



Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2015 and 2014

(Unaudited – expressed in US Dollars)

**NOTICE OF NO AUDITOR REVIEW OF
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

The accompanying unaudited condensed interim consolidated financial statements of the Company and all information contained in the first quarter 2015 report have been prepared by and are the responsibility of the Company's management.

The Audit Committee of the Board of Directors has reviewed the condensed interim consolidated financial statements and related financial reporting matters.

The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of condensed interim consolidated financial statements by an entity's auditor.

Santacruz Silver Mining Ltd.
Condensed Interim Consolidated Statements of Financial Position
(Unaudited – expressed in US Dollars)

	Note	March 31, 2015 \$	December 31, 2014 \$
ASSETS			
Current			
Cash and cash equivalents	3	3,602,474	6,015,947
VAT recoverable and receivables	4	2,254,627	3,017,810
Inventory	5	766,195	395,326
Prepaid expenses and deposits		496,656	675,018
Derivative assets	9	2,512,733	2,252,492
		9,632,685	12,356,593
VAT recoverable	4	4,630,055	4,778,178
Holdback receivable	9	800,000	800,000
Derivative assets	9	1,026,083	2,124,853
Plant and equipment	6	13,728,226	13,338,320
Mine property	7	9,041,208	9,032,392
Exploration and evaluation properties	8	44,928,436	44,535,124
		83,786,693	86,965,460
LIABILITIES			
Current			
Accounts payable and accrued liabilities		2,315,255	2,919,652
Silver loan	9	11,680,000	10,120,000
		13,995,255	13,039,652
Silver loan	9	10,731,820	11,470,317
Decommissioning and restoration provision	10	666,039	663,438
Deferred income tax liability		4,587,943	4,798,933
		29,981,057	29,972,340
EQUITY			
Share capital	11	85,606,637	85,606,637
Stock options and warrants reserve	11(d)	5,818,853	5,792,640
Accumulated other comprehensive loss		(1,034,445)	(372,055)
Deficit		(36,585,409)	(34,034,102)
		53,805,636	56,993,120
		83,786,693	86,965,460

Nature of Operations and Going Concern (Note 1)

Commitments (Notes 7, 8 and 18)

Subsequent Events (Notes 9, 11(c) and 11(d))

Approved on behalf of the Board:

“Arturo Préstamo Elizondo”

Director – Arturo Préstamo Elizondo

“Larry Okada”

Director – Larry Okada

(The accompanying notes are an integral part of these condensed interim consolidated financial statements)

Santacruz Silver Mining Ltd.
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
For the three months ended March 31, 2015 and 2014
(Unaudited – expressed in US Dollars)

		Three months ended March 31,	
	Note	2015	2014
		\$	\$
Revenues		402,040	1,931,567
Cost of sales	12	(1,611,692)	(3,278,678)
Gross loss		(1,209,652)	(1,347,111)
Operating expenses	12	(452,152)	(723,506)
Operating loss		(1,661,804)	(2,070,617)
Interest earned and other finance income	13	360,630	38,694
Interest expense and other finance expenses	13	(1,447,774)	(71,714)
Loss before income tax		(2,748,948)	(2,103,637)
Income tax recovery		197,641	41,360
Net loss for the period		(2,551,307)	(2,062,277)
Other comprehensive (loss) income			
Currency translation differences		(662,390)	6,114
Comprehensive loss for the period		(3,213,697)	(2,056,163)
Loss per share – basic and diluted		(0.02)	(0.02)
Weighted average number of common shares outstanding		103,493,484	94,033,762

(The accompanying notes are an integral part of these condensed interim consolidated financial statements)

Santacruz Silver Mining Ltd.
Condensed Interim Consolidated Statements of Cash Flows
For the three months ended March 31, 2015 and 2014
(Unaudited – expressed in US Dollars)

	Three months ended March 31,	
	2015	2014
Cash Provided By (Used In):	\$	\$
Operations:		
Net loss for the period	(2,551,307)	(2,062,277)
Items not affecting cash:		
Deferred income tax recovery	(210,990)	(57,760)
Accretion of decommissioning and restoration provision	11,610	10,296
Depletion, depreciation and amortization	53,526	314,967
Share-based payments	26,213	8,492
Interest expense on silver loan	821,503	-
Change in fair value of derivative assets	614,661	-
Unrealized foreign exchange	(659,683)	-
Changes in non-cash working capital:		
VAT recoverable and receivables	911,306	(695,368)
Prepaid expenses and deposits	178,362	(99,374)
Inventory	(370,869)	331,231
Accounts payable and accrued liabilities	(735,520)	(82,491)
	(1,911,188)	(2,332,284)
Investing:		
Exploration and evaluation properties	(254,362)	(2,621,936)
Acquisition and development costs on mine property	(24,289)	(20,000)
Acquisition of plant and equipment	(436,558)	(62,085)
	(715,209)	(2,704,021)
Financing:		
Proceeds from issuance of common shares	-	10,864,694
Share issuance costs	-	(967,088)
Cash received from settlement of derivative assets	223,868	-
	223,868	9,897,606
Net (decrease) increase in cash and cash equivalents	(2,402,529)	4,861,301
Effect of exchange rate changes on cash and cash equivalents	(10,944)	6,346
Cash and cash equivalents – beginning of period	6,015,947	1,618,472
Cash and cash equivalents – end of period	3,602,474	6,486,119

