TriMetals Mining Inc.

(An Exploration Stage Company)

Consolidated Financial Statements
December 31, 2017 and 2016

(*expressed in U.S. dollars*)

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of TriMetals Mining Inc. (the "Company") have been prepared by and are the responsibility of the management of the Company. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards and reflect management's best estimates and judgement based on currently available information.

The Audit Committee of the Board of Directors, consisting of three independent directors, meets periodically with management and the independent auditors to review the scope and results of the annual audit, and to review the financial statements and related financial reporting matters prior to submitting the financial statements to the Board for approval.

The Company's independent auditors, PricewaterhouseCoopers LLP, who are appointed by the shareholders, conducted an audit in accordance with Canadian generally accepted auditing standards. Their report outlines the scope of their audit and gives their opinion on the consolidated financial statements.

Management has developed and maintains a system of internal controls to provide reasonable assurance that the Company's assets are safeguarded, transactions are authorized and financial information is accurate and reliable.

(Signed) "Eric Edwards"
President and Chief
Executive Officer

(Signed) "Rebecca Moriarty"
Chief Financial Officer

Vancouver, British Columbia
March 28, 2018

March 28, 2018

Independent Auditor's Report

To the Shareholders of TriMetals Mining Inc.

We have audited the accompanying consolidated financial statements of TriMetals Mining Inc., which comprise the consolidated statements of financial position as at December 31, 2017 and December 31, 2016 and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers LLP
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Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of TriMetals Mining Inc. as at December 31, 2017 and December 31, 2016 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of matter
Without qualifying our opinion, we draw attention to note 1 in the financial statements, which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about TriMetals Mining Inc.'s ability to continue as a going concern.

(signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants

TriMetals Mining Inc.

(An Exploration Stage Company)

Consolidated Statements of Financial Position as at December 31, 2017 and 2016

(expressed in U.S. dollars)

	Note	2017	2016
		$	$
Assets			
Current			
Cash and cash equivalents		497,750	2,193,518
Receivables and prepaids	6	180,996	231,823
Marketable securities		85,155	135,266
		763,901	2,560,607
Non-current assets			
Equipment		70,470	69,047
Reclamation deposit		234,800	163,300
Mining claims and deferred exploration costs	7	31,321,331	28,732,403
Malku Khota project	8	18,734,000	18,734,000
		51,124,502	50,259,357
Liabilities			
Current			
Accounts payable and accrued liabilities		295,561	265,317
Convertible notes	9	1,731,609	-
		2,027,170	265,317
Non-current liabilities			
Convertible notes	9	-	1,478,041
Class B shares	10	20,407,779	20,802,291
Stock options exercisable into Class B and common shares	11	58,456	156,842
		22,493,405	22,702,491
Equity attributable to shareholders			
Share capital	11	94,395,573	92,326,275
Contributed surplus	11	12,631,120	11,529,067
Convertible notes - equity component	9	317,197	317,197
Accumulated other comprehensive loss		(291,773)	(171,227)
Deficit		(78,421,020)	(76,444,446)
		28,631,097	27,556,866
		51,124,502	50,259,357

Going concern (note 1)
Commitments (note 7)
Contingencies (note 14)
Subsequent event (note 18)

Approved by the Board of Directors:

(signed) “Paul Sheehan” (signed) “Roman Mironchik”

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

TriMetals Mining Inc.

(An Exploration Stage Company)

Consolidated Statements of Loss and Comprehensive Loss

For the years ended December 31, 2017 and 2016

(expressed in U.S. dollars)

	Note	2017	2016
		$	$
General and administrative expenses			
Arbitration	8	101,336	211,246
Consulting	13	54,776	63,432
Depreciation and amortization		37,582	57,778
Directors' fees	13	69,300	57,288
Filing and transfer agent fees		71,200	49,875
Office and administration		233,654	225,318
Professional fees	13	492,044	314,391
Reconnaissance and sundry exploration		370,397	99,873
Shareholder information and investor relations		117,442	178,502
Share-based payments	11	300,420	339,952
Wages and benefits	13	384,729	391,900
		(2,232,880)	(1,989,555)
Other income (expenses)			
Interest and other income		20,224	33,354
Accretion and interest on convertible notes	9	(253,468)	(234,749)
Foreign currency (loss) gain		(3,192)	(6,134)
Change in fair value of Class B shares	10	394,512	(11,561,046)
Change in fair value of stock options exercisable into Class B shares	11	98,386	(92,539)
Loss on disposal of equipment		(156)	(4,181)
		256,306	(11,865,295)
Net loss for the year		(1,976,574)	(13,854,850)
Other comprehensive loss			
Items that may be subsequently reclassified to profit or loss:			
Currency translation differences		(70,435)	(25,995)
Unrealized gain (loss) on marketable securities		(50,111)	4,051
Total other comprehensive loss		(120,546)	(21,944)
Total comprehensive loss		(2,097,120)	(13,876,794)
Basic and diluted net loss per share		(0.01)	(0.10)
Weighted average number of shares outstanding		168,296,151	144,786,562

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

TriMetals Mining Inc.

(An Exploration Stage Company)

Consolidated Statements of Changes in Equity

For the years ended December 31, 2017 and 2016

(expressed in U.S. dollars)

