Condensed Interim Consolidated Financial Statements

Three and Nine Months Ended September 30, 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 third 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	September 30, 2015 $	December 31, 2014 $
ASSETS			
Current			
Cash and cash equivalents	**3**	156,522	6,015,947
VAT recoverable and receivables	**4**	2,750,239	3,017,810
Inventory	**5**	259,338	395,326
Prepaid expenses and deposits		802,375	675,018
Derivative assets	**9**	3,736,145	2,252,492
		7,704,619	12,356,593
VAT recoverable	**4**	4,477,256	4,778,178
Holdback receivable	**9**	800,000	800,000
Derivative assets	**9**	547,657	2,124,853
Plant and equipment	**6**	14,570,959	13,338,320
Mine property	**7**	9,038,047	9,032,392
Exploration and evaluation properties	**8**	45,452,888	44,535,124
		82,591,426	86,965,460
LIABILITIES			
Current			
Accounts payable and accrued liabilities		4,363,421	2,919,652
Silver loan	**9**	10,382,229	10,120,000
		14,745,650	13,039,652
Silver loan	**9**	11,085,803	11,470,317
Decommissioning and restoration provision	**10**	607,151	663,438
Long-term tax liability		314,000	-
Deferred income tax liability		6,038,112	4,798,933
		32,790,716	29,972,340
EQUITY			
Share capital	**11**	85,606,637	85,606,637
Stock options and warrants reserve	**11(d)**	5,861,549	5,792,640
Accumulated other comprehensive loss		(1,436,270)	(372,055)
Deficit		(40,231,206)	(34,034,102)
		49,800,710	56,993,120
		82,591,426	86,965,460

Nature of Operations and Going Concern *(Note 1)*
Commitments *(Notes 7, 8 and 18)*
Subsequent Events *(Notes 8(a), 11 and 19)*

Approved on behalf of the Board:

"Arturo Préstamo Elizondo"	*"Larry Okada"*
Director – Arturo Préstamo Elizondo	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 and nine months ended September 30, 2015 and 2014
(Unaudited – expressed in US Dollars)

	Note	Three months ended September 30, 2015 $	Three months ended September 30, 2014 $	Nine months ended September 30, 2015 $	Nine months ended September 30, 2014 $
Revenues		2,592,215	3,167,067	6,141,332	7,400,690
Cost of sales	**12**	(3,146,826)	(3,141,003)	(7,778,422)	(9,129,881)
Gross profit (loss)		(554,611)	26,064	(1,637,090)	(1,729,191)
Operating expenses	**12**	(558,723)	(907,266)	(1,580,591)	(2,399,316)
Operating loss		(1,113,334)	(881,202)	(3,217,681)	(4,128,507)
Interest earned and other finance income	**13**	2,271,223	51,216	2,068,157	144,014
Interest expense and other finance expenses	**13**	(1,345,075)	(199,477)	(3,425,674)	(210,825)
Loss before income tax		(187,186)	(1,029,463)	(4,575,198)	(4,195,318)
Income tax expense		(1,440,784)	(24,599)	(1,621,906)	(12,848)
Net loss for the period		(1,627,970)	(1,054,062)	(6,197,104)	(4,208,166)
Other comprehensive income (loss)					
Currency translation differences		(635,024)	(16,173)	(1,064,215)	51,502
Comprehensive loss for the period		(2,262,994)	(1,070,235)	(7,261,319)	(4,156,664)
Loss per share – basic and diluted		(0.02)	(0.01)	(0.06)	(0.04)
Weighted average number of common shares outstanding		103,493,484	103,493,484	103,493,484	100,419,445

(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 nine months ended September 30, 2015 and 2014
(Unaudited – expressed in US Dollars)

