MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED MARCH 31, 2015

The following management's discussion and analysis of financial condition and results of operations ("MD&A") for the three months ended March 31, 2015 prepared as of June 1, 2015, should be read in conjunction with the unaudited condensed interim consolidated financial statements for the three months ended March 31, 2015 and the related notes thereto of Santacruz Silver Mining Ltd. ("the Company" or "Santacruz") ("the 2015 Q1 Financial Statements"), together with the audited consolidated financial statements of the Company for the year ended December 31, 2014 as well as the accompanying MD&A for the year then ended ("the Annual MD&A").

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

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

Forward-Looking Statements

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

Forward-looking information includes, but is not limited to, statements with respect to the future price of silver, gold and other metals and the effects thereof on the Company's mineral resources; statements relating to the potential mineralization and geological merits of the Company's Rosario mine (the "**Rosario Mine**"), San Felipe project (the "**San Felipe Project**"), Gavilanes property (the "**Gavilanes Property**" or "**Gavilanes Project**") and the El Gachi property (the "**El Gachi Property**"), as described below; the Company's expected production and recoveries for its Rosario Mine; the expectations for the development of the main access at the Rosario Mine; expectations regarding the utilization of a geotextile containment system to dewater and store tailings on an interim basis until a permanent solution is developed; expectations regarding the continuity of mineral deposits; the Company's goals regarding raising capital and developing its projects; the Company's proposed development and exploration plans for the San Felipe Project and the Gavilanes Property; timing of a pre-feasibility study for the San Felipe Project; plans for drilling; expectations regarding environmental issues that may affect the exploration progress; project capital cost estimates; and the Company's other plans for development of its projects. Often, but not always, forward-looking information can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "believes" or the negatives thereof or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved.

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

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

Forward-looking information involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information. Such factors include, among others, the risk that actual results of exploration activities will be different than anticipated, that cost of labour, equipment or materials increase more than expected, that the future price of silver, gold and base metals will decline, that mineral resources are not as estimated, that actual costs of reclamation activities are greater than expected; that changes in project parameters as plans continue to be refined result in increased costs, that lower rates of production are achieved than are expected, that unexpected variations in ore grade or recovery rates occur, that plant, equipment or processes fail to operate as anticipated, that accidents of labour disputes occur, that unanticipated delays occur in obtaining governmental approvals or financing or in the completion of development or construction activities, as well as those factors discussed in the section entitled "Risks and Uncertainties" in this MD&A, at pages 7 to 18 of the annual information form of the Company for the year ended December 31, 2012 dated November 19, 2013 (the "AIF"), filed on SEDAR on November 21, 2013. 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's shares are listed for trading on the TSX Venture Exchange under the symbol "SCZ". The Company also trades on the OTCQX under the trading symbol "SZSMF" and the Santiago Stock Exchange Venture under the trading symbol "SZCL".

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

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

• Continuing to increase production and upgrade performance at the Rosario Mine; and

• Completing additional fieldwork, technical studies and permitting activities at the San Felipe Project in preparation for taking a development decision.

First Quarter 2015 Highlights

- Effective January 1, 2014, the Company began reporting the operating results of its Rosario Mine in its consolidated statement of loss and comprehensive loss. As 2014 was the first year the Company reported results from an operating mine in its consolidated statement of loss and comprehensive loss, there is no such comparable information for quarters prior to 2014.

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

	2015	2014			
	Q1	Q4	Q3	Q2	Q1
Operating					
Ore Processed (tonnes milled) (1)	1,823	25,099	23,677	22,612	20,447
Silver Equivalent Produced (ounces) (2)	20,011	244,200	192,400	168,300	160,600
Silver Equivalent Sold (payable ounces) (3)	30,931	263,300	188,100	148,800	121,800
Production Cost per Tonne (4) (7)	*	116.50	97.81	128.75	110.94
Cash Cost per Silver Equivalent ($/oz.) (4) (7)	*	15.08	18.13	22.17	25.04
All-in Sustaining Cost per Silver Equivalent ($/oz.) (4) (7)	*	20.68	23.68	29.70	35.49
Average Realized Silver Price per Ounce ($/oz.) (4) (6)	17.41	16.15	19.55	19.76	20.55
Financial					
Revenue ($000's)	402	3,226	3,167	2,302	1,931
Mine Operations Income (Loss) ($000's) (5) (7)	(1,210)	(292)	27	(895)	(861)
Net Loss ($000's) (7)	(2,551)	(4,498)	(1,054)	(1,579)	(1,575)
Net Loss Per Share – Basic ($/share) (7)	(0.02)	(0.05)	(0.01)	(0.01)	(0.02)
Adjusted EBITDA ($000's) (5) (7)	(1,580)	(595)	(198)	(1,066)	(1,261)