Non-cash Transactions *(Note 15)*

(The accompanying notes are an integral part of these condensed interim consolidated financial statements)

Santacruz Silver Mining Ltd.
Consolidated Statements of Changes in Equity
(Expressed in US Dollars)

	Share Capital		Stock Options and Warrants Reserve \$	AOCI \$	Deficit \$	Total \$
	Number of Shares	Amount \$				
Balance, December 31, 2013	91,330,984	75,912,147	5,316,201	(503,931)	(25,328,349)	55,396,068
Issued pursuant to prospectus offering	12,062,500	10,864,694	-	-	-	10,864,694
Issued for finder's fees	100,000	91,871	-	-	-	91,871
Share issuance costs	-	(1,262,075)	199,669	-	-	(1,062,406)
Share-based payments	-	-	8,492	-	-	8,492
Comprehensive loss for the period	-	-	-	6,114	(2,062,277)	(2,056,163)
Balance, March 31, 2014	103,493,484	85,606,637	5,524,362	(497,817)	(27,390,626)	63,242,556
Share-based payments	-	-	268,278	-	-	268,278
Comprehensive loss for the period	-	-	-	125,762	(6,643,476)	(6,517,714)
Balance, December 31, 2014	103,493,484	85,606,637	5,792,640	(372,055)	(34,034,102)	56,993,120
Share-based payments	-	-	26,213	-	-	26,213
Comprehensive loss for the year	-	-	-	(662,390)	(2,551,307)	(3,213,697)
Balance, March 31, 2015	103,493,484	85,606,637	5,818,853	(1,034,445)	(36,585,409)	53,805,636

(The accompanying notes are an integral part of these condensed interim consolidated financial statements)

Santacruz Silver Mining Ltd.
Notes to the Condensed Interim Consolidated Financial Statements
For the Three Months Ended March 31, 2015 and 2014
(Unaudited – expressed in US Dollars)

1. Nature of Operations and Going Concern

Santacruz Silver Mining Ltd. (“Santacruz”) was incorporated pursuant to the Business Corporations Act of British Columbia on January 24, 2011. The Company’s registered office is located at 10th Floor, 595 Howe Street, Vancouver, British Columbia, Canada V6C 2T5. The Company is listed for trading on the TSX Venture Exchange (“TSX-V”) under the symbol “SCZ”. The Company also trades on the OTCQX under the trading symbol “SZSMF” and the Santiago Stock Exchange Venture under the trading symbol “SZCL”.

Santacruz, together with its subsidiaries, (the “Company”) is engaged in the operation, exploration and commercial exploitation of mining concessions in Mexico, with a primary focus on silver, but also including gold, lead and zinc. The Company has acquired the mining concession rights to the following properties:

- Rosario in the mining municipality of Charcas, state of San Luis Potosi, Mexico.
- San Felipe in the mining municipality of San Felipe de Jesús, Sonora, Mexico.
- Gavilanes in the mining municipality of San Dimas, Durango, Mexico.

These condensed interim consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to meet its obligations, and continue its operations for the next twelve months. Should the Company be unable to continue as a going concern, asset realization values may be substantially different from carrying values as shown. These condensed interim consolidated financial statements do not give effect to adjustments that would be necessary to carrying values, and classification of assets and liabilities should the Company be unable to continue as a going concern. Such adjustments could be material.

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

2. Basis of Presentation

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting*. These condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2014 which have been prepared in accordance with IFRS as issued by the IASB.

These condensed interim consolidated financial statements have been prepared on a basis consistent with the significant accounting policies disclosed in Note 3 of the annual consolidated financial statements for the year ended December 31, 2014 and were approved for issue by the Board of Directors on June 1, 2015.

Santacruz Silver Mining Ltd.
Notes to the Condensed Interim Consolidated Financial Statements
For the Three Months Ended March 31, 2015 and 2014
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3. Cash and Cash Equivalents

	March 31, 2015	December 31, 2014
	\$	\$
Cash on hand or held with banks	3,593,395	6,006,034
Short-term investments	9,079	9,913
Total	3,602,474	6,015,947

4. VAT Recoverable and Receivables

	March 31, 2015	December 31, 2014
	\$	\$
Value added taxes recoverable	6,784,234	6,899,475
Trade receivables	40,204	817,363
Other receivables	60,244	79,150
Total	6,884,682	7,795,988
Current portion	(2,254,627)	(3,017,810)
Non-current portion	4,630,055	4,778,178

We expect full recovery of the value added taxes recoverable and trade receivables amounts outstanding and therefore, no allowance has been recorded against these receivables. No trade receivables are past due and all are expected to be settled within twelve months. A portion of the value added taxes recoverable has been classified as non-current as this portion of the value added taxes recoverable is expected to be received after twelve months from March 31, 2015.

5. Inventory

	March 31, 2015	December 31, 2014
	\$	\$
Ore stockpiles	398,231	133,146
Concentrate inventory	179,104	19,641
Supplies inventory	188,860	242,539
Total	766,195	395,326

During the three months ended March 31, 2015, the Company wrote down ore stockpiles and concentrate inventory to their net realizable values, which at March 31, 2015 was \$577,335 (December 31, 2014 – \$152,787).