	Nine months ended September 30,	
	2015	**2014**
Cash Provided By (Used In):	**$**	**$**
Operations:		
Net loss for the period	(6,197,104)	(4,208,166)
Items not affecting cash:		
Deferred income tax expense (recovery)	1,553,179	(57,760)
Accretion of decommissioning and restoration provision	34,830	31,185
Depletion, depreciation and amortization	1,163,783	1,210,111
Share-based payments	68,909	393,124
Interest expense on silver loan	3,390,844	-
Change in fair value of derivative assets	(1,643,454)	-
Unrealized foreign exchange	(1,064,215)	-
Changes in non-cash working capital:		
VAT recoverable and receivables	568,493	(2,348,400)
Prepaid expenses and deposits	(127,357)	(78,671)
Inventory	135,988	34,459
Deferred financing costs	-	(160,742)
Accounts payable and accrued liabilities	1,070,546	4,339,628
	(1,045,558)	(845,232)
Investing:		
Exploration and evaluation properties	(528,398)	(7,059,921)
Acquisition and development costs on mine property	(458,227)	(240,000)
Acquisition of plant and equipment	(1,961,154)	(2,754,498)
	(2,947,779)	(10,054,419)
Financing:		
Proceeds from issuance of common shares	-	10,864,694
Share issuance costs	-	(970,535)
Repayment of silver loan	(2,000,000)	-
Cash received from settlement of derivative assets	223,868	-
	(1,776,132)	9,894,159
Net decrease in cash and cash equivalents	(5,769,469)	(1,005,492)
Effect of exchange rate changes on cash and cash equivalents	(89,956)	34,554
Cash and cash equivalents – beginning of period	6,015,947	1,618,472
Cash and cash equivalents – end of period	156,522	647,534

Non-cash Transactions *(Note 15)*

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

	Share Capital		Stock Options and Warrants Reserve			
	Number of Shares	Amount $	$	AOCI $	Deficit $	Total $
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	-	-	393,124	-	-	393,124
Comprehensive loss for the period	-	-	-	51,502	(4,208,166)	(4,156,664)
Balance, September 30, 2014	103,493,484	85,606,637	5,908,994	(452,429)	(29,536,515)	61,526,687
Share-based payments	-	-	(116,354)	-	-	(116,354)
Comprehensive loss for the period	-	-	-	80,374	(4,497,587)	(4,417,213)
Balance, December 31, 2014	103,493,484	85,606,637	5,792,640	(372,055)	(34,034,102)	56,993,120
Share-based payments	-	-	68,909	-	-	68,909
Comprehensive loss for the period	-	-	-	(1,064,215)	(6,197,104)	(7,261,319)
Balance, September 30, 2015	103,493,484	85,606,637	5,861,549	(1,436,270)	(40,231,206)	49,800,710

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

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, 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 September 30, 2015, the Company had not yet achieved profitable operations, had a working capital deficiency of $7,041,031, had accumulated an inception to date deficit of $40,231,206 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 generate positive cash flow from its mining operations and/or 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. Significant Accounting Policies

a) 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 November 10, 2015.

(Unaudited – expressed in US Dollars)

b) Recent Accounting Pronouncements

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company has not early adopted any of these standards in the consolidated financial statements.

The IASB issued IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15") in May 2014. The new standard provides a comprehensive five-step revenue recognition model for all contracts with customers and requires management to exercise judgment and make estimates that affect revenue recognition. IFRS 15 is effective for annual periods commencing on or after January 1, 2017. The Company is currently evaluating the impact that the new guidance is expected to have on its consolidated financial statements.

IFRS 9 as issued, reflects the first phase of the IASB's work on the replacement of IAS 39, *Financial Instruments: Recognition and Measurement* and applies the classification and measurement of financial assets and liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after January 1, 2013, but the complete version of IFRS 9, issued July 2014, moved the mandatory effective date to January 1, 2018. The Company is currently evaluating the impact, if any that the new guidance is expected to have on its consolidated financial statements.

3. Cash and Cash Equivalents

	September 30, 2015 $	December 31, 2014 $
Cash on hand or held with banks	147,905	6,006,034
Short-term investments	8,617	9,913
Total	156,522	6,015,947

4. VAT Recoverable and Receivables

	September 30, 2015 $	December 31, 2014 $
Value added taxes recoverable	6,396,718	6,899,475
Trade receivables	768,338	817,363
Other receivables	62,439	79,150
Total	7,227,495	7,795,988
Current portion	(2,750,239)	(3,017,810)
Non-current portion	4,477,256	4,778,178

The Company expects 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 September 30, 2015.

(Unaudited – expressed in US Dollars)

5. Inventory

	September 30, 2015 $	December 31, 2014 $
Ore stockpiles	9,018	133,146
Concentrate inventory	30,890	19,641
Supplies inventory	219,430	242,539
Total	259,338	395,326

At September 30, 2015, the Company wrote down ore stockpiles and concentrate inventory to their net realizable values, recording a charge of $25,045 (December 31, 2014 – $659,549). The cost of inventory held at NRV at September 30, 2015 was $39,908 (December 31, 2014 – $152,787).

