
AMERICAS SILVER CORPORATION

Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2015 and 2014
(In thousands of U.S. dollars, unless otherwise stated)

Americas Silver Corporation

Condensed interim consolidated statements of financial position

(In thousands of U.S. dollars)

As at	September 30, 2015	December 31, 2014	January 1, 2014
Assets			(Note 2)
Current assets			
Cash and cash equivalents	\$ 2,104	\$ 15,224	\$ 15,437
Trade and other receivables (Note 7)	5,095	6,768	9,294
Income tax receivable	-	236	-
Inventories (Note 8)	10,410	12,353	8,466
Prepaid expenses	1,026	699	598
Investment in Scorpio Gold (Note 9)	696	1,655	2,495
	<u>19,331</u>	<u>36,935</u>	<u>36,290</u>
Non-current assets			
Restricted cash	151	368	-
Long-term investments	4	32	-
Property, plant and equipment (Note 10)	82,495	81,253	92,453
Deferred tax assets (Note 17)	-	-	11,088
Total assets	<u>\$ 101,981</u>	<u>\$ 118,588</u>	<u>\$ 139,831</u>
Liabilities			
Current liabilities			
Trade and other payables	\$ 8,202	\$ 13,070	\$ 2,608
Derivative liability	-	502	-
Advance on mining concession sales	-	87	-
Income tax payable	98	-	-
Credit facility (Note 12)	-	2,155	-
	<u>8,300</u>	<u>15,814</u>	<u>2,608</u>
Non-current liabilities			
Other long-term liabilities	576	559	-
Credit facility (Note 12)	6,369	5,592	-
Post-employment benefit obligations	5,296	5,181	-
Decommissioning provision (Note 13)	4,904	4,832	1,777
Deferred tax liabilities (Note 17)	345	1,271	-
Total liabilities	<u>25,790</u>	<u>33,249</u>	<u>4,385</u>
Equity			
Share capital (Note 14)	181,133	179,897	153,778
Equity reserve	28,245	26,450	23,588
Foreign currency translation reserve	8,230	7,974	8,399
Changes in available-for-sale investment in Scorpio Gold	-	307	275
Deficit	(141,427)	(129,299)	(50,604)
Equity attributable to shareholders of the Company	<u>76,181</u>	<u>85,329</u>	<u>135,436</u>
Non-controlling interest	10	10	10
Total equity	<u>76,191</u>	<u>85,339</u>	<u>135,446</u>
Total liabilities and equity	<u>\$ 101,981</u>	<u>\$ 118,588</u>	<u>\$ 139,831</u>

Going concern (Note 2)

Contingencies (Note 19)

Subsequent events (Note 20)

The accompanying notes are an integral part of the condensed interim consolidated financial statements.

Americas Silver Corporation

Condensed Interim consolidated statements of loss and comprehensive loss

(In thousands of U.S. dollars, except share and per share amounts)

	For the three-month period ended		For the nine-month period ended	
	September 30, 2015	September 30, 2014 (Note 2)	September 30, 2015	September 30, 2014 (Note 2)
Revenue	\$ 12,836	\$ 7,721	\$ 42,068	\$ 24,665
Cost of sales	(13,678)	(5,980)	(39,236)	(19,261)
Depletion and amortization (Note 10)	(1,909)	(2,663)	(6,465)	(7,922)
Care and maintenance costs	(210)	-	(1,735)	-
Corporate general and administrative (Note 16)	(963)	(679)	(4,778)	(2,837)
Exploration costs	(627)	-	(1,197)	-
Accretion on decommissioning provision (Note 13)	(42)	(25)	(122)	(76)
Interest and financing income (expense)	(201)	25	(818)	83
Foreign exchange gain (loss)	163	(272)	221	(335)
Unrealized loss on derivative liability (Note 6)	-	(103)	(126)	(103)
Loss on mining concession sales	-	-	(291)	-
Impairment of investment in Scorpio Gold (Note 9)	(482)	(722)	(482)	(722)
Loss before income taxes	(5,113)	(2,698)	(12,961)	(6,508)
Income tax recovery (Note 17)	343	402	833	1,302
Net loss attributable to:				
Equity shareholders of the Company	(4,770)	(2,296)	(12,128)	(5,206)
Other comprehensive loss				
Items that may be reclassified subsequently to profit or loss				
Foreign currency translation reserve	108	(742)	256	(752)
Change in fair value of available-for-sale securities of Scorpio Gold (net of tax)	139	(425)	(307)	(275)
Other comprehensive loss	247	(1,167)	(51)	(1,027)
Comprehensive loss	\$ (4,523)	\$ (3,463)	\$ (12,179)	\$ (6,233)
Loss per share				
Basic and diluted	(0.01)	(0.01)	(0.04)	(0.03)
Weighted average number of common shares outstanding				
Basic and diluted (Note 15)	340,306,176	198,588,913	337,489,388	198,588,913

The accompanying notes are an integral part of the condensed interim consolidated financial statements.

Americas Silver Corporation

Condensed interim consolidated statements of changes in equity
For the nine-month periods ended September 30, 2015 and 2014
(In thousands of U.S. dollars, except share amounts)

