

**ANNUAL INFORMATION FORM
(revised)**



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For the year ended December 31, 2015

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PRELIMINARY NOTES

In this Annual Information Form, the term "**Company**" refers to Santacruz Silver Mining Ltd. and all of its subsidiaries together unless the context otherwise clearly requires. All information contained herein is as at December 31, 2015, unless otherwise specified.

Currency

Unless otherwise indicated, all references to "\$", "US\$" or "dollars" in this Annual Information Form refer to United States dollars; references to "CDN\$", "Cdn" or "C\$" refer to Canadian dollars; and references to "MEX\$" or "pesos" refer to Mexican pesos. The Company's accounts are maintained in Canadian dollars and Mexican pesos but it reports financial results in United States dollars.

The Company's common shares are also listed on the SSEV denominated in Chilean pesos.

The noon exchange rates as at July 5, 2016 as reported by the Bank of Canada for the conversion of United States dollars to Mexican pesos was US\$1.00 equals MEX\$18.7830 or MEX\$1.00 equals US\$0.05324. The noon exchange rate as at July 5, 2016 as reported by the Bank of Canada for the conversion of Canadian dollars was CDN\$1.00 equals US\$0.7723 or US\$1.00 equals CDN\$1.2949.

Cautionary Statement Regarding Forward-Looking Statements

This Annual Information Form contains forward-looking statements or forward-looking information under applicable Canadian securities laws (hereinafter collectively referred to as "**forward-looking statements**") concerning the Company's plans for its properties, operations and other matters. These statements relate to analyses and other information that are based on forecasts of future results, estimates of amounts not yet determinable and assumptions of management.

Statements concerning estimates of mineral resources may also be deemed to constitute forward-looking statements to the extent that they involve estimates of the mineralization that will be encountered if the property is developed. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, using words or phrases such as "expects" or "does not expect", "is expected", "anticipates" or "does not anticipate", "plans", "estimates" or "intends", or stating that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved) are not statements of historical fact and may be forward-looking statements.

Forward-looking statements included or incorporated by reference in this Annual Information Form include statements with respect to:

- tonnage and grades of mineral resources on the Company's projects;
- statements relating to the potential mineralization and geological merits of the Rosario Mine, Veta Grande Mine, San Felipe Project, Gavilanes Project, El Gachi Property, Minillas Property and the Zacatecas Properties;
- the Company's expected production and recoveries for the Rosario Mine and Veta Grande Mine;
- the expectations for the development of the main access at the Rosario Mine;
- the expectations regarding the continuity of mineral deposits;

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- 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; El Gachi Property, Contracuña Properties, which include the Veta Grande Mine and the Minillas Property, as well as the Zacatecas Properties;
- timing of a pre-feasibility study for the San Felipe Project;
- plans for drilling;
- the 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.

Forward-looking statements are subject to a variety of risks and uncertainties, which could cause actual events or results to differ materially from those reflected in the forward-looking statements, including, without limitation:

- risks related to gold, silver, base metal and other commodity price fluctuations;
- risks and uncertainties relating to the interpretation of drill results, and the geology, grade and continuity of mineral deposits;
- risks related to the inherent uncertainty of production and cost estimates and the potential for unexpected costs and expenses;
- risks related to escalating project capital costs;
- risks related to metallurgical characteristics of mineralization contained within the Company's properties, other than the Rosario Mine, are yet to be fully determined;
- results of prefeasibility and feasibility studies, and the possibility that future exploration, development or mining results will not be consistent with the Company's expectations;
- mining and development risks, including risks related to accidents, equipment breakdowns, labour disputes or other unanticipated difficulties with or interruptions in production;
- risks related to the ability to obtain financing needed to develop mineral properties and to complete feasibility studies;
- the potential for delays in exploration or development activities or the completion of feasibility studies;
- risks related to the Company's contractual obligations;
- the uncertainty of profitability based upon the Company's history of losses;
- risks related to foreign exchange fluctuations;

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- risks related to environmental regulation and liability;
- risks associated with failure to maintain community acceptance, agreements, and permissions (generally referred to as "social licence");
- political and regulatory risks associated with mining and exploration; and
- risks and uncertainties related to the Company's prospects, properties and business strategy.

These forward-looking statements are based on certain assumptions which the Company believes are reasonable, including that:

- current gold, silver, base metal and other commodity prices will be sustained, or will improve;
- the proposed development of the Company's mineral projects will be viable operationally and economically and proceed as expected;
- all necessary government approvals for the planned exploration and development of the Company's mineral projects will be obtained in a timely manner and on terms acceptable to the Company;
- the Company will not experience any material accident, labour dispute or failure of plant or equipment;
- the Company will be able to obtain financing to meet its contractual obligations; and
- any additional financing needed by the Company will be available on reasonable terms.

Assumptions relating to the mineral resource estimates reported in respect of the Company's Rosario Mine, the San Felipe Project and the Gavilanes Project are discussed in "Mineral Projects – Rosario Mine", "Mineral Projects – San Felipe" and "Mineral Projects – Gavilanes", respectively, and the technical reports referred to therein.

Some of the important risks and uncertainties that could affect forward-looking statements are described in this Annual Information Form under "Risk Factors". Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in forward-looking statements. Forward-looking statements are made based on management's beliefs, estimates and opinions on the date the statements are made and the Company undertakes no obligation to update forward-looking statements if these beliefs, estimates and opinions or other circumstances should change, other than as required by applicable laws. Investors are cautioned against attributing undue certainty to forward-looking statements.

The term "**ore**" is used in the Rosario Report, the San Felipe Report and the Gavilanes Report which are incorporated by reference herein, and in the summaries below. This term can be interpreted to imply economic viability of the applicable mineralized material. Economic viability has not been proved in respect of mining any of the Properties.

Disclosure Standards

Unless otherwise specifically indicated in this Annual Information Form, all scientific or technical disclosure contained in this Annual Information Form was prepared by or under the supervision of Van Phu Bui, B.Sc., P. Geo., who is independent of the Company and a "qualified person" under NI 43-101.

Readers are referred to the news releases of the Company pursuant to which scientific or technical information is disclosed and to the Rosario Report, the Veta Grande Report, the San Felipe Report and the Gavilanes Report for additional background information.

GLOSSARY OF TERMS

In this Annual Information Form, the following terms have the following meanings. Other terms are defined throughout this Annual Information Form and in such cases shall have the meanings given therein.

"Board"	means the board of directors of the Company.
"BCBCA"	means the <i>Business Corporations Act</i> (British Columbia), as amended, including all regulations promulgated thereunder.
"CIM"	Canadian Institute of Mining, Metallurgy and Petroleum.
"Contracuña Properties"	means the Veta Grande Property and the Minillas Property.
"El Gachi Property" or "El Gachi Project"	means the 48,057.33 hectare El Gachi project located approximately 30 kilometres from the San Felipe Project.
"g/t"	Grams per tonne. One gram per tonne equals 0.02917 troy ounces per short ton.
"G&A"	means general and administrative expenses.
"Gavilanes Authors"	means Fletcher Bourke, M.Sc., P.Geo., Hans Smit, B.Sc., P.Geo., and Gary Giroux, M.A.Sc., P. Eng.
"Gavilanes Property" or "Gavilanes Project"	means the Gavilanes silver property located in Durango State, Mexico, as described in "Mineral Projects – Gavilanes Property" in this Annual Information Form.
"Gavilanes Report"	means the independent NI 43-101 technical report dated January 20, 2014 with an effective date of November 13, 2013 entitled "2013 Mineral Resource Estimate, Gavilanes Project, Durango, Mexico" and prepared by the Gavilanes Authors.
"Gustavson"	means Gustavson Associates, LLC.
"IFRS"	means International Financial Reporting Standards.

"Impulsora"	means Impulsora Minera Santacruz S.A. de C.V., an indirect wholly-owned subsidiary of the Company, existing under the laws of Mexico.
"JMET"	means JMET, LLC.
"MHM" or "Hochschild"	means Minera Hochschild Mexico S.A. de C.V.
"Minillas Property"	means the Minillas property covering approximately 178 hectares located in Zacatecas State, Mexico, approximately 25 kilometers southeast of Zacatecas City in the municipality of Genaro Codina.
"NI 43-101"	means National Instrument 43-101 – <i>Standards of Disclosure for Mineral Projects</i> . An instrument developed by the Canadian Securities Administrators (an umbrella group of Canada's provincial and territorial securities regulators) that governs public disclosure by mining and mineral exploration issuers. The instrument establishes certain standards for all public disclosure of scientific and technical information concerning mineral projects.
"Plan"	means the Company's 10% rolling stock option plan, as described under the heading "Description of Capital Structure – Stock Options".
"Pre-Paid Forward Silver Purchase Agreement"	means the Pre-Paid Forward Silver Purchase Agreement dated September 9, 2014 among Santacruz, JMET, Santacruz Holdings, Impulsora and Operadora, as amended.
"Properties"	means the Rosario Mine, the Veta Grande Mine, the San Felipe Property, the Gavilanes Property, the El Gachi Property, the Minillas Property and the Zacatecas Properties.
"Qualifying Transaction"	means generally a transaction where a capital pool company acquires significant assets other than cash, by way of purchase, amalgamation, merger or arrangement with another company or by other means and, in the case of the Company, means the Acquisition.
"Rosario Mine", "Rosario Property" or "Rosario Project"	means the Rosario silver mine located in San Luis Potosi State, Mexico, as described in "Mineral Projects – Rosario Mine " in this Annual Information Form.
"Rosario Report"	means the independent NI 43-101 technical report dated December 19, 2012, with an effective date of December 1, 2012 prepared by Gustavson entitled "NI 43-101 Technical Report on Resources, Rosario Project, San Luis Potosi, Mexico" in respect of the Rosario Property.
"San Felipe Authors"	means Hans Smit, B.Sc. (Hons), P.Geo., Fletcher Bourke, M.Sc., P.Geo., Gary Giroux, M.A.Sc., P.Eng., Greg Blaylock, M.Sc., P.Eng., Deepak Malhotra, Ph.D., SME-RM and Mark E. Smith, P.E.
"San Felipe Property" or "San Felipe Project"	means the San Felipe silver property located in Sonora State, Mexico, described in "Mineral Projects – San Felipe Project " in this Annual Information Form.

"San Felipe Report"	means the independent NI 43-101 technical report dated October 23, 2014 with an effective date of September 4, 2014, as amended June 29, 2016, entitled "2014 Resource Estimate and Preliminary Economic Assessment San Felipe Project, Sonora, Mexico" and prepared by the San Felipe Authors.
"shares" or "common shares"	means common shares in the capital of the Company.
"shareholders"	means holders of common shares from time to time.
"SSEV"	means Santiago Stock Exchange, Venture.
"TSXV"	means TSX Venture Exchange.
"Veta Grande Authors"	means Van Phu Bui, B.Sc., P.Geo and Gilles R. Dessureau, M.Sc., P.Geo.
"Veta Grande Mine", "Veta Grande Property" or "Veta Grande Project"	means the Veta Grande silver mine located in Zacatecas, Mexico, as described in "Mineral Projects – Veta Grande Mine" in this Annual Information Form.
"Veta Grande Report"	means the independent NI 43-101 technical report dated May 17, 2016 prepared by Van Phu Bui, B.Sc., P.Geo and Gilles R. Dessureau, M.Sc., P.Geo entitled "Technical Report, Veta Grande Project, Zacatecas State, Mexico" in respect of the Veta Grande Property.
"Warrants" and "Warrant Certificates"	have the meaning given such terms under the heading "Description of Capital Structure – Warrants".
"Zacatecas Properties"	means the mineral properties held under an option agreement dated May 2, 2016 with Golden Minerals Company consisting of 149 concessions covering approximately 7,800 hectares located on the periphery of the Zacatecas, Veta Grande, Guadalupe, Pánuco, and Morelos municipalities in the state of Zacatecas, Mexico.

Conversion Factors

To Convert From	To	Multiply By
Feet	Metres ("m")	0.305
Metres	Feet	3.281
Miles	Kilometres ("km")	1.609
Kilometres	Miles	0.6214
Acres	Hectares ("ha")	0.405
Hectares	Acres	2.471
Grams	Ounces (Troy) ("oz")	0.03215
Grams/Tonnes	Ounces (Troy)/Short Ton	0.02917
Tonnes (metric)	Pounds	2,205
Tonnes (metric)	Short Tons	1.1023

NI 43-101 Definitions

The following terms used in this Annual Information Form or in documents incorporated by reference are Canadian mining terms as defined in accordance with NI 43-101 under the guidelines set out in the CIM Standards, as follows:

- "mineral resource"** Refers to a concentration or occurrence of diamonds, natural solid inorganic material, or natural solid fossilized organic material including base and precious metals, coal, and industrial minerals in or on the Earth's crust in such form and quantity and of such a grade or quality that it has reasonable prospects for economic extraction. The location, quantity, grade, geological characteristics and continuity of a mineral resource are known, estimated or interpreted from specific geological evidence and knowledge.
- "measured mineral resource"** Refers to that part of a mineral resource for which quantity, grade or quality, densities, shape and physical characteristics are so well established that they can be estimated with confidence sufficient to allow the appropriate application of technical and economic parameters, to support production planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough to confirm both geological and grade continuity.
- "indicated mineral resource"** Refers to that part of a mineral resource for which quantity, grade or quality, densities, shape and physical characteristics can be estimated with a level of confidence sufficient to allow the appropriate application of technical and economic parameters, to support mine planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough for geological and grade continuity to be reasonably assumed.

"inferred mineral resource"	Refers to that part of a mineral resource for which quantity and grade or quality can be estimated on the basis of geological evidence and limited sampling and reasonably assumed, but not verified, geological and grade continuity. The estimate is based on limited information and sampling gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes.
"mineral reserve"	Refers to the economically mineable part of a measured or indicated mineral resource demonstrated by at least a preliminary feasibility study. The study must include adequate information on mining, processing, metallurgical, economic, and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified. A mineral reserve includes diluting materials and allowances for losses that might occur when the material is mined. Mineral reserves are categorized as proven mineral reserves or probable mineral reserves as follows on the basis of the degree of confidence in the estimate of the quantity and grade of the deposit.
"Preliminary Assessment" or "Scoping Study"	The term "preliminary assessment" or "preliminary economic assessment" commonly referred to as a scoping study, means a study that includes an economic analysis of the potential viability of mineral resources taken at an early stage of the project prior to the completion of a preliminary feasibility study.
"preliminary feasibility study" or "pre-feasibility study"	Refers to a comprehensive study of the viability of a mineral project that has advanced to a stage where the mining method, in the case of underground mining, or the pit configuration, in the case of an open pit, has been established and an effective method of mineral processing has been determined, and includes a financial analysis based on reasonable assumptions of technical, engineering, legal, operating, economic, social, and environmental factors and the evaluation of other relevant factors which are sufficient for a Qualified Person (as defined under NI 43-101), acting reasonably, to determine if all or part of the mineral resource may be classified as a mineral reserve.
"feasibility study"	Refers to a comprehensive technical and economic study of the selected development option for a mineral project that includes appropriately detailed assessments of realistically assumed mining, processing, metallurgical, economic, marketing, legal, environmental, social and governmental considerations together with any other relevant operational factors and detailed financial analysis, that are necessary to demonstrate at the time of reporting that extraction is reasonably justified (economically mineable). The results of the study may reasonably serve as the basis for a final decision by a proponent or financial institution to proceed with, or finance, the development of the project. The confidence level of the study will be higher than that of a pre-feasibility study.

CORPORATE STRUCTURE

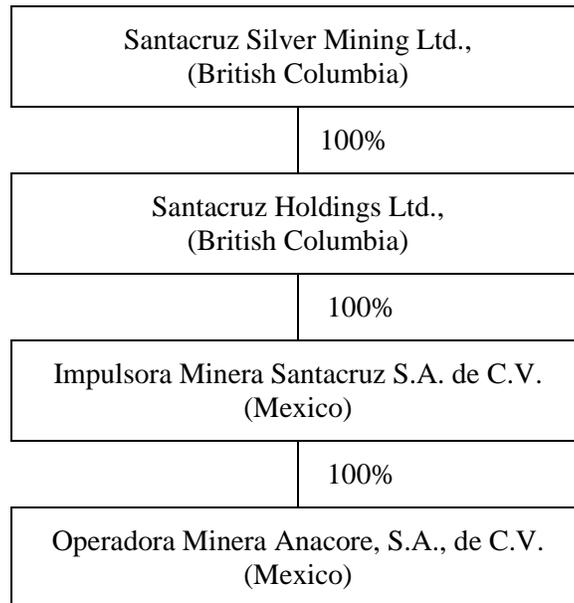
Name, Address and Incorporation

The Company was incorporated pursuant to the provisions of the BCBCA on January 24, 2011, under the name "Forte Resources Inc.". The Company currently exists under and is governed by the BCBCA and the provisions of the Company's Notice of Articles and Articles. The Company changed its name to "Santacruz Silver Mining Ltd." on April 12, 2012.

The head office of the Company is located at Av. José Vasconcelos 150 Ote. Plaza O2 Vasconcelos Departamento #124, 1er piso Del Valle Sector Fátima Código Postal: 66257 San Pedro Garza García, Nuevo León, México with an office located at Suite 880 – 580 Hornby Street, Vancouver, British Columbia, V6C 3B6. The Company's registered and records office is located at 10th Floor, 595 Howe Street, Vancouver, British Columbia, V6C 2T5.

Intercorporate Relationships

The following chart illustrates the intercorporate relationship among the Company and its subsidiaries:



GENERAL DEVELOPMENT OF THE BUSINESS

The Company is engaged in the operation, acquisition, exploration and development of mineral properties in Mexico, with a primary focus on silver and zinc, but also including gold and lead. The Company currently has one producing property, the Rosario Mine. In addition, the Company holds six exploration properties in its mineral property portfolio, the San Felipe Project (an advanced stage project), the Gavilanes Project (an exploration project), the El Gachi Property (an early stage exploration project), the Veta Grande Mine (an advanced stage project), the Minillas Property (an early stage exploration project), and the Zacatecas Properties (early stage exploration projects).

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 on continuing to increase production and upgrade performance at the Rosario Mine and completing operations testing at the Veta Grande Mine.

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

Three Year History

During the three most recently completed financial years, the Company focused its efforts on commencing production at the Rosario Mine and advancing its San Felipe Project and Gavilanes Project and the Veta Grande Mine. A summary of how the Company's business has developed over the last three financial years is set out below.

MHM Amending Agreements

On October 8, 2012, the Company, through Impulsora, entered into an amending agreement with **MHM** with respect to the terms pursuant to which the Company could acquire the San Felipe Project. Under the amended agreement (the "**San Felipe Agreement**"), Impulsora could acquire 100% of the San Felipe Project and an option to acquire the El Gachi Property (which option was exercised in March of 2013 as described below) from MHM by making total cash payments of \$45,000,000 and incurring \$3,000,000 in expenditures on the property.

On March 7, 2013, the Company announced that it had exercised its option under the San Felipe Agreement to acquire 100% ownership of the El Gachi Property, including all assets related thereto, for \$5,000,000.

On August 13, 2013, the Company, through Impulsora, entered into a further amending agreement (the "**MHM Amending Agreement**") with MHM whereby the remaining payments to acquire the San Felipe Project and the El Gachi Property, including related equipment and water rights, were amended and deferred. Under the terms of the MHM Amending Agreement, Impulsora could acquire 100% of the San Felipe Project and the El Gachi Property, including all assets related to the properties, by making the following payments:

- a. \$700,000 on execution of the MHM Amending Agreement⁽¹⁾ and the issuance of 1,250,000 common shares of the Company at a deemed issue price of Cdn\$1.07 per share⁽²⁾;
- b. \$1,000,000 on June 15, 2014⁽³⁾;
- c. \$5,000,000 on or before October 31, 2014;
- d. \$15,000,000 on or before October 31, 2015; and
- e. \$1,000,000 for restructuring fees on or before October 31, 2015. At the Company's election this payment may be made in cash or through the issuance of \$1,500,000 of common shares of the Company, at an issue price calculated at the time of issuance pursuant to the policies of TSXV and subject to a minimum issue price of Cdn\$1.07 per share.

Notes:

⁽¹⁾ This \$700,000 payment has been made.

- (2) These common shares have been issued at a deemed aggregate issue price of Cdn\$1,337,500 (being the equivalent of US\$1,300,000 based on an exchange rate of Cdn\$1.00 equals US\$0.97196 or US\$1.00 equals Cdn\$1.02885).
- (3) This \$1,000,000 payment has been made.

On September 3, 2014, the Company, through Impulsora, entered into a further amending agreement (the "**Second MHM Amending Agreement**") with MHM pursuant to which the remaining payments required for Impulsora to acquire the San Felipe Project and the El Gachi Property were amended and deferred as follows:

- a. \$2,000,000 on or before December 1, 2014⁽¹⁾;
- b. \$5,000,000 on or before December 1, 2015; and
- c. \$14,000,000 on or before December 15, 2016.

Notes:

- (1) This \$2,000,000 payment has been made.

Pursuant to the Second MHM Amending Agreement, in the event a capital increase to Impulsora is funded by non-affiliated third parties during the term of the agreement to December 2016, the Company is required to pay to MHM 30% of such amount. Any such payments will be reduced from the next payment owing under the agreement.

On July 7, 2015, the Company, through Impulsora, entered into a further amending agreement (the "**Third MHM Amending Agreement**") with MHM pursuant to which the \$5,000,000 payment due on or before December 1, 2015 was deferred to December 1, 2016.

As at the date of this Annual Information Form, the Company has made aggregate cash payments totaling \$25,883,997, issued 1,250,000 common shares and incurred the full \$3,000,000 in expenditures.

The San Felipe Project is also subject to a 1% net smelter return royalty on production that may be purchased by the Company for \$3,000,000.

OTCQX Trading

On April 23, 2014, the Company's common shares began trading on the OTCQX marketplace in the U.S. under the ticker SZSMF. On February 3, 2016 the Company announced that due to budgetary cuts its common shares will no longer trade on the OTCQX in the United States.

Short Form Prospectus Financings, Private Placement and Loan Facility

On February 19, 2013, the Company completed an underwritten short form prospectus offering of an aggregate of 21,850,000 common shares (including common shares issued pursuant to the over-allotment option granted to the underwriters) at a price of Cdn\$1.85 per share for gross proceeds of Cdn\$40,422,500 through a syndicate of underwriters comprised of Canaccord Genuity Corp. ("**Canaccord**"), Raymond James Ltd. ("**Raymond James**") and Cormark Securities Inc. The underwriters received a cash commission of Cdn\$2,425,350, representing 6% of the gross proceeds and 1,311,000 underwriters' warrants, with each underwriters' warrant entitling the holder to purchase one common share for Cdn\$1.85 per share until February 19, 2015. Canaccord was issued an additional 60,000 common shares as corporate finance fee.

On March 11, 2014, the Company completed an underwritten short form prospectus offering of an aggregate of 10,750,000 common shares at a price of Cdn\$1.00 per share for gross proceeds of Cdn\$10,750,000 through a syndicate of underwriters led by Canaccord and including Raymond James. The underwriters received a cash commission of Cdn\$645,000 representing 6% of the gross proceeds, as well as 645,000 underwriters' warrants, with each underwriters' warrant entitling the holder to purchase one common share for Cdn\$1.00 until March 11, 2016. Canaccord was also issued an additional 100,000 common shares as a corporate finance fee.

On March 20, 2014, the underwriters completed the exercise of their over-allotment option and purchased an additional 1,312,500 common shares at Cdn\$1.00 per share for gross proceeds of Cdn\$1,312,500. The underwriters received a cash commission of Cdn\$78,750 representing 6% of the gross proceeds and 78,850 underwriters' warrants, with each underwriters' warrant entitling the holder to purchase one common share for Cdn\$1.00 until March 20, 2016. The gross proceeds of the offering and over-allotment option was Cdn\$12,062,500.

In October and November 2015 the Company completed a private placement of 10,000,000 common shares at a price of Cdn\$0.13 per common share for gross proceeds of Cdn\$1,300,000. Insiders of the Company acquired 3,994,500 common shares of the private placement. Their participation was considered to be a "related party transaction" within the meaning of TSXV Policy 5.9 and Multilateral Instrument 61-101.