6. Plant and Equipment

Cost	Office Furniture and Equipment $	Assets under Construction $	Plant and Equipment $	Vehicles $	Computer Hardware $	Total $
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	5,282	12,813	1,912,982	25,530	4,547	1,961,154
Foreign exchange	(1,646)	-	-	-	-	(1,646)
Balance, September 30, 2015	59,666	396,062	16,237,104	381,212	161,322	17,235,366
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	3,885	-	659,115	45,103	19,251	727,354
Foreign exchange	(485)	-	-	-	-	(485)
Balance, September 30, 2015	15,490	-	2,366,520	189,038	93,359	2,664,407
Carrying amount at December 31, 2014	43,940	383,249	12,616,717	211,747	82,667	13,338,320
Carrying amount at September 30, 2015	44,176	396,062	13,870,584	192,174	67,963	14,570,959

Depreciation during the three and nine months ended September 30, 2015 was $345,707 and $727,354 (2014 – $252,258 and $680,688). During the three and nine months ended September 30, 2015, $2,426 and $16,143 of the depreciation was capitalized to exploration and evaluation properties (2014 – $4,417 and $10,817).

(Unaudited – expressed in US Dollars)

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	458,227
Amortization and depletion	(452,572)
Balance, September 30, 2015	9,038,047

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 certain dates between February 15, 2012 and July 9, 2015 (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%, and the payments are due to start on December 31, 2015.

As at September 30, 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 September 30, 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.

(Unaudited – expressed in US Dollars)

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 September 30, 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 Sept 30, 2015 $	Balance, Sept 30, 2015 $
a)	**Gavilanes, San Dimas, Durango, Mexico**					
	Acquisition costs					
	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
	Exploration costs					
	Depreciation	4,130	5,162	9,292	-	9,292
	Drilling	1,818,127	171,003	1,989,130	-	1,989,130
	Geological consulting	-	25,380	25,380	8,283	33,663
	Mining claims, taxes and duties	60,402	36,837	97,239	65,541	162,780
	Mine site support and office costs	67,820	3,495	71,315	40,092	111,407
	Professional fees	46,951	6,089	53,040	-	53,040
	Safety and maintenance	8,483	-	8,483	-	8,483
		2,005,913	247,966	2,253,879	113,916	2,367,795
		5,320,913	2,047,966	7,368,879	143,916	7,512,795
b)	**San Felipe, San Felipe de Jesús, Sonora, Mexico**					
	Acquisition costs					
	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
	Exploration costs					
	Depreciation	5,778	10,900	16,678	16,143	32,821
	Drilling	2,852,248	2,539,569	5,391,817	21,566	5,413,383
	Ejidal surface right payments	358,291	290,472	648,763	-	648,763
	Environmental studies	-	28,085	28,085	46,384	74,469
	Geological consulting	76,608	1,864,368	1,940,976	78,621	2,019,597
	Mining claims, taxes and duties	317,914	355,677	673,591	315,990	989,581
	Mine site support and office costs	315,693	809,878	1,125,571	277,162	1,402,733
	Professional fees	133,980	-	133,980	14,754	148,734
	Safety and maintenance	24,762	5,064	29,826	3,228	33,054
		4,085,274	5,904,013	9,989,287	773,848	10,763,135
		28,262,232	8,904,013	37,166,245	773,848	37,940,093
Total		33,583,145	10,951,979	44,535,124	917,764	45,452,888

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 on certain dates between October 12, 2010 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.

As at September 30, 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 on certain dates between October 12, 2010 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 September 30, 2015, the Company has made total payments of $1,445,000 and has also made payments of $87,414 subsequent to September 30, 2015. The remaining payment of $732,586 was due on April 15, 2015, but the Company is currently re-negotiating its extension.

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 on certain dates between December 9, 2011 and July 7, 2015 (the "San Felipe Agreement"), the Company was granted an option to acquire a 100% interest in the San Felipe project located in San Felipe de Jesús, Sonora, Mexico and the El Gachi property located 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 incurred exploration expenditures of $3,000,000 and must make additional payments as follows:

- Annual surface right payments of 520,000 Mexican Pesos ($33,403) on or before February 19 of each year until the project reaches commercial production;
- $5,000,000 on or before December 1, 2016; 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 $28,400,000 in exchange for agreeing to sell 4,635,000 ounces of silver bullion through August 2019. 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 $2,321,969. 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 $2,360,797.

