# TriMetals Mining Inc.

*(An Exploration Stage Company)*

Condensed Interim Consolidated Financial Statements
**Second Quarter Ended June 30, 2015**

(*Unaudited - expressed in U.S. dollars*)

# TriMetals Mining Inc.

## NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

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

# TriMetals Mining Inc.

*(An Exploration Stage Company)*

Condensed Interim Consolidated Statements of Financial Position

*(Unaudited - expressed in U.S. dollars)*

| | Note | June 30, 2015 $ | December 31, 2014 $ |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | | 2,545,276 | 4,837,862 |
| Receivables and prepaids | 4 | 219,789 | 226,397 |
| Marketable securities | 5 | 145,400 | - |
| | | 2,910,465 | 5,064,259 |
| **Non-current assets** | | | |
| Equity investments | 5 | - | 136,072 |
| Equipment | 6 | 125,118 | 160,396 |
| Reclamation deposits | | 163,300 | 145,000 |
| Drilling advance | 7 | 171,102 | 208,514 |
| Mining claims and deferred exploration costs | 8 | 25,663,457 | 24,562,804 |
| Malku Khota project | 9, 14 | 18,734,000 | 18,734,000 |
| | | 44,856,977 | 43,946,786 |
| **Total assets** | | 47,767,442 | 49,011,045 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Accounts payable and accrued liabilities | 13 | 202,269 | 236,488 |
| Provision for Mexican tax | 10 | 466,703 | 497,403 |
| | | 668,972 | 733,891 |
| **Non-current liabilities** | | | |
| Class B shares | 11 | 13,963,902 | 13,531,345 |
| Stock options exercisable into Class B and common shares | 12 c | 119,290 | 218,374 |
| | | 14,083,192 | 13,749,719 |
| **Total liabilities** | | 14,752,164 | 14,483,610 |
| **Equity attributable to shareholders** | | | |
| Share capital | 12 | 89,941,924 | 89,941,924 |
| Contributed surplus | | 9,785,078 | 9,747,247 |
| Accumulated other comprehensive (loss) income | | (36,872) | 163,085 |
| Deficit | | (66,674,852) | (65,324,821) |
| **Total equity** | | 33,015,278 | 34,527,435 |
| **Total liabilities and equity** | | 47,767,442 | 49,011,045 |

**Commitments** (notes 8 and 15)
**Contingencies** (note 14)
**Subsequent event** (note 19)

**Approved by the Board of Directors:**

(signed) "Paul Haber" (signed) "Roman Mironchik"

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

# TriMetals Mining Inc.

*(An Exploration Stage Company)*

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

For the three and six months ended June 30

*(Unaudited - expressed in U.S. dollars)*

| | Note | Three Month Period Ended June 30, 2015 $ | Three Month Period Ended June 30, 2014 $ | Six Month Period Ended June 30, 2015 $ | Six Month Period Ended June 30, 2014 $ |
|---|---|---|---|---|---|
| **General and administrative expenses** | | | | | |
| Arbitration | 9 | 47,530 | 67,811 | 103,491 | 138,833 |
| Consulting | 13 | 17,796 | 12,650 | 36,852 | 36,450 |
| Depreciation and amortization | | 20,483 | 27,912 | 41,818 | 55,818 |
| Directors' fees | 13 | 30,234 | 35,508 | 53,484 | 75,008 |
| Filing and transfer agent fees | | 10,151 | 15,069 | 50,724 | 67,369 |
| Office and administration | | 71,673 | 83,073 | 154,250 | 199,758 |
| Professional fees | 13 | 141,139 | 148,349 | 232,265 | 307,792 |
| Reconnaissance and sundry exploration | | 15,054 | 30,601 | 52,314 | 122,750 |
| Shareholder information | | 35,709 | 42,576 | 57,833 | 91,030 |
| Share-based payments | 12c, 13 | 15,126 | 7,195 | 30,678 | 174,233 |
| Wages and benefits | 13 | 119,092 | 141,467 | 257,632 | 334,449 |
| | | (523,987) | (612,211) | (1,071,341) | (1,603,490) |
| **Other income (expenses)** | | | | | |
| Interest and other income | | 15,145 | 46,755 | 31,358 | 66,972 |
| Foreign currency gain (loss) | | 13,293 | (4,042) | 23,425 | (6,241) |
| Equity loss of Highvista Gold Inc. | | - | (43,343) | - | (66,609) |
| Change in fair value of Class B shares | | (1,570,634) | (63,365) | (432,557) | (1,605,293) |
| Change in fair value of warrants exercisable into Class B and common shares | | - | - | - | 156,922 |
| Change in fair value of stock options exercisable into Class B and common shares | | 4,136 | 126,182 | 99,084 | 700,910 |
| | | (1,538,060) | 62,187 | (278,690) | (753,339) |
| **Net loss for the period** | | (2,062,047) | (550,024) | (1,350,031) | (2,356,829) |
| **Other comprehensive loss** | | | | | |
| Items that may be subsequently reclassified to profit or loss: | | | | | |
| Currency translation differences | | 42,715 | 148,098 | (209,285) | (80,706) |
| Unrealized gain on marketable securities | | 2,016 | - | 9,328 | - |
| **Total other comprehensive loss** | | 44,731 | 148,098 | (199,957) | (80,706) |
| **Total comprehensive loss** | | (2,017,316) | (401,926) | (1,549,988) | (2,437,535) |
| **Basic and diluted net loss per share** | | (0.02) | (0.00) | (0.01) | (0.02) |
| **Weighted average number of shares outstanding** | | 135,738,714 | 135,733,305 | 135,738,714 | 135,730,025 |

