MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2012

The following management's discussion and analysis of financial condition and results of operations ("MD&A") for the three and nine months ended September 30, 2012 prepared as of November 29, 2012, should be read in conjunction with the unaudited condensed interim consolidated financial statements for the three and nine months ended September 30, 2012 and the related notes thereto of Santacruz Silver Mining Ltd. ("the Company" or "Santacruz") ("the 2012 Q3 Financial Statements"), together with the audited consolidated financial statements of the Company for the year ended December 31, 2011 as well as the accompanying MD&A for the year then ended.

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.

Forward-Looking Statements

This MD&A contains forward-looking statements. All statements, other than statements of historical fact, constitute "forward-looking statements" and include any information that addresses activities, events or developments that the Company believes, expects or anticipates will or may occur in the future including the Company's strategy, plans or future financial or operating performance and other statements that express management's expectations or estimates of future performance.

Forward-looking statements are generally identifiable by the use of the words "may", "will", "should", "continue", "expect", "anticipate", "estimate", "believe", "intend", "plan" or "project" or the negative of these words or other variations on these words or comparable terminology. All such forward-looking information and statements are based on certain assumptions and analyses made by the Company's management in light of their experience and perception of historical trends, current conditions and expected future developments, as well as other factors management believes are appropriate in the circumstances. These statements, however, are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed, implied by or projected in the forward-looking information or statements. Important factors that could cause actual results to differ from these forward-looking statements include but are not limited to: risks related to the exploration and potential development of the Company's projects, risks related to international operations, the actual results of current exploration activities, conclusions of economic evaluations, changes in project parameters as plans continue to be refined, future prices of minerals, as well as those factors discussed in the sections relating to risk factors of the Company set out in this MD&A.

There can be no assurance that any forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, the reader should not place any undue reliance on forward-looking information or statements. Except as required by law, the Company does not intend to revise or update these forward-looking statements after the date of this document or to revise them to reflect the occurrence of future unanticipated events.

General

The Company was incorporated pursuant to the Business Corporations Act of British Columbia on January 24, 2011. The Company is listed for trading on the TSX Venture Exchange under the symbol "SCZ". The Company is engaged in the acquisition, exploration and development of mineral properties in Mexico, with a primary focus on silver, but also including gold, lead and zinc. The Company is currently focused on the development of the Rosario Project with the objective of achieving commercial production during the first quarter of 2013. In addition, the Company is exploring two other mineral properties, being the Gavilanes and San Felipe de Jesús ("San Felipe") Properties.

Recent Highlights

- On July 16, 2012, the Company announced the results of an initial independent National Instrument 43-101 ("NI 43-101") Mineral Resource estimate on the San Felipe property. The Mineral Resource estimate was completed by Kelsey Zabrusky under the supervision of Zachery Black SME-RM and Donald E. Hulse PE and SME-RM, of Gustavson Associates, LLC, ("Gustavson") both of whom are independent "qualified persons" under NI 43-101. Included in the Mineral Resource estimate were Measured and Indicated Resources of 39 million oz AgEq and Inferred Resources of 11 million oz AgEq (see resource categories and further details in the section of this MD&A titled San Felipe Property, Sonora, Mexico).

- At its Annual General Meeting held on July 24, 2012, Mr. Marc Prefontaine, M.Sc., P.Geo, was elected to the Company's Board of Directors joining incumbent directors Arturo Prestamo, Francisco Ramos, James Hutton and Craig Angus.

- On September 20, 2012, the Company announced the results of the first three holes of its ongoing 7,000 meter surface drilling program at the Rosario Project all of which successfully intersected the Rosario vein.

- On October 9, 2012, the Company announced that its Mexican subsidiary, Impulsora Minera Santacruz S.A. de C.V. ("Impulsora"), had been successful in negotiating amended payment terms with Minera Hochschild Mexico S.A. de C.V. with respect to Impulsora acquiring a 100% interest in the San Felipe project. The amended payment terms required a $4 million payment on execution of the amending agreement (paid) and additional payments of $16 million on or before April 1, 2013; and $18 million on or before October 1, 2014. The Company is also required to incur exploration expenditures of $3 million on or before December 1, 2013.