	Share Capital		Contributed Surplus	Convertible notes - equity component	Deficit	AOCI	Total
	Number	$	$	$	$	$	$
Balance, January 1, 2016	**135,738,714**	**89,941,924**	**9,999,049**	**317,197**	**(62,589,596)**	**(149,283)**	**37,519,291**
Shares issued on private placement of securities	17,393,000	2,072,261	1,255,450	-	-	-	3,327,711
Less: issue costs - cash	-	(49,036)	-	-	-	-	(49,036)
Less: issue costs - warrants	-	(8,419)	8,419	-	-	-	-
Shares issued on exercise of SAR's	154,839	79,866	(79,866)	-	-	-	-
Shares issued on exercise of warrants	3,243,243	289,679	(44,388)	-	-	-	245,291
Share-based payments	-	-	390,403	-	-	-	390,403
Total comprehensive loss for the year	-	-	-	-	(13,854,850)	(21,944)	(13,876,794)
Balance, December 31, 2016	**156,529,796**	**92,326,275**	**11,529,067**	**317,197**	**(76,444,446)**	**(171,227)**	**27,556,866**
Shares issued on private placement of securities	16,058,270	2,137,074	716,903	-	-	-	2,853,977
Less: issue costs - cash	-	(358,372)	-	-	-	-	(358,372)
Less: issue costs - warrants	-	(94,093)	94,093	-	-	-	-
Shares issued on exercise of SAR's	256,098	14,910	(14,910)	-	-	-	-
Shares issued on exercise of warrants	4,203,243	369,779	(57,526)	-	-	-	312,253
Share-based payments	-	-	363,493	-	-	-	363,493
Total comprehensive loss for the year	-	-	-	-	(1,976,574)	(120,546)	(2,097,120)
Balance, December 31, 2017	**177,047,407**	**94,395,573**	**12,631,120**	**317,197**	**(78,421,020)**	**(291,773)**	**28,631,097**

TriMetals Mining Inc.

(An Exploration Stage Company)

Consolidated Statements of Cash Flows

For the years ended December 31, 2017 and 2016

(expressed in U.S. dollars)

	2017	2016
	$	$
Cash flows (used in) from operating activities		
Net loss for the year	(1,976,574)	(13,854,850)
Items not affecting cash		
Accretion on convertible notes	146,697	130,901
Depreciation and amortization	37,582	57,778
Change in fair value of Class B shares	(394,512)	11,561,046
Change in fair value of stock options exercisable into Class B shares	(98,386)	92,539
Interest income	(20,224)	(33,354)
Loss on disposal of equipment	156	4,181
Unrealized foreign exchange loss	106,871	37,370
Share-based payments	300,420	339,952
	(1,897,970)	(1,664,437)
Interest received	9,763	10,112
Changes in non-cash operating working capital		
Change in receivables and prepaids	(13,712)	11,771
Change in accounts payable and accrued liabilities	(30,619)	50,790
	(1,932,538)	(1,591,764)
Cash flows (used in) from investing activities		
Mining claims and deferred exploration costs	(2,464,992)	(2,098,688)
Repayment of drilling advance	75,000	100,000
Reclamation deposit	(71,500)	-
Purchase of equipment	(39,161)	(33,269)
Proceeds on disposal of equipment	-	2,800
	(2,500,653)	(2,029,157)
Cash flows from financing activities		
Private placement of units	2,853,977	3,327,711
Share issuance costs	(358,372)	(49,036)
Exercise of warrants	312,253	245,291
	2,807,858	3,523,966
Decrease in cash and cash equivalents	(1,625,333)	(96,955)
Foreign exchange effect on cash and cash equivalents	(70,435)	(25,995)
Cash and cash equivalents - Beginning of year	2,193,518	2,316,468
Cash and cash equivalents - End of year	497,750	2,193,518
Cash and cash equivalents are comprised of:		
Cash	497,750	270,419
Cash equivalents	-	1,923,099
	497,750	2,316,468

Supplemental cash flow information (Note 16)

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

1 Nature of operations and going concern

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. The Company's registered and head office is located at Suite 880, 580 Hornby Street, Vancouver, British Columbia, Canada. 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 the United States and Chile. Property interests in these countries are held through various wholly owned subsidiaries.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and on a going concern basis, which assumes that the Company will be able to meet its obligations and continue its operations for at least the next twelve months.

The Company has incurred losses since inception and expects to incur further losses in the development of its business and at December 31, 2017, the Company had a working capital deficit of $1,263,369 (December 31, 2016 – working capital of $2,295,290). At that date, the Company also had an accumulated deficit of $78,421,020 which has been funded primarily by the issuance of equity.

The Company's ability to continue as a going concern is dependent upon its ability to obtain the necessary financing to meet its general operating expenses and to continue to explore its mineral properties. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company. These factors may cast significant doubt upon the Company's ability to continue as a going concern and, therefore, that it may be unable to realize its assets and discharge its liabilities in the normal course of business. These consolidated financial statements do not reflect the adjustments to the carrying values of the assets and liabilities, the reported expenses and the statements of financial position classifications that would be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

2 Basis of presentation

Statement of compliance
The Company's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") effective for the Company's reporting for the year ended December 31, 2017.

These financial statements were approved by the board of directors on March 28, 2018.

Basis of consolidation

The consolidated financial statements include the results or financial information of TriMetals Mining Inc. and its significant wholly-owned subsidiaries listed in the following table:

Name	Country of incorporation
South American Silver (U.S.) Ltd.	U.S.A.
South American Silver Limited	Bermuda
TriMetals Mining Chile SCM	Chile
Compania Minera Malku Khota S.A.	Bolivia
High Desert Gold Corporation	Canada
TriMetals Mining Inc. (formerly High Desert Gold Corporation)	U.S.A.
Gold Springs LLC	U.S.A.
Minera Genminmex S.A. de C.V.	Mexico

The results of each subsidiary will continue to be included in the consolidated financial statements of the Company until the date that the Company's control over the subsidiary ceases. All significant intercompany transactions and balances have been eliminated.

3 Summary of significant accounting policies

Cash and cash equivalents

Cash and cash equivalents include cash and highly liquid investments held in the form of money market investments and certificates of deposit with investment terms of less than three months at acquisition.

Equipment

Equipment is carried at cost less accumulated depreciation and any recognized impairment loss, net of reversals. Depreciation is computed using the straight-line method over estimated useful lives as follows:

Furniture and equipment	5 years
Computer hardware	3 years
Computer software	1 year
Vehicle	5 years

Mining claims and deferred exploration costs

The Company is in the exploration stage and defers all exploration and evaluation expenditures related to its mineral properties until such time as the properties are put into commercial production, impaired, sold or abandoned. Exploration and evaluation expenditures include the costs of acquiring licenses and costs associated with exploration and evaluation activity. Mineral property option proceeds, if received, are credited against the deferred costs incurred by the Company on the property or properties being optioned. Under this method, the amounts shown as mining claims and deferred exploration represent costs incurred to date less amounts amortized and/or written off, and do not necessarily represent present or future values.