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

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

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

(3) Silver equivalent sold ounces in the first quarter of 2015 was calculated using a realized silver price of US$17.41/oz applied to the payable metal content of the lead and zinc concentrates sold from the Rosario Mine. Silver equivalent sold ounces in the fourth, third, second and first quarters of 2014 were calculated using realized silver prices of US$16.15/oz., US$19.55/oz., US$19.76/oz. and US$20.55/oz., respectively, applied to the payable metal content of the lead and zinc concentrates sold from the Rosario Mine.

(4) The Company reports non-IFRS measures which include Production Cost per Tonne, Cash Cost per Silver Equivalent, All-in Sustaining Cost per Silver Equivalent and Average Realized Silver Price per Ounce. These measures are widely used in

the mining industry as a benchmark for performance, but do not have a standardized meaning and may differ from methods used by other companies with similar descriptions. See "Non-IFRS Measures" section for definitions.

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

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

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

- On May 14, 2015 the Company reported that its shares had begun trading on the Santiago Stock Exchange Venture under the trading symbol "SZCL". The Company expects that this new listing will open access to a larger network of investors, which includes MILA (the Integrated Latin American Market). MILA is a consortium of countries that includes Chile, Colombia, Peru and Mexico, that have combined together to create a more liquid market for member countries to trade stocks throughout the network.

Tailings Discharge

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

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

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

The Company also advised at that time that the tailings structure had been stabilized with remaining work focused on definitively sealing the decant system. Subsequently the sealing of the decant system was completed. The Company is completing an analysis of the tailings facility to determine whether the existing tailings storage facility can be safely recommissioned. In the interim, an alternate system that utilizes a geotextile containment system to dewater and store tailings is being used until a permanent solution is determined. Production has resumed at 300 tpd and the plan is to increase to 450 tpd in a systematic manner over the coming weeks.

In connection with the tailings discharge incident the Company was initially advised by PROFEPA that it would be fined an amount equivalent to approximately $180,000. Subsequently the Company has been advised by PROFEPA that the amount of the fine has been decreased to approximately $130,000. Pursuant to applicable regulations, certain remediation and community related expenses incurred by the Company will be offset against the fine. To date the Company has incurred approximately $218,000 of expenditures in connection with its remediation activities.

Rosario Mine, Charcas, San Luis Potosi, Mexico

The Rosario Mine comprises the Rey David and San Rafael mining concessions located in the Municipality of Charcas in the State of San Luis Potosi, Mexico, 184 kilometres north of the capital city of San Luis Potosi. Details of the acquisition terms are contained in Note 7 of the 2015 Q1 Financial Statements. The property covers 500 hectares.

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

	2015	2014			
	Q1	Q4	Q3	Q2	Q1
Ore Processed (tonnes milled) (5)	1,823	25,099	23,677	22,612	20,447
Silver Equivalent Produced (ounces) (1)	20,011	244,200	192,400	168,300	160,600
Silver Equivalent Sold (payable ounces) (2)	30,931	263,300	188,100	148,800	121,800
Production - Silver (ounces) (5)	12,751	158,564	115,455	100,240	94,312
- Gold (ounces) (5)	8	310	94	104	166
- Lead (tonnes) (5)	15	201	191	171	186
- Zinc (tonnes) (5)	38	453	514	437	367
Average Ore Grade – Silver (g/t)	240	212	161	153	167
– Gold (g/t)	0.27	0.14	0.16	0.21	0.33
– Lead (%)	1.03	1.03	0.91	0.86	1.02
– Zinc (%)	2.60	3.01	2.39	2.29	2.34
Metal Recovery – Silver (%)	90.7	93.3	90.0	89.9	85.7
– Gold (%)	68.9	74.5	79.0	70.4	77.3
– Lead (%)	82.2	90.6	86.1	88.2	89.7
– Zinc (%)	86.2	86.1	81.7	84.4	76.8
Cash Cost per Silver Equivalent ($/oz.) (3) (6)	*	15.08	18.13	22.17	25.04
All-in Sustaining Cash Cost per Silver Equivalent ($/oz.) (3) (6)	*	20.68	23.68	29.70	35.49
Cash Cost of Production per Tonne (3) (6)	*	116.50	97.81	128.75	110.94

