



MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2021

The following management's discussion and analysis of financial condition and results of operations ("**MD&A**") for the three and six months ended June 30, 2021 prepared as of August 27, 2021, should be read in conjunction with the unaudited condensed interim consolidated financial statements for the three and six months ended June 30, 2021 and the related notes thereto of Santacruz Silver Mining Ltd. (the "**Company**" or "**Santacruz**") (the "**2021 Q2 Financial Statements**"), together with the audited consolidated financial statements for the year ended December 31, 2020 as well as the accompanying MD&A for the year then ended (the "**Annual MD&A**").

The above referenced consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("**IFRS**"). All dollar amounts are expressed in thousands of US dollars (US\$000's) unless otherwise indicated. Throughout this MD&A the terms first quarter, second quarter, third quarter, and fourth quarter are respectively used interchangeably with the terms Q1, Q2, Q3, and Q4.

Forward-Looking Statements

This MD&A and the documents incorporated herein by reference contain "forward-looking information" within the meaning of applicable Canadian securities regulations and "forward-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 is based on plans, expectations and estimates of management at the date the information is provided and is subject to certain factors and assumptions. In making the forward-looking statements included in this MD&A, the Company has applied several material assumptions, including that the Company's financial condition and development plans do not change as a result of unforeseen events, and that future metal prices and the demand and market outlook for metals will remain stable or improve. Forward-looking information also includes, but is not limited to, statements relating to the potential mineralization and geological merits of the Company's Zimapan mine and related mineral concessions (the "**Zimapan Mine**"); the Rosario mine and related mineral concessions (the "**Rosario Mine**" which is part of the "**Rosario Project**"), the Membrillo prospect ("Membrillo Prospect" which is part of the Rosario Project); the Veta Grande mine (the "**Veta Grande Mine**" which is part of the "**Veta Grande Project**"), and the Santa Gorgonia prospect ("Santa Gorgonia Prospect") which is part of the Zimapan Mine concessions; expectations regarding the continuity of mineral deposits; the Company's goals regarding raising capital and developing its projects; expected timing regarding installation of certain facilities on the Company's projects; the Company's proposed development and exploration plans for the Membrillo Prospect, and the Zimapan Mine; plans for drilling; expectations regarding environmental issues that may affect the exploration progress; and the Company's other plans for development of its projects. Often, but not always, forward-looking information can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "believes" or the negatives thereof or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved.

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

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

Forward-looking information involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information. Such factors include, among others, the risk that actual results of exploration activities will be different than anticipated, that cost of labour, equipment or materials increase more than expected, that market conditions and global economic conditions, including increased volatility, will result in negative capital raising conditions arising from the continued COVID-19 pandemic and risks relating to the extent and duration of such pandemic and its impact on global markets, that mineral resources are not as estimated, that actual costs of reclamation activities are greater than expected; that changes in project parameters as plans continue to be refined result in increased costs, that lower rates of production are achieved than are expected, that unexpected variations in mineral grade or recovery rates occur, that plant, equipment or processes fail to operate as anticipated, that accidents or labour disputes occur, that unanticipated delays occur in obtaining governmental approvals or financing or in the completion of development or construction activities, as well as those factors discussed in the section entitled "Risks and Uncertainties" in this MD&A. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking information, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Readers are cautioned not to place undue reliance on forward-looking information due to the inherent uncertainty thereof.

General

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

The Company is engaged in the operation, acquisition, exploration and development of mineral properties in Mexico, with a primary focus on silver and zinc, but also including gold, lead and copper. The Company currently has two producing projects, the Rosario Project and the Zimapan Mine. In addition, the Company holds two exploration properties in its mineral property portfolio, the La Pechuga Property and the Santa Gorgonia Prospect.

On March 2, 2021 the Company completed the sale of the Zacatecas Properties, comprising 149 mining concessions totaling approximately 7,826 ha (19,338 acres) including the Panuco Deposit, to Zacatecas Silver Corp. ("Zacatecas

Silver") for consideration of \$1,500 and the issuance by Zacatecas Silver of 5,000,000 common shares of Zacatecas Silver to the Company.

On April 13, 2021, the Company closed a private placement offering of 46,980,000 units of the Company for gross proceeds of CAD\$14,094. The proceeds from the offering were used by the Company in part to complement the acquisition of the Zimapan Mine and in part for working capital and general corporate purposes.

On April 23, 2021, the Company completed the acquisition of the Zimapan Mine for total consideration of \$20,000 (plus applicable Mexican Value Added Tax of \$3,200). Funding for the Transaction was arranged with Trafigura Mexico, S.A. de C.V. ("Trafigura") as to a \$17,600 loan facility (the "Trafigura Loan Facility") which included the recapitalization of \$2,600 of a prior loan arrangement, and as to \$5,000 from the Company's treasury.

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

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

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

Production at the Zimapan Mine is not supported by a feasibility study on mineral reserves demonstrating economic and technical viability or any other independent economic study under NI 43-101. Accordingly, there is increased uncertainty and economic and technical risks of failure associated with production operations at the Zimapan Mine. Production and economic variables may vary considerably due to the absence of a complete and detailed site analysis in accordance with NI 43-101.

Zimapan Mine Acquisition

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

The Zimapan Mine at the time was under lease by Carrizal Mining from Minera Cedros.

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

Assets acquired pursuant to the Transaction include:

- Zimapan mill facility (the "Zimapan Mill") which is a 75,000 dry metric tonnes (DMT) per month facility with zinc, lead and copper circuits. Over the past five years the Zimapan Mill has produced an annual average of 12,400 tonnes of zinc, 3,300 tonnes of lead, 1,850 tonnes of copper and 1,290,000 ounces of silver from an average annual throughput of 700,000 tonnes of mineralized material generating an average of 4,681,000 ounces silver equivalent* (source: Carrizal Mining mine production records).
- Surface and underground infrastructure including electrical and other necessary infrastructure to carry on day-to-day operations.
- 34 mining concessions covering an area of 5,139 hectares. The mining concessions are located seven kilometers from the municipality of Zimapan. To date, Carrizal Mining has identified 14 mineral zones that

are characterized as polymetallic replacement mineralization of Pliocene age. Within the mineral zones, silver, lead, zinc and copper minerals have preferentially replaced the carbonate host rocks and pre-existing skarn bodies to produce disseminated, semi-massive sulphide and massive sulphide bodies that occur in proximity to monzonitic intrusions and quartz-feldspar porphyry dikes.

Funding for the Transaction was arranged with Trafigura Mexico, S.A. de C.V. ("Trafigura") as to a \$17,600 loan facility (the "Trafigura Loan Facility") which included the recapitalization of \$2,600 of a prior loan arrangement, and as to \$5,000 from the Company's treasury. Pursuant to the terms of the Transaction the Company has until September 23, 2021 to pay Minera Cedros the outstanding Mexican Value Added Tax of \$3,200 owed in connection with the Transaction. The Company has paid \$500 of this balance to date.

The Trafigura Loan Facility is for a period of 42 months at an annual interest rate of three-month LIBOR + 6.5% (currently approximately 7.5%), repayable in monthly instalments of principal plus accrued interest for the respective period. The Trafigura Loan Facility is secured by a first charge over all Zimapan Mine assets and all other material assets owned by the Company and its subsidiaries. In addition, the Company issued to Trafigura Mexico 28 million bonus warrants, each warrant exercisable into a Santacruz common share at \$0.395 per share, until April 23, 2022 with respect to 7.28 million of the warrants and October 23, 2024 with respect to 20.72 million of the warrants. The Trafigura Loan Facility contains normal course liquidity and financial ratio covenants, among others.

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

Second Quarter 2021 Financial and Operating Highlights

Selected financial and operating information for the three months ended June 30 and March 31, 2021 and June 30, September 30 and December 31, 2020 is presented below. The Company is not including production and unit cost results from the Veta Grande Project in this MD&A as operations at Veta Grande were suspended during Q1 2020 and to date have not recommenced.