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

# TriMetals Mining Inc.

*(An Exploration Stage Company)*

Condensed Interim Consolidated Statements of Changes in Equity

For the six months ended June 30, 2015 and 2014

*(Unaudited - expressed in U.S. dollars)*

| | Share Capital | | | | | |
|---|---|---|---|---|---|---|
| | Number | Amount<br>$ | Contributed Surplus<br>$ | Deficit<br>$ | AOCI<br>$ | Total<br>$ |
| Balance, January 1, 2015 | 135,738,714 | 89,941,924 | 9,747,247 | (65,324,821) | 163,085 | 34,527,435 |
| Share-based payments | - | - | 37,831 | - | - | 37,831 |
| Total comprehensive loss for the period | - | - | - | (1,350,031) | (199,957) | (1,549,988) |
| Balance, June 30, 2015 | 135,738,714 | 89,941,924 | 9,785,078 | (66,674,852) | (36,872) | 33,015,278 |
| Balance, January 1, 2014 | 135,726,708 | 89,919,156 | 9,418,007 | (65,644,372) | 564,600 | 34,257,391 |
| Share-based payments | - | - | 188,002 | - | - | 188,002 |
| Shares issued on exercise of share appreciation rights (SAR's) | 12,006 | - | - | - | - | - |
| Transfer to share capital on exercise of SAR's | - | 22,768 | (22,768) | - | - | - |
| Total comprehensive loss for the period | - | - | - | (2,356,829) | (80,706) | (2,437,535) |
| Balance, June 30, 2014 | 135,738,714 | 89,941,924 | 9,583,241 | (68,001,201) | 483,894 | 32,007,858 |

# TriMetals Mining Inc.

*(An Exploration Stage Company)*

Condensed Interim Consolidated Statements of Cash Flows

For the six months ended June 30

*(Unaudited - expressed in U.S. dollars)*

| | **2015** **$** | **2014** **$** |
|---|---|---|
| **Cash flows (used in) from operating activities** | | |
| Net loss for the period | (1,350,031) | (2,356,829) |
| Items not affecting cash | | |
| Depreciation and amortization | 41,818 | 55,818 |
| Equity loss of Highvista Gold Inc. | - | 66,609 |
| Change in fair value of Class B shares | 432,557 | 1,605,293 |
| Change in fair value of warrants exercisable into Class B and common shares | - | (156,922) |
| Change in fair value of stock options exercisable into Class B and common shares | (99,084) | (700,910) |
| Interest income | (31,358) | (37,529) |
| Share-based payments | 30,678 | 174,233 |
| | (975,420) | (1,350,237) |
| Interest received | 17,306 | 42,454 |
| Changes in non-cash operating working capital | | |
| Change in receivables and prepaids | 8,072 | 34,708 |
| Change in accounts payable and accrued liabilities | (63,196) | (899,723) |
| Change in provision for Mexican tax | (30,700) | 6,100 |
| | (1,043,938) | (2,166,698) |
| **Cash flows (used in) from investing activities** | | |
| Mining claims and deferred exploration costs | (1,064,523) | (1,493,976) |
| Repayment of drilling advance | 50,000 | - |
| Reclamation deposit | (18,300) | (145,000) |
| Purchase of equipment | (6,540) | (2,370) |
| | (1,039,363) | (1,641,346) |
| **Decrease in cash and cash equivalents** | (2,083,301) | (3,808,044) |
| Foreign exchange effect on cash and cash equivalents | (209,285) | (80,706) |
| **Cash and cash equivalents - Beginning of period** | 4,837,862 | 11,921,723 |
| **Cash and cash equivalents - End of period** | 2,545,276 | 8,032,973 |
| **Cash and cash equivalents are comprised of:** | | |
| Cash | 611,827 | 571,720 |
| Cash equivalents | 1,933,449 | 7,461,253 |
| | 2,545,276 | 8,032,973 |

**Supplemental cash flow information** (Note 17)

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

*(Unaudited - expressed in U.S. dollars)*

## 1 Organization and nature of operations

TriMetals Mining Inc. ("TMI" or the "Company") was incorporated pursuant to the *Canada Business Corporations Act* by articles of incorporation dated September 28, 2006 and was continued under the *Business Corporations Act* (British Columbia) ("BCBCA") on December 17, 2013. Effective March 17, 2014, the Company changed its name from South American Silver Corp. to TriMetals Mining Inc.

