



Condensed Interim Consolidated Financial Statements
Three and Six Months Ended June 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 second 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	June 30, 2015 \$	December 31, 2014 \$
ASSETS			
Current			
Cash and cash equivalents	3	241,779	6,015,947
VAT recoverable and receivables	4	3,354,340	3,017,810
Inventory	5	292,721	395,326
Prepaid expenses and deposits		603,424	675,018
Derivative assets	9	2,880,379	2,252,492
		7,372,643	12,356,593
VAT recoverable	4	4,819,378	4,778,178
Holdback receivable	9	800,000	800,000
Derivative assets	9	823,527	2,124,853
Plant and equipment	6	14,121,628	13,338,320
Mine property	7	9,143,668	9,032,392
Exploration and evaluation properties	8	45,229,709	44,535,124
		82,310,553	86,965,460
LIABILITIES			
Current			
Accounts payable and accrued liabilities		3,340,184	2,919,652
Silver loan	9	11,248,380	10,120,000
		14,588,564	13,039,652
Silver loan	9	10,092,877	11,470,317
Decommissioning and restoration provision	10	650,315	663,438
Deferred income tax liability		4,931,060	4,798,933
		30,262,816	29,972,340
EQUITY			
Share capital	11	85,606,637	85,606,637
Stock options and warrants reserve	11(d)	5,845,582	5,792,640
Accumulated other comprehensive loss		(801,246)	(372,055)
Deficit		(38,603,236)	(34,034,102)
		52,047,737	56,993,120
		82,310,553	86,965,460

Nature of Operations and Going Concern (Note 1)

Commitments (Notes 7, 8 and 18)

Subsequent Events (Notes 7, 8 and 9)

Approved on behalf of the Board:

“Arturo Préstamo Elizondo”

Director – Arturo Préstamo Elizondo

“Larry Okada”

Director – Larry Okada

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

Santacruz Silver Mining Ltd.
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
For the three and six months ended June 30, 2015 and 2014
(Unaudited – expressed in US Dollars)

	Note	Three months ended June 30,		Six months ended June 30,	
		2015 \$	2014 \$	2015 \$	2014 \$
Revenues		3,147,077	2,302,056	3,549,117	4,233,623
Cost of sales	12	(3,019,904)	(2,710,200)	(4,631,596)	(5,988,878)
Gross profit (loss)		127,173	(408,144)	(1,082,479)	(1,755,255)
Operating expenses	12	(569,716)	(768,544)	(1,021,868)	(1,492,050)
Operating loss		(442,543)	(1,176,688)	(2,104,347)	(3,247,305)
Interest earned and other finance income	13	477,822	124,957	9,779	102,233
Interest expense and other finance expenses	13	(1,674,343)	(10,487)	(2,293,444)	(20,783)
Loss before income tax		(1,639,064)	(1,062,218)	(4,388,012)	(3,165,855)
Income tax (expense) recovery		(378,763)	(29,609)	(181,122)	11,751
Net loss for the period		(2,017,827)	(1,091,827)	(4,569,134)	(3,154,104)
Other comprehensive income (loss)					
Currency translation differences		233,199	61,561	(429,191)	67,675
Comprehensive loss for the period		(1,784,628)	(1,030,266)	(4,998,325)	(3,086,429)
Loss per share – basic and diluted		(0.02)	(0.01)	(0.04)	(0.03)
Weighted average number of common shares outstanding		103,493,484	103,493,484	103,493,484	98,789,755

(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, 2015 and 2014
(Unaudited – expressed in US Dollars)