	Share capital		Equity reserve	Foreign currency translation reserve	Changes in fair value of available-for-sale investment in Scorpio Gold	Deficit	Non-controlling interest	Total equity
	Shares (000s)	Amount						
Balance at January 1, 2014 (Note 2)	198,589	\$ 153,778	\$ 23,588	\$ 8,399	\$ 275	\$ (50,604)	\$ 10	\$ 135,446
Net loss for the period	-	-	-	-	-	(5,206)	-	(5,206)
Translation adjustment	-	-	-	(752)	-	-	-	(752)
Share-based payments	-	-	179	-	-	-	-	179
Change in fair value of investment in Scorpio Gold	-	-	-	-	(275)	-	-	(275)
Balance at September 30, 2014	198,589	\$ 153,778	\$ 23,767	\$ 7,647	\$ -	\$ (55,810)	\$ 10	\$ 129,392
Balance at January 1, 2015	336,058	\$ 179,897	\$ 26,450	\$ 7,974	\$ 307	\$ (129,299)	\$ 10	\$ 85,339
Net loss for the period	-	-	-	-	-	(12,128)	-	(12,128)
Translation adjustment	-	-	-	256	-	-	-	256
Share-based payments	-	-	461	-	-	-	-	461
Shares and warrants issued on private placement (Note 14)	-	1,236	203	-	-	-	-	1,439
Warrants issued and amended (Note 14)	11,167	-	1,131	-	-	-	-	1,131
Change in fair value of investment in Scorpio Gold	-	-	-	-	(307)	-	-	(307)
Balance at September 30, 2015	347,225	\$ 181,133	\$ 28,245	\$ 8,230	\$ -	\$ (141,427)	\$ 10	\$ 76,191

The accompanying notes are an integral part of the condensed interim consolidated financial statements.

Americas Silver Corporation

Condensed interim consolidated statements of cash flows
For the nine-month periods ended September 30, 2015 and 2014
(In thousands of U.S. dollars)

	September 30, 2015	September 30, 2014
Cash flow provided by (used in)		(Note 2)
Operating activities		
Net loss for the period	\$ (12,128)	\$ (5,206)
Adjustments for:		
Depletion and amortization	6,465	7,922
Deferred income tax recovery	(926)	(962)
Accretion on decommissioning provision	122	76
Share-based payments	486	179
Unrealized loss on long-term investments	21	-
Unrealized loss on derivative liability	126	103
Non-cash impact of warrants issued and amended	1,131	-
Non-cash impact of other long-term liabilities	17	-
Non-cash impact of credit facility	(1,378)	-
Non-cash impact of post-employment benefit obligations	115	-
Loss on mining concession sales	291	-
Impairment of investment in Scorpio Gold	482	722
	<u>(5,176)</u>	<u>2,834</u>
Changes in items of working capital:		
Trade and other receivables	1,673	2,540
Income taxes	334	-
Inventories	1,943	(140)
Prepaid expenses	(327)	79
Trade and other payables	(4,893)	1,732
Net cash generated from (used in) operating activities	<u>(6,446)</u>	<u>7,045</u>
Investing activities		
Expenditures on property, plant and equipment	(8,223)	(9,381)
Mining concession sales	88	-
Net cash used in investing activities	<u>(8,135)</u>	<u>(9,381)</u>
Financing activities		
Cash paid on foreign exchange derivatives	(411)	-
Proceeds from investment in Scorpio Gold	35	-
Proceeds from long-term investments	7	-
Proceeds from private placement (net of transaction costs)	1,439	-
Net cash generated from financing activities	<u>1,070</u>	<u>-</u>
Effect of foreign exchange rate changes on cash	<u>391</u>	<u>(717)</u>
Decrease in cash and cash equivalents	(13,120)	(3,053)
Cash and cash equivalents, beginning of period	<u>15,224</u>	<u>15,437</u>
Cash and cash equivalents, end of period	<u>\$ 2,104</u>	<u>\$ 12,384</u>
Cash and cash equivalents consist of:		
Cash	\$ 2,104	\$ 5,094
Term deposits	-	7,290
	<u>\$ 2,104</u>	<u>\$ 12,384</u>

The accompanying notes are an integral part of the condensed interim consolidated financial statements.

Americas Silver Corporation

Notes to the condensed interim consolidated financial statements

For the three-month and nine-month periods ended September 30, 2015 and 2014

(In thousands of U.S. dollars, unless otherwise stated)

1. Corporate information

Americas Silver Corporation (formerly Scorpio Mining Corporation) (the "Company" or "Americas Silver") was incorporated under the Canada Business Corporations Act on May 12, 1998 and conducts mining exploration, development and production in the Americas. The merger of the Company and U.S. Silver & Gold Inc. ("U.S. Silver") was completed on December 23, 2014 pursuant to a plan of arrangement under the Business Corporations Act (Ontario). The address of the Company's registered office is 145 King Street West, Suite 2870, Toronto, Ontario, Canada, M5H 1J8.

The condensed interim consolidated financial statements of the Company for the three and nine months ended September 30, 2015 were approved and authorized for issue by the Board of Directors of the Company on November 12, 2015.

2. Basis of presentation and going concern

These unaudited 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") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") which the Canadian Accounting Standards Board has approved for incorporation into Part 1 of the Handbook of Chartered Professional Accountants of Canada applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34, Interim Financial Reporting. These condensed interim consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Company's annual consolidated financial statements as at and for the year ended December 31, 2014.

These unaudited condensed interim consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assume that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due for the foreseeable future. The Company operates in a cyclical industry where levels of cash flow have historically been correlated to market prices for commodities. Several material uncertainties, such as the price of commodities and foreign currency exchange rates, cast significant doubt upon the going concern assumption. Continuance as a going concern is dependent upon its ability to achieve profitable operations, obtain adequate equity or debt financing, or, alternatively, dispose its non-core properties on an advantageous basis. To improve cash flows, the Company amended its current credit facility agreement with its lenders to defer commencement of principal payments from August 2015 to January 2017. Management continues to pursue financing alternatives to fund the Company's operations so it can continue as a going concern should commodity prices remain at current price levels. The outcome of these financing alternatives cannot be predicted at this time. The Company has cash and cash equivalents of \$2.1 million, working capital of \$11.0 million, and deficit of \$141.4 million as at September 30, 2015, and a net loss of \$12.1 million for the nine-month period ended September 30, 2015.