Santacruz Silver Mining Ltd.
Notes to the Condensed Interim Consolidated Financial Statements
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6. Plant and Equipment

Cost	Office	Assets under Construction	Plant and Equipment	Vehicles	Computer Hardware	Total
	Furniture and Equipment					
	\$	\$	\$	\$	\$	\$
Balance, December 31, 2013	54,934	-	11,142,659	312,676	138,371	11,648,640
Additions	2,238	383,249	3,181,463	43,006	18,404	3,628,360
Foreign exchange	(1,142)	-	-	-	-	(1,142)
Balance, December 31, 2014	56,030	383,249	14,324,122	355,682	156,775	15,275,858
Additions	3,125	5,118	377,201	50,307	807	436,558
Foreign exchange	(1,059)	-	-	-	-	(1,059)
Balance, March 31, 2015	58,096	388,367	14,701,323	405,989	157,582	15,711,357
Accumulated Depreciation						
Balance, December 31, 2013	7,337	-	879,268	86,335	43,470	1,016,410
Additions	5,005	-	828,137	57,600	30,638	921,380
Foreign exchange	(252)	-	-	-	-	(252)
Balance, December 31, 2014	12,090	-	1,707,405	143,935	74,108	1,937,538
Additions	1,252	-	22,010	16,378	6,240	45,880
Foreign exchange	(287)	-	-	-	-	(287)
Balance, March 31, 2015	13,055	-	1,729,415	160,313	80,348	1,983,131
Carrying amount at December 31, 2014	43,940	383,249	12,616,717	211,747	82,667	13,338,320
Carrying amount at March 31, 2015	45,041	388,367	12,971,908	245,676	77,234	13,728,226

Depreciation during the three months ended March 31, 2015 was \$45,880 (2014 – \$173,675). During the three months ended March 31, 2015, \$7,827 of the depreciation was capitalized to exploration and evaluation properties (2014 – \$2,970).

7. Mine Property

	Rosario Mine, Charcas, San Luis Potosi, Mexico
Balance, December 31, 2013	8,770,992
Additions	751,698
Decommissioning and restoration provision (Note 10)	96,887
Amortization and depletion	(587,185)
Balance, December 31, 2014	9,032,392
Additions	24,289
Amortization and depletion	(15,473)
Balance, March 31, 2015	9,041,208

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Notes to the Condensed Interim Consolidated Financial Statements
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Rey David, Charcas, San Luis Potosi, Mexico

Pursuant to a mining exploration and promise of assignment of rights agreement dated February 15, 2010, as amended on February 15, 2012, March 20, 2012, August 15, 2013, October 15, 2013, February 4, 2014 and April 14, 2014 (the "Rey David Agreement"), the Company was granted an option to acquire a 100% interest in the Rey David property located in the municipality of Charcas, San Luis Potosi, Mexico. The property covers 42 hectares and is subject to a 0.4% Net Smelter Returns ("NSR") in favour of the optionor. The NSR increases by 0.1% per year, until it reaches a maximum of 1%.

As at March 31, 2015, the Company has made total payments of \$2,000,000 and has exercised the option in accordance with the terms of the Rey David Agreement.

San Rafael, Charcas, San Luis Potosi, Mexico

Pursuant to a mining exploration and promise of assignment of rights agreement dated February 22, 2011, the Company was granted an option to acquire a 100% interest in the San Rafael property, located in the municipality of Charcas, San Luis Potosí, Mexico. The vendor retains a 2.5% NSR. The Company also has an obligation to pay the local Ejido 300,000 Mexican pesos per year for surface access on the San Rafael concessions. To maintain and exercise the option, the Company must make \$220,000 of cash payments to the property vendor. As at March 31, 2015, the Company has made total payments of \$180,000 and the remaining payments are as follows:

- \$20,000 on August 22, 2015; and
- \$20,000 on February 22, 2016.

Santacruz Silver Mining Ltd.
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8. Exploration and Evaluation Properties

The Company is actively investigating, evaluating and conducting exploration activities on projects in Mexico. The summary of accumulated costs on its exploration and evaluation properties as of March 31, 2015 and December 31, 2014 are as follows:

	Balance, Dec 31, 2013 \$	Additions Year Ended Dec 31, 2014 \$	Balance, Dec 31, 2014 \$	Additions Period Ended Mar 31, 2015 \$	Balance, Mar 31, 2015 \$
a) Gavilanes, San Dimas, Durango, Mexico					
<i>Acquisition costs</i>					
Option payments – cash	3,315,000	1,800,000	5,115,000	30,000	5,145,000
	3,315,000	1,800,000	5,115,000	30,000	5,145,000
<i>Exploration costs</i>					
Depreciation	4,130	5,162	9,292	968	10,260
Drilling	1,818,127	171,003	1,989,130	12,788	2,001,918
Geological consulting	-	25,380	25,380	5,330	30,710
Mine site support and office costs	67,820	3,495	71,315	1,782	73,097
Professional fees	46,951	6,089	53,040	-	53,040
Safety and maintenance	68,885	36,837	105,722	22,685	128,407
	2,005,913	247,966	2,253,879	43,553	2,297,432
	5,320,913	2,047,966	7,368,879	73,553	7,442,432
b) San Felipe, San Felipe de Jesús, Sonora, Mexico					
<i>Acquisition costs</i>					
Option payments – cash	22,883,997	3,000,000	25,883,997	-	25,883,997
Option payments – shares	1,292,961	-	1,292,961	-	1,292,961
	24,176,958	3,000,000	27,176,958	-	27,176,958
<i>Exploration costs</i>					
Depreciation	5,778	10,900	16,678	6,859	23,537
Drilling	2,852,248	2,567,654	5,419,902	59,176	5,479,078
Geological consulting	76,608	1,864,368	1,940,976	78,060	2,019,036
Mine site support and office costs	315,693	809,878	1,125,571	64,847	1,190,418
Professional fees	133,980	-	133,980	-	133,980
Safety and maintenance	700,967	651,213	1,352,180	110,817	1,462,997
	4,085,274	5,904,013	9,989,287	319,759	10,309,046
	28,262,232	8,904,013	37,166,245	319,759	37,486,004
Total	33,583,145	10,951,979	44,535,124	393,312	44,928,436