	Six months ended June 30,	
	2015	2014
Cash Provided By (Used In):	\$	\$
Operations:		
Net loss for the period	(4,569,134)	(3,154,104)
Items not affecting cash:		
Deferred income tax expense (recovery)	132,127	(57,760)
Accretion of decommissioning and restoration provision	23,220	20,783
Depletion, depreciation and amortization	608,254	770,603
Share-based payments	52,942	149,957
Interest expense on silver loan	2,057,379	-
Change in fair value of derivative assets	143,132	-
Unrealized foreign exchange	(456,809)	-
Changes in non-cash working capital:		
VAT recoverable and receivables	(377,730)	(1,615,273)
Prepaid expenses and deposits	71,594	(62,368)
Inventory	102,605	(176,995)
Deferred financing costs	-	(7,381)
Accounts payable and accrued liabilities	149,178	1,908,836
	(2,063,242)	(2,223,702)
Investing:		
Exploration and evaluation properties	(409,514)	(5,430,613)
Acquisition and development costs on mine property	(351,600)	(220,000)
Acquisition of plant and equipment	(1,165,607)	(1,855,226)
	(1,926,721)	(7,505,839)
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) increase in cash and cash equivalents	(5,766,095)	164,618
Effect of exchange rate changes on cash and cash equivalents	(8,073)	69,897
Cash and cash equivalents – beginning of period	6,015,947	1,618,472
Cash and cash equivalents – end of period	241,779	1,852,987

Non-cash Transactions (Note 15)

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

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

	Share Capital		Stock Options and Warrants Reserve \$	AOCI \$	Deficit \$	Total \$
	Number of Shares	Amount \$				
Balance, December 31, 2013	91,330,984	75,912,147	5,316,201	(503,931)	(25,328,349)	55,396,068
Issued pursuant to prospectus offering	12,062,500	10,864,694	-	-	-	10,864,694
Issued for finder's fees	100,000	91,871	-	-	-	91,871
Share issuance costs	-	(1,262,075)	199,669	-	-	(1,062,406)
Share-based payments	-	-	149,957	-	-	149,957
Comprehensive loss for the period	-	-	-	67,675	(3,154,104)	(3,086,429)
Balance, June 30, 2014	103,493,484	85,606,637	5,665,827	(436,256)	(28,482,453)	62,353,755
Share-based payments	-	-	126,813	-	-	126,813
Comprehensive loss for the period	-	-	-	64,201	(5,551,649)	(5,487,448)
Balance, December 31, 2014	103,493,484	85,606,637	5,792,640	(372,055)	(34,034,102)	56,993,120
Share-based payments	-	-	52,942	-	-	52,942
Comprehensive loss for the period	-	-	-	(429,191)	(4,569,134)	(4,998,325)
Balance, June 30, 2015	103,493,484	85,606,637	5,845,582	(801,246)	(38,603,236)	52,047,737

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

Santacruz Silver Mining Ltd.
Notes to the Condensed Interim Consolidated Financial Statements
For the Three and Six Months Ended June 30, 2015 and 2014
(Unaudited – expressed in US Dollars)

1. Nature of Operations and Going Concern

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

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

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

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

At June 30, 2015, the Company had not yet achieved profitable operations, had a working capital deficiency of \$7,215,921, had accumulated an inception to date deficit of \$38,603,236 and may incur further losses in the development of its business. These factors indicate the existence of a material uncertainty that may cast significant doubt upon the Company’s ability to continue as a going concern. As a result, the Company may be unable to realize its assets and discharge its liabilities in the normal course of business. The Company’s ability to continue as a going concern is dependent upon its ability to raise adequate funding through equity or debt financings to discharge its liabilities as they come due. The Company has a capital management process in place to safeguard the Company’s ability to continue as a going concern. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company.

2. 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

Santacruz Silver Mining Ltd.
Notes to the Condensed Interim Consolidated Financial Statements
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consolidated financial statements for the year ended December 31, 2014 and were approved for issue by the Board of Directors on August 24, 2015.