On December 29, 2015, the Company announced that Impulsora had entered into a short-term loan facility with Trafigura Mexico, S.A. de C.V. in the principal amount of \$725,000. The loan bears interest at LIBOR plus 10% annualized interest, payable monthly in arrears. The loan has been secured by certain personal assets of the CEO of the Company, who was issued 3,000,000 bonus warrants, each of which is exercisable to purchase one common share for a price of CDN\$0.15 and expires on January 15, 2017.

On June 15, 2016, Santacruz filed a preliminary short form prospectus in connection with the proposed Offering of up to 26,500,000 units at a price of C\$0.40 per unit for gross proceeds of up to C\$10,600,000 (the "**Offering**"). Each unit consists of one common share and one-half of one transferable common share purchase warrant, each whole such warrant will entitle the holder to acquire one common share at a price per share of Cdn\$0.55 for a period of 30 months from the date of issuance. In connection with the Offering, the Company also granted to Haywood Securities Inc. ("**Haywood**") and M Partners Inc. (collectively, the "**Agents**") an option (the "**Agents' Option**") exercisable, in whole or in part at any time up to 48 hours prior to the closing date, to sell up to an additional 3,975,000 units for additional aggregate gross proceeds of up to C\$1,590,000.

On June 16, 2016, the Company amended its agreement with Haywood, on behalf of the Agents, to increase the amount of the Offering from 26,500,000 units to up to 32,500,000 units for aggregate gross proceeds of up to C\$13,000,000. The number of additional units that may be acquired under Agents' Option was also increased from 3,975,000 units to 4,875,000 units for aggregate proceeds of up to C\$1,950,000.

The net proceeds of the Offering will be used by the Company to restructure the obligations owing by the Company under the Pre-Paid Forward Silver Purchase Agreement as described below and for general working capital purposes.

The closing of the Offering is subject to certain conditions including, but not limited to, receipt of applicable regulatory approvals. The restructuring of the Pre-Paid Forward Silver Purchase Agreement and the closing of the Offering are contingent on one another.

Pre-Paid Forward Silver Purchase Agreement

In September 2014, the Company entered into the Pre-Paid Forward Silver Purchase Agreement. Pursuant to the terms of the Pre-Paid Forward Silver Purchase Agreement, the Company agreed to sell 4,635,000 ounces of silver to JMET through August 2019 for \$28.4 million, subject to certain adjustments relating to metal prices. In addition to the \$28.4 million paid upon satisfaction of certain conditions, at the time of each delivery of silver to JMET the Company will receive an amount per ounce of silver equal to the market price at the time, less a fixed discount (the "Fixed Discount") of \$10.00 per ounce.

In conjunction with the Pre-Paid Forward Silver Purchase Agreement, the Company entered into a minimum price protection program with JMET (the "PPP") to set a floor price for silver, gold, lead and zinc. In the event the market price of any of the above referenced metals is greater than or equal to the respective floor price for any particular month, the Company will receive the market price for all metal shipped. In the event the market price of any of the metals is less than the floor price for any particular month, the Company will receive the market price plus cash payments from JMET for the difference between market price and the floor price multiplied by the contracted monthly amount of the respective metal.

The Company funded a portion of the PPP from its treasury and JMET funded a portion from the \$9 million payment made upon execution of the Second JMET Amendment (see below).

In November 2014 the Company and JMET entered into two amending agreements. The first amending agreement (the "**First JMET Amendment**") granted JMET the right to allow any eligible offtaker to match the best terms offered to the Company and to allow such matching offtaker to enter into an offtake agreement with the Company.

The second amending agreement (the "**Second JMET Amendment**") reduced the contractual quantity of silver to be sold to JMET to 2,600,000 ounces of silver at the Fixed Discount to the market price, with the first delivery of 52,000 ounces of silver in July 2015 and sales of an additional 52,000 ounces each month through August 2019, at which point the contract will be fulfilled. Pursuant to the terms of the Second JMET Amendment, the \$28.4 million upfront payment was commensurately reduced to \$12.4 million. Accordingly, the Company repaid JMET \$9.0 million upon execution of the Second JMET Amendment and agreed to repay the balance of \$7.0 million on or before April 1, 2015.

As part of the Second JMET Amendment, the PPP was amended to provide as follows:

- with respect to silver, a floor price of \$17 per ounce from January 2015 through March 2016 and \$16 per ounce for the balance of 2016. The floor price covers 98,640 ounces per month for 2015 and 105,238 ounces per month for 2016;
- with respect to gold, lead and zinc, floor prices of \$1,145 per ounce, \$1,975 per metric tonne and \$2,200 per metric tonne for the period from January 2015 through March 2016. The corresponding quantities of metal covered per month for the respective metals are 180 ounces for 2015 and 190 ounces for the first three months of 2016 for gold; 155 tonnes for 2015 and 165 tonnes for the first three months of 2016 for lead; and 325 tonnes for 2015 and 346 tonnes for the first three months of 2016 for zinc.

As of April 1, 2015, the parties entered into another amending agreement (the "**Third JMET Amendment**") to extend the deadline for repayment of \$5.0 million (the "**Third Amendment Loan**") of the \$7.0 million due to JMET to the earlier of (i) December 31, 2015 or (ii) within seven days of receipt by the Company of certain funds, including value added tax refunds or funds raised through a private

placement or joint venture. The Company paid \$2 million to JMET on April 1, 2015. Pursuant to the Third JMET Amendment, the Company is required to pay interest on the remaining balance. It was also agreed that any proceeds otherwise payable to the Company by JMET upon the expiry of various monthly components of the PPP would be applied against the outstanding balance of the Third Amendment Loan. To date \$4.436 million of such proceeds have been paid against the Third Amendment Loan balance.

As of July 15, 2015 the parties entered into a further amending agreement pursuant to which:

- the parties agreed to defer the commencement of the monthly delivery of silver to JMET from July 2015 to October 2015; and
- the Company agreed to deliver to JMET in October 2016 44,625 ounces of silver as consideration for the deferral.

In September of 2015 the PPP in respect of gold was monetized with the proceeds being applied to the outstanding balance of the Third Amendment Loan.

On October 27, 2015 the parties entered into a further amending agreement pursuant to which:

- the parties agreed to further defer the commencement of the monthly delivery of silver to JMET from October 2015 to December 2015; and
- the Company agreed to pay JMET \$100,000 as consideration for the deferral. The Company made this payment in April 2016.

On December 15, 2015 the parties entered into a further amending agreement pursuant to which:

- the parties agreed to further defer the commencement of the monthly delivery of silver to JMET from December 2015 to June 2016;
- the parties agreed to change the monthly delivery requirement from silver to the US\$ equivalent for the production delivery month; and
- the Company agreed to pay JMET \$100,000 in consideration for the deferral. The Company made this payment in April 2016.

In April 2016, the parties entered into a further amending agreement and the Company paid \$804,000 against the outstanding balance of the Third Amendment Loan and the remaining balance thereof of \$985,000 was deferred to June 30, 2016. In May 2016 the Company settled the residual component of the PPP for \$438,000 and used the proceeds to further reduce the outstanding balance of the Third Amendment Loan.

On June 14, 2016, the parties entered into a further amending agreement pursuant to which the parties agreed to defer the Company's payment obligations under the Pre-Paid Forward Silver Purchase Agreement until August 2016.

In June 2016, the parties entered into a binding memorandum of understanding dated June 15, 2016 (the "MOU") to restructure the terms of the Pre-Paid Forward Silver Purchase Agreement.

The MOU sets out terms for the restructuring (the "**Silver Pre-Payment Restructuring**") of the Company's payment obligations under the Pre-Paid Forward Silver Purchase Agreement. The principal terms of the Silver Pre-Payment Restructuring are the payment of US\$6,000,000 from the proceeds of the

Offering to JMET as partial payment of the outstanding indebtedness under the Pre-Paid Forward Silver Purchase Agreement and the issuance by the Company of a new secured note to JMET in the amount of not more than US\$6,700,000, subject to adjustment for interest accruing to the Closing Date (the “**JMET Note**”) for the balance. The JMET Note will bear interest at a rate of 14% per annum, payable quarterly in arrears commencing September 30, 2016 with principal repayments of US\$500,000 per quarter commencing September 30, 2017 through to and including September 30, 2019, and with a final payment on December 31, 2019 for the remaining balance owing, subject to earlier payment as described below.

In addition, the Company will issue 3,750,000 warrants to JMET on closing of the Silver Pre-Payment Restructuring (the “**JMET Warrants**”). Each JMET Warrant will be a “cashless exercise” warrant that allows JMET to acquire, without additional cash consideration, the number of Common Shares determined by dividing (i) the difference between the JMET Warrant exercise price of \$0.55 per share and the last closing price at the date of exercise by (ii) such closing price and multiplying the quotient by the number of JMET Warrants exercised. The JMET Warrants will expire on December 31, 2018; provided that, if the volume weighted average of the Common Shares for any consecutive 20-day trading period on the TSXV equals or exceeds \$0.88, the Company will have the right to deem the JMET Warrants to be exercised. The Company will also agree to pay JMET certain restructuring and finance fees in the aggregate amount of US\$1,500,000 which fees will be payable in 2019, subject to earlier payment as described below.

In certain circumstances, the principal repayments due under the JMET Note and payment of the restructuring and finance fees will be accelerated without penalty if the Company receives net proceeds from sources other than the sale of concentrates or if the Company’s working capital and cash balance exceed certain thresholds. Upon closing, the Silver Pre-Payment Restructuring will amend the terms of the Pre-Paid Forward Silver Purchase Agreement. Under the restructured terms, the Company will no longer have any metal delivery obligations to JMET.

The MOU is subject to a number of conditions, including the repayment of US\$6,000,000 to JMET on closing of the Offering and all final terms being represented in documentation in form and substance satisfactory to JMET, the Agents and the Company. The MOU will expire and the Pre-Paid Forward Silver Purchase Agreement will remain in force, unamended if the Silver Pre-Payment Restructuring is not completed by July 25, 2016.

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 m³ 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 thereafter to observe and make recommendations with respect to the Company's remediation procedures. As part of this process, PROFEPA set out the necessary steps the Company had to take to resume operations. These steps included completing a full remediation of the spill area and delivering an engineering report outlining steps for the continued use of the existing tailings storage system or such other alternative solution as is appropriate.

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

The Company also advised at that time that the tailings structure had been stabilized with remaining work focused on definitively sealing the decant system. Subsequently the sealing of the decant system was completed. From March 26th until August 2nd, an alternate tailings management system that utilized a geotextile containment system to dewater and store tailings was used. On August 2nd the Company commenced using a new permanent tailings disposal system that utilizes dry-stacking technology in conjunction with the prior existing tailings structure.

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. Pursuant to applicable regulations, certain remediation and community related expenses incurred by the Company were available to be offset against the fine. To date the Company has incurred approximately \$730,000 of expenditures in connection with its remediation activities and PROFEPA has subsequently advised the Company that in view of the Company's remediation expenditures and activities no additional cash payment with respect to the original fine is required.

On August 2, 2015, the Company commenced using a new permanent tailings disposal system that utilizes dry-stacking technology in conjunction with the prior existing tailings structure. Operating costs are expected to decrease as a result of the implementation of this system.

Contracuña Agreement

On November 2, 2015, the Company entered into a definitive agreement (the "**Contracuña Agreement**") with Minera Contracuña I, S.A. de C.V. and Vetelinda Compania Minera, S.A. de C.V. (together "**Contracuña**"), pursuant to which Contracuña granted the Company the right for thirty years to explore, mine and operate the Contracuña Properties. Both mineral properties are prospective for silver, gold, zinc, and lead, and cover approximately 1,100 hectares within the State of Zacatecas, in central Mexico.

The Contracuña Agreement has an initial term of 15 years, with an additional 15 year term extension, at the Company's option, at the end of the original term. Consideration for the Contracuña Agreement was \$500,000 which has been paid. During the term of the Contracuña Agreement, a 40% net profits interest basis ("**NPI**") will be paid to Contracuña. In the event the price of silver is greater than \$22.00/ounce, the NPI increases to 45%.

Veta Grande Mine

As part of the Contracuña Agreement the Company acquired the right to operate a 500 tonnes-per-day ("**tpd**") fully permitted milling facility located approximately 8 kms from the city of Zacatecas with access to an excellent highway system, power, water, and experienced mining workforce.

During November 2015 through early January 2016 Company staff oversaw the refurbishment of the milling facility including an engineering design change that now allows the mill to produce both a lead concentrate and a zinc concentrate as opposed to formerly only producing a single bulk concentrate. Following the refurbishment activities, commissioning of the plant circuits began in early January 2016. The key remaining equipment addition to be made to the milling facility is the fabrication and installation of thickener tanks together with the installation of filter presses for both the lead and zinc circuits. This work is scheduled for completion by the end of July.

In concert with the refurbishment of the milling facility, the Company initiated mine preparation and development in November 2015, focusing efforts on the La Flor, Armados, La Cantera, San José and Veta Grande veins. This program has progressed as planned and mineralized material is now being delivered

to the mill from all of these veins except the Veta Grande vein as development of this vein has not yet been completed.

First concentrates deliveries to the Company's off-taker were successfully completed in early February 2016.

The Veta Grande Mine includes a permitted mineral processing facility for 500 tpd with current operating capacity of approximately 750 tpd and the project has access to electric power, highways and paved roads, civil amenities, and a local skilled labor force. The Veta Grande milling facility is currently operating at approximately 330 tpd.

Further, depending on the Veta Grande mine production rate and milling facility capacity, and after taking into account the price of silver, the agreement allows the Company to ship mineralized material from the Veta Grande Mine to the Rosario Mine milling facility allowing the Company to utilize the extra milling capacity available at the Rosario Mine which will help the Company to realize certain economies of scale. The Company has previously in 2014 processed mineralized material from the Veta Grande Mine at its Rosario Mine milling facility and it reacted favourably on a metallurgical basis.

The decision to commence production at the Veta Grande Mine was not based on a feasibility study on mineral reserves demonstrating economic and technical viability. Accordingly, there is increased uncertainty and economic and technical risks of failure associated with this production decision.

Changes in Board and Management

On April 8, 2014, Federico Vilaseñor was appointed to the Company's board of directors.

On August 11, 2014, Francisco Ramos resigned as Chief Operating Officer and Robert Byrd was appointed in his place.

On December 19, 2014, James Hutton resigned as a director of the Company.

On January 19, 2015, Craig Angus resigned as a director of the Company.

On February 24, 2015, Roland Löhner was appointed a director of the Company.

On April 28, 2015, Larry Okada was appointed a director of the Company.

On August 27, 2015, Mr. Robert Byrd resigned as Chief Operating Officer and Mr. Cesar Maldonado was appointed in his place.

On October 20, 2015, Marc Prefontaine resigned as a director of the Company.

On November 2, 2015, the Company announced that Robert McMorrان, the Company's Chief Financial Officer of the Company, assumed the additional role as Corporate Secretary of the Company in connection with the resignation of James Harris on the same date.

See "Mineral Projects – Rosario Mine – Rosario Mine Development Updates".

DESCRIPTION OF THE BUSINESS

General

The Company is a Mexican focused silver mining company with one producing mine (Rosario). In addition, the Company holds five exploration properties in its mineral property portfolio consisting of, three advanced stage projects (San Felipe, Gavilanes and Veta Grande Mine), and three early stage exploration projects (El Gachi, Minillas and Zacatecas).

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

- continuing to optimize the operations at the Rosario Mine and continuing the milling facility testing at the Veta Grande Mine.

Once these two projects are operating optimally the Company will initiate a review of all of the projects in its mineral portfolio with a view to determining which project to develop next.

Specialized Skills and Knowledge

All aspects of the Company's business require specialized skills and knowledge. Such skills and knowledge include areas of geology, mine development, accounting, corporate and financial reporting, drilling, logistics, environment, community and social relations and health and safety. The Company augments its in-house expertise by hiring of specialized consultants and others for exploration and development expertise.

Market

The Company's principal product under exploration is silver. There is a worldwide market for silver into which the Company is selling, and, as a result, is not currently dependent on a particular purchaser with regard to the sale of the silver or other minerals which it produces.

Competitive Conditions

The mineral exploration and mining industry is competitive in all phases of exploration, development and production. The Company competes with other mining companies, some of which have greater financial resources and technical facilities, for the acquisition of mineral tenements, claims, leases and other mineral interests for exploration and development projects. The Company also competes with other mining companies for investment capital with which to fund its projects and for the recruitment and retention of qualified employees. In addition, the abilities of the Company to acquire attractive mineral properties in the future depends not only on its success in exploring and developing its current properties, but also on its ability to select, acquire and bring to production suitable properties for exploration, mining and development.

Components

All of the raw materials the Company requires to carry on its business are available through normal supply or business contracting channels. The Company has secured personnel to conduct its currently contemplated programs. However, from time to time, the Company may require specialized services for which it may have to compete with other mining industry companies. As a result, it is possible that delays or increased costs may be experienced. Such delays could significantly affect the Company if, for example, commodity prices fall significantly, thereby reducing the opportunity the Company may have

had to develop a particular project before the fall of such prices. Such delays can slow down work programs, thus increasing field expenses or other costs (such as property payments which may have to be made before all information to assess the desirability of making such payment is known, or causing the Company to not make such a payment and terminate its interest in a property rather than make a significant property payment before all information is available).

Cycles

The mining business is subject to mineral price cycles. The marketability of minerals and metals is also affected by worldwide economic cycles.

Economic Dependence

The Company's business is substantially dependent on achieving profitable operations at the Rosario Mine and maintaining in good standing the Pre-Paid Forward Silver Purchase Agreement and the mineral concessions and agreements pursuant to which it holds its rights to the Rosario Mine, the San Felipe Project, the Gavilanes Property, the El Gachi Property, the Veta Grande Mine, the Minillas Property and the Zacatecas Properties. See "Mineral Projects" in this Annual Information Form. It is not expected that the Company's business will be affected in the current financial year by the renegotiation or termination of contracts or sub-contracts.

Environmental Protection

Mexican environmental laws regulate environmental protection in the mining industry. In order to comply with these laws, a series of permits, licences and authorizations must be obtained by a concession holder during the exploration and exploitation stages of a mining project. Generally, these permits and authorizations are issued on a timely basis after the completion of an application by a concession holder. Additionally, periodic reporting of hazardous wastes and federal air emissions and federal waste water discharges to federal authorities is required under environmental legislation.

With the San Felipe Project, the Gavilanes Property, the El Gachi Property, the Minillas Property and the Zacatecas Properties at the exploration stage, the financial and operational impact of environmental protection requirements is minimal.

The Company is bound by the applicable environmental laws referenced above during the period of production at the Rosario Mine and the Veta Grande Mine, and it expects to devote significant time and money toward ensuring that it operates in compliance with such laws. As discussed above under "General Development of the Business – Rosario Mine", the Company undertook remediation and clean-up activities on the Rosario Mine following the rupture of a tailings decant line. Initially the Company was informed by PROFEPA (the Mexican Federal Agency for Environmental Protection) that it would be required to pay a fine in the amount of approximately \$180,000 in connection with the tailings discharge. To date the Company has incurred approximately \$730,000 of expenditures in connection with its remediation activities and PROFEPA has now advised the Company that, in view of the Company's remediation expenditures and activities, no additional cash payment with respect to the original fine is required.

Employees

As of March 31, 2016, the Company had 455 employees and 39 contractors, all but one of whom are located in Mexico. The Company utilizes consultants and contractors to carry on some of its activities. As the Company expands its activities, it is probable that it will hire additional employees and engage additional contractors.

Foreign Operations

All of the Company's operations are located in Mexico. See "Risk Factors" in this Annual Information Form.

Lending

The Company has not adopted any specific policies or restrictions regarding investments or lending and does not anticipate making any loans, but it will ensure any investment or debt activities incurred are in the best interests of the Company and its security holders. The Company expects that in the future in order to maintain and develop its mineral properties and to fulfil its contractual obligations it will need to raise additional capital through a possible combination of debt and equity.

Bankruptcy and Similar Procedures

There are no bankruptcies, receivership or similar proceedings against the Company, nor is the Company aware of any such pending or threatened proceedings. There has not been any voluntary bankruptcy, receivership or similar proceedings by the Company during its last three financial years.

Social or Environmental Policies

The Company is a party to an agreement with the local community, or ejido, residing in proximity to the Rosario Mine. In addition to providing for surface access to the Rosario Mine, this agreement provides that the Company will give priority to the members of the ejido with respect to employment opportunities, to the extent to which such persons are qualified for the positions available.

RISK FACTORS

Potential investors in the Company should be aware that investing in its securities involves a number of risks. The risk factors outlined in this section and elsewhere in this Annual Information Form should be carefully considered by investors when evaluating an investment in the Company. In addition, investors should appreciate that the value of the Company's shares may rise or fall depending on a range of factors beyond the control of the Company.

Any of the factors set out in this section or any other factors identified in this Annual Information Form may materially affect the financial performance of the Company and the market price of the Company's shares.

While the Company plans to take prudent measures to safeguard from, or mitigate its exposure to these risks, many of the risks are outside the Company's control.

There are a number of risk factors that investors should consider before deciding whether or not to make an investment in the Company. The principal risk factors include the following:

Company Specific Risks

The Company's operations are subject to the normal risks associated with exploration, project development and mining, and its profits are subject to numerous factors beyond the Company's control. Certain of these risk factors are discussed below.

History of Net Losses; Uncertainty of Additional Financing; Negative Operating Cash Flow

The Company has not yet achieved positive operating cash flow. The Company had negative cash flow from operating activities for the financial year ended December 31, 2015 and reported a net loss of \$24,232,000 for this period. The Company may incur further losses in the development of its business. There is no certainty that the Company will operate profitably or provide a return on investment in the future.

The business of mining and exploration involves a high degree of risk and there can be no assurance that the Company's current programs will result in profitable mining operations. The Company's sole source of revenue at this time is the proceeds from the sale of lead and zinc concentrates from the Rosario Mine and Veta Grande Mine. The Company has significant cash requirements to meet its mine site operating expenses and administrative overhead, fulfill its project exploration commitments and maintain its mineral interests. The Company will need to raise sufficient funds to finance ongoing exploration, advance pre-feasibility and feasibility studies and provide for capital costs of building additional mining facilities.

Title Matters, Surface Rights and Access Rights

While the Company or its agents have performed title reviews with respect to the Properties, this should not be construed as a guarantee of title. The Properties may be subject to prior unregistered agreements of transfer or indigenous land claims, and title may be affected by undetected defects. Until any such competing interests have been determined, there can be no assurance as to the validity of title of the Properties and any other mining or property interests derived from or in replacement or conversion of or in connection with the claims comprising the Properties or the size of the area to which such claims and interests pertain.

Although the Company acquires the rights to some or all of the minerals in the ground subject to the tenures that it acquires, or has a right to acquire, it does not thereby acquire any ownership of the surface areas covering its mineral tenures. The Company has agreements for surface rights to the Rosario Mine, the Veta Grande Mine, the San Felipe Project and the Zacatecas Properties with the respective local populations, but has no such agreements with respect to the Gavilanes Property, the El Gachi Property, or the Minillas Property. In such cases, applicable mining laws usually provide for rights of access to the surface for the purpose of carrying on mineral exploration and development activities, however, the enforcement of such rights can be costly and time consuming. In areas where there are local populations or land owners, such as the area in which the Properties are located, it is necessary, as a practical matter, to negotiate surface access. There is a risk that local communities or affected groups may take actions to delay, impede or otherwise terminate the activities of the Company, even in respect of the Properties for which it has agreements for surface access. There can be no guarantee that the Company will be able to negotiate a satisfactory agreement with any such existing landowners/occupiers for such access. In circumstances where such access is denied, or no agreement can be reached, the Company may need to rely on the assistance of local officials or the courts in such jurisdiction, which assistance may not be provided or, if provided, may not be effective.

Infrastructure

Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important determinants which affect capital and operating costs. Some of the Properties lie in remote areas with limited infrastructure, although they have good road access. In addition, unusual or infrequent weather phenomena, terrorism, sabotage, government or other interference in the maintenance or provision of such infrastructure could adversely affect the Company's operations on the Properties, financial condition and results of operations.

See the disclosure under the sub-heading "Local Resources and Infrastructure" in each of the technical reports incorporated by reference herein.

A key operational risk is the availability of sufficient power and water supplies to support mining operations. Large amounts of power and large volumes of water are used in the extraction and processing of minerals and metals. The Company's ability to obtain a secure supply of power and water at a reasonable cost depends on many factors, including global and regional supply and demand; political and economic conditions; problems that can affect local supplies; delivery; and relevant regulatory regimes.