These unaudited condensed interim consolidated financial statements do not reflect any adjustments to carrying values of assets and liabilities and the reported expenses and condensed interim consolidated statement of financial position classification that would be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

For the year ended December 31, 2014, the presentation currency of the Company changed from Canadian dollar ("CAD") to U.S. dollar ("USD"). The change in presentation currency is to better reflect the Company's business activities as all of the Company's revenue and a significant portion of its mine operating costs from its mineral resource properties in Mexico and the United States are denominated in USD. It also improves investors' ability to compare the Company's financial results with other publicly traded businesses in the international mining industry. Comparative condensed interim financial statements and numbers for prior periods are represented in USD.

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3. Changes in accounting policies and recent accounting pronouncements

The following are future changes in accounting policies not yet effective as at September 30, 2015:

(i) Financial instruments

IFRS 9 - *Financial Instruments* - The standard was issued in its final version by the IASB in July 2014 bringing together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39, "Financial instruments: recognition and measurement" ("IAS 39"). The standard retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The mandatory effective date of IFRS 9 would be annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is assessing the impact of this standard.

(ii) Revenue from contracts with customers

IFRS 15 - *Revenue from Contracts with Customers* - The final standard on revenue from contracts with customers was issued in May 2014 and is effective for annual reporting periods beginning on or after January 1, 2018 for public entities with early adoption permitted. The standard covers principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. Entities have the option of using either a full retrospective or a modified retrospective approach to adopt the guidance. The Company is assessing the impact of this standard.

4. Significant accounting judgments and estimates

The preparation of the condensed interim consolidated financial statements in conformity with IFRS requires management to make judgments and estimates that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ significantly from those estimates.

In preparing these condensed interim consolidated financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Company's annual consolidated financial statements as at and for the year ended December 31, 2014.

5. Acquisition of U.S. Silver & Gold Inc.

On December 23, 2014, the Company obtained control and completed the acquisition of U.S. Silver via a plan of arrangement under the Business Corporations Act (Ontario). The merger was completed by the Company acquiring all of the outstanding common shares of U.S. Silver and exchanging each outstanding U.S. Silver common share for 1.68 common shares of the Company. Outstanding U.S. Silver options were exchanged for options of the Company and outstanding U.S. Silver warrants became exercisable for warrants of the Company under the same exchange ratio.

The merger has been accounted for as a business combination with the Company identified as the acquirer for accounting purposes.

The consideration paid is calculated as follows:

Non-diluted U.S. Silver common shares outstanding, December 23, 2014	81,826,629
Implicit share exchange ratio	<u>1.68</u>
Americas Silver common shares to be exchanged for U.S. Silver common shares	137,468,737
Americas Silver common share price, December 23, 2014 (USD)	<u>0.19</u>
Total common share consideration	26,119
Consideration of U.S. Silver options exchanged for Americas Silver options	263
Consideration of U.S. Silver warrants exercisable for Americas Silver common shares	<u>2,393</u>
Total consideration	<u>\$ 28,775</u>

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For the purpose of these condensed interim financial statements, the purchase consideration has been allocated on a preliminary basis to the fair value of assets acquired and liabilities assumed based on management's best estimates and taking into account all available information at the time of the acquisition as well as applicable information at the time these condensed interim consolidated financial statements were prepared. Due to the underlying assumptions made in the valuation process, the determination of those fair values requires estimations of the effects of uncertain future events at the acquisition date and as a result the carrying amounts of some assets, particularly, property, plant and equipment, acquired through a business combination could therefore differ significantly in the future. As prescribed by IFRS 3 – *Business Combinations*, if the initial accounting for a business combination can be determined only provisionally by the end of the reporting period in which the combination is effected, the acquirer must account for the business combination using those provisional values and has a period, not to exceed twelve months, to complete the purchase price allocation. Any adjustment of the provisional amount of an identifiable asset acquired or liability assumed made as a result of completing the final accounting will be accounted for retrospectively to the original acquisition date.

The preliminary purchase price allocation, which is subject to final adjustments, is as follows:

Net assets acquired	
Cash and cash equivalents	\$ 4,299
Trade and other receivables	3,148
Income tax receivable	236
Inventories	4,018
Prepaid expenses	496
Restricted cash	151
Long-term investments	23
Property, plant and equipment	38,387
Trade and other payables	(5,766)
Other long-term liabilities	(568)
Credit facilities	(7,728)
Post-employment benefit obligations	(5,161)
Decommissioning provision	(2,760)
	<u>\$ 28,775</u>

The acquisition of U.S. Silver by the Company was completed on December 23, 2014. As of the date of these consolidated condensed interim financial statements, the determination of fair value of assets and liabilities acquired is based on preliminary estimates and has not been finalized. In particular, the fair values of the mining interests, property, plant and equipment, and related tax consequences and exposures have been determined provisionally. The actual fair values of these assets and liabilities may differ materially from the amounts disclosed in the preliminary fair value above and are subject to change.

6. Financial risk management

a. Financial risk factors

The Company's risk exposures and the impact on its financial instruments are summarized below:

(i) Credit Risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and cash equivalents and trade and other receivables. The credit risk on cash and cash equivalents is limited because the Company invests its cash in deposits with well-capitalized financial institutions with strong credit ratings in Canada, Mexico, and the United States. Under current concentrate offtake agreements, risk on trade receivables related to concentrate sales is managed by receiving payments for 85% to 100% of the estimated value of the concentrate shipped at the time of shipment or one month following the time of shipment.

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As of September 30, 2015, the Company's exposure to credit risk with respect to trade receivables amounts to \$3.0 million (December 31, 2014: \$4.2 million). The Company believes credit risk for Mexican Value Added Taxes of \$1.9 million (December 31, 2014: \$2.3 million) is not significant as they relate to current amounts receivable from Mexican taxation authorities. There are no receivables that are past due and the Company has no allowance for doubtful accounts at September 30, 2015 and December 31, 2014.

(ii) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they arise. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The Company's liquidity requirements are met through a variety of sources, including cash, cash generated from operations, existing credit facilities and debt and equity capital markets. The Company's trade payables have contractual maturities of less than 30 days and are subject to normal trade terms.