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

	June 30, 2015	December 31, 2014
	\$	\$
Cash on hand or held with banks	232,572	6,006,034
Short-term investments	9,207	9,913
Total	241,779	6,015,947

4. VAT Recoverable and Receivables

	June 30, 2015	December 31, 2014
	\$	\$
Value added taxes recoverable	6,916,352	6,899,475
Trade receivables	1,189,501	817,363
Other receivables	67,865	79,150
Total	8,173,718	7,795,988
Current portion	(3,354,340)	(3,017,810)
Non-current portion	4,819,378	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 June 30, 2015.

Santacruz Silver Mining Ltd.
Notes to the Condensed Interim Consolidated Financial Statements
For the Three and Six Months Ended June 30, 2015 and 2014
(Unaudited – expressed in US Dollars)

5. Inventory

	June 30, 2015	December 31, 2014
	\$	\$
Ore stockpiles	71,601	133,146
Concentrate inventory	23,161	19,641
Supplies inventory	197,959	242,539
Total	292,721	395,326

During the year ended December 31, 2014, the Company wrote down ore stockpiles and concentrate inventory to their net realizable values, which at December 31, 2014 was \$152,787. As at June 30, 2015, the ore stockpiles and concentrate inventory are valued at the average production costs which are lower than their net realizable values.

6. Plant and Equipment

Cost	Office	Assets under Construction	Plant and Equipment	Vehicles	Computer Hardware	Total
	Furniture and Equipment					
	\$	\$	\$	\$	\$	\$
Balance, December 31, 2013	54,934	-	11,142,659	312,676	138,371	11,648,640
Additions	2,238	383,249	3,181,463	43,006	18,404	3,628,360
Foreign exchange	(1,142)	-	-	-	-	(1,142)
Balance, December 31, 2014	56,030	383,249	14,324,122	355,682	156,775	15,275,858
Additions	3,125	7,935	1,124,578	25,529	4,440	1,165,607
Foreign exchange	(896)	-	-	-	-	(896)
Balance, June 30, 2015	58,259	391,184	15,448,700	381,211	161,215	16,440,569
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	2,516	-	335,633	30,821	12,677	381,647
Foreign exchange	(244)	-	-	-	-	(244)
Balance, June 30, 2015	14,362	-	2,043,038	174,756	86,785	2,318,941
Carrying amount at December 31, 2014	43,940	383,249	12,616,717	211,747	82,667	13,338,320
Carrying amount at June 30, 2015	43,897	391,184	13,405,662	206,455	74,430	14,121,628

Depreciation during the three and six months ended June 30, 2015 was \$335,767 and \$381,647 (2014 – \$254,755 and \$428,430). During the three and six months ended June 30, 2015, \$5,890 and \$13,717 of the depreciation was capitalized to exploration and evaluation properties (2014 – \$3,430 and \$6,400).

Santacruz Silver Mining Ltd.
Notes to the Condensed Interim Consolidated Financial Statements
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(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 <i>(Note 10)</i>	96,887
Amortization and depletion	(587,185)
Balance, December 31, 2014	9,032,392
Additions	351,600
Amortization and depletion	(240,324)
Balance, June 30, 2015	9,143,668

Rey David, Charcas, San Luis Potosi, Mexico

Pursuant to a mining exploration and promise of assignment of rights agreement dated February 15, 2010, as amended on February 15, 2012, March 20, 2012, August 15, 2013, October 15, 2013, February 4, 2014, April 14, 2014 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 June 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 Potosi, 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, 2015, the Company has made total payments of \$180,000 and the remaining payments are as follows:

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

Santacruz Silver Mining Ltd.
Notes to the Condensed Interim Consolidated Financial Statements
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(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 June 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 Jun 30, 2015 \$	Balance, Jun 30, 2015 \$
a) Gavilanes, San Dimas, Durango, Mexico					
<i>Acquisition costs</i>					
Option payments – cash	3,315,000	1,800,000	5,115,000	30,000	5,145,000
	3,315,000	1,800,000	5,115,000	30,000	5,145,000
<i>Exploration costs</i>					
Depreciation	4,130	5,162	9,292	-	9,292
Drilling	1,818,127	171,003	1,989,130	25,804	2,014,934
Geological consulting	-	25,380	25,380	5,330	30,710
Mine site support and office costs	67,820	3,495	71,315	2,418	73,733
Professional fees	46,951	6,089	53,040	-	53,040
Safety and maintenance	68,885	36,837	105,722	44,798	150,520
	2,005,913	247,966	2,253,879	78,350	2,332,229
	5,320,913	2,047,966	7,368,879	108,350	7,477,229
b) San Felipe, San Felipe de Jesús, Sonora, Mexico					
<i>Acquisition costs</i>					
Option payments – cash	22,883,997	3,000,000	25,883,997	-	25,883,997
Option payments – shares	1,292,961	-	1,292,961	-	1,292,961
	24,176,958	3,000,000	27,176,958	-	27,176,958
<i>Exploration costs</i>					
Depreciation	5,778	10,900	16,678	13,717	30,395
Drilling	2,852,248	2,567,654	5,419,902	100,202	5,520,104
Geological consulting	76,608	1,864,368	1,940,976	78,621	2,019,597
Mine site support and office costs	315,693	809,878	1,125,571	161,448	1,287,019
Professional fees	133,980	-	133,980	13,211	147,191
Safety and maintenance	700,967	651,213	1,352,180	219,036	1,571,216
	4,085,274	5,904,013	9,989,287	586,235	10,575,522
	28,262,232	8,904,013	37,166,245	586,235	37,752,480
Total	33,583,145	10,951,979	44,535,124	694,585	45,229,709

a) Gavilanes, San Dimas, Durango, Mexico

Gavilanes I, San Dimas, Durango, Mexico

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

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As at June 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 October 12, 2010, December 27, 2010, January 7, 2011, November 8, 2013, April 10, 2014 and January 7, 2015, the Company was granted an option to acquire a 100% interest in the Gavilanes property (named Gavilanes II) located in San Dimas, Durango, Mexico. The property is subject to a 2% NSR in favour of the optionor, up to a maximum of \$1,000,000. To maintain and exercise the option, the Company must make \$2,265,000 of cash payments to the property vendor. As at June 30, 2015, the Company has made total payments of \$1,445,000. The remaining payment of \$820,000 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 December 9, 2011, October 8, 2012, August 13, 2013, September 4, 2014 and July 7, 2015 (the "San Felipe Agreement"), the Company was granted an option to acquire a 100% interest in the San Felipe de Jesús project located in Sonora, Mexico and the El Gachi property near the San Felipe project, including all assets related to the properties. In addition to cash payments of \$25,700,000 made to date and the issuance of 1,250,000 common shares of the Company, in order to maintain and exercise the option, the Company 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.

Santacruz Silver Mining Ltd.
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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.

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

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

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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 six months ended June 30, 2015, the Company received cash payments of \$223,868 and applied \$306,439 against the current portion of the silver loan upon settlement of 591,840 ounces of silver, 1,080 ounces of gold, 930 tonnes of lead and 1,950 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 six months ended June 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	1,742,560
Balance, June 30, 2015	16,332,877
Current portion	(6,240,000)
Non-current portion, June 30, 2015	10,092,877
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	(306,439)
Interest expense on unpaid balance due on April 1, 2015	314,819
Current portion, June 30, 2015	11,248,380

Subsequent Amendment of JMET Agreement

On July 15, 2015, the Amended JMET Agreement was further amended so that the first delivery of 52,000 ounces of silver is deferred to October 2015, and sales of an additional 52,000 ounces shall still occur each month through August 2019, except that the delivery of silver in October 2016 is amended to 208,000 ounces from the previous 52,000 ounces. Further, the Company has agreed to deliver an additional 44,625 ounces of silver as a restructuring fee.