a) Gavilanes, San Dimas, Durango, Mexico

Gavilanes I, San Dimas, Durango, Mexico

Pursuant to a mining exploration and promise of assignment of rights agreement dated April 27, 2010, as amended October 12, 2010, December 27, 2010, October 29, 2011, January 30, 2012, March 20, 2012, April 26, 2013 and December 17, 2013 (the "Gavilanes I Agreement"), the Company was granted an option to acquire a 100% interest in the Gavilanes property located in San Dimas, Durango, Mexico. The property is subject to a 3% NSR in favour of the optionor, up to a maximum of \$2,000,000.

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As at March 31, 2015, the Company has made total payments of \$3,600,000 to the vendors and has exercised the option in accordance with the terms of the Gavilanes I Agreement.

Gavilanes II, San Dimas, Durango, Mexico

Pursuant to a mining exploration and promise of assignment of rights agreement dated May 1, 2010, as amended October 12, 2010, December 27, 2010, January 7, 2011, November 8, 2013, April 10, 2014 and January 7, 2015, the Company was granted an option to acquire a 100% interest in the Gavilanes property (named Gavilanes II) located in San Dimas, Durango, Mexico. The property is subject to a 2% NSR in favour of the optionor, up to a maximum of \$1,000,000. To maintain and exercise the option, the Company must make \$2,265,000 of cash payments to the property vendor. As at March 31, 2015, the Company has made total payments of \$1,415,000. The Company is currently re-negotiating the extension of the remaining payment of \$820,000.

Gavilanes MHM Fraccion, San Dimas, Durango, Mexico

Pursuant to an assignment of mining concession rights agreement dated January 5, 2012, as amended, the Company acquired the Gavilanes MHM Fraccion 2 concession and two mining concession applications, Gavilanes MHM Fraccion 1 and Gavilanes HMX, for cash payments of \$100,000 made on April 15, 2012 and \$1,000,000 upon commencement of commercial production, and the grant to the vendor of a 3% NSR.

b) San Felipe, San Felipe de Jesús, Sonora, Mexico

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 4, 2014 (the "San Felipe Agreement"), the Company was granted an option to acquire a 100% interest in the San Felipe de Jesús project located in Sonora, Mexico and the El Gachi property near the San Felipe project, including all assets related to the properties. In addition to cash payments of \$25,700,000 made to date and the issuance of 1,250,000 common shares of the Company, in order to maintain and exercise the option, the Company must incur exploration expenditures of \$3,000,000 by October 31, 2015 (incurred) 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;
- \$5,000,000 on or before December 1, 2015; and
- \$14,000,000 on or before December 15, 2016.

The project is subject to a 1% NSR in favour of the optionor. The Company has the right at any time to buy back the NSR for a cash payment of \$3,000,000.

Pursuant to the terms of the San Felipe Agreement, a change of control 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.

9. Silver Loan

Initial Prepaid Silver Purchase Agreement

On October 2, 2014, the Company entered a Prepaid Silver Purchase Agreement (the "Original JMET Agreement") with JMET, LLC ("JMET") to receive \$28.4 million in exchange for agreeing to sell 4,635,000 ounces of silver bullion through August 2019. The scheduled

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monthly quantity was 7,500 ounces of silver each month from September 2015 through February 2017 and 150,000 ounces of silver each month from March 2017 through August 2019. The sale price of silver bullion will be based on the spot price less a US\$10 per ounce discount. The US\$10 per ounce discount represents the manner of repaying the principal and interest of the borrowed amount. The Company recorded the obligation to sell 4,635,000 ounces of silver bullion to JMET at a US\$10/ounce discount as debt recognized initially at fair value and subsequently at amortized cost using the effective interest rate method. The Company incurred certain transaction fees and costs in the amount of \$2.3 million. JMET held back \$800,000 of the principal amount of the debt which will be received by the Company on satisfaction of all obligations to JMET.

In conjunction with the Original JMET Agreement, the Company entered into a minimum price protection program with JMET ("Original PPP") to set a floor price for silver, gold, lead and zinc. As a result at October 2, 2014 the Company recognized derivative assets totaling \$2.4 million.

Amendment of JMET Agreement

On November 27, 2014, the terms of the Original JMET Agreement were amended ("the Amended JMET Agreement) such that the contractual quantity of silver to be sold to JMET was reduced; the terms of the Original PPP were changed; the Company repaid JMET \$9.0 million on execution of the Amended JMET Agreement; and the Company agreed to repay a further \$7.0 million on or before April 1, 2015. The Amended JMET Agreement and derecognition of the Original PPP were accounted for as an extinguishment of the carrying value of the debt and derecognition of the derivative assets that arose from the Original JMET Agreement ("the Settlement Event"). Immediately before the Settlement Event the carrying value of the Original JMET Agreement debt was \$26.7 million and the fair value of the derivative assets was \$2.6 million. As a result of the Settlement Event the Company recognized a loss of \$2.3 million.