An increase in prices could also negatively affect the Company's business, financial condition and results of operations. Establishing infrastructure for the Company's development projects may require significant resources, identification of adequate sources of raw materials and supplies and necessary cooperation from national and regional governments, none of which can be assured. There is no guarantee that the Company will secure these power and water rights going forward or on reasonable terms.

Exploration, Development and Operating Risks

Mining operations generally involve a high degree of risk. The Company's operations are subject to all the hazards and risks normally encountered in the exploration, development and production of silver, including environmental hazards, industrial accidents, third party accidents, unusual or unexpected geological structures or formations, seismic activity, rock bursts, cave-ins, flooding, fire, metal losses, power outages, periodic interruption due to inclement or hazardous weather conditions and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage and possible legal liability. Mining and milling operations are subject to hazards such as equipment failure or failure of retaining dams around tailings disposal areas which may result in environmental pollution and consequent liability. As discussed above under "General Development of the Business – Rosario Mine", operations at the Rosario Mine were halted following a tailings pipeline rupture. Although the Company believes that appropriate precautions to mitigate risks (including future pipeline ruptures) are taken, these risks cannot be eliminated.

The Company's activities also include the exploration for and development of mineral deposits. While the discovery of an ore body may result in substantial rewards, few properties that are explored are ultimately developed into producing mines. Major expenses may be required to locate and establish mineral reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. The Company cannot give any assurance that its exploration and development programs and properties will result in the discovery, development or production of a commercially viable ore body or yield new reserves or expand current reserves.

Whether a mineral deposit will be commercially viable depends on a number of factors, which include among other things, the interpretation of geological data obtained from drill holes and other sampling techniques; the particular attributes of the deposit, such as size, grade, metallurgy; expected recovery rates of metals from the ore; proximity to infrastructure and labour; the cost of power and water; metal prices which are highly cyclical; fluctuations in inflation and currency exchange rates; higher input commodity and labour costs; and governmental regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The Company's development projects are also subject to the issuance of necessary permits and other governmental approvals and receipt of adequate financing. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may adversely affect the Company's business.

The Company's profitability could be adversely affected if for any reason its production and processing of silver and gold or mine development is unexpectedly interrupted or slowed. Examples of events which

could have such an impact include unscheduled plant shutdowns or other processing problems, mechanical failures, the unavailability of materials and equipment, labour disruptions, 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.

Although the Company's development plans are based on the geological and technical data and the operating history of similar ore bodies in the region, the actual operating results of the Company's development projects may differ materially from those anticipated, and uncertainties related to operations are even greater in the case of development projects.

Mining Operations and Development

Development of mining operations is subject to a number of risks, including, but not limited to, the availability and delivery of critical equipment, the hiring of key personnel for constructions, commissioning and operations; delays associated with contractors; budget overruns due to changes in the cost of fuel, power, materials, supplies and currency fluctuations; and potential oppositions from non-governmental organizations, community and indigenous groups, environmental groups or local groups.

It is common in new mining operations to experience unexpected costs, problems and delays during construction, development and mine start-up, often due to circumstances beyond the owner's control. In addition, delays in the commencement of mineral production often occur. Accordingly, the Company cannot provide assurance that its activities will result in profitable mining operations at its development projects.

There are also risks associated with a new mining project relating to, among other things, supervision of contractors, construction supervision, cost estimating, obtaining required permits and approvals and the management of personnel. The Company will be required to rely upon outside consultants, engineers and others for expertise in respect of its development projects.

The decision to commence production at the Rosario Mine and the Veta Grande Mine was not based on a preliminary feasibility study of mineral reserves demonstrating economic and technical viability, but rather on a more preliminary estimate of inferred mineral resources. Accordingly, there is increased uncertainty and economic and technical risks of failure associated with this production decision. Production and economic variables may vary considerably due to the absence of a complete and detailed site analysis according to and in accordance with NI 43-101. Inferred mineral resources are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves.

Capital Costs

The Company prepares budgets and estimates of cash costs and capital costs for its operations. Despite the Company's best efforts to budget and estimate such costs, the costs required by the Company's projects may be significantly higher than anticipated. The Company's actual costs may vary from estimates for a variety of reasons, including: short-term operating factors; revisions to mine plans; risks and hazards associated with mining; natural phenomena, such as inclement weather conditions, water availability, floods and earthquakes; and unexpected labour shortages or strikes. Operational costs may also be affected by a variety of factors, including: changing waste dilution factor in mineral ore, ore grade metallurgy, labour costs, the cost of commodities, general inflationary pressures and currency exchange rates. Many of these factors are beyond the Company's control. Failure to achieve estimates or material increases in costs could have an adverse impact on the Company's future cash flows, business, results of operations and financial condition. Furthermore, delays in the construction and commissioning of mining

projects or other technical difficulties may result in even further capital expenditures being required. Any delay in the development of a project or cost overruns or operational difficulties once the project is fully development may have a material adverse effect on the Company's business, results of operations and financial condition.

Replacement of Reserves and Resources

The Rosario Mine and the Veta Grande Mine are the Company's current source of production. The Company must continually explore to replace and expand its mineral resources for production at the Rosario Mine, and must continually explore for new mineral resources at the Veta Grande Mine. The Company's ability to maintain or increase production depends in significant part on its ability to find new mineral resources and to expand its existing mines. There is no assurance that the Company will be able to maintain or increase production or expand mineral resources at the Rosario Mine. There is no assurance that the Company will be able to explore for new mineral resources at the Veta Grande Mine.

Metal Price Fluctuations

The profitability of the precious and base metal operations in which the Company has an interest will be significantly affected by changes in the market prices of metals, in particular the price of silver and gold. Prices for metals fluctuate on a daily basis, have historically been subject to wide fluctuations and are affected by numerous factors beyond the control of the Company such as the level of interest rates, the rate of inflation, central bank transactions, world supply of the precious and base metals, foreign currency exchange rates, international investments, monetary systems, speculative activities, international economic conditions and political developments. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving adequate returns on invested capital or the investments retaining their respective values. Declining market prices for metals, in particular silver and gold, could materially adversely affect the Company's operations and profitability.

Resource Estimation and Recovery Risk

Resource estimates are expressions of judgement based on knowledge, experience and industry practice. As such, resource estimates are inherently imprecise and rely to some extent on interpretations made. No assurance can be given that the anticipated tonnages and grades expressed by mineral resources will be achieved or that the indicated level of recovery will be realized. Market fluctuations and the prices of metals may render resources uneconomic. Moreover, short-term operating factors relating to the mineral deposits, such as the need for orderly development of the deposits or the processing of new or different grades of ore, may cause any mining operation to be unprofitable in any particular accounting period. The Company has not established any mineral reserves on its Properties.

Additionally, estimates may change over time as new information becomes available. If the Company encounters mineralization or geological formations different from those predicted by past drilling, sampling and interpretations, any estimates may need to be altered in a way that could adversely affect the Company's operations or proposed operations.

In addition, there can be no assurance that silver and gold recoveries or other metal recoveries in small scale laboratory tests will be duplicated in larger scale tests under on-site conditions or during production, or that the existing known and experienced recoveries will continue.

Limited Experience with Development-Stage Mining Operations

The Company has limited experience in placing resource properties into production, and its ability to do so is dependent upon using the services of appropriately experienced personnel or entering into agreements with other major resource companies that can provide such expertise. There can be no assurance that the Company will have available to it the necessary expertise required for its production.

Availability of Equipment and Supplies

The Company's ability to undertake mining and exploration activities is dependent upon its ability to source and acquire appropriate mining equipment. Equipment is not always available and the market for mining equipment experiences fluctuations in supply and demand. If the Company is unable to source appropriate equipment economically or at all then this would have a material adverse effect on the Company's financial or trading position.

As with other mining companies, certain raw materials and supplies used in connection with the Company's operations are obtained from a sole or limited group of suppliers. If there is an increase in activity in the global mining sector, there may be an increase in global demand for such resources and a decrease in the suppliers' inventory could cause unanticipated cost increases, an inability to obtain adequate supplies and delays in delivery times, thereby impacting operating costs, capital expenditures and production schedules. Although the Company makes efforts to ensure that there are contingency plans in place in the event of a shortfall of supply, if a supplier is unable to adequately meet the Company's requirements over a significant period of time and the Company is unable to source an alternate third party supplier on reasonable commercial terms, this could have a material adverse effect on the Company's business, results of operations and financial condition.

Foreign Exchange Rate Fluctuations

Operations in Mexico and Canada are subject to foreign currency exchange fluctuations. The Company raises its funds through equity issuances which are priced in Canadian dollars, and the majority of the exploration costs of the Company are denominated in United States dollars and Mexican pesos. The Company may suffer losses due to adverse foreign currency fluctuations.

Environmental Risks

All phases of the Company's operations are subject to environmental regulation. Environmental regulation provides for restrictions on, and the prohibition of, spills, release and emission of various substances related to mining industry operations which could result in environmental pollution. A breach of any such regulation may result in the imposition of fines and penalties.

Environmental legislation is evolving in a manner which will likely, in the future, require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that any future changes in environmental regulation will not adversely affect the Company's operations. The costs of compliance with changes in government regulations have the potential to reduce or eliminate the profitability of future operations. Failure to comply with these laws and regulations may result in enforcement actions, including orders issued by regulatory authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations or in the exploration or development of mineral properties may also be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or

regulations. The occurrence of any environmental violation or enforcement action may have an adverse impact on the Company's operations and reputation.

Furthermore, environmental hazards that may have been caused by previous or existing owners or operators may exist on the Properties, but are unknown to the Company at present.

Exploration Costs

The estimates of costs to conduct further exploration work by the Company are based on certain assumptions with respect to the method and timing of exploration. By their nature, these estimates and assumptions are subject to significant uncertainties and, accordingly, the actual costs may materially differ from these estimates and assumptions. Accordingly, no assurance can be given that the cost estimates and the underlying assumptions will be realized in practice, which may materially and adversely affect the Company's viability.

Reclamation Costs

The Company's operations are subject to reclamation plans that establish its obligations to reclaim properties after minerals have been mined from a site. These obligations represent significant future costs for the Company. The actual costs of reclamation set out in mine plans are estimates only and may not represent the actual amounts that will be required to complete all reclamation activity. If actual costs are significantly higher than the Company's estimates, then its results from operations and financial position could be materially adversely affected.

Risks associated with acquiring "social license"

Advancing a mineral deposit to commercial production involves the acceptance of local communities many of whom own the surface rights overlying the deposit or mineral rights which the Company controls and upon which the Company is performing feasibility studies. "Social license" is a broad term used to describe community acceptance of the proposed development project, a condition that is commonly required for the issuance of final permits and project financing. The Company dedicates considerable efforts towards community relations, providing information, labor opportunities, and open forums for discussion. However, there is no assurance that local communities will continue to support the Company's operations, further development or new development of its projects or operations.

Government Regulations

The Company's mining, processing, development and exploration activities are subject to various laws governing prospecting, development, production, taxes, labour standards and occupational health, mine safety, toxic substances, land use, water use and other matters. Numerous governmental permits, approvals and licences are required for the Company's operations. Although the Company's mining operations and exploration and development activities are currently carried out in accordance with applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail production or development. Amendments to current laws and regulations governing operations and activities or more stringent implementation thereof could have a material adverse impact on the Company. The costs, liabilities and regulations applicable to the Company or to comply with changes to these laws and regulations or the manner in which they are applied may be substantial and time-consuming and may delay the commencement or continuation of exploration, mining or production activities.

Failure to comply with these laws or regulations or to obtain or renew the permits, approvals and licences required may have a material adverse effect on the results of the operations and financial condition of the Company.

Risks of Foreign Operations

The Company's operations are currently conducted through subsidiaries principally in Mexico and, as such, its operations are exposed to various levels of political, economic and other risks and uncertainties which could result in work stoppages, blockades of the Company's mining operations and appropriation of assets. Some of the Company's operations are located in areas where Mexican drug cartels operate. These risks and uncertainties vary from region to region and include, but are not limited to, terrorism; hostage taking; local drug gang activities; military repression; expropriation; extreme fluctuations in currency exchange rates; high rates of inflation; labour unrest; the risks of war or civil unrest; renegotiation or nullification of existing concessions, licenses, permits and contracts; illegal mining; changes in taxation policies; restrictions on foreign exchange and repatriation; and changing political conditions, currency controls and governmental regulations that favour or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction.

Local opposition to mine development projects could arise in Mexico, and such opposition could be violent. There can be no assurance that such local opposition will not arise with respect to the Company's Mexican operations. If the Company were to experience resistance or unrest in connection with its Mexican operations, it could have a material adverse effect on its operations and profitability. To the extent the Company acquires mineral properties in jurisdictions other than Mexico, it may be subject to similar and additional risks with respect to its operations in those jurisdictions.

Corruption and Bribery Risk

The Company's operations are governed by, and involve interactions with, many levels of government. Like most companies, the Company is required to comply with anti-corruption and anti-bribery laws, including the Canadian *Corruption of Foreign Public Officials Act*. In recent years, there has been a general increase in both the frequency of enforcement and severity of penalties under such laws, resulting in greater scrutiny and punishment to companies convicted of violating anti-bribery laws. Furthermore, a company may be found liable for violations by not only its employees, but also by its third party agents. Although the Company takes steps to mitigate such risks, such measures are not always effective in ensuring that the Company, its employees or third party agents will comply strictly with such laws. If the Company finds itself subject to an enforcement action or is found to be in violation of such laws, this may result in significant penalties, fines and/or sanctions imposed on the Company resulting in a material adverse effect on the Company's reputation and results of operations.

Key Personnel and Management Risks

The Company's business depends on its ability to attract and retain the services of key personnel who are qualified and experienced. The success of the Company is, and will continue to be to a significant extent, dependent on the expertise and experience of the directors and senior management. While the Company has contracts of service or employment with its key personnel and in respect of key resources, the retention of their services cannot be guaranteed. The resources industry is largely driven by fluctuations in commodity prices which, when high, can lead to a large number of projects being developed which in turn increases the demand for skilled personnel, contractors, material and supplies. Accordingly, there is a risk to the Company of losing or being unable to secure enough suitable key personnel or key resources and, as a result, being exposed to increased capital and operating costs and delays, which may in turn

adversely affect the development of new and existing projects, the expansion of existing operations, the results of those operations and the Company's financial condition and prospects.

There can be no assurance that the Company will be able to manage effectively the expansion of its operations or that the Company's current personnel, systems, procedures and controls will be adequate to support the Company's operations. Any failure of management to manage effectively the Company's growth and development could have a material adverse effect on the Company's business, financial condition and results of operations.

Regulatory Risk

The Company's mining operations and exploration and development activities are subject to extensive laws and regulations relating to numerous matters including resource licence consent conditions including environmental compliance and rehabilitation, taxation, employee relations, health and worker safety, waste disposal, protection of the environment, native title and heritage matters, protection of endangered and protected species and other matters. The Company generally requires permits from regulatory authorities to authorize the Company's operations. These permits relate to exploration, development, production and rehabilitation activities.

Obtaining necessary permits can be a time consuming process and there is a risk that the Company will not obtain these permits on acceptable terms, in a timely manner or at all. The costs and delays associated with obtaining necessary permits and complying with these permits and applicable laws and regulations could materially delay or restrict the Company from proceeding with the development of a project or the operation or development of a mine. Any failure to comply with applicable laws and regulations or permits, even if inadvertent, could result in material fines, penalties or other liabilities. In extreme cases, failure could result in suspension of the Company's activities or forfeiture of one or more of its mining tenements.

Funding Risk

The Company's ability to effectively implement its business and operations plans in the future, to take advantage of opportunities for acquisitions, joint ventures or other business opportunities and to meet any unanticipated liabilities or expenses which the Company may incur may depend in part on its ability to raise additional funds. The Company may seek to raise further funds through equity or debt financing, joint ventures, production sharing arrangements or other means. Failure to obtain sufficient financing for the Company's activities and future projects may result in delay and indefinite postponement of exploration, development or production on the Properties or even loss of a property interest. There can be no assurance that additional financing will be available when needed or, if available, the terms of the financing might not be favourable to the Company and might involve substantial dilution to shareholders.

Further, the Company, in the ordinary course of its operations and developments, is required to issue financial assurances, particularly insurances and bond/bank guarantee instruments to secure statutory and environmental performance undertakings and commercial arrangements. The Company's ability to provide such assurances is subject to external financial and credit market assessments, and its own financial position.

Loan agreements and other financing rearrangements such as debt facilities, convertible note issues and finance leases (and any related guarantee and security) that may be entered into by the Company may contain covenants, undertakings and other provisions which, if breached, may entitle lenders to accelerate repayment of loans and there is no assurance that the Company would be able to repay such loans in the event of an acceleration. Enforcement of any security granted by the Company or default under a finance lease could also result in the loss of assets.

The Company is exposed to risks associated with its financial instruments (consisting of cash and cash equivalents, receivables, accounts payable and accrued liabilities due to third parties from time to time, and due to shareholders). This includes the risk that a third party to a financial instrument fails to meet its contractual obligations; the risk that the Company will not be able to meet its financial obligations as they fall due; and the risk that market prices may vary which will affect the Company's income.

JMET Silver Loan Risk

Currently the Company has an obligation to repay indebtedness to JMET on a monthly basis over several years pursuant to the terms of the Pre-Paid Forward Silver Purchase Agreement. Several amendments to the original agreement have been made which have resulted in deferrals of the repayment dates under the terms of the agreement. Management is in discussions with JMET with respect to restructuring the terms of the Pre-Paid Forward Silver Purchase Agreement. The discussions have examined alternate terms under which this facility could be restructured and management expects to reach a successful conclusion. However, there is no assurance that any of the proposed alternatives for completing a restructuring will be acceptable to JMET and as such there is a risk that in the event the Company is unable to comply with the terms of the current agreement that JMET will take legal action to enforce its security over the Company's assets.

Contractual Risk

The Company is a party to various contracts and it is always possible that such contracts will not be fully performed by other contracting parties. Pursuant to the terms of the agreement under which the Company holds its rights to acquire the San Felipe Project, a change of control in the Company could accelerate payments required under this agreement to acquire the rights. In the event the Company is unable to make such payments within 15 days after a change of control, it could lose its rights to the San Felipe Project.

Litigation Risk

Litigation risks to the Company may include, but are not limited to, contesting development or regulatory approvals, traditional title claims, land tenure disputes, environmental claims, and occupational health and safety claims.

Labour and Employment Risks

While the Company believes that it has good relations with its employees, production at the Company's mining operations is dependent upon the efforts of the Company's employees. In addition, relations between the Company and its employees may be impacted by changes in the scheme of labour relations which may be introduced by the relevant governmental authorities in Mexico. Adverse changes in legislation or in the relationship between the Company with its employees may have a material adverse effect on the Company's business, results of operations and financial condition.

General Risks

The activities of the Company are also subject to the usual commercial risks and factors such as competition and economic conditions which may generally affect the Company's ability to generate income or achieve its objectives.

Competition

The mining industry is competitive in all of its phases. The Company faces strong competition from other mining companies in connection with the acquisition of mineral tenements, claims, leases and other

mineral interests for exploration and development projects. Many of these companies have greater financial resources, operational expertise and technical capabilities than the Company. As a result of this competition, the Company may be unable to maintain or acquire attractive mining properties on acceptable terms or at all. Consequently, the Company's revenues, operations and financial condition could be materially adversely affected.

General Economic Conditions

Changes in global economic conditions may affect the financial performance of the Company. These factors over which the Company has no control include general market, political and economic conditions, including inflation rates, interest rates and foreign currency exchange rates, changes in market valuations of listed stocks in general and silver companies in particular, structural changes to the global mining industry, supply and demand conditions for silver and gold, and fluctuations in the price of silver and gold.

In addition factors such as political movements, stock market trends, commodity prices, industrial disruption, environmental and adverse weather impacts, taxation changes and legislative or regulatory changes, may all have an adverse impact on the Company's operating costs, profit margins and share price. These factors are beyond the control of the Company and the Company cannot, to any degree of certainty, predict how they will impact on the Company. Some of these factors are discussed further below.

General Resource Sector Risk

In common with other entities undertaking business in the natural resources sector, certain risks are substantially outside the control of the Company. These risks include abnormal stoppages in production or delivery due to factors such as industrial disruption, major equipment failure, accident, power failure or supply disruption, unforeseen adverse geological or mining conditions and/or changes to predicted ore or mineral quality, the state of supply and demand for precious and base metals and the effect on the prices for the same, changes in government regulations (including environmental regulations) and government imposts such as royalties, rail freight charges and taxes and risks to land titles, mining titles and the use thereof as a result of traditional title claim.

Insurance Risk

The Company's business is subject to a number of risks and hazards generally, including adverse environmental conditions, industrial accidents, labour disputes, unusual or unexpected geological conditions, ground or slope failure, cave-ins, mechanical failures, changes in the regulatory environment and natural phenomena such as inclement weather conditions, fires, floods and earthquakes. Such occurrences could result in damage to mineral properties or production facilities, personal injury or death, environmental damage, delays in mining, monetary losses and possible legal liability.

Although the Company maintains insurance to protect against certain risks in such amounts as it considers reasonable, the Company's insurance will not cover all the potential risks associated with a mining company's operations. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as loss of title to mineral property, environmental pollution, or other hazards as a result of exploration and production is not generally available to the Company or other companies in the mining industry on acceptable terms. The Company may also become subject to liability for pollution or other hazards which may not be insured against or which the Company may elect not to insure against because of premium costs or other reasons.

Losses from these events may cause the Company to incur significant costs that could have a material adverse effect on our financial performance and results of operations.

Taxation Risk

Any change in the Company's tax status or the tax applicable to holding its common shares or in taxation legislation or its interpretation, could affect the value of the investments held by the Company, affect the Company's ability to provide returns to shareholders and/or alter the post-tax returns to shareholders.

Joint Ventures, Acquisitions or other Strategic Investments

The Company may make strategic investments in complementary businesses, or enter into strategic partnerships or alliances with third parties in order to enhance its business. At the date of this Annual Information Form, the Company is not aware of the occurrence or likely occurrence of any such risks which would have a material adverse effect on the Company or its subsidiaries.

Force Majeure

The Company's projects now or in the future may be adversely affected by risks outside the control of the Company, including labour unrest, civil disorder, war, subversive activities or sabotage, fires, floods, explosions or other catastrophes, epidemics or quarantine restrictions.

Investment Speculative

The above list of risk factors should not be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of its securities.

Potential investors should consider that an investment in the Company is speculative and should consult their professional advisers before deciding whether to invest in the Company.

MINERAL PROJECTS

The Company has interests in the Rosario Mine, the Veta Grande Mine, the San Felipe Project, the Gavilanes Property, the El Gachi Property, the Minillas Property and the Zacatecas Properties.

The following is a summary description of the Company's material mineral properties, being the Rosario Mine, the Veta Grande Mine, the San Felipe Project, the Gavilanes Property, and the nature of the Company's interests in such properties.

Rosario Mine

The Rosario Mine consists of 500 hectares located approximately 13 km southwest of the town of Charcas in the state of San Luis Potosi, Mexico. The Company's rights to the concessions comprising the Rosario Mine are held through its subsidiary, Impulsora. In April 2013, production commenced at the Rosario Mine.

Attached as Schedule "A" to this Annual Information Form is the summary contained in the Rosario Report, which summary has been updated and conformed to be consistent with other disclosure within this Annual Information Form. The Rosario Report is filed under the Company's profile on SEDAR at www.sedar.com and was prepared for the Company by Donald E. Hulse, P.E., SME-RM and Patrick F.

Daniels, SME-RM of Gustavson. The complete Rosario Report is incorporated by reference herein. Each of Mr. Hulse and Mr. Daniels is a "qualified person" under NI 43-101.

Rosario Mine Update

The following information of a scientific or technical nature has been prepared by or under the supervision of Van Phu Bui, B.Sc., P. Geo., an independent third party consultant to the Company, and has previously been disclosed in news releases that are available on the Company's website or on SEDAR at www.sedar.com. See "Interests of Experts – Names of Experts" and "Interests of Experts – Interests of Experts". Mr. Bui is a "qualified person" under NI 43-101.