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

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

(2) Silver equivalent sold ounces in the first quarter of 2015 was calculated using a realized silver price of US$17.41/oz applied to the payable metal content of the lead and zinc concentrates sold from the Rosario Mine. Silver equivalent sold ounces in the fourth, third, second and first quarters of 2014 were calculated using realized silver prices of US$16.15/oz., US$19.55/oz., US$19.76/oz. and US$20.55/oz., respectively, applied to the payable metal content of the lead and zinc concentrates sold from the Rosario Mine.

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

(4) Average Realized Silver Price per Ounce is prior to all treatment, smelting and refining charges.

(5) The 2014 Q1 production figures include 11,453 tonnes of third party ore that produced 34,945 ounces Ag; 92 ounces Au; 83 tonnes Pb; and 200 tonnes Zn. The 2014 Q2 production figures include 4,025 tonnes of third party ore that produced 11,552 ounces Ag; 23 ounces Au; 22 tonnes Pb; and 85 tonnes Zn. Not included in the 2014 Q3 production figures is 1,146 ounces Ag and 327 ounces Au included in third party precipitate purchased and processed.

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

Resource Expansion
In connection with the Main Access Ramp development, management initially planned a 4,000 metre underground drilling program for early 2015 to test the Rosario Mine to depth. During February of 2015 the decision was taken to complete this work using a surface drill and by early April 2015 a drill contractor had been mobilized to site and commenced a 17- hole, 4200 metre surface drilling program. To date 13 drill holes have been completed and the program is expected to complete by the end of June. Previously the Rosario Mine has only been drilled to a depth of approximately 200 metres.

Resource and Exploration Update

San Felipe Project, San Felipe de Jesús, Sonora, Mexico
The San Felipe Project consists of 14 concessions and is a late stage exploration project, located in the State of Sonora, approximately 130 kilometers north-west of Hermosillo City, the state capital of Sonora. Santacruz acquired exploration rights with the right to purchase the project from Minera Hochschild Mexico, S.A. de C.V. ("Hochschild") pursuant to the terms of a mining exploration and promissory sale agreement dated August 3, 2011, as amended December 9, 2011, October 8, 2012, August 13, 2013 and September 4, 2014 (the "San Felipe Agreement"). Details of the acquisition terms are included in note 8(b) to the 2015 Q1 Financial Statements.

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

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

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

Exploration and Acquisition Costs
During the three months ended March 31, 2015, Santacruz incurred mineral property acquisition costs and exploration expenditures of $nil and $319,759 respectively at the San Felipe Project.

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

Gavilanes Property, San Dimas, Durango, Mexico
The Gavilanes Property comprises 10 mining concessions located in the rugged Sierra Madre Occidental mountain range in the municipality of San Dimas in the State of Durango, Mexico, approximately 110

kilometres west-north-west of Durango City. The Gavilanes Property covers a total area of 8,832.28 hectares. Details of the acquisition terms are contained in Note 8(a) of the 2015 Q1 Financial Statements.

Current Exploration Activities

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

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

Exploration and Acquisition Costs

During the three months ended March 31, 2015, mineral property acquisition costs and exploration costs were $30,000 and $43,553 respectively for the Gavilanes Property.

El Gachi Property, Sonora, Mexico

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

Non-IFRS Measures

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

Cash Cost per Silver Equivalent Ounce and Production Cost per Tonne

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

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

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

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

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

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

All-in Sustaining Cost per Ounce

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

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

The Company defines sustaining capital expenditures as, "costs incurred to sustain and maintain existing assets at current productive capacity and constant planned levels of productive output without resulting in an increase in the life of assets, future earnings, or improvements in recovery or grade. Sustaining capital includes costs required to improve/enhance assets to minimum standards for reliability, environmental or safety requirements. Sustaining capital expenditures excludes all expenditures at the San Felipe Project and Gavilanes and El Gachi Properties, as well as certain expenditures at the Rosario Mine which are deemed expansionary in nature."

