17.00/oz.

Non-IFRS Measures – Additional Information

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

Mine Operations Income (Loss)

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

EBITDA and Adjusted EBITDA

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

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

The following table provides a reconciliation of EBITDA and Adjusted EBITDA to the 2014 Q1, Q2, Q3, Q4 and 2015 Q1, Q2, and Q3 Financial Statements:

(Expressed in US 000's Dollars)	**Q3 2015**	**Q2 2015**	**Q1 2015**	**Q4 2014**	**Q3 2014**	**Q2 2014**	**Q1 2014**
Net loss for the period as reported	(1,628)	(2,018)	(2,551)	(4,498)	(1,054)	(1,092)	(2,062)
Add (Deduct) Capitalized Q1 2014 Ramp Expenditures (1)	-	-	-	-	-	(487)	487
Income tax expense (recovery)	1,440	379	(197)	858	24	30	(41)
Interest earned and other finance income	(2)	(6)	(3)	(792)	(51)	(54)	(39)
Interest expense and loss on settlement of silver loan	(453)	764	1,436	3,280	-	-	-
Accretion expense	11	12	12	10	10	11	10
Amortization and depletion of mineral properties, plant and equipment	556	554	54	282	440	456	315
EBITDA	(76)	(315)	(1,249)	(860)	(631)	(1,136)	(1,330)
Foreign exchange	(483)	427	(357)	380	190	(71)	61
Share-based payments	16	27	26	(115)	243	141	8
Adjusted EBITDA	(543)	139	(1,580)	(595)	(198)	(1,066)	(1,261)

(1) During the second quarter of 2014 the Company took the decision to capitalize the expenditures incurred subsequent to December 31, 2013 to develop the Ramp. Accordingly, $735,096 was capitalized to Plant and Equipment during the second quarter. Included in this amount was $486,514 relating to the first quarter of 2014.

Financing Activities

Equity Offerings

On March 11, 2014, the Company closed a prospectus offering, pursuant to which 12,062,500 common shares were issued at a price of CDN$1.00 per share for gross proceeds of $10,864,694 (CDN$12,062,500). The underwriters received a cash fee of $651,882 (CDN$723,750), as well as 723,750 warrants, each of which is exercisable to purchase one common share for a price of CDN$1.00 until March 11, 2016 for 645,000 warrants and March 20, 2016 for 78,750 warrants. The Company also issued 100,000 common shares as corporate finance fee and incurred additional issue costs of $318,653.

There were no equity financing activities during the nine months ended September 30, 2015.

Subsequent to September 30, 2015, the Company closed the first and second tranches of a non-brokered private placement and issued 8,924,000 common shares at a price of CAD$0.13 per common share for gross proceeds of CAD$1,160,120.

Pre-paid Silver Purchase

On October 2, 2014, the Company closed the JMET Agreement for gross proceeds of $28.4 million pursuant to which the Company agreed to sell to JMET 4,635,000 ounces of silver through August 2019, subject to certain adjustments relating to metal prices.

On November 27, 2014 the parties amended the JMET Agreement such that the Company repaid JMET $9.0 million upon execution of the amended agreement and agreed to repay $7.0 million on or before April 1, 2015. In addition, the amount of silver to be sold to JMET reduced from 4,635,000 ounces to 2,600,000 ounces at an agreed upon discount to the spot price. The first delivery of silver to JMET was to be 52,000 ounces in July 2015, and sales of an additional 52,000 ounces shall occur each month through August 2019, at which point the contract will be fulfilled

On April 1, 2015 the Company repaid $2.0 million of the $7.0 million due and further amended the JMET Agreement to extend the repayment of the remaining $5.0 million until December 31, 2015.

On July 15, 2015 and October 27, 2015, the parties amended the JMET Agreement again such that the first delivery of 52,000 ounces of silver is deferred to December 2015, and sales of an additional 52,000 ounces shall still occur each month through August 2019, except that the delivery of silver in December 2015 is amended to 156,000 ounces from the previous 52,000 ounces and the delivery of silver in October 2016 is amended to 260,000 ounces from the previous 52,000 ounces. Further, the Company has agreed to deliver in October 2016 an additional 44,625 ounces of silver as a restructuring fee.

