Santacruz Silver Mining Ltd.

Condensed Interim Consolidated Financial Statements

Three and Six Months Ended June 30, 2012 and 2011

(Unaudited – expressed in US Dollars)

Santacruz Silver Mining Ltd.

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 second quarter 2012 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	June 30, 2012 $	December 31, 2011 $
ASSETS			
Current			
Cash and cash equivalents		15,883,417	183,072
Receivables	**4**	874,160	406,754
Prepaid expenses		14,126	10,638
Deferred financing costs		-	531,072
		16,771,703	1,131,536
Property, plant and equipment	**5**	1,162,758	57,036
Mineral property interests	**6**	8,636,462	6,960,510
		26,570,923	8,149,082
LIABILITIES			
Current			
Accounts payable and accrued liabilities		384,754	170,567
Due to shareholders	**7**	73,375	564,322
Share purchase warrants	**8(b)(v)**	-	1,154
		458,129	736,043
Other long-term liabilities	**6(c)**	2,903,647	2,960,540
		3,361,776	3,696,583
SHAREHOLDERS' EQUITY			
Share capital	**8**	36,526,206	4,886,038
Contributed surplus	**8(c)**	3,385,911	150,559
Accumulated other comprehensive loss		(104,456)	-
Deficit		(16,598,514)	(584,098)
		23,209,147	4,452,499
		26,570,923	8,149,082

Nature of Operations *(Note 1)*
Commitments *(Notes 6 and 8)*
Subsequent Event *(Note 11)*

Approved on behalf of the Board:

"Arturo Préstamo Elizondo"
Director – Arturo Préstamo Elizondo

"Craig A. Angus"
Director – Craig A. Angus

(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 six months ended June 30, 2012 and 2011
(Unaudited – expressed in US Dollars)

	Note	Three months ended June 30 2012 $	Three months ended June 30 2011 $	Six months ended June 30 2012 $	Six months ended June 30 2011 $
General and administrative expenses					
Administrative		368,375	13,227	456,599	19,002
Depreciation		1,529	1,057	1,813	1,057
Management fees	**9**	46,055	48,583	75,435	50,405
Miscellaneous		-	3,778	4,100	3,899
Other		41	2,452	231	10,534
Professional fees		814,179	42,501	823,278	78,381
Salaries and benefits		22,709	34,025	22,709	34,025
Share-based payments	**8(d)**	2,780,916	-	2,780,916	-
Transfer agent and filing fees		15,253	-	15,253	-
Travel		39,763	294	78,108	294
		(4,088,820)	(145,917)	(4,258,442)	(197,597)
Other income (expenses)					
Loss on derivative liabilities	**8(b)(v)**	(4,559)	-	(3,483)	-
Charge related to public company listing	**3**	(11,904,386)	-	(11,904,386)	-
Foreign exchange gain		72,502	70,778	106,654	59,140
Other income		43,345	-	45,241	-
		(11,793,098)	70,778	(11,755,974)	59,140
Net loss for the period		(15,881,918)	(75,139)	(16,014,416)	(138,457)
Other comprehensive loss					
Exchange differences on translating foreign operations		(104,456)	-	(104,456)	-
Comprehensive loss for the period		(15,986,374)	(75,139)	(16,118,872)	(138,457)
Loss per share – basic and diluted		(0.25)	(0.04)	(0.38)	(0.07)
Weighted average number of common shares outstanding		62,350,652	1,936,850	42,256,750	1,933,143

(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 six months ended June 30, 2012 and 2011
(Unaudited – expressed in US Dollars)