- On November 20, 2012, the Company reported results from the first 7 holes of an ongoing 6,000 meter diamond drill program at its 100% owned Gavilanes Silver project in Durango, Mexico. All 7 holes reported intersected high grade silver.

- As of November 29, 2012, construction of the Rosario milling facility is approximately 85% complete and the Company expects to start commissioning of the facility during December 2012.

Rosario Project, San Luis Potosi, Charcas, Mexico

The Rosario Project 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 6 of the 2012 Q3 Financial Statements. The property covers 500 hectares.

Exploration drilling north-west of the current resource at the Rosario project in San Luis Potosi, Mexico, continues to extend the high grade silver mineralization within the Rosario I & II veins.

On September 20, 2012, the Company announced the results of the first three holes of its ongoing 7,000 meter surface drilling program at the Rosario Project all of which successfully intersected the Rosario vein.

As contained in the Company's Filling Statement dated March 29, 2012 (filed on SEDAR on April 3, 2012 at www.sedar.com) (the "Filing Statement"), the estimated cost of developing the Rosario Project was approximately $10.3 million. The Company currently estimates that the development cost will be approximately $12.4 million. The increase is due to an increase in cost for the electrical supply line and the water supply system to the project. Notwithstanding this increase, the Company is well funded to complete the development of the Rosario Project. All other project infrastructure and mill equipment costs are currently estimated to be in accordance with previous projections. Construction and erection of the milling facility is on schedule and is approximately 85% complete. Commissioning of the mill facility is expected to begin in December 2012. As announced in May, all environmental permits required for the operation of the mill, mine and tailings dam have been received.

During the nine-month period ended September 30, 2012, property acquisition costs and exploration costs were $390,000 and $1,944,750, respectively. Included in the exploration expenditures are diamond drilling costs incurred as part of a 4,000-metre diamond drilling program north-west of the current Rosario resource to test the extension of the high-grade silver mineralization within the Rosario I & II veins.

In addition, during the nine months ended September 30, 2012, the Company incurred $2,170,388 of expenditures in connection with the initial equipment procurement and construction costs of the Rosario milling facility and mine.

The Company is in the process of preparing a new NI43-101 resource estimate and expects to file a prefeasibility study in the first quarter of 2013.

The decision to commence production at Rosario was not based on a feasibility study of mineral reserves demonstrating economic and technical viability, but rather on a more preliminary estimate of inferred mineral resources. Accordingly, there is increased uncertainty and economic and technical risks of failure associated with this production decision. Production and economic variables may vary considerably, due to the absence of a complete and detailed site analysis according to and in compliance with NI 43-101. The risks associated with this decision are set forth below under the heading "Risk Factors" in the Company's Annual Information Form, filed on SEDAR. The Company intends to file a revised AIF to include the new mineral resource estimate referred to above.

Gavilanes Property, San Dimas, Durango, Mexico

The Gavilanes Property comprises the Gavilanes, Gavilanes 2 fraccion uno, Gavilanes 2 fraccion, Victoria 4, San José and Maria Luisa, 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. Details of the acquisition terms are contained in Note 7 (a) of the 2012 Q3 Financial Statements. The Gavilanes Property incorporates 9 concessions with a total of 7,347 hectares.

Santacruz is currently conducting a 6,000 meter diamond core drilling program on the Gavilanes property. The main goal will be to identify at depth mineralization at the Guadalupe-Soledad-Aranzazú (GSA), Descubridora and San Nicolas veins in addition to the stockwork area of El Hundido.

During the nine-month period ended September 30, 2012, property acquisition costs and exploration costs were $800,000 and $329,735, respectively.

On November 20, 2012, the Company reported results from the first 7 holes of an ongoing 6,000 meter diamond drill program on the property. This first drill program is designed to test three of seven known silver-bearing veins and a stockwork area within the property. Drill results reported herein are from the GSA and San Nicholas veins. Both can be traced for approximately 1000 m and 900 m respectively along strike and vary between 0.5 – 10.0 m in width. Additionally, two holes intersected a high grade stockwork area (El Hundido). All 7 holes reported have intersected high grade silver. The geological environment is described in the Company´s technical report of the Gavilanes project, filed on SEDAR on February 8, 2012.