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 $9,000,000 on execution of the Amended JMET Agreement; and the Company agreed to repay a further $7,000,000 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 $26,691,162 and the fair value of the derivative assets was $2,625,702. As a result of the Settlement Event the Company recognized a loss of $2,321,969.

On April 1, 2015, the Company repaid $2,000,000 of the $7,000,000 due pursuant to the Amended JMET Agreement and further amended the Amended JMET Agreement to extend the repayment of the remaining $5,000,000 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. 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 first delivery of silver to JMET was to be 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 $14,245,714 and subsequently will be recorded at amortized cost using the effective interest rate method.

On July 15 and October 27, 2015, the Amended JMET Agreement was further amended so that the first delivery of 52,000 ounces of silver is deferred to December 2015, and sales of an additional 52,000 ounces shall still occur each month through August 2019, except that the delivery of silver in December 2015 is amended to 156,000 ounces from the previous 52,000 ounces and the delivery of silver in October 2016 is amended to 260,000 ounces from the previous 52,000 ounces. Further, the Company has agreed to deliver in October 2016 an additional 44,625 ounces of silver as a restructuring fee.

As part of the Amended JMET Agreement the Company revised the Original PPP as follows:

- with respect to silver, a floor price of $17 per ounce from January 2015 through

(Unaudited – expressed in US Dollars)

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.

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 nine months ended September 30, 2015, the Company received cash payments of $223,868 and applied $1,513,129 against the current portion of the silver loan upon settlement of 887,760 ounces of silver, 2,730 ounces of gold, 1,395 tonnes of lead and 2,925 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 nine months ended September 30, 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	2,735,486
Balance, September 30, 2015	17,325,803
Current portion	(6,240,000)
Non-current portion, September 30, 2015	11,085,803

Current portion of the silver loan from the table above	6,240,000
Amount originally due on April 1, 2015 and subsequently amended to December 31, 2015	7,000,000
Repayment on April 1, 2015	(2,000,000)
Repayment by settlement of matured derivative assets	(1,513,129)
Interest expense on unpaid balance due on April 1, 2015	655,358
Current portion, September 30, 2015	10,382,229

(Unaudited – expressed in US Dollars)

The change in the derivative assets during the year ended December 31, 2014 and the nine months ended September 30, 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)
Settlement applied against current portion of the silver loan	(1,513,129)
Change in fair value	1,643,454
Balance, September 30, 2015	4,283,802
Current portion	(3,736,145)
Non-current portion, September 30, 2015	547,657

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:

	September 30, 2015 $	**December 31, 2014 $**
Balance, beginning of period	663,438	595,953
Accretion expense	34,830	41,018
Change in estimate	-	96,887
Foreign exchange	(91,117)	(70,420)
Balance, end of period	607,151	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 were 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.

(Unaudited – expressed in US Dollars)

c) Escrow

There were no common shares of the Company held in escrow as at September 30, 2015 (December 31, 2014 – 3,162,928 shares). Under the Escrow Agreement, the common shares held in escrow were 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:

	September 30, 2015 $	**December 31, 2014 $**
Stock options	4,299,966	4,231,057
Warrants	1,561,583	1,561,583
	5,861,549	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 nine months ended September 30, 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	(2,900,000)	0.90	-
Balance, September 30, 2015	4,706,666	1.01	2.21
Unvested	(200,000)	0.94	3.87
Exercisable, September 30, 2015	4,506,666	1.02	2.13

(Unaudited – expressed in US Dollars)

The balance of options outstanding as at September 30, 2015 is as follows:

Expiry Date	Exercise Price (CDN$)	Remaining Life (Years)	Options Outstanding	Unvested	Vested
April 12, 2017	0.90	1.79	2,206,666	-	2,206,666
July 24, 2017	0.90	2.07	800,000	-	800,000
February 28, 2018	1.85	2.67	400,000	-	400,000
July 29, 2018	1.22	3.08	300,000	-	300,000
April 8, 2019	1.00	3.78	400,000	-	400,000
August 12, 2019	0.94	4.12	600,000[1]	200,000	400,000
			4,706,666	200,000	4,506,666

[1] These 600,000 options were cancelled subsequent to September 30, 2015.