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The change in the derivative assets during the year ended December 31, 2014 and the six months ended June 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	(306,439)
Change in fair value	(143,132)
Balance, June 30, 2015	3,703,906
Current portion	(2,880,379)
Non-current portion, June 30, 2015	823,527

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:

	June 30, 2015	December 31, 2014
	\$	\$
Balance, beginning of period	663,438	595,953
Accretion expense	23,220	41,018
Change in estimate	-	96,887
Foreign exchange	(36,343)	(70,420)
Balance, end of period	650,315	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"),

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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.

c) Escrow

There were no common shares of the Company held in escrow as at June 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:

	June 30, 2015 \$	December 31, 2014 \$
Stock options	4,283,999	4,231,057
Warrants	1,561,583	1,561,583
	5,845,582	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 six months ended June 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, June 30, 2015	4,706,666	1.01	2.46
Unvested	(400,000)	0.94	4.12
Exercisable, June 30, 2015	4,306,666	1.02	2.30

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The balance of options outstanding as at June 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	400,000	200,000
			4,706,666	400,000	4,306,666

No options were granted during the six months ended June 30, 2015 (2014 – 400,000). The fair values of the options granted during the six months ended June 30, 2014 were estimated using the Black Scholes option-pricing model. Assumptions used in the pricing model were as follows: risk-free interest rate – 2.20%; expected life – 5 years; expected volatility – 52.75%; expected forfeitures – 0%; and expected dividends – \$nil.

The weighted average fair value of stock options granted during the six months ended June 30, 2014 was \$0.38 per option.

During the three and six months ended June 30, 2015, the Company recorded share-based payments expense of \$26,729 and \$52,942 respectively (2014 – \$141,465 and \$149,957).

f) Warrants

Details of warrants activity for the six months ended June 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, June 30, 2015	723,750	1.00	0.70

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

Expiry Date	Exercise Price CDN\$	Remaining Life (Years)	Warrants Outstanding
March 11, 2016	1.00	0.70	645,000
March 20, 2016	1.00	0.72	78,750
			723,750

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12. Operating Costs by Nature

a) Cost of sales

	Three months ended June 30,		Six months ended June 30,	
	2015 \$	2014 \$	2015 \$	2014 \$
Cash cost of sales	2,466,795	2,187,415	4,195,289	5,147,154
Depletion and amortization	553,109	453,735	605,110	766,805
Adjustment to NRV of mined ore and concentrate inventory	-	69,050	(168,803)	74,919
	3,019,904	2,710,200	4,631,596	5,988,878

b) Operating expenses

	Three months ended June 30,		Six months ended June 30,	
	2015 \$	2014 \$	2015 \$	2014 \$
Administrative	85,096	88,821	134,679	284,639
Depreciation	1,619	1,901	3,144	3,798
Management and consulting fees	97,541	140,727	186,854	319,242
Other	42,015	50,647	95,206	102,847
Professional fees	228,175	166,330	348,644	296,849
Salaries and benefits	39,883	45,674	79,902	91,419
Share-based payments	26,729	141,465	52,942	149,957
Shareholder communications	17,321	51,612	36,935	97,008
Transfer agent and filing fees	19,363	47,654	55,906	74,327
Travel	11,974	33,713	27,656	71,964
	569,716	768,544	1,021,868	1,492,050

13. a) Interest Earned and Other Finance Income

	Three months ended June 30,		Six months ended June 30,	
	2015 \$	2014 \$	2015 \$	2014 \$
Interest earned	6,293	54,104	9,779	92,798
Change in fair value of derivative assets	471,529	-	-	-
Foreign exchange gain	-	70,853	-	9,435
	477,822	124,957	9,779	102,233

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b) Interest expense and other finance expenses

	Three months ended		Six months ended	
	2015	June 30, 2014	2015	June 30, 2014
	\$	\$	\$	\$
Accretion of decommissioning and restoration provision	(11,610)	(10,487)	(23,220)	(20,783)
Change in fair value of derivative assets	-	-	(143,132)	-
Foreign exchange loss	(426,857)	-	(69,713)	-
Interest expense on silver loan	(1,235,876)	-	(2,057,379)	-
	(1,674,343)	(10,487)	(2,293,444)	(20,783)

