



MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED MARCH 31, 2022

The following management's discussion and analysis of financial condition and results of operations ("MD&A") for the three months ended March 31, 2022 prepared as of May 30, 2022, should be read in conjunction with the unaudited condensed interim consolidated financial statements for the three months ended March 31, 2022 and 2021 and the related notes thereto of Santacruz Silver Mining Ltd. ("the Company" or "Santacruz") (the "Q1 2022 Financial Statements"), together with the audited consolidated financial statements for the year ended December 31, 2021 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 ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). All dollar amounts are expressed in thousands of US dollars unless otherwise indicated. References to "C\$" are to thousands of Canadian dollars, references to "MXN" are to thousands of Mexican pesos, and references to "BOB" are to thousands of Bolivian bolivianos, unless otherwise noted. Throughout this MD&A the terms first quarter, second quarter, third quarter, and fourth quarter are respectively used interchangeably with the terms Q1, Q2, Q3, and Q4.

Forward-Looking Statements

This MD&A and the documents incorporated herein by reference contain "forward-looking information" within the meaning of applicable Canadian securities regulation. The forward-looking information contained in this MD&A is made as of the date hereof. Except as required under applicable securities legislation, the Company does not intend, and does not assume any obligation, to update forward-looking information.

Forward-looking information is based on plans, expectations and estimates of management at the date the information is provided and is subject to certain factors and assumptions. In making the forward-looking statements included in this MD&A, the Company has applied several material assumptions, including that the Company's financial condition and development plans do not change as a result of unforeseen events, and that future metal prices and the demand and market outlook for metals will remain stable or improve. Forward-looking information also includes, but is not limited to, statements relating to the potential mineralization and geological merits of the Company's Zimapan mine and related mineral concessions; the Veta Grande mine ("Veta Grande Mine", which is part of the "Veta Grande Project"), the La Pechuga property ("La Pechuga Property"); the Santa Gorgonia prospect ("Santa Gorgonia Prospect", which is part of the Zimapan mine concessions); the Sinchi Wayra and Illapa Business (which consists of the Bolivar and Porco mines, the Caballo Blanco Group which consists of the Tres Amigos, Reserva and Colquechaquita mines and the Soracaya development project ("Soracaya Project") and the San Lucas ore trading business, all of which are located in Bolivia); 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 Zimapan Mine and the Soracaya development project; plans for drilling; expectations regarding environmental issues that may affect the exploration progress; and the Company's other plans for development of its projects. Often, but not always, forward-looking information can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "believes" or the negatives thereof or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved.

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

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

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

General

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

The Company is engaged in the operation, acquisition, exploration and development of mineral properties in Latin America, with a primary focus on silver and zinc, but also including lead and copper. As at March 31, 2022, the Company had six producing projects, the Zimapan Mine, the Bolivar, Porco, Tres Amigos, Reserva and Colquechaquita Mines, held two exploration properties in its mineral property portfolio, the La Pechuga Property and the Santa Gorgonia Prospect, and one development project, the Soracaya Project.

In April 2022, Trafigura exercised 5,280,000 warrants for gross proceeds of \$1,665 (C\$2,086).

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.

Production at the Bolivar, Porco, Tres Amigos, Reserva and Colquechaquita Mines are supported by NI 43-101 technical reports.

Zimapan Mine Acquisition

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

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

Assets acquired pursuant to the Transaction include:

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

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

Funding for the Transaction was arranged with Trafigura Mexico, S.A. de C.V. ("Trafigura") with a \$17,616 loan facility ("Trafigura Loan Facility"), which included the recapitalization of \$2,616 of a prior loan arrangement, and with \$5,000 from the Company's treasury.

Pursuant to the terms of the Transaction, the Company had until September 23, 2021 to pay Minera Cedros the outstanding Mexican Value Added Tax (“VAT”) of \$3,200 owed in connection with the Transaction. The full amount of the VAT has been paid.

The Trafigura Loan Facility is for a period of 42 months at an annual interest rate of three-month LIBOR + 6.5% (effective interest rate approximately 6.83% as at March 31, 2022), 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 Mexican subsidiaries. In addition, the Company issued to Trafigura 28,000,000 warrants (“Trafigura Warrants”), each warrant exercisable into a Santacruz common share at C\$0.395 per share, expiring April 14, 2022, with respect to 7,280,000 of the Trafigura Warrants and expiring October 24, 2024, with respect to the remaining 20,720,000 Trafigura Warrants. The Trafigura Loan Facility contains normal course liquidity and financial ratio covenants, among others. During Q1 2022 and subsequent, Trafigura has exercised all 7,280,000 Trafigura Warrants that were expiring April 24, 2022.

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.

Sinchi Wayra and Illapa Business

On March 18, 2022, the Company acquired the Sinchi Wayra and Illapa Business from Glencore plc (“Glencore”). The Company will pay upfront cash consideration of \$12,011 prior to June 30, 2022 and an additional deferred consideration of \$90,000 in equal installments over four years from closing. Additionally, Glencore retains a 1.5% net smelter returns royalty on all Glencore Assets other than the San Lucas ore trading business and a 14% gross profit royalty on the San Lucas ore trading business. Glencore has the right to acquire 100% of the offtake from the Glencore Assets in accordance with offtake agreements entered into in connection with closing.

The assets acquired pursuant to this transaction includes the Bolivar and Porco mines, the Caballo Blanco Group which consists of the Tres Amigos, Reserva and Colquechaquita mines, the Soracaya development project and the San Lucas ore trading business.

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

In connection with this acquisition, the Company paid \$320 in cash and issued 3,077,317 common shares with a fair value of C\$0.41 per share to Big Buck Capital, S.C. (“BBC”) to settle \$1,320 of fees for services provided pursuant to the terms of a consulting services agreement with BBC. In addition, the Company incurred \$947 in legal and consulting costs in order to complete the acquisition.

First quarter 2022 Financial and Operating Highlights

Selected financial and operating information for the three months ended March 31, 2022 and 2021 is presented below. The Company is not including production and unit cost results from the Veta Grande Project in this MD&A as operations at Veta Grande were suspended during Q1 2020 and to date have not recommenced.