	2021			2020			EBITDA	
	Q2	Q1	Q4	Q3	Q2	Q1 2021	Q2 2020	
Financial								
Revenue – Mining Operations	13,744	11,168	9,905	9,437	5,939	23%	131%	
Gross Profit (Loss) ⁽⁴⁾	3,840	2,181	807	1,259	796	76%	382%	
Net (Loss) Income	(3784)	6,518	(607)	(163)	(636)	-158%	497%	
Net (Loss) Earnings Per Share – Basic (\$/share)	(0.01)	0.02	(0.00)	(0.00)	(0.00)	-150%	-100%	
Adjusted EBITDA ⁽⁴⁾	1,184	1,006	(3,262)	998	88	18%	1,245%	
Operating								
Material Processed (tonnes milled)	172,324	176,239	201,585	176,640	116,799	-2%	48%	
Silver Equivalent Produced (ounces) ⁽¹⁾⁽⁶⁾	799,057	706,978	1,000,242	977,678	709,765	13%	13%	
Silver Equivalent Sold (payable ounces) ⁽²⁾	678,918	605,970	620,091	661,664	530,504	12%	28%	
Production Cost per Tonne ⁽³⁾	55.48	50.03	50.06	43.06	41.44	11%	34%	
Cash Cost per Silver Equivalent (\$/oz.) ⁽³⁾	19.87	20.54	23.04	18.38	15.25	-3%	30%	
All-in Sustaining Cost per Silver Equivalent (\$/oz.) ⁽³⁾	23.74	23.76	24.41	19.85	16.90	0%	40%	
Average Realized Silver Price per Ounce (\$/oz.) ⁽³⁾⁽⁵⁾	25.67	25.06	24.05	21.18	16.49	2%	56%	

⁽¹⁾ Silver equivalent ounces produced in 2021 have been calculated using prices of \$25.00/oz., \$1,925/oz., \$0.85/lb, \$1.05/lb and \$3.00/lb. for silver, gold, lead, zinc and copper respectively applied to the metal content of the concentrates produced by the Zimapan mine and the Rosario Project. Silver equivalent ounces produced in 2020 have been calculated using prices of \$17.85/oz., \$1,480/oz., \$0.92/lb, \$1.09/lb and \$2.80/lb. for silver, gold, lead, zinc and copper respectively applied to the metal content of the concentrates produced by the Zimapan mine and the Rosario Project.

⁽²⁾ Silver equivalent sold ounces have been calculated using the realized silver prices stated in the table above, applied to the payable metal content of the concentrates sold from the Zimapan Mine and Rosario Project in 2021 and 2020.

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

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

⁽⁶⁾ Average realized silver price per ounce is prior to all treatment, smelting and refining charges.

Management Business Overview and Outlook

The Company's focus for 2021 will be:

- At the Zimapan Mine to steadily increase production from the Lomo del Toro mineralized zone;
- At the Rosario Project to carefully review the mining strategy and closely monitor it with respect to determining the future of this operation;
- Complete exploration campaign at both the Horizontes Zone (Lomo del Tora zone) and Santa Gorgonia Prospect located within the Zimapan Mine mining concessions.

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

Production at the Zimapan Mine is not supported by a feasibility study on mineral reserves demonstrating economic and technical viability or any other independent economic study under NI 43-101. Accordingly, there is increased uncertainty and economic and technical risks of failure associated with production operations at the Zimapan Mine. Production and economic variables may vary considerably due to the absence of a complete and detailed site analysis in accordance with NI 43-101.

Review of Consolidated Operating Results

	2021		2020			Q2 2021 % Change vs	
	Q2	Q1	Q4	Q3	Q2	Q1 2021	Q2 2020
Material Processed (tonnes milled) ⁽⁴⁾							
Zimapan Mine	155,407	156,433	180,003	164,846	106,725	-1%	46%
Rosario Project	16,917	19,806	21,582	11,794	10,074	-15%	68%
Consolidated	172,324	176,239	201,585	176,640	116,799	-2%	48%
Silver Equivalent Produced (ounces) ⁽¹⁾⁽³⁾⁽⁴⁾							
Zimapan Mine	757,937	646,085	909,379	920,985	639,021	17%	19%
Rosario Project	41,120	60,893	90,863	56,693	70,744	-32%	-42%
Consolidated	799,057	706,978	1,000,242	977,678	709,765	13%	13%
Silver Equivalent Sold (payable ounces) ⁽⁴⁾							
Zimapan Mine	658,590	553,450	545,580	625,036	500,486	19%	32%
Rosario Project	20,328	52,520	74,511	36,628	30,018	-61%	-32%
Consolidated	678,918	605,970	620,091	661,664	530,504	12%	28%
Cash Cost of Production per Tonne ⁽²⁾⁽⁴⁾							
Zimapan Mine	53.92	49.04	48.90	39.91	38.79	10%	39%
Rosario Project	69.81	57.86	59.68	87.08	69.49	21%	0%
Consolidated	55.48	50.03	50.06	43.06	41.44	11%	34%
Cash Cost per Silver Equivalent Ounce ⁽²⁾⁽⁴⁾							
Zimapan Mine	18.37	19.91	23.21	17.45	14.47	-8%	27%
Rosario Project	68.58	27.19	21.82	34.13	28.15	152%	144%
Consolidated	19.87	20.54	23.04	18.38	15.25	-3%	30%
All-in Sustaining Cash Cost per Silver Equivalent Oz ⁽²⁾⁽⁴⁾							
Zimapan Mine	21.35	21.03	24.95	18.54	15.60	-13%	18%
Rosario Project	101.19	52.57	47.63	42.07	38.61	92%	162%
Consolidated	23.74	23.76	27.67	19.85	16.90	0%	61%
Average Realized Silver Price per Ounce ⁽²⁾⁽⁴⁾							
Zimapan Mine	25.67	23.98	21.01	16.47	16.38	2%	56%
Rosario Project	25.63	24.56	24.08	16.89	16.38	3%	52%
Consolidated	25.67	24.05	21.18	16.49	16.66	2%	56%

⁽¹⁾ Silver equivalent ounces produced in 2021 have been calculated using prices of \$25.00/oz., \$1,925/oz., \$0.85/lb, \$1.05/lb and \$3.00/lb. for silver, gold, lead, zinc and copper respectively applied to the metal content of the concentrates produced by the Zimapan Mine and the Rosario Project. Silver equivalent ounces produced in 2020 have been calculated using prices of \$17.85/oz., \$1,480/oz., \$0.92/lb, \$1.09/lb and \$2.80/lb. for silver, gold, lead, zinc and copper respectively applied to the metal content of the concentrates produced by the Zimapan Mine and the Rosario Project.

- ⁽²⁾ Silver equivalent sold ounces have been calculated using the realized silver prices stated in the table above, applied to the payable metal content of the concentrates sold from the Zimapan Mine and Rosario Project in 2021 and 2020.
- ⁽³⁾ The Company reports non-IFRS measures which include Cash Cost per Silver Equivalent, All-in Sustaining Cash Cost per Silver Equivalent, Cash Cost of Production per Tonne, and Average Realized Silver Price per Ounce. These measures are widely used in the mining industry as a benchmark for performance, but do not have a standardized meaning and may differ from methods used by other companies with similar descriptions. See "Non-IFRS Measures" section, below for definitions.
- ⁽⁴⁾ The Company is not including production and unit cost results from the Veta Grande Project in this MD&A as operations at Veta Grande were suspended during Q1 2020 and to date have not recommenced.

Operations Overview

Consolidated silver equivalent production in Q2 2021 increased by 13% as compared respectively to Q1 2021 and Q2 2020. It must be noted that when the price decks for comparative periods are relatively similar (as is the case for quarterly comparisons within any particular fiscal year) this analytical metric is a useful tool. However, a comparison of silver equivalent production between periods with substantially different price decks can be misleading. Such is the case when comparing the 2020 quarterly silver equivalent production to that from 2021. In order to provide a better comparison for this metric the table below shows the silver equivalent production for each of Q2 and Q1 2021, and Q2, Q3 and Q4 2020 calculated using the 2020 metal price deck for all periods.