14. Related Party Transactions

During the three and six months ended June 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		Six months ended	
	2015	June 30, 2014	2015	June 30, 2014
	\$	\$	\$	\$
Accounting and corporate secretarial fees	80,584	66,147	140,144	98,739
Directors' fees	12,060	26,804	16,292	48,958
Management fees	55,000	148,490	109,000	251,550
Share-based payments	26,729	138,495	52,942	138,495
Salaries and benefits capitalized in exploration and evaluation properties	74,720	92,462	132,805	94,580

At June 30, 2015, directors and officers or their related companies were owed \$58,303 (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 six months ended June 30, 2015, the mineral property exploration expenditures of \$271,354 included in accounts payable and accrued liabilities were excluded from the consolidated statements of cash flows. During the six months ended June 30, 2014, the following transactions were excluded from the consolidated statements of cash flows:

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

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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 June 30, 2015	Rosario Mine \$	Exploration & evaluation properties \$	Corporate & other \$	Total \$
Revenues	3,147,077	-	-	3,147,077
Cash cost of sales	(2,466,795)	-	-	(2,466,795)
Depletion and amortization	(553,109)	-	-	(553,109)
Cost of sales	(3,019,904)	-	-	(3,019,904)
Gross profit	127,173	-	-	127,173
Operating income (loss)	127,173	-	(569,716)	(442,543)
Income (loss) before income tax	127,173	-	(1,766,237)	(1,639,064)
Interest earned	-	-	477,822	477,822
Interest expense and other finance expenses	(11,610)	-	(1,662,733)	(1,674,343)
Income tax expense	(378,763)	-	-	(378,763)

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Three Months Ended June 30, 2014	Rosario Mine \$	Exploration & evaluation properties \$	Corporate & other \$	Total \$
Revenues	2,302,056	-	-	2,302,056
Cash cost of sales	(2,187,415)	-	-	(2,187,415)
Depletion and amortization	(453,735)	-	-	(453,735)
Adjustment to NRV of mined ore and concentrate inventory	(69,050)	-	-	(69,050)
Cost of sales	(2,710,200)	-	-	(2,710,200)
Gross loss	(408,144)	-	-	(408,144)
Operating loss	(408,144)	-	(768,544)	(1,176,688)
Loss before income tax	(408,144)	-	(654,074)	(1,062,218)
Interest earned and other finance income	-	-	124,957	124,957
Interest expense and other finance expenses	(10,487)	-	-	(10,487)
Income tax expense	(29,609)	-	-	(29,609)
Six Months Ended June 30, 2015	Rosario Mine \$	Exploration & evaluation properties \$	Corporate & other \$	Total \$
Revenues	3,549,117	-	-	3,549,117
Cash cost of sales	(4,195,289)	-	-	(4,195,289)
Depletion and amortization	(605,110)	-	-	(605,110)
Adjustment to NRV of mined ore and concentrate inventory	168,803	-	-	168,803
Cost of sales	(4,631,596)	-	-	(4,631,596)
Gross loss	(1,082,479)	-	-	(1,082,479)
Operating loss	(1,082,479)	-	(1,021,868)	(2,104,347)
Loss before income tax	(1,082,479)	-	(3,305,533)	(4,388,012)
Interest earned and other finance income	-	-	9,779	9,779
Interest expense and other finance expenses	(23,220)	-	(2,270,224)	(2,293,444)
Income tax expense	(181,122)	-	-	(181,122)
Total assets	22,549,330	45,620,893	14,140,330	82,310,553
Non-current assets	22,549,330	45,620,893	6,767,687	74,937,910
Total liabilities	(8,437,525)	(271,354)	(21,553,937)	(30,262,816)