On April 18, 2013, based upon the operating staff's assessment that the Rosario milling facility had demonstrated the ability to operate continually at rated capacity while maintaining forecasted recoveries, the Company announced that the Rosario Mine had achieved commercial production. Such consistent mill performance, however, does not in and of itself satisfy the definition of "commercial production" for accounting purposes pursuant to IFRS. Accordingly, the Company did not report the Rosario Mine's results of operations in its consolidated statement of loss for all of fiscal 2013 as the Company determined that the IFRS definition of "commercial production" had not been satisfied as a result of an inconsistent supply of mineralized material to the Rosario Mine milling facility. Instead during 2013 the Company capitalized the operating costs recorded at the Rosario Mine less proceeds from the sale of concentrates as "mine under construction and development costs" during 2013.

During the second half of 2013, the operations team undertook a number of initiatives at the Rosario Mine, including the development of a sub-level to intersect the newly discovered R-30 mineralized zone. The Company used a different mining method at level 1 and sub-level 1 of the R30 mineralized zone so as to increase the number of high-grade producing stopes and working faces in the Rosario Mine. The Company reported 8 high grade producing stopes located at the Rosario I and Rosario II veins.

Effective January 1, 2014, the Company began reporting the operating results of its Rosario Mine in its consolidated statement of loss and comprehensive loss.

Production at the Rosario Mine increased on a quarter over quarter basis throughout 2014.

Commissioning of a third ball mill at the Rosario Mine commenced in November 2014 and was completed at the end of December 2014.

On January 2, 2015, operations at the Rosario Mine were halted after a pipeline connecting the mine's tailings impoundment to a secondary settling pond ruptured causing approximately 2,000m³ of tailings pulp to be discharged outside of the tailings storage facility. Operations at the Rosario Mine resumed in March 2015 following completion of remediation and clean-up of the tailings pulp discharge.

In February 2015, management decided to complete a 4,000 metre underground drilling program to test the Rosario Mine to depth using a surface drill. Subsequently, management determined to complete the drilling program from surface and by April 2015 a contractor had been mobilized to the site and had commenced a surface drilling program. The Company completed a 21-hole, 5,960 meter surface drilling campaign on July 9, 2015. Results of the drill program were encouraging with successful intersection of the Rosario Mine vein systems at depth.

In October 2015, Company announced that the Rosario Mine's production performance during the second and third quarters continued to increase and the Company transitioned from third party contractor underground mining to an in-house mining operations team, to both further the cost structure at Rosario Mine and ensure more management control over the day to day mining operations.

In February 2016 the Company announced its fourth quarter operating results and the Company's focus on producing cost-effective ounces with continued improvement in the silver and zinc recoveries being realized in Q4 and projected to continue at these improved levels on an ongoing basis. The main access ramp (the "**Ramp**") was completed to Level 4 with stope development underway and the continuation of the Ramp to Level 5 ongoing. Approximately 180 metres of development on Level 4 has been completed. Initial mineralized material mined from Level 4 stopes has been averaging 326 g/t Ag; 0.30 g/t Au, 6.61% Zn and 1.26% Pb for Rosario I vein and 167 g/t Ag, 0.20 g/t Au, 6.02% Zn and 1.30% Pb for Rosario II.

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

	2015				2014			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Material Processed (tonnes milled) ⁴⁾	25,927	25,007	26,492	1,823	25,099	23,677	22,612	20,447
Silver Equivalent Produced (ounces) ¹⁾	268,319	277,487	265,834	20,643	244,200	192,400	168,300	160,600
Silver Equivalent Sold (payable ounces) ²⁾	233,225	231,332	247,135	30,931	263,300	188,100	148,800	121,800
Production - Silver (ounces) ⁴⁾	143,937	164,467	150,738	12,751	158,564	115,455	100,240	94,312
- Gold (ounces) ⁴⁾	103	109	113	11	310	94	104	166
- Lead (tonnes) ⁴⁾	254	278	233	16	201	191	171	186
- Zinc (tonnes) ⁴⁾	673	567	615	41	453	514	437	367
Average Grade - Silver (g/t)	178	213	188	240	212	161	153	167
- Gold (g/t)	0.15	0.18	0.17	0.27	0.14	0.16	0.21	0.33
- Lead (%)	1.04	1.18	1.03	1.03	1.03	0.91	0.86	1.02
- Zinc (%)	2.81	2.50	2.66	2.60	3.01	2.39	2.29	2.34
Metal Recovery - Silver (%)	97.0	96.0	94.1	90.7	93.3	90.0	89.9	85.7
- Gold (%)	80.5	76.0	78.3	68.9	74.5	79.0	70.4	77.3
- Lead (%)	93.8	94.3	85.3	82.2	90.6	86.1	88.2	89.7
- Zinc (%)	92.2	90.9	87.2	86.2	86.1	81.7	84.4	76.8
Cash Cost per Silver Equivalent (\$/oz.) ³⁾ ⁵⁾	12.62	14.02	13.01	*	15.08	18.13	22.17	25.04
All-in Sustaining Cash Cost per Silver Equivalent (\$/oz.) ³⁾ ⁵⁾	15.85	17.44	16.86	*	20.68	23.68	29.70	35.49
Cash Cost of Production per Tonne ³⁾ ⁵⁾	88.14	103.01	87.23	*	116.50	97.81	128.75	110.94

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

¹⁾ Silver equivalent ounces produced in 2015 have been 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 have been 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 fourth, third, and second quarters of 2015 have been calculated using a realized silver price of US\$17.00/oz., after giving effect to the MPPP (see Financing Activities - Prepaid Silver Purchase), and have been calculated using a realized silver price of US\$17.41/oz. for the first quarter of 2015, 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 have been 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⁾ The 2014 Q2 production figures include 4,025 tonnes of third party mineralized material that produced 11,552 ounces Ag; 23 ounces Au; 22 tonnes Pb; and 85 tonnes Zn. Not included in the 2014 Q3 production figures is 1,146 ounces Ag and 327 ounces Au included in third party precipitate purchased and processed.

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

Resource Expansion

In connection with the Ramp development the Company completed a 21- hole, 5,960 metre surface drilling campaign on July 9, 2015. Of this amount, 11 drill holes totalling 3,852 metres were drilled to depths greater than 200 metres, the previous deepest drill holes at the Rosario Mine.

Results of the drill program were encouraging with successful intersection of the Rosario Mine vein systems at depth. Based on the results of the drilling, the Ramp has now been completed to Level 4 and is being driven to Level 5. Approximately 180 metres of development on Level 4 has been completed. Initial mineralized material mined from Level 4 stopes has been averaging 326 g/t Ag; 0.30 g/t Au, 6.61% Zn and 1.26% Pb for Rosario I vein and 167 g/t Ag, 0.20 g/t Au, 6.02% Zn and 1.30% Pb for Rosario II.

Based on the geological information obtained from the 2015 drilling results the Company plans to complete an approximate 3000 metre underground delineation drilling campaign in 2016 to further assist in the development of the mine plan for Levels, 6, 7, 8 and 9.

More detailed disclosure regarding the foregoing is contained in the Company's management's discussion and analysis of the financial condition and results of operations for the years ended December 31, 2015 and 2014, which is available under the Company's profile on SEDAR at www.sedar.com.

The Veta Grande Mine

As part of the Contracuña Agreement the Company acquired the right to operate the Veta Grande Mine (see "General Development of the Business – Three Year History - Contracuña Agreement").

Attached as Schedule "B" to this Annual Information Form is the summary contained in the Veta Grande Report, which summary has been updated and conformed to be consistent with other disclosure within this Annual Information Form. The Veta Grande Report has been filed under the Company's profile on SEDAR at www.sedar.com. The complete Veta Grande Report is incorporated by reference herein. Each of the Veta Grande Report Authors is a "qualified person" under NI 43-101.

San Felipe Project

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 and approximately 6 kilometres west of the small community of San Felipe de Jesus in the northern state of Sonora, Mexico. The Company, through Impulsora, has acquired exploration rights with the right to purchase the concessions comprising the San Felipe Project (see "General Development of the Business – MHM Amending Agreements).

Attached as Schedule "C" to this Annual Information Form is the summary contained in the San Felipe Report, which summary has been updated and conformed to be consistent with other disclosure within this Annual Information Form. The San Felipe Report has been filed under the Company's profile on SEDAR at www.sedar.com. The complete San Felipe Report is incorporated by reference herein. Each of the San Felipe Report Authors is a "qualified person" under NI 43-101.

San Felipe Project Update

The following information of a scientific or technical nature has been prepared by or under the supervision of Van Phu Bui, B.Sc., P. Geo., an independent third party consultant to the Company, of the Company and has previously been disclosed in news releases that are available on the Company's website

or on SEDAR at www.sedar.com. See "Interests of Experts – Names of Experts" and "Interests of Experts – Interests of Experts". Mr. Bui is a "qualified person" under NI 43-101.

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, Hochschild 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, M.Sc., P.Eng., Deepak Malhotra, Ph.D., SME-RM and Mark E. Smith, P.E., 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 April 3, 2014. 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 year ended December 31, 2015, Santacruz incurred mineral property exploration expenditures of \$941,000 at the San Felipe Project. In addition, an impairment of \$19,426,000 was recorded on the San Felipe Project in 2015 after completing an impairment assessment of the property. The impairment assessment calculated the recoverable amount of the San Felipe project to be \$17,500,000 which was lower than the carrying value of the cash generating unit ("CGU") at December 31, 2015, resulting in an impairment charge being recognized against the carrying value of the San Felipe project in 2015.

In light of the volatility in the precious metals and equities markets, the Company has elected to delay the construction decision on the San Felipe Project until better market conditions exist. The Company intends to continue baseline studies, permitting applications and in-house technical studies so as to continue to advance the development of the San Felipe Project.

Gavilanes Property

The Gavilanes Property is located in 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 10(a) of the 2015 Annual Financial Statements.

Attached as Schedule "D" to this Annual Information Form is the summary contained in the Gavilanes Report, which summary has been updated and conformed to be consistent with other disclosure within this Annual Information Form. The Gavilanes Report has been filed under the Company's profile on SEDAR at www.sedar.com. The complete Gavilanes Report is incorporated by reference herein. Each of the Gavilanes Report Authors is a "qualified person" under NI 43-101.

No work has been performed on the Gavilanes Property since the Gavilanes Report.

DESCRIPTION OF CAPITAL STRUCTURE

Common Shares

The authorized capital of the Company consists of an unlimited number of common shares without par value. As at the close of business on July 5, 2016, 113,993,484 common shares of the Company were issued and outstanding as fully paid and non-assessable shares.

The holders of the common shares are entitled to vote at all meetings of holders of common shares, to receive dividends if, as and when declared by the directors and to participate rateably in any distribution of property or assets upon the liquidation, winding-up or other dissolution of the Company. The common shares carry no pre-emptive rights, conversion or exchange rights, or redemption, retraction, repurchase, sinking fund or purchase fund provisions. There are no provisions requiring a holder of common shares to contribute additional capital and no restrictions on the issuance of additional securities by the Company. There are no restrictions on the repurchase or redemption of common shares by the Company except to the extent that any such repurchase or redemption would render the Company insolvent.

Dividends

The Company has not paid any dividends on its common shares since its incorporation. Any decision to pay dividends on common shares in the future will be made by the board of directors on the basis of the earnings, financial requirements and other conditions existing at such time.

Stock Options

The Company has a "rolling" stock option plan (the "**Plan**") for the granting of incentive stock options to the officers, employees and directors. The purpose of granting such options is to assist the Company in compensating, attracting, retaining and motivating the directors and employees of and consultants to the Company and to closely align the personal interests of such persons to that of the shareholders.

The Plan provides that the number of shares reserved for issuance will not exceed 10% of the issued and outstanding shares at the time of grant. The Plan authorizes the board of directors of the Company (the "**Board**") to grant, in its absolute discretion, stock options to directors, officers, employees or consultants on such terms, limitations, conditions and restrictions as it deems necessary and advisable.

Under the Plan, the number of shares reserved for issuance to any one individual in a 12-month period may not exceed 5% of the issued and outstanding shares and the number of shares reserved for issuance to consultants may not exceed 2% of the issued and outstanding shares. The Plan contains no vesting requirements, but permits the Board to specify a vesting schedule in its discretion.

Options may be granted for a maximum term of ten years. Options may be exercised for the greater of the term of the option and 90 days following cessation of the optionee's position with the Company, provided that if the cessation of office, directorship, consulting arrangement or employment is by reason of death, the option may be exercised within a maximum period of one year after such death, subject to the earlier expiry date of such option.

The exercise price of the options granted under the Plan will be determined by the Board, in its discretion, but shall not be less than the closing price of the shares on the day preceding the date of grant, less any discount permitted by the TSXV.

Options are non-assignable and non-transferable (subject to options being exercisable by the optionee's heirs or administrator). The number of shares reserved for option and the exercise price payable for the

shares subject to such option shall be adjusted appropriate in the event of any consolidation, subdivision or stock dividend of the shares. The Plan requires annual shareholder approval.

The holder of an unexercised option is not entitled to any rights as a shareholder, including, without limitation, voting rights or attendance at annual general or special meetings.

As at the date hereof, the following options have been granted and are outstanding under the Plan, with each option exercisable to purchase one common share:

Options	Number
Exercisable at CDN\$0.90 on or before April 12, 2017	701,667
Exercisable at CDN\$0.15 on or before February 10, 2021	4,500,000
TOTAL:	5,201,667

Warrants

As at the date hereof, the following share purchase warrants of the Company (the "**Warrants**") are outstanding, with each warrant exercisable to purchase one common share:

Warrants	Number
Exercisable at CDN\$0.15 on or before January 15, 2017	2,500,000
TOTAL:	2,500,000

The Warrants are governed by the terms and conditions set forth in the certificates representing the respective Warrants (the "**Warrant Certificates**"). The summary below of terms and conditions attaching to the Warrants does not purport to be complete and is qualified in its entirety by reference to the provisions of the Warrant Certificates.

The Warrants do not entitle the holder to any rights as a shareholder, including, without limitation, voting rights or attendance at annual general or special meetings.

The Warrants may be exercised in whole or in part from time to time prior to the expiry thereof. The exercise price and the number of shares issuable upon exercise of the Warrants will both be subject to adjustment if, prior to the exercise of any of the rights of the Warrant holder there is a reorganization of the authorized capital of the Company by way of consolidation, merger, subdivision, amalgamation, reclassification or otherwise, or the payment of any stock dividends (subject to the consent of the TSXV) in either or both the number of shares which may be purchased pursuant to a Warrant Certificate or the price at which such shares may be purchased, by corresponding amounts, so that the rights evidenced by the Warrant Certificate shall thereafter be as reasonably as possible equivalent to those originally granted thereby.

The Warrants and any shares issued on exercise of the Warrants, have not been registered under the *United States Securities Act of 1933*, as amended or the securities laws of any state, and the Warrants may not be exercised in the United States by or on behalf of a U.S. person unless an exemption from registration is available.

MARKET FOR SECURITIES

Trading Price and Volume

The Company's common shares are listed and traded in Canada on the TSXV under the symbol "SCZ" and in Chile on the SSEV under the symbol "SZCL".

The following table sets forth the closing price ranges and total trading volume of the common shares, on a monthly basis, on the TSXV during the Company's most recently completed financial year December 31, 2015 and subsequently to July 5, 2016:

Period	TSXV		
	CDN High	CDN Low	Volume
July 1 – 5 , 2016	\$0.50	\$0.42	1,877,097
June 2016	\$0.52	\$0.38	7,659,886
May 2016	\$0.57	\$0.36	4,565,420
April 2016	\$0.63	\$0.21	9,060,269
March 2016	\$0.26	\$0.20	3,686,900
February 2016	\$0.28	\$0.09	5,614,200
January 2016	\$0.12	\$0.09	775,700
December 2015	\$0.14	\$0.09	3,607,700
November 2015	\$0.18	\$0.11	3,273,000
October 2015	\$0.18	\$0.11	4,650,300
September 2015	\$0.16	\$0.11	1,045,800
August 2015	\$0.17	\$0.14	2,590,800
July 2015	\$0.19	\$0.15	2,106,500
June 2015	\$0.18	\$0.16	2,144,500
May 2015	\$0.21	\$0.17	3,968,400
April 2015	\$0.28	\$0.19	2,199,800
March 2015	\$0.34	\$0.23	2,603,700
February 2015	\$0.43	\$0.31	2,766,700
January 2015	\$0.40	\$0.26	3,723,741

PRIOR SALES

During the most recently completed financial year ended December 31, 2015 and in the current financial year, the Company issued the following warrants and granted the following stock options to purchase common shares:

Class of Securities	Date Issued	Number Issued	Price per Security
Stock Options ⁽¹⁾	February 10, 2016	4,500,000	CDN\$0.15
Warrants ⁽²⁾	January 15, 2016	3,000,000 ⁽³⁾	CDN\$0.15
Common Shares	May 4, 2016	500,000 ⁽⁴⁾	CDN\$0.15

Notes:

- (1) Stock options granted by the Company that expire five years from the date of grant.

- (2) Bonus warrants issued in connection with Arturo Prestamo Elizondo's personal guarantee of a loan agreement. See "Loan Payable" below for more details.
- (3) An aggregate of 500,000 warrants were exercised in May 2016. See note (4) below.
- (4) Following the exercise of an aggregate of 500,000 warrants, 2,500,000 of the 3,000,000 warrants issued on January 15, 2016 remain outstanding.

ESCROWED SECURITIES

There are no common shares of the Company held in escrow as at the date of this Annual Information Form.

DIRECTORS AND OFFICERS

Name, Occupation and Security Holding

The name, province or state, country of residence, position or office held with the Company and principal occupation during the past five years of each director and executive officer of the Company are described below. The directors are elected at each annual general meeting and hold office until the next annual general meeting or until their successors are appointed. The board of directors appoints the Company's executive officers annually to serve at the discretion of the board.

Name, Address and Position	Principal Occupation during past five years	Director/Officer Since
Arturo Prestamo Elizondo, Nuevo Leon, Mexico, President, Chief Executive Officer and Director ⁽¹⁾⁽²⁾	President and CEO of the Company since April 2012; Country Manager in Mexico for Starcore International Mines, Ltd. from September 2007 to October 2011; Director of Planning and Investor Relations for Grupo Famsa, SAB from March 2005 to August 2007	Director since April 12, 2012
Federico Villaseñor, Mexico, Director ⁽²⁾⁽³⁾	Consultant with various mining companies, Director of Business Development for Goldcorp. Mexico, a subsidiary of Goldcorp. Inc. from 2007 to February 2014	Director since April 8, 2014
Roland Löhner, Panama, Director ⁽³⁾	Senior Vice President and Managing Director of the Boston Consulting Group from 1993 to December 2013	Director since February 24, 2015
Larry Okada, British Columbia, Canada, Director ⁽³⁾	Chartered Accountant, Chief Financial Officer of Africo Resources Ltd. and director of Revett Mining Company, Eurasian Minerals Inc. and Forum Uranium Corp.	Director since April 28, 2015

Name, Address and Position	Principal Occupation during past five years	Director/Officer Since
Maldonado Sáenz César Eloy, Chief Operating Officer	Chief Operating Officer of the Company; previously served as General Manager for First Majestic Silver Corp from January to July of 2014; Deputy General Manager of Silver Standard Resources Inc. from May 2012 to December 2013; Project Manager for Minera Frisco S.A.B from June 2007 to May 2009.	Officer since August 8, 2015
Robert McMoran, British Columbia, Canada Chief Financial Officer ⁽⁴⁾	Chartered Professional Accountant (CA); President of Malaspina Consultants Inc.	Officer since April 12, 2012

Notes:

- (1) Also a director and President of Santacruz Holdings Ltd., a wholly owned subsidiary of the Company.
- (2) Member of the compensation committee, corporate governance and nomination committee and health, safety and environment committee.
- (3) Member of the audit committee.
- (4) Also Chief Financial Officer of Santacruz Holdings Ltd.

Based on information provided by such persons, as at the date of this Annual Information Form, the directors and executive officers of the Company as a group beneficially own, or control or direct, directly or indirectly, an aggregate of 11,367,714 common shares of the Company, representing approximately 10.0% of the issued and outstanding common shares of the Company.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

Other than as set forth below, none of the Company's directors or executive officers is, as at the date of this Annual Information Form, or was, within 10 years before the date of this Annual Information Form, a director, chief executive officer or chief financial officer of any company (including the Company) that:

- (a) was subject to an Order (as defined below) that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or
- (b) was subject to an Order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

"Order" means a cease trade order, an order similar to a cease trade order, or an order that denied the relevant company access to any exemption under securities legislation and, in each case, that was in effect for a period of more than 30 consecutive days.

None of the Company's directors or executive officers or, to the Company's knowledge, any shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company:

- (a) is, as at the date of this Annual Information Form, or has been within the 10 years before the date of this Annual Information Form, a director or executive officer of any company (including the Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (b) has, within the 10 years before the date of this Annual Information Form, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director, executive officer or shareholder; or
- (c) has been subject to:
 - (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
 - (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

On December 3, 2008, Merit Mining Corp., a company from which Robert McMorran had resigned his office, but of which he had within the prior 12 months been the Chief Financial Officer, filed a Notice of Intention to Make a Proposal under the Bankruptcy and Insolvency Act. On April 14, 2009, unsecured creditors approved such proposal and on May 6, 2009, the Supreme Court of British Columbia made an Order approving the same.

Conflicts of Interest

The directors of the Company are required by law to act honestly and in good faith with a view to the best interests of the Company and to disclose any interests which they may have in any project or opportunity of the Company. If a conflict of interest arises at a meeting of the board of directors, any director in a conflict is required to disclose his interest and abstain from voting on such matter. In determining whether or not the Company will participate in any project or opportunity, that director will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time.

To the best of the Company's knowledge, there are no known existing or potential conflicts of interest among the Company, its promoters, directors, officers or other members of management of the Company as a result of their outside business interests, except that certain of the directors, officers, promoters and other members of management serve as directors, officers, promoters and members of management of other public mineral resource companies, and therefore it is possible that a conflict may arise between their duties to the company and their duties as a director, officer, promoter or member of management of such other companies. See "Directors and Officers".

The directors and officers of the Company are aware of the existence of laws governing accountability of directors and officers for corporate opportunity and requiring disclosures by directors of conflicts of interest and the Company will rely upon such laws in respect of any directors' and officers' conflicts of interest or in respect of any breaches of duty by any of its directors or officers. Such directors or officers, in accordance with the *Business Corporations Act* (British Columbia), are required to disclose all such

conflicts and are expected by the Company to govern themselves in respect thereof to the best of their ability in accordance with the obligations imposed upon them by law.

PROMOTERS

No person acted as a promoter of the Company within the two most recently completed financial years or during the current financial year.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Legal Proceedings

There are no legal proceedings to which the Company is a party or, to the best of the Company's knowledge, to which any of the Company's property is or was during the last financial year subject, and there are no such proceedings known by the Company to be contemplated.

Regulatory Actions

There are no: (a) penalties or sanctions imposed against the Company by a court relating to securities legislation or by a securities regulatory authority during the Company's most recently completed financial year and up to the date of this Annual Information Form; (b) other penalties or sanctions imposed by a court or regulatory body against the Company that would likely be considered important to a reasonable investor in making an investment decision; or (c) settlement agreements the Company entered into with a court relating to securities legislation or with a securities regulatory authority during the Company's most recently completed financial year and up to the date of this Annual Information Form.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

To the knowledge of the Company, except as disclosed in this Annual Information Form, none of the directors, executive officers or shareholders that beneficially own, control or direct, directly or indirectly, more than 10% of the Company's shares, nor any associate or affiliate of the foregoing, has any material interest, direct or indirect, in any transactions in which the Company has participated within the three most recently completed financial years or in the current financial year prior to the date of this Annual Information Form, which has materially affected or is reasonably expected to materially affect the Company other than as described below.

Loan Payable

On December 22, 2015, the Impulsora entered into a short-term loan facility with Trafigura Mexico, S.A. de C.V. ("**Trafigura**") in the principal amount of US\$725,000. The Loan bears interest at LIBOR plus a spread, payable monthly in arrears, with the principal to be repaid in six equal monthly installments commencing January 31, 2016. The Loan has been secured by certain personal assets of Arturo Prestamo Elizondo the President and Chief Executive Officer of the Company. In connection with the personal guarantee of the Loan, on January 15, 2016, the Company issued 3,000,000 bonus warrants to Arturo Prestamo Elizondo at an exercise price of \$0.15 per share, expiring on January 15, 2017, of which 500,000 warrants were exercised in May 2016 (see "Prior Sales").

Subsequent to December 31, 2015, \$181,000 of the principal payments have been made.