Cash Provided By (Used In):	**2012 $**	**2011 $**
Operations:		
Net loss for the period	(16,014,416)	(138,457)
Items not affecting cash:		
Depreciation	1,813	628
Share-based payments	2,780,916	-
Unrealized loss on derivative liabilities	3,483	-
Charge related to public company listing	11,904,386	-
Changes in non-cash working capital:		
Receivables	(467,406)	(120,668)
Prepaid expenses	(3,488)	(2,740)
Accounts payable and accrued liabilities	214,187	547,011
	(1,580,525)	285,774
Investing:		
Acquisition of and exploration expenditures on mineral property interests	(1,723,680)	(719,935)
Acquisition of property, plant and equipment	(1,116,698)	(10,774)
	(2,840,378)	(730,709)
Financing:		
Issuance of common shares, net	18,785,689	3,910
Cash acquired on reverse takeover	1,219,552	-
Due to shareholders	-	480,807
	20,005,241	484,717
Effect of exchange rate changes on cash	116,007	-
Net increase in cash	15,700,345	39,782
Cash and cash equivalents – beginning of period	183,072	88
Cash and cash equivalents – end of period	15,883,417	39,870
Cash and cash equivalents are comprised of:		
Cash	795,929	39,870
Short-term investments	15,087,488	-
	15,883,417	39,870
Non-cash investing and financing information:		
Issuance of broker warrants pursuant to private placement	438,980	-
Issuance of common shares as corporate finance fee pursuant to private placement	180,900	-
Exploration obligations in mineral property interests	2,903,647	-

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

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

	Share Capital		Contributed			
	Number of Shares	Amount $	Surplus $	AOCI $	Deficit $	Total $
Balance, December 31, 2010	1,888,938	150,448	-	-	(3,740)	146,708
Issued pursuant to private placement - prior to reorganization of common shares	47,910	3,910	-	-	-	3,910
Share issuance costs	-	(32,090)	-	-	-	(32,090)
Net loss and comprehensive loss for the period	-	-	-	-	(138,457)	(138,457)
Balance, June 30, 2011	1,936,848	122,268	-	-	(142,197)	(19,929)
Reorganization of common shares	1,857,510	(3,387)	-	-	-	(3,387)
Issued pursuant to private placements	1,653,826	4,688,249	-	-	-	4,688,249
Share-based payments	19,727	78,908	150,559	-	-	229,467
Net loss and comprehensive loss for the period	-	-	-	-	(441,901)	(441,901)
Balance, December 31, 2011 (Note 8)	5,467,911	4,886,038	150,559	-	(584,098)	4,452,499
Issued pursuant to private placements	25,796,721	20,525,480	438,980	-	-	20,964,460
Exercise of special warrants	399,166	150,559	(150,559)	-	-	-
Subdivision of common shares	20,626,055	-	-	-	-	-
Recapitalization transactions (Note 3)						
Pursuant to the acquisition of Forte	(27,492,631)	-	-	-	-	-
Exchange of shares	27,492,631	-	-	-	-	-
Exchange of warrants	-	-	4,680	-	-	4,680
Shares of Forte at the RTO date	15,440,000	13,965,480	-	-	-	13,965,480
Warrants of Forte at the RTO date	-	-	161,335	-	-	161,335
Less: issue costs related to RTO	-	(1,111,001)	-	-	-	(1,111,001)
Share issuance costs	-	(1,890,350)	-	-	-	(1,890,350)
Share-based payments	-	-	2,780,916	-	-	2,780,916
Net loss and comprehensive loss for the period	-	-	-	(104,456)	(16,014,416)	(16,118,872)
Balance, June 30, 2012	67,729,853	36,526,206	3,385,911	(104,456)	(16,598,514)	23,209,147

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

1. Nature of Operations

Santacruz Silver Mining Ltd. ("SSM" or the "Company") (formerly Forte Resources Inc. ("Forte")) 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 under the symbol "SCZ".

The Company is engaged in the exploration and commercial exploitation of mining concessions in Mexico, with a primary focus on silver, but also including gold, lead and zinc. The Company acquired the mining concession rights to the following properties:

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

The Company is advancing to production the Rosario project and is in the exploration stage on the Gavilanes and San Felipe properties.