Highlights (reported as true widths and assays uncut) include:
GSA Vein
• SCGP-22: 2.75 m @ 2549 g/t Ag eq. (2540 g/t Ag, 0.10% Zn, 0.12% Pb and 0.03 g/t Au).
• SCGP-21: 1.55 m @ 567 g/t Ag eq. (212 g/t Ag, 8.09% Zn, 3.97% Pb and 0.72 g/t Au).
• SCGP-02: 6.50 m @ 307 g/t Ag eq. (184 g/t Ag, 2.03% Zn, 2.51% Pb and 0.15 g/t Au).

Hundido Stockwork
• SCHN-05: 8.51 m @ 692.03 g/t Ag eq. (427 g/t Ag, 8.04% Zn, 2.90% Pb and 0.01 g/t Au).

Complete results for the program are included in the press release dated November 20, 2012. Two drill rigs continue to work at the property.

San Felipe Property, Sonora, Mexico
San Felipe 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. Details of the acquisition terms are contained in Note 7 (b) of the 2012 Q3 Financial Statements.

On August 31, 2012, the Company filed a National Instrument 43-101 (“NI43-101”) Mineral Resources Estimate for the San Felipe project located in Hermosillo Sonora, Mexico. The Report was completed by Zachery Black SME-RM, under the supervision Donald E. Hulse, PE, of Gustavson Associates, LLC (Gustavson), both of whom are independent "qualified persons" under NI 43-101.

Highlights are as follows:
• Measured and Indicated Resources of 39mm oz AgEq; Inferred Resources of 11mm oz AgEq.
• Resources are defined on only 3 of 8 known veins (La Ventana, San Felipe and Las Lamas).
• Three primary veins remain open along strike in at least one direction and to depth.
• Excellent potential to expand resources at Las Lamas, Cornucopia, Artemisa, Santa Rosa and Transversales veins.

For resource categories and further details, please refer to the Company´s news release dated July 16, 2012 and the Report.

Previously, Minera Hochschild Mexico SA de CV ("MHM") explored and developed the property from 2001 to 2008, with more than 18,500 meters of diamond drilling and significant development work completed on the project at the La Ventana, San Felipe and Las Lamas veins. During 2011 Santacruz began conducting an exploration program in the area to confirm and support MHM's previously discovered resources at the La Ventana, San Felipe and Las Lamas veins. Additionalpotential has been delineated in the Las Lamas, Cornucopia, Artemisa, Santa Rosa and Transversales veins. In addition, to the south-west of the project is a target ("Los Locos"), which has exploration upside.

During the nine-month period ended September 30, 2012, Santacruz incurred exploration expenditures of $444,075 at the San Felipe Property.

Results of Operations

Nine months ended September 30, 2012

The Company recorded a net loss of $16,778,257 ($0.33 per share) for the nine months ended September 30, 2012, compared to the net loss for the nine months ended September 30, 2011 of $403,866 ($0.14 per share).

Variances of note in general and administrative expenses are detailed below:

- Administrative expenses of $522,748 (2011 - $30,716), and salaries and benefits of $56,619 (2011 - $22,201). These expenses were higher during this fiscal period primarily due to increased activities at the Company's Mexican office in connection with the commencement of development of the Rosario Project.
- Management fees of $131,268 (2011 - $105,003). Management fees were higher during the 2012 fiscal year primarily because the Company did not start paying management fees to the CEO until April 2011.
- Professional fees of $916,916 (2011 - $60,264). Professional fees were higher during the nine months ended September 30, 2012 primarily due to the costs incurred related to the reverse takeover transaction.
- Share-based payments of $3,250,422 (2011 - $66,000). 5,910,000 stock options (2011 - nil) were granted to directors, officers, employees and consultants of the Company during the nine months ended September 30, 2012. The share-based payment of $66,000 recorded during the nine months ended September 30, 2011 was a result of the Company issuing 16,500 common shares for services rendered by an officer of the Company.
- Transfer agent and filing fees of $22,952 (2011 - $nil). Transfer agent and filing fees increased due to the fact that the Company became listed for trading on the TSX Venture Exchange on April 12, 2012.
- Travel expenses of $104,484 (2011 - $nil). Travel expenses increased in part due to an increase in management's travel between the Company's Canadian and Mexican offices and in part with respect to general business travel in connection with management attending various investor and trade shows and road shows.