On April 1, 2015, the Company repaid \$2.0 million of the \$7 million due pursuant to the Amended JMET Agreement and further amended the Amended JMET Agreement to extend the repayment of the remaining \$5 million until December 31, 2015.

Amended JMET Agreement

Pursuant to the Amended JMET Agreement the Company will now sell to JMET 2,600,000 ounces of silver at a \$10 per ounce discount to the spot price. The first delivery of silver to JMET is 52,000 ounces in July 2015, and sales of an additional 52,000 ounces shall occur each month through August 2019, at which point the contract will be fulfilled. The new debt is recorded initially at a fair value of \$14.2 million and subsequently will be recorded at amortized cost using the effective interest rate method. As part of the Amended JMET Agreement the Company revised the Original PPP as follows:

- with respect to silver, a floor price of of \$17 per ounce from January 2015 through March 2016 and \$16 per ounce for the balance of 2016 has been put in place. The floor price covers 98,640 ounces per month for 2015 and 105,238 ounces per month for 2016; and
- 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 have been established for the period 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.

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In the event the spot 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 spot price for all metal shipped. In the event the spot price of any of the metals is less than the floor price for any particular month, the Company will receive the spot price plus cash payments from JMET for the difference between the spot price and the floor price multiplied by the contracted monthly amount of the respective metal. During the three months ended March 31, 2015, the Company received cash payments of \$223,868 upon settlement of 295,920 ounces of silver, 540 ounces of gold, 465 tonnes of lead and 975 tonnes of zinc that matured during the period. The revised minimum price protection program is accounted for as a financial asset classified at fair value through profit or loss (“FVTPL”) and remeasured at each period end with changes in fair value being recorded through profit and loss.

The derivative asset is valued upon initial measurement and subsequent periods using a Black Scholes pricing models. Key inputs used by the Company in its valuation include: the spot commodity price, the floor price, estimated volatility of the commodity over the life of the individual monthly contracts and the counterparty credit adjusted discount rate.

The change in the silver loan during the year ended December 31, 2014 and the three months ended March 31, 2015 is as follows:

Proceeds advanced from original loan	28,400,000
Transaction costs	(2,321,969)
Net loan proceeds	26,078,031
Interest expense	613,131
Subtotal	26,691,162
Fair value of consideration on extinguishment	(14,767,417)
Loss on extinguishment of original loan	2,321,969
Fair value of amended loan	14,245,714
Interest expense	344,603
Balance, December 31, 2014	14,590,317
Interest expense	821,503
Balance, March 31, 2015	15,411,820
Current portion	(4,680,000)
Non-current portion, March 31, 2015	10,731,820

The current portion of the silver loan of \$11,680,000 on the Consolidated Statement of Financial Position includes both the \$4,680,000 in the table above and the \$7 million originally due on April 1, 2015 and subsequently amended to December 31, 2015 pursuant to the Amended JMET Agreement.

The change in the derivative assets during the year ended December 31, 2014 and the three months ended March 31, 2015 is as follows:

Derivative asset – at inception	2,360,797
Change in fair value	264,905
Derecognition on extinguishment of original loan	(2,625,702)
Fair value of derivative assets	-
Derivative assets under amended loan	3,718,864
Change in fair value	658,481
Balance, December 31, 2014	4,377,345
Cash settlement received	(223,868)
Change in fair value	(614,661)
Balance, March 31, 2015	3,538,816

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10. Decommissioning and Restoration Provision

The Company's estimates of future decommissioning and restoration for reclamation and closure costs for its mine are based on reclamation standards that meet Mexican regulatory requirements. Elements of uncertainty in estimating these amounts include potential changes in regulatory requirements, reclamation plans and cost estimates, discount rates and timing of expected expenditures.

The undiscounted amount of estimated cash flows required to settle the decommissioning and reclamation costs was estimated at \$1,137,056. The key assumptions on which this estimate was based on are:

- Expected timing of the cash flows is based on the estimated useful life of the Rosario Mine. The majority of the expenditures are expected to occur in 2021, which is the anticipated closure date.
- The discount rate used is 7%.

The discounted liability for the decommissioning and restoration provision is as follows:

	March 31, 2015	December 31, 2014
	\$	\$
Balance, beginning of period	663,438	595,953
Accretion expense	11,610	41,018
Change in estimate	-	96,887
Foreign exchange	(9,009)	(70,420)
Balance, end of period	666,039	663,438

11. Share Capital

a) Authorized

Unlimited number of common shares without par value.

b) Share Capital Transactions

On March 11, 2014, the Company closed a prospectus offering (the "2014 Offering"), pursuant to which 12,062,500 common shares were issued at a price of CDN\$1.00 per share for gross proceeds of \$10,864,694 (CDN\$12,062,500). The underwriters received a cash fee of \$651,882 (CDN\$723,750), as well as 723,750 warrants, each of which is exercisable to purchase one common share for a price of CDN\$1.00 until March 11, 2016 for 645,000 warrants and March 20, 2016 for 78,750 warrants. The fair value of the broker warrants (\$199,669) was estimated using the Black Scholes option-pricing model and was charged to share issue costs and credited to warrants reserve. The assumptions used in the option pricing model are as follows: risk-free interest rate – 1.30%; expected life – 2 years; expected volatility – 51.08%; and expected dividends – nil. The Company also issued 100,000 common shares as corporate finance fee and incurred additional issue costs of \$318,653.