(Expressed in thousands of US Dollars, except where noted)	Q1 2022	Q1 2021	Variance %
Financial			
Revenue	42,911	11,168	284%
Gross Profit	19,351	2,181	787%
Net Income	7,109	6,518	9%
Net Earnings Per Share - Basic (\$/share)	0.02	0.02	-
Adjusted EBITDA ⁽³⁾	14,030	1,649	751%
Operating			
Material Processed (tonnes milled)	227,570	176,239	29%
Silver Equivalent Produced (ounces) ⁽¹⁾	1,391,589	706,978	97%
Silver Equivalent Sold (payable ounces) ⁽²⁾	2,300,312	605,970	280%
Cash Cost of Production per Tonne (\$/t) ⁽³⁾	96.26	50.03	92%
Cash Cost per Silver Equivalent Ounce Sold (\$/oz) ⁽³⁾	15.05	20.54	(27%)
All-in Sustaining Cash Cost per Silver Equivalent Ounce Sold (\$/oz) ⁽³⁾	17.95	23.76	(24%)
Average Realized Price per Ounce of Silver Equivalent Sold (\$/oz) ^{(3) (4)}	24.39	25.07	(3%)

⁽¹⁾ Silver Equivalent Produced (ounces) in 2022 have been calculated using prices of \$25.60/oz, \$0.94/lb, \$1.20/lb and \$4.01/lb for silver, lead, zinc and copper respectively applied to the metal production divided by the silver price plus the respective concentrate produced by the Zimapan Mine, Bolivar, Porco, Tres Amigos, Reserva and Colquechaquita Mines multiplied by the respective silver content. Silver Equivalent Produced (ounces) in 2021 have been calculated using prices of \$25.00/oz, \$0.85/lb, \$1.05/lb and \$3.00/lb for silver, lead, zinc and copper respectively applied to the metal production divided by the silver price plus the respective concentrate produced by the Zimapan Mine and the Rosario Project, multiplied by the respective silver content.

- (2) Silver Equivalent Sold (payable ounces) have been calculated using the Average Realized Price per Ounce of Silver Equivalent Sold stated in the table above, applied to the payable metal content of the concentrates sold from the Zimapan Mine, the Bolivar, Porco, Tres Amigos, Reserva and Colquechaquita Mines in 2022 and the Zimapan Mine and Rosario Project in 2021.
- (3) The Company reports non-IFRS measures, which include Cash Cost of Production per Tonne, Cash Cost per Silver Equivalent Ounce Sold, All-in Sustaining Cash Cost per Silver Equivalent Ounce Sold, Average Realized Price per Ounce of Silver Equivalent Sold, Adjusted EBITDA. These measures are widely used in the mining industry as a benchmark for performance, but do not have a standardized meaning and may differ from methods used by other companies with similar descriptions. See "Non-IFRS Measures" section below for definitions.
- (4) Average Realized Price per Ounce of Silver Equivalent Sold is prior to all treatment, smelting and refining charges.

Management Business Overview and Outlook

The Company's focus for 2022 will be:

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

Review of Consolidated Operating Results

	Q1 2022	Q1 2021	Variance %
Material Processed (tonnes milled) ⁽⁴⁾			
Zimapan Mine (Mexico)	191,413	156,433	22%
Rosario Project (Mexico) ⁽⁶⁾	-	19,806	(100%)
Sinchi Wayra and Illapa Business (Bolivia) ⁽⁷⁾	36,157	-	0%
Consolidated	227,570	176,239	29%
Silver Equivalent Produced (ounces) ^{(1) (4)}			
Zimapan Mine (Mexico)	901,184	646,085	39%
Rosario Project (Mexico) ⁽⁶⁾	-	60,893	(100%)
Sinchi Wayra and Illapa Business (Bolivia) ⁽⁷⁾	490,405	-	0%
Consolidated	1,391,589	706,978	97%
Silver Equivalent Sold (payable ounces) ^{(2) (4)}			
Zimapan Mine (Mexico)	872,745	553,450	58%
Rosario Project (Mexico) ⁽⁶⁾	-	52,520	(100%)
Sinchi Wayra and Illapa Business (Bolivia) ⁽⁷⁾	1,427,567	-	0%
Consolidated	2,300,312	605,970	280%
Cash Cost of Production per Tonne ^{(3) (4)}			
Zimapan Mine (Mexico)	48.19	49.04	(2%)
Rosario Project (Mexico) ⁽⁶⁾	-	57.86	(100%)
Sinchi Wayra and Illapa Business (Bolivia) ⁽⁷⁾	128.19	-	0%
Consolidated	60.90	50.03	22%
Cash Cost per Silver Equivalent Ounce Sold ^{(3) (4)}			
Zimapan Mine (Mexico)	17.04	19.91	(14%)
Rosario Project (Mexico) ⁽⁶⁾	-	27.19	(100%)
Sinchi Wayra and Illapa Business (Bolivia) ⁽⁷⁾	13.83	-	0%
Consolidated	15.05	20.54	(27%)
All-in Sustaining Cash Cost per Silver Equivalent Ounce Sold ^{(3) (4)}			
Zimapan Mine (Mexico)	23.38	21.03	11%
Rosario Project (Mexico) ⁽⁶⁾	-	52.57	(100%)
Sinchi Wayra and Illapa Business (Bolivia) ⁽⁷⁾	14.63	-	0%
Consolidated	17.95	23.76	(24%)
Average Realized Price per Ounce of Silver Equivalent Sold ^{(3) (4) (5)}			
Zimapan Mine (Mexico)	23.81	25.07	(5%)
Rosario Project (Mexico) ⁽⁶⁾	-	25.00	(100%)
Sinchi Wayra and Illapa Business (Bolivia) ⁽⁷⁾	24.74	-	0%
Consolidated	24.39	25.07	(3%)