2. Basis of Presentation

a) Statement of Compliance

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, 2011 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, 2011.

These condensed interim consolidated financial statements were approved for issue by the Board of Directors on August 28, 2012.

b) Basis of Consolidation

These condensed interim consolidated financial statements include the financial statements of all subsidiaries subject to control by the Company, which include Santacruz Holdings Ltd. ("Holdings"), Impulsora Minera Santacruz, S.A. de C.V. ("IMSC"), and Operadora Minera Anacore, S.A. De C.V. ("OMA").

Control is achieved when the Company has the power to, directly or indirectly, govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are fully consolidated from the date on which control is obtained and continue to be consolidated until the date that such control ceases. Intercompany balances, transactions and unrealized intercompany gains and losses are eliminated upon consolidation.

c) Functional and Presentation Currency

The functional currency of a company is the currency of the primary economic environment in which the company operates. The presentation currency for a company is the currency in which the company chooses to present its financial statements.

These condensed interim consolidated financial statements are presented in US dollars, which is the Company's presentation currency. Subsidiaries whose functional currency differ from that of the parent company ("foreign operations") are translated into US dollars as follows: assets and liabilities – at the closing rate as at the reporting date, and income and expenses – at the average rate of the period. All resulting changes are recognized in other comprehensive loss as cumulative translation differences.

The functional currency of SSM and Holdings is the Canadian dollar. The functional currency of IMSC is the US dollar. The functional currency of OMA is the Mexican peso.

Per IAS 21, the Effects of Changes in Foreign Exchange Rates, an entity's functional currency should reflect the underlying transactions, events, and conditions relevant to the entity. On April 1, 2012, based on management's evaluation taking into consideration the currency of the main sources of capital, intercompany charges, the currency in which cash and cash deposits are maintained as well as the currency of corporate office expenditures, management changed the functional currency from the US dollar to the Canadian dollar for SSM and from the US dollar to the Mexican peso for OMA. This change in accounting treatment is applied prospectively. All assets, liabilities, share capital and other components of equity were translated at the exchange rate on the date of change in functional currency.

Transactions in foreign currencies are translated into the functional currency at exchange rates at the date of the transactions. Foreign currency differences arising on translation are recognized in profit or loss. Foreign currency monetary assets and liabilities are translated at the functional currency exchange rate at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when acquired. All gains and losses on translation of these foreign currency transactions are included in profit or loss.

3. Reverse Takeover Transaction

On April 12, 2012, SSM entered into a qualifying transaction ("Transaction") with Forte, a capital pool company publicly listed on the TSX Venture Exchange, pursuant to which Forte acquired all of the issued and outstanding common shares of SSM. Upon completion of the Transaction, the consolidated entity has continued to carry on the business of SSM, which is the exploration, further advancement, and development of the mineral property interests held in Mexico, and is listed as a mining issuer on the TSX Venture Exchange.

Under the terms of the Transaction, Forte issued an aggregate of 27,492,631 common shares at a deemed price of CDN$0.90 per share to shareholders of SSM and 664,476 share purchase warrants exercisable at a price of CDN$1.25 per share until July 20, 2012 to warrant-holders of SSM, which resulted in SSM becoming a wholly-owned subsidiary of Forte. Each shareholder / warrant-holder of SSM exchanged a SSM share for each common share of Forte.

(Unaudited – expressed in US Dollars)

As a result of the foregoing Transaction, the former shareholders of SSM, for accounting purposes, were considered to have acquired control of Forte. Accordingly, the acquisition of Forte was accounted for as a reverse takeover that was not a business combination and effectively was a capital transaction of SSM. SSM has been treated as the accounting parent company (legal subsidiary) and Forte has been treated as the accounting subsidiary (legal parent) in these condensed interim consolidated financial statements. As SSM was deemed to be the acquirer for accounting purposes, its assets, liabilities and operations since incorporation are included in these consolidated financial statements at their historical carrying value. Forte's results of operations have been included from April 12, 2012, the date of the Transaction.