c) Escrow

There are 3,162,928 common shares of the Company held in escrow as at March 31, 2015 (December 31, 2014 – 3,162,928 shares). Under the Escrow Agreement, the

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common shares held in escrow are released from escrow every six months. The final 3,162,928 common shares were released on April 13, 2015.

d) Stock Options and Warrants Reserve

The following is a summary of the stock options and warrants reserve:

	March 31, 2015	December 31, 2014
	\$	\$
Stock options	4,257,270	4,231,057
Warrants	1,561,583	1,561,583
	5,818,853	5,792,640

e) Stock Options

The Company has established a stock option plan (the “Plan”) for the benefit of full-time and part-time employees, officers, directors and consultants of the Company and its affiliates. The maximum number of shares available under the Plan is limited to 10% of the issued common shares. Options granted under the Plan have a maximum term of ten years and the vesting provisions of options granted are at the discretion of the Board. Details of options activity for the three months ended March 31, 2015 and the year ended December 31, 2014 are as follows:

	Number of Stock Options	Weighted Average Exercise Price (CDN\$)	Weighted Average Remaining Contractual Life (Years)
Balance, December 31, 2013	6,606,666	0.97	3.09
Granted	1,000,000	0.96	-
Balance, December 31, 2014	7,606,666	0.97	2.62
Expired	(2,600,000)	0.90	-
Balance, March 31, 2015	5,006,666	1.01	2.55
Unvested	(400,000)	0.94	4.37
Exercisable, March 31, 2015	4,606,666	1.01	2.39

The balance of options outstanding as at March 31, 2015 is as follows:

Expiry Date	Exercise Price (CDN\$)	Remaining Life (Years)	Options Outstanding	Unvested	Vested
April 12, 2017	0.90	2.04	2,206,666	-	2,206,666
May 10, 2015 ⁽¹⁾	0.90	0.11	300,000	-	300,000
July 24, 2017	0.90	2.32	800,000	-	800,000
February 28, 2018	1.85	2.92	400,000	-	400,000
July 29, 2018	1.22	3.33	300,000	-	300,000
April 8, 2019	1.00	4.02	400,000	-	400,000
August 12, 2019	0.94	4.37	600,000	400,000	200,000
			5,006,666	400,000	4,606,666

⁽¹⁾ All of these options expired unexercised subsequent to March 31, 2015.

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No options were granted during the three months ended March 31, 2015 and 2014. During the three months ended March 31, 2015, the Company recorded share-based payments expense of \$26,213 (2014 – \$8,492).

f) Warrants

Details of warrants activity for the three months March 31, 2015 and the year ended December 31, 2014 are as follows:

	Number of Warrants	Weighted Average Exercise Price CDN\$	Weighted Average Remaining Contractual Life (Years)
Balance, December 31, 2013	2,403,202	1.45	0.75
Issued	723,750	1.00	-
Exercised	(1,092,202)	1.00	-
Balance, December 31, 2014	2,034,750	1.53	0.51
Expired	(1,311,000)	1.85	-
Balance, March 31, 2015	723,750	1.00	0.95

The balance of warrants outstanding as at March 31, 2015 is as follows:

Expiry Date	Exercise Price CDN\$	Remaining Life (Years)	Warrants Outstanding
March 11, 2016	1.00	0.95	645,000
March 20, 2016	1.00	0.97	78,750
			723,750

12. Operating Costs by Nature

a) Cost of sales

Three months ended March 31,	2015	2014
	\$	\$
Cash cost of sales	1,728,494	2,959,739
Depletion and amortization	52,001	313,070
Adjustment to NRV of mined ore and concentrate inventory	(168,803)	5,869
	1,611,692	3,278,678

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b) Operating expenses

Three months ended March 31,	2015	2014
	\$	\$
Administrative	49,583	195,818
Depreciation	1,525	1,897
Management and consulting fees	89,313	178,515
Other	53,191	52,200
Professional fees	120,469	130,519
Salaries and benefits	40,019	45,745
Share-based payments	26,213	8,492
Shareholder communications	19,614	45,396
Transfer agent and filing fees	36,543	26,673
Travel	15,682	38,251
	452,152	723,506

13. a) Interest Earned and Other Finance Income

Three months ended March 31,	2015	2014
	\$	\$
Interest earned	3,486	38,694
Foreign exchange gain	357,144	-
	360,630	38,694

b) Interest expense and other finance expenses

Three months ended March 31,	2015	2014
	\$	\$
Accretion of decommissioning and restoration provision	(11,610)	(10,296)
Change in fair value of derivative assets	(614,661)	-
Foreign exchange loss	-	(61,418)
Interest expense on silver loan	(821,503)	-
	(1,447,774)	(71,714)

14. Related Party Transactions

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

	2015	2014
	\$	\$
Accounting and corporate secretarial fees	59,560	32,592
Directors' fees	4,232	22,154
Management fees	85,081	103,060
Share-based payments	26,213	-
Salaries and benefits capitalized in exploration and evaluation properties	58,085	2,118

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

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

15. Non-cash Transactions

Investing and financing activities that do not have a direct impact on cash flows are excluded from the consolidated statements of cash flows. During the three months ended March 31, 2015, the mineral property exploration expenditures of \$131,123 included in accounts payable and accrued liabilities at March 31, 2015 were excluded from the consolidated statements of cash flows. During the three months ended March 31, 2014, the following transactions were excluded from the consolidated statements of cash flows:

- The Company issued 723,750 broker warrants at the fair value of \$199,669 pursuant to the 2014 Offering; and
- The Company issued 100,000 common shares as corporate finance fee at the fair value of \$90,070 pursuant to the 2014 Offering.