Variances of note in other income and expenses are detailed below:

- Charge related to public company listing of $11,904,386 (2011 - $nil). Charge related to public company listing occurred pursuant to accounting for the RTO in accordance with IFRS as detailed in Note 3 to the 2012 Q3 Financial Statements.
- Other income of $92,069 (2011 - $nil). The funds received from the private placement were deposited into short-term investment accounts, resulting in the Company recording interest income during the nine months ended September 30, 2012.

Three months ended September 30, 2012

The Company recorded a net loss of $763,841 ($0.01 per share) for the three months ended September 30, 2012, compared to the net loss for the three months ended September 30, 2011 of $265,409 ($0.05 per share).

Variances of note in general and administrative expenses are detailed below:

- Administrative expenses of $66,149 (2011 - $11,714). Administrative expenses were higher during this fiscal period primarily due to increased activities at the Company's Mexican office in connection with the commencement of development of the Rosario Project.
- Professional fees of $93,638 (2011 - $6,682). Professional fees were higher during the three months ended September 30, 2012 primarily due to the costs incurred related to the preparation and filing of the Annual Information Form for the 2011 fiscal year.
- Share-based payments of $469,506 (2011 - $66,000). 800,000 stock options (2011 - nil) were granted to a director of the Company during the three months ended September 30, 2012. The share-based payment of $66,000 recorded during the three months ended September 30, 2011 was a result of the Company issuing 16,500 common shares for services rendered by an officer of the Company.
- Transfer agent and filing fees of $7,699 (2011 - $nil). Transfer agent and filing fees increased due to the fact that the Company became listed for trading on the TSX Venture Exchange on April 12, 2012.
- Travel expenses of $26,376 (2011 - $nil). Travel expenses increased in part due to an increase in management's travel between the Company's Canadian and Mexican offices and in part with respect to general business travel in connection with management attending various investor and trade shows and road shows.

Variances of note in other income and expenses are detailed below:

- Other income of $46,828 (2011 - $nil). The funds received from the private placement were deposited into short-term investment accounts, resulting in the Company recording interest income during the three months ended September 30, 2012.

Summary of Quarterly Results

	THREE MONTHS ENDED			
	September 30, 2012	**June 30, 2012**	**March 31, 2012**	**December 31, 2011**
Revenues	Nil	Nil	Nil	Nil
Administrative Expenses	760,827	4,088,820	169,662	183,319
Deferred exploration and option payments (cash portion)	2,170,450	1,277,755	445,925	1,360,894
Net loss	(763,841)	(15,881,918)	(132,498)	(176,492)
Net loss per share[1]	(0.01)	(0.25)	(0.01)	(0.05)

	THREE MONTHS ENDED			
	September 30, 2011	**June 30, 2011**	**March 31, 2011**	**December 31, 2010**
Revenues	Nil	Nil	Nil	Nil
Administrative Expenses	206,269	145,917	51,680	168
Deferred exploration and Option payments (cash portion)	1,605,726	414,935	305,000	139,000
Net income (loss)	(265,409)	(75,139)	(63,318)	2,177
Net income (loss) per share[1]	(0.10)	(0.04)	(0.03)	0.03

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

The Company recorded a charge related to public company listing of $11,904,386 during the three months ended June 30, 2012, as a result of the reverse takeover transaction on April 12, 2012. In addition, share-based payments of $2,780,916 and $469,506 were recorded during the three months ended June 30, 2012 and September 30, 2012 respectively, as a result of the grant of stock options to directors, officers, employees and consultants of the Company.

Financing Activities
Details of financing activities in the nine months ended September 30, 2012 are as follows:

- On January 27, 2012, the Company completed a non-brokered private placement issuing 444,444 common shares for aggregate gross proceeds of $399,480.
- On April 12, 2012, the Company completed a non-brokered private placement of 555,055 common shares at $0.90 for gross proceeds of $500,000.
- On April 12, 2012, the Company completed a brokered private placement of 22,222,222 common shares at $0.90 per share for gross proceeds of $20,100,000. The agent for the offering received a commission consisting of $1,277,355 cash, 200,000 common shares, and 1,333,333 broker warrants entitling the agent to purchase 1,333,333 common shares of the Company at CDN$1.00 per share up to April 12, 2014. The Company also issued 2,375,000 common shares as corporate finance fee and incurred additional issue costs of $174,014.