AISC includes total production cash costs incurred at the Company's mining operations, which forms the basis of the Company's total cash costs. Additionally, the Company includes sustaining capital expenditures, corporate general and administrative expense, share-based payments and reclamation cost accretion. The Company believes that this measure represents the total sustainable costs of producing silver from current operations, and provides the Company and other stakeholders of the Company with additional information of the Company's operational performance and ability to generate cash flows. As the measure seeks to reflect the full cost of silver production from current operations, new project capital and expansionary capital at current operations are not included. Certain other cash expenditures, including tax payments, dividends and financing costs are also not included.

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

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

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

Average Realized Silver Price per Ounce

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

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

(Expressed in US Dollars except ounces, tonnes, per equivalent ounce and per tonne)	**Q1 2015**	**Q4 2014**	**Q3 2014**	**Q2 2014**	**Q1 2014**
Revenues (as reported)	402,040	3,225,927	3,167,067	2,302,056	1,931,567
Add back: Treatment, smelting and refining charges	136,484	1,025,981	858,735	638,005	571,178
Deduct: Precipitate revenues	-	-	(349,814)	-	-
Gross Revenues	538,524	4,251,908	3,675,988	2,940,061	2,502,745
Silver Equivalent Sold (ounces)	30,931	263,300	188,100	148,800	121,800
Avg Realized Price per Ounce of Silver Equivalent Sold(1)	17.41	16.15	19.55	19.76	20.55
Avg Market Price per Ounce of Silver per London Silver Fix	16.74	16.47	19.74	19.62	20.49

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

Non-IFRS Measures – Additional Information

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

Mine Operations Income (Loss)

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

EBITDA and Adjusted EBITDA

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

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

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

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

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

Review of Operations

Three months ended March 31, 2015

The Company recorded a net loss of $2,551,307 ($0.02 per share) for the three months ended March 31, 2015, compared to the net loss of $2,062,277 ($0.02 per share) for the three months ended March 31, 2014.

During the first quarter of 2015 there was a temporary halt in operations from January 2 to March 25 following a malfunction in the tailings dam dewatering pipe. As such the Company is not providing a discussion and analysis comparing the first quarter 2015 to first quarter 2104 revenues, cost of sales, and amortization and depletion expense as the 2015 results are not considered relevant for such a comparison.

Variances of note in operating expenses are detailed below:

- Administrative expenses of $49,583 (2014 - $195,818) and management and consulting fees of $89,313 (2014 - $178,515). The administrative and management and consulting fee were lower during 2015 primarily due to the decreased activities at the Company's Mexican office in connection with the halt in operations at the Rosario Mine in the first quarter of 2015.
- Share-based payments of $26,213 (2014 - $8,492). No options were granted during the three months ended March 31, 2015 and 2014, and the share-based payments recorded during those periods related to the vesting of previously granted options.
- Shareholder communications of $19,614 (2014 - $45,396). These expenses decreased primarily as the result of decreased investor awareness initiatives.
- Travel expenses of $15,682 (2014 - $38,251). Travel expenses decreased in connection with a decrease in general corporate travel associated with industry conferences and investor meetings.

Included in the operating loss is approximately $201,000 of expenses associated with tailings discharge remediation activities.

Summary of Quarterly Results

	THREE MONTHS ENDED			
	Mar 31, 2015	**Dec 31, 2014**	**Sep 30, 2014**	**Jun 30, 2014**
	$	**$**	**$**	**$**
Revenues	402,040	3,225,927	3,167,067	2,302,056
Cost of sales(2)	1,611,692	3,517,264	3,141,003	2,710,200
Administrative expenses	452,152	469,831	907,266	768,544
Net loss(2)	(2,551,307)	(4,497,587)	(1,054,062)	(1,091,827)
Net loss per share(1) (2)	(0.02)	(0.05)	(0.01)	(0.01)
	THREE MONTHS ENDED			
	Mar 31, 2014	**Dec 31, 2013**	**Sep 30, 2013**	**Jun 30, 2013**
Revenues	1,931,567	Nil	Nil	Nil
Cost of sales	3,278,678	Nil	Nil	Nil
Administrative expenses	723,506	533,954	691,827	687,315
Net loss	(2,062,277)	(4,507,829)	(503,505)	(565,244)
Net loss per share(1)	(0.02)	(0.05)	(0.00)	(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) Cost of sales are as reported. During the second quarter of 2014 the Company took the decision to capitalize the expenditures incurred subsequent to December 31, 2013 to develop the Ramp. Accordingly, $735,096 was capitalized to Plant and Equipment during the second quarter. Included in this amount was $486,514 relating to the first quarter of 2014. This adjustment has not been reflected in the first or second quarter operating expenses, net loss or net loss per share reported in this table.