The Company's registered office is located at Suite 880, 580 Hornby Street, Vancouver, British Columbia, Canada and the Company's head office is located at Suite 240, 2696 S. Colorado Blvd., Denver, Colorado, USA. The Company's common shares are listed on the Toronto Stock Exchange ("TSX") under the symbol "TMI" and on the US OTCQX market as "TMIAF". The Company's Class B shares are listed on the TSX under the symbol "TMI.B" and on the US OTCQX market as "TMIBF".

The Company's principal activities include the acquisition, exploration and development of mineral properties. The principal countries where the Company has been undertaking exploration activities are United States, Chile, Bolivia and Mexico. Property interests in these countries are held through various wholly owned subsidiaries.

The recoverability of amounts shown as mining claims and deferred exploration costs is dependent upon the discovery of economically recoverable reserves, the Company's ability to obtain financing to develop the properties, and the ultimate realization of profits through future production or sale of the properties. The recoverability of amounts shown as Malku Khota project is dependent upon the ability to achieve compensation in excess of the carrying value.

## 2 Basis of presentation

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. The 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.

The Company uses the same accounting policies and methods of computation as in the annual consolidated financial statements for the year ended December 31, 2014.

The preparation of interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

These financial statements were approved by the board of directors for use on August 7, 2015.

## 3 Accounting standards issued but not yet applied

The following new standard has been issued by the IASB but not yet applied:

*(Unaudited - expressed in U.S. dollars)*

- IFRS 9, *Financial Instruments*, was issued in July 2014 and replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 was developed in phases by the IASB. As a result there are a number of transition options and requirements in relation to earlier versions of IFRS 9 prior to the mandatory effective date of IFRS 9 in its entirety. IFRS 9 is mandatory for annual periods beginning on or after January 1, 2018. IFRS 9 includes requirements for classification and measurement of financial assets and financial liabilities; impairment methodology for financial instruments; and general hedge accounting. IFRS 9 has specific requirements for whether debt instruments are accounted for at amortized cost, fair value through other comprehensive income or fair value through profit or loss. IFRS 9 requires equity instruments to be measured at fair value through profit or loss unless an irrevocable election for use of fair value through other comprehensive income which results in changes in fair value not being recycle to the income statement. The Company has not adopted IFRS 9 and has not completed its assessment of the impact of this standard.

## 4 Receivables and prepaids

| | June 30, 2015 $ | December 31, 2014 $ |
|---|---|---|
| GST receivable | 8,331 | 10,308 |
| Drilling advance | 72,656 | 68,445 |
| Other receivables | 5,829 | 7,649 |
| Other prepaids and advances | 132,973 | 139,995 |
| | 219,789 | 226,397 |

## 5 Marketable securities

| | $ |
|---|---|
| Investment in Highvista Gold Inc. ("HGI") | |
| Acquisition cost | 250,813 |
| Equity in loss of HGI | (114,741) |
| Carrying value as at December 31, 2014, at equity | 136,072 |
| Accumulated unrealized holding gains | 9,328 |
| Carrying value as at June 30, 2015 | 145,400 |

The Company owns 1,068,313 shares of HGI and, until June 5, 2015, the Company and HGI had two directors in common. In January 2015, the Company's interest in HGI was diluted from 26.8% to 12.2%. The Company is no longer considered to exercise significant influence over HGI and the Company has ceased to equity account for its interest and has designated the investment in HGI as available for sale.

As at June 30, 2015, the investment in HGI has been included in current assets and reported at fair value based on the period-end market bid quotation with unrealized gains or losses being reported in Other Comprehensive Income (OCI).

*(Unaudited - expressed in U.S. dollars)*

## 6 Equipment

| Six months ended June 30, 2015 | Furniture and equipment $ | Computer hardware $ | Computer software $ | Vehicles $ | Leasehold improvements $ | Total $ |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| Balance, beginning of the period | 176,244 | 55,659 | 168,880 | 63,857 | 52,609 | 517,249 |
| Additions | 6,109 | 431 | - | - | - | 6,540 |
| Balance, end of the period | 182,353 | 56,090 | 168,880 | 63,857 | 52,609 | 523,789 |
| **Accumulated amortization** | | | | | | |
| Balance, beginning of the period | 85,578 | 52,281 | 163,808 | 19,966 | 35,220 | 356,853 |
| Amortization for the period | 20,322 | 2,882 | 3,360 | 9,993 | 5,261 | 41,818 |
| Balance, end of the period | 105,900 | 55,163 | 167,168 | 29,959 | 40,481 | 398,671 |
| **Net book value at June 30, 2015** | 76,453 | 927 | 1,712 | 33,898 | 12,128 | 125,118 |