Details of financing activities in the nine months ended September 30, 2011 are as follows:

- During the nine months ended September 30, 2011, an aggregate of 1,489,674 common shares were issued for gross proceeds of $4,310,450 pursuant to private placements. 16,500 common shares were issued for services received, which were determined to have a fair value of $66,000.

- On July 15, 2011, Santacruz and Impulsora Minera Santacruz, S.A. de C.V. ("IMSC") entered into a stock purchase agreement whereby Santacruz purchased 1,936,848 shares of IMSC that represent 99.999% of the issued and outstanding common shares of IMSC. Total consideration for the purchase includes 3,794,358 common shares of Santacruz and cash of $3,387.

Liquidity and Capital Resources
As at September 30, 2012, the Company had cash and cash equivalents of $12,414,105 (December 31, 2011 - $183,072) and working capital of $13,202,400 (December 31, 2011 – $359,493). During the nine months ended September 30, 2012, net cash used in operating activities was $2,224,531; net cash used in investing activities was $6,285,650 primarily for acquisitions of mineral property interests, plant and equipment, and costs relating to the exploration activities on its mineral properties; and net cash provided by issuance of common shares as part of financing activities was $19,702,059. During the period, the Company also repaid $500,000 of a shareholder loan and acquired cash of $1,219,552 as a result of the reverse takeover transaction.

At present, the Company's operations do not generate cashflow, however the Company is in the process of putting its first project (the Rosario Project) into commercial production. The Company expects the capital cost of this project to be approximately $12.4 million. Accordingly the Company has committed a substantial amount of its capital resources to funding the completion of this project. As such, it is possible that the Company will have to raise additional capital in order to fund the acquisition costs and exploration programs on other mineral properties.

Pursuant to the terms of the San Felipe Property agreement (Note 7 (b) to the 2012 Q3 Financial Statements), in addition to cash payments of $2,000,000 made to date, in order to maintain and exercise the option, the Company must, among other things, incur exploration expenditures of $3,000,000 by

December 1, 2013, and make cash payments of $4,000,000 on October 9, 2012 (paid), $16,000,000 on April 1, 2013, and $18,000,000 on October 1, 2014.

If the exploration expenditures of $3,000,000 are not made, the Company has an obligation to reimburse the optionor for the difference between $3,000,000 and the actual exploration expenditures incurred regardless of whether or not the Company exercises its option on this property. The Company has no other capital expenditure commitments.

Many factors influence the Company's ability to raise funds, including the health of the resource market, the climate for mineral exploration investment, the Company's track record, and the experience and calibre of its management. Actual funding requirements may vary from those planned due to a number of factors, including the progress of exploration activities. Management believes it will be able to raise equity capital as required in the long term, but recognizes there will be risks involved that may be beyond their control. There can be no assurance that if additional financing is required it will be available or on terms acceptable to the Company.

Capital Expenditures

The Company incurred exploration and mineral property acquisition expenditures of $1,573,810 on its Rosario Project and $2,320,320 on the Gavilanes and San Felipe Properties during the nine months ended September 30, 2012 (September 30, 2011 - $1,491,007 and $834,654). The Company also incurred expenditures of $2,391,520 on acquisitions of plant and equipment during the nine months ended September 30, 2012 (September 30, 2011 - $44,714), $2,170,388 of which were incurred in connection with the initial equipment procurement and construction costs of the Rosario milling facility and mine. The Company has made no dividend payments, and currently has no plans to declare any dividends.

The Company is in the process of developing the Rosario Project and expects the capital cost of this project to be approximately $12.4 million. In addition, the Company has a commitment to incur $3,000,000 of exploration expenditures on the San Felipe Property by December 1, 2013. Any unexpended balance must be paid to the property vendor. Further, in order to exercise the option on the San Felipe Property the Company must pay the property vendor $4,000,000 on October 9, 2012 (paid), $16,000,000 on or before April 1, 2013, and $18,000,000 on or before October 1, 2014 pursuant to the terms of the San Felipe Property acquisition agreement (Note 7 (b) to the 2012 Q3 Financial Statements).