For purposes of the Transaction, the consideration received was the fair value of the net assets of Forte which on April 12, 2012 was $1,159,074. This amount was calculated as follows:

	$
Cash	1,219,552
HST recoverable	12,356
Equipment	8,973
Accounts payable and accrued liabilities	(81,807)
Net assets acquired	1,159,074
Fair value of 15,440,000 shares deemed issued by SSM	13,965,480
Fair value of 200,000 share purchase warrants deemed issued by SSM	161,335
Aggregate fair value of consideration paid	14,126,815
Fair value of consideration paid in excess of net assets acquired	12,967,741
Transaction costs related to share issuance	(1,063,355)
Charge related to public company listing	11,904,386

The fair value of the 200,000 share purchase warrants deemed issued ($161,335) was estimated using the Black Scholes option-pricing model. Assumptions used in the pricing model were as follows: risk-free interest rate – 1.15%; expected life – 1.49 years; expected volatility – 79.07%; expected forfeitures – nil%; and expected dividends – nil.

As the Transaction is characterized as an issuance of shares and warrants by SSM in exchange for net assets as well as a listing, 91.8% of the associated transaction costs have been allocated to the listing and 8.2% of the costs have been allocated to the equity issuance.

Costs allocated to the deemed equity issuance are deducted from equity. The public company listing does not meet the criteria for recognition of an intangible asset in accordance with IAS 38, Intangible Assets. Accordingly, the Company charged $11,904,386 to the statement of loss and comprehensive loss on the date of the Transaction.

(Unaudited – expressed in US Dollars)

4. Receivables

Receivables consist of the following:

	June 30, 2012 $	December 31, 2011 $
Value added tax receivable	790,410	394,440
Other receivable	83,750	12,314
Total	874,160	406,754

5. Property, Plant and Equipment

Cost	Office Furniture and Equipment $	Assets under Construction $	Machinery and Equipment $	Vehicles $	Computer Hardware $	Total $
Balance, December 31, 2010	-	-	-	-	-	-
Additions	9,807	-	-	73,385	7,324	90,516
Disposals	(1,754)	-	-	(26,805)	-	(28,559)
Balance, December 31, 2011	8,053	-	-	46,580	7,324	61,957
Additions	18,889	1,006,027	8,028	52,676	31,078	1,116,698
Disposals	-	-	-	-	-	-
Balance, June 30, 2012	26,942	1,006,027	8,028	99,256	38,402	1,178,655

Accumulated Depreciation	Office Furniture and Equipment $	Assets under Construction $	Machinery and Equipment $	Vehicles $	Computer Hardware $	Total $
Balance, December 31, 2010	-	-	-	-	-	-
Additions	597	-	-	4,601	942	6,140
Disposals	(102)	-	-	(1,117)	-	(1,219)
Balance, December 31, 2011	495	-	-	3,484	942	4,921
Additions	899	-	197	7,467	2,413	10,976
Disposals	-	-	-	-	-	-
Balance, June 30, 2012	1,394	-	197	10,951	3,355	15,897
Carrying amount at December 31, 2011	7,558	-	-	43,096	6,382	57,036
Carrying amount at June 30, 2012	25,548	1,006,027	7,831	88,305	35,047	1,162,758

Depreciation during the three and six months ended June 30, 2012 was $7,182 and $10,976 respectively (three and six months ended June 30, 2011: $628). $5,653 and $9,163 of the depreciation during the three and six months ended June 30, 2012 respectively was capitalized to mineral property interests (three and six months ended June 30, 2011: $nil). The Company does not have any equipment under lease for any of the periods presented.