No options were granted during the nine months ended September 30, 2015 (2014 – 1,000,000). The fair values of the options granted during the nine months ended September 30, 2014 were estimated using the Black Scholes option-pricing model. Assumptions used in the pricing model were as follows: risk-free interest rate – 2.08%; expected life – 5 years; expected volatility – 52.37%; expected forfeitures – 0%; and expected dividends – $nil.

The weighted average fair value of stock options granted during the nine months ended September 30, 2014 was $0.42 per option.

During the three and nine months ended September 30, 2015, the Company recorded share-based payments expense of $15,967 and $68,909 respectively (2014 – $243,167 and $393,124).

f) Warrants

Details of warrants activity for the nine months ended September 30, 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, September 30, 2015	723,750	1.00	0.45

The balance of warrants outstanding as at September 30, 2015 is as follows:

Expiry Date	Exercise Price CDN$	Remaining Life (Years)	Warrants Outstanding
March 11, 2016	1.00	0.45	645,000
March 20, 2016	1.00	0.47	78,750
			723,750

(Unaudited – expressed in US Dollars)

12. Operating Costs by Nature

a) Cost of sales

	Three months ended September 30, 2015 $	2014 $	Nine months ended September 30, 2015 $	2014 $
Cash cost of sales	2,567,946	2,703,397	6,763,235	7,850,551
Depletion and amortization	553,835	437,606	1,158,945	1,204,411
Adjustment to NRV of mined ore and concentrate inventory	25,045	-	(143,758)	74,919
	3,146,826	3,141,003	7,778,422	9,129,881

b) Operating expenses

	Three months ended September 30, 2015 $	2014 $	Nine months ended September 30, 2015 $	2014 $
Administrative	161,787	157,877	296,466	442,516
Depreciation	1,694	1,902	4,838	5,700
Management and consulting fees	144,501	225,030	331,355	544,272
Other	40,864	50,094	136,070	152,941
Professional fees	116,819	116,752	465,463	413,601
Salaries and benefits	48,688	44,110	128,590	135,529
Share-based payments	15,967	243,167	68,909	393,124
Shareholder communications	10,958	19,235	47,893	116,243
Transfer agent and filing fees	6,831	26,310	62,737	100,637
Travel	10,614	22,789	38,270	94,753
	558,723	907,266	1,580,591	2,399,316

13. a) Interest Earned and Other Finance Income

	Three months ended September 30, 2015 $	2014 $	Nine months ended September 30, 2015 $	2014 $
Interest earned	1,494	51,216	11,273	144,014
Change in fair value of derivative assets	1,786,586	-	1,643,454	-
Foreign exchange gain	483,143	-	413,430	-
	2,271,223	51,216	2,068,157	144,014

(Unaudited – expressed in US Dollars)

b) Interest expense and other finance expenses

	Three months ended September 30,		Nine months ended September 30,	
	2015	**2014**	**2015**	**2014**
	$	**$**	**$**	**$**
Accretion of decommissioning and restoration provision	(11,610)	(10,402)	(34,830)	(31,185)
Foreign exchange loss	-	(189,075)	-	(179,640)
Interest expense on silver loan	(1,333,465)	-	(3,390,844)	-
	(1,345,075)	(199,477)	(3,425,674)	(210,825)

14. Related Party Transactions

During the three and nine months ended September 30, 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:

	Three months ended September 30,		Nine months ended September 30,	
	2015	**2014**	**2015**	**2014**
	$	**$**	**$**	**$**
Accounting and corporate secretarial fees	43,615	46,678	183,759	145,417
Directors' fees	63,550	24,108	79,842	73,066
Management fees	51,818	133,085	160,818	290,055
Share-based payments	15,967	160,308	68,909	254,888
Salaries and benefits capitalized in exploration and evaluation properties	51,383	138,495	184,188	138,495

At September 30, 2015, directors and officers or their related companies were owed $59,523 (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 nine months ended September 30, 2015, the following transactions were excluded from the consolidated statements of cash flows:

- Mineral property exploration expenditures of $373,223 were included in accounts payable and accrued liabilities; and
- The settlement proceeds of $1,513,129 under the revised minimum price protection program were applied against the current portion of the silver loan.