In connection with the JMET Agreement, as amended, the Company entered into a minimum price protection program ("MPPP") for its metal production in 2015 and Q1 2016, and in the case of silver has additionally set a floor price for its silver production for the last three quarters of 2016. Details of the MPPP are as follows:

		Deliverable Amount Per Period		
Metal	**Floor Price**	**2015**	**Q1 2016**	**Q2, Q3 & Q4 2016**
Ag	$17.00/oz.	1,183,680 ozs.	315,714 ozs.	
	$16.00/oz.			947,142 ozs.
Au	$1,145/oz.	2,160 ozs.	570 ozs.	-
Pb	$1,975/tonne	1,860 tonnes	495 tonnes	-
Zn	$2,200/tonne	3,900 tonnes	1,038 tonnes	-

The MPPP does not limit the maximum price at which Santacruz may sell its production, which will allow it to benefit from any increase in metal prices. The cost to establish the initial MPPP was $6.3 million.

Use of Proceeds from Previous Financings

During the year ended December 31, 2014, the Company used the net proceeds of CDN$11,338,750 from the March 2014 financing (which included net proceeds from the exercise of the over-allotment option) as follows:

Use of Proceeds as stated in the short form prospectus from the 2014 Financing	Original Estimated Expenditure (Cdn$)	Approximate Actual Expenditure (Cdn$)
San Felipe Project		
Property payments	-	$1,067,000
Drilling and related infrastructure	$500,000	$500,000
Development of access ramps and preliminary tailings impoundment study	$2,250,000	$2,400,000
Pre-feasibility study	$400,000	-
Subtotal:	**$3,150,000**	**$3,967,000**
Gavilanes Property		
Property payments	-	$1,600,000
Mapping, drilling, sample analysis, metallurgy and related infrastructure	$3,000,000	165,000
Subtotal:	**$3,000,000**	**$1,765,000**
Rosario Property		
Development of access ramps and plant expansion[(1)]	-	$1,200,000
Subtotal:	**-**	**$1,200,000**
General		
Estimated offering costs	$350,000	$350,000
Administration expenses, including corporate and financial reporting, legal and compliance, accounting costs, general corporate communication and corporate development, and general working capital[(2)]	$4,838,750	$4,056,750
Subtotal:	**$5,188,750**	**$4,406,750**
Total	**$11,338,750**	**$11,338,750**

(1) The actual expenditures are greater than the original estimates, due to the fact that the operations from the Rosario Mine did not generate positive cashflow in Q1 and Q2 2014 as initially anticipated. Therefore, the Company had to reallocate its resources and decided to concentrate on increasing the production at Rosario instead.

(2) Net proceeds from the exercise of the over-allotment option were added to general working capital, as disclosed in the short form prospectus from the 2014 financing.

Capital Expenditures

The Company spent $986,625 on its mineral properties during the nine months ended September 30, 2015 (2014 - $7,299,921). The Company also spent $1,961,154 on acquisitions of plant and equipment at the Rosario Mine during the nine months ended September 30, 2015 (2014 - $2,754,498) including deferred ramp expenditures of approximately $533,000 (2014 - $904,096) and approximately $650,000 incurred in connection with upgrading the safety factor at the tailings embankment. The Company has made no dividend payments, and currently has no plans to declare any dividends.

Liquidity and Capital Resources

As at September 30, 2015, the Company had cash and cash equivalents of $156,522 (December 31, 2014 – $6,015,947) and a working capital deficiency of $7,041,031 (December 31, 2014 – $683,059). During the nine months ended September 30, 2015, net cash used in operating activities was $1,045,558 (2014 –

$845,232), net cash used in investing activities was $2,947,779 (2014 - $10,054,419) primarily for acquisitions of mineral property interests, plant and equipment, and costs relating to the exploration activities on its mineral properties; and net cash used by financing activities including cash received from the settlement of derivative assets and the repayment of the Silver Loan was $1,776,132 (2014 - cash provided of $9,894,159).

Pursuant to the terms of the underlying mineral property agreements to the Rosario Mine (Note 7 to the 2015 Q3 Financial Statements), in order to maintain and exercise the option the Company must make aggregate cash payments of $40,000 on or before February 22, 2016.