(Unaudited – expressed in US Dollars)

6. Mineral Property Interests

The Company is actively investigating, evaluating and conducting exploration activities in Mexico. The summary of accumulated costs as of June 30, 2012 and December 31, 2011 are as follows:

	June 30, 2012 $	December 31, 2011 $
a) Rosario, Charcas, San Luis Potosi, Mexico		
Opening balance	1,234,683	151,412
Acquisition costs	170,000	290,000
Exploration costs:		
Administration	263,368	231,878
Depreciation	9,163	4,318
Drilling	317,489	229,301
Geological consulting	-	46,412
Mine development	215	119,627
Permitting and other expenses	108,905	155,533
Water well project	343	6,202
Net book value	2,104,166	1,234,683
b) Gavilanes, San Dimas, Durango, Mexico		
Opening balance	725,827	130,000
Acquisition costs	800,000	585,000
Exploration costs	6,469	10,827
Net book value	1,532,296	725,827
c) San Felipe de Jesús, Sonora, Mexico		
Opening balance	5,000,000	-
Acquisition costs	(56,894)	4,960,540
Exploration costs	56,894	39,460
Net book value	5,000,000	5,000,000
Total	8,636,462	6,960,510

a) Rosario, Charcas, San Luis Potosi, Mexico

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 and March 20, 2012, 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%. The Company has the right to buy back the NSR for a cash payment of $637,000 within the 48 months following the execution of the agreement. Following the 48-month option period, the purchase price of the buyout will increase in proportion to the 0.1% increase to a maximum of $1,592,500 in year 10.

To maintain and exercise the option, the Company must make $2,000,000 of cash payments to the property vendor. As at June 30, 2012, the Company has made total payments of $505,000 and the residual payments are as follows:

- $200,000 on August 15, 2012 (paid subsequent to period end);
- $300,000 on February 15, 2013;
- $350,000 on August 15, 2013; and
- $645,000 on February 15, 2014.

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 June 30, 2012, the Company has made total payments of $60,000 and the residual payments are as follows:

- $20,000 on August 22, 2012 (paid subsequent to period end);
- $20,000 on February 22, 2013;
- $20,000 on August 22, 2013;
- $20,000 on February 22, 2014;
- $20,000 on August 22, 2014;
- $20,000 on February 22, 2015;
- $20,000 on August 22, 2015; and
- $20,000 on February 22, 2016.

b) 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 and March 20, 2012, 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.

To maintain and exercise the option, the Company must make $3,500,000 of cash payments to the vendor. As at June 30, 2012, the Company has made total payments of $1,000,000 and the residual payment of $2,500,000 is to be paid on April 27, 2013.

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 and January 7, 2011, 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. The NSR may be purchased by the Company for $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 June 30, 2012, the Company has made total payments of $415,000 and the residual payments are as follows:

- $300,000 on May 1, 2013;
- $400,000 on November 1, 2013; and
- $1,150,000 on May 1, 2014.

Gavilanes MHM Fraccion, San Dimas, Durango, Mexico

Pursuant to an assignment of mining concession rights agreement dated January 5, 2012 (as amended on February 20, 2012 and March 23, 2012), 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.

c) San Felipe de Jesús, Sonora, Mexico

Pursuant to a mining exploration and promise of assignment of rights agreement dated August 3, 2011 and amended December 9, 2011, the Company was granted an option to acquire a 100% interest in the San Felipe de Jesús property located in Sonora, Mexico. In addition to cash payments of $2,000,000 made to date, in order to maintain and exercise the option, the Company must incur exploration expenditures of $3,000,000 by April 1, 2013 and make additional cash payments as follows:

- Annual surface right payments of 520,000 Mexican Pesos ($38,087) until the property reaches commercial production; and
- $38,000,000 on April 1, 2013.

If the exploration expenditures of $3,000,000 are not made, the Company has an obligation to reimburse the optionor for the difference between $3,000,000 and the actual exploration expenditures incurred regardless of whether or not the Company exercises its option on this property. As such, $3,000,000 has been capitalized as mineral property acquisition costs. Since $96,353 of exploration expenditures have been incurred to June 30, 2012 (December 31, 2011 - $39,460), the remaining amount of $2,903,647 (December 31, 2011 - $2,960,540) yet to be spent has been recorded as other long-term liabilities.