Once the technical feasibility and commercial viability of the extraction of mineral reserves or resources from a particular mineral property has been determined, expenditures are reclassified to development assets within property, plant and equipment and are carried at cost until the properties to which the expenditures relate are sold, abandoned or determined by management to be impaired in value.

If a property is put into commercial production, the carrying value will be depleted using the unit of production basis. If a property is impaired, sold or abandoned, the expenditures will be charged to operations in the related period.

Exploration costs that are not attributable to a specific property or that are incurred prior to the Company acquiring the legal rights to a property are charged to operations as reconnaissance and sundry exploration.

Although the Company has taken steps to verify title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and regulatory requirements.

Financial assets
All financial assets are initially recorded at fair value and designated upon inception into one of the following three categories: available-for-sale, loans and receivables or at fair value through profit or loss ("FVTPL").

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through profit or loss.

Financial assets classified as loans and receivables are measured at amortized cost using the effective interest method less any allowance for impairment. The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period.

Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered a significant or prolonged decline in the fair value of that investment below its cost.

Transaction costs associated with FVTPL financial assets are expensed as incurred while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

Financial liabilities
All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities.

Financial liabilities classified as other financial liabilities are initially recognized at fair value adjusted for directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method.

Financial liabilities classified as FVTPL include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives, are also classified as held-for-trading unless they are designated as effective hedging instruments. Transaction costs on financial liabilities classified as FVTPL are expensed as incurred.

At the end of each reporting period subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, with changes in fair value recognized directly in profit or loss in the period in which they arise.

Derecognition of financial assets and liabilities
Financial assets are derecognized when the rights to receive cash flows from the assets expire or the financial assets are transferred and the Company has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized directly in equity is recognized in profit or loss.

Financial liabilities are derecognized when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Impairment
At the end of each reporting period the carrying amounts of the Company's long lived assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset (or cash-generating unit) is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of the fair value less costs to sell and the value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. Management's assessment of a property's estimated fair market value may also be based upon a review of other property transactions that have occurred in the same geographic area as that of the property under review.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years.

Restoration, rehabilitation and environmental obligations
An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration or development of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized to the carrying amount of the asset, along with a corresponding liability as soon as the obligation to incur such costs arises. The timing of the actual rehabilitation expenditure is dependent on a number of facts such as the life and nature of the asset, the operating license conditions and, when applicable, the environment in which the mine operates.

Discount rates using a risk free rate that reflects the time value of money are used to calculate the net present value. The capitalized costs are charged against profit or loss over the economic life of the related asset, through amortization using the unit-of production method. The corresponding liability is progressively increased as the effect of discounting unwinds creating an accretion expense recognized in profit or loss.

Decommissioning costs are also adjusted for changes in estimates. Those adjustments are accounted for as a change in the corresponding capitalized cost, except where a reduction in costs is greater than the unamortized capitalized cost of the related assets, in which case the capitalized cost is reduced to nil and the remaining adjustment is recognized in profit or loss.

The operations of the Company may in the future be affected from time to time by changes in environmental regulations, including those for site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company are not predictable. The Company has no material restoration, rehabilitation or environmental obligation as the disturbance to date is minimal.

Earnings per share
Basic earnings or loss per share represents the profit or loss for the period, divided by the weighted average number of common shares in issue during the period. Diluted earnings or loss per share represents the profit or loss for the period, divided by the weighted average number of common shares in issue during the period plus the weighted average number of dilutive shares resulting from the exercise of stock options, warrants and other similar instruments where the inclusion of these would not be anti-dilutive.

Foreign currencies
The financial statements for the Company and each of its subsidiaries are prepared using their functional currencies. Functional currency is the currency of the primary economic environment in which an entity operates. The functional currency of the parent company, TMI, is the Canadian dollar; and the functional currency of each of the Company's subsidiaries is the U.S. dollar. The presentation currency of the Company is the U.S. dollar.

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of the transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary assets and liabilities are translated using the historical rate on the date of the transaction. Non-monetary assets and liabilities that are stated at fair value are translated using the historical rate on the date that the fair value was determined. All gains and losses on translation of these foreign currency transactions are charged to the statement of earnings.

The statement of financial position of the parent company is translated into U.S. dollars using the exchange rate at the statement of financial position date and the statement of operations is translated into U.S. dollars using the average exchange rate for the period. All gains and losses on translation from the functional currency to the presentation currency are charged to other comprehensive income.

Income tax
Income tax on the earnings or loss for the periods presented comprises current and deferred tax. Income tax is recognized in earnings or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The Company does not provide for temporary differences relating to differences relating to investments in subsidiaries, associates, and joint ventures to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date applicable to the period of expected realization or settlement.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Share capital
Transaction costs directly attributable to the issue of common shares and share purchase options are recognized as a deduction from equity, net of any tax effects.

Share-based payments
The Company has established a share incentive plan (the "Plan") for the benefit of full-time and part-time employees, officers, directors and consultants of the Company and its affiliates. The Plan includes a stock award plan comprised of stock options and share appreciation rights. The maximum number of shares available under the Plan is limited to 10% of the issued common shares and that number of Class B shares as are required to be issued upon the exercise of awards issued prior to the Arrangement.

The fair value of all stock options granted is recorded as a charge to operations or deferred exploration costs and a credit to contributed surplus under the graded attribution method. The fair value, as adjusted for the estimated forfeiture rate, is measured at the date of grant and is recognized over the vesting period. The Company's stock options are subject to graded vesting and thus each tranche in the award is considered a separate grant, with a different vesting date and fair value for purposes of recognizing share-based payment expense. Prior to the vesting date, the then-current fair value of stock options granted to consultants is recognized as share-based payment expense from the date of grant to the reporting date and credited to contributed surplus. Any consideration received on the exercise of stock options together with the related portion of contributed surplus is credited to share capital. The fair value of stock options is estimated using the Black-Scholes option pricing model.