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

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

Financing Activities

Equity Offerings

There were no equity financing activities during the three months ended March 31, 2015.

Details of equity financing activities in the year ended December 31, 2014 are as follows:

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

Pre-paid Silver Purchase

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

On November 27, 2014 the parties amended the JMET Agreement such that the Company repaid JMET $9.0 million upon execution of the amended agreement and agreed to repay $7.0 million on or before April 1, 2015. In addition, the amount of silver to be sold to JMET reduced from 4,635,000 ounces to 2,600,000 ounces at an agreed upon discount to the spot price. The first delivery of silver to JMET is 52,000 ounces in July 2015, and sales of an additional 52,000 ounces shall occur each month through August 2019, at which point the contract will be fulfilled. On April 1, 2015, the Company repaid $2.0 million of the $7 million due and further amended the JMET Agreement to extend the repayment of the remaining $5 million until December 31, 2015.

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

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

The MPPP does not limit the maximum price at which Santacruz may sell its production, which will allow it to benefit from any increase in metal prices. The cost to establish the initial MPPP was $3.9 million.

Capital Expenditures

The Company spent $278,651 on its mineral properties during the three months ended March 31, 2015 (2014 - $2,641,936). The Company also spent 436,558 on acquisitions of plant and equipment at the Rosario Mine during the three months ended March 31, 2015 (2014 - $62,085) including deferred ramp expenditures of approximately $54,000 (2014 - $nil) and approximately $231,000 incurred in connection with upgrading the safety factor at the tailings embankment. The Company has made no dividend payments, and currently has no plans to declare any dividends.

Use of Proceeds from Previous Financings

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

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

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

Liquidity and Capital Resources

As at March 31, 2015, the Company had cash and cash equivalents of $3,602,474 (December 31, 2014 – $6,015,947) and a working capital deficiency of $4,362,570 (December 31, 2014 – $683,059). During the three months ended March 31, 2015, net cash used in operating activities was $1,911,188 (2014 – $2,332,284), net cash used in investing activities was $715,209 (2014 - $2,704,021) primarily for acquisitions of mineral property interests, plant and equipment, and costs relating to the exploration activities on its mineral properties; and net cash provided by financing activities including proceeds from issuance of common shares and the Silver Loan was $223,868 (2014 - $9,897,606).

Pursuant to the terms of the underlying mineral property agreements to the Rosario Mine (Note 7 to the 2015 Q1 Financial Statements), in order to maintain and exercise the option the Company must make aggregate cash payments of $40,000 on or before February 22, 2016.

Pursuant to the terms of the Gavilanes property agreement (Note 8(a) to the 2015 Q1 Financial Statements), in order to maintain and exercise the option the Company must make the remaining payment of $820,000. The Company is currently re-negotiating an extension of this remaining payment.

Pursuant to the terms of the San Felipe Agreement (Note 8(b) to the 2015 Q1 Financial Statements), in order to maintain and exercise the option, the Company must make further aggregate cash payments of approximately $19,000,000 on or before December 15, 2016.

At March 31, 2015, the Company had not yet achieved profitable operations, had a working capital deficiency of $4,362,570, had accumulated an inception to date deficit of $36,585,409 and may incur further losses in the development of its business. These factors indicate the existence of a material uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern. As a result, the Company may be unable to realize its assets and discharge its liabilities in the normal course of business. The Company's ability to continue as a going concern is dependent upon its ability to raise adequate funding through equity or debt financings to discharge its liabilities as they come due. The Company has capital management process in place to safeguard the Company's ability to continue as a going concern. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company.

Transactions with Related Parties

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

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

During the three months ended March 31, 2015 and 2014, the Company incurred the following charges by directors and officers of the Company and by companies controlled by directors and officers of the Company:

	2015 $	2014 $
Accounting and corporate secretarial fees [1]	59,560	32,592
Directors' fees [2]	4,232	22,154
Management fees [2]	85,081	103,060
Share-based payments	26,213	-
Salaries and benefits capitalized in mine under construction and development costs [3]	58,085	2,118

[1] The charge includes accounting and corporate secretarial fees paid to Malaspina Consultants Inc.