Any minerals extracted in commercially usable quantities remain the property of the optionor until the Company has exercised its option and acquired the property.

The annual surface right payments are to be made on or before February 19 of each year. The 2012 payment has not yet been made; however the Company has obtained an extension on this payment to September, 2012.

The property 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. In the event commercial production has not occurred by December 9, 2015, the Company must make an advance royalty payment of $500,000, which payment will be deducted from the royalty.

Pursuant to the terms of the agreement under which the Company holds its rights to acquire the San Felipe property, 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 property.

7. Due to Shareholders

The balances due to shareholders are non-interest bearing loans made to the Company by its shareholders to finance its activities in order to continue its operations. These loans are due on demand and have no maturity date.

8. Share Capital

a) Authorized

Unlimited number of common shares without par value.

b) Share Capital Transactions

	SSM		IMSC	
	Number of Shares	Amount $	Number of Shares	Amount $
Balance – December 31, 2010	-	-	1,888,938	150,448
Issuance of common shares	1,653,826,	4,688,249	47,910	3,910
Share issuance costs	-	-	-	(32,090)
Issued for share reorganization	3,794,358	118,881	(1,936,848)	(122,268)
Share-based payments	19,727	78,908	-	-
Balance – December 31, 2011	5,467,911	4,886,038	-	-

(i) On January 14, 2011, IMSC issued 47,910 variable Series "B" common shares for proceeds of $3,910.

(ii) On July 15, 2011, SSM and IMSC entered into a stock purchase agreement whereby SSM purchased 1,936,848 issued and outstanding shares of IMSC that represent 99.999% of the issued and outstanding common shares of IMSC. Total consideration for the purchase includes 3,794,358 common shares of SSM and cash of $3,387. As a result of the acquisition, IMSC became the wholly owned subsidiary of SSM. The resulting non-controlling interest that represent 0.001% of the issued and outstanding common shares of IMSC is considered to be not material.

(iii) On July 15, 2011, SSM issued 16,500 common shares for services rendered by an officer of the Company. The services were determined to have a fair value of $66,000.

(iv) On July 15, 2011, SSM issued 1,302,525 common shares for proceeds of $3,800,000.

(v) On July 20, 2011, SSM issued 139,239 units, for total proceeds of $520,000. Each unit consisted of one common share and one share purchase warrant. Each warrant was exercisable to purchase one additional common share at a price of CDN$5.95 per common share on or before July 20, 2012. As the exercise price of the share purchase warrants was fixed in Canadian dollars and the functional currency of SSM was the US dollar, the warrants were considered a derivative, as a variable amount of cash in the Company's functional currency would be received on exercise. At December 31, 2011, the fair value of share purchase warrants issued and outstanding with Canadian dollar exercise prices was $1,154. As a result of the change in functional currency from the US dollar to the Canadian dollar on April 1, 2012, the warrants are no longer considered a derivative. The share purchase warrants were re-measured at fair value at the date of the functional currency change, with a loss of $4,559 and $3,483 recorded for the three and six months ended June 30, 2012 respectively. The fair value of share purchase warrants is reclassified to share capital upon exercise.

(vi) On November 14, 2011, 3,227 common shares were issued for services received at $4.00 per share. The value of these shares of $12,908 was recorded as a deferred financing cost.

(vii) On November 14, 2011, 212,062 common shares were issued at $1.799997 per share for proceeds of $381,709.