- (1) Silver Equivalent Produced (ounces) in 2022 have been calculated using prices of \$25.60/oz, \$0.94/lb, \$1.20/lb and \$4.01/lb for silver, lead, zinc and copper respectively applied to the metal production divided by the silver price plus the respective concentrate produced by the Zimapan Mine, the Bolivar, Porco, Tres Amigos, Reserva and Colquechaquita Mines multiplied by the respective silver content. Silver Equivalent Produced (ounces) in 2021 have been calculated using prices of \$25.00/oz, \$1,925.00/oz, \$0.85/lb, \$1.05/lb and \$3.00/lb for silver, gold, lead, zinc and copper respectively applied to the metal production divided by the silver price plus the respective concentrate produced by the Zimapan Mine and the Rosario Project, multiplied by the respective silver content.
- (2) Silver Equivalent Sold (payable ounces) have been calculated using the Average Realized Price per Ounce of Silver Equivalent Sold stated in the table above, applied to the payable metal content of the concentrates sold from the Zimapan Mine the Bolivar, Porco, Tres Amigos, Reserva and Colquechaquita Mines in 2022 and the Zimapan Mine and Rosario Project in 2021.
- (3) The Company reports non-IFRS measures, which include Cash Cost of Production per Tonne, Cash Cost per Silver Equivalent Ounce Sold, All-in Sustaining Cash Cost per Silver Equivalent Ounce Sold and Average Realized Price per Ounce of Silver Equivalent Sold. These measures are widely used in the mining industry as a benchmark for performance, but do not have a standardized meaning and may differ from methods used by other companies with similar descriptions. See "Non-IFRS Measures" section below for definitions.

- (4) The Company is not including production and unit cost results from the Veta Grande Project in this MD&A as operations at Veta Grande were suspended during Q1 2020 and to date have not recommenced.
- (5) Average Realized Price per Ounce of Silver Equivalent Sold is prior to all treatment, smelting and refining charges.
- (6) Operations at the Rosario Project were suspended with no production from August 2021. The net assets of the Rosario Project were disposed of in December 2021, hence the variance is of limited value.
- (7) On March 18, 2022, the Company acquired the Bolivar, Porco, Tres Amigos, Reserva and Colquechaquita Mines, hence the variance is of limited value.

Operations Overview

Consolidated silver equivalent production in Q1 2022 increased 97% to 1,391,589 ounces as compared to 706,978 during Q1 2021. This increase is largely due to production from Bolivian operations acquired in May 2022, a 39% increase in production from the Zimapan Mine offset by no production from the Rosario Project following its sale in December 2021.

It must be noted that when the price decks for comparative periods are relatively similar (as is the case for quarterly comparisons within a fiscal year), this analytical metric is a useful tool. However, a comparison of silver equivalent production between periods with substantially different price decks can be misleading. In order to provide a better comparison for this metric, the table below shows the silver equivalent production for Q1 2022 calculated using the 2021 metal price deck.

	Q1 2022	Q1 2021	Variance %
Silver Equivalent Produced (ounces)			
Zimapan Mine (Mexico)	822,199	646,085	27%
Rosario Project (Mexico)	-	60,893	(100%)
Sinchi Wayra and Illapa Business (Bolivia)	455,965	-	-
Consolidated	1,278,164	706,978	81%

The increase in silver equivalent production at the Zimapan Mine in Q1 2022 as compared to Q1 2021 is primarily due to a 22% increase in mineralized material processed at the Zimapan milling facility.

Cash Cost of Production per Tonne

Consolidated cash cost of production per tonne of mineralized material processed increased 22% in Q1 2022 to \$60.90/t as compared to \$50.03/t in Q1 2021. This change is due to higher unit costs at Bolivian operations offset by a decrease of 2% in unit costs at the Zimapan Mine and no unit costs for the Rosario Project in Q1 2022 following its sale in December 2021. The Zimapan Mine cash cost of production increased 20% to \$9,338, which was offset in part by a 22% increase in tonnes milled.

Cash Cost per Silver Equivalent Ounce Sold

Consolidated cash cost per silver equivalent ounce sold decreased 27% in Q1 2022 to \$15.05/oz as compared to \$20.54/oz in Q1 2021. This change reflects the lower unit costs at Bolivian operations (\$13.83/oz) compared to the Q1 2021 consolidated unit costs, a 14% decrease in the unit costs at the Zimapan Mine and no unit costs for the Rosario Project in Q1 2022 following its sale in December 2021. Consolidated cash cost increased 178% to \$34,617, reflecting a 35% increase in cash cost of silver equivalent ounces sold at the Zimapan Mine, cash costs at the Bolivian operations of \$19,742 offset by no cash costs for the Rosario Project in Q1 2022 following its sale in December 2021. Increased costs were offset by a 58% increase in silver equivalent ounces sold at the Zimapan Mine.

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

Consolidated AISC per silver equivalent ounce sold decreased 24% in Q1 2022 to \$17.95/oz as compared to \$23.76/oz in Q1 2021. This change in unit costs reflects the lower unit costs at Bolivian operations (\$14.63/oz) compared to the Q1 2021 consolidated unit costs, an 11% increase in the unit costs at the Zimapan Mine, offset by no unit costs for the Rosario Project in Q1 2022 following its sale in December 2021. Consolidated AISC increased 187% to \$41,293, whilst consolidated silver equivalent ounces sold increased 280% to 2,300,312 ounces. The AISC increase at the Zimapan Mine of 75% was offset by the aforementioned 58% increase in silver equivalent ounces sold at the Zimapan Mine.