Stock options have been granted to directors and executive officers of the Company as follows:

Name of director or executive officer	Number	Exercise Price CDN	Expiry Date
Arturo Prestamo Elizondo	1,000,000	\$0.15	February 10, 2021
Malaspina Consultants Inc. (Robert McMorran)	500,000	\$0.15	February 10, 2021
Roland Löhner	500,000	\$0.15	February 10, 2021
Federico Villasenor	500,000	\$0.15	February 10, 2021
Larry Okada	500,000	\$0.15	February 10, 2021
Maldonado Sáenz César Eloy	600,000	\$0.15	February 10, 2021

TRANSFER AGENTS AND REGISTRARS

The registrar and transfer agent for the common shares of the Company is Computershare Investor Services Inc. at its principal office in Vancouver, British Columbia.

MATERIAL CONTRACTS

Other than as set forth below, there are no material contracts of the Company that were entered into within the last financial year and up to the date of this Annual Information Form or before the last financial year but still in effect, and that are required to be filed under section 12.2 of National Instrument 51-102 ("NI 51-102") at the time this Annual Information Form is filed or would be required to be filed under section 12.2 of NI 51-102 at the time this Annual Information Form is filed but for the fact that it was previously filed:

- the Pre-Paid Forward Silver Purchase Agreement, as amended

INTERESTS OF EXPERTS

Names of Experts

The following sets forth each person or company named as having prepared or certified a report, valuation, statement or opinion described or included in a filing (including this Annual Information Form), or referred to in a filing, made under National Instrument 51-102 by the Company during, or relating to, its most recently completed financial year and whose profession or business gives authority to the report, valuation, statement or opinion made by the person or company:

- Donald E. Hulse, P.E., SME-RM, and Patrick F. Daniels, SME-RM, prepared the Rosario Report described under "Mineral Projects – Rosario Mine".
- The Veta Grande Authors prepared the report on the Veta Grande Report described under "Mineral Projects – Veta Grande Mine".
- The San Felipe Authors prepared the San Felipe Report described under "Mineral Projects – San Felipe Project".

- The Gavilanes Authors prepared the report on the Gavilanes Property described under "Mineral Projects – Gavilanes Project".
- Mauricio Heiras Garibay and Patricia Aquayo are named in the Gavilanes Report as having made statements to which authority is given by virtue of their profession or business.
- Van Phu Bui, B.Sc., P. Geo. is responsible for certain information of a scientific or technical nature relating to the Rosario Mine, the Veta Grande Mine, the San Felipe Project and the Gavilanes Property in this Annual Information Form.
- PricewaterhouseCoopers LLP, Chartered Accountants prepared the auditors' report in respect of the annual financial statements of the Company for the year ended December 31, 2015.

Interests of Experts

Based on information provided by the experts, none of the experts named under "Names of Experts" above (excluding the Company's auditors and the experts noted below), when or after they prepared the statement, report or valuation, has held, or received or will receive, any registered or beneficial interests, direct or indirect, in any securities or other property of the Company or of one of the Company's associates or affiliates (based on information provided to the Company by such experts) or is or is expected to be elected, appointed or employed as a director, officer or employee of the Company or of any associate or affiliate of the Company.

PricewaterhouseCoopers LLP, Chartered Accountants, has advised the Company that it is independent within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of British Columbia.

AUDIT COMMITTEE INFORMATION

Information concerning the Company's audit committee is contained in its information circular for its most recent annual general meeting of shareholders that involved the election of directors.

ADDITIONAL INFORMATION

Additional information relating to the Company may be found on SEDAR at www.sedar.com.

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities, and securities authorized for issuance under equity compensation plans, where applicable, is contained in the Company's information circular for its most recent annual general meeting of shareholders that involved the election of directors.

Additional financial information is provided in the Company's consolidated financial statements and management's discussion and analysis for its most recently completed financial year.

Schedule "A"

Summary from Rosario Report

"1.1 Introduction

Gustavson was commissioned by Santacruz to prepare an independent Technical Report on Resources for the Rosario Project in [San Luis Potosi], Mexico. The purpose of this report is to present the mineral resource estimate and describe the geology of the Rosario Project with respect to silver, zinc, lead, and gold mineralization, and to include information from new sampling and drilling performed in 2011 and 2012.

This report was prepared in [accordance] with National Instrument 43-101 Standards of Disclosure for Mineral Projects (NI 43-101) and Canadian Institute of Mining, Metallurgy and Petroleum (CIM) "Best Practices and Reporting Guidelines", November 27, 2010. The effective date of this report is December 1, 2012.

The previous Technical Report applicable to the Rosario Project was entitled, "NI 43-101 Technical Report, Preliminary Economic Assessment of the Rosario Project, San Luis Potosi, Mexico", dated December 20, 2011 ("December 20, 2011 PEA") and was issued by Gustavson. This current Technical Report on Resources, also issued by Gustavson, supersedes the previous Technical Report, the results of which are no longer to be relied on. The December 20, 2011 PEA is no longer current and valid in light of the update to the Mineral Resources, which have been significantly upgraded. Gustavson does not consider the mine plan utilized in the previous report to be current. As such, this Technical Report on Resources does not present the data and information contained in the December 20, 2011 PEA.

1.2 Property Description and Ownership

The Rosario Property consists of 500 hectares located approximately 13km southwest of the town of Charcas in the state of San Luis Potosi, Mexico. The approximate center of the Rosario Project is located at Easting 273,256, Northing 2,550,648, UTM WG84. Figure 1-1 shows the general location of the Rosario Project area.

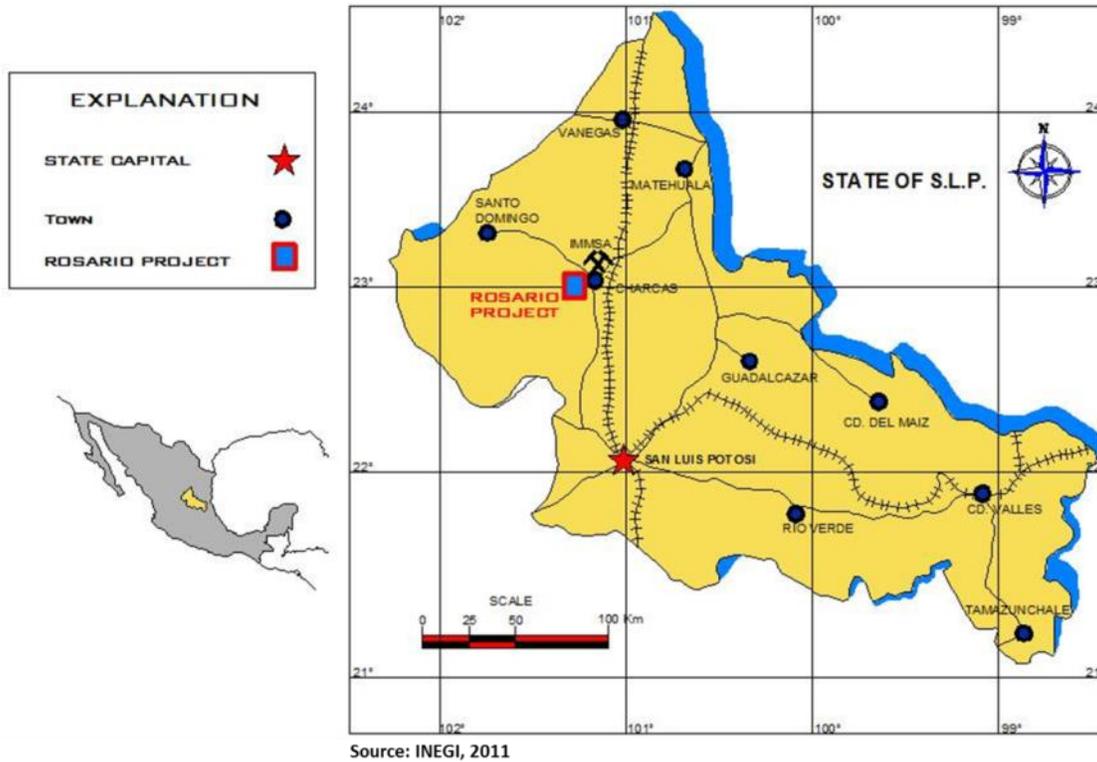


Figure 1-1 Rosario Project Location

Santacruz's rights to the two mining concessions within the Charcas National Mining Reserve have been acquired through its Mexican subsidiary, Impulsora. Pursuant to a mining exploration and promissory assignment of rights agreement dated February 15, 2010 with Bertha Alicia Howlet Solis, Impulsora can acquire a 100% interest in 42 hectares comprising the Rey David mining concession (Title No. 230640). Pursuant to a mining exploration and exploitation agreement dated February 22, 2011 with Industrial Minera Mexico S.A. de C.V., Impulsora has exploration and exploitation rights to 458 hectares of the 2912 hectares comprising the San Rafael concession (Title No. 230641). Pursuant to these agreements, Impulsora has rights to 500 hectares, as more fully described in Section 4.

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

1.3 Infrastructure and Power

The nearest population center to the Rosario Project is the Town of Charcas, which lies approximately 13 kilometers northeast of the project and is approximately 20 kilometers distant by road. Charcas has limited medical, fire protection, and law enforcement services. Modern medical services and all industrial support are available in the state capital San Luis Potosi, approximately 100 kilometers to the south. In addition to these services, Grupo Mexico which runs the Charcas Mine maintains a mine rescue team, and due to the mining history of the town trained underground labor and mine contract services are available.

Power may be accessed through a substation that provides power to the Charcas Mine. Santacruz is constructing a 24.5km power line to the project with a planned completion in December 2012.

Santacruz has initiated drilling and construction of two 22 inch water wells to a depth of 200m approximately 15km from the project site. These two wells will provide the 10-15 liters/sec needed for a plant of 500 tonnes/day. The road for the pipeline is being built.

1.4 Prior Exploration Activity

The Servicio Geologico de Mexico (SGM), formerly known as the Consejo de Recursos Minerales (CRM), conducted exploration work at the Rosario Project from 1982 to 1987. During that time, exploration was conducted in the San Rafael Valley by and on behalf of the Mexican Government to investigate the geologic potential of mineralized veins including the Rosario Veins. Two veins were identified by drilling: the Rosario I (or "upper") vein and the Rosario II (or "lower") vein. One-hundred eighty-five diamond core holes totaling nearly 25,000 meters were drilled in 3 distinct vein areas. The Rosario I and II veins showed the most promise, and 34 holes are located on the Rey David claims with another 28 which appear to be on the continuation of the Rosario structures (Rodriguez, 1987) on the surrounding San Rafael claims. Information from these 62 holes was provided to Gustavson for this study.

Upon conclusion of the San Rafael exploration effort, the project was halted and the Rosario Project drill core abandoned at the site. Although the paper records and field monuments still exist, time and weather have destroyed the core boxes and the core is no longer useable for technical purposes.

1.5 Geology and Mineralization

The regional geologic structure that dominates the both the Rosario Project area and the Charcas area is the north-south oriented San Rafael anticline. The Rosario Project is located within an erosional valley formed along the axis of the anticline. Here, the middle to upper Triassic Zacatecas formation is exposed by erosion and bounded on both sides by the younger formations which comprise the limbs of the anticline.

Mineralization is hosted in two veins with a general strike of N60W, dipping between 45 to 60 degrees southwest. The host rock of the veins is comprised of the Zacatecas formation, a mid to late Triassic turbidite sequence, consisting of beds of dark grey, green and grayish-green shale, sandstone, conglomerate and siltstone. The veins extend over a length of 2.5 to 3.0 kilometers, and to a depth of at least 150 to 200 meters, as determined from available drilling data (Rodriguez et al., 1987). Each of the Rosario I and Rosario II veins vary in width from 0.4 to 2.5 meters. Mineralization appears to have occurred in three stages, with the third stage precipitating the silver bearing minerals. This deposit has been described as a mesothermal vein system based on temperature (195 to 338°C), although mineralization is typical of other deposits in Mexico which are described as epithermal.

1.6 Exploration Status

During the initial review of the Rosario Project, Gustavson recommended 10 core holes to test the CRM data in the heart of the ore zone. The first 9 holes were completed in 2011 and an additional 26 holes plus four surface trenches in 2012. The deposit remains open along strike and at depth. Visual evaluation of the core shows veining which corresponds to the good assay intervals in the core.

Nine new core holes were drilled during 2011. The core was examined by Gustavson during the site visit on 6 December 2011. Intercepts were similar in length and character to those reported in the CRM drill reports and cross sections.

After completing the drill testing of the core of the Rosario zone in 2011 and starting bulldozer trenches to expose the top of the veins, Santacruz has drilled an additional 26 holes in 2012. These holes were spaced along the length of the property and tested the area drilled earlier by CRM within the Santacruz

property. Assays for these holes were recently received. A potential low gold bias in some of the holes is being investigated. The only consequence of a low gold bias is a potential conservative value for estimated gold grades.

These holes have supported both the grades and structures seen in the historical drilling.

1.7 Metallurgical Testing

Metallurgical testing is in process through a lab connected with the Autonomous University of San Luis Potosi (UASLP) which has a highly respected metallurgy department. When this work is complete Gustavson will include it in [a] pre-feasibility Study.

Preliminary metallurgical testing was performed in 1987 using froth flotation to recover gold, silver, lead and zinc from drill core samples.

Based on preliminary testing and knowledge of other mining operations in the Charcas area, Santacruz has purchased a used mill and started construction of this facility. The proposed plant will process up to 500 tonnes/day of material to produce two concentrates, a lead concentrate and a zinc concentrate.

1.8 Mineral Resource

Gustavson estimated this mineral resource estimate effective on 1 December 2012. The cutoff for resource reporting is based on underground vein mining with long hole or shrinkage stoping with milling and flotation. Gustavson has assumed similar metallurgical recoveries for all metals. Gustavson is reporting the resources at a silver equivalent cutoff of 75g/t. The silver equivalent (AgEq) calculation is described after the resource tables which follow.

Table 1-1 Rosario I Vein Mineral Resource Estimate at 75g/t AgEq

Classification	TONNAGE	Thickness m	Silver Equivalent		Gold		Silver		Lead		Zinc	
	k tonne		gpt	k-oz	gpt	oz	gpt	k-oz	pct	lbsx1000	pct	lbsx1000
Measured	126.7	1.01	305	1,243.3	0.988	4,025	157.2	640.2	1.21	3,393.1	2.64	7,385.4
Indicated	408.4	0.85	273	3,579.4	0.904	11,873	136.0	1,785.7	1.14	10,306.5	2.43	21,911.8
Meas+Ind	535	0.88	280	4,822.7	0.924	15,898	141.0	2,425.9	1.16	13,699.6	2.48	29,297.2
Inferred	164.0	0.73	190	1,001.0	0.995	5,246	74.7	393.6	0.81	2,943.5	1.74	6,276.1

Table 1-2 Rosario II Vein Mineral Resource Estimate at 75g/t AgEq

Classification	TONNAGE	Thickness m	Silver Equivalent		Gold		Silver		Lead		Zinc	
	k tonne		gpt	k-oz	gpt	Oz	gpt	k-oz	pct	lbsx1000	pct	lbsx1000
Measured	143.4	1.17	447	2,062.2	0.897	4,137	256.9	1,184.6	1.13	3,559.3	4.62	14,611.1
Indicated	302.6	1.10	345	3,351.3	0.852	8,286	198.6	1,932.5	1.22	8,123.7	2.82	18,778.6
Meas+Ind	446	1.12	378	5,413.5	0.955	12,423	217.4	3,117.1	1.19	11,683.0	3.40	33,389.7
Inferred	222.2	0.99	213	1,521.8	0.673	4,807	102.4	731.9	0.67	3,262.8	2.37	11,598.0

Table 1-3 Total Mineral Resource for Rosario I and II Veins at 75g/t AgEq

Classification	TONNAGE	Thickness m	Silver Equivalent		Gold		Silver		Lead		Zinc	
	k tonne		gpt	k-oz	gpt	oz	gpt	k-oz	pct	lbsx1000	pct	lbsx1000
Measured	270	2.18	381	3,305.5	0.940	8,162	210.1	1,824.8	1.17	6,952	3.69	21,997
Indicated	711	1.95	303	6,930.7	0.882	20,159	162.7	3,718.2	1.18	18,430	2.60	40,690

Meas+Ind	981	2.01	325	10,236.2	0.898	28,320	175.7	5,543.0	1.17	25,383	2.90	62,687
Inferred	386	1.72	203	2,522.8	0.810	10,053	90.6	1,125.5	0.73	6,206	2.10	17,874

Note: Mineral resources which are not mineral reserves do not have demonstrated economic viability. The quantity and grade of inferred resources reported herein are uncertain in nature and exploration completed to date is insufficient to define these mineral resources as indicated or measured. There is no guarantee that further exploration will result in the inferred mineral resources being upgraded to an indicated or measured mineral resource category.

*AgEq is the silver equivalent in ppm used to calculate the cutoff. The silver equivalent was calculated with the following equation:

$$\text{AgEq} = (\text{Ag} * \text{P}_{\text{ag}} / 31.1035) + (\text{Pb} * \text{P}_{\text{pb}} * 22.05) + (\text{Zn} * \text{P}_{\text{zn}} * 22.05) + (\text{Au} * \text{P}_{\text{au}} / 31.1035)$$

(P_{ag})

Where:

Metal	Symbol	Grade Units	Price	Price Symbol
Silver Eq	AgEq	g/t		
Silver	Ag	g/t	26.28 \$/tOz	P _{ag}
Gold	Au	g/t	1,341.00 \$/tOz	P _{Au}
Lead	Pb	%	0.9988 \$/lb	P _{cu}
Zinc	Zn	%	0.9531 \$/lb	P _{zn}

* The calculation assumes equal recoveries in all metals pending further metallurgical work.

- The grades for copper, lead, and zinc are multiplied by each metal's three year trailing average price.
- The quantity and grade or quality is an estimate and is rounded to reflect the fact that it is an approximation.

1.9 Mineral Reserve Estimates

As a pre-feasibility study has not yet been performed, no mineral reserves can be stated at the Rosario Project.

1.10 Environmental Considerations

Santacruz has nearly completed the permitting process. As with all projects in Mexico, the Rosario Project requires an Environmental Impact Manifest (MIA), Change of Land Use Permit, Municipal Construction permit, and explosives permit. All permits are current except the permit for Purchase and Use of Explosives" which is pending.

Gustavson considers that there are no material risks in permitting, or environmental risks other than those common to small metal mines.

1.11 Recommendations and Conclusions

Gustavson considers that the Rosario Project has potential which merits additional work. The new drilling and modeling has supported the resource developed from historical drill data. Due to the results of the new exploration work, Gustavson can now classify the resource to include some measured and indicated mineral resource as well as inferred. New metallurgical testing is currently proceeding on Rosario data.

Gustavson recommends that Santacruz continue the ongoing exploration work on the project site. They should proceed with a pre-feasibility study to better define the project risks and potential.

Gustavson believes that the low percentage of assay errors discovered in the QA procedures is not material to the estimated resource.

Based on the three dimensional correlation between the historical drilling and the 2011 and 2012 drill campaigns, Gustavson believes that it is reasonable to include the earlier assay data in this study.

Gustavson considers the data adequate for estimation of a mineral resource.

Gustavson knows of no environmental issues that could materially impact Santacruz's ability to extract mineral resources from the Rosario property.

Risks at this stage will include the ability to successfully mine the narrow dipping veins, and the ability to recover metals efficiently from the mineral.

Metallurgical testing on composites from each vein is the highest priority and Gustavson has been informed that it is in process. Gustavson suggests a series of surface geochemical lines crossing the bodies along strike and continuing to the southeast. Following the geochem work, at least 5 new holes should be planned along strike to the SE to examine continued mineralization.

Drilling appears to successfully confirm the size and grade of the deposit. Gustavson recommends that a pre-feasibility study be performed to define the project's economic potential as well as the project risks. An estimated budget to for metallurgical test work, pre-feasibility and infill and step-out drilling is shown in Table 1-4.

**Table 1-4 2013
Rosario Exploration Budget 2013**

Activity	Estimate
Metallurgical Testing	60,000
Pre-Feasibility Study	400,000
Development Drilling 1000m	300,000
Step Out Drilling – 1000m	300,000
Total	\$1,060,000

”

Schedule "B"

Summary from Veta Grande Report

"SUMMARY

1.1 Introduction

The purpose of this report is to present an independent assessment of the Veta Grande project in Zacatecas, north-central Mexico. ARC Geoscience Group (ARC) was commissioned by Santacruz Silver Mining Ltd. (Santacruz) to prepare this report in accordance with National Instrument 43-101 Standards of Disclosure for Mineral Projects (NI 43-101) and Canadian Institute of Mining, Metallurgy and Petroleum (CIM) "Best Practices and Reporting Guidelines". The effective date of this report is May 17, 2016.

The Veta Grande project consists of 184 mining concessions covering an area of 8,944 hectares (22,101 acres) in Zacatecas, Mexico. The concessions are divided into three groups, described as the Veta Grande properties, Minillas property and the Zacatecas properties (collectively "Veta Grande project"). The Veta Grande properties were the focus of the April 28 and 29, 2016 site visit by ARC due to the properties' known underground workings, exposures of silver bearing veins on surface, and operating status of a mineral processing facility – characteristics that are considered material to the project. The Minillas property and Zacatecas properties were not visited by ARC. In addition, Santacruz acquired the Zacatecas properties on May 2, 2016, after ARC had concluded its field visit.

1.2 Location, Mining Concessions, Surface Rights and Permits

The Veta Grande project is located near the southeastern boundary of the Sierra Madre Occidental physiographic province in north-central Mexico, within the State of Zacatecas and constitutes a portion of the Zacatecas Mining District (ZMD) and Mexican Silver Belt (Silver Belt). The concessions are situated next to the community of Vetagrande and the State Capital City of Zacatecas, near coordinates on 22°50'22.04"N Latitude and 102°33'10.89" W Longitude on the 1:250,000 Zacatecas topographic map sheet F13-6. The Veta Grande project consists of 184 mining concessions covering an area of 8,944 hectares (22,101 acres). Santacruz acquired the Veta Grande properties and Minillas property through a Business Alliance Agreement with Minera Contracuña I, S.A. de C.V. (Contracuña) on November 2, 2015. Subsequently, Santacruz acquired the Zacatecas properties through an option agreement with Golden Minerals Company (Golden Minerals) on May 2, 2016. Through Contracuña, Santacruz currently holds the necessary surface rights and environmental permits to carry out surface and underground exploration and development work, and to operate a mineral processing facility in Vetagrande.

1.3 Exploration and Drilling

Santacruz has collected 670 surface samples (channel, chip and grab samples) on vein exposures within the Veta Grande and La Cantera vein systems that are situated within the Veta Grande properties. From underground workings, a total of 3,435 samples (channel, chip, and grab samples) have been collected from at least five veins (La Cantera, Veta Grande, Armados, San Jose, and La Flor) from four underground workings (Armados, Garcia, Guadalupana, and Cigarrero).

Oro Silver reports having knowledge of at least 24 horizontal underground holes drilled by Industrias Peñoles, S.A.B. De C.V. (Peñoles), most of them for production and less than 50 metres in length. ARC has not independently verified this information and is uncertain if the drilling completed by Peñoles and mentioned by Oro in the January 18, 2008 news release is directly related to the current Veta Grande properties. Diamond drill core and drill collars were not identified during the April 28-29, 2016 site visit.

1.4 Data Verification and Site Visit

During the site visit on April 28 and 29, 2016, ARC collected six underground samples and three surface samples to verify the presence of mineralization. In total, five of nine samples returned concentrations ranging from 145.05 g/t Ag to 437.27 g/t Ag. Two geochemical databases were tested and verified against assay certificates, surface plan maps, and underground level plans. Mineral processing plant layout, concession ownership documents, agreements, environmental studies, environmental permits, sampling procedures and internal laboratory preparation and analytical procedures were also reviewed. ARC has no reason to doubt the authenticity and validity of this information.

1.5 Geology and Mineralization

The Veta Grande project covers a number of northwest-southeast striking, southwest dipping, low-sulphidation epithermal silver (gold, lead, and zinc) vein systems including La Cantera and the Veta Grande, among others. On surface, the veins can be traced over a distance of 2.7-3.0 km. Veins range from less than 1 m to over 30 m thick and consist of silica, chalcedony, calcite and pyrite, often showing banded, colloform, crustiform, vuggy and/or brecciated textures. The dominant sulphide minerals include sphalerite, and galena, along with argentite and native silver, and they occur as disseminations, bands, or zones of massive sulphide. Alteration around the veins ranges from weak to moderate pervasive silicification to narrow zones (1-5m) of weak argillic and propylitic alteration immediately surrounding the veins.