[2] The charge includes geological consulting fees paid to Pref-Ex Geological Inc. and directors' fees paid to Marc Prefontaine, James Hutton, and Craig Angus.

[3] The charge includes management fees paid to Arturo Préstamo Elizondo, the Chief Executive Officer, and salaries and benefits paid to Robert Byrd, the Chief Operating Officer, and Francisco Ramos, the former Chief Operating Officer.

At March 31, 2015, directors and officers or their related companies were owed $68,362 (December 31, 2014 – $114,994) in respect of the services rendered and are non-interest bearing with standard payment terms.

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

Financial Instruments

Fair Value and Classification of Financial Instruments

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

Off-balance Sheet Arrangements

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

Outstanding Share Data

Authorized share capital: Unlimited number of Common Shares

All share information is reported as of June 1, 2015 in the following table.

Issued and Outstanding Common Shares				103,493,484
	Expiry Date	Exercise Price (CDN$)		
Options	April 12, 2017	$0.90	2,206,666	
	July 24, 2017	$0.90	300,000	
	February 28, 2018	$1.85	800,000	
	July 29, 2018	$1.22	400,000	
	April 10, 2019	$1.00	300,000	
	August 12, 2019	$0.94	400,000	5,006,666
Warrants	March 11, 2016	$1.00	645,000	
	March 20, 2016	$1.00	78,750	723,750
Fully Diluted				109,223,900

Disclosure Controls and Procedures and Internal Control over Financial Reporting

Disclosure controls and procedures are intended to provide reasonable assurance that information required to be disclosed is recorded, processed, summarized, and reported within the time periods specified by securities regulations and that the information required to be disclosed is accumulated and communicated to management. Internal controls over financial reporting are intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. In connection with National Instrument 52-109 (Certificate of Disclosure in Issuer's Annual and Interim Filings) ("NI 52-109"), the Chief Executive Officer and Chief Financial Officer of the Company have filed a Venture Issuer Basic Certificate with respect to the financial information contained in the consolidated financial statements for the three months ended March 31, 2015 and this accompanying MD&A (together, the "Interim Filings").

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

Risks and Uncertainties

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

Operational risks include: the Company may not be able to find and develop resources economically, the Company cannot guarantee title to its properties, the Company may have difficulty in marketing production and services, the Company must manage changing governmental laws and regulations, the Company may have difficulty in hiring and retaining skilled employees and contractors, environmental hazards (including discharge of pollutants or hazardous chemicals), industrial accidents and occupational and health hazards, mechanical failures, the unavailability of materials and equipment, pit slope failures, unusual or unexpected rock formations, poor or unexpected geological or metallurgical conditions, poor or inadequate ventilation, failure of mine communication systems, poor water condition, interruptions to gas and electricity supplies, human error and adverse weather conditions, there is no assurance that the Company will acquire additional mineral properties and any acquisitions may expose the Company to new risks, and the mining industry is intensely competitive for the acquisition of new properties, access to capital and hiring of skilled personnel. The Company continuously monitors and responds to changes in these factors and seeks to adhere to all regulations governing its operations.

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

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

Outlook

During the fourth quarter of 2014 the Rosario Mine continued to steadily ramp up production and recorded a nominal negative cash flow from operations ($11,000) notwithstanding a significant decrease in the price of silver, gold, zinc and lead during this period. This positive event was overshadowed in early January with a malfunction in the Rosario Mine tailings storage facility that caused a suspension in operations at the mine from January 2nd to March 26th. With the recommencement of operations in late March the Company is once again focused for the near term on the continued increase of production at the Rosario Mine. The current plan is to increase production from an initial level of 350 tpd to 450 tpd in a systematic manner over the coming weeks.

Once the production level is stabilized at 450 tpd the Company expects to follow through on other operations optimization initiatives that have been deferred while operations staff were focused on bringing the Rosario Mine back into production.

Additional Disclosure for Venture Issuers without Significant Revenue

The Company provides disclosure related to capitalized or expensed exploration and development costs in the notes to the financial statements and disclosure related to general and administration expenses in the statements of loss and comprehensive loss. The Company has no expensed research and development costs.

Qualified Persons

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

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

Other Information

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