Zimapan Mine, Zimapan, Hidalgo, Mexico

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

Production and Operating Results

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

	Q1 2022	Q1 2021 ⁽¹⁾	Variance %
Material Processed (tonnes milled)	191,413	156,433	22%
Silver Equivalent Produced (ounces) ⁽²⁾	901,184	646,085	39%
Silver Equivalent Sold (payable ounces) ⁽³⁾	872,745	553,450	58%
Production - Silver (ounces)	307,371	294,099	5%
- Lead (tonnes)	1,214	892	36%
- Zinc (tonnes)	3,380	2,067	64%
- Copper (tonnes)	419	354	18%
Average Grade - Silver (g/t)	69	85	(7%)
- Lead (%)	0.72	0.63	(4%)
- Zinc (%)	2.31	1.99	17%
- Copper (%)	0.29	0.31	12%
Metal Recovery - Silver (%)	72.2	69.0	2%
- Lead (%)	88.5	90.0	(2%)
- Zinc (%)	76.6	66.4	13%
- Copper (%)	76.2	73.9	3%
Cash Cost of Production per Tonne (\$/t) ⁽⁴⁾	48.19	49.04	(2%)
Cash Cost per Silver Equivalent Ounce Sold (\$/oz) ⁽⁴⁾	17.04	19.91	(14%)
All-in Sustaining Cash Cost per Silver Equivalent Ounce Sold (\$/oz) ⁽⁴⁾	23.38	21.03	11%

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

⁽²⁾ Silver Equivalent Produced (ounces) in 2022 have been calculated using prices of \$25.60/oz, \$0.94/lb, \$1.20/lb and \$4.01/lb for silver, lead, zinc and copper respectively applied to the metal production divided by the silver price plus the respective concentrate produced by the Zimapan Mine multiplied by the respective silver content. Silver Equivalent Produced (ounces) in 2021 have been calculated using prices of \$25.00/oz, \$0.85/lb, \$1.05/lb and \$3.00/lb for silver, lead, zinc and copper respectively applied to the metal production divided by the silver price plus the respective concentrate produced by the Zimapan Mine multiplied by the respective silver content.

⁽³⁾ Silver Equivalent Sold (payable ounces) have been calculated using the Average Realized Price per Ounce of Silver Equivalent Sold applied to the payable metal content of the concentrates sold from the Zimapan Mine in 2022 and 2021.

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

Zimapan Operations Overview

Silver equivalent ounce production in Q1 2022 increased 39% to 901,184 ounces as compared to 646,085 ounces in Q1 2021. This increase is largely due to a 22% increase in mineralized material processed at the Zimapan milling facility and the impact of using different metal price decks for the 2022 and 2021 fiscal years (see prior discussion). The Q1 2022 silver equivalent ounce production increased 27% (after adjusting for the metal price deck) as compared to Q1 2021.

Cash Cost of Production per Tonne

Cash cost of production per tonne of mineralized material processed decreased 2% in Q1 2022 to \$48.19/t as compared to \$49.04/t in Q1 2021 reflecting a 20% increase in cash costs of production offset by the aforementioned 22% increase in mineralized material processed.

Cash Cost per Silver Equivalent Ounce Sold

Cash cost per silver equivalent ounce sold decreased 14% in Q1 2022 to \$17.04/oz as compared to \$19.91/oz in Q1 2021. Cash costs increased 35% to \$14,875 while the silver equivalent ounces sold increased 58%.

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

AISC per silver equivalent ounce sold increased 11% in Q1 2022 to \$23.38/oz as compared to \$21.03/oz in Q1 2021. AISC increased 75%, which was offset by the aforementioned 58% increase in silver equivalent ounces sold.

Sinchi Wayra and Illapa Business, Bolivia

As noted earlier, on March 18, 2022, the Company acquired the Sinchi Wayra and Illapa Business from Glencore. As a result, no comparative analysis of Q1 2022 to Q1 2021 is provided. Due to the closing date of the Glencore transaction, the Sinchi Wayra and Illapa Business results have been integrated on a pro rata basis from the period of March 18 to 31, 2022.

Production and Operating Results

Presented in the table below are production statistics and unit costs for the Bolivar, Porco, Tres Amigos, Reserva and Colquechaquita Mines.

	Q1 2022 ⁽¹⁾	Q1 2021 ⁽¹⁾
Material Processed (tonnes milled)	36,157	-
Silver Equivalent Produced (ounces) ⁽²⁾	490,405	-
Silver Equivalent Sold (payable ounces) ⁽³⁾	1,427,567	-
Production - Silver (ounces)	162,458	-
- Lead (tonnes)	279	-
- Zinc (tonnes)	2,944	-
Average Grade - Silver (g/t)	162	-
- Lead (%)	0.91	-
- Zinc (%)	8.59	-
Metal Recovery - Silver (%)	86.1	-
- Lead (%)	72.3	-
- Zinc (%)	91.9	-
Cash Cost of Production per Tonne (\$/t) ⁽⁴⁾	128.19	-
Cash Cost per Silver Equivalent Ounce Sold (\$/oz) ⁽⁴⁾	13.83	-
All-in Sustaining Cash Cost per Silver Equivalent Ounce Sold (\$/oz) ⁽⁴⁾	14.63	-

- (1) On March 18, 2022, the Company acquired the Bolivar, Porco, Tres Amigos, Reserva and Colquechaquita Mines.
- (2) Silver Equivalent Produced (ounces) in 2022 have been calculated using prices of \$25.60/oz, \$0.94/lb, and \$1.20/lb for silver, lead, and zinc, respectively applied to the metal production divided by the silver price plus the respective concentrate produced by the Bolivar, Porco, Tres Amigos, Reserva and Colquechaquita Mines multiplied by the respective silver content.
- (3) Silver Equivalent Sold (payable ounces) have been calculated using the Average Realized Price per Ounce of Silver Equivalent Sold applied to the payable metal content of the concentrates sold from the Bolivar, Porco, Tres Amigos, Reserva and Colquechaquita Mines in 2022.
- (4) The Company reports non-IFRS measures, which include Cash Cost of Production per Tonne, Cash Cost per Silver Equivalent Ounce Sold and All-in Sustaining Cash Cost per Silver Equivalent Ounce Sold. These measures are widely used in the mining industry as a benchmark for performance, but do not have a standardized meaning and may differ from methods used by other companies with similar descriptions. See "Non-IFRS Measures" section below for definitions.

Rosario Project, Charcas, San Luis Potosi, Mexico

Operations at the Rosario Project were suspended in August 2021 and the net assets were disposed of in December 2021. As a result, no comparative analysis of Q1 2022 to Q1 2021 is provided.