1.6 Mineral Resources

A mineral resource as defined by Canadian Institute of Mining, Metallurgy and Petroleum (CIM) Definition Standards for Mineral Resources and Reserves has not been established.

1.7 Conclusions and Recommendations

The Veta Grande project is an intermediate exploration stage project with significant, low-sulphidation, epithermal vein hosted silver (gold, lead, and zinc) mineralization potential. Future recommended work includes drilling to test the down dip extension of La Cantera, Veta Grande (including Esparenza, La Flor, Armados, and San Jose), and Navidad veins. It is also recommended that a mineral resource estimate is pursued in the near term, once adequate drilling and geological work has taken place, to reduce uncertainty with respect to the project's viability."

Schedule "C"

Summary from San Felipe Report

"1. SUMMARY

This amended report addresses issues identified by the British Columbia Securities Commission with the original report that has an effective date of Sept 4, 2014. This amended report does not include any new data or other inputs and there are no material changes to any interpretations, results or conclusions. Specific items amended are:

Title Page

- Mark Smith, P.E. added as a Qualified Person

Section 2.1

- Clarification as to which author is responsible for each section of the report

Section 4.2

- A note included regarding changes in the property payment schedule that occurred after the Effective Date of this report.

Section 14

- Canadian Institute of Mining, Metallurgy and Petroleum (CIM) 2014 Definition Standards for mineral resources referenced instead of CIM 2005 Definition Standards.
- Explanation for base-case cut-off grades added.
- Estimated resources divided by material potentially mineable by open pit and underground methods and reported as such.

Section 18.1

- Various edits to grammar and clarifications by Mark Smith, P.E.

Sections 25.1, 25.2 and 26.1

- Edits to clarify degree of uncertainty with respect to continuity of higher grade sections within mineralized zones.

Certificates of Authors

- Added details to the list of relevant experience for Hans Smit, P.Geol.
- Clarification on which authors were responsible for sections 18, 21 and 24 through 27.
- Mark Smith, P.E. added as an author responsible for Section 18.1 and Table 26-1.

Section 1

- Summaries updated to reflect changes in related chapters.
- A paragraph mistakenly copied from 1.4 and inserted in section 1.3 removed.

This section gives a short summary of each section of the report. In of itself, this summary does not provide a complete description of the San Felipe project, the work undertaken or the resource estimation and Preliminary Economic Assessment completed. The reader is referred to the subsequent sections to obtain a detailed assessment of the project.

1.2. Introduction

The purpose of this report is to provide an independent assessment of the San Felipe Project and, in particular, to provide an independent mineral resource estimate and a preliminary economic assessment

(PEA) for the project. San Felipe is a mineral exploration project located in Sonora State, Mexico that is being explored for silver, lead, zinc and copper mineralization. The project is owned by Impulsora Minera Santacruz, S.A. de C.V, a wholly owned subsidiary of Santacruz Silver Mining Ltd (“Santacruz”), a public company trading on the TSX Venture exchange under the symbol SCZ. This report includes information gathered by Santacruz as well as by previous operators of the project, Minera Hochschild Mexico, S.A. de C.V. (“Hochschild”) and Boliden Mexico S.A. de C.V. (“Boliden”).

Santacruz commissioned Hans Smit, P. Geo. of Hans Smit, P. Geo. Inc. (“Smit”), and Fletcher Bourke, P. Geo. of Kuu Exploration Ltd. (“Bourke”), to review the project, develop a geological model for the area drilled, and facilitate completion of a resource estimate and a PEA. Santacruz commissioned Gary Giroux, P. Eng. of Giroux Consulting Ltd. (“Giroux”), to estimate the resources for the project based upon the geologic and mineralized domain model created by Smit and Bourke. Deepak Malhotra, Registered SME Member and President of Resource Development Inc., (“Malhotra”) was commissioned to complete the metallurgy and milling components of the PEA. JDS Energy & Mining Inc, under the direction of Greg Blaylock, P. Eng. was commissioned to complete the mine plan and mining parts of the PEA. Mark Smith, P.E. of RRD International Corp was commissioned to do a preliminary design and cost estimate for a tailings storage facility and provide recommendations for further studies in regards to talings storage.

All the contributors made recommendations for further work, and helped prepare a Technical Report in accordance with Canadian Securities Administrators National Instrument 43-101 (NI 43-101).

Bourke, Smit, Giroux, Malhotra, Blaylock and Smith are Qualified Persons as defined by NI 43-101 and are independent of both Santacruz and the title holders, based on the tests outlined in NI 43-101.

The effective date of this report is September 4, 2014, the date that the metal prices used in the PEA economic calculation were set. The effective date of the mineral resource estimate included in this report is 3rd April 2014; the date Giroux received the final assay data. Since that time, 6 holes have been drilled on the property for a total of 1,929 meters. The results of these holes will not materially affect the resource and were not considered in the PEA.

Smit visited the San Felipe Project during the periods of June 18-19, 2013, July 13-22, 2013, September 18-24, 2013, February 13-16, 2014 and April 3-6, 2014. Bourke visited the San Felipe site during the periods of July 13-22, 2013, September 18-27, 2013, February 13-17, 2014, and April 22 to May 1, 2014, May 20-27, 2014 and June 10-16, 2014. Blaylock visited the property on May 8, June 11, August 20, and September 11, 2014 and examined existing La Ventana underground workings, La Ventana core, sections of the La Ventana outcrop for sampling, San Felipe and Transversales deposits, Las Lamas outcrop and existing underground workings, proposed TSF sites and proposed process plant sites. Smith visited the property February 14-15, 2014 and examined potential tailings storage facility sites.

Giroux has not visited the project but has relied on the geological data and information verified by Bourke and Smit.

Malhotra has not visited the project but has relied on information supplied by Smit and Bourke, information supplied by Santacruz and information within reports by Hochschild.

1.3. Reliance on Other Experts

The majority of work in this report is based on data obtained from the authors’ site visits, digital data supplied by Santacruz, digital data created by Hochschild and their consultants, data available in Hochschild reports, and assay data obtained directly from ALS Minerals. The conclusions presented in this report are based on the work of Qualified Persons, as defined under NI 43-101.

Information from other experts was used for some aspects of the work described by this report as detailed in section 3.

Best professional judgment was utilized in the collection and interpretation of data discussed in this report. However, users of this report are cautioned that the valuation methods used herein are subject to inherent uncertainties and assumptions, over which the authors have no control. These uncertainties and assumptions are stated herein. Users of this report are hereby advised to be aware of and understand these uncertainties and assumptions.

1.4. Property Description and Location

The San Felipe Project is located in the Sonora River basin approximately 110km NNW of the city of Hermosillo in the state of Sonora, Mexico. The village of San Felipe de Jesus is situated 6km east of the resource area. The center of the current resource is located at UTM Zone 12, 567400E, 3305700N NAD27.

The San Felipe Project includes 14 mining concessions covering a total area of 16,265 hectares. Santacruz's rights to the concessions are held through its wholly owned Mexican subsidiary, Impulsora Minera Santacruz S.A. de C.V., (the "Company"). The Company acquired exploration rights with the right to purchase the project from Minera Hochschild Mexico, S.A. de C.V. ("Hochschild"). Pursuant to a mining exploration and promissory sale agreement dated August 3, 2011, and amended December 9, 2011, October 8, 2012, August 13, 2013 and September 3, 2014 (the "San Felipe Agreement"), the Company was granted an option to acquire a 100% interest in the San Felipe project.

In addition to cash payments of \$23,700,000 made to date and the issuance of 1,250,000 common shares previously completed by Santacruz, in order to maintain and exercise the option, the Company is obligated to incur exploration expenditures of \$3,000,000 by October 31, 2015 and make additional payments as follows:

- Annual surface right payments of 520,000 Mexican Pesos (\$39,744) on or before February 19 of each year until the project reaches commercial production;
- \$2,000,000 on or before December 1, 2014;
- \$5,000,000 on or before December 1, 2015; and,
- \$14,000,000 on or before December 15, 2016.

Under the agreement and amendments, the total payments will be \$44,700,000 plus 1,250,000 Santacruz shares. Hochschild is also entitled to receive 30% of any capital increase of the Company (Impulsora Minera) during the remaining life of the San Felipe Agreement as pre-payment of any remaining payment obligations. The project is subject to a 1% NSR in favour of Hochschild. The Company has the right at any time to buy back the NSR for a cash payment of \$3,000,000.

All of the \$3,000,000 in exploration expenditures has been incurred.

*Subsequent to the Effective Date of this report, Santacruz reported that on July 7, 2015, the company entered into a further amending agreement (the "**Third Amending Agreement**") with Hochschild pursuant to which the \$5,000,000 payment due on or before December 1, 2015 was deferred to December 1, 2016.*

To the date of this amended report, Santacruz reports it has made aggregate cash payments totaling \$25,883,997, issued 1,250,000 common shares and incurred the full \$3,000,000 in expenditures. The author has not independently verified this information. The San Felipe property is within the boundaries of a number of municipalities and ejidos (agrarian communities) including San Felipe de Jesus, Aconchi, Rayon, Huepac and Banamichi. The part of the project area that covers the resources and potential development is entirely within the Municipality of San Felipe de Jesus and surface rights are owned by the San Felipe Ejido (agrarian community). On September 21, 2008, Hochschild signed a temporary

occupation access agreement with the Ejido, allowing the company access to conduct exploration, development work and exploitation in a 1,596.5 Ha area. The agreement is valid until December 1, 2038, and includes a renewal clause. An annual payment of \$1.8M pesos is tied to inflation and is now 2.1 million pesos (US\$160,000) per year. This agreement was assigned to Santacruz on August 3, 2011.

There are a number of old mine workings including adits, stopes and small pits within the San Felipe Project area from previous mining activity. Many of these workings are open and present a safety hazard. No water discharge was observed from any of the workings, but surface exposures of mineralized rock and waste dumps are rusty weathering and could result in minerals being leached into surface waters. There is an old mill site located within the project area proximal to the location of the proposed new mill. The buildings have been removed, but there are small piles of mineralized material and some old tailings in the adjacent areas. Drilling activities by Santacruz and previous operators have resulted in a significant number of drill roads and pads being created. These should be stabilized to reduce the effects of surface erosion.

Santacruz has initiated a baseline environmental study for the project area. Initial sampling comprised 8 stream sediment samples and 5 water samples from wells which yielded one anomalously high lead assay (130 ppm) in a sediment sample taken below the old tailings site. It will be important to continue baseline sampling, including surface water samples, to establish the condition of the streams before any potential project development is initiated.

As the amount of work authorized by a previous Informe Preventivo (exploration permit) has been exceeded, a permit will be required before any additional exploration activities that result in land disturbance are undertaken. The authors are not aware of any issues related to the project which would prevent authorization of a new drilling permit.

Mine construction and operation activities require preparation and approval of a number of permits. Details on these are given in Section 20.

1.5. Accessibility, Climate, Local Resources, Infrastructure and Physiography

All current resources and potential development on the San Felipe project are within the boundaries of the municipality of San Felipe de Jesus. 148 km of paved highway from Hermosillo, the capital of Sonora, provide year-round access to the village of San Felipe. The access road to the village of San Felipe from highway 17, while paved, crosses the Sonora River via a ford. During the rainy season the river occasionally floods and it is not possible to drive across the ford for a period of hours to rarely a few days. An elevated foot bridge allows access by walking during these periods. The project area is accessed by gravel roads from the San Felipe village. It is approximately 7 km along a flat stream valley to get to the proposed mill site. Proposed underground developments are within 2 km of this site. Road building will be relatively easy. During the rainy season the local creeks experience flooding. Roads can be built above the flooding level but no bridges are planned and there will be periods when creek crossings are not passable. Experience from the last few years suggests these periods will be infrequent and generally only a few hours long.

San Felipe is located in a semi-arid region typical of the Sonoran desert. Average day time temperatures vary from around 18⁰C in the winter to 35⁰C in the summer (June through August). Night time averages vary from around 6⁰C to 28⁰C. Summer temperatures can be as hot as 50⁰C. Occasionally night temperatures in the winter can fall below zero. Snow is very rare.

Rainfall typically averages around 400 mm per year, with most rain falling in July, August and the first part of September. Over the last 50 years, annual average rainfall has varied from a low of 279 mm to a high of 700 mm. The maximum estimated 100 year-return 24-hour rain event is 145 mm.

The San Felipe property is situated in moderately to locally rugged topography with elevations ranging from to 610 to 1830 m. The areas where the resource and potential development are located are characterized by moderate to steep hills with ephemeral creeks in the valleys. In the area of the resource

and potential development there is little land suitable for growing crops. Cattle ranching is the main non-mining related use of the land.

The vegetation in the San Felipe area is classified as subtropical shrublands; spineless shrubs and secondary vegetation usually found in semiarid areas. In preliminary surveys within the project site, protected flora species, as established by NOM-059-SEMARNAT-2010, were not observed.

The village of San Felipe has an estimated population of 400 people. Santacruz has hired most of the non-technical people employed in exploration from the community. There are only minimal services available in San Felipe.

The communities in the vicinity of San Felipe along the Sonora River have an estimated total population of 10,000 people, mostly engaged in agriculture and support industries. The main source of industrial supplies and services is the city of Hermosillo located by a 2 to 2 ½ hour drive from the project. While some labour for mining could be sourced locally, it is likely that a significant proportion of the labour force would have to be brought in from Hermosillo.

San Felipe is connected to the national power grid; however the existing line is too small to support a major industrial operation. The closest high-tension power line is 40 km to the south. Power may have to be brought from the town of Ures that has an existing substation which would entail construction of a 75 to 80 km power line.

Santacruz has water rights and two wells located in the flat Sonora River valley. No production tests have been done on these wells, but a number of wells are currently being used in the valley for agriculture and there appears to be a productive aquifer within the valley gravels.

1.6. History

Mining on the San Felipe Property dates back to the turn of the last century. The main mining area was centered around the current resource area with workings developed on the Artemisa, Cornocopia, La Ventana, San Felipe and Lamas structures. The first known company to work in the area was the Artemisa Mining Company which operated the Artemisa Mine from 1920 to 1944. The property was then briefly owned by a number of small operators before being sold to Minera Serrana (Serrana) in 1973. Serrana constructed a small flotation plant, processing ore from the San Felipe district as well as from El Gachi and Moctezuma until 1991. No production has occurred from the property since 1991.

In 1996 Silver Eagle Resources Ltd., through its Mexican subsidiary Liximin, S.A. de C.V. (Liximin), entered into an exploration agreement with Serrana. Shortly after Liximin entered into an agreement with Boliden Ltd. Boliden did not spend the total required money on the property and ownership reverted 100% to Serrana after the four year period ended in 2000. Following this, Hochschild entered into a joint venture with Serrana in 2006 and took 100% ownership of the project in June 2008. Santacruz entered into a purchase agreement with Hochschild in 2011.

1.7. Geology

1.7.1. Regional Geology

The San Felipe Project is located in the San Felipe mining district within the southeast end of the North American Block, northeastern Sonora, Mexico. The project is located at the junction of two Proterozoic basement provinces. To the north lies the Mazatzal province which extends into Arizona, while to the south lies the Caborca Terrane. The provinces are separated by the Mojave-Sonora Megashear. The Matzatal province rocks are comprised of a series of Precambrian metamorphic rocks that include metavolcanics and schists while the Caborca Terrane rocks include a thick sequence of eugeoclinal deep water sediments and volcanic rocks. Basement rocks are overlain by Upper Paleozoic quartzites and carbonates and Middle to Upper Jurassic volcanic rocks. Overlying these are Upper Triassic rocks and include continental red beds, conglomerates, and a series of shallow marine to fluvial sediments.

During the Triassic and Jurassic a period of plutonism and volcanism swept eastward across the Sonora from the Paleozoic continental margin and flared up again in late Jurassic-early Cretaceous. At San Felipe, three Laramide-age granitoids intrude the Lower Cretaceous rocks and include; the late Cretaceous El Jaralito granodiorite, the early Eocene San Felipe rhyolite porphyry, and the late Eocene two-mica granite from the Aconchi batholith.

1.7.2. Property Geology

The San Felipe district represents a cluster of deeply eroded late Mesozoic distal Pb-Zn-Ag skarn vein deposits. The oldest rocks exposed in the San Felipe district belong to a Lower Cretaceous metamorphic sequence that includes andesitic lavas and tuffs interbedded with siltstone and rare limestone. In the San Felipe project area these rocks are named the Lower Metamorphic Sequence (LMS) and are metamorphosed siliceous hornfels, or altered to chlorite-albite-epidote, and presumed the result of contact metamorphism. Small isolated dikes of the San Felipe porphyry and sills of fragmental rhyolite porphyry intrude the LMS in the south part of the district; whereas, a granite pluton dominates in the south part of the district. Oligocene volcanic and sedimentary rocks in the San Felipe District include felsic pyroclastic rocks and andesitic flows intercalated with polygenetic conglomerates. Overlying these are the clastic rocks of the Baucarit Formation which are widespread in valleys of Central Sonora.

The San Felipe District contains a series of easterly-trending Pb-Zn-Ag-Mn skarn veins and pipes that cut the Lower Metamorphic sequence and intrusive rocks. The district hosts five principal, westerly-striking, vein systems that include Artemisa-Cornucopia, Las Lamas, San Felipe, Transversales and La Ventana. Primary minerals include sphalerite, galena, pyrite, and magnetite with lesser native silver, chalcopyrite, arsenopyrite, scheelite, and covelite within a gangue of garnet, pyroxene, epidote, quartz, rhodonite, and carbonate.

1.7.3. Domain Summary

A three-dimensional geologic model was constructed for mineralized structures at San Felipe using Leapfrog Geo software (leapfrog) based on detailed geologic logging of drill holes and surface mapping in the project area. Only mineralization that could be correlated between drillholes over a significant area was considered for use in the resource estimate. Descriptions of the geologic domains used are as follows:

- **La Ventana** – Two domains were constructed at La Ventana (LV & LG). LV corresponds to the main (high grade) mineralizing event - qtz-sphalerite-galena mineralization with epidote and minor rhodonite. LG corresponds to a generally low grade, silica rich zone. This domain is overprinted by and peripheral to the LV domain.
- **San Felipe** – Three mineralized wireframes were constructed (HW-1, HW-2 and SF). SF corresponds to the main structure that was historically mined while HW-1 and HW-2 are mineralization structures in the hangwall.
- **Transversales** – One domain (VT) was identified at Transversales. The domain characteristics are similar to San Felipe.
- **Las Lamas** – One mineralized wireframe was constructed (LL). Garnet (andradite) - pyroxene (rhodonite) skarn alteration with disseminated sphalerite-galena-chalcopyrite mineralization.

1.8. Deposit Type

Mineralization at San Felipe can be classified as a zinc-lead skarn (Einaudi et al, 1981). These skarn systems commonly occur in continental settings associated with either subduction or rifting. They are sulphide rich with Zn + Pb commonly ranging from 10-20 % and Ag from 30-300 g/t. Zinc-lead skarns are often transitional to massive-sulphide veins and often lack significant calc-silicate alteration. The San

Felipe district is characterized by a strong structural control on hydrothermal fluid movement and resulting alteration / mineralization in the northern areas (Ventana, Transversales and San Felipe) and a more disseminated style to the south (Lamas). Calc-silicate alteration at San Felipe is Mn-rich including bustamite-rhodonite, piemontite, garnet and pyroxene.

1.9. Exploration

Exploration by Boliden began in 1998 with a surface geochemical sampling program consisting of 763 soil and 52 stream sediment samples. Soil anomalies were detected over the now known mineralized areas. Boliden noted that Au, Co and V increase in concentration to the south towards Lamas, while Cu, Cd and Zn are higher in the northern areas. In general, the stream sediment samples showed the base metals as being the best pathfinders, with only subdued silver values detected in most samples.

Boliden completed an airborne magnetic geophysical program consisting of magnetics and very low frequency magnetics (VLF) in May 1997. Problems caused by the operator resulted in the survey being not reliable enough to use. A ground induced polarization (IP) and magnetometer (MAG) survey was completed in 1998 over the Santa Rosa, La Ventana, San Felipe, Las Lamas and Artemisa areas. At Ventana, the magnetic responses were subdued and where present showed a weak correlation with the mineralized structure. At Lamas and San Felipe, no significant chargeability or magnetic response were found.

A total of 412 rock chip samples have been taken at San Felipe. Of these, 64 were taken by Hochschild in 2008 and 2009, with the remainder of samples taken by Santacruz since 2011. Geologic mapping was completed over approximately 10% of property (1,700 Ha) by Hochschild from 2006 to 2007. During 2014, Santacruz mapped approximately 30% of the property (5,000 Ha) as part of an ongoing exploration program.

1.10. Drilling

A total of 317 holes have been drilled on the San Felipe property since 1998 for a total of 68,669 meters. Of these, Boliden drilled 5,187 meters in 27 holes; Hochschild drilled 42,452 meters in 199 holes; and Santacruz drilled 21,029 meters in 117 holes. Drilling has been successful in outlining mineral resources at La Ventana, Transversales, San Felipe and Las Lamas.

1.11. Sample Preparation, Analysis and Security

For all drill campaigns, holes were drilled with HQ and NQ sized core with only select intervals sampled. Core was sawn in half at site and one half sent to ALS (formerly Chemex and ALS Chemex). Samples were prepared at the ALS facility in Hermosillo, Mexico. The pulps were then shipped to Canada and analyzed at ALS in Vancouver. Samples were analyzed for 48 elements using a four acid ICP-MS package (ME-MS61) and Au using a fire assay with and an AAS finish (Au-AA23).

Details on sample security for Boliden and Hochschild are not known. Santacruz has a fulltime caretaker and the core is kept in locked storage. The core from all operators is now kept in the Santacruz core shed.

1.11.1. QA/QC Analysis

QA/QC programs were undertaken by Santacruz and Hochschild. Approximately 13 percent of the total number of drill core samples submitted for assaying (ratio of 1:8) are external quality control samples. The drilling by Boliden did not employ a QA/QC program to monitor the core sampling and analysis. However, this drilling represents only 6% of the total samples taken on the project and all holes have been twinned or infilled by either Hochschild or Santacruz. No major differences in grade distributions were identified between Boliden and other operator holes.

The blanks for both Hochschild and Santacruz show no significant contamination problems at the laboratory with only 3 samples above acceptable limits. The standards used show no systematic problems with lab accuracy - only 4 sample results are deemed outside acceptable limits. Duplicates show good precision and no bias in the data. The main limitations of the QA/QC data relate to the lack of details on

the standard types used by Hochschild and the use of a gold standard instead of a silver standard for much of the Santacruz drilling. Though there are some problems with the QA/QC data, the author is of the opinion that the analytical results from all drill campaigns considered at San Felipe are adequate for mineral resource estimation.

1.12. Data Verification

Smit and Bourke spent approximately 87 man days at San Felipe from July 2013 to June 2014. During these site visits the authors conducted the following verification procedures:

- Visual site inspection of drill collar locations and orientations vs. digital data.
- Historic workings were accessed in La Ventana, San Felipe and Las Lamas.
- Geologic mapping was undertaken by T. Longo C.P.G. and F. Bourke P.Geo. Over approximately 30% of the property (5,000 Ha).
- Detailed geologic re-logging of portions of approximately 250 drill holes by Boliden, Hochschild and Santacruz (80% of total drill holes), and;
- Verification of digital data versus original hard copies of data from Boliden, Hochschild and Santacruz (collar orientation, location and geologic logging).

Bourke took three independent samples from core while re-logging. The amount of samples taken is too small to allow meaningful statistical analysis; however the results confirm the presence of high grade Ag, Pb and Zn.

A new independent drill hole data base was compiled by Bourke for use in the resource estimate. The author was able to gain access to the original certificates directly from ALS for drilling conducted since 2006 by Hochschild and Santacruz. In total, 191 certificates (82% of all certificates) were imported by Bourke into the new data base.

Drill hole collar location and down hole surveys supplied by Santacruz were checked against the original hard copies of drill logs and of collar location survey reports for every drill hole. An independent surveyor was used to verify any discrepancies.