	2021		2020			Q2 2021 % Change vs	
	Q2	Q1	Q4	Q3	Q2	Q1 2021	Q2 2020
Silver Equivalent Produced (ounces)							
Zimapan Mine	945,533	796,139	909,379	920,985	639,021	19%	48%
Rosario Project	50,098	72,617	90,863	56,693	70,744	-31%	-29%
Consolidated	995,632	868,756	1,000,242	977,678	709,765	15%	40%

The increase in silver equivalent production at the Zimapan Mine in Q2 2021 as compared to Q2 2020 (as reflected in the above table) is largely due to a 46% increase in mineralized material processed at the Zimapan milling facility in Q2 2021. Conversely, at Rosario the decrease in silver production in Q2 2021 as compared to Q2 2020 reflects in part a 15% decrease in throughput of mineralized material and in part lower head grades and metal recoveries realized during Q2 2021.

With respect a comparison between Q2 2021 and Q1 2021 the 19% increase in silver equivalent production reflects improved zinc and copper head grades and improved metal recoveries for silver, zinc and copper realized during Q2 2021.

As referenced earlier in this MD&A, the Company's focus for 2021 will be:

- To steadily increase production at the Zimapan Mine from the Lomo del Toro mineralized zone; and
- At the Rosario Project to carefully review the mining strategy and closely monitor it with respect to determining the future of this operation.

Cash Cost per Tonne

As compared to Q1 2021, the Q2 2021 consolidated cash cost of production per tonne of mineralized material processed increased by 11% to \$55.48/t. This change is largely due to a 9% increase in the consolidated cash cost of production at the Zimapan Mine which in turn reflects an ongoing focus on development work at the Lomo del Toro mineralized zone in order to increase production from this well mineralized area.

Cash Cost per Silver Equivalent Ounce

As compared to Q1 2021, the Q2 2021 consolidated cash cost of sales per silver equivalent ounce sold decreased 3% to \$19.87/oz. This result is virtually all due to an 8% decrease in the cash cost of sales per silver equivalent ounce sold at the Zimapan Mine which largely reflects a 19% increase in silver equivalent ounces sold in Q2 2021 at Zimapan as compared to Q1 2021.

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

As compared to Q1 2021 unit costs, the Q2 2021 AISC was virtually unchanged at \$23.74/oz. This result reflects a 125% increase in the consolidated all-in sustaining cash cost of sales at offset by a 12% increase in consolidated silver equivalent ounces sold in Q2 2021. The increase reflects a 19% increase in silver equivalent ounces sold in Q2 2021 at Zimapan offset by a 21% increase and a 25% decrease in cash cost of sales per silver equivalent ounce sold recorded respectively at Zimapan and Rosario.

Zimapan Mine, Zimapan, Hidalgo, Mexico

As noted elsewhere in this MD&A, Carrizal Mining acquired the Zimapan Mine in April 2021 pursuant to the Transaction.

Zimapan Mine Production and Operating Results

Presented in the table and disclosure below are production statistics and unit costs for the Zimapan Mine for Q2 and Q1 2021, and each of Q2, Q3 and Q4 2020.

	2021		2020			Q2 2021 % Change vs	
	Q2	Q1	Q4	Q3	Q2	Q1 2021	Q2 2020
Material Processed (tonnes milled)	155,407	156,433	180,003	164,846	106,725	-1%	46%
Silver Equivalent Produced (ounces) ⁽¹⁾⁽²⁾	757,937	646,085	909,379	920,985	639,021	17%	19%
Silver Equivalent Sold (payable ounces) ⁽³⁾	658,590	553,450	545,580	625,036	500,486	19%	32%
Production - Silver (ounces) ⁽²⁾	310,910	294,099	297,538	282,760	181,836	6%	71%
- Lead (tonnes) ⁽²⁾	747	892	948	1,048	692	-16%	8%
- Zinc (tonnes) ⁽²⁾	2,848	2,067	2,711	2,841	2,021	38%	41%
- Copper (tonnes) ⁽²⁾	481	354	402	395	308	36%	56%
Average Grade - Silver (g/t)	84	85	76	73	75	-1%	12%
- Lead (%)	0.56	0.63	0.62	0.72	0.72	-11%	-22%
- Zinc (%)	2.54	1.99	2.20	2.40	2.55	28%	0%
- Copper (%)	0.38	0.31	0.32	0.33	0.42	23%	-10%
Metal Recovery - Silver (%) ⁽²⁾	74.2	69.0	67.4	72.3	72.9	7%	2%
- Lead (%) ⁽²⁾	85.2	90.0	84.4	88.8	89.3	-5%	-5%
- Zinc (%) ⁽²⁾	72.1	66.4	68.3	72.0	74.3	9%	-3%
- Copper (%) ⁽²⁾	81.4	73.9	69.5	72.3	70.6	10%	15%
Cash Cost of Production per Tonne	53.92	49.04	48.90	39.91	38.79	10%	39%
Cash Cost per Silver Equivalent (\$/oz.)	18.37	19.91	23.21	17.45	14.47	-8%	27%
All-in Sustaining Cash Cost per Silver Equivalent (\$/oz.)	21.35	21.03	24.95	18.54	15.60	2%	37%

⁽¹⁾ Silver equivalent ounces produced in 2021 have been calculated using prices of \$25.00/oz., \$1,925/oz., \$0.85/lb, \$1.05/lb and \$3.00/lb. for silver, gold, lead, zinc and copper respectively applied to the metal content of the concentrates produced by the Zimapan Mine. Silver equivalent ounces produced in 2020 have been calculated using prices of \$17.85/oz., \$1,480/oz., \$0.92/lb, \$1.09/lb and \$2.80/lb. for silver, gold, lead, zinc and copper respectively applied to the metal content of the concentrates produced by the Zimapan Mine.

⁽²⁾ Silver equivalent sold ounces have been calculated using the realized silver prices stated in the table above, applied to the payable metal content of the concentrates sold from the Zimapan Mine in 2021 and 2020.

⁽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.

Zimapan Operations Overview

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

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

As a consequence of the impact of the suspension of operations at Zimapan referenced above on the Q2 2020 operations, management has determined that a comparison of these operations to Q2 2021 is not useful to readers

of this MD&A and as such is not providing further comments relating to such a comparison in this section of the MD&A.

As compared to Q1 2021, the Q2 2021 silver equivalent production increased 19% increase in silver equivalent production reflects improved zinc and copper head grades and improved metal recoveries for silver, zinc and copper realized during Q2 2021.

Operations during both Q1 and Q2 2021 reflect reduced milling availability for varying reasons. During Q1 2021 operations were negatively affected due to an unstable power supply from Mexico's Comision Federal de Electricidad that caused damage to the electric motors for the ball mills at the milling facility materially reducing operations for eight days. During Q2 2021 operations were negatively impacted by the challenges with the dewatering circuit. This was remedied in early Q3 as a result of replacing the original drum filters with a filter press. The impact of this change in equipment has been immediate as production for July 2021 improved to over 60,000 tonnes of material processed at the milling facility with estimated silver equivalent production in excess of 305,000 ounces as calculated using the 2021 price deck disclosed elsewhere in this MD&A. Preliminary operating results for August 2021 indicate a continuation of this positive trend.

Production at the Zimapan Mine is not supported by a feasibility study on mineral reserves demonstrating economic and technical viability or any other independent economic study under NI 43-101. Accordingly, there is increased uncertainty and economic and technical risks of failure associated with production operations at the Zimapan Mine. Production and economic variables may vary considerably due to the absence of a complete and detailed site analysis in accordance with NI 43-101.

Cash Cost per Tonne

As compared to Q1 2021, the cash cost of production per tonne of mineralized material processed increased by 10% to \$53.92 in Q2 2021. This result reflects a 9% increase in the cash cost of production and a 1% decrease in the tonnes of mineralized material processed during Q2 2021. The increase in the cash cost of production reflects expenditures incurred in accelerated mine development at the Monte mine as well as the Lomo Del Toro zone.

Cash Cost per Silver Equivalent Ounce

As compared to Q1 2021, the cash cost of production per silver equivalent ounce sold in Q2 2021 decreased by 8%. This resulted from a 10% increase in the cash cost of sales of silver equivalent ounces while the silver equivalent payable ounces produced increased by 19%. As noted earlier in this MD&A the increase in silver equivalent production reflects improved zinc and copper head grades and improved metal recoveries for silver, zinc and copper realized during Q2 2021.