Rosario Project Production and Operating Results

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

	Q1 2022 ⁽¹⁾	Q1 2021 ⁽¹⁾
Material Processed (tonnes milled)	-	19,806
Silver Equivalent Produced (ounces) ⁽²⁾	-	60,893
Silver Equivalent Sold (payable ounces) ⁽³⁾	-	52,520
Production - Silver (ounces)	-	31,277
- Gold (ounces)	-	72
- Lead (tonnes)	-	53
- Zinc (tonnes)	-	218
Average Grade - Silver (g/t)	-	61
- Gold (g/t)	-	0.19
- Lead (%)	-	0.34
- Zinc (%)	-	1.51
Metal Recovery - Silver (%)	-	80.3
- Gold (%)	-	59.4
- Lead (%)	-	78.0
- Zinc (%)	-	73.0
Cash Cost of Production per Tonne (\$/t) ⁽⁴⁾	-	57.86
Cash Cost per Silver Equivalent Ounce Sold (\$/oz) ⁽⁴⁾	-	27.19
All-in Sustaining Cash Cost per Silver Equivalent Ounce Sold (\$/oz) ⁽⁴⁾	-	52.57

- (1) Operations at the Rosario Project were suspended with no production from August 2021. The net assets of the Rosario Project were disposed of in December 2021.
- (2) Silver Equivalent Produced (ounces) in 2021 have been calculated using prices of \$25.00/oz, \$1,925.00/oz, \$0.85/lb, \$1.05/lb and \$3.00/lb for silver, gold, lead, zinc and copper respectively applied to the metal production divided by the silver price plus the respective concentrate produced by the Rosario Project multiplied by the respective silver content.
- (3) Silver Equivalent Sold (payable ounces) have been calculated using the Average Realized Price per Ounce of Silver Equivalent Sold applied to the payable metal content of the concentrates sold from the Rosario Project in 2021.

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

Veta Grande Project, Veta Grande, Zacatecas, Mexico

Transaction with Contracuña and Carrizal LOI

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

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

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

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

The Company did not repay the Promissory Note in full by August 30, 2019 and did not make full payment on the Contracuña Option Agreement as disclosed above. To date, Contracuña has not served the Company a formal Notice of Default. The Company has commenced legal action seeking termination of the Contracuña Option Agreement and damages. The Company notes that no additional penalty or outflow of economic benefits are expected or provided for as at March 31, 2022.

Veta Grande Operations Overview

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

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

Resource and Exploration Properties

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

Qualified Person

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

Financial Results

Review of Operations

(Expressed in thousands of US Dollars)	Q1 2022	Q1 2021
	\$	\$
Revenue	42,911	11,168
Cost of sales		
Cash cost of sales	21,430	8,713
Depletion and amortization	2,130	274
	23,560	8,987
Gross profit	19,351	2,181
Operating expenses		
Administrative	(862)	(398)
Management and consulting fees	(230)	(30)
Other	(46)	(46)
Penalties and inflation charges	(36)	-
Professional fees	(647)	(1,200)
Salaries and benefits	(2,426)	(235)
Share-based compensation	(439)	(30)
Shareholder communications	(137)	(81)
Shipping	(731)	(370)
	(5,554)	(2,390)
Operating profit (loss)	13,797	(209)
Finance (expense) income		
Accretion of decommissioning provisions	(179)	(10)
Accretion of Trafigura Facility Loan	(394)	-
Accretion of deferred acquisition costs	(73)	-
Financing charge on leases	-	(10)
Interest expense, carrying charges and finance charges on loans payable	(313)	(286)
Interest income	70	7
IVA recovery inflationary gain	-	636
Other income	66	-
	(823)	337
(Loss) gain on foreign exchange	(57)	2,453
Transaction costs for Sinchi Wayra acquisition	(2,263)	-
Unrealized gain on marketable securities	369	3,070
Gain on sale of Zacatecas properties	-	911
Profit before income tax	11,023	6,562
Income tax expense	(3,914)	(44)
Net profit for the period	7,109	6,518

The Company recorded a net profit of \$7,109 (\$0.02 per share) for the three months ended March 31, 2022, compared to a net profit of \$6,518 (\$0.02 per share) for the three months ended March 31, 2021.

Revenues were \$42,911 (2021 - \$11,168), mining operation cash cost of sales were \$21,430 (2021 - \$8,713), and depletion and amortization expenses were \$2,130 (2021 - \$274) resulting in a gross profit of \$19,351 (2021 - \$2,181).

The increase in revenues primarily reflects increased metal sales from the Zimapan Mine (\$4,801) and sales from Bolivian operations (\$27,668). The increase in mining operation cash cost of sales is due to costs from Bolivian operations, and costs incurred reflective of a 29% increase in mineralized material processed at the Company's milling facilities.

As compared to the three months ended March 31, 2021, operating expenses increased 132% to \$5,554. The increase is primarily due to costs from Bolivian operations.

As compared to the three months ended March 31, 2021, net finance expense increased to \$823 in Q1 2022, compared to net finance income of \$337 in Q1 2021. The increase in finance expense is largely due to a \$636 decrease in IVA recovery of inflationary gain, a \$394 increase in accretion on the Trafigura loan balance and a \$169 increase in accretion of the decommissioning and restoration provision.