(viii) On January 20, 2012, the Company subdivided its outstanding share capital (the "Subdivision") on the basis of 4.7722 new common shares for each existing common share. Prior to the Subdivision, the Company had outstanding 5,467,911 common shares, 83,644 special warrants, and 139,239 warrants to purchase common shares. Accordingly, the Subdivision resulted in the 5,467,911 common shares issued and outstanding being subdivided into 26,093,966 common shares on a post-Subdivision basis. In accordance with the adjustment provision of the special warrants and the warrants, the number of common shares issuable on the exercise of the special warrants and warrants has been adjusted to reflect the Subdivision. Accordingly, the special warrants are convertible into 399,166 common shares and the warrants are convertible into 664,476 common shares.

(ix) On January 25, 2012, all of the Company's special warrants were converted into 399,166 common shares.

(x) On January 27, 2012, 444,444 post-Subdivision common shares were issued at $0.90 per share for proceeds of $399,480.

(xi) On April 12, 2012, the Company completed a brokered private placement of 555,055 common shares at $0.90 per share for gross proceeds of $500,000.

(xii) On April 12, 2012, 15,440,000 common shares were deemed to be issued by SSM as a result of the reverse takeover transaction (refer to Note 3). The fair value of the 15,440,000 common shares deemed issued ($13,965,480) was estimated using a deemed price of CDN$0.90 per share. Issue costs of $1,111,001 were incurred related to the reverse takeover transaction.

(xiii) On April 12, 2012, the Company completed a brokered private placement of 22,222,222 common shares at $0.90 per share for gross proceeds of $19,626,000.

The agent for the offering received a commission consisting of $1,277,355 cash, 200,000 common shares, and 1,333,333 broker warrants entitling the agent to purchase 1,333,333 common shares of the Company at CDN$1.00 per share up to April 12, 2014. The fair value of the broker warrants ($438,980) was estimated using the Black Scholes option-pricing model and was charged to share issue costs and credited to contributed surplus. The assumptions used in the option pricing model are as follows: average risk-free interest rate – 1.15%; expected life – 2 years; expected volatility – 71.94%; and expected dividends – nil. The Company also issued 2,375,000 common shares as corporate finance fee and incurred additional issue costs of $174,014.

(Unaudited – expressed in US Dollars)

c) Contributed Surplus

The following is a summary of the contributed surplus:

	June 30, 2012 $	December 31, 2011 $
Stock options	2,780,916	-
Warrants	604,995	-
Special warrants	-	150,559
	3,385,911	150,559

d) 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 stock options activity for the six months ended June 30, 2012 are as follows:

	Number of Stock Options	Weighted Average Exercise Price $	Weighted Average Remaining Contractual Life (Years)
Balance, December 31, 2011	-	-	-
Granted	5,110,000	0.90	4.67
Exercised	-	-	-
Expired	-	-	-
Balance, June 30, 2012	5,110,000	0.90	4.67
Unvested	(300,000)	0.90	2.86
Exercisable, June 30, 2012	4,810,000	0.90	4.79

The balance of options outstanding as at June 30, 2012 is as follows:

Expiry Date	Exercise Price $	Remaining Life (Years)	Options Outstanding	Unvested	Vested
April 12, 2017	0.90	4.79	4,810,000	-	4,810,000
May 10, 2015	0.90	2.86	300,000	300,000	-
			5,110,000	300,000	4,810,000

On April 12, 2012, the Company granted 4,810,000 incentive stock options to directors, officers and consultants having an exercise price of $0.90 each expiring April 12, 2017. These options were fully vested on the date of grant.

On May 10, 2012, the Company granted 300,000 incentive stock options to an employee having an exercise price of $0.90 each expiring May 10, 2017. These options vest as to 30,000 every 3 months.

(Unaudited – expressed in US Dollars)

The fair values of the options granted during the six months ended June 30, 2012 were estimated using the Black Scholes option-pricing model. Assumptions used in the pricing model are as follows: average risk-free interest rate – 1.60%; expected life – 4.88 years; expected volatility – 78.8%; expected forfeitures – 0%; and expected dividends – $nil.