The following table presents the contractual maturities of the Company's financial liabilities on an undiscounted basis:

	September 30, 2015			
	Less than 3 months	3 months to 1 year	2-5 years	Over 5 years
Trade and other payables	\$ 8,202	\$ -	\$ -	\$ -
Credit facilities	-	-	6,369	-
Interest on credit facility	194	581	724	-
Leases	7	21	21	-
Other long-term liabilities	-	-	-	576
Decommissioning provision	6	115	730	4,053
	<u>\$ 8,409</u>	<u>\$ 717</u>	<u>\$ 7,844</u>	<u>\$ 4,629</u>

(iii) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and price risk.

(1) Interest rate risk

The Company is not subject to significant interest rate risk as the existing credit facility has a fixed interest rate.

(2) Currency risk

As at September 30, 2015, the Company is exposed to foreign currency risk through financial assets and liabilities denominated in CAD and Mexican pesos ("MXP"):

Financial instruments that may impact the Company's net earnings or other comprehensive income due to currency fluctuations include CAD and MXP denominated assets and liabilities which are included in the following table:

	As at September 30, 2015	
	CAD	MXP
Cash and cash equivalents	\$ 247	\$ 106
Trade and other receivables	54	1,969
Trade and other payables	818	2,175
Credit facility	6,369	-

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As at September 30, 2015, the CAD/USD and MXP/USD exchange rates were 1.33 and 17.01, respectively. The sensitivity of the Company's net loss and comprehensive loss due to changes in the exchange rates as at September 30, 2015 is included in the following table:

	<u>CAD/USD</u>		<u>MXP/USD</u>
	<u>Exchange rate</u>		<u>Exchange rate</u>
	+/- 10%		+/- 10%
Approximate impact on:			
Net loss	\$ 608	\$	1,180
Other comprehensive loss	79		-

The Company may, from time to time, employ derivative financial instruments to manage exposure to fluctuations in foreign currency exchange rates.

At December 31, 2014, the Company had foreign exchange derivatives to buy 60 million MXP extendable month to month at an exchange rate of 13.13 MXP/USD valued at approximately \$4.6 million. At September 30, 2015, the Company had settled all outstanding foreign exchange derivatives resulting in a net realized loss of approximately \$0.6 million on these contracts.

(3) Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments in the market. As at September 30, 2015, the Company had certain amounts related to the sales of concentrates that have only been provisionally priced. A $\pm 10\%$ fluctuation in silver, zinc, lead, copper and gold prices would affect trade receivables by approximately \$0.3 million. The Company does not use derivatives to manage its exposure to price risk.

b. Fair values

The fair value of cash, restricted cash, trade and other payables, credit facility and other long-term liabilities approximate their carrying amounts. The methods and assumptions used in estimating the fair value of other financial assets and liabilities are as follows:

- Cash equivalents: The fair value of cash equivalents is valued using quoted market prices in active markets. The Company's cash equivalents consist of money market accounts held at financial institutions which have original maturities of less than 90 days.
- Trade receivables: The fair value of trade receivables from silver sales contracts that contain provisional pricing terms is determined using the appropriate quoted forward price from the exchange that is the principal active market for the particular metal. As such, there is an embedded derivative feature within trade receivables.
- Investment in Scorpio Gold: The investment in Scorpio Gold Corporation shares have been marked to market based on the trading price as at September 30, 2015.
- Long-term investments: The fair value of long-term investments is determined based on the closing price of each security at the balance sheet date. The closing price is a quoted market price obtained from the exchange that is the principal active market for the particular security.
- Embedded derivatives: Revenues from the sale of metals produced since the commencement of commercial production are based on provisional prices at the time of shipment. Variations between the price recorded at the time of sale and the actual final price received from the customer are caused by changes in market prices for metals sold and result in an embedded derivative in revenues and accounts receivable.

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- Derivatives: The Company uses derivative and non-derivative instruments to manage financial risks, including commodity, interest rate, and foreign exchange risks. The use of derivative contracts is governed by documented risk management policies and approved limits. The Company does not use derivatives for speculative purposes. The fair value of the Company's derivative instruments is based on quoted market prices for similar instruments and at market prices at the valuation date.

The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 inputs are quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability (for example, interest rate and yield curves observable at commonly quoted intervals, forward pricing curves used to value currency and commodity contracts and volatility measurements used to value option contracts), or inputs that are derived principally from or corroborated by observable market data or other means.
- Level 3 inputs are unobservable (supported by little or no market activity).

	<u>September 30, 2015</u>	<u>December 31, 2014</u>
Level 1		
Cash equivalents	\$ 2,104	\$ 10,336
Restricted cash	151	368
Investment in Scorpio Gold	696	1,655
Long-term investments	4	32
Level 2		
Trade receivables	5,095	6,768
Derivative liability	-	502
Credit facilities	6,369	7,747

7. Trade and other receivables

	<u>September 30, 2015</u>	<u>December 31, 2014</u>
Trade receivables	\$ 3,018	\$ 4,151
Value added taxes receivable	1,943	2,325
Other receivables	134	292
	<u>\$ 5,095</u>	<u>\$ 6,768</u>

8. Inventories

	<u>September 30, 2015</u>	<u>December 31, 2014</u>
Concentrates	\$ 2,320	\$ 3,334
Spare parts and supplies	6,796	7,481
Ore stockpile	1,294	1,538
	<u>\$ 10,410</u>	<u>\$ 12,353</u>

The amount of inventories recognized as an expense was \$13.7 million during the three-month period ended September 30, 2015 (2014: \$6.0 million) and \$39.2 million during the nine-month period ended September 30, 2015 (2014: \$19.3 million). The concentrate inventory write-down to net realizable value included in cost of sales was

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\$0.1 million during the three-month period ended September 30, 2015 (2014: nil) and \$4.0 million during the nine-month period ended September 30, 2015 (2014: \$0.1 million).