Transactions with Related Parties

During the three and nine months ended September 30, 2012 and 2011, 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	
	2012	2011	**2012**	2011
	$	$	**$**	$
Accounting fees	**31,105**	-	**65,384**	-
Management fees	**55,833**	54,598	**131,268**	105,003
Salaries and benefits capitalized as exploration costs in mineral property interests	**55,020**	54,014	**135,503**	86,747
	141,958	108,612	**332,155**	191,750

At September 30, 2012, directors or their related companies were owed $6,475 (December 31, 2011 – $nil) in respect of the services rendered.

Key management includes directors and executive officers of the Company. The share-based compensation paid to key management for employee services during the three and nine months ended September 30, 2012 was $438,535 and $2,505,327 (2011 – $nil) respectively.

Financial Instruments

Fair Value and Classification of Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, other receivable, accounts payable and accrued liabilities, and due to shareholders. Cash and cash equivalents and other receivables are designated as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities and due to shareholders are designated as other financial liabilities, which are measured at amortized cost. The share purchase warrants were classified as a non-hedged derivative liability recorded as a fair value through profit or loss ("FVTPL") liability due to the currency of the warrants, which were measured at fair value on initial recognition, and subsequently re-measured at fair value at the end of each reporting period. The carrying values of the Company's financial instruments approximate their fair values due to the short-term nature of these instruments.

The Company operates in Canada and Mexico but has the majority of its cash held in Canada in Canadian dollars. The Company is exposed to foreign exchange risk due to fluctuations in foreign currencies (Canadian dollar and Mexican peso). Foreign exchange risk arises from purchase transactions as well as financial assets and liabilities denominated in these foreign currencies. The sensitivity of the Company's net loss and other comprehensive loss to changes in the exchange rate between the US dollars and the Mexican pesos would be as follows: a 10% change in the US dollar exchange rate relative to the Mexican pesos would change the Company's net loss and comprehensive loss by approximately $47,000. The sensitivity of the Company's net loss and other comprehensive loss to changes in the exchange rate between the Canadian dollars and the US dollars would be as follows: a 10% change in the Canadian dollar exchange rate relative to the US dollar would change the Company's comprehensive loss by approximately $5,000.

The Company does not use derivative instruments to hedge exposure to foreign exchange rate risk.

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.

Outstanding Share Data

Authorized share capital: Unlimited number of Common Shares

All share information is reported as of November 29, 2012 in the following table.

Issued and Outstanding Common Shares				67,846,439
	Expiry Date	Exercise Price		
Options	April 12, 2017	$0.90	4,806,666	
	May 10, 2015	$0.90	300,000	
	July 24, 2017	$0.90	800,000	5,906,666
Warrants	October 7, 2013	$0.10	100,000	
	April 12, 2014	$1.00	1,316,747	1,416,747
Fully Diluted				75,169,852

15,814,640 of the outstanding common shares are held in escrow.

Subsequent Event
The terms of the mining exploration and promise of assignment of rights agreement dated August 3, 2011, as amended December 9, 2011, with respect to the San Felipe Property were amended on October 9, 2012 such that the remaining vendor payments are as follows:

- $4,000,000 was payable on October 9, 2012 (paid);
- $16,000,000 is payable on or before April 1, 2013;
- $18,000,000 is payable on or before October 1, 2014.

The Company is also required to incur exploration expenditures of $3,000,000 on or before December 1, 2013.

Disclosure Controls and Procedures
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 unaudited condensed interim consolidated financial statements for the nine months ended September 30, 2012 and this accompanying MD&A.

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 on SEDAR at www.sedar.com.

Outlook
The Company's immediate objective is to start production at its Rosario Project during the first quarter of 2013. While working towards this objective, exploration activities, including diamond drilling, are planned for both the Rosario Project and Gavilanes Property (7,000 and 6,000 metres respectively) .

Regarding the San Felipe property, the Company plans to carry out surface exploration activities designed to determine the viability of the property based on the technical report from Gustavson. This field work is expected to be concluded in the near term followed by a diamond drill campaign based on the results of this surface exploration program.

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 nor deferred development costs.

Qualified Persons

Donald E. Hulse P.E. of Gustavson Associates L.L.C. has prepared or supervised the preparation of the scientific and technical information in the Company's technical reports and its November 20, 2012 news release, which together form the basis of the technical and scientific disclosure in this MD&A. Mr. Hulse is a "qualified person" under NI 43-101 and is independent of the Company for the purposes of NI 43-101.

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.