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

As compared to Q1 2021, the AISC in Q2 2021 increased by 2%. This resulted from a 21% increase in the cash cost of sales of silver equivalent ounces while the silver equivalent payable ounces sold increased by 19%. This change occurred largely for the same reasons as referenced above in the discussion regarding cash cost of silver equivalent ounces sold.

Rosario Project, Charcas, San Luis Potosi, Mexico

The Rosario Project currently includes the Rosario Mine and the Membrillo Prospect, and is located proximate to the Municipality of Charcas in the State of San Luis Potosi, Mexico, 184 kilometres north of the capital city of San Luis Potosi.

Rosario Mine

The mineral property that forms the Rosario Mine comprises the Rey David and San Rafael mining concessions. The concessions cover 500 hectares. The Company has no further vendor payments to make on the concessions except for certain NSR obligations and an annual fee of \$40. The property is subject to a 0.4% NSR. The NSR

increases by 0.1% per year, until it reaches a maximum of 1%. The outstanding NSR obligations of \$156 were settled on July 15, 2021 pursuant to a shares-for-debt agreement between the parties as approved by the TSX Venture Exchange (the "TSXV").

Membrillo Prospect

Pursuant to the Membrillo Agreement dated May 29, 2017, the Company has acquired from Grupo Mexico the Exclusive Mining Right for five years to explore, develop and mine the Membrillo Prospect situated approximately four km from the Company's Rosario Project mill facility located near Charcas, San Luis Potosi, Mexico. The Exclusive Mining Right covers an area of approximately 500 hectares that is situated within the San Rafael concession and brings the total of the Company's exploration and exploitation rights to 958 hectares of the 2912 hectares comprising the San Rafael concession.

As consideration for being granted the Exclusive Mining Right, the Company agreed to pay an annual fee of \$60 to the property vendor plus has granted to them a 2.5% net smelter returns royalty on any mineralized material from the Membrillo Prospect that is mined and milled or otherwise treated for the eventual sale of the contained metal.

Rosario Project Production and Operating Results

Presented in the table and disclosure below are production statistics and unit costs for the Rosario Project for Q2 and Q1 2021, and each of Q2, Q3 and Q4 2020.

	2021		2020			Q2 2021 % Change vs	
	Q2	Q1	Q4	Q3	Q2	Q1 2021	Q2 2020
Material Processed (tonnes milled)	16,917	19,806	21,582	11,794	10,074	-15%	68%
Silver Equivalent Produced (ounces) ⁽¹⁾⁽²⁾	41,120	60,893	90,863	56,693	70,744	-32%	-42%
Silver Equivalent Sold (payable ounces) ⁽³⁾	20,328	52,520	74,511	36,628	30,018	-61%	-32%
Production - Silver (ounces) ⁽²⁾	18,488	31,277	43,350	21,363	34,198	-41%	-46%
- Gold (ounces) ⁽²⁾	53	72	77	59	57	-26%	-7%
- Lead (tonnes) ⁽²⁾	31	53	73	32	70	-41%	-56%
- Zinc (tonnes) ⁽²⁾	176	218	244	200	178	-19%	-1%
Average Grade - Silver (g/t)	45	61	71	66	113	-26%	-60%
- Gold (g/t)	0.16	0.19	0.18	0.24	0.25	-16%	-36%
- Lead (%)	0.25	0.34	0.38	0.31	0.77	-26%	-68%
- Zinc (%)	1.44	1.51	1.40	2.06	2.04	-5%	-29%
Metal Recovery - Silver (%) ⁽²⁾	76.21	80.3	87.5	85.9	93.2	-5%	-18%
- Gold (%) ⁽²⁾	60.88	59.4	62.4	64.6	69.9	3%	-13%
- Lead (%) ⁽²⁾	73.75	78.0	88.5	86.3	89.4	-5%	-18%
- Zinc (%) ⁽²⁾	72.26	73.0	80.9	82.3	86.7	-1%	-17%
Cash Cost of Production per Tonne	69.81	57.86	59.68	87.08	69.49	21%	0%
Cash Cost per Silver Equivalent (\$/oz.)	68.58	27.19	21.82	34.13	28.15	152%	144%
All-in Sustaining Cash Cost per Silver Equivalent (\$/oz.)	101.19	52.57	47.63	42.07	38.61	92%	1624%

⁽¹⁾ Silver equivalent ounces produced in 2021 have been calculated using prices of \$25.00/oz., \$1,925/oz., \$0.85/lb, \$1.05/lb and \$3.00/lb. for silver, gold, lead, zinc and copper respectively applied to the metal content of the concentrates produced by the Rosario Project. Silver equivalent ounces produced in 2020 have been calculated using prices of \$17.85/oz., \$1,480/oz., \$0.92/lb, \$1.09/lb and \$2.80/lb. for silver, gold, lead, zinc and copper respectively applied to the metal content of the concentrates produced by the Rosario Project.

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

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

⁽⁴⁾ The comparative figures for Q2 2020 have been restated from the originally disclosed amounts based on an internal review of past metallurgical reporting practice and the adoption by management of new procedures designed to more accurately calculate the relevant data.

Rosario Operations Overview

Operations at the Rosario Project during Q2 2020 were impacted by a reduced labour availability, primarily for underground mining operations. The reduced labour availability reflected management's concerns for the safety of

those employees that were at high risk with respect to exposure to Covid-19. Accordingly, those employees were furloughed, reducing the underground mining workforce.

As a consequence of the impact on operations during Q2 2020 at Rosario from the Covid-19 protocols referenced above, management has determined that a comparison of these operations to Q2 2021 is not useful to readers of this MD&A and as such is not providing further comments relating to such a comparison in this section of the MD&A.

As compared to Q1 2021, the Q2 2021 silver equivalent production decreased by 32%. This decrease occurred in part as the result of a 15% decrease in mineralized material processed at the milling facility and in part from processing lower grade material. Management is considering its options with respect to continuing with operations at the Rosario Project.

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

Cash Cost per Tonne

As compared to Q1 2021 the Q2 2021 unit costs increased by 21%. This change reflects an 3% increase in cash cost of production and an 15% decrease in tonnes milled on a quarter over quarter basis. The reduced tonnes mined and milled reflects efforts to try and improve mining dilution.

Cash Cost per Silver Equivalent Ounce

As compared to Q1 2021, the Q2 2021 unit costs increased 152%. This change in unit costs reflects a 61% decrease in silver equivalent payable ounces sold combined with a 2% decrease in cash cost of sales. The decrease in silver equivalent payable ounces sold reflects the reduced tonnes milled together with lower head grades that continued to arise from higher than planned mining dilution.

All-In Sustaining Cash Cost per Silver Equivalent Ounce

As compared to Q1 2021, the Q2 2021 AISC increased 92%. The cash cost of sales decreased 25% while the amount of silver equivalent payable ounces sold decreased by 61%. These negative changes occurred for the same reasons as described above with respect to cash cost per silver equivalent ounce.

Veta Grande Project, Veta Grande, Zacatecas, Mexico

Transaction with Contracuña and Carrizal LOI

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

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

1. \$500 on December 13, 2017 (paid);
2. \$750 on or before December 13, 2018 (\$526 unpaid);
3. \$3,000 on or before December 2, 2019 (unpaid);
4. \$3,000 on or before December 2, 2020; (unpaid)
5. \$4,000 on or before December 2, 2021; and
6. \$4,250 on or before December 2, 2022;

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

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

On November 30, 2017 the Company entered into a binding Letter of Intent (the “Carrizal LOI”) wherein the Company granted Carrizal Mining the right to earn a 20% working interest in the Zacatecas Properties and the Veta Grande Project (collectively the “Properties”). On May 22, 2019, the Company announced that Carrizal Mining had earned a 20% working interest in the Properties pursuant to the terms of the Carrizal LOI.

Veta Grande Operations Overview

In March 2020 the Company suspended operations at the Veta Grande Project in order to facilitate capital upgrades to the processing plant and tailings storage facility. Discussions are ongoing between the parties with respect to this matter. Given the uncertainty as to the outcome of these discussions the Company is unable to project if or when operations will resume at the Veta Grande Project.