Summary of Quarterly Results

(Expressed in thousands of US Dollars except per share amounts)				
	Q1 2022	Q4 2021	Q3 2021	Q2 2021
Revenues	42,911	13,821	14,601	13,459
Cost of sales	23,560	13,200	10,945	9,904
Operating expenses	5,554	7,383	3,233	4,061
Net income (loss)	7,570	(10,450)	(3,849)	(4,069)
Net income (loss) per share ⁽¹⁾	0.02	(0.03)	(0.01)	(0.01)
	Q1 2021	Q4 2020	Q3 2020	Q2 2020
Revenues	11,168	10,217	9,624	5,440
Cost of sales	8,987	9,098	8,178	5,143
Operating expenses	2,390	3,631	1,167	1,043
Net income (loss)	6,518	(295)	24	(1,135)
Net income (loss) per share ⁽¹⁾	0.02	0.00	0.00	0.00

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

Non-IFRS Measures

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

These performance measures are employed by the Company to measure its operating and financial performance internally, to assist in business decision-making, and provide key performance information to senior management. The Company believes that, in addition to conventional measures prepared in accordance with IFRS, certain investors and other stakeholders also use these non-IFRS measures as information to evaluate the Company's operating and financial performance. As there are no standardized methods of calculating these non-IFRS measures, the Company's methods may differ from those used by others and, accordingly, the Company's use of these measures may not be directly comparable to similarly titled measures used by others. Accordingly, these non-IFRS measures are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

Cash Cost per Silver Equivalent Ounce Sold and Cash Cost of Production per Tonne

The non-IFRS measures of cash cost per silver equivalent ounce sold and cash cost of production per tonne are used by the Company to manage and evaluate operating performance at respective mining operations 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 respective mining operations and, in the case of cash cost per silver equivalent ounce sold, also include the third party concentrate treatment, smelting and refining cost.

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

The Company believes these measures provide investors and analysts with useful information about the Company's underlying cash costs of operations and are relevant metrics used to understand the Company's operating profitability and ability to generate cash-flow.

To facilitate a better understanding of these measures as calculated by the Company, the following table provides a detailed reconciliation between the cash cost of production per tonne, cash cost per silver equivalent ounce sold, and the Company's operating expenses as reported in the Company's consolidated statements of income and comprehensive income 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)	Q1 2022	Q1 2021
Cash cost of sales	9,338	7,587
Inventory change	(114)	84
Cash Cost of Production (A)	9,224	7,671
Cash cost of sales	9,338	7,587
Concentrate treatment, smelting and refining cost	5,537	3,433
Cash Cost of Silver Equivalent Sold (B)	14,875	11,020
Material processed (tonnes milled) (C)	191,413	156,433
Cash Cost of Production per Tonne (A/C)	48.19	49.04
Silver Equivalent Sold (payable ounces) (D)	872,745	553,450
Cash Cost per Silver Equivalent Ounce (B/D)	17.04	19.91

Bolivar, Porco, Tres Amigos, Reserva and Colquechaquita Mines

(Expressed in thousands of US Dollars except ounces, tonnes, per ounce and per tonne amounts)	Q1 2022 ⁽¹⁾	Q1 2021
Cash cost of sales	12,092	-
Inventory change	590	-
Material purchased from miners	(8,047)	-
Cash Cost of Production (A)	4,635	-
Cash cost of sales	12,092	-
Concentrate treatment, smelting and refining cost	7,650	-
Cash Cost of Silver Equivalent Sold (B)	19,742	-
Material processed (tonnes milled) (C)	36,157	-
Cash Cost of Production per Tonne (A/C)	128.19	-
Silver Equivalent Sold (payable ounces) (D)	1,427,567	-
Cash Cost per Silver Equivalent Ounce (B/D)	13.83	-

⁽¹⁾ On March 18, 2022, the Company acquired the Bolivar, Porco, Tres Amigos, Reserva and Colquechaquita Mines.

Rosario Project

(Expressed in thousands of US Dollars except ounces, tonnes, per ounce and per tonne amounts)	Q1 2022 ⁽¹⁾	Q1 2021
Cash cost of sales	-	1,126
Inventory change	-	20
Cash Cost of Production (A)	-	1,146
Cash cost of sales	-	1,126
Concentrate treatment, smelting and refining cost	-	302
Cash Cost of Silver Equivalent Sold (B)	-	1,428
Material processed (tonnes milled) (C)	-	19,806
Cash Cost of Production per Tonne (A/C)	-	57.86
Silver Equivalent Sold (payable ounces) (D)	-	52,520
Cash Cost per Silver Equivalent Ounce (B/D)	-	27.19

⁽¹⁾ Operations at the Rosario Project were suspended with no production from August 2021. The net assets of the Rosario Project were disposed of in December 2021.

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

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

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

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 excluded all expenditures at the Zacatecas Properties as well as certain expenditures at the Rosario Project, which were 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)	Q1 2022	Q1 2021
Cash cost of sales	9,338	7,587
Concentrate treatment, smelting and refining cost	5,537	3,433
Mine development	747	-
General and administrative expenses	4,604	617
Accretion of decommissioning and restoration provision	179	-
All-in Sustaining Cash Cost	20,405	11,637
Silver Equivalent Sold (payable ounces)	872,745	553,450
All-in Sustaining Cash Cost per Silver Equivalent Ounce Sold	23.38	21.03

Bolivar, Porco, Tres Amigos, Reserva and Colquechaquita Mines

(Expressed in thousands of US Dollars except ounces and per ounce amounts)	Q1 2022	Q1 2021
Cash cost of sales	12,092	-
Concentrate treatment, smelting and refining cost	7,650	-
Mine development	635	-
General and administrative expenses	512	-
Accretion of decommissioning and restoration provision	-	-
All-in Sustaining Cash Cost	20,889	-
Silver Equivalent Sold (payable ounces)	1,427,567	-
All-in Sustaining Cash Cost per Silver Equivalent Ounce Sold	14.63	-

⁽¹⁾ On March 18, 2022, the Company acquired the Bolivar, Porco, Tres Amigos, Reserva and Colquechaquita Mines

Rosario Project

(Expressed in thousands of US Dollars except ounces and per ounce amounts)	Q1 2022 ⁽¹⁾	Q1 2021
Cash cost of sales	-	1,126
Concentrate treatment, smelting and refining cost	-	302
General and administrative expenses	-	1,323
Accretion of decommissioning and restoration provision	-	10
All-in Sustaining Cash Cost	-	2,761
Silver Equivalent Sold (payable ounces)	-	52,520
All-in Sustaining Cash Cost per Silver Equivalent Ounce Sold	-	52.57

⁽¹⁾ Operations at the Rosario Project were suspended with no production from August 2021. The net assets of the Rosario Project were disposed of in December 2021.