During the nine months ended September 30, 2014, the following transactions were excluded from the consolidated statements of cash flows:

(Unaudited – expressed in US Dollars)

- 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 September 30, 2015	**Rosario Mine $**	**Exploration & evaluation properties $**	**Corporate & other $**	**Total $**
Revenues	2,592,215	-	-	2,592,215
Cash cost of sales	(2,567,946)	-	-	(2,567,946)
Depletion and amortization	(553,835)	-	-	(553,835)
Adjustment to NRV of inventory	(25,045)	-	-	(25,045)
Cost of sales	(3,146,826)	-	-	(3,146,826)
Gross loss	(554,611)	-	-	(554,611)
Operating loss	(554,611)	-	(558,723)	(1,113,334)
Income (loss) before income tax	(554,611)	-	367,425	(187,186)
Interest earned and other finance income	-	-	2,271,223	2,271,223
Interest expense and other finance expenses	(11,610)	-	(1,333,465)	(1,345,075)
Income tax expense	(1,440,784)	-	-	(1,440,784)

(Unaudited – expressed in US Dollars)

Three Months Ended September 30, 2014	**Rosario Mine $**	**Exploration & evaluation properties $**	**Corporate & other $**	**Total $**
Revenues	3,167,067	-	-	3,167,067
Cash cost of sales	(2,703,397)	-	-	(2,703,397)
Depletion and amortization	(437,606)	-	-	(437,606)
Cost of sales	(3,141,003)	-	-	(3,141,003)
Gross profit	26,064	-	-	26,064
Operating income (loss)	26,064	-	(907,266)	(881,202)
Income (loss) before income tax	26,064	-	(1,055,527)	(1,029,463)
Interest earned	-	-	51,216	51,216
Interest expense and other finance expenses	(10,402)	-	(189,075)	(199,477)
Income tax expense	(24,599)	-	-	(24,599)

Nine Months Ended September 30, 2015	**Rosario Mine $**	**Exploration & evaluation properties $**	**Corporate & other $**	**Total $**
Revenues	6,141,332	-	-	6,141,332
Cash cost of sales	(6,763,235)	-	-	(6,763,235)
Depletion and amortization	(1,158,945)	-	-	(1,158,945)
Adjustment to NRV of inventory	143,758	-	-	143,758
Cost of sales	(7,778,422)	-	-	(7,778,422)
Gross loss	(1,637,090)	-	-	(1,637,090)
Operating loss	(1,637,090)	-	(1,580,591)	(3,217,681)
Loss before income tax	(1,637,090)	-	(2,938,108)	(4,575,198)
Interest earned and other finance income	-	-	2,068,157	2,068,157
Interest expense and other finance expenses	(34,830)	-	(3,390,844)	(3,425,674)
Income tax expense	(1,621,906)	-	-	(1,621,906)
Total assets	22,908,631	45,848,950	13,833,845	82,591,426
Non-current assets	22,908,631	45,848,950	6,129,226	74,886,807
Total liabilities	(10,455,406)	(373,223)	(21,962,087)	(32,790,716)

(Unaudited – expressed in US Dollars)

Nine Months Ended September 30, 2014	**Rosario Mine $**	**Exploration & evaluation properties $**	**Corporate & other $**	**Total $**
Revenues	7,400,690	-	-	7,400,690
Cash cost of sales	(7,850,551)	-	-	(7,850,551)
Depletion and amortization	(1,204,411)	-	-	(1,204,411)
Adjustment to NRV of inventory	(74,919)	-	-	(74,919)
Cost of sales	(9,129,881)	-	-	(9,129,881)
Gross loss	(1,729,191)	-	-	(1,729,191)
Operating loss	(1,729,191)	-	(2,399,316)	(4,128,507)
Loss before income tax	(1,729,191)	-	(2,466,127)	(4,195,318)
Interest earned	-	-	144,014	144,014
Interest expense and other finance expenses	(31,185)	-	(179,640)	(210,825)
Income tax expense	(12,848)	-	-	(12,848)

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)

b) Segment Revenue by Location and Major Customers

For the Rosario Mine segment, in each of the 2015 and 2014 periods the Company had only one customer (a different customer in each period) who individually accounted for 100% of total silver concentrate revenue in Mexico during the nine months ended September 30, 2015 and 2014.