Employee benefits from options
Holders of options granted prior to December 20, 2013 are entitled to receive, upon exercise, one TMI common share and one TMI Class B share. The modified option is recognized as a liability because the Class B share is a financial liability and because they are not separable until they are exercised. The fair value of these options at the date of modification has been accounted for as a repurchase of equity instruments and therefore deducted from equity. At the end of each reporting period subsequent to initial recognition, the options are re-measured, with changes in value recognized directly in earnings or loss in the period in which they arise.

Convertible notes

For accounting purposes, each unit consisting of convertible notes and common share purchase warrants is separated into its liability and equity components using the effective interest rate method. The value of the liability component at the time of issue is calculated as the discounted cash flows for the convertible notes assuming a risk-adjusted interest rate which represents the estimated rate for a note without a conversion feature. The fair value of the equity component (conversion or warrant feature) is determined at the time of issue as the difference between the face value of the convertible notes and the fair value of the liability component.

4 Accounting standards issued but not yet effective

The standards and interpretations that are issued up to the date of issuance of the Company's financial statements and applicable to the Company, but were not effective during the year ended December 31, 2017, are disclosed below. The Company intends to adopt these standards when they become effective.

IFRS 9, Financial Instruments

This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. 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 is made to measure them at fair value through other comprehensive income, which results in changes in fair value not being recycled to the income statement. The adoption of this standard is not expected to have a material measurement or disclosure impact on the Company's financial statements.

IFRS 16, Leases

The new standard eliminates the classification of leases as either operating or finance leases for a lessee. Instead all leases are capitalized by recognizing the present value of lease payments and recognizing an asset and a financial liability representing an obligation to make future lease payments. The principles in IFRS 16 provide a more consistent approach to acquiring the use of an asset whether by leasing or purchasing an asset. The new leasing standard is applicable to all entities and will supersede current lease accounting standards under IFRS. IFRS 16 is mandatory for annual periods beginning on or after January 1, 2019

5 Use of estimates, assumptions and judgments

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Significant accounting judgements are made in particular with regard to the Company's ability to continue as a going concern and the assessment of impairment to the carrying value of mineral properties and the carrying value of Malku Khota project.

Going concern
The Company’s management has made an assessment of the Company’s ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. The factors considered by management are disclosed in Note 1.

Mining claims and deferred exploration costs
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.

Management reviews the carrying values of its mining claims on at least an annual basis, or when an impairment indicator exists, to determine whether an impairment should be recognized. In making its assessment, management considers, among other things, exploration results to date and future exploration plans for a particular property. In addition, capitalized costs related to relinquished property rights are written off in the period of relinquishment. Capitalized costs in respect of the Company’s mining claims may not be recoverable and there is a risk that these costs may be written down in future periods.

Malku Khota project
In July 2012 the Malku Khota project was expropriated by the State of Bolivia. The Malku Khota mining concessions were held by the Company’s Bolivian subsidiary, Compañia Minera Malku Khota S.A. (“CMMK”), a wholly-owned subsidiary of South American Silver Limited (“SASL”). A Bolivian Supreme Decree (the “Decree”) revoked the applicable mining concessions and indicated the Bolivian Government would contract an independent company to conduct a valuation of CMMK's investments to establish an amount and conditions under which the Bolivian Government will recognize and compensate CMMK for the investment previously made at the Malku Khota project. Prior to the expropriation the Company had capitalized approximately $18.7 million to the project. The Company has determined that the Decree revoking the mining concessions and indicating that compensation will be forthcoming does not represent a financial instrument under IFRS. However, an asset exists for the compensation expected from the State of Bolivia. SASL has initiated an international arbitration to seek compensation (see Note 8). Management regularly reviews the carrying amount of the Malku Khota project asset by comparing the carrying value to the amount of expected proceeds from the arbitration. If SASL is unsuccessful in the arbitration the Malku Khota project asset may be written down in future periods. The recoverability of amounts shown as Malku Khota project is dependent upon the ability to achieve compensation in excess of the carrying value.

Management performed a review of the recoverability of the carrying amount of the Malku Khota project by comparing the unamortized book value to the estimated recoverable amount as at December 31, 2017. Management has concluded that no impairment adjustment is necessary at this time.

In 2013 the Company entered into an Arbitration Costs Funding Agreement whereby a third party (the “Fund”) has agreed to cover most of SASL costs and expenses related to the international arbitration, including the costs and expenses of the enforcement of any award rendered by the arbitration tribunal, in exchange for a portion of any recoveries received pursuant to the arbitration proceedings or any settlement with Bolivia. No amounts are recognized in the Company's financial statements for most of the costs and expenses related to the arbitration because they are deemed to be the cost of the Fund to receive a portion of the recoveries.

(expressed in U.S. dollars)

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 such costs 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.

Critical estimates and assumptions are made in particular with regard to the assumptions used in calculating the fair value of Class B shares, warrants and share-based payments.

Share-based payments
The Company uses the fair-value method of accounting for share-based payments related to incentive stock options and compensation warrants granted, modified or settled. Under this method, compensation cost attributable to options granted is measured at fair value at the grant date and expensed over the vesting period. In determining the fair value, the Company makes estimates of the expected volatility of the stock, the expected life of the options, and an estimated risk-free interest rate. Changes to these estimates could result in the fair value of the share-based payments expense being less than or greater than the amount recorded.

Class B shares and related options
The estimated fair value of the Class B shares is estimated based on the quoted price of the Class B shares on the TSX. The estimated fair value of the non-current liability related to options exercisable into Class B shares and common shares is measured using estimates for the expected value of the stock, the expected life of the options and warrants, and an estimated risk-free rate. Changes to these estimates could result in the fair value of the Class B shares and of the stock options exercisable into Class B and common shares being less than or greater than the amount recorded.

Warrants
In determining the fair value of warrants included in unit placements, the Company makes estimates of the expected volatility of the stock, the expected life of the warrants, and an estimated risk-free interest rate. Changes in the input assumptions can materially affect the fair value estimates and the Company's classification between the equity components.