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

Resource and Exploration Properties

On August 25, 2020 the Company filed on SEDAR a technical report titled “Technical Report, Zimapan Property, Hidalgo, Mexico” dated effective April 2, 2020 (the “Zimapan Property, Technical Report”) under National Instrument 43-101 *Standards of Disclosure for Mineral Projects* (“NI 43-101F1”).

A copy of the Zimapan Property, Technical Report can be found on SEDAR or on the Company’s website, www.santacruzsilver.com.

Qualified Person

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

Financial Results

Review of Operations

(Expressed in thousands of US Dollars except % amounts)	2021		2020	Q2 2021 % Change vs	
	Q2	Q1	Q2	Q1 2021	Q2 2020
Revenue	13,744	11,168	5,939	23%	131%
	13,744	11,168	5,939	23%	131%
Cost of sales					
Cash cost of sales	9,498	8,713	4,884	9%	94%
Depletion and amortization	406	274	259	48%	57%
	9,904	8,987	5,143	10%	93%
Gross profit (loss)	3,840	2,181	796	76%	382%
Operating expenses					
Administrative	(937)	(398)	(263)	135%	256%
Management and consulting fees	(67)	(30)	(53)	123%	26%
Professional fees	(895)	(1,200)	(161)	-25%	456%
Share-based payments	(999)	(30)	(76)	3230%	1214%
Shipping	(438)	(370)	(289)	18%	52%
Salaries and benefits	(319)	(235)	(139)	36%	129%
Other	(406)	(127)	(62)	220%	555%
	(4,061)	(2,390)	(1,043)	70%	289%
Debt Forgiveness	-	-	412		
Gain on sale of Zacatecas Properties	-	911	-		
Interest earned and other finance income					
Interest earned	243	7	-		
Foreign exchange gain	-	2,453	-		
IVA inflationary gain	1,086	636	-		
Unrealized gain on marketable securities	-	3,070	-		
	1,329	6,166	-	-78%	
Interest expense and other finance expenses					
Accretion of decommissioning and restoration provision	(117)	(10)	(13)		
Goodwill amortization	(176)	-	-		
Interest expense and carrying charges on debt facilities	(1,194)	(286)	(156)		
Financing charge on leases	(10)	(10)	(29)		
Foreign exchange loss	(1,772)	-	(565)		
Unrealized loss on marketable securities	(531)	-	-		
Accretion of Trafigura Loan Facility	-618	-	-		
	(4,418)	(306)	(763)	1,344%	479%
Income tax (expense) recovery	(474)	(44)	(38)		
Net (loss) income for the period	(3,784)	6,518	(636)	-158%	-495%

Three months ended June 30, 2021

The Company recorded a net loss of \$3,784 (\$0.01 per share) for the three months ended June 30, 2021 compared to a net loss of \$636 (\$0.00 per share) for the same period in 2020.

Revenues reported in Q2 2021 amounted to \$13,744 as compared to \$5,939 in Q2 2020. Revenues in 2021 were sourced as to \$13,022 (2020 - \$5,096) from the Zimapan Mine and \$722 (2020 - \$843) from the Rosario Project and Veta Grande Project. The increase in revenues reflects improved metal prices in Q2 2021 as compared to Q2 2020 as well as increased metal production at the Zimapan Mine and Rosario Project.

Cash cost of sales for Q2 2021 of \$9,498 (2020 - \$8,713) includes the direct mining operations costs of \$8,215 (2020 - \$4,298) at the Zimapan Mine and \$1,283 (2020 - \$481) at the Rosario Project. The increase in mining operations cash cost of sales in Q2 2021 is due in part to the 48% increase in mineralized material processed through the respective milling facilities and in part to increased mine development costs at the Zimapan Mine with respect to the Monte mine and Lomo del Toro zone of mineralization. Management expects this increased activity level to continue for the foreseeable future.

During Q2 2021 the Company recorded operating expenses of \$4,061 (2020 - \$1,043). Operating expenses increased mainly due to significant increases in administrative expenses, share-based payments expense and other expenses as compared to Q2 2020. The share-based payments expense arose in connection with stock options granted to the directors, officers, employees and consultants during Q2 2021.

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

Six months ended June 30, 2021

The Company recorded net income of \$2,754 (\$0.01 per share) for the six months ended June 30, 2021, compared to net loss of \$723 (\$0.00 loss per share) for the six months ended June 30, 2021.

Revenues amounted to \$24,912 (2020 - \$13,755), mining operation cash cost of sales of \$18,211 (2020 - \$14,306), and amortization and depletion expenses of \$680 (2020 - \$527) for the six months ended June 30, 2021 resulting in a gross profit from operations of \$6,021 (2020 – loss of \$1,078).

The increase in revenues reflects primarily increased metal prices in 2021 as compared to 2020 as well as increased metal production. The increase in mining operation cash cost of sales is largely due to a 27% increase in mineralized material processed at the Company’s milling facilities.

As compared to the six months ended June 30, 2020, operating expenses increased by 175% to \$6,451 in 2021; interest earned and other finance income increased 82% to \$5,192; and interest expense and other finance expenses increased by 343% to \$2,421.

The table below summarizes the various expense components included in operating expenses, interest earned and other finance income, and interest expense and other finance expenses:

(Expressed in thousands of US Dollars except % amounts)	Six Months Ended June 30,		% Change 2021 vs 2020
	2021	2020	
Operating expenses			
Administrative	(1,335)	(500)	167%
Management and consulting fees	(97)	(97)	-
Professional fees	(2,095)	(399)	425%
Share-based payments	(1,029)	(185)	456%
Shipping	(808)	(783)	3%
Salaries and benefits	(554)	(300)	85%
Other	(533)	(82)	550%
	(6,451)	(2,346)	175%
Interest earned and other finance income			
Interest earned	250	-	
Foreign exchange gain	681	2,801	
IVA inflationary gain	1,722	58	
Unrealized gain on marketable securities	2,539	-	
	5,192	2,859	82%
Interest expense and other finance expenses			
Accretion of decommissioning and restoration provision	(127)	(26)	
Goodwill amortization	(176)	-	
Accretion of Trafigura Facility Loan	(618)	-	
Interest expense and carrying charges on debt facilities	(1,480)	(469)	
Financing charge on leases	(20)	(52)	
	(2,421)	(547)	343%

Summary of Quarterly Results

(Expressed in thousands of US Dollars except per share amounts)	THREE MONTHS ENDED			
	Jun 30, 2021	Mar 31, 2021	Dec 31, 2020	Sep 30, 2020
Revenues – Mining operations	13,744	11,168	9,905	9,437
Cost of sales – Mining operations	9,904	8,987	9,098	8,178
Administrative expenses	4,061	2,390	3,631	1,167
Net (loss) income	(3,784)	6,518	(607)	(163)
Net (loss) income per share ⁽¹⁾	(0.01)	0.02	(0.00)	(0.00)
	THREE MONTHS ENDED			
	Jun 30, 2020	Mar 31, 2020	Dec 31, 2019	Sep 30, 2019
Revenues – Mining operations	5,939	7,816	9,964	11,439
Revenues – Mining services	-	-	-	293
Cost of sales – Mining operations	5,143	9,690	11,514	11,630
Administrative expenses	1,043	1,303	2,030	1,349
Net loss ⁽²⁾	(636)	(87)	(16,017)	(1,432)
Net loss per share ⁽¹⁾	(0.00)	(0.00)	(0.08)	(0.01)

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

⁽²⁾ The Q4 2019 net loss includes an impairment charge of \$12,202 against the Veta Grande Project.

Non-IFRS Measures

The Company has included certain non-IFRS performance measures throughout this MD&A, including total cash costs, 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 Zimapan Mine and the Rosario Project and are widely reported in the silver mining industry as benchmarks for performance, but do not have a standardized meaning. Cash costs are calculated based on the cash operating costs at the Zimapan Mine and the Rosario Project and, in the case of cash cost per silver ounce, also include the third party concentrate treatment, smelting and refining cost.