| Year ended December 31, 2014 | Furniture and equipment $ | Computer hardware $ | Computer software $ | Vehicle $ | Leasehold improvements $ | Total $ |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| Balance, beginning of the year | 174,720 | 83,322 | 167,085 | 63,857 | 52,609 | 541,593 |
| Additions | 4,847 | 176 | 7,565 | - | - | 12,588 |
| Disposals | (3,323) | (27,839) | (5,770) | - | - | (36,932) |
| Balance, end of the year | 176,244 | 55,659 | 168,880 | 63,857 | 52,609 | 517,249 |
| **Accumulated amortization** | | | | | | |
| Balance, beginning of the year | 47,053 | 58,953 | 156,767 | 573 | 24,698 | 288,044 |
| Amortization for the year | 41,126 | 20,551 | 12,811 | 19,393 | 10,522 | 104,403 |
| Disposals | (2,601) | (27,223) | (5,770) | - | - | (35,594) |
| Balance, end of the year | 85,578 | 52,281 | 163,808 | 19,966 | 35,220 | 356,853 |
| **Net book value at December 31, 2014** | 90,666 | 3,378 | 5,072 | 43,891 | 17,389 | 160,396 |

*(Unaudited - expressed in U.S. dollars)*

## 7 Drilling advance

| | June 30, 2015 $ | December 31, 2014 $ |
|---|---|---|
| Drilling advance | 243,758 | 276,959 |
| Less: current portion | (72,656) | (68,445) |
| | 171,102 | 208,514 |

During 2011 and 2012, the Company advanced an aggregate $1,050,000 under the terms of a drill contract in respect of the Escalones drill program. These advances were being recovered through reductions on a per metre basis to amounts invoiced to the Company in respect of drilling costs and through payments on a per metre basis in respect of drilling by the contractor for other mining companies. During the third quarter of 2014, the parties renegotiated the terms of repayment. The balance outstanding bears interest at the compounded rate of 1% per month and is repayable in instalments of $25,000 due each calendar quarter.

## 8 Mining claims and deferred exploration costs – Schedule 1

Mining claims and deferred exploration costs are associated with the following projects.

| | June 30, 2015 $ | December 31, 2014 $ |
|---|---|---|
| a) Escalones, Chile | 14,863,758 | 14,635,739 |
| b) Gold Springs, U.S. | 10,799,699 | 9,927,065 |
| | 25,663,457 | 24,562,804 |

a) In 2004, the Company entered into an option agreement (the "Boezio Option") to acquire the remaining 4,689 hectares of the Escalones property located in Chile which are not already 100% owned by the Company. In each of 2005, 2007, 2009, 2013 and 2015, the terms were renegotiated. Pursuant to the Boezio Option, as revised on June 24, 2015, the Company has the right until June 30, 2018 to purchase the claims upon payment to the owner of $7,600,000. As at June 30, 2015, $3,200,000 has been paid, including $100,000 paid during the second quarter and $150,000 paid by a former partner. The remaining $4,400,000 is payable as follows: $400,000 on December 30, 2015, $500,000 on each of June 30, 2016 and 2017, and a final payment of $3,000,000 on June 30, 2018.

The Company is required to pay all amounts required to protect and maintain the property during the option period. There is a 2% net smelter royalty ("NSR") payable on production if the price of copper is greater than $0.75 per pound and a 1% NSR if the copper price is equal to or less than $0.75 per pound. The NSR may be purchased for $3,000,000 within the five years following the first sale of minerals produced and $5,000,000 after five years of the date of the first sale of minerals produced.

If the Company purchases the concessions, the Boezio Option requires the Company to commence exploitation of the concessions within two years thereafter. Once Escalones is acquired and until exploitation begins, the Company is required to pay annual advance royalty payments of $200,000 which

*(Unaudited - expressed in U.S. dollars)*

are credited against future royalty payments. Failure to commence exploitation within the two year period triggers an obligation to make annual indemnity payments of $300,000 until exploitation begins. In this event, the $200,000 annual payments made from the date of exercise of the option are deemed to be indemnity payments, not advance royalty payments. Royalty payments are suspended if exploitation of the mining concessions is suspended for reasons beyond the Company's control.

b) The Gold Springs mineral property was acquired through the 2013 acquisition of High Desert Gold Corporation ("HDG"). This property was recorded on acquisition at its estimated fair value based on the consideration paid.

## 9 Malku Khota project

| | June 30, 2015 $ | December 31, 2014 $ |
|---|---|---|
| Malku Khota project | 18,734,000 | 18,734,000 |

On October 23, 2012, the Company's wholly-owned Bermudian subsidiary, South American Silver Limited ("SASL"), delivered a formal letter to the State of Bolivia notifying it of an investment dispute between the Company and Bolivia. The dispute has arisen as a result of acts and omissions of the Government of Bolivia including the issuance of Supreme Decree No.1308 on August 1, 2012. The Decree revoked mining concessions held by the Company's Bolivian subsidiary, Compañia Minera Malku Khota S.A. ("CMMK"), a wholly-owned subsidiary of SASL.