6 Receivables and prepaids

	December 31, 2017	**December 31, 2016**
	$	**$**
GST receivable	7,348	4,724
Drilling advance	66,519	131,389
Other receivables	7,542	5,049
Other prepaids and advances	99,587	91,111
	180,996	231,823

(expressed in U.S. dollars)

7 Mining claims and deferred exploration costs

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

	Escalones	Gold Springs	Total
	$	$	$
Balance at December 31, 2015	**14,958,164**	**11,702,583**	**26,660,747**
Land and option payments	39,621	207,458	247,079
Laboratory	10,588	151,579	162,167
Field supplies	-	15,418	15,418
Camp	5,954	38,472	44,426
Consulting and supervision	98,552	476,453	575,005
Surveying and staking	7,606	8,580	16,186
Environmental	3,085	160,902	163,987
Technical consulting	-	19,574	19,574
Drilling	-	546,144	546,144
Trenching	1,678	84,170	85,848
Travel and accommodation	1,557	143,679	145,236
Share-based payments	-	50,451	50,451
Value added tax credits	135	-	135
	168,776	1,902,880	2,071,656
Balance at December 31, 2016	**15,126,940**	**13,605,463**	**28,732,403**
Land and option payments	151,047	228,091	379,138
Laboratory	-	135,256	135,256
Field supplies	-	32,255	32,255
Camp	8,998	34,686	43,684
Consulting and supervision	165,386	667,619	833,005
Surveying and staking	1,083	28,953	30,036
Environmental	3,233	272,819	276,052
Technical consulting	12,117	102,607	114,724
Drilling	-	339,725	339,725
Trenching	-	125,940	125,940
Travel and accommodation	16,788	198,963	215,751
Share-based payments	-	63,073	63,073
Value added tax credits	289	-	289
	358,941	2,229,987	2,588,928
Balance at December 31, 2017	**15,485,881**	**15,835,450**	**31,321,331**

Escalones, Chile

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. Pursuant to the Boezio Option, as revised on June 23, 2017, the Company has the right until June 30, 2022 to purchase the claims upon payment of $7,800,000. As at December 31, 2017, $3,300,000 has been paid. The remaining $4,500,000 is payable as follows: $100,000 on June 30, 2018, $400,000 on June 30, 2019, $500,000 on each of June 30, 2020 and 2021, and a final payment of $3,000,000 on June 30, 2022.

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 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.

Gold Springs, USA
The Gold Springs mineral property was acquired through the 2013 acquisition of High Desert Gold Corporation ("HDG").

During the year ended December 31, 2017 the Company increased the size of the Gold Springs property by entering into lease and surface use agreements. Pursuant to the agreements, the Company has entered into a 30 year lease beginning on October 25, 2017 for the mineral rights on certain patented mining claims and a 30 year surface use agreement on certain homestead lands upon payment as follows: $41,035 paid on execution of the agreement, $40,000 on October 25, 2018, $45,000 on October 25, 2019, $50,000 on October 25, 2019 and $55,000 on each anniversary until October 25, 2047. In addition, upon commencement of commercial production, the Company is to pay the lessor a 3% net smelter returns royalty which is to be increased in relation to the average price per troy ounce of gold. The Company has the right and option, prior to commencement of commercial production, to buy back 0.5% of the net smelter return for the sum of $1,000,000, payable within 60 days from and after commencement of commercial production.

During the year ended December 31, 2016, the Company also expanded its Gold Springs property holdings by acquiring a 64.75 hectare Utah State mineral lease at a cost of $20,000.

During year ended December 31, 2017, the Company acquired the rights to 1,658 acre feet of water per year for the Gold Springs project through a water lease agreement which includes an option to purchase 1,500 of the 1,658 acre feet of water rights. A lease payment of $75,000 is payable quarterly, and such payments may be offset prior to mining by subleasing the water rights. During the year ended December 31, 2017 the Company made payments of $375,000 under the terms of this agreement and received $70,630 in sublease payments. These costs have been expensed as sundry exploration costs during the year ended December 31, 2017. Subsequent to December 31, 2017 the Company cancelled the water lease and sub lease agreements.

8 Malku Khota project

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 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.

On September 24, 2014, SASL filed its statement of claim and memorial on the merits. 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. In accordance with the procedural calendar SASL's reply to Bolivia's statement of defense and counter-memorial was filed on November 30, 2015. Pursuant to extensions granted by the Tribunal to both parties, Bolivia's rejoinder was filed on March 21, 2016 and SASL's Rejoinder on Jurisdiction was filed on May 3, 2016. The oral hearing was held in Washington, D.C., on July 11 to July 21, 2016. Pursuant to the procedural orders in place, both parties submitted post-hearing memorials on October 31, 2016, after which the Tribunal will deliberate and issue a final award.

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. As an alternative, SASL had been seeking restitution of the Malku Khota project along with monetary damages for project-delay in the amount of $176.4 million, including pre-award interest, but after the second round of pleadings, SASL elected not to pursue its claim for restitution of the project itself along with the delay damages due to, among other things, the fact that restitution is rarely granted by tribunals (and even when it is, States are usually given the option of paying current fair market value in lieu of restitution), the changes in the Bolivian mining law since the expropriation impose onerous conditions on foreign investors, and Bolivia's conduct during the arbitration.

(expressed in U.S. dollars)

9 Convertible notes

	Liability component	Equity component	Contributed surplus
	$	$	$
Balance – December 31, 2015	1,309,770	317,197	101,914
Accretion	130,901	-	-
Foreign exchange	37,370	-	-
Transfer to share capital on exercise of warrants	-	-	(44,388)
Balance – December 31, 2016	1,478,041	317,197	57,526
Accretion	146,697	-	-
Foreign exchange	106,871	-	-
Transfer to share capital on exercise of warrants	-	-	(57,526)
Balance – December 31, 2017	**1,731,609**	**317,197**	**-**

During 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 $1,770,572 (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 ("Conversion Price"). 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 are secured by a pledge of approximately 20.7% of the shares of the Company's subsidiary in Chile, which is the holder of the Escalones property.