Pursuant to the terms of the Gavilanes property agreement (Note 8(a) to the 2015 Q3 Financial Statements), in order to maintain and exercise the option the Company must make the remaining payment of $732,586. The Company is currently re-negotiating an extension of this remaining payment.

Pursuant to the terms of the San Felipe Agreement (Note 8(b) to the 2015 Q3 Financial Statements), in order to maintain and exercise the option, the Company must make further aggregate cash payments of $19,000,000 on or before December 15, 2016.

At September 30, 2015, the Company had not yet achieved profitable operations, had a working capital deficiency of $7,041,031, had accumulated an inception to date deficit of $40,231,206, and may incur further losses in the development of its business. 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 raise adequate funding through equity or debt financings to discharge its liabilities as they come due. The Company has capital management process in place to safeguard the Company's ability to continue as a going concern. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company.

Transactions with Related Parties

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

- Malaspina Consultants Inc., a company owned by Robert McMorran, the Chief Financial Officer
- Pref-Ex Geological Inc., a company owned by Marc Prefontaine, a director of the Company.

During the three and nine months ended September 30, 2015 and 2014, the Company incurred the following charges by directors and officers of the Company and by companies controlled by directors and officers of the Company:

	Three months ended September 30,		Nine months ended September 30,	
	2015	**2014**	**2015**	**2014**
	$	**$**	**$**	**$**
Accounting and corporate secretarial fees (1)	43,615	46,678	183,759	145,417
Directors' fees (2)	63,550	24,108	79,842	73,066
Management fees (2)	51,818	133,085	160,818	290,055
Share-based payments	15,967	160,308	68,909	254,888
Salaries and benefits capitalized in mine under construction and development costs (3)	51,383	138,495	184,188	138,495

[1] The charge includes accounting and corporate secretarial fees paid to Malaspina Consultants Inc.
[2] The charge includes geological consulting fees paid to Pref-Ex Geological Inc. and directors' fees paid to Marc Prefontaine, James Hutton, Craig Angus, Federico Villaseñor, Roland Löhner and Larry Okada.
[3] The charge includes management fees paid to Arturo Préstamo Elizondo, the Chief Executive Officer, and salaries and benefits paid to Robert Byrd and Francisco Ramos, both former Chief Operating Officers.

At September 30, 2015, directors and officers or their related companies were owed $59,523 (December 31, 2014 – $114,994) in respect of the services rendered and are non-interest bearing with standard payment terms.

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

Financial Instruments

Fair Value and Classification of Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, trade receivables, other receivables, derivate assets, holdback receivable, accounts payable and accrued liabilities, and silver loan. Cash and cash equivalents, trade receivables, other receivables and holdback receivable are designated as loans and receivables, which are measured at amortized cost. The derivative assets are designated as at fair value through profit or loss and are measured at fair value. Accounts payable and accrued liabilities and silver loan are designated as other financial liabilities, which are measured at amortized cost. The carrying values of cash and cash equivalents, trade receivables, other receivables, and accounts payable and accrued liabilities approximate their fair values due to the short-term nature of these instruments.

Off-balance Sheet Arrangements

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

Recent Accounting Pronouncements

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

The IASB issued IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15") in May 2014. The new standard provides a comprehensive five-step revenue recognition model for all contracts with customers and requires management to exercise judgment and make estimates that affect revenue recognition. IFRS 15 is effective for annual periods commencing on or after January 1, 2017. The Company is currently evaluating the impact that the new guidance is expected to have on its consolidated financial statements.

IFRS 9 as issued, reflects the first phase of the IASB's work on the replacement of IAS 39, *Financial Instruments: Recognition and Measurement* and applies the classification and measurement of financial assets and liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after January 1, 2013, but the complete version of IFRS 9, issued July 2014, moved the mandatory effective date to January 1, 2018. The Company is currently evaluating the impact, if any, that the new guidance is expected to have on its consolidated financial statements.

Outstanding Share Data

Authorized share capital: Unlimited number of Common Shares

All share information is reported as of November 10, 2015 in the following table.