SASL is a protected investor under the Agreement between the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of the Republic of Bolivia for the Promotion and Protection of Investments ("UK-Bolivia Treaty"), and the actions and omissions of the Bolivian government are in violation of the UK-Bolivia Treaty and of international law. Notification of the investment dispute triggered a six-month cooling-off period during which the disputing parties could negotiate a settlement. That cooling-off period ended on April 23, 2013 and on April 30, 2013, the Company commenced international arbitration against the Government of Bolivia under the Arbitration Rules of the United Nations Commission on International Trade Law (UNCITRAL) pursuant to the UK-Bolivia Treaty seeking compensation based on fair market value of the Malku Khota project.

On September 24, 2014, SASL filed its statement of claim and memorial on the merits. SASL seeks monetary compensation for damages in the amount of $385.7 million which includes $307.2 million for all of its losses caused by Bolivia's breaches of the UK-Bolivia Treaty, plus $78.5 million in pre-award interest but excludes fees and costs incurred in connection with the arbitration proceeding. Alternatively, SASL seeks restitution of the Malku Khota project along with monetary damages in the amount of $176.4 million, including pre-award interest. On March 31, 2015, Bolivia filed its statement of defense and counter-memorial marking the conclusion of the preliminary written pleadings phase of the arbitration and the beginning of the document production phase. The oral hearing is scheduled to take place in July 2016.

On May 23, 2013, the Company entered into the Arbitration Costs Funding Agreement pursuant to which the Fund will cover most of the Company's future costs and expenses related to its international arbitration proceedings against Bolivia. See Note 14.

*(Unaudited - expressed in U.S. dollars)*

Management performed a review of the recoverability of the carrying amount of the Malku Khota project by comparing the unamortized book value to the higher of value in use and fair value less costs to sell as at June 30, 2015. Management has concluded that no impairment adjustment is necessary at this time.

If the Company is unsuccessful in its efforts to obtain compensation in excess of the unamortized book value of its investment in Malku Khota, the amount included in Malku Khota project may be written down in future periods.

## 10 Provision for Mexican tax

| | June 30 2015 $ | December 31, 2014 $ |
|---|---|---|
| Provision for Mexican tax | 466,703 | 497,403 |

The Company assumed a provision for Mexican tax on the 2013 acquisition of HDG. The provision is denominated in Mexican pesos and relates to a 2011 transfer of a Mexican mineral property.

## 11 Class B shares

| | June 30, 2015 $ | December 31, 2014 $ |
|---|---|---|
| Class B shares | 13,963,902 | 13,531,345 |

An aggregate 116,278,647 Class B shares are issued and outstanding, with each Class B share having the attributes described in Note 12 a). The Class B shares are recorded at their estimated fair value which is estimated based on the quoted price of the Class B shares on the TSX.

| | $ |
|---|---|
| Carrying value as at December 31, 2014 | 13,531,345 |
| Change in fair value | 432,557 |
| Carrying value as at June 30, 2015 | 13,963,902 |

The Class B shares are financial instruments, not equity instruments. Accordingly, the Class B shares are disclosed as non-current liabilities.

## 12 Share capital

### a) Authorized

An unlimited number of common shares without par value and up to 127,328,790 Class B shares without par value.

*(Unaudited - expressed in U.S. dollars)*

The holders of the common shares are entitled to one vote per share. The holders of the common shares are entitled to dividends, when and if declared by the directors of the Company, and, subject to the rights of the holders of the Class B shares, to the distribution of the residual assets of the Company in the event of the liquidation, dissolution or winding-up of the Company. No dividends have ever been declared or paid as at June 30, 2015.

The Class B shares carry redemption and retraction rights and rights on liquidation which entitle the holders collectively to 85% of the net cash, if any, (after deducting all costs, taxes and expenses and the third party funder's portion thereof) received from an award or settlement in relation to TMI's wholly-owned subsidiary SASL's arbitration proceeding against the State of Bolivia for the expropriation of the Malku Khota project. The Class B shares are non-voting and non-participating in regards to dividends and on liquidation other than as described above.

b) **Financings**

There were no financings completed during the six months ended June 30, 2015.

c) **Stock options**

(i) Changes in stock options

The Company's stock options outstanding as at June 30, 2015 and the changes for the six months then ended are as follows:

| | **Number of options** | **Weighted average price Cdn.$** |
|---|---|---|
| Balance outstanding – December 31, 2014 | 8,388,150 | 0.87 |
| Options forfeited or expired | (425,000) | 0.67 |
| Balance outstanding – June 30, 2015 | 7,963,150 | 0.88 |

(ii) Share-based payments

During the six months ended June 30, 2015, the Company recorded share-based payments of $37,831 (2014 - $188,002) in respect of stock options. Of this amount, $30,678 (2014 - $174,233) was recorded as a charge to operations and $7,153 (2014 - $13,769) was included in deferred exploration costs.

During the six months ended June 30, 2015, the Company did not grant any stock options.

(iii) Options outstanding at the end of the period

All of the outstanding options have associated share appreciation rights which allow the optionees to exercise their options on a cashless basis resulting in a lesser number of common shares to be issued to the optionee pursuant to their exercise.