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

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

Zimapan Mine

(Expressed in thousands of US Dollars except ounces, tonnes, per ounce and per tonne amounts)	2021		2020			Q1 2021 % Change vs	
	Q2	Q1	Q4	Q3	Q2	Q1 2021	Q2 2020
Cash cost of sales	8,215	7,587	8,351	6,760	4,097	8%	101%
Inventory change	164	84	452	(181)	43	95%	281%
Cash Cost of Production (A)	8,379	7,671	8,803	6,579	4,140	9%	102%
Cash cost of sales	8,215	7,587	8,351	6,760	4,097	8%	101%
Concentrate treatment, smelting and refining cost	3,884	3,433	4,311	4,150	3,147	13%	23%
Cash Cost of Silver Equivalent Sold (B)	12,099	11,020	12,662	10,910	7,244	10%	67%
Material processed (tonnes milled) (C)	155,407	156,433	180,003	164,846	106,725	-1%	46%
Cash Cost of Production per Tonne (A/C)	53.92	49.04	48.90	39.91	38.79	10%	39%
Silver Equivalent Sold (payable ounces) (D)	658,590	553,450	545,580	625,036	500,486	19%	32%
Cash Cost per Silver Equivalent Ounce (B/D)	18.37	19.91	23.21	17.45	14.47	-8%	27%

Rosario Project

(Expressed in thousands of US Dollars except ounces, tonnes, per ounce and per tonne amounts)	2021		2020			Q2 2021 % Change vs	
	Q2	Q1	Q4	Q3	Q2	Q1 2021	Q2 2020
Cash cost of sales	,283	1,126	1,241	1,010	682	14%	88%
Inventory change	(102)	20	47	17	18	-610%	-667%
Cash Cost of Production (A)	1,181	1,146	1,288	1,027	700	3%	69%
Cash cost of sales	1,283	1,126	1,241	1,010	682	14%	88%
Concentrate treatment, smelting and refining cost	111	302	385	240	163	-63%	-32%
Cash Cost of Silver Equivalent Sold (B)	1,394	1,428	1,626	1,250	845	-2%	65%
Material processed (tonnes milled) (C)	16,917	19,806	21,582	11,794	10,074	-15%	68%
Cash Cost of Production per Tonne (A/C)	69.81	57.86	59.68	87.08	69.49	21%	0%
Silver Equivalent Sold (payable ounces) (D)	20,328	52,520	74,511	36,628	30,018	-61%	-32%
Cash Cost per Silver Equivalent Ounce (B/D)	68.58	27.19	21.82	34.13	28.15	152%	144%

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

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

AISC is a more comprehensive measure than cash cost per ounce for the Company's operating performance by providing greater visibility, comparability and representation of the total costs associated with producing silver from its Rosario Project and Zimapan 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 Zacatecas Properties as well as certain expenditures at the Rosario Project which are deemed expansionary in nature."

AISC includes total production cash costs incurred at the Company's mining operations, which forms the basis of the Company's total cash costs. Additionally, the Company includes sustaining capital expenditures, corporate general and administrative expense, share-based payments and reclamation cost accretion. The Company believes

that this measure represents the total sustainable costs of producing silver from current operations and provides the Company and other stakeholders of the Company with additional information of the Company's operational performance and ability to generate cash flows. As the measure seeks to reflect the full cost of silver production from current operations, new project capital and expansionary capital at current operations are not included. Certain other cash expenditures, including tax payments, dividends and financing costs are also not included.

The following tables provide a detailed reconciliation of these measures to our operating expenses, as reported in our consolidated financial statements.

Zimapan Mine

(Expressed in thousands of US Dollars except ounces and per ounce amounts)	2021		2020			Q2 2021 % Change vs	
	Q2	Q1	Q4	Q3	Q2	Q1 2020	Q2 2020
Cash cost of sales	8,215	7,587	8,351	6760	4,097	8%	101%
Concentrate treatment, smelting and refining cost	3,884	3,433	4,311	4150	3,147	13%	23%
General and administrative expenses	1,959	617	950	681	565	218%	247%
All-in Sustaining Cost	14,058	11,637	13,612	11591	7,809	21%	80%
Silver Equivalent Sold (payable ounces)	658,590	553,450	545,580	625,036	500,486	19%	32%
All-in Sustaining Cost per Silver Equivalent Ounce Sold	21.35	21.03	24.95	18.54	15.60	2%	37%

Rosario Project

(Expressed in thousands of US Dollars except ounces and per ounce amounts)	2021		2020			Q2 2021 % Change vs	
	Q2	Q1	Q4	Q3	Q2	Q1 2020	Q2 2020
Cash cost of sales	1,283	1,126	1,241	1,010	682	14%	88%
Concentrate treatment, smelting and refining cost	111	302	385	240	163	-63%	-32%
General and administrative expenses	653	1,323	1,911	278	301	-51%	117%
Accretion of decommissioning and restoration provision	10	10	12	13	13	0%	-23%
All-in Sustaining Cost	2,057	2,761	3,549	1,541	1,159	-25%	77%
Silver Equivalent Sold (payable ounces)	20,328	52,520	74,511	36,628	30,018	-61%	-32%
All-in Sustaining Cost per Silver Equivalent Ounce Sold	101.19	52.57	47.63	42.07	38.61	92%	162%

Average Realized Silver Price per Ounce

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

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

Zimapan Mine

(Expressed in thousands of US Dollars except ounces and per ounce amounts)	2021	2020				Q2 2021 % Change vs	
	Q2	Q1	Q4	Q3	Q2	Q1 2021	Q2 2020
Revenues	13,022	10,442	8,772	8,982	5,096	25%	156%
Add back: Treatment, smelting and refining charges	3,884	3,433	4,311	4,150	3,147	13%	23%
Gross Revenues	16,906	13,875	13,083	13,132	8,243	22%	105%
Silver Equivalent Sold (ounces)	658,590	553,450	545,580	625,036	500,486	19%	32%
Avg Realized Price per Ounce of Silver Equivalent Sold	25.67	25.07	23.98	21.01	16.47	2%	56%
Avg Market Price per Ounce of Silver per London Silver Fix	26.69	26.29	24.39	24.39	16.33	2%	63%

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

Rosario Project

(Expressed in thousands of US Dollars except ounces and per ounce amounts)	2021		2020			Q2 2021 % Change vs	
	Q2	Q1	Q4	Q3	Q2	Q1 2021	Q2 2020
Revenues	410	1,011	1,445	642	344	-59%	19%
Add back: Treatment, smelting and refining charges	111	302	385	240	163	-63%	-32%
Gross Revenues	521	1,313	1,830	882	507	-60%	3%
Silver Equivalent Sold (ounces)	20,328	52,520	74,511	36,628	30,018	-61%	-32%
Avg Realized Price per Ounce of Silver Equivalent Sold	25.63	25.00	24.56	24.08	16.89	3%	52%
Avg Market Price per Ounce of Silver per London Silver Fix	26.69	26.29	24.39	24.39	16.33	2%	63%

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

Non-IFRS Measures – Additional Information

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

Mine Operations Gross Profit (Loss)

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

EBITDA and Adjusted EBITDA

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

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

The following table provides a reconciliation of EBITDA and Adjusted EBITDA for the five most recently completed quarters.

	2021		2020		
	Q2	Q1	Q4	Q3	Q2
Net (loss) income for the period as reported	(3,784)	6,518	(607)	(163)	(636)
Income tax expense (recovery)	474	44	28	41	38
Interest earned and other finance income	(1,329)	(643)	(4,984)	(37)	-
Interest expense, carrying and finance charges on loans payable	1,204	296	111	170	185
Accretion expense	735	10	12	13	13
Amortization of goodwill	176	-	-	-	-
Amortization and depletion of mineral properties, plant and equipment	406	274	(75)	258	259
Share-based payments expense	999	30	274	11	76
EBITDA	((1,119)	6,529	(5,241)	293	(65)
Forgiveness of debt	-	-	-	-	(412)
Foreign exchange (gain) loss	1,772	(2,453)	1,979	705	565
Unrealized loss (gain) on marketable securities	531	(3,070)	-	-	-
Adjusted EBITDA	1,184	1,006	(3,262)	998	88

Financing Transactions

Private Placements

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

On October 7 and October 15, 2020, the Company completed in two tranches a private placement (the "October 2020 Private Placement") in the aggregate amount of 45,427,463 units (the "October 2020 Units") for gross proceeds of approximately CAD\$10,000 (US\$7,540). Each October 2020 Unit consists of one common share of the Company and one non-transferable common share purchase warrant (an "October 2020 Warrant"). Each October 2020 Warrant entitles the holder to acquire one common share of the Company at a price of CAD\$0.30 per share for a period of 36 months following its issuance. The funds were used for the purchase of underground mining equipment at the Zimapan Mine as well as for general working capital and corporate purposes.