Issued and Outstanding Common Shares				112,417,484
	Expiry Date	Exercise Price (CDN$)		
Options	April 12, 2017	0.90	2,206,666	
	July 24, 2017	0.90	800,000	
	February 28, 2018	1.85	400,000	
	July 29, 2018	1.22	300,000	
	April 8, 2019	1.00	400,000	4,106,666
Warrants	March 11, 2016	1.00	645,000	
	March 20, 2016	1.00	78,750	723,750
Fully Diluted				117,247,900

Disclosure Controls and Procedures and Internal Control over Financial Reporting

Disclosure controls and procedures are intended to provide reasonable assurance that information required to be disclosed is recorded, processed, summarized, and reported within the time periods specified by securities regulations and that the information required to be disclosed is accumulated and communicated to management. Internal controls over financial reporting are intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. In connection with National Instrument 52-109 (Certificate of Disclosure in Issuer's Annual and Interim Filings) ("NI 52-109"), the Chief Executive Officer and Chief Financial Officer of the Company have filed a Venture Issuer Basic Certificate with respect to the financial information contained in the consolidated financial statements for the nine months ended September 30, 2015 and this accompanying MD&A (together, the "Interim Filings").

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

Risks and Uncertainties

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

Operational risks include: the Company may not be able to find and develop resources economically, the Company cannot guarantee title to its properties, the Company may have difficulty in marketing production and services, the Company must manage changing governmental laws and regulations, the Company may have difficulty in hiring and retaining skilled employees and contractors, environmental hazards (including discharge of pollutants or hazardous chemicals), industrial accidents and occupational and health hazards, mechanical failures, the unavailability of materials and equipment, pit slope failures, unusual or unexpected rock formations, poor or unexpected geological or metallurgical conditions, poor or inadequate ventilation, failure of mine communication systems, poor water condition, interruptions to gas and electricity supplies, human error and adverse weather conditions, there is no assurance that the

Company will acquire additional mineral properties and any acquisitions may expose the Company to new risks, and the mining industry is intensely competitive for the acquisition of new properties, access to capital and hiring of skilled personnel. The Company continuously monitors and responds to changes in these factors and seeks to adhere to all regulations governing its operations.

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

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

Outlook
During the third quarter the Company completed three important initiatives at the Rosario Mine. These were: the transition from third party contract mining to an in-house mining operations team; the commencement of use of a new permanent tailings disposal system that utilizes dry-stacking technology in conjunction with the prior existing tailings structure; and significant mine development on Level 3 of the mine. All of these steps were the result of management's continuing efforts to improve operating efficiencies at the Rosario Mine.

In concert with this objective, in early November the Company announced it had entered into the Contracuña Agreement. The immediate result of this agreement is that the Company expects in the near term to begin shipping mill feed from the Contracuña properties to the Rosario Mine milling facility to utilize the available capacity of that mill. The Company expects that this additional mill throughput will help to further reduce the Rosario Mine operating costs both on a cost per tonne and on a cost per silver equivalent ounce produced basis.

The Company also expects over the coming weeks to complete modifications of the Contracuña milling facility for a modest capital investment with the view to improving the efficiency of the mill, in particular changing the mill process such that both a lead and zinc concentrate are produced as opposed to the current single bulk concentrate. When this process is achieved the Company expects to bring the mill back online at approximately 500 tpd. The Company anticipates that the combination of this operation together with the Rosario Mine operations will lead to improved corporate cash flows. The completion of this process also accomplishes a second corporate objective, that being the first step in diversifying the Company's operations base.

Beyond these immediate goals, the Company intends to complete an economic study as to the cost versus benefit of increasing the milling capacity at the Contracuña milling facility, with an initial view targeting approximately 1500 tpd.

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

Qualified Persons

Technical information regarding the San Felipe and Gavilanes properties which is included in this MD&A has been reviewed and approved by Hans Smit, P.Geo of Hans Smit, P. Geo. Inc. or Gary Giroux , P.Eng. of Giroux Consultants Ltd.

Technical information regarding the Rosario Mine which is included in this MD&A has been reviewed and approved by Donald E. Hulse P.E. of Gustavson and is consistent with work published by Gustavson.

Other Information

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