16. Segmented Information

The Company has identified its operating segments based on the internal reports that are reviewed and used by the chief executive officer and the executive management, collectively the chief operating decision maker, in assessing performance and in determining the allocation of resources.

We primarily manage our business by looking at individual resource projects and typically segregate these projects between production, development and exploration.

a) Operating Segments

The corporate division earns income that is considered incidental to our activities and therefore does not meet the definition of an operating segment. Consequently, the following segments have been identified: the Rosario Mine and exploration and evaluation properties. The following is a summary of the reported amounts of income or loss, and the carrying amounts of assets and liabilities by operating segment:

Three Months Ended March 31, 2015	Rosario Mine \$	Exploration & evaluation properties \$	Corporate & other \$	Total \$
Revenues	402,040	-	-	402,040
Cash cost of sales	(1,728,494)	-	-	(1,728,494)
Depletion and amortization	(52,001)	-	-	(52,001)
Adjustment to NRV of mined ore and concentrate inventory	168,803	-	-	168,803
Cost of sales	(1,611,692)	-	-	(1,611,692)
Gross loss	(1,209,652)	-	-	(1,209,652)

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Three Months Ended March 31, 2015	Rosario Mine \$	Exploration & evaluation properties \$	Corporate & other \$	Total \$
Operating loss	(1,209,652)	-	(452,152)	(1,661,804)
Loss before income tax	(1,209,652)	-	(1,539,296)	(2,748,948)
Interest earned and other finance income	-	-	360,630	360,630
Interest expense and other finance expenses	(11,610)	-	(1,436,164)	(1,447,774)
Income tax recovery	197,641	-	-	197,641
Total assets	22,013,116	45,316,803	16,456,774	83,786,693
Non-current assets	22,013,116	45,316,803	6,824,089	74,154,008
Total liabilities	(7,156,952)	(118,336)	(22,705,769)	(29,981,057)

Three Months Ended March 31, 2014	Rosario Mine \$	Exploration & evaluation properties \$	Corporate & other	Total \$
Revenues	1,931,567	-	-	1,931,567
Cash cost of sales	(2,959,739)	-	-	(2,959,739)
Depletion and amortization	(313,070)	-	-	(313,070)
Adjustment to NRV of mined ore and concentrate inventory	(5,869)	-	-	(5,869)
Cost of sales	(3,278,678)	-	-	(3,278,678)
Gross loss	(1,347,111)	-	-	(1,347,111)
Operating loss	(1,347,111)	-	(723,506)	(2,070,617)
Loss before income tax	(1,347,111)	-	(756,526)	(2,103,637)
Interest earned	-	-	38,694	38,694
Interest expense and other finance expenses	(10,296)	-	(61,418)	(71,714)
Income tax recovery	41,360	-	-	41,360

Year Ended December 31, 2014	Rosario Mine \$	Exploration & evaluation properties \$	Corporate & other	Total \$
Total assets	21,649,109	44,535,124	20,781,227	86,965,460
Non-current assets	21,649,109	44,535,124	8,424,634	74,608,867
Total liabilities	(7,741,057)	(118,336)	(22,112,947)	(29,972,340)

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b) Segment Revenue by Location and Major Customers

For the Rosario Mine segment, the Company has only one customer who individually accounted for 100% of total silver concentrate revenue in Mexico during the three months ended March 31, 2015.

c) Non-current Assets by Location

	March 31, 2015 \$	December 31, 2014 \$
<i>Canada</i>	1,834,266	2,934,103
<i>Mexico</i>	72,319,742	71,674,764
Total	74,154,008	74,608,867

17. Financial Instruments

The classification of the financial instruments as well as their carrying values as at March 31, 2015 and December 31, 2014 is shown in the table below:

	Loans and Receivables \$	FVTPL \$	Other Financial Liabilities \$	Total \$
At March 31, 2015				
Financial assets				
Cash and cash equivalents	3,602,474	-	-	3,602,474
Trade and other receivables	100,448	-	-	100,448
Holdback receivable	800,000	-	-	800,000
Derivative assets	-	3,538,816	-	3,538,816
Total financial assets	4,502,922	3,538,816	-	8,041,738
Financial liabilities				
Accounts payable and accrued liabilities	-	-	2,315,255	2,315,255
Silver loan	-	-	22,411,820	22,411,820
Total financial liabilities	-	-	24,727,075	24,727,075
At December 31, 2014				
Financial assets				
Cash and cash equivalents	6,015,947	-	-	6,015,947
Trade and other receivables	896,513	-	-	896,513
Holdback receivable	800,000	-	-	800,000
Derivative assets	-	4,377,345	-	4,377,345
Total financial assets	7,712,460	4,377,345	-	12,089,805
Financial liabilities				
Accounts payable and accrued liabilities	-	-	2,919,652	2,919,652
Silver loan	-	-	21,590,317	21,590,317
Total financial liabilities	-	-	24,509,969	24,509,969