9. Investment in Scorpio Gold

At September 30, 2015, the Company held 10,930,806 common shares of Scorpio Gold Corporation ("Scorpio Gold") which represented approximately 9% of Scorpio Gold's issued and outstanding common shares.

The investment in Scorpio Gold is accounted for as an available-for-sale financial asset which is reviewed quarterly for significant or prolonged decline in fair value requiring impairment and more frequently when economic or market concerns warrant such evaluation. This review includes an analysis of the facts and circumstances of this financial asset, its market price, the severity of loss and the length of time the fair value has been below cost.

	September 30, 2015	December 31, 2014
Investment, beginning of period	\$ 1,655	\$ 2,495
Proceeds from sale of investment during the period	35	-
Loss on adjustments to investment during the period	(994)	(840)
Investment, end of period	\$ 696	\$ 1,655

10. Property, plant and equipment

	Mining interests	Non-producing properties	Plant and equipment	Corporate office equipment	Total
Cost					
Balance at January 1, 2014	\$ 28,118	\$ 65,835	\$ 21,427	\$ 90	\$ 115,470
Acquisition of U.S. Silver & Gold Inc.	27,398	-	10,899	90	38,387
Reclassification	806	(2,690)	1,884	-	-
Assets acquired	96	12,284	2,117	7	14,504
Change in decommissioning provision	194	-	-	-	194
Disposals	-	-	(14)	-	(14)
Balance at December 31, 2014	56,612	75,429	36,313	187	168,541
Assets acquired	5,776	944	1,404	-	8,124
Change in decommissioning provision	72	-	-	-	72
Disposals	-	(467)	-	(22)	(489)
Balance at September 30, 2015	\$ 62,460	\$ 75,906	\$ 37,717	\$ 165	\$ 176,248
Accumulated depreciation and depletion					
Balance at January 1, 2014	\$ 14,889	\$ -	\$ 8,090	\$ 38	\$ 23,017
Depreciation/depletion for the period	7,556	-	3,435	17	11,008
Impairments (Note 11)	2,766	50,502	-	-	53,268
Disposals	-	-	-	(5)	(5)
Balance at December 31, 2014	25,211	50,502	11,525	50	87,288
Depreciation/depletion for the period	2,349	-	4,099	17	6,465
Balance at September 30, 2015	\$ 27,560	\$ 50,502	\$ 15,624	\$ 67	\$ 93,753
Carrying value					
at December 31, 2014	\$ 31,401	\$ 24,927	\$ 24,788	\$ 137	\$ 81,253
at September 30, 2015	\$ 34,900	\$ 25,404	\$ 22,093	\$ 98	\$ 82,495

11. Impairment of mining interests

Non-current assets are tested for impairment when events or changes in circumstances suggest that the carrying amount may not be recoverable. No impairment charges incurred for the nine-month period ended September 30, 2015.

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As at December 31, 2014, there was evidence of the potential impairment of the carrying value of the Company's Cosalá District due to declining metal prices and suspension of the El Cajón Project. As a result of these events, the Company assessed the recoverability of the carrying amount of these properties. The recoverable amount of the Company's Cosalá District mining properties was determined based on the after-tax discounted cash flows expected to be derived from this property's fair-market value less estimated costs to sell. The after-tax discounted cash flows were determined based on life-of-mine cash flow projections which incorporate management's best estimates of foreign exchange rates, commodity prices, future capital requirements and production costs along with geological assumptions and judgments made in estimating the size, grade and recovery of the ore bodies. As a result of impairment tests performed as at December 31, 2014, the Company recorded an impairment loss of \$53.3 million which is allocated against both the Nuestra Señora Mine and the Company's non-producing properties.

The fair value models are considered to be Level 3 within the fair value hierarchy. Key assumptions used in the fair value models used as at December 31, 2014 include a discount rate of 13% based on the Company's weighted average cost of capital, estimated long-term silver price from \$16 per ounce in 2015 up to \$19 per ounce in 2020 and beyond and estimated long-term zinc, lead and copper prices of \$1.00, \$0.91 and \$3.00 per pound, respectively, based on observable market data including spot price and industry analyst consensus, and mine life of up to 9 years.

12. Credit facility

On August 7, 2013, U.S. Silver signed a credit agreement with Royal Capital Management Corp. ("RCM") as security agent, and certain lenders (the "RCM Credit Agreement"). The RCM Credit Agreement provides for the issuance of notes with an aggregate principal amount of \$8.5 million CAD for a term of three years at an interest rate of 12% per annum payable on a monthly basis. Security is provided by a first charge on all material assets of U.S. Silver and its subsidiaries.

As at September 30, 2015, the Company had drawn \$8.5 million CAD on the above facility and amended the terms by extending its maturity from August 2016 to December 2017. Beginning January 2017, the notes will be redeemed in monthly increments of \$0.5 million CAD, with the balance due and payable on maturity. The debt may be pre-paid at any time during its term, subject to a repayment fee. As at September 30, 2015, the fair value of the repayment option is nil (December 31, 2014: nil).

In connection with the RCM Credit Agreement, the Company issued 10,625,000 U.S. Silver warrants (or 17,850,000 Americas Silver equivalent warrants) upon execution to RCM where each warrant is exercisable for one U.S. Silver common share at an exercise price of \$0.68 CAD (or for one Americas Silver common share at an exercise price of \$0.40 CAD) for a period of five years. The Company amended the terms of the warrants by extending the expiry date from August 7, 2018 to August 7, 2020 and lowering the exercise price from \$0.40 CAD to \$0.28 CAD effective as of June 30, 2015 (see share capital note 14).

A financing cost is payable to RCM on July 31, 2020 in the amount of \$2.1 million CAD less the amount which the aggregate share value of shares acquired by RCM upon exercise of the warrants exceeds the exercise price of the warrants. As at September 30, 2015, the fair value of the financing cost payable was estimated to be nil (December 31, 2014: \$0.4 million).