c) Non-current Assets by Location

	September 30, 2015 $	**December 31, 2014 $**
Canada	1,354,876	2,934,103
Mexico	73,531,931	71,674,764
Total	74,886,807	74,608,867

(Unaudited – expressed in US Dollars)

17. Financial Instruments

The classification of the financial instruments as well as their carrying values as at September 30, 2015 and December 31, 2014 is shown in the table below:

At September 30, 2015	Loans and Receivables $	FVTPL $	Other Financial Liabilities $	Total $
Financial assets				
Cash and cash equivalents	156,522	-	-	156,522
Trade and other receivables	830,777	-	-	830,777
Holdback receivable	800,000	-	-	800,000
Derivative assets	-	4,283,802	-	4,283,802
Total financial assets	1,787,299	4,283,802	-	6,071,101
Financial liabilities				
Accounts payable and accrued liabilities	-	-	4,363,421	4,363,421
Silver loan	-	-	21,468,032	21,468,032
Total financial liabilities	-	-	25,831,453	25,831,453

At December 31, 2014	Loans and Receivables $	FVTPL $	Other Financial Liabilities $	Total $
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

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.

At September 30, 2015	Level 1 $	Level 2 $	Level 3 $	Total $
Financial assets measured at fair value				
Derivative assets	-	4,377,345	-	4,377,345
Financial liabilities				
Silver loan at fair value	-	-	17,325,803	17,325,803

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 JMET, 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.

(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 September 30, 2015 were as follows:

	< 1 year $	**1 – 2 years $**	**2 – 5 years $**	**>5 years $**	**Total $**
Accounts payable and accrued liabilities	4,363,421	-	-	-	4,363,421
Silver loan	11,240,000	8,246,250	11,960,000	-	31,446,250
Minimum lease payments	53,782	84,551	39,061	-	177,394
Total	15,657,203	8,330,801	11,999,061	-	35,987,065

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 and is exposed to foreign exchange risk due to fluctuations in the US dollar and Mexican peso. Foreign exchange risk arises from financial assets and liabilities denominated in these foreign currencies. The sensitivity of the Company's net loss to changes in the exchange rate between the US dollar and 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.

The Company's financial assets and liabilities as at September 30, 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	29,016	33,194	94,312	156,522
Trade receivables	-	768,338	-	768,338
Other receivables	192	-	62,247	62,439
Holdback receivable	-	800,000	-	800,000
Derivative assets	-	4,283,802	-	4,283,802
	29,208	5,885,334	156,559	6,071,101
Financial liabilities				
Accounts payable and accrued liabilities	(180,055)	-	(4,183,366)	(4,363,421)
Silver loan	-	(21,468,032)	-	(21,468,032)
	(180,055)	(21,468,032)	(4,183,366)	(25,831,453)
Net financial liabilities	(150,847)	(15,582,698)	(4,026,807)	(19,760,352)

(Unaudited – expressed in US Dollars)

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 2016 for gold, lead and zinc.

A 10% increase in the silver, lead and zinc prices as at September 30, 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	1,320,000
10% increase in lead price	130,000
10% increase in zinc price	311,000

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 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.

19. Subsequent Events

a) Private Placement

On October 23, 2015 and October 29, 2015, the Company closed the first and second tranches of a non-brokered private placement and issued 8,924,000 common shares at a price of CAD$0.13 per common share for gross proceeds of CAD$1,160,120.

b) *Contracuña Agreement*

On November 2, 2015, the Company announced that it has entered into a definitive agreement (the "Contracuña Agreement") with Minera Contracuña I, S.A. de C.V. and Vetalinda Compania Minera, S.A. de C.V. (together "Contracuña"), pursuant to which Contracuña has granted the Company the right for thirty years to explore, mine and operate Contracuña's Veta Grande and Minillas silver-gold-zinc-lead mineral properties which 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. Cash payments of $200,000 are due on the execution of the agreement (paid subsequent to September 30, 2015) and an additional payment of $300,000 is due upon registration of the agreement with the Deputy of Mines, which is expected to occur in 2016. The Company is to operate the properties on a 60%/40% net profits interest basis ("NPI") with Santacruz holding 60% and Contracuña holding 40%. In the event the price of silver is greater than $22.00/ounce, the NPI changes to 55%/45%.