In connection with the offering the Company paid to certain finders cash finders' fees totaling CDN\$500, issued 2,544,130 broker warrants having the same terms as the October 2020 Warrants and issued 204,000 finder units having the same terms as the October 2020 Units.

On April 13, 2021, the Company closed a private placement offering (the "April 2021 Private Placement") of 46,980,000 units of the Company (each, an "April 2021 Unit") for gross proceeds of CAD\$14,094. Each April 2021 Unit consists of one common share of the Company and one non-transferable common share purchase warrant (an "April 2021 Warrant"). Each April 2021 Warrant entitles the holder to acquire one common share of the Company at a price of CAD\$0.45 until April 12, 2024, expiring thereafter.

In consideration for their services, the Company has paid to certain cash finders' fees totaling CDN\$502 and issued 1,671,961 finders' warrants having the same terms as the April 2021 Warrants.

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

Trafigura Credit Facility

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

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

- the Finance Charges were waived and the \$100 payment made for such has been applied to the principal balance borrowed, reducing the outstanding balance to \$1,400;
- Trafigura agreed to advance an additional \$1,828 under the facility, bringing the new principal balance to \$2,600 (the “2020 Facility”); and
- The 2020 Facility was to be repaid in 12 equal monthly installments of \$217 commencing August 31, 2020 and bore interest at LIBOR plus 7%, payable monthly.

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

On April 23, 2021, in connection with the Transaction, Trafigura loaned the Company \$17,616 under a new loan facility (the "Trafigura Loan Facility") which included the recapitalization of \$2,616 of indebtedness outstanding under the 2020 Facility. The Trafigura Loan Facility is for a period of 42 months at an annual interest rate of three-month LIBOR + 6.5% (currently approximately 6.66%), repayable in monthly instalments of principal plus accrued interest for the respective period.

The Trafigura Loan Facility is secured by a first charge over all Zimapan Mine assets and all other material assets owned by the Company and its subsidiaries. In addition, the Company issued to Trafigura 28,000,000 bonus warrants, each warrant exercisable into a Santacruz common share at \$0.395 per share, for a period of 12 months with respect to 26% of the warrants and 42 months with respect to 74% of the warrants. The Trafigura Loan Facility contains normal course liquidity and financial ratio covenants, among others.

MineCo Loan

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

On July 2, 2018, the Company reached an agreement with MineCo to extend the repayment date of the MineCo Loan to October 1, 2018. As consideration for receiving the debt repayment date extension, the Company agreed to increase the interest rate to 12% effective July 1, 2018. In addition, the Company agreed to increase the number of Warrants to 2,500,000 at an exercise price of \$0.16, and to extend the expiry date to March 6, 2020.

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

The MineCo Loan is unsecured. The balance outstanding at June 30, 2021 was \$3,828.

On July 15, 2021 the Company settled \$3,545 of the balance owing to MineCo by issuing to it 9,907,530 common shares of the Company.

Private Credit Facility

On September 30, 2019, the Company entered into a credit facility (the “Credit Facility”) with a private Mexican financial institution. Funds may be drawn down under the Credit Facility either in US dollars or Mexican pesos. Funds drawn down must be repaid within 21 business days following the drawdown date. Funds drawn down in US dollars must be repaid in Mexican pesos and vice-versa. Drawdown amounts are limited to a maximum of \$600 or the equivalent amount in Mexican pesos but can be increased at the discretion of the lender. Upon repayment of any particular draw down amount the Company may borrow the same amount immediately as a new draw under the Credit Facility. The Credit Facility is unsecured and the implied carrying charges that are tied to the spread between the US dollar and Mexican peso foreign exchange rates. The balance outstanding at June 30, 2021 was \$nil.

Swap Facility

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

Funds are drawn down under the Credit Facility in Mexican pesos. Funds drawn down must be repaid within 45 business days following the drawdown date. Funds drawn down must be repaid in US dollars. Drawdown amounts are limited to a maximum of \$3,000,000 Mexican pesos. Upon repayment of any particular draw down amount the Company may borrow the same amount immediately as a new draw under the Credit Facility. The Credit Facility is unsecured and the implied carrying charges are tied to the spread between the US dollar and Mexican peso foreign exchange rates.

The balance outstanding at June 30, 2021 was \$nil.

Muutrade facility

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

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

The balance outstanding at June 30, 2021 was \$29.

Capital Expenditures

Not including the assets acquired in connection with the Transaction, the Company incurred capital expenditures of \$312 during the six months ended June 30, 2021 related to the purchase of equipment.

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

Liquidity and Capital Resources and Going Concern

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

As at June 30, 2021, the Company had a working capital deficiency of \$11,665 and an accumulated deficit of \$122,643. The working capital deficiency and accumulated deficit indicate the existence of a material uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern. As a result, the Company may be unable to realize its assets and discharge its liabilities in the normal course of business. The Company's ability to continue as a going concern is dependent upon its ability to generate positive cash flows from operations, and/or to raise adequate funding through equity or debt financings to discharge its liabilities as they come due. The Company has a capital management process in place to safeguard the Company's ability to continue as a going concern. Although the Company has been successful in the past in obtaining financing, there is no assurance that

it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company.

Subsequent to June 30, 2021 the Company settled \$3,701 of indebtedness by issuing 10,342,604 shares to the respective debt holders.

Transactions with Related Parties

During the three and six months ended June 30, 2021 and 2020, the Company incurred the following charges by directors and officers of the Company and by companies controlled by directors and officers of the Company:

	Three months ended		Six months ended	
	2021	June 30, 2020	2021	June 30, 2020
	\$	\$	\$	\$
Expenses				
Directors' fees	28	-	28	-
Management fees	105	105	210	210
Share-based payments	861	-	887	-

At June 30, 2021, directors and officers or their related companies were owed \$18 (December 31, 2020 – \$17) in respect of the services rendered. These are non-interest bearing with standard payment terms.

The Company entered into certain mining equipment leases with an interest rate between 6.5% and 10.5% per annum. \$nil of lease payments were paid during the six months ended June 30, 2021 (2020 - \$nil) and \$15 of the leases payable outstanding at June 30, 2021 were owed to a company owned by the Executive Chairman of the Company (December 31, 2020 - \$61). During the year ended December 31, 2020, the Company recorded a debt forgiveness of \$412 from the lease payments owing on this mining equipment.

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

Financial Instruments

a) Fair Value of Financial Instruments

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

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

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

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

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

b) Management of Risks Arising from Financial Instruments

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

(i) Credit Risk – Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to fulfill its contractual obligations. The Company’s credit risk consists primarily of cash, trade receivables and other receivables. The credit risk is minimized by placing cash with major financial institutions. Trade receivables are due from a large, multinational corporation that has conducted business in Mexico for many years. The Company regularly reviews the collectability of its trade receivables and considers the credit risk related to cash and trade receivables to be minimal.

(ii) Interest Rate Risk – Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. If interest rates increase, the Company will incur more interest costs. The sensitivity of the Company’s net loss to changes in the interest rate would be as follows: a 1% change in the interest rate would change the Company’s net loss by approximately \$67.

(iii) Liquidity Risk – Liquidity risk is the risk that the Company will not be able to meet its financial obligations when they become due. To mitigate this risk, the Company has a planning and budgeting process in place to determine the funds required to support its ongoing operations and capital expenditures. The Company endeavors to ensure that sufficient funds are raised from equity offerings or debt financing to meet its operating requirements, after taking into account existing cash and expected exercise of stock options and share purchase warrants. The Company’s cash is held in business accounts which are available on demand for the Company’s programs. Refer to Note 1 with respect to going concern matters.