Each Warrant was exercisable to purchase one common share of the Company at the exercise price of Cdn. $0.10 per share until July 23, 2017. During the year ended December 31, 2017, the remaining 4,203,243 (December 31, 2016 – 3,243,243) of these warrants were exercised.

(expressed in U.S. dollars)

10 Class B shares

During the year ended December 31, 2016, 96,505 Class B shares were issued pursuant to the exercise of SAR's. As at December 31, 2017, an aggregate 116,375,152 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 based on the quoted price of the Class B shares on the Toronto Stock Exchange ("TSX").

	$
Balance – December 31, 2015	9,241,245
Change in fair value	11,561,046
Balance – December 31, 2016	20,802,291
Change in fair value	(394,512)
Balance – December 31, 2017	**20,407,779**

The Class B shares are considered financial instruments and are disclosed as non-current liabilities.

11 Share capital

Authorized

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

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 December 31, 2017.

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 by TMI 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.

Financings

During the year ended December 31, 2017, the Company completed in two tranches a private placement for gross proceeds of $2,853,977 (Cdn. $3,853,985) through the issuance of 16,058,270 units at a price of Cdn. $0.24 per unit. Each unit is comprised of one common share and one half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share of the Company at an exercise price of Cdn. $0.30 per share for a period of 30 months from the closing date of the private placement. A value of $716,903 was attributed to these warrants using the Black-Scholes option-pricing model and has been credited to contributed surplus. Assumptions used in the pricing model were as follows: average risk-free interest rate – 1.03%; expected life – 2.5 years; expected volatility – 87% to 88%; and expected dividends – nil.

(expressed in U.S. dollars)

In connection with the private placement, the Company paid share issuance costs of $358,372 and issued 963,496 non-transferable compensation-warrants. Each compensation-warrant entitles the holder to purchase one unit, for a period of 30 months, at a price of Cdn. $0.25 per unit. A value of $94,093 was attributed to these warrants based on the Black-Scholes option-pricing model. Assumptions used in the pricing model were as follows: average risk-free interest rate – 1.03%; expected life – 2.5 years; expected volatility – 87% to 88%; and expected dividends – nil.

During 2017, the Company also received $312,253 (Cdn. $420,324) from the exercise of 4,203,243 share purchase warrants at Cdn. $0.10 per share.

During the year ended December 31, 2016, the Company completed in two tranches a private placement for gross proceeds of $3,327,711 (Cdn. $4,348,250) through the issuance of 17,393,000 units at a price of Cdn. $0.25 per unit. Each unit is comprised of one common share and one half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share of the Company at an exercise price of Cdn. $0.40 per share for a period of 36 months from the closing date of the private placement. A value of $1,255,450 was attributed to these warrants using the Black-Scholes option-pricing model and has been credited to contributed surplus. Assumptions used in the pricing model were as follows: average risk-free interest rate – 1.15%; expected life – 3 years; expected volatility – 114% to 117%; and expected dividends – nil.

In connection with the private placement, the Company paid share issuance costs of $49,036 and issued 79,200 non-transferable compensation-warrants. Each compensation-warrant entitles the holder to purchase one Unit, for a period of 18 months, at a price of Cdn. $0.30 per Unit. $8,419 was attributed to these warrants based on the Black-Scholes option-pricing model. Assumptions used in the pricing model were as follows: average risk-free interest rate – 1.15%; expected life – 1.5 years; expected volatility – 106%; and expected dividends – nil.

Stock options

The Company's stock options outstanding as at December 31, 2017 and 2016 and the changes for the years then ended are as follows:

	Number of options	**Weighted average exercise price (per share)**	**Weighted average remaining life (years)**
		Cdn $	
Balance – December 31, 2015	11,746,916	0.62	2.98
Granted	2,720,000	0.30	
Exercised	(433,333)	0.32	
Forfeited	(3,193,125)	1.44	
Balance – December 31, 2016	10,840,458	0.31	3.04
Granted	2,525,000	0.30	
Exercised	(500,000)	0.10	
Expired	(167,750)	1.00	
Forfeited	(1,156,250)	0.33	
Balance – December 31, 2017	11,541,458	0.30	2.57
Exercisable – December 31, 2017	10,331,180	0.30	2.38

(expressed in U.S. dollars)

During 2017, the weighted average stock price on the date of option exercise was Cdn. $0.20 (2016 – Cdn $0.50) per share.

During the year ended December 31, 2017, the Company granted 2,525,000 stock options of which 1,475,000 vested immediately and 525,000 will vest 12 months following the date of the grant; and the remaining 525,000 will vest 24 months following the date of the grant.

During the year ended December 31, 2016, the Company granted 2,720,000 stock options of which 1,573,333 vested immediately and 423,333 vested 12 months following the date of the grant; and 423,333 will vest in 24 months following the date of the grant. There were 250,000 options that vested quarterly on each of the 3, 6, 9 and 12 month anniversaries of the date of grant.

During the year ended December 31, 2017, the Company recorded share-based payments of $363,493 (2016 - $390,403) in respect of stock options. Of this amount, $300,420 (2016 - $339,952) was recorded as a charge to operations and $63,073 (2016 - $50,451) was included in deferred exploration costs. The weighted average grant date fair value of options granted during the year ended December 31, 2017 was $0.13 per share (2016 - $0.17 per share). The fair value of each option grant during the years ended December 31, 2017 and 2016 was estimated at the time of the grant using the Black-Scholes option pricing model with assumptions for grants as follows:

	2017	**2016**
Weighted average exercise price	Cdn. $0.30	Cdn. $0.30
Weighted average grant date share price	Cdn. $0.24	Cdn. $0.30
Risk-free interest rate	1.13%	1.4%
Expected life	5.0 years	5.0 years
Expected volatility	103%	104% to 105%
Dividend rate	0%	0%

Grant date share price is the closing market price on the date before the options were granted. Expected volatility was determined by measuring the historical volatility of the Company's share price. The historical period used to measure historical volatility was the same as the expected life of the options granted.