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a) Fair Value of Financial Instruments

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

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

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

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

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

	Level 1	Level 2	Level 3	Total
At March 31, 2015	\$	\$	\$	\$
Financial assets measured at fair value				
Derivative assets	-	3,538,816	-	3,538,816
Financial liabilities				
Silver loan at fair value	-	-	15,411,820	15,411,820

b) Management of Risks Arising from Financial Instruments

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

(i) Credit Risk – Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to fulfill its contractual obligations. The Company's credit risk consists primarily of cash and cash equivalents, trade receivables, other receivables, holdback receivable and derivative assets. The credit risk is minimized by placing cash with major financial institutions. Trade receivables are due from a large, multinational corporation that has conducted business in Mexico for many years. The Company regularly reviews the collectability of its trade receivables and contractually receives up to 90% advance on all payments. The Company considers the credit risk related to cash and cash equivalents and trade receivables to be minimal. The holdback receivable and derivative assets are expected to be collectible in full from the counterparty JMETS, LLC based on the credit history of the counterparty.

(ii) Interest Rate Risk – Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. If interest rates decrease, the Company will generate less interest revenue. Presently the Company has minimal risk of realizing a loss as a result of a decline in the fair value of its financial instruments because of the short-term nature of the investments.

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

Contractual cash flow requirements as at March 31, 2015 were as follows:

	< 1 year \$	1 – 2 years \$	2 – 5 years \$	>5 years \$	Total \$
Accounts payable and accrued liabilities	2,315,255	-	-	-	2,315,255
Silver loan	11,680,000	6,240,000	15,080,000	-	33,000,000
Minimum lease payments	53,782	84,551	39,061	-	177,394
Total	14,049,037	6,324,551	15,119,061	-	35,492,649

Contractual cash flow requirements as at December 31, 2014 were as follows:

	< 1 year \$	1 – 2 years \$	2 – 5 years \$	>5 years \$	Total \$
Accounts payable and accrued liabilities	2,919,652	-	-	-	2,919,652
Silver loan	10,120,000	6,240,000	16,640,000	-	33,000,000
Minimum lease payments	71,710	84,551	39,061	-	195,322
Total	13,111,362	6,324,551	16,679,061	-	36,114,974

(iv) Foreign Exchange Rate Risk – The Company operates in Canada and Mexico but the majority of its cash held in Canada is denominated in US dollars. The Company is exposed to foreign exchange risk due to fluctuations in foreign currencies (US dollar and Mexican peso). Foreign exchange risk arises from financial assets and liabilities denominated in these foreign currencies. The sensitivity of the Company's net loss to changes in the exchange rate between the US dollar and the Canadian dollar would be as follows: a 10% change in the US dollar exchange rate relative to the Canadian dollar would change the Company's net loss by approximately \$1,000,000.

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The Company's financial assets and liabilities as at March 31, 2015 are denominated in Canadian dollars, US dollars, and Mexican pesos as follows:

	Canadian dollar \$	US dollar \$	Mexican peso \$	Total \$
Financial assets				
Cash and cash equivalents	105,058	3,453,668	43,748	3,602,474
Trade receivables	-	40,204	-	40,204
Other receivables	4,210	-	56,034	60,244
Holdback receivable	-	800,000	-	800,000
Derivative assets	-	3,538,816	-	3,538,816
	109,268	7,832,688	99,782	8,041,738
Financial liabilities				
Accounts payable and accrued liabilities	(293,949)	-	(2,021,306)	(2,315,255)
Silver loan	-	(22,411,820)	-	(22,411,820)
	(293,949)	(22,411,820)	(2,021,306)	(24,727,075)
Net financial assets (liabilities)	(184,681)	(14,579,132)	(1,921,524)	(16,685,337)

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

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

The principal financial instruments that the Company holds that are impacted by commodity prices are the derivative assets. These derivatives settle monthly from January 2015 through the end of December 2016 for silver and January 2015 through the end of March 2015 for gold, lead and zinc.

A 10% increase in the silver, gold, lead and zinc prices as at March 31, 2015, with all other variables held constant, would have resulted in the following impact to our derivative asset and pre-tax net income:

	2015 \$
10% increase in silver price	1,110,000
10% increase in gold price	44,000
10% increase in lead price	161,000
10% increase in zinc price	361,000

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18. Commitments

The Company has a sub-lease agreement for the use of office premises in Vancouver, BC, Canada in the amount of \$4,549 (CAD\$4,838) per month until February 27, 2017. The amount of the total sub-lease payments committed is \$54,588 (CAD\$58,056) for the fiscal years ending December 31, 2015, and 2016, and \$9,098 (CAD\$9,676) for the fiscal year ending December 31, 2017.

On October 1, 2014, the Company entered into an office lease agreement at the new premises in the municipality of Monterrey, Nuevo León, Mexico in the amount of \$1,427 (21,000 Mexican pesos) per month until September 30, 2017. The amount of the total lease payments committed is \$17,122 (252,000 Mexican pesos) for the fiscal year ending December 31, 2015 and \$29,963 (441,000 Mexican pesos) for the fiscal years ending December 31, 2016 and 2017.