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Six Months Ended June 30, 2014	Rosario Mine \$	Exploration & evaluation properties \$	Corporate & other \$	Total \$
Revenues	4,233,623	-	-	4,233,623
Cash cost of sales	(5,147,154)	-	-	(5,147,154)
Depletion and amortization	(766,805)	-	-	(766,805)
Adjustment to NRV of mined ore and concentrate inventory	(74,919)	-	-	(74,919)
Cost of sales	(5,988,878)	-	-	(5,988,878)
Gross loss	(1,755,255)	-	-	(1,755,255)
Operating loss	(1,755,255)	-	(1,492,050)	(3,247,305)
Loss before income tax	(1,755,255)	-	(1,410,600)	(3,165,855)
Interest earned	-	-	102,233	102,233
Interest expense and other finance expenses	(20,783)	-	-	(20,783)
Income tax recovery	11,751	-	-	11,751

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 six months ended June 30, 2015 and 2014.

c) Non-current Assets by Location

	June 30, 2015 \$	December 31, 2014 \$
<i>Canada</i>	1,631,533	2,934,103
<i>Mexico</i>	73,306,377	71,674,764
Total	74,937,910	74,608,867

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17. Financial Instruments

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

	Loans and Receivables \$	FVTPL \$	Other Financial Liabilities \$	Total \$
At June 30, 2015				
Financial assets				
Cash and cash equivalents	241,779	-	-	241,779
Trade and other receivables	1,257,366	-	-	1,257,366
Holdback receivable	800,000	-	-	800,000
Derivative assets	-	3,703,906	-	3,703,906
Total financial assets	2,299,145	3,703,906	-	6,003,051
Financial liabilities				
Accounts payable and accrued liabilities	-	-	3,340,184	3,340,184
Silver loan	-	-	21,341,257	21,341,257
Total financial liabilities	-	-	24,681,441	24,681,441
At December 31, 2014				
Financial assets				
Cash and cash equivalents	6,015,947	-	-	6,015,947
Trade and other receivables	896,513	-	-	896,513
Holdback receivable	800,000	-	-	800,000
Derivative assets	-	4,377,345	-	4,377,345
Total financial assets	7,712,460	4,377,345	-	12,089,805
Financial liabilities				
Accounts payable and accrued liabilities	-	-	2,919,652	2,919,652
Silver loan	-	-	21,590,317	21,590,317
Total financial liabilities	-	-	24,509,969	24,509,969

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;

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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 June 30, 2015	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Financial assets measured at fair value				
Derivative assets	-	3,703,906	-	3,703,906
Financial liabilities				
Silver loan at fair value	-	-	16,332,877	16,332,877

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.

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Contractual cash flow requirements as at June 30, 2015 were as follows:

	< 1 year \$	1 – 2 years \$	2 – 5 years \$	>5 years \$	Total \$
Accounts payable and accrued liabilities	3,340,184	-	-	-	3,340,184
Silver loan	11,248,380	6,240,000	13,520,000	-	31,008,380
Minimum lease payments	53,782	84,551	39,061	-	177,394
Total	14,642,346	6,324,551	13,559,061	-	34,525,958

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 June 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	21,906	109,101	110,772	241,779
Trade receivables	-	1,189,501	-	1,189,501
Other receivables	7,314	-	60,551	67,865
Holdback receivable	-	800,000	-	800,000
Derivative assets	-	3,703,906	-	3,703,906
	29,220	5,802,508	171,323	6,003,051
Financial liabilities				
Accounts payable and accrued liabilities	(212,680)	-	(3,127,504)	(3,340,184)
Silver loan	-	(21,341,257)	-	(21,341,257)
	(212,680)	(21,341,257)	(3,127,504)	(24,681,441)
Net financial liabilities	(183,460)	(15,538,749)	(2,956,181)	(18,678,390)

Santacruz Silver Mining Ltd.
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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, gold, lead and zinc prices as at June 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	1,210,000
10% increase in gold price	28,000
10% increase in lead price	143,000
10% increase in zinc price	333,000

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.