1.13. Mineral Processing and Metallurgical Testing

Sufficient amount of test work has been performed by several investigators for the San Felipe prospect to support a PEA level study. In 2008, Hochschild contracted Dawson Metallurgical Laboratories to undertake metallurgical test work. The primary objective of this phase of test work was to determine lead and zinc flotation response on different mineralization type composites. Seventeen composites, representing oxide, mixed and sulfide mineralization types were prepared from 51 individual samples and scoping level flotation tests were performed. Material for the tests was obtained from assay rejects from core drill holes on the Ventana vein. Santacruz did additional test work in 2013 and 2014 on 4 composites, one from Ventana, two from Las Lamas and one from San Felipe.

Estimated metallurgical recoveries used on the PEA model are summarized below. To date, testing has not been able to produce a viable copper concentrate. Therefore, copper is not considered in the PEA. Further test work to evaluate the potential for copper recovery is recommended.

Table 0-1 Estimated Metallurgical Recoveries

	<i>Oxide</i>	<i>Sulphide</i>
<i>Ag</i>	70%	80%
<i>Pb</i>	70%	86%
<i>Zn</i>	68%	87%

1.14. Mineral Resource Estimates

Giroux Consultants was contracted by Santacruz to complete a resource estimate for six separate mineralized structures: the La Ventana, the Las Lamas, the San Felipe, two San Felipe HW structures and Transversales. The San Felipe mineral resource estimate is supported by 55,050 metres of drilling in 260 drill holes with a total of 11,526 assays. The holes include those drilled by Santacruz in 2013 and by prior operators in the period 1999 to 2000 and 2006 to 2008. The mineral resources were defined to a maximum depth of approximately 450 metres below surface with a total of 1,106 down-hole surveys utilized for control.

Geologic solids for each skarn vein system were built by Bourke defining the mineralized structures. The geological model has six domains; two at La Ventana (HG, LG), Transversales (VT), three at San Felipe (SF, HW-1, HW-2) and one at Las Lamas (LL).

Assays for each domain were examined and a top cap was applied to each variable within each domain. Uniform 2 m composites were formed for the domain envelopes. Variography was completed for all domains in the La Ventana and Las Lamas zones. Due to insufficient composites in the VT, SF and HW-2 domains, variography from the HW-1 domain was used with the orientation changed to fit the strike and dip of the structures. Grades for all variables were interpolated into blocks 5 x 2.5 x 5 m using ordinary kriging. For blocks with multiple domains present, a weighted average was determined for the mineralized portion. A specific gravity was established for each domain based on 472 measurements from drill core. Estimated blocks were classified as indicated or inferred based on geologic and grade continuity.

Giroux Consultants Ltd. completed the mineral resource estimate on the San Felipe Project on six separate mineralized structures drilled to date: the La Ventana, the Las Lamas, the San Felipe, the two San Felipe hanging wall structures and the Transversales vein. The San Felipe vein and two hanging wall structures are combined in resource tables. The new mineral resource estimate was utilized in preparation of the PEA.

In addition to silver, lead and zinc, the veins contain low amounts of copper and anomalous gold. Since test work has not been able to produce an economic copper concentrate and gold values are too low to be significant, the values for these metals have not been considered at this time.

Since the veins contain different metals, a silver equivalent value cut-off is given in the resource tables to better compare value. The metal prices used in the silver equivalent estimation are from a 100 day moving average as of June 3, 2014, and are listed below. The metal prices and recoveries used for the silver equivalents in the resource estimation vary somewhat from those used in the PEA as the resource was done earlier and the PEA includes some new information.

		Factor
Ag	- US\$ 20.06 per ounce	0.64 \$/g
Pb	- US\$ 0.96 per pound	21.16 \$/%
Zn	- US\$ 0.92 per pound	20.28 \$/%

The recoveries used in the resource estimation for each metal within each vein are shown below.

Table 0-2 Recoveries for each metal

<i>Zone</i>	<i>Ag Rec.</i>	<i>Pb Rec.</i>	<i>Zn Rec.</i>
<i>Ventana</i>	<i>70%</i>	<i>86%</i>	<i>87%</i>
<i>Las Lamas</i>	<i>73%</i>	<i>82%</i>	<i>88%</i>
<i>San Felipe & Transversales</i>	<i>69%</i>	<i>86%</i>	<i>79%</i>

The equation used to establish Ag Equivalent is:

$$AgEq = \frac{(Agppm \times 0.64 \times Ag Rec \%) + (Pb\% \times 21.16 \times Pb Rec \%) + (Zn\% \times 20.28 \times Zn Rec \%)}{0.64 \times Ag Rec \%}$$

The silver equivalent resource for each mineralized structure is presented in the following Tables. This resource contains no edge dilution. At this time, only a Preliminary Economic Assessment has been completed and an economic cut-off is unknown. Based on assumptions made during the PEA, a cut-off for possible open pit extraction would be 75 g/t Ag Equivalent based on \$2.00 /t mining costs, \$19.00 /t milling costs and \$18.00 smelter charges and the metal prices shown above. For possible underground extraction the cut-off would be 150 g/t Ag Equivalent based on assumed mining costs of \$30 /t, milling costs of \$19.00 /t and smelting charges of \$28.00 /t. The resources are presented broken down by mining method. For open pit resources only material within the conceptual pits is reported while for underground resources the material within the mineralized structures below the open pits is reported.

Table 0-3 Summary of Silver Equivalent Resource for all Zones sorted by potential mining method

Zone	Classification	Cut-off AgEq (g/t)	Tonnes > Cut-off	Grades > Cut-off				
			(tonnes)	Ag (g/t)	Pb (%)	Zn (%)	AgEQ (g/t)	AgEq Ozs.
Within Conceptual Open Pits								
Ventana	Indicated	75	10,000	70.61	0.11	7.69	378.11	121,565
San Felipe	Indicated	75	87,000	82.27	1.39	4.07	283.26	792,310
Total	Indicated	75	97,000	81.07	1.26	4.44	293.04	913,875
Ventana	Inferred	75	252,000	54.37	1.66	6.31	370.29	3,000,083
San Felipe	Inferred	75	261,000	83.07	1.28	4.56	297.48	2,496,255
Transversales	Inferred	75	345,000	55.40	1.41	1.33	159.84	1,772,945
Total	Inferred	75	858,000	63.51	1.44	3.78	263.52	7,269,283
Below Pits Possible Underground								
Ventana	Indicated	150	815,000	72.91	2.96	6.78	460.35	12,062,477
San Felipe	Indicated	150	118,000	91.38	1.76	5.79	368.79	1,399,110
Las Lamas	Indicated	150	84,000	76.18	0.25	5.29	286.28	773,145
Total	Indicated	150	1,017,000	75.32	2.60	6.54	435.35	14,234,732

Ventana	Inferred	150	1,201,000	59.67	2.86	5.78	403.57	15,583,056
San Felipe	Inferred	150	712,000	56.33	1.61	4.09	267.06	6,113,354
Las Lamas	Inferred	150	383,000	95.27	0.36	5.50	317.54	3,910,101
Total	Inferred	150	2,296,000	64.57	2.06	5.21	346.89	25,606,511

1.15. Mineral Reserve Estimates

There are no mineral reserve estimates for the San Felipe project.

1.16. Mining Methods

A variety of mining methods will be used at the San Felipe project including conventional open pit and underground methods applied to the four deposits targeted for mining at this time. The La Ventana deposit will be mined using a combination of open pit and underground methods, as will the San Felipe deposit. Las Lamas will be mined using underground methods only and Transversales will be mined using open pit methods only.

At an average mining and processing rate of 1,250 tonnes per day the anticipated life of mine is expected to be 7.5 years.

1.17. Recovery Methods

This Preliminary Economic Assessment is based on a conventional flotation mill that produces a zinc and a lead concentrate. Silver will be recovered primarily within the lead concentrate. Silver values within the zinc concentrate are too low to be payable.

A 1,250 mtpd (metric tonne per day) mill will be constructed in the first year of project development. The mill will be located proximal to the old Artemisa mill site approximately 2 km southeast of the Ventana vein. The run-of-mine (ROM) mineralized material will be trucked and dumped into a hopper which will have an air grizzly. The mineralized material will be crushed in a three-stage crushing system and stored in a fine mineralized material bin. The mineralized material will be fed from the fine mineralized material bin to a ball mill in closed circuit with cyclones. The cyclone overflow will be pumped to the lead rougher and scavenger flotation circuit. The scavenger concentrate will be recycled back to the rougher flotation feed. The rougher concentrate will be subjected to counter-current two stage cleaner flotation. The lead concentrate will be thickened and filtered and stored for shipment.

The lead rougher flotation tailing will be sent to the zinc rougher/ scavenger flotation circuit. The zinc scavenger flotation tailing will be sent to the conventional tailing pond. The rougher zinc concentrate will be subjected to two stages of counter-current cleaner flotation and the final concentrate will be thickened and filtered.

1.18. Project Infrastructure and General Administration

The tailings storage facility (TSF) will be an important component of the infrastructure required for a mine at San Felipe. In 2008, Hochschild identified a potential site for a TSF and contracted various geotechnical studies. Work included digging 19 test pits, drilling 4 geotechnical holes in the area of the proposed dam and establishing 2 monitoring wells. Santacruz contracted Mark Smith, P.E. (M. Smith) to review the data and to do a comparison between the Hochschild site and a site proposed and permitted by Santacruz. At this point the Hochschild site appears to be more favorable, so the PEA model and descriptions below are all based on this site. If further evaluation finds a significant problem with the Hochschild site, the alternative site will be evaluated as a back-up.

M. Smith visited the Hochschild site on February 14 and 15, 2014. The following summarizes his observations:

- Good quality bedrock outcropping in both abutments and in various locations in the impoundment;
- Abundant borrow sources for soil and good quality rock;
- Good abutment geometry and a good ratio of dam length (distance between abutments), valley width and valley length, suggesting a reasonable storage efficiency (impoundment volume divided by dam fill volume);
- Ample room for increasing capacity well above 5,000,000 mt;
- Existing geotechnical and hydrogeological field & lab investigations are probably sufficient for a PFS-level design.

After the visit, M. Smith completed a PEA level design and cost estimate for a TSF.

The village of San Felipe is connected to the national power grid but the line is under-sized for the power requirements of the proposed mill. The nearest high tension line from San Felipe is 40 km south of the project. In very preliminary discussions with the government-owned power company, Comision Federal de Electricidad (CFE), CFE representatives indicated that a new line would have to come from Ures where there is an existing sub-station. This would require a 75 to 80 km long power line. At this time, no engineering or permitting has been done for a power line and there have been no detailed discussions with CFE.

Santacruz has authorization for two wells in the Sonora River floodplain located approximately 5 km from the mill site. There is sufficient water authorized to operate the project as modeled. No pump tests have been done to see whether the wells can achieve the production rate they are authorized for. There are a number of wells in the area that are used for agriculture and the material in the flat river valley appears to host a good aquifer.

Approximately 8 km of road will require upgrading to provide access from the end of pavement at the village of San Felipe to the proposed mill site. A further 7 km will be needed to connect the mill site to the various mine workings. All roads will be gravel and road building will be straight forward. All creek crossings are proposed to be fords, so continued road maintenance will be needed in the rainy season and there will be occasional times that access is blocked by high water.

Other infrastructure required includes an office, warehouse and shop. These are planned to be located proximal to the mill. No designs have been made for these structures, but simple buildings or trailers are planned. A fuel depot will be placed within a lined containment.

This PEA model is based on Santacruz providing overall site management, technical support and surface and mill personnel. Mining will be done by contractors and all mine personnel besides the mine superintendent are included in mine costs.

No detailed reclamation and closure plan has been made for the project. There is insufficient test work to model whether waste rock will be PAG and there is no characterization of the tailings. Therefore, reclamation plans are very conceptual at this time.

1.19. Market Studies and Contracts

No market studies have been undertaken for the San Felipe project and there are no contracts for any possible production. However, metallurgical studies indicate that marketable lead and zinc concentrates can be produced from the resource material. Santacruz is currently selling similar concentrates from their Rosario mine and it is reasonable to assume that concentrates from San Felipe could be sold.

For the PEA model, general details of the contract Santacruz has with a concentrate trader for the Rosario concentrate were used. Key points include:

Zinc concentrate payables:

Zinc - Pay for 85% of the final zinc content, subject to a minimum deduction of 8 units (percentage points).

Silver - Deduct 3 ounces (93 gms) per tonne of concentrate and pay 70% of the balance of the final silver content. The silver values in the zinc concentrate produced in test work for San Felipe are too low to be payable under this condition.

Lead – No payment.

Lead Concentrate Payables:

Lead - Pay for 95% of the final lead content, subject to a minimum deduction of 3 units (percentage points).

Silver - Pay 95% of the final silver content subject to a minimum deduction of 50 grams per tonne.

Zinc – no payment, but no penalty.

1.20. Environmental Studies, Permitting and Social or Community Impact

There are a number of environment-related regulatory standards (NOMs) that pertain to mining developed by the Mexican Federal government. All development, operating and closure activities must conform to these NOMs.

Baseline environmental studies have recently been initiated on the project by Santacruz. To date these have been limited to a reconnaissance visit to the project area for a preliminary review of the type of flora and the general environmental conditions at the project area and a first round of water sampling. On May 20th, 2014, 5 wells were sampled and 8 samples of creek sediments collected. At the time sampling was done, none of the creeks or the Sonora River had surface water. The wells had some parameters that were variably elevated including fluorine, sulphur, aluminum and manganese indicating high levels for these elements occurs naturally in the groundwater. Lead, zinc and copper levels were low. A high lead value in sediments (130 ppm) is likely due to contamination from an old mill site.

Water sampling, including both surface and subsurface, will continue. Detailed flora and fauna studies of the area that would be affected by any potential development are planned within the next few months.

Tailings characterization and more detailed evaluation of the site will be required before any construction of a tailings impoundment is initiated.

A comprehensive waste rock characterization program is required before any development is initiated. To address the issue of acid rock drainage and metal leaching in this PEA, waste rock dumps were modeled to be contained and engineered to hold rock that is potentially acid generating (PAG).

An initial study did not identify any rare or endangered flora on the proposed mill or tailings pond sites. More detailed studies of flora and fauna in the area potentially affected by development are planned.

The main mine permits required for construction and operation activities are the:

- Authorization to Impact the Environment which requires a submission of a Manifiesto de Impacto Ambiental (Environmental Impact Statement), known by its acronym as an MIA, and;
- Authorization to Change the Use of Forest Lands which requires the submission of an Estudio Tecnico Justificativo (Technical Justification Study), known by its acronym ETJ.

Santacruz applied for and received a MIA and ETJ for a processing plant (1.39 Ha) and for a tailings impoundment site (13.86 Ha) valid for 10 years in 2014. The processing plant area is in the area of the mill site proposed in the PEA, but there may need to be modifications of the area to meet new plans. The tailings site is not the one currently proposed as the site proposed by Hochschild appears to be a better

alternative. The permitted site provides a possible back-up if detailed examination of the current proposed site finds some unknown problem with the Hochschild site.

No authorizations were applied for the open pit portion of the PEA plan as this is a relatively new concept. No authorizations have been applied for mine waste storage areas or power lines.

Under the MIA and ETJ authorizations already received, Santacruz is required to develop the project according to the terms and obligations in the MIA and the ETJ and is obliged to develop management and monitoring plans to ensure compliance. Santacruz is currently reviewing all permitting requirements in relation to the development and operating scenario described in this report and Santacruz plans to initiate the work necessary to obtain all permits and authorizations required to undertake the proposed development.

Santacruz has signed an agreement to acquire water rights to two wells which could provide water for potential operations. Filing of this agreement with Mexican authorities is still pending.

It is the author's opinion that there are no issues with the project that will prevent obtaining the permits and other authorizations required to build a mine, provided that Santacruz collects the required information, designs project components so that environmental values and human safety are protected, ensures that applications and reports are complete, and correctly responds to concerns expressed by regulatory agencies.

The village of San Felipe has an estimated population of 400 people. Santacruz has hired most of the non-technical people employed in exploration from the community and has a cordial relationship with the people in the community.

The communities in the vicinity of San Felipe along the Sonora River have an estimated total population of 10,000 people, mostly engaged in agriculture and support industries. While some labor for mining could be sourced locally, it is likely that a significant proportion of the labor force would have to be brought in from Hermosillo.

Provided that Santacruz puts effort into working with San Felipe and other area communities, social and community concerns are unlikely to prevent a mine from being developed.

1.21. Capital and Operating Costs

A summary of estimated capital costs is given in Tables 1-4 and of estimated operating costs is given in Table 1-5.

Table 0-4 Estimated Capital Costs - \$M

<i>Item</i>	<i>Description</i>	<i>Initial</i>	<i>Sustaining</i>
<i>Mining</i>			
	<i>Open pit and underground contract mining</i>	<i>\$2.5</i>	<i>\$26.3</i>
<i>Milling</i>			
	<i>1,250 mtpd mill</i>	<i>\$15.3</i>	<i>\$0.0</i>
<i>Infrastructure and General and Administration</i>			
	<i>Tailings Dam</i>	<i>\$2.1</i>	<i>\$3.4</i>
	<i>Office, shop and warehouse</i>	<i>\$0.6</i>	<i>\$0.1</i>
	<i>Power to site</i>	<i>\$5.0</i>	<i>\$1.0</i>
	<i>Power on site</i>	<i>\$0.5</i>	<i>\$0.5</i>

	<i>Roads</i>	<i>\$0.9</i>	
	<i>General and Admin</i>	<i>\$3.4</i>	
	<i>Working Capital</i>	<i>\$6.0</i>	<i>-\$6.0</i>
<i>Closure and Reclamation</i>			
	<i>Reclamation</i>		<i>\$3.0</i>
	<i>Salvage</i>		<i>-\$0.5</i>
	<i>Subtotal</i>	<i>\$36.3</i>	<i>\$27.8</i>
	<i>Total Capital</i>	<i>\$64.1</i>	

Table 0-5 Estimated Operating Costs Per tonne

Mining	Per tonne	
Open pit – mineralized material per tonne	\$2.80	
Open pit – waste per tonne	\$2.20	
Underground - average per tonne mineralized material	\$27.62 to \$32.71	
Average per tonne mineralized material		\$26.12
Milling		
Milling per tonne milled		\$19.34
Concentrate Costs		
Smelter per tonne milled	\$24.34	
Shipping, assay, insurance per tonne milled	\$3.68	\$28.02
General and Administration		
General and Administration per tonne mineralized material		\$6.85
Total per tonne mineralized material	\$80.33	

1.22. Economic Analysis

The PEA is based on a stand-alone project and evaluates the potential economics from the start of construction. It does not incorporate costs before any production decision. These would include costs for further technical studies, property payments and taxes. The cost for these items is in part dependent upon when a potential project decision is made. Potential tax savings a company could achieve by writing off other expenses and losses against the revenue derived from San Felipe are also not considered.

The reader is advised that the PEA is preliminary in nature, that it includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves and there is no certainty that the PEA will be realized. Mineral resources that are not mineral reserves do not have demonstrated economic viability.

Assumptions included in the model are:

- Metal Prices – a 100-day average price as of September 4, 2014 was used; \$19.91/oz for Ag, \$0.99/lb for Pb and \$1.00/lb for Zn
- All \$US
- Exchange rate – US\$1 = 13.16 Mexican pesos
- Mining by contractor
- No cost or revenue escalations over time.

The primary taxes that need to be considered for a mining project in Mexico are:

- IVA – 16% goods and services tax
- Environmental Fee – a 0.5% tax on gold and silver production
- Mining Royalty – a 7.5% tax on mineral production
- Income Tax

Table 0-6 San Felipe PEA Production Summary

San Felipe - September 2014 PEA Results				
<i>This PEA is preliminary in nature and there is no certainty that the results of the PEA will be realized.</i>				
<i>The resources incorporated in this assessment are not mineral reserves and do not have demonstrated economic viability.</i>				
<i>The first year of this assessment is based almost entirely on inferred resources and there is limited metallurgical information and no geotechnical information to support the first year of the analysis.</i>				
<i>The results of this study show that the project has potential to be economic and further work to determine economic viability is warranted</i>				
<i>This study is too preliminary to demonstrate economic viability.</i>				
San Felipe PEA Production Estimate				
Total Tonnes to Mill	3.4 Mt			
Average Milled per Day	1250 t/day			
Underground Tonnes to Mill	2.4 Mt			
Open Pit Tonnes to Mill	1.0 Mt			
Open Pit Tonnes Waste	7.1 Mt			
Open Pit Strip Ratio	7:1			
Years Production	7.5			
	Ag	Pb	Zn	
Grade	63.5 g/t	1.7%	5.1%	
Metal Mined	7.0 Moz	126.5 Mlbs	385.9 Mlbs	
Recovery – Sulphide (Oxide de-rated)	80%	86%	87%	
Metal Produced in Concentrate	5.5 Moz	107.3 Mlbs	328.7 Mlbs	
Metals Payable after Smelting	5.2 Moz	100.9 Mlbs	279.4 Mlbs	
Metal Price	\$19.91/oz	\$0.99/lb	\$1.00/lb	
Smelter Credit (\$US)	\$104.6 M	\$99.9 M	\$279.4 M	\$483.8 M

Table 0-7 Life of mine economics

San Felipe PEA Economics - Life of Mine					
	\$US '000	\$US '000		Per Tonne Mined	
Smelter Credit		\$483,784			\$141.78
Smelter Costs	(\$83,064)			(\$24.38)	
Concentrate Shipping	(\$12,571)			(\$3.68)	
Total Smelter and Concentrate Charges		(\$95,605)			(\$28.02)
NSR (1%)		(\$3,540)			(\$1.04)
Site Operating Costs					
Mining	(\$89,138)			(\$26.24)	
Milling	(\$66,004)			(\$19.34)	
G&A	(\$23,380)			(\$6.85)	
Total Site Operating		(\$178,522)			(\$52.32)
Net Operating Cash Flow		\$206,118			\$60.40
Initial Capital Costs					
Mining	(2,500)				
Milling	(15,300)				
G&A and Infrastructure	(12,460)				
Working Capital	(6,000)				
Total Initial Capital	(36,260)			(\$10.63)	
Sustaining Capital Costs					
Mining	(\$26,265)				
Milling	\$0				
Infrastructure	(5,025)				
Total Sustaining Capital	(\$31,290)			(\$9.17)	
Closure					
Salvage Value	500				
Recoup of Working Capital	6,000				
Total Closure Capital	\$6,500			\$1.90	
Total Capital		(\$61,050)			(\$17.89)
Reclamation	(3,000)	(3,000)			(\$0.88)

Net Cash Flow - Pre Tax		\$142,068			\$41.63
Environmental Fee	(\$533)				
Mining Royalty	(\$14,143)				
Income Tax	(\$39,480)	(\$53,415)			
Net Cash Flow - After Tax		\$88,653			\$25.98
Total cash cost (Opex, smelter, NSR and Sustaining Capital)			(\$90.54)	per tonne	
			(\$12.72)	per oz Ag Eq	

Table 0-8 San Felipe PEA NPV and IRR

San Felipe NPV and IRR - Base Case		\$USM
	Pre-Tax NPV	After Tax NPV
<i>Discount Rate</i>	<i>142.1</i>	<i>88.7</i>
<i>0%</i>		
<i>2%</i>	<i>125.0</i>	<i>76.4</i>
<i>5%</i>	<i>103.5</i>	<i>61.2</i>
<i>8%</i>	<i>86.1</i>	<i>48.9</i>
<i>10%</i>	<i>76.3</i>	<i>42.0</i>
<i>IRR</i>	<i>60.6</i>	<i>37.7</i>
<i>Payback (years)</i>	<i>1.6</i>	<i>2.3</i>

Note: These tables are in part based on inferred mineral resources which are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves. Mineral resources that are not mineral reserves do not have demonstrated economic viability.

*The after tax calculation considers the new Mexican tax regime including a 0.5% environmental fee for gold/silver/platinum, a 7.5% royalty and depreciation and amortization annually at a 10% rate.

Key economic inputs were examined by running cash flow sensitivities on:

- Metal prices
- Capital Costs
- Operating Costs

Sensitivity over the base case was calculated for a range of -20% to +20% variations of the base case parameters listed above. All were done with a 5% NPV. The sensitivities are shown on Table 1-9.

The project is most sensitive to metal price. This is followed by the operating costs with the capital cost being the least sensitive to the economics of the project.