13. Decommissioning provision

The decommissioning provision consists of land rehabilitation, demolition of buildings and mine facilities, and related costs. Although the ultimate amount of the decommissioning provision is uncertain, the fair value of these obligations is based on information currently available, including closure plans and the Company's interpretation of current regulatory requirements.

Fair value is determined based on the net present value of future cash expenditures upon reclamation and closure. Reclamation and closure costs are capitalized into property, plant and equipment depending on the nature of the asset related to the obligation and amortized over the life of the related asset.

The decommissioning provision relates to reclamation and closure costs of the Company's Cosalá District and Galena Complex. The decommissioning provision is estimated at an undiscounted amount of \$6.3 million, over a period of 2 to 11 years, and discounted using a risk free rate varying from 1.9% to 5.9%.

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	<u>September 30, 2015</u>	<u>December 31, 2014</u>
Balance, beginning of period	\$ 4,832	\$ 1,777
Provisions acquired from U.S. Silver & Gold Inc.	-	2,760
Change in estimates	(50)	194
Accretion on decommissioning provision	122	101
Balance, end of period	<u>\$ 4,904</u>	<u>\$ 4,832</u>

14. Share capital

a. Authorized

Authorized share capital consists of an unlimited number of common shares.

On August 26, 2015, the Company completed a private placement of 11,027,555 units at a price of \$0.18 CAD per unit for total gross proceeds of \$1.5 million. Each unit consisted of one common share and one half of one common share purchase warrant where each whole warrant is exercisable for one common share at an exercise price of \$0.25 CAD for a period of three years. As part of the private placement, 140,000 common shares and 350,000 common share purchase warrants were issued to the Company's broker where each broker warrant is exercisable for one common share at an exercise price of \$0.18 CAD for a period of three years.

	<u>September 30, 2015</u>	<u>December 31, 2014</u>
Issued		
347,225,205 (2014: 336,057,650) common shares	<u>\$ 181,133</u>	<u>\$ 179,897</u>

b. Stock option plan

The number of shares reserved for issuance under the Company's stock option plan is limited to 10% of the number of common shares which are issued and outstanding on the date of a particular grant of options. Under the plan, the Board of Directors determines the term of a stock option to a maximum of 10 years, the period of time during which the options may vest and become exercisable as well as the option exercise price which shall not be less than the closing price of the Company's share on the Toronto Stock Exchange on the date immediately preceding the date of grant. The Compensation Committee determines and makes recommendations to the Board of Directors as to the recipients of, and nature and size of, share-based compensation awards in compliance with applicable securities law, stock exchange and other regulatory requirements.

A summary of changes in the Company's outstanding stock options is presented below:

	<u>September 30, 2015</u>		<u>December 31, 2014</u>	
	Number	Weighted average exercise price	Number	Weighted average exercise price
	(thousands)	CAD	(thousands)	CAD
Balance, beginning of period	22,672	\$ 1.03	13,068	\$ 0.95
Exchanged from U.S. Silver	-	-	11,069	1.09
Granted	6,250	0.20	-	-
Expired	(3,049)	0.97	(1,465)	0.84
Balance, end of period	<u>25,873</u>	<u>\$ 0.83</u>	<u>22,672</u>	<u>\$ 1.03</u>

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The following table summarizes information on stock options outstanding and exercisable as at September 30, 2015:

Exercise price CAD	Weighted average remaining contractual life (years)	Outstanding (thousands)	Weighted average exercise price CAD	Exercisable (thousands)	Weighted average exercise price CAD
0.20 to 0.39	1.86	10,920	\$ 0.25	5,728	\$ 0.28
0.40 to 0.89	2.56	4,005	0.50	4,005	0.50
0.90 to 1.39	0.95	7,476	1.26	7,476	1.26
1.40 to 1.89	0.67	1,313	1.61	1,313	1.61
1.90 to 2.39	0.94	1,235	2.22	1,235	2.22
2.40 to 2.89	0.78	802	2.69	802	2.69
2.90 to 3.39	0.94	122	3.01	122	3.01
		<u>25,873</u>	\$ 0.83	<u>20,681</u>	\$ 0.99

c. Share-based payments

The weighted average fair value at grant date of the Company's stock options granted during the nine-month period ended September 30, 2015 was \$0.20. There were no options granted during the year ended December 31, 2014.

The Company used the Black-Scholes Option Pricing Model to estimate fair value using the following weighted-average assumptions:

	Three-month period ended September 30, 2015	Three-month period ended September 30, 2014	Nine-month period ended September 30, 2015	Nine-month period ended September 30, 2014
Expected stock price volatility ⁽¹⁾	-	-	78%	-
Risk free interest rate	-	-	0.39%	-
Expected life	-	-	3 years	-
Expected forfeiture rate	-	-	4.74%	-
Expected dividend yield	-	-	0%	-
Share-based payments included in cost of sales	\$ 8	\$ 10	\$ 41	\$ 48
Share-based payments included in general and administrative expenses	84	28	420	131
Total share-based payments	<u>\$ 92</u>	<u>\$ 38</u>	<u>\$ 461</u>	<u>\$ 179</u>

(1) Expected volatility has been based on historical volatility of the Company's publicly traded shares.