The balance of options outstanding as at December 31, 2017 is as follows:

Expiry date	**Exercise price Cdn$**	**Number of options outstanding**	**Number of options exercisable**
October 21, 2018 (1)	0.44	1,033,333	1,033,333
October 22, 2018	0.65	515,625	515,625
December 23, 2018	0.10	1,500,000	1,500,000
January 28, 2019	0.365	300,000	300,000
November 13, 2019	0.42	1,467,500	1,467,500
August 12, 2020	0.21	2,017,500	2,017,500
May 19, 2021	0.305	1,882,500	1,555,555
October 10, 2021	0.285	250,000	250,000
November 10, 2021	0.25	250,000	250,000
November 21, 2021	0.225	50,000	50,000
June 12, 2022	0.30	2,275,000	1,391,667
		11,451,458	10,331,180

(expressed in U.S. dollars)

(1) These are stock options to acquire one common share and one Class B share. These stock options have been categorized as a financial liability. The fair values of these options has been estimated using the Black Scholes option-pricing model. Assumptions used in the pricing model are as follows: average risk-free interest rate – 0.7%; expected life – 1.8 years; expected volatility – 77%; and expected dividends – nil. The fair value of these options as at December 31, 2017 amounts to $58,456 (December 31, 2016 - $156,842). The change in fair value of these stock options during the year ended December 31, 2017 of $98,386 (2015 - $92,539) was included in loss for the year.

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.

Warrants

The Company's warrants outstanding as at December 31, 2017 and 2016 and the changes for the years then ended are as follows:

	Number of options	Weighted average exercise price (per share)	Weighted average remaining life (years)
		Cdn$	
Balance – December 31, 2015	7,996,486	0.15	1.46
Warrants issued	8,775,700	0.40	
Warrants exercised	(3,243,243)	0.10	
Warrants expired	(550,000)	0.84	
Balance – December 31, 2016	12,978,943	0.30	1.87
Warrants issued	8,992,631	0.29	
Warrants exercised	(4,203,243)	0.10	
Balance – December 31, 2017	17,768,331	0.35	1.72

Warrants to acquire common shares are outstanding at December 31, 2017 as follows:

Expiry Date	Exercise Price Cdn$	Number of warrants outstanding
January 5, 2018	0.30	6,000
January 11, 2018	0.30	73,200
July 5, 2019(2)	0.40	4,472,500
July 11, 2019(2)	0.40	4,224,000
December 2, 2019	0.30	7,300,000
December 2, 2019(2)	0.25	876,000
December 8, 2019	0.30	729,135
December 8, 2019(2)	0.25	87,496
		17,768,331

(2) These represent compensation warrants. Each compensation-warrant entitles the holder to acquire one unit consisting of one common share and one half of one common share purchase warrant, with each whole warrant entitling the holder to purchase an additional common share at the exercise price shown.

Subsequent to December 31, 2017 a total of 79,200 warrants with an exercise price of $0.30 expired unexercised.

(expressed in U.S. dollars)

12 Income taxes

	2017	2016
	$	$
Origination and reversal of timing differences	(395,642)	(623,224)
Adjustment to unrecognized deferred tax asset	395,642	623,224)
		-

The tax on the Company's profit before tax differs from the amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	2017	2016
Tax rate	26%	26%
	$	$
Net loss for the year	(1,976,548)	(13,854,850)
Provision for income taxes at applicable rates	(513,902)	(3,602,261)
Tax effects of:		
Prior year adjustments	192,245	(30,437)
Foreign rate differences	(63,090)	(70,419)
Non-deductible expenses and non-taxable gains	(49,657)	3,042,355
Losses not recognized	38,762	37,538
Adjustments to benefits not recognized	395,642	623,224
Income tax expense	-	-

The analysis of deferred tax assets and deferred tax liabilities as at December 31, 2017 and 2016 is as follows:

	2017	2016
	$	$
Deferred tax assets	10,570,624	10,050,464
Deferred tax liabilities	(521,333)	(521,333)
Benefits not recognized	(10,049,291)	(9,529,131)
Net deferred tax balance	-	-

(expressed in U.S. dollars)

The movement of deferred tax assets for the years ended December 31, 2017 and 2016 are as follows:

	Operating loss carry forwards	Excess of tax basis over carrying value of assets	Tax basis of financing fees in excess of book value	Unrealized gains and losses charged to OCI	Total
	$	$	$	$	$
Balance, December 31, 2015	8,791,284	386,405	68,078	160,831	9,406,598
Charged to equity	-	-	14,938		14,938
Charged (credited) to the statement of loss	685,010	9,278	(71,066)		623,222
Charged to OCI	-	-	-	5,706	5,706
Balance, December 31, 2016	9,476,294	395,683	11,950	166,537	10,050,464
Charged to equity	-	-	93,177	-	93,177
Charged (credited) to the statement of loss	424,512	(7,248)	(21,623)	-	395,641
Charged to OCI	-	-	-	31,342	31,342
Balance, December 31, 2017	**9,900,806**	**388,435**	**83,504**	**197,879**	**10,570,624**

The Company has a non-capital loss carried forward available to reduce future taxable income of approximately $35,779,000. Of this amount, $768,000 do not expire. The remainder of the losses expire as follows:

	$
2026	87,000
2027	681,000
2028	1,118,000
2029	1,628,000
2030	3,802,000
2031	6,269,000
2032	6,545,000
2033	5,733,000
2034	3,571,000
2035	2,265,000
2036	1,904,000
2037	2,176,000
	35,779,000

The potential benefits of these carry-forward non-capital losses, capital losses and deductible temporary differences has not been recognized in these financial statements as it is not considered probable that sufficient future taxable profit in the same entity will allow the deferred tax asset to be recovered.

In addition to the tax losses listed above there are certain resource related and other expenditures of approximately $17,844,000 (2015 - $17,865,000) which can be used to offset future Canadian taxable income.