Table 0-9 San Felipe Project Preliminary Economic Assessment 2014 - Sensitivities

Metal Prices							
			-20%	-10%	Base	+10%	+20%
		<i>Ag</i>	15.93	17.92	19.91	21.90	23.89
		<i>Pb</i>	0.79	0.89	0.99	1.09	1.19
		<i>Zn</i>	0.80	0.90	1.00	1.10	1.20
<i>NPV 5% \$US M</i>		<i>pre-tax</i>	28.7	66.1	103.5	140.9	178.3
		<i>after-tax</i>	11.8	36.5	61.2	85.8	110.5
<i>IRR %</i>		<i>pre-tax</i>	22.3%	42.1%	60.6%	78.6%	96.4%
		<i>after-tax</i>	12.1%	25.5%	37.7%	49.4%	60.8%
Operating Cost							
			+20%	+10%	Base	-10%	-20%
<i>NPV 5% \$US M</i>		<i>pre-tax</i>	75.8	89.6	103.5	117.3	131.2
		<i>after-tax</i>	42.6	51.9	61.2	70.4	79.7
<i>IRR %</i>		<i>pre-tax</i>	47.2%	54.0%	60.6%	67.3%	73.8%
		<i>after-tax</i>	28.6%	33.2%	37.7%	42.2%	46.6%
Capital Cost							
			+20%	+10%	Base	-10%	-20%
<i>NPV 5% \$US M</i>		<i>pre-tax</i>	92.0	97.7	103.5	109.2	115.0
		<i>after-tax</i>	51.6	56.4	61.2	65.6	70.7
<i>IRR %</i>		<i>pre-tax</i>	47.4%	53.5%	60.6%	69.3%	80.0%
		<i>after-tax</i>	28.8%	32.9%	37.7%	43.5%	50.6%

Note: This table is in part based on Inferred Mineral Resources which are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as Mineral Reserves. Mineral resources that are not mineral reserves do not have demonstrated economic viability.

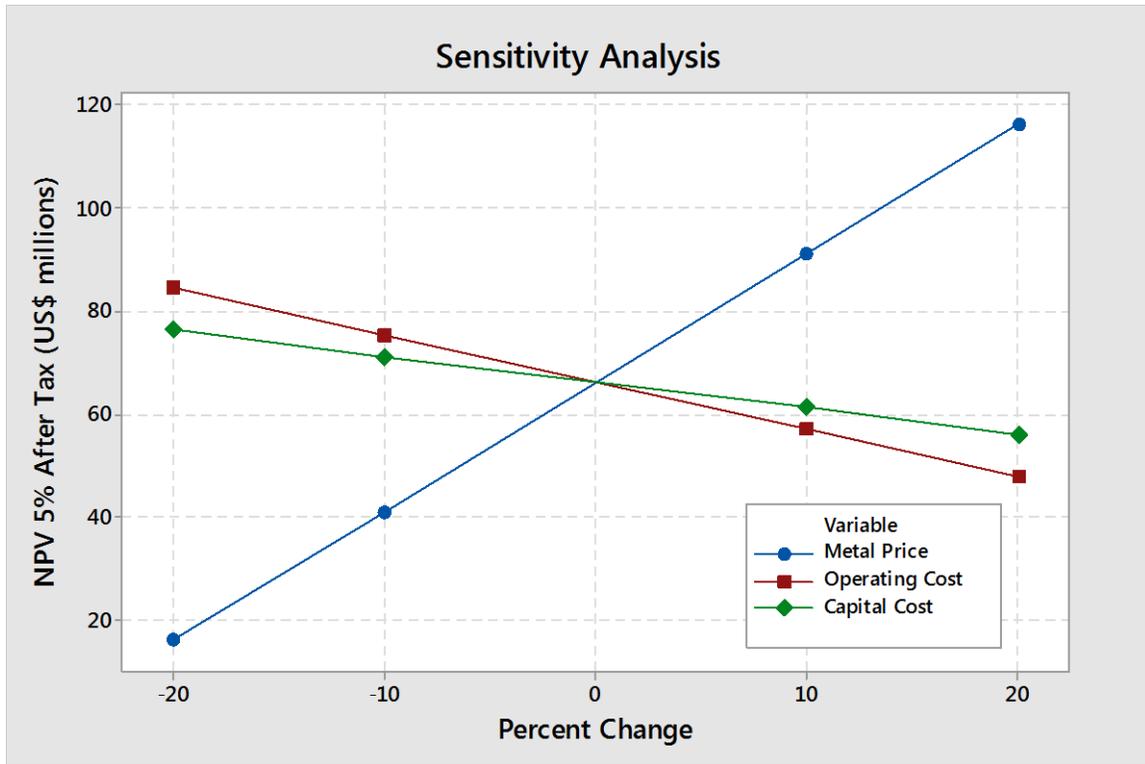


Figure 0-1 Sensitivity Analysis

1.23. Adjacent Properties

There is no public information available regarding exploration on the claims adjacent to Santacruz's San Felipe property. The closest active mine is the Santa Elena deposit owned by Silvercrest Mines Inc. The mine is located approximately 20 km to the NE of San Felipe.

1.24. Other Relevant Data and Information

The authors are not aware of any material information relevant to this report, or the resource estimation and PEA described in this report, that is not included herewithin.

1.25. Interpretation and Conclusions

At a 75 g/t Ag equivalent cut-off, the new resource estimate for material that can be potentially mined by open pit for all veins is:

- Indicated – 0.1Mt at 81.07 g/t Ag, 1.3% Pb and 4.4%Zn = 293 g/t Ag equiv or 0.9 Moz Ag equiv*
- Inferred – 0.9Mt at 63.5 g/t Ag, 1.4% Pb and 3.8% Zn = 264 g/t Aq equiv or 7.3 Moz Ag equiv*

At a 150 g/t Ag equivalent cut-off, the new resource estimate for material that can be potentially be mined by underground methods for all veins is:

- Indicated – 1.0Mt at 75.3 g/t Ag, 2.6% Pb and 6.5%Zn = 425 g/t Ag equiv or 14.2 Moz Ag equiv*
- Inferred – 2.3Mt at 64.6 g/t Ag, 2.1% Pb and 5.2% Zn = 347 g/t Aq equiv or 25.6 Moz Ag equiv*

Highlights of the PEA, using a US \$19.91 per ounce silver base case, include:

- Pre-tax Net Present Value ("NPV") at a 5% discount rate of US \$103.5 million and an Internal Rate of Return ("IRR") of 60.6%;
- After-tax NPV at a 5% discount rate of US \$61.2 million and IRR of 37.7%;
- Production of 24.3 million ounces of silver equivalent (after milling and smelting recoveries);
- Average annual production of 3.2 million ounces of silver equivalent over a 7.5 year mine life;
- Initial capital cost ("CAPEX") of US \$36.3 million, including \$6 million of working capital;
- Estimated all-in cash costs of US \$12.72/oz silver equivalent (including site operating costs, smelter costs, sustaining capital and NSR payments); and
- Pre-tax payback of 1.6 years after start-up, and 2.3 years after-tax payback.

The reader is advised that the PEA is preliminary in nature, that it includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves and there is no certainty that the PEA will be realized. Mineral resources that are not mineral reserves do not have demonstrated economic viability.

*For the PEA, Silver Equivalent was calculated using prices of US\$19.91/oz., US\$0.99/lb. and US\$1.00/lb. for silver, lead and zinc, respectively. Metal prices and recoveries used for the resource are different than those used in the PEA because the resource was completed earlier than the PEA.

The San Felipe project is subject to the usual risks that comparable mining projects face, including decreases in metal prices, increases in costs and changes in mineral title law and taxation. Mexico is considered a reasonably stable country and the San Felipe area has not experienced any drug-cartel related violence. Recent changes in taxation are incorporated in the PEA model. Santacruz has a good relationship with the community of San Felipe and has an agreement regarding surface land-use with the local Ejido. There are no known reasons why permits and other authorizations required to developing a mine cannot be acquired. The PEA is based in part on inferred mineral resources which are too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves.

Geotechnical analysis of the rock mass indicates potentially difficult ground conditions. The continuity of higher-grades at a stope scale has not been determined to the level required to do detailed mine planning.. If ground conditions require more ground support than currently modeled or if higher-grades are less continuous than modeled, mining rates could be lower and costs could be higher.

The first year of open pit production is modeled almost entirely on inferred resources and there is limited metallurgical information and no geotechnical information to support the model.

The authors are not aware of any legal, environmental, permitting or technical reasons that a mine could not be built at San Felipe.

Project opportunities include:

- Higher metal prices – Increases in metal prices from those modeled results in significant increases in NPV and IRR;
- Higher grades – The grade of material mined may be higher if mineralization is more continuous at a stope scale than currently modelled, resulting in decreased dilution and increased mining recovery;
- Increased resource in mine plan – Any combination of higher metal prices, lower costs, higher recovery or decreased dilution will result in more of the current resource being potentially economic;

- Resource expansion – There is some potential to expand resources around the current resources. A number of new parallel skarn vein systems have been identified from recent surface exploration work to the east and northeast of Las Lamas (La Ventanita and Veta Negra). These targets have yet to be drilled but surface work indicates alteration and mineralization similar to Las Lamas.
- Copper extraction – Copper grades average in the range of 0.3 to 0.4% for the material considered in the PEA. If further test work can show that a copper concentrate is possible, it could add to the project economics.
- Use of used equipment – Santacruz can acquire a used ball mill, a crushing system and some analytical laboratory equipment. This equipment has not been examined by the authors. Potential capital costs savings by using this equipment were not considered in the PEA.

1.26. Recommendations

This PEA indicates that the San Felipe project is potentially economic and there is good potential to increase resources. Therefore, additional work on the project is recommended. Recommendations include:

- Resume exploration development on the Ventana vein to examine the continuity of higher grades and vein widths at a stopping scale and perform detailed sampling.
- Drill the upper part of the Ventana and San Felipe structures to upgrade the resources in these areas.
- Drill the Ventana and San Felipe veins in places with complications in the geological model. .
- Complete a new resource after the test mining, sampling and drilling work is completed.
- Construct a rock-type model for the entire area encompassing the current resources.
- Detailed surface mapping should continue around the resource areas.
- Undertake additional metallurgical test work, including both open-cycle and locked-cycle flotation tests with oxide, transition and sulphide mineralization.
- Complete characterization work on the concentrates and tailings produced in the metallurgical test work.
- Conduct geotechnical mapping of the ramps and other underground developments during the proposed field program.
- Gather geotechnical data while logging drill core during the upper Ventana exploration program.
- Design and implement a geotechnical drill program for the proposed La Ventana and San Felipe pits.
- Develop geotechnical engineering domains to support geotechnical models for the deposits intended for mining.
- Using the updated resource model and geotechnical information mentioned above, re-run Whittle™ optimizations and from those resultant shells design operational pits for La Ventana and San Felipe to a PFS level of detail.
- Using the updated resource model and new geotechnical information gathered during the proposed field program, design the La Ventana underground mine to a PFS level of detail.
- Using existing data and any new data on the San Felipe, Lamas and Transversales deposits, design the San Felipe and Lamas underground mines and an operational pit for Transversales to a PFS level of detail.

- Revise mine plans, capital and operating costs estimates based on the continuity of mineralization observed during the Ventana underground exploration program, operational pit designs and PFS-level of detail underground mine designs for La Ventana, San Felipe and Lamas as mentioned above.
- Investigate the possibility of obtaining mill feed from other deposits located on IMS concessions that are not included in this PEA.
- Identify borrow sources for tailings dam construction materials.
- Advance the tailings storage facility design to a PFS level of detail.
- Confirm proposed mill location and dig test pits for geotechnical data collection; finalized civil earthworks design for mill location.
- Condemn all locations planned for major facilities including the mill site, TSF and proposed waste rock storage areas to ensure these facilities are not located on geologically prospective ground.
- Advance the existing mill design to pre-feasibility level.
- Used equipment available to Santacruz should be independently examined and if suitable the cost for buying and refurbishing the equipment used in further analysis.
- Bring the engineering of the powerline to site and the tailings storage facility to pre-feasibility level engineering.
- Continue the baseline study including water monitoring and flora and fauna studies.
- Permitting for all proposed mine activities should be undertaken.
- An ABA and metal leaching testing program should be developed and carried out.
- Drill areas where the resource may be open and the new skarn vein systems identified at La Ventanita and Veta Negra.
- Surface exploration including mapping and sampling should continue throughout the property.
- A one-year budget of \$8,260,000 is recommended to undertake the proposed work plan and cover claim agreement payments, taxes and surface right payments for the period."

Schedule "D"

Summary from Gavilanes Report

"1. Summary

1.1 Introduction

The Gavilanes Authors have been commissioned by Santacruz to prepare the first resource estimate for the Gavilanes Project located in Durango State, Mexico and write a Technical Report under the requirements of NI 43-101.

The resource estimate is based on drilling conducted by the Santacruz in 2012 through 2013. The effective date of this mineral resource estimate is 13th November 2013. No work has been performed on the property since then.

The Gavilanes Project is an intermediate sulphidation (silver-base metal gold) vein system, with veining identified within a 2.2 km². The present resource estimate covers only an approximately 0.2 km² surface area.

The Qualified Persons, as per definitions of NI 43-101, for this Technical Report are:

- Gary Giroux, P.Eng., Giroux Consultants Ltd.
- Hans Smit, P.Geo., Hans Smit, P.Geo.Inc.
- Fletcher Bourke, P.Geo., GBX Consulting Ltd.

1.2 Location, Mining Concessions, Surface Rights, Permits

The Gavilanes Project, or Gavilanes is located approximately 110km WNW of Durango City in the municipality of San Dimas in Durango State, Mexico. The center of the project area is located at UTM Zone 13, 425650E, 2678450N, North American Datum 27 (Mexico).

The property is located within the central part of the Sierra Madre Occidental, characterized by very rugged topography with steep, often vertical walled valleys and narrow canyons. Elevations on the property vary from 800 to 2400 metres above sea level.

Access to the property from Durango City involves 190 km of paved roads and 23 km of rough gravel roads and takes approximately 6 hours by driving.

The Gavilanes Project includes 10 mining concessions covering a total area of 8,832.28 hectares. Santacruz's rights to the concessions are held through its wholly owned Mexican subsidiary, Impulsora (Table 4-1 and Figure 4-1 of the Gavilanes Report). Impulsora can acquire 100% of the mineral concessions pursuant to three agreements.

a) Gavilanes I

Pursuant to an agreement with Jorge de la Torre Robles dated April 27, 2010, as amended October 12, 2010, December 27, 2010, October 29, 2011, January 30, 2012, March 20, 2012 and April 26, 2013, Impulsora was granted an option to acquire a 100% interest in the Victoria Cuatro, San Jose and Maria Luisa claims. The claims are subject to a 3% net smelter return royalty (NSR) in favour of the optionor, up to a maximum of \$2,000,000.

To maintain and exercise the option, Impulsora must make \$3,600,000 of cash payments to the vendor. As at September 30, 2013, Impulsora has made total payments of \$2,500,000 and must make one residual payment of \$1,100,000 on April 1, 2014.

b) Gavilanes II

Pursuant to an agreement with Ricardo Flores Rodriguez dated May 1, 2010, as amended October 12, 2010, December 27, 2010 and January 7, 2011, Impulsora was granted an option to acquire a 100% interest in the Nuevo Gavilanes, Gavilan, El Gavilan 2 and El Gavilan 2 Fraccion Uno claims. The claims are subject to a 2% NSR in favour of the optionor, up to a maximum of \$1,000,000. The NSR may be purchased by Impulsora for \$1,000,000. To maintain and exercise the option, Impulsora must make \$2,265,000 of cash payments to the property vendor. As at September 30, 2013, Impulsora has made total payments of \$715,000 and the residual payments are as follows:

- \$400,000 on April 1, 2014; and
- \$1,150,000 on May 1, 2014.

c) Gavilanes MHM Fraccion

Pursuant to an agreement with Hochschild dated January 5, 2012, as amended on February 20, 2012 and March 23, 2012, Impulsora acquired the Gavilanes MHM Fraccion 2 and Gavilanes HMX concessions and Gavilanes MHM Fraccion 1 for cash payments of \$100,000 made on April 15, 2012 and \$1,000,000 upon commencement of commercial production out of these specific claims, and the grant to the vendor of a 3% NSR.

Surface rights in the project area are owned by the Gavilanes Ejido (agrarian community). Santacruz has executed a surface access agreement with the Ejido, allowing them access to conduct exploration work. The existing agreement permits exploration activities only. Exploitation and production activities will require execution of a new access agreement. The Gavilanes Authors were given a copy of the current surface access agreement between Santacruz and the Gavilanes Ejido but no legal review was made of the document.

The Gavilanes Project is not included within any specially protected, Federally designated, ecological zones. Therefore basic exploration activities are regulated under Norma Oficial Mexicana NOM-120-SEMARNAT-2011.

1.3 Exploration and Drilling

Very little modern exploration was conducted on the property prior to 2010. Since 2010, Santacruz has taken 140 surface samples and 31 underground samples. Surface samples collected were taken along the known veins in a 4 km² area surrounding the resource area. Samples were typically chip-grab or channel samples. Surface sampling shows mineralized veins extending at least 2km to the west of the current resource area. More sampling and mapping is warranted given the encouraging results of the surface sampling to date.

Drilling began at the Gavilanes Project by Santacruz in August 2012 with 9,623.9 metres of HQ core drilled to July 2013 in 47 holes. There has been no drilling on the property since then.

1.4 Data Verification and Site Visit

Smit and Bourke conducted an on-site visit to Gavilanes from the 20th to 25th of October 2013. Thirty-six of the total 47 holes drilled by Santacruz were re-logged by the authors. During this time, the

Santacruz logging and results from ALS Limited's Global Minerals Division (ALS) were also checked while visually inspecting the core. In addition, hole collar locations, geologic mapping and mine workings were checked against the digital data supplied by Santacruz to the authors. The logging by the authors was used to construct the domain model for the resource estimate as described in Section 7.5 of the Gavilanes Report.

1.5 Geology

Mineralization at the Gavilanes Project is hosted within a volcanic sequence of andesite fragmentals and flows of the Lower Volcanic Group (LVG), and is classified as an intermediate sulphidation epithermal deposit based on the alteration assemblages and mineralogy.

Silver, base metal and gold mineralization at Gavilanes is hosted by crustiform-banded quartz veins, quartz vein stockworks, and breccia veins hosted within the andesites of the LVG. The veins are oriented NNW and NW and dip moderately to the W-SW. Veins pinch and swell, varying from < 3cm to 14m wide and averaging 3.5m. Vein contacts are frequently not sharp and there is generally an abundant wallrock component to the veins. Some of the veins have a strike length of over two kilometers. The dominant ore minerals include native silver, argentite, sphalerite, galena, and chalcopyrite with gangue minerals including quartz, pyrite, K-feldspar, chlorite, epidote, sericite, calcite, barite and ilmenite. Alteration styles include propylitic, argillic, silicic and quartz vein stockworks and vein breccia.

1.6 Mineral Resource

A 3D geologic model was built for the resource estimate using Leapfrog Geo software based on the authors' interpretations during their site visit. Three domain types were used for the resource estimate – Vein, Hangingwall (HW) / Footwall (FW) and Stockwork (stx). Table 1-1 and Table 1-2 below show a summary of the resource over various cut-off grades:

Table 1-1 – Resource classed as Indicated within Mineralized Solids

Cut-off AgEq (g/t)	Tonnes > Cut-off (tonnes)	Grade > Cut-off						
		Ag (g/t)	Cut-o AgE	Cu (%)	Pb (%)	Zn (%)	AgEQ (g/t)	Cut-off AgEq (g/t)
50	1,294,000	132.4	0.08	0.05	0.38	0.36	163.7	6,810,000
75	953,000	164.6	0.09	0.06	0.42	0.41	200.5	6,143,000
100	735,000	194.6	0.1	0.06	0.46	0.46	234.2	5,534,000
140	524,000	238	0.11	0.07	0.48	0.5	280.9	4,732,000

Table 1-2 Resource classed as Inferred within Mineralized Solids

Cut-off AgEq (g/t)	Tonnes > Cut-off (tonnes)	Grade > Cut-off						
		Ag (g/t)	Au (g/t)	Cu (%)	Pb (%)	Zn (%)	AgEQ (g/t)	AgEq Oz
50	8,336,000	94.2	0.10	0.08	0.34	0.29	127.0	34,038,000
75	5,399,000	124.6	0.12	0.09	0.40	0.34	163.0	28,294,000
100	3,978,000	149.1	0.12	0.10	0.44	0.38	190.4	24,352,000
140	2,548,000	183.6	0.12	0.10	0.52	0.47	230.9	18,916,000

The metal prices used in the silver equivalent estimate are listed below.

		Factor
Ag	US\$ 21.55 per ounce	0.69 \$/gm
Au	US\$ 1318.00 per ounce	42.37 \$/gm
Cu	US\$ 3.25 per pound	71.65 \$/%
Pb	US\$ 0.97 per pound	21.38 \$/%
Zn	US\$ 0.87 per pound	19.18 \$/%

The equation to establish Ag Equivalent is then:

$$AgEq = \frac{(Cu\% \times 71.65) + (Pb\% \times 21.38) + (Auppm \times 42.37) + (Agppm \times 0.69) + (Zn\% \times 19.18)}{0.69}$$

100% recovery has been assumed for all metals in this silver equivalent estimate. At this stage of the project no metallurgy has been completed and the reader is cautioned that 100% recoveries are never achieved.

Highlights of the mineral resource estimate are as follows:

- Indicated mineral resources of 6,143,000 AgEq ounces grading 200 g/t AgEq
- Inferred mineral resource of 28,294,000 AgEq ounces grading 163 g/t AgEq;
- Veins remain open along strike and to depth with intermittent surface exposures indicating an untested strike length;
- The stockwork zone is open down-dip and to the south.

1.7 Conclusions and Recommendations

The identified indicated and inferred resource is significant (Table 1-1 and Table 1-2), however engineering and economic studies have not been completed and thus no statement can be made about the project's potential economic viability.

The full limits of the veins that host the resource have not yet been delineated and potential exists to increase the resource by expansion along strike and to depth. There are a number of other vein structures on the property which provide further exploration potential.

The results achieved to date at Gavilanes warrant continued exploration including drilling to upgrade and potentially expand resources. A program of metallurgy and basic engineering to assess the project's economic viability is also warranted.

There are no obvious environmental, permitting, legal, title, taxation, socio-economic, marketing, political or other relevant factors which would materially affect this resource. Further exploration of the Gavilanes Project is subject to normal exploration risks including the ability of Santacruz to raise funding, potential decreases in metal prices and unforeseen changes in Mexican mining and environmental laws and regulations.

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.

The recommended work plan is a one year program and includes:

- Prepare an orthophoto and detailed topographic model for the property.
- Map the property at 1:10,000 or smaller scale as appropriate.
- Continue the surface sampling program.
- Drill to upgrade resources – approximately 8,000 metres of HQ core in 50 holes.
- Drill to potentially expand resources – approximately 6,000 metres in 30 holes.
- Drill other veins to test potential – approximately 4,000 metres in 30 holes.
- Conduct preliminary metallurgy studies on the current Domains – 6 composites.
- Start a baseline sampling program on the creeks.
- Sample and analyze core intervals within the resource Domains that were not sampled.
- Secure old workings to prevent people and animals from entering.
- Survey old workings.
- Sample wallrock exposures in the Guadalupe vein workings in areas where drill holes indicate potential for mineralization.
- Continue to take density measurements with the intent of developing a density versus grade model.
- Obtain additional silver standards so as to have a low, medium and high grade standard.
- Use a silver blank instead of a gold blank. A coarse blank can be developed using unmineralized rock from the area.
- Collect preparation and assay duplicates of drill program samples.
- Routinely send select drill sample assay pulps to a second laboratory for check assaying.

The total cost of the recommended work plan is US\$3.7 million as shown in Table 1-3.

Table 1-3 Recommended work program budget (one year)

Item	Unit	Amount	Item Cost	Cost	Comments
Orthophoto and Topo	hectares	4,000	10	40,000	
Drilling – contractor	metres	18,000	120	2,160,000	
Drilling - assays and support		18,000	70	1,260,000	
Mapping	days	100	500	50,000	including personnel and camp
Sampling	samples	500	100	50,000	including assaying, personnel and camp
Metallurgy	composites	5	2,500	12,500	
Environmental Sampling	Times	4	5,000	20,000	Sample every 3 months
Other Work				100,000	
			Total	3,692,500	\$US"