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d. Warrants

The warrants that are issued and outstanding as at September 30, 2015 are as follows:

Number of warrants	Exercise price (CAD)	Issuance date	Expiry date
350,000	0.18	Aug 2015	Aug 26, 2018
5,513,778	0.25	Aug 2015	Aug 26, 2018
5,346,639	0.23	May 2015	May 27, 2018
6,110,444	0.23	Dec 2014	Dec 22, 2017
1,448,278	0.43	May 2014	Mar 21, 2016
3,403,468	0.43	Mar 2014	Mar 21, 2016
970,350	0.35	Mar 2014	Mar 21, 2016
17,850,000	0.28	Aug 2013	Aug 7, 2020
8,094,517	0.45	Aug 2013	Aug 22, 2016
<u>880,320</u>	<u>0.38</u>	<u>Aug 2013</u>	<u>Aug 22, 2016</u>
<u>49,967,794</u>			

The warrants issued prior to fiscal 2015 represent the 23,069,867 warrants previously issued by U.S. Silver and are now exercisable for warrants of the Company under the 1.68 exchange ratio as a result of the merger between U.S. Silver and the Company.

e. Restricted Share Units:

The Company has a Restricted Share Unit Plan under which eligible directors, officers and key employees of the Company are entitled to receive awards of restricted share units. Each restricted share unit is equivalent in value to the fair market value of a common share of the Company on the date of grant with the value of each cash settled award charged to compensation expense over the period of vesting. At each reporting date, the compensation expense and associated liability (which is included in trade and other payables in the condensed interim consolidated statement of financial position) are adjusted to reflect changes in market value. As at September 30, 2015, 1,843,410 restricted share units are outstanding at an aggregate value of \$0.2 million.

15. Weighted average basic and diluted number of common shares outstanding

	Three-month period ended September 30, 2015	Three-month period ended September 30, 2014	Nine-month period ended September 30, 2015	Nine-month period ended September 30, 2014
Basic weighted average number of shares	340,306,176	198,588,913	337,489,388	198,588,913
Effect of dilutive stock options	-	-	-	-
Diluted weighted average number of shares	<u>340,306,176</u>	<u>198,588,913</u>	<u>337,489,388</u>	<u>198,588,913</u>

Diluted weighted average number of common shares for the three-month and nine-month period ended September 30, 2015 excludes 25,873,228 anti-dilutive stock options (2014: 11,703,139) and 49,967,794 anti-dilutive warrants (2014: nil).

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16. Corporate general and administrative expenses

	Three-month period ended September 30, 2015	Three-month period ended September 30, 2014	Nine-month period ended September 30, 2015	Nine-month period ended September 30, 2014
Salaries and benefits	\$ 516	\$ 250	\$ 1,723	\$ 866
Directors' fees	59	154	207	277
Share-based payments	54	28	486	131
Professional fees	92	164	1,242	1,141
Office and general	242	83	1,120	422
	<u>\$ 963</u>	<u>\$ 679</u>	<u>\$ 4,778</u>	<u>\$ 2,837</u>

17. Income taxes

Income tax expense is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual rate used for the nine-month period ended September 30, 2015 was 26.50% and for the year-ended December 31, 2014 was 26.50%.

Deferred tax assets and liabilities are offset where they relate to income taxes levied by the same taxation authority and the Company has the legal right and intent to offset. The offset of deferred tax assets and liabilities is as follows:

	September 30, 2015	December 31, 2014
Deferred tax assets	\$ 5,306	\$ 4,380
Deferred tax liabilities	(5,651)	(5,651)
Net deferred tax liabilities	<u>\$ (345)</u>	<u>\$ (1,271)</u>

18. Segmented and geographic information, and major customers

a. Segmented information

The Company's operations comprise of three reporting segments engaged in acquisition, exploration, development and exploration of mineral resource properties in Mexico and the United States. Management has determined the operating segments based on the reports reviewed by the chief operating decision makers that are used to make strategic decisions.

b. Geographic information

All revenues from sale of concentrates for the three-month and nine-month periods ended September 30, 2015 were earned in Mexico and the United States (2014: Mexico).

The following segmented information is presented as at September 30, 2015 and December 31, 2014, and for the three-month and nine-month periods ended September 30, 2015 and 2014.