*(Unaudited - expressed in U.S. dollars)*

Options to acquire one common share and one Class B share are outstanding at June 30, 2015 as follows:

| Number of options outstanding | Number of options exercisable | Exercise price Cdn. $ | Expiry date |
|---|---|---|---|
| 608,734 | 608,734 | 0.63 | September 16, 2015 |
| 1,000,000 | 1,000,000 | 2.09 | April 15, 2016 |
| 1,050,000 | 1,050,000 | 1.71 | November 14, 2016 |
| 133,333 | 133,333 | 0.34 | October 10, 2017 |
| 1,233,333 | 1,091,666 | 0.44 | October 21, 2018 |
| 4,025,400 | 3,883,733 | | |

These stock options have been categorized as a financial liability. The fair values of these options have been estimated using the Black Scholes option-pricing model. Assumptions used in the pricing model are as follows: average risk-free interest rate – 0.9% to 1.0%; expected life – 0.2 to 3.3 years; expected volatility – 63% to 106%; and expected dividends – nil. The fair value of these options as at June 30, 2015 amounts to $119,290 (December 31, 2014 - $218,374). The change in fair value of these stock options during the six months ended June 30, 2015 of $99,084 (2014 - $700,910) was included in earnings.

The weighted average exercise price of the outstanding options to acquire one common share and one Class B share is Cdn. $1.21 per share, and of the exercisable options is Cdn. $1.23 per share. At June 30, 2015, these options have a weighted average remaining contractual life of 1.7 years.

Options to acquire one common share are outstanding at June 30, 2015 as follows:

| Number of options outstanding | Number of options exercisable | Exercise price Cdn. $ | Expiry date |
|---|---|---|---|
| 160,875 | 160,875 | 1.80 | April 15, 2016 |
| 200,750 | 200,750 | 1.05 | March 29, 2017 |
| 658,625 | 484,917 | 0.65 | October 22, 2018 |
| 600,000 | 600,000 | 0.365 | January 28, 2019 |
| 2,317,500 | 1,372,500 | 0.42 | November 13, 2019 |
| 3,937,750 | 2,819,042 | | |

The weighted average exercise price of the outstanding options to acquire one common share is Cdn. $0.54 per share, and of exercisable options is Cdn. $0.57 per share. At June 30, 2015, these options have a weighted average remaining contractual life of 3.8 years.

d) **Warrants**

(i) Changes in warrants

The Company’s warrants outstanding as at June 30, 2015 and the changes for the six months then ended are as follows:

*(Unaudited - expressed in U.S. dollars)*

| | Number of warrants | Weighted average price Cdn.$ |
|---|---|---|
| Balance – December 31, 2014 | 1,721,499 | 0.83 |
| Warrants expired | (38,499) | 0.73 |
| Balance – June 30, 2015 | 1,683,000 | 0.84 |

(ii) Warrants outstanding at the end of the period

Warrants to acquire common shares are outstanding at June 30, 2015 as follows:

| Number Outstanding | | Exercise Price Cdn. $ | Expiry Date |
|---|---|---|---|
| 1,133,000 | | $0.84 | December 28, 2015 |
| 550,000 | *(1)* | $0.84 | January 31, 2016 |
| 1,683,000 | | | |

*(1)* In the event that the trading price for the common shares on the TSX exceeds Cdn. $1.27 per share for a period of 10 consecutive trading days, the Company is entitled to accelerate the exercise period of these warrants to a period ending at least 30 days from the date notice of such acceleration is provided to the warrantholders.

## 13 Related party transactions

The Company's related parties consist of the Company's officers or companies under controlling or significant influence and a legal firm in which a director is a partner. The Company incurred the following expenditures during the three and six months ended June 30, 2015 and 2014 that were charged by related parties:

| | Three months ended June 30, 2015 $ | Three months ended June 30, 2014 $ | Six months ended June 30, 2015 $ | Six months ended June 30, 2014 $ |
|---|---|---|---|---|
| Consulting fees | 19,086 | 17,112 | 39,290 | 25,146 |
| Legal fees | 54,563 | 64,273 | 101,332 | 165,944 |
| Consulting fees – mineral property costs | 14,925 | 18,117 | 28,524 | 45,072 |

Included in accounts payable at June 30, 2015 is an amount of $57,196 (December 31, 2014 - $68,487) due to related parties. These amounts are non-interest bearing and have no specific terms of repayment.

Key management includes the Chief Executive Officer, the Chief Financial Officer and the remaining directors. The compensation paid or payable to key management for services during the three and six months ended June 30, 2015 and 2014 is as follows:

*(Unaudited - expressed in U.S. dollars)*

| | Three months ended June 30, 2015 $ | Three months ended June 30, 2014 $ | Six months ended June 30, 2015 $ | Six months ended June 30, 2014 $ |
|---|---|---|---|---|
| Directors' fees | 30,234 | 35,508 | 53,484 | 75,008 |
| Wages and benefits | 105,000 | 105,000 | 210,000 | 210,000 |
| Share-based payments | 6,204 | 4,025 | 12,408 | 159,336 |
| | 141,438 | 144,533 | 275,892 | 444,344 |

## 14 Contingencies

The Company may be subject to various contingent liabilities that occur in the normal course of operations. The Company is not aware of any pending or threatened proceedings that would have a material adverse effect on the consolidated financial condition or future results of the Company.