Contractual cash flow requirements as at June 30, 2021 were as follows:

	< 1 year \$	1 – 2 years \$	2 – 5 years \$	>5 years \$	Total \$
Accounts payable and accrued liabilities	32,881	-	-	-	32,881
Loan payable	8,645	10,346	1,869	-	20,860
Leases	155	233	-	-	388
Total	41,681	10,579	1,869	-	54,129

(iv) Foreign Exchange Rate Risk – The Company operates in Canada and Mexico and is exposed to foreign exchange risk due to fluctuations in the US dollar and Mexican peso. Foreign exchange risk arises from financial assets and liabilities denominated in these foreign currencies. The sensitivity of the Company’s net loss to changes in the exchange rate between the US dollar and respectively the Mexican peso and the Canadian dollar would be as follows: a 1% change in the US dollar exchange rate relative to the Mexican peso would change the Company’s net income (loss) by approximately \$4 and a 1% change in the US dollar exchange rate relative to the Canadian dollar would change the Company’s net income (loss) by approximately \$69.

The Company’s financial assets and liabilities as at June 30, 2021 are denominated in Canadian dollars, US dollars, and Mexican pesos as follows:

	Canadian dollar \$	US dollar \$	Mexican peso \$	Total \$
Financial assets				
Cash	725	3,534	535	4,794
Trade receivables	-	7,290	-	7,290
Other receivables	27	-	10,481	10,508
	752	10,824	11,016	22,592
Financial liabilities				
Accounts payable and accrued liabilities	255	4,814	27,812	32,881
Loans payable	-	20,860	-	20,860
	255	25,674	27,812	53,741
Net financial liabilities	497	(14,850)	(16,796)	(31,149)

(v) Price Risk – This is the risk that the fair value of derivative financial instruments will fluctuate because of changes in commodity prices. These commodity prices are affected by numerous factors that are outside of our control such as: global or regional consumption patterns; the supply of, and demand for, these metals; speculative activities; the availability and costs of metal substitutes; inflation; and political and economic conditions, including interest rates and currency values.

Off-balance Sheet Arrangements

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

New Accounting Standards

Adopted

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

The Company’s Trafigura Loan Facility bears interest at a floating rate equal to a base rate of 6.5% plus the London interbank offered rates (“LIBOR”). The Company is working with the lender to assess the potential alternatives to the use of the LIBOR.

Not Yet Adopted

On May 14, 2020, the International Accounting Standards Board published an amendment to IAS 16 Property, Plant and Equipment - Proceeds before Intended Use. The amendments prohibit deducting from the cost of property, plant and equipment any proceeds received from selling items produced while bringing that asset for its intended use. Instead, proceeds received will be recognized as sales proceeds and related cost in profit or loss. The effective date

is for annual periods beginning on or after January 1, 2022, with early adoption permissible. The Company is assessing the effect of this amendment on its consolidated financial statements.

As at June 30, 2021 there are no other IFRS or IFRIC interpretations with future effective dates that are expected to have a material impact on the Company.

Change in Accounting Policy

In fiscal 2021 the Company has changed its accounting policy with respect to the valuation of equity units issued in private placements whereby proceeds from private placements are now first allocated to the common shares contained in the units according to their fair value at the time of issuance with the residual amount, if any, attributed to the warrants in the units. This is in line with IAS 32, *Financial Instruments: Presentation*, in that the warrants in the units are exercisable into a fixed number of common shares at a fixed exercise price for a specified period of time. The change in accounting policy provides a better representation of the underlying value of the shares and warrants comprising the units.

The Company has applied the change in accounting policy retrospectively. The tables below show the adjustments recognized for each individual line item at June 30, 2021, December 31, 2020, June 30, 2020 and January 1, 2020. Line items that were not affected by the change have not been included.

The cumulative effect of the accounting policy change to the consolidated statement of financial position as at June 30, 2012, December 31, 2020 and January 1, 2020 is as follows:

Consolidated Statement of Financial Position (Extract)	June 30, 2021	Accounting Policy Change	June 30, 2021
	\$	\$	\$
Shareholders' Equity (Deficit) – (Extract)			
Share capital	111,548	14,507	126,055
Stock options and warrants reserve	28,187	(14,507)	13,680

Consolidated Statement of Financial Position - (Extract)	December 31, 2020 - As originally presented	Accounting Policy Change	December 31, 2020- Revised
	\$	\$	\$
Shareholders' Equity (Deficit)			
Share capital	104,749	8,501	113,250
Stock options and warrants reserve	15,510	(8,501)	7,009

Consolidated Statement of Financial Position - (Extract)	January 1, 2020 - As originally presented	Accounting Policy Change	January 1, 2020- Revised
	\$	\$	\$
Shareholders' Equity (Deficit)			
Share capital	101,969	3,011	104,980
Stock options and warrants reserve	9,736	(3,011)	6,725

The effect of the accounting policy change to the consolidated statement of changes in shareholders' equity (deficit) for the six months ended June 30, 2021 and 2020, and the year ended December 31, 2020 is as follows:

Consolidated Statement of Changes in Equity (Deficit) - (Extract)	June 30, 2021 \$	Accounting Policy Change \$	June 30, 2021 \$
Shareholders' Equity (Deficit)			
Share capital			
- Private placement unit offering	4,392	6,836	11,228
-Exercise of warrants	2,713	(830)	1,883
Stock options and warrants reserve			
- Private placement unit offering	6,836	(6,836)	-
-Exercise of warrants	(830)	830	-

Consolidated Statement of Changes in Equity (Deficit) - (Extract)	December 31, 2020 - As originally presented \$	Accounting Policy Change \$	December 31, 2020- Revised \$
Shareholders' Equity (Deficit)			
Share capital			
- Private placement unit offering	2,589	5,500	8,089
-Exercise of warrants	65	(10)	55
Stock options and warrants reserve			
- Private placement unit offering	5,500	(5,500)	-
-Exercise of warrants	(10)	10	-

Consolidated Statement of Changes in Equity (Deficit) - (Extract)	June 30, 2020 - As originally presented \$	Accounting Policy Change \$	June 30, 2020- Revised \$
Shareholders' Equity (Deficit)			
Share capital			
- Private placement unit offering	404	149	553
Stock options and warrants reserve			
- Private placement unit offering	149	(149)	-

Outstanding Share Data

Authorized share capital: Unlimited number of Common Shares

All share information is reported as of August 27, 2021 in the following table.

Issued and Outstanding Common Shares			329,997,821
	Expiry Date	Exercise Price (CAD\$)	
Options	August 6, 2024	0.18	5,984,000
	May 7, 2026	0.47	16,250,000
Warrants	October 7, 2023	0.30	30,177,205
	October 15, 2023	0.30	13,497,052
	April 23, 2022	0.395	7,280,000
	October 23, 2024	0.395	20,720,000
	April 13, 2024	0.45	48,651,961
<hr/>			
Fully Diluted			472,558,039
<hr/>			

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 2021 Q2 Financial Statements and this accompanying MD&A (together, the "Interim Filings").

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

Risks and Uncertainties

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

Operational risks include: the Company may not be able to find and develop resources economically, the Company cannot guarantee title to its properties, the Company may have difficulty in marketing production and services, the Company must manage changing governmental laws and regulations, the Company may have difficulty in hiring and retaining skilled employees and contractors, environmental hazards (including discharge of pollutants or hazardous chemicals), industrial accidents and occupational and health hazards, mechanical failures, the unavailability of materials and equipment, pit slope failures, unusual or unexpected rock formations, poor or unexpected geological or metallurgical conditions, poor or inadequate ventilation, failure of mine communication systems, poor water condition, interruptions to gas and electricity supplies, human error and adverse weather conditions. Operational risks also include the occurrence of a contagious disease outbreak (such as Covid-19) and any related adverse public health developments or adverse effect on global workforces, economies, and financial markets.

There is no assurance that the Company will acquire additional mineral properties and any acquisitions may expose the Company to new risks, and the mining industry is intensely competitive for the acquisition of new properties,

access to capital and hiring of skilled personnel. The Company continuously monitors and responds to changes in these factors and seeks to adhere to all regulations governing its operations.

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

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

Qualified Persons

Technical disclosure contained in this MD&A was reviewed and approved by Van Phu Bui, B.Sc., P. Geo., who is independent of the Company and a "qualified person" under NI 43-101.

Other Information

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