(expressed in U.S. dollars)

13 Related party transactions

The Company incurred the following expenditures during the years ended December 31, 2017 and 2016 that were charged by related parties:

	2017	2016
	$	$
Consulting fees	26,329	64,919
Consulting fees - mineral property costs	53,445	14,360
Professional fees	108,125	88,599
Share issue costs	80,293	18,387
	268,192	186,265

Included in accounts payable at December 31, 2017 is an amount of $94,936 (December 31, 2016 - $59,358) 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 years ended December 31, 2017 and 2016 is as follows:

	2017	2016
	$	$
Consulting fees	16,229	-
Directors' fees	69,300	57,288
Wages and benefits	260,221	279,750
Share-based payments	208,752	261,577
	554,502	598,615

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.

Malku Khota project

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 December 31, 2017, the arbitration has not been settled and the amount of the contingent payment, if any, 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 December 31, 2017, the arbitration has not been settled and accordingly the success fee is deemed to be indeterminable and accordingly nothing has been accrued.

(expressed in U.S. dollars)

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.

Convertible notes
The Notes issued in 2015 (Note 10) are secured by a pledge of approximately 20.7% of the shares of the Company's subsidiary in Chile, the holder of the Escalones property.

Mexican uncertain tax position
The Company recorded a provision for Mexican tax on the 2013 acquisition of HDG. The provision related to the 2011 transfer of a Mexican mineral property. Management believes that it is unlikely that its 2011 Mexican tax return will be reassessed and during 2015 reversed the previous accrual amounting to $426,503. The Mexican tax authorities have until 2018 to assess the existing filing.

15 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 December 31, 2017 and 2016 is as follows:

Identifiable assets	**2017**	**2016**
	$	**$**
Bolivia	18,760,469	18,756,620
Canada	433,817	2,210,527
Chile	15,571,670	15,296,987
United States	16,418,155	13,995,223
Total assets	51,184,111	50,259,357

Identifiable liabilities	**2017**	**2016**
	$	**$**
Bolivia	5,373	4,276
Canada	158,291	88,399
Chile	9,598	7,838
United States	122,151	164,804
Total liabilities	295,413	265,317

(expressed in U.S. dollars)

Geographic segmentation of the Company's net loss for the years ended December 31, 2017 and 2016 is as follows:

	2017	2016
	$	$
Bolivia	108,431	81,768
Canada	910,633	13,062,734
Chile	46,979	54,386
United States	910,496	655,962
Net loss	1,976,539	13,854,850

16 Supplemental cash flow information

The Company conducted non-cash investing and financing activities during the years ended December 31, 2017 and 2016 as follows:

	2017	2016
	$	$
Interest income included in receivables and prepaids	1,758	1,517
Investing activities		
Deferred exploration costs included in accounts payable	(121,694)	(60,831)
Financing activities		
Share-based payments included in deferred exploration costs	63,073	50,451

17 Financial instruments

Management of capital

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain a flexible capital structure which optimizes the costs of capital as an acceptable risk. In the management of capital, the Company includes the components of equity attributable to shareholders and the convertible notes, as well as cash and cash equivalents.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust capital structure, the Company may attempt to issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents.

The Company is dependent on the equity markets as its principal source of operating working capital and the Company's capital resources are largely determined by the strength of the junior resource markets and by the status of the Company's projects in relation to these markets, and its ability to compete for investor support of its projects.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors.

The Company is not subject to any capital requirements imposed by a regulator, other than continued listing requirements of the TSX. The Company expects its current capital resources will be sufficient to carry out its exploration plans and operations through the current operating period.

The Company's investment policy is to invest its cash in term deposits, with maturities of three months or less from the original date of acquisition.

There have been no changes to the Company's approach in managing capital during the year ended December 31, 2017.

Fair value of financial instruments

The Company classifies fair values of financial instruments within a three-level hierarchy that prioritizes the inputs to fair value measurement and reflects the significance of the inputs used in making the fair value measurements. Fair values of assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 include valuations using inputs other than quoted prices for which all significant outputs are observable, either directly or indirectly. Level 3 valuations are based on inputs that are unobservable and significant to the overall fair value measurement. The Company's marketable securities and its Class B shares have been classified as "Level 1" financial instruments and stock options exercisable into Class B and common shares have been classified as "Level 2" financial instruments.

Currency risk

A portion of the Company's financial assets and liabilities is denominated in foreign currencies giving rise to risks from changes in foreign exchange rates. The Company is exposed to currency exchange rate risks to the extent of its activities in the U.S., Bolivia, Chile and Mexico. The Company's currency risk is presently limited to approximately $15,000 of financial assets and liabilities denominated in U.S. dollars which are denominated in Canadian dollars, Bolivian Bolivianos, Chilean pesos, or Mexican pesos. Based on this exposure as at December 31, 2017, a 5% change in exchange rates would not give rise to a material change in net earnings. The Company does not use derivative financial instruments to reduce its foreign exchange exposure.

Credit risk

Credit risk is the risk of loss if a customer or third party to a financial instrument fails to meet its commercial obligations.

The majority of the Company's cash is held with a Canadian chartered bank and accordingly, the Company's exposure to credit risk is considered to be limited. Cash equivalents consist of term deposits which have an original maturity of three months or less from the date of purchase and which are readily convertible into a known amount of cash. The Company also maintains deposits for ongoing working capital at major banks in the jurisdictions in which its foreign subsidiaries operate.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company manages its cash according to its operational needs and to maximize interest revenue.

Liquidity risk

The Company manages liquidity risk by maintaining sufficient cash and cash equivalents balances to enable settlement of transactions on the due date. Accounts payable and accrued liabilities are all current. See Note 1.

18 Subsequent event

Subsequent to December 31, 2017, the Company completed, in two tranches, a private placement for gross proceeds of $1,296,175 (Cdn. $1,654,250) through the issuance of 11,028,333 units at a price of Cdn. $0.15 per unit. Each unit is comprised of one common share and one half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share of the Company at an exercise price of Cdn. $0.25 per share for a period of 30 months from the closing date of the private placement.