Under the terms of the privileged Arbitration Costs Funding Agreement, the Company has given certain warranties and covenants to the Fund and is obliged to pledge at least 35% of the shares of the Company's subsidiary in Chile, beneficiary of the Escalones property, as security for its obligations. In consideration for the funding, the Company has agreed to pay to the Fund a portion of any recoveries received pursuant to the arbitration proceedings or any settlement with Bolivia. As at June 30, 2015, the arbitration has not been settled and the amount of the contingent payment is deemed to be indeterminable. Accordingly nothing has been accrued for the Fund's portion of any recoveries in the arbitration.

The Company has agreed to a contingent success fee to its lead arbitration counsel to be determined based on the outcome of the arbitration. As at June 30, 2015, the arbitration has not been settled and accordingly the success fee is deemed to be indeterminable and accordingly nothing has been accrued.

A large majority of the costs of the arbitration to be incurred by SASL or the Company are payable only in the event there is an award in favour of SASL and will be paid out of the proceeds of any such award. These costs include certain fees and other expenses incurred in connection with the arbitration, including the Fund's portion of any recoveries received pursuant to the arbitration proceedings or any settlement with Bolivia, a contingent success fee payable to SASL's lead arbitration counsel, and other commitments. These fees, costs and expenses will be paid out of any such award, thus potentially reducing funds received by SASL by as much as one-third of the amount of any award in its favour.

## 15 Commitments

The Company is committed under the terms of office lease agreements in Vancouver, Canada, and in Denver, U.S., for the following approximate annual rent and estimated operating costs.

*(Unaudited - expressed in U.S. dollars)*

| | **Amount** $ |
|---|---|
| Due on or before December 31, | |
| 2015 | 78,000 |
| 2016 | 86,000 |
| | 164,000 |

The Company has sublet its main office in Vancouver and will recover a large portion of these costs.

## 16 Segment information

The Company's operations are limited to a single industry segment, being mineral exploration and development. Geographic segment information of the Company's assets and liabilities as at June 30, 2015 and December 31, 2014 is as follows:

| **Identifiable assets** | **June 30, 2015** $ | **December 31, 2014** $ |
|---|---|---|
| Bolivia | 18,751,190 | 18,750,713 |
| Canada | 2,721,789 | 4,932,871 |
| Chile | 15,152,006 | 15,074,732 |
| United States and other | 11,142,457 | 10,252,729 |
| Total assets | 47,767,442 | 49,011,045 |

| **Identifiable liabilities** | **June 30, 2015** $ | **December 31, 2014** $ |
|---|---|---|
| Bolivia | 2,808 | 5,716 |
| Canada | 112,895 | 164,907 |
| Chile | 9,320 | 7,850 |
| United States and other | 543,949 | 555,418 |
| Total liabilities | 668,972 | 733,891 |

| **Additions to segmented non-current assets during the six months ended June 30, 2015** | **Bolivia** $ | **Canada** $ | **Chile** $ | **United States and other** $ | **Total** $ |
|---|---|---|---|---|---|
| Balance, December 31, 2014 | 18,734,000 | 168,849 | 14,862,440 | 10,181,497 | 43,946,786 |
| Additions | - | (146,832) | 185,535 | 871,488 | 910,191 |
| Balance, June 30, 2015 | 18,734,000 | 22,017 | 15,047,975 | 11,052,985 | 44,856,977 |

Geographic segmentation of the Company's net loss for the three and six months ended June 30, 2015 and 2014 is as follows:

*(Unaudited - expressed in U.S. dollars)*

| | Three months ended June 30, 2015 $ | Three months ended June 30, 2014 $ | Six months ended June 30, 2015 $ | Six months ended June 30, 2014 $ |
|---|---|---|---|---|
| Bolivia | 17,727 | 10,860 | 31,010 | 29,304 |
| Canada | 1,850,439 | 252,329 | 838,846 | 1,625,150 |
| Chile | 12,216 | 34,728 | 62,953 | 100,961 |
| United States and other | 181,665 | 252,107 | 417,222 | 601,414 |
| Net loss | 2,062,047 | 550,024 | 1,350,031 | 2,356,829 |

## 17 Supplemental cash flow information

The Company conducted non-cash investing and financing activities during the six months ended June 30, 2015 and 2014 as follows:

| | 2015 $ | 2014 $ |
|---|---|---|
| Interest income included in receivables and prepaids | 19,785 | 9,206 |
| Investing activities | | |
| Deferred exploration costs included in accounts payable | (82,757) | (319,699) |
| Other deferred costs included in accounts payable | - | (230,000) |
| Financing activities | | |
| Share-based payments included in deferred exploration costs | 7,153 | 13,769 |