Average Realized Price per Ounce of Silver Equivalent Sold

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

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

Zimapan Mine

(Expressed in thousands of US Dollars except ounces and per ounce amounts)	Q1 2022	Q1 2021
Revenues	15,243	10,442
Add back: Treatment, smelting and refining charges	5,537	3,433
Gross Revenues	20,780	13,875
Silver Equivalent Sold (ounces)	872,745	553,450
Average Realized Price per Ounce of Silver Equivalent Sold ⁽¹⁾	23.81	25.07
Average Market Price per Ounce of Silver per London Silver Fix	23.94	26.29

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

Bolivar, Porco, Tres Amigos, Reserva and Colquechaquita Mines

(Expressed in thousands of US Dollars except ounces and per ounce amounts)	Q1 2022 ⁽¹⁾	Q1 2021
Revenues	27,668	-
Add back: Treatment, smelting and refining charges	7,650	-
Gross Revenues	35,318	-
Silver Equivalent Sold (ounces)	1,427,567	-
Average Realized Price per Ounce of Silver Equivalent Sold ⁽²⁾	24.74	-
Average Market Price per Ounce of Silver per London Silver Fix	23.94	-

(1) On March 18, 2022, the Company acquired the Bolivar, Porco, Tres Amigos, Reserva and Colquechaquita Mines

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

Rosario Project

(Expressed in thousands of US Dollars except ounces and per ounce amounts)	Q1 2022 ⁽¹⁾	Q1 2021
Revenues	-	726
Add back: Treatment, smelting and refining charges	-	302
Gross Revenues	-	1,028
Silver Equivalent Sold (ounces)	-	52,520
Average Realized Price per Ounce of Silver Equivalent Sold ⁽²⁾	-	25.00
Average Market Price per Ounce of Silver per London Silver Fix	23.94	26.29

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

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

EBITDA and Adjusted EBITDA

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

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

The following table provides a reconciliation of EBITDA and Adjusted EBITDA for the three months ended March 31, 2022 and 2021.

	Q1 2022	Q1 2021
	\$	\$
Net income for the period	7,109	6,518
Income tax expense	3,914	44
Interest (income)	(70)	-
Interest expense, carrying and finance charges on loans payable	313	296
Amortization and depletion of mineral properties, plant and equipment	2,130	274
EBITDA	13,396	7,132
Foreign exchange loss (gain)	57	(2,453)
Unrealized (gain) on marketable securities	(369)	(3,070)
Share-based payments expense	439	30
Accretion expense	573	10
Other (income)	(66)	-
Adjusted EBITDA	14,030	1,649

Financing Transactions

Private Placements

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

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

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

Trafigura Loan Facility

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

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

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

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

On April 23, 2021, in connection with the Transaction, Trafigura loaned the Company \$17,616 under a new loan facility ("Trafigura Loan Facility"), which included the recapitalization of \$2,616 of indebtedness outstanding under the 2020 Facility. The Trafigura Loan Facility is for a period of 42 months at an annual interest rate of three-month LIBOR + 6.5% (effective interest rate was approximately 6.83% as at March 31, 2022), repayable in monthly instalments of principal plus accrued interest for the respective period.

Pursuant to the terms of the Transaction, the Company had until September 23, 2021 to pay Minera Cedros the outstanding VAT of \$3,200 owed in connection with the Transaction. The full amount of the VAT has been paid.

The Trafigura Loan Facility is secured by a first charge over all Zimapan Mine assets and all other material Mexican assets owned by the Company and its Mexican subsidiaries. In addition, the Company issued to Trafigura 28,000,000 warrants ("Trafigura Warrants"), each Trafigura Warrant exercisable into a Santacruz common share at C\$0.395 per share, for a period of 12 months with respect to 7,280,000 of the Trafigura Warrants and 42 months with respect to the remaining 20,720,000 Trafigura Warrants. During Q1 2022 and subsequent, Trafigura exercised 7,280,000 Trafigura Warrants for gross proceeds of \$2,298 (C\$2,876).

Bank Loan and Promissory Loan

As part of the Sinchi Wayra and Illapa Business acquisition, the Company acquired a bank loan of \$9,312 and a promissory loan payable of \$25,000. The bank loan accrues interest at an annual interest rate of 6.0% with a capital repayment of \$5,000 due in 2022 with the balance due in 2023. The promissory loan payable accrues interest of at an annual rate of 2.5% and matures on May 1, 2022. The loans are secured against the asset of the Sinchi Wayra and Illapa Business. Subsequent to March 31, 2022, the Company repaid the promissory loan payable in full.

Private Credit Facility

On September 30, 2019, the Company entered into a credit facility ("Credit Facility") with a private Mexican financial institution. Funds may be drawn down under the Credit Facility either in US dollars or Mexican pesos. Funds drawn down must be repaid within 21 business days following the drawdown date. Funds drawn down in US dollars must be repaid in Mexican pesos and vice-versa. Drawdown amounts are limited to a maximum of \$600 or the equivalent amount in Mexican pesos but can be increased at the discretion of the lender.

Upon repayment of any particular draw down amount, the Company may borrow the same amount immediately as a new draw under the Credit Facility.

The Credit Facility is unsecured and the implied carrying charges that are tied to the spread between the US dollar and Mexican peso foreign exchange rates.

The balance outstanding at March 31, 2021 was \$nil.

Swap Facility

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

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

The balance outstanding at March 31, 2021 was \$nil.

Muutrade facility

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

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

The balance outstanding at March 31, 2021 was \$nil.

Capital Expenditures

The Company incurred capital expenditures of \$4,575 during the three months ended March 31, 2022 related to the purchase of equipment and mine development expenditure.

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

Liquidity, Capital Resources and Going Concern

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

As at March 31, 2022, the Company had a working capital deficiency of \$14,210 (December 31, 2021 - \$19,821) and an accumulated deficit of \$130,833 (December 31, 2021 - \$137,942). Additionally, the Company had non-current loans payable of \$10,579 (December 31, 2021 - \$7,166) and deferred consideration costs of \$71,395. For the three months ended March 31, 2022, the Company generated a net profit of \$7,109 (2021 - \$6,518) and used cash in operating activities of \$3,109 (2021 - \$1,070). These factors indicate the existence of a material uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern. As a result, the Company may be unable to realize its assets and discharge its liabilities in the normal course of business. The Company's ability to continue as a going concern is dependent upon its ability to generate positive cash flows from operations, and/or raise adequate funding through equity or debt financing to discharge its liabilities as they come due. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company.