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	As at September 30, 2015				As at December 31, 2014			
	Mexican Operations	U.S. Operations	Corporate and Other	Total	Mexican Operations	U.S. Operations	Corporate and Other	Total
Cash and cash equivalents	\$ 1,580	\$ 166	\$ 358	\$ 2,104	\$ 8,970	\$ 2,334	\$ 3,920	\$ 15,224
Trade and other receivables	2,656	2,385	54	5,095	4,746	1,858	164	6,768
Income tax receivable (payable)	-	-	-	-	-	(124)	360	236
Inventories	6,364	4,046	-	10,410	8,142	4,211	-	12,353
Prepaid expenses	47	685	294	1,026	100	323	276	699
Investment in Scorpio Gold	-	-	696	696	-	-	1,655	1,655
Restricted cash	-	151	-	151	216	152	-	368
Long-term investments	-	-	4	4	-	-	32	32
Property, plant and equipment	42,402	39,995	98	82,495	42,855	38,266	132	81,253
Total assets	\$ 53,049	\$ 47,428	\$ 1,504	\$ 101,981	\$ 65,029	\$ 47,020	\$ 6,539	\$ 118,588
Trade and other payables	\$ 3,193	\$ 3,858	\$ 1,151	\$ 8,202	\$ 5,655	\$ 4,371	\$ 3,044	\$ 13,070
Derivative liability	-	-	-	-	502	-	-	502
Advance on mining concession sales	-	-	-	-	87	-	-	87
Income tax payable	-	-	98	98	-	-	-	-
Other long-term liabilities	-	576	-	576	-	559	-	559
Credit facility	-	-	6,369	6,369	-	-	7,747	7,747
Post-employment benefit obligations	-	5,296	-	5,296	-	5,181	-	5,181
Decommissioning provision	2,157	2,747	-	4,904	2,072	2,760	-	4,832
Deferred tax liabilities (assets)	1,271	(926)	-	345	1,271	-	-	1,271
Total liabilities	\$ 6,621	\$ 11,551	\$ 7,618	\$ 25,790	\$ 9,587	\$ 12,871	\$ 10,791	\$ 33,249
	Three-month period ended September 30, 2015				Three-month period ended September 30, 2014			
	Mexican Operations	U.S. Operations	Corporate and Other	Total	Mexican Operations	U.S. Operations	Corporate and Other	Total
Revenue	\$ 5,042	\$ 7,794	\$ -	\$ 12,836	\$ 7,721	\$ -	\$ -	\$ 7,721
Cost of sales	(6,071)	(7,607)	-	(13,678)	(5,980)	-	-	(5,980)
Depletion and amortization	(749)	(1,155)	(5)	(1,909)	(2,663)	-	-	(2,663)
Care and maintenance costs	(55)	(155)	-	(210)	-	-	-	-
Corporate general and administrative	-	-	(963)	(963)	-	-	(679)	(679)
Exploration costs	(254)	(373)	-	(627)	-	-	-	-
Accretion on decommissioning provision	(29)	(13)	-	(42)	(25)	-	-	(25)
Interest and financing income (expense)	7	-	(208)	(201)	18	-	7	25
Foreign exchange gain (loss)	255	-	(92)	163	(283)	-	11	(272)
Unrealized loss on derivative liability	-	-	-	-	(103)	-	-	(103)
Loss on mining concession sales	-	-	-	-	-	-	-	-
Impairment of investment in Scorpio Gold	-	-	(482)	(482)	-	-	(722)	(722)
Income (loss) before income taxes	(1,854)	(1,509)	(1,750)	(5,113)	(1,315)	-	(1,383)	(2,698)
Income tax recovery	-	343	-	343	402	-	-	402
Net income (loss) for the period	\$ (1,854)	\$ (1,166)	\$ (1,750)	\$ (4,770)	\$ (913)	\$ -	\$ (1,383)	\$ (2,296)
	Nine-month period ended September 30, 2015				Nine-month period ended September 30, 2014			
	Mexican Operations	U.S. Operations	Corporate and Other	Total	Mexican Operations	U.S. Operations	Corporate and Other	Total
Revenue	\$ 19,090	\$ 22,978	\$ -	\$ 42,068	\$ 24,665	\$ -	\$ -	\$ 24,665
Cost of sales	(17,100)	(22,136)	-	(39,236)	(19,261)	-	-	(19,261)
Depletion and amortization	(2,979)	(3,469)	(17)	(6,465)	(7,922)	-	-	(7,922)
Care and maintenance costs	(1,300)	(435)	-	(1,735)	-	-	-	-
Corporate general and administrative	-	-	(4,778)	(4,778)	-	-	(2,837)	(2,837)
Exploration costs	(508)	(689)	-	(1,197)	-	-	-	-
Accretion on decommissioning provision	(85)	(37)	-	(122)	(76)	-	-	(76)
Interest and financing income (expense)	2	-	(820)	(818)	54	-	29	83
Foreign exchange gain (loss)	304	-	(83)	221	(385)	-	50	(335)
Unrealized loss on derivative liability	(126)	-	-	(126)	(103)	-	-	(103)
Loss on mining concession sales	(291)	-	-	(291)	-	-	-	-
Impairment of investment in Scorpio Gold	-	-	(482)	(482)	-	-	(722)	(722)
Loss before income taxes	(2,993)	(3,788)	(6,180)	(12,961)	(3,028)	-	(3,480)	(6,508)
Income tax recovery	-	833	-	833	1,302	-	-	1,302
Net loss for the period	\$ (2,993)	\$ (2,955)	\$ (6,180)	\$ (12,128)	\$ (1,726)	\$ -	\$ (3,480)	\$ (5,206)

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c. Major customers

For the three-month period ended September 30, 2015, The Company sold concentrates to four customers (2014: 3 customers), with each customer accounting for 47%, 27%, 13%, and 13% (2014: 58%, 24%, and 18%) of revenues, respectively. For the nine-month period ended September 30, 2015, The Company sold concentrates to four customers (2014: 3 customers), with each customer accounting for 38%, 32%, 16%, and 14% (2014: 53%, 25%, and 22%) of revenues, respectively.

19. Contingencies

Due to the size, complexity and nature of the Company's operations, various legal and tax matters arise in the ordinary course of business. The Company accrues for such items when a liability is both probable and the amount can be reasonably estimated.

In November 2010, the Company received a reassessment from the Mexican tax authorities related to its Mexican subsidiary, Minera Cosalá, for the year ended December 31, 2007. The tax authorities disallowed the deduction of transactions with certain suppliers for an amount of approximately \$11.6 million (MXP 196.8 million), of which \$5.0 million (MXP 84.4 million) would be applied against available tax losses. The Company appealed this reassessment and the Mexican tax authorities subsequently reversed \$5.6 million (MXP 94.6 million) of their original reassessment. The remaining \$6.0 million (MXP 102.2 million) consists of \$5.0 million (MXP 84.4 million) related to transactions with certain suppliers and \$1.0 million (MXP 17.8 million) of value added taxes thereon. The Company appealed the remaining reassessment with the Mexican Tax Court in December 2011. The Company may be required to post a bond of approximately \$1.0 million (MXP 17.8 million) to secure the value added tax portion of the reassessment. The deductions of \$5.0 million (MXP 84.4 million), if denied, would be offset by available tax losses. No amount has been recognized in the condensed interim consolidated financial statements as the Company believes it is not likely that the reassessment will be upheld by the Tax Court. There has been no change in status of the tax assessment since December 31, 2013, as the Company waits for it to be addressed by the tax authorities.

20. Subsequent events

On November 10, 2015, the Company closed a subordinated, secured credit agreement with a certain lender (the "Subordinated Facility") for principal amount of \$1.0 million for a term of one year at an interest rate of 12% per annum payable on a monthly basis beginning on the sixth month following closing. Security is provided by a second charge on all material assets, other than real property assets, of the Company and its subsidiaries behind the existing first charge RCM Credit Agreement. Beginning on the sixth month following the date of issue, the notes issued under the Subordinated Facility will be redeemed in monthly increments of \$75,000 including the monthly interest payments, with the balance due and payable on maturity. The principal portion of such payments may also be payable in common shares of the Company in certain circumstances. In connection with the closing of the Subordinated Facility, the Company issued 3,693,333 warrants to the lender where each warrant is exercisable for one common share at an exercise price of \$0.25 CAD for a period of three years.