## 18 Financial instruments

The Company's financial instruments consist of cash and cash equivalents, receivables, marketable securities, accounts payable and accrued liabilities, Class B shares, and stock options exercisable into Class B shares and common shares. Cash equivalents consist of term deposits, the investment terms of which are less than three months at the time of acquisition. Cash and cash equivalents and receivables are designated as loans and receivables, which are measured at amortized cost. The Company's marketable securities have been designated as available for sale. Publicly held investments are reported at fair value based on quoted market prices with unrealized gains or losses reported in OCI. Accounts payable and accrued liabilities are designated as other financial liabilities which are measured at amortized cost. Class B shares and stock options exercisable into Class B and common shares are designated as FVTPL, which are measured at fair value, with changes in fair value recognized directly in earnings or loss in the period in which they arise.

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

There have been no changes in any risk management policies since December 31, 2014.

*(Unaudited - expressed in U.S. dollars)*

## 19 Subsequent event

Subsequent to June 30, 2015, the Company closed a non-brokered private placement of units consisting of Cdn.$2,296,000 principal amount convertible notes bearing 6% interest and maturing July 23, 2018 (the "Notes") and 7,446,486 common share purchase warrants (the "Warrants") for gross proceeds of Cdn.$2,296,000.

If the repayment of the Notes on the maturity date would expose the Company to undue financial hardship, then the Company has the right to extend the maturity date to July 23, 2020 for no additional consideration.

Notwithstanding the foregoing, if the Company receives a cash payment pursuant to any award or settlement in the arbitration by its subsidiary against Bolivia of at least $5 million (after the payment of all Malku Khota Arbitration Expenses and the Class B Share Entitlement, each as defined in the Company's Articles), the holders shall have the right to demand repayment of the outstanding principal amount of the Notes and accrued interest thereon, in cash, within 60 days of the first public disclosure by the Company of receipt of such net cash payment.

The holders of the Notes have the option to convert all or any portion of the outstanding principal amount of the Notes into common shares of the Company at any time at the conversion price of Cdn.$0.20 per share. If the closing price of the common shares of the Company on the TSX is at least Cdn.$0.40 for 10 consecutive trading days, the Company has the right to convert all or any portion of the outstanding principal amount of the Notes into common shares, without penalty. Shares issued to repay the principal amount of the Notes shall be issued at the Conversion Price, while accrued interest on the converted portion Notes shall be paid in cash.

The Notes will be secured by a pledge of approximately 20.7% of the shares of TriMetals Mining Chile SCM (formerly South American Silver Chile SCM), a wholly owned subsidiary of the Company.

Each Warrant is exercisable to purchase one common share of the Company at the exercise price of Cdn.$0.10 per share until July 23, 2017.

# TriMetals Mining Inc.

*(An Exploration Stage Company)*

Condensed Interim Consolidated Schedule of Deferred Exploration Costs

*(Unaudited - expressed in U.S. dollars)*

| | Chile properties $ | U.S. properties $ | Total $ |
|---|---|---|---|
| **Balance at December 31, 2013** | 13,681,093 | 7,618,643 | 21,299,736 |
| Land and option payments | 541,160 | 242,796 | 783,956 |
| Laboratory | 6,206 | 184,630 | 190,836 |
| Field supplies | 210 | 11,953 | 12,163 |
| Camp | 10,704 | 75,492 | 86,196 |
| Consulting and supervision | 209,133 | 663,655 | 872,788 |
| Surveying and staking | 13,271 | 52,546 | 65,817 |
| Environmental | 67,075 | 135,366 | 202,441 |
| Technical consulting | 73,137 | 161,335 | 234,472 |
| Drilling | - | 514,217 | 514,217 |
| Trenching | 5,890 | 98,057 | 103,947 |
| Travel and accommodation | 25,390 | 140,802 | 166,192 |
| Share-based payments | - | 27,573 | 27,573 |
| Value added tax credits | 2,470 | - | 2,470 |
| | 954,646 | 2,308,422 | 3,263,068 |
| **Balance at December 31, 2014** | 14,635,739 | 9,927,065 | 24,562,804 |
| Land and option payments | 138,573 | 67,024 | 205,597 |
| Laboratory | 9,694 | 94,760 | 104,454 |
| Field supplies | - | 7,971 | 7,971 |
| Camp | 1,288 | 34,008 | 35,296 |
| Consulting and supervision | 54,885 | 301,759 | 356,644 |
| Surveying and staking | 4,125 | - | 4,125 |
| Environmental | 8,401 | 51,897 | 60,298 |
| Technical consulting | 126 | 233,697 | 233,823 |
| Trenching | 6,181 | - | 6,181 |
| Travel and accommodation | 4,075 | 74,365 | 78,440 |
| Share-based payments | - | 7,153 | 7,153 |
| Value added tax credits | 671 | - | 671 |
| | 228,019 | 872,634 | 1,100,653 |
| **Balance at June 30, 2015** | 14,863,758 | 10,799,699 | 25,663,457 |