During the three and six months ended June 30, 2012, the Company recorded share-based payments expense of $2,780,916 (2011 – $nil.)

e) Warrants

Details of warrants activity for the six months ended June 30, 2012 and the year ended December 31, 2011 are as follows:

	Number of Warrants	Weighted Average Exercise Price $	Weighted Average Remaining Contractual Life (Years)
Balance, December 31, 2010	-	-	-
Granted	664,476[(1)]	1.25[(1)]	0.55
Exercised	-	-	-
Expired	-	-	-
Balance, December 31, 2011	664,476	1.25	0.55
Pursuant to RTO (see Note 3)	200,000	0.10	1.27
Granted	1,333,333	1.00	1.78
Exercised	-	-	-
Expired	-	-	-
Balance, June 30, 2012	2,197,809	1.00	1.21

(1) After giving effect to the Subdivision described in Note 8(a)(viii).

The balance of warrants outstanding as at June 30, 2012 is as follows:

Expiry Date	Exercise Price $	Remaining Life (Years)	Warrants Outstanding
July 20, 2012	1.25	0.05	664,476
October 7, 2013	0.10	1.27	200,000
April 12, 2014	1.00	1.78	1,333,333
			2,197,809

On April 12, 2012, 200,000 share purchase warrants were deemed to be issued by SSM as a result of the reverse takeover transaction (refer to Note 3). The fair value of the 200,000 share purchase warrants deemed issued ($161,335) was estimated using the Black Scholes option-pricing model. Assumptions used in the pricing model were as follows: risk-free interest rate – 1.15%; expected life – 1.49 years; expected volatility – 79.07%; expected forfeitures – nil%; and expected dividends – nil.

(Unaudited – expressed in US Dollars)

f) Special Warrants

On November 16, 2011, 83,644 special warrants to purchase common shares for no additional consideration were issued for professional services received. As the fair value of the services received could not be estimated reliably, the Company measured these transactions by reference to the fair value of the equity instruments granted. The fair value of those special warrants was determined to be $150,559. The special warrants were converted to common shares on January 25, 2012.

9. Related Party Transactions

Remuneration for directors and key management personnel included:

	Three months ended June 30		Six months ended June 30	
	2012	**2011**	**2012**	**2011**
Accounting fees	$34,279	$Nil	$34,279	$Nil
Management fees	$46,055	$48,583	$75,435	$50,405
Salaries and benefits capitalized as exploration costs in mineral property interests	$40,446	$32,733	$80,483	$32,733

At June 30, 2012, directors or their related companies were owed $9,562 (December 31, 2011 – $nil) in respect of the services rendered.

Key management includes directors and executive officers of the Company. The share-based compensation paid to key management for employee services during the three and six months ended June 30, 2012 was $2,066,792 (2011 – $nil).

10. 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 in assessing performance and in determining the allocation of resources.

The Company considers the business from a geographic perspective and assesses the performance of the operating segments based on measures such as net property, plant and equipment as well as operational results.

a) Operating Segment

The Company's operations are limited to a single industry segment, being exploration and development of mineral properties.

(Unaudited – expressed in US Dollars)

b) Geographic Segments

By geographic areas, the Company's non-current assets as at June 30, 2012 and December 31, 2011 and losses by geographic areas for the three and six months ended June 30, 2012 and 2011 are as follows:

	Losses							
	Three months ended June 30				Six months ended June 30			
		2012		2011		2012		2011
Canada	$	15,533,759	$	-	$	15,554,354	$	-
Mexico		348,159		75,139		460,062		138,457
Total	$	15,881,918	$	75,139	$	16,014,416	$	138,457

	Non-Current Assets			
		June 30, 2012		December 31, 2011
Canada	$	12,732	$	-
Mexico		9,786,488		7,017,546
Total	$	9,799,220	$	7,017,546

11. Subsequent Event

a) Stock Options

On July 24, 2012, the Company granted 800,000 incentive stock options to a director having an exercise price of $0.90 each, expiring July 24, 2017.