During Q1 2022 and subsequent, Trafigura exercised all 7,280,000 warrants for gross proceeds of \$2,298 (C\$2,876). Should the situation warrant, the Company will undertake capital raising in order to fund operations and development activities.

Subsequent to March 31, 2022, the Company, through the Sinchi Wayra and Illapa Business, entered into an unsecured credit facility with a national bank in Bolivia to finance working capital. The facility is for \$5,000, with each draw accruing interest at an annual rate of 5.5% and falling due within 60 days.

Pursuant to the acquisition of the Sinchi Wayra and Illapa Business, Glencore is providing a working capital facility of \$10,000. As at March 31, 2022, the balance on this working capital facility was \$nil.

Transactions with Related Parties

During the three months ended March 31, 2022 and 2021, the Company incurred the following charges by directors and officers of the Company and by companies controlled by directors and officers of the Company:

	Q1 2022	Q1 2021
	\$	\$
Management and consulting fees	131	105
Share-based compensation	329	26
Total	460	131

Of the \$131 in management and consulting fees incurred with related parties during the three months ended March 31, 2022, \$26 was related to directors' fees and \$105 was related to management fees.

As at March 31, 2022, directors and officers or their related companies were owed \$26 (December 31, 2021 - \$26) in respect of the services rendered. These are non-interest bearing with standard payment terms.

A total of \$38 of leases payable remains outstanding as at March 31, 2022 (December 31, 2021 - \$38) and are owed to a company owned by the Executive Chairman of the Company.

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

Financial Instruments and Risk Management

a) Fair Value of Financial Instruments

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

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

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

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

As at March 31, 2022, marketable securities are measured at fair value using Level 1 inputs. The fair value of marketable securities is measured based on the quoted market price of the related common shares at each reporting date, and changes in fair value are recognized in profit or loss.

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

The fair value of the other assets, which are shares held in a private company based in Mexico and a private company based in Bolivia, are measured at fair value using Level 3 inputs.

The carrying value of these other assets approximates its fair value because of the regular course business activity of the entity. The Company is not aware of any indications of adverse business conditions which would indicate the fair value is less than the carrying value.

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

b) Management of Risks Arising from Financial Instruments

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

(i) Credit Risk - credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to fulfill its contractual obligations. The Company's credit risk relates primarily to cash and cash equivalents, trade receivables and other receivables. The Company minimizes its credit risk related to cash and cash equivalents by placing cash with major financial institutions. The Company regularly reviews the collectability of its trade receivables. The Company considers the credit risk related to both cash and cash equivalents and trade receivables to be minimal.

(ii) Interest Rate Risk - interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. If interest rates increase, the Company will incur more interest expense. The sensitivity of the Company's profit or loss to changes in the interest rate would be as follows: a 1% change in the interest rate would change the Company's profit or loss by approximately \$540.

(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.

Contractual undiscounted cash flow requirements as at March 31, 2022 were as follows:

	< 1 year	1 – 2 years	2 – 5 years	>5 years	Total
	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	131,250	-	-	-	131,250
Loans payable	39,992	5,656	3,300	-	48,948
Leases	8,409	19,351	9,553	-	37,313
Deferred consideration payable	-	45,000	45,000	-	90,000
Total	179,651	70,007	57,853	-	307,511

(iv) Foreign Exchange Risk - the Company operates in Canada, Mexico and Bolivia and is exposed to foreign exchange risk due to fluctuations in the US dollar, Mexican peso and Bolivian boliviano. Foreign exchange risk arises from financial assets and liabilities denominated in these foreign currencies. The sensitivity of the Company's profit or loss to changes in the exchange rate between the US dollar, Mexican peso, Bolivian boliviano and the Canadian dollar, respectively, would be as follows: a 1% change in the US dollar exchange rate relative to the Mexican peso would change the Company's profit or loss by approximately \$42, a 1% change in the US dollar exchange rate relative to the Bolivian boliviano would change the Company's profit or loss by approximately \$71 and a 1% change in the US dollar exchange rate relative to the Canadian dollar would change the Company's profit or loss by approximately \$28.

The Company's financial assets and liabilities as at March 31, 2022 are denominated in Canadian dollars, US dollars, Bolivian bolivianos and Mexican pesos and translated to US dollars as follows:

	Canadian dollar	US dollar	Bolivian boliviano	Mexican peso	Total
	\$	\$	\$	\$	\$
Financial assets					
Cash and cash equivalents	437	6,238	2,879	271	9,825
Marketable securities	4,600	-	-	-	4,600
Trade receivables	-	9,791	5,120	-	14,911
Other receivables	61	-	34,274	6,763	41,098
Recoverable taxes	-	-	21,799	-	21,799
	5,098	16,029	64,072	7,034	92,233
Financial liabilities					
Accounts payable and accrued liabilities	1,009	24,101	71,381	34,759	131,250
Loans payable	-	11,204	34,312	-	45,516
Deferred acquisition costs	-	71,395	-	-	71,395
	1,009	106,700	105,693	34,759	248,161
Net financial assets (liabilities)	4,089	(90,671)	(41,621)	(27,725)	(155,928)

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

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

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

Off-balance Sheet Arrangements

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

Outstanding Share Data

Authorized share capital: Unlimited number of Common Shares

The information in the below table is reported as of May 30, 2022:

Issued and Outstanding Common Shares				340,787,638
	Expiry Date	Exercise Price (C\$)		
Options	August 6, 2024	0.18		5,464,400
	May 7, 2026	0.47		16,250,000
Warrants	October 7, 2023	0.30		30,177,205
	October 15, 2023	0.30		13,454,552
	October 24, 2024	0.395		48,501,961
	April 12, 2024	0.45		20,720,000
Fully Diluted				475,355,756

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 Q1 2022 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: 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.