

**TriMetals Mining Inc.**  
**Year Ended December 31, 2016**  
**Management's Discussion & Analysis ("MD&A")**  
**March 16, 2017**

## Introduction

The following information, prepared as of March 16, 2017, should be read in conjunction with the audited consolidated financial statements of TriMetals Mining Inc. (“TMI” or the “Company”) for the year ended December 31, 2016 which have been prepared in accordance with International Financial Reporting Standards (“IFRS”). All amounts are expressed in U.S. dollars unless otherwise indicated.

This MD&A contains forward looking statements. For a description of the assumptions made in developing the forward-looking statements and the material factors that could cause the Company’s actual results to differ materially from the forward-looking statements in this MD&A, please see the “Cautionary notes” and “Risks and uncertainties” sections below.

## General

The Company is a growth focused mineral exploration company creating value through the exploration and development of the near surface Gold Springs gold-silver project along the Nevada-Utah border. The Company also holds the large scale Escalones copper-gold project located in the world renowned Chilean copper belt and is seeking compensation based on the fair market value of the expropriated Malku Khota project in Bolivia through an arbitration process.

The Company’s approach to business combines the team’s track record of discovery and advancement of large projects, key operational and process expertise, and a focus on community relations and sustainable development. Management has extensive experience in the global exploration and mining industry.

The Company’s common shares and Class B shares trade on the Toronto Stock Exchange (the “TSX”) under the symbols TMI and TMI.B, respectively, and the Company’s common shares and Class B shares trade in the US on the OTCQX International Market as TMIAF and TMIBF. The Class B shares are entitled 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 award or settlement in relation to the Company’s subsidiary South American Silver Limited’s arbitration proceeding against Bolivia for the expropriation of the Malku Khota project in 2012. The Class B shares have no interest in the other assets or properties of the Company.

All references to the Company include TMI and its subsidiaries unless the context requires otherwise and all references to the business of the Company include the business conducted by TMI and its wholly-owned subsidiaries, currently and prior to incorporation or acquisition.

## Projects

### Gold Springs gold project, USA

The Company holds a 100% interest in the 75 square kilometre Gold Springs gold project located on the Nevada-Utah border. In addition to drilling, the Company has completed rock chip sampling, preliminary mapping, soil sampling, stream sediment sampling, and a property-wide LIDAR, aero-magnetic and ZTEM geophysical surveys. The ZTEM geophysical survey identified three structural trends, namely, Jumbo, Grey Eagle and Thor, and the geological work identified 26 surface targets with outcropping gold mineralization, with a majority of them included in these 3 structural trends.

As of the effective date of this MD&A, the Company has completed 239 drill holes at Gold Springs for a total of 35,490 meters. The Company has completed resource estimates on 2 (Jumbo and Grey Eagle targets) of the 26 outcropping targets based on the the assay information from drill holes completed through 2014.

The gold-silver mineralization, at both the Jumbo and Grey Eagle targets, remains open to expansion laterally and to depth and the drilling has typically only penetrated the top 150 metres vertically below the surface at Jumbo (maximum drilled depth of 280 metres) and 130 metres below the surface at Grey Eagle (maximum drilled depth of 262 metres). The ZTEM geophysical survey, completed in 2011, indicates that the gold-silver bearing geological and geophysical settings that have been drilled at Jumbo may continue for approximately 5.5 kilometres along strike (the “Jumbo Trend”), which remains largely untested.

The present plan is to update the 2015 mineral resource estimate for Gold Springs by the end of March of 2017 by including the assay results from the 2015 and 2016 drill programs.

#### *2015 Resource Estimate*

On June 3, 2015, the Company announced the completion of an updated resource estimate for the Jumbo and Grey Eagle targets (NR 15-07, June 3, 2015).

<b>Grey Eagle plus Jumbo Mineral Resource (Effective at June 3, 2015) *</b>							
<b>Resource</b>		<b>Gold</b>		<b>Silver</b>		<b>Gold Equivalence ***</b>	
<b>Cutoff Au g/t</b>	Tonnes	Troy oz	Grade g/t	Troy oz	Grade g/t	Troy oz AuEq	Grade g/t AuEq
<b>Measured and Indicated</b>							
<b>0.2</b>	30,046,000	434,000	0.45	9,297,000	9.6	597,000	0.62
<b>0.3</b>	19,003,000	348,000	0.57	6,956,000	11.4	469,000	0.77
<b>Inferred **</b>							
<b>0.2</b>	20,887,000	225,000	0.34	4,614,000	6.9	306,000	0.46
<b>0.3</b>	9,889,000	140,000	0.44	2,766,000	8.7	188,000	0.59

*Numbers have been rounded, which may lead to some numbers not adding up exactly.*

*\* The 2015 mineral resource estimate on the Gold Springs Project was derived from the Technical Report Preliminary Economic Assessment Update on the Gold Springs Property, Utah/Nevada, USA dated and filed on SEDAR on August 12, 2015, authored by Global Resource Engineering Ltd. ("GRE") and Kurt Katsura.*

*\*\* The Inferred resource is in addition to the measured and indicated resource.*

*\*\*\* Gold equivalent calculations reflect gross metal content using a gold/silver price ratio of 57.14 and have not been adjusted for metallurgical recoveries.*

#### *Drilling*

On July 26, 2016, the Company announced the start of its 2016 drill program at Gold Springs. The program, which is now completed, consisted of 43 drill holes totalling 23,115 feet (7,046 metres) of reverse circulation ("RC") drilling. The program focused first on the vein system of the Thor structural trend ("Thor Trend") located in the Nevada side of the project which has the potential for higher-grade mineralization than the average grade of the Company's existing resource estimate at Gold Springs. 14 holes were drilled in the Thor Trend as part of the 2016 drill program. Following initial drilling at the Thor Trend, the drill program focused on the Jumbo Trend in the Utah side of the project. The goal is to expand the existing bulk-tonnage, heap-leachable mineral resource which is located on the northern end of the Jumbo Trend (North Jumbo) in an area that covers approximately 1.3 kilometres of strike-length of the 5.5-kilometre Jumbo Trend, as well as to further test the Jumbo Trend to the south, including the State Section target (formerly known as Shark's Belly) located in the middle of the Jumbo Trend (Central Jumbo) and the Etna target located in the southern end of the trend (South Jumbo). 29 holes were drilled in the Jumbo Trend as part of the 2016 drill program.

During 2015, 14 RC drill holes were completed at Gold Springs. All drill holes were completed in Utah, in the Jumbo target. The 2015 drilling was conducted to extend and better define the mineralization to the north, test for deeper mineralization to the east of the main zone, explore for down-dip extensions to the mineralization, and test a ZTEM geophysical anomaly located southwest of the southern extension of the Jumbo target.

#### *Jumbo Trend*

The results of the first 13 holes from the 2016 drill program at Jumbo (NR 16-22, October 26, 2016 and NR 16-27, December 14, 2016) demonstrate an extension of the mineralized zone to the south and to the east of the Jumbo target (existing resource estimate) located in North Jumbo (northern end of the Jumbo Trend), and with grades higher than the resource average grade reported in the existing Gold Springs resource estimate and PEA. 5 holes intercepted strong mineralization with a consistent set of results above 1 g/t AuEq<sup>1</sup>.

4 additional holes were drilled on the northern end of the Jumbo target (NR 16-28, December 16, 2016) to extend and fill-in mineralization that was drilled in 2014 and 2015. The Company believes that these 4 holes showed that the

<sup>1</sup> Gold equivalent ("AuEq") using a gold/silver price ratio of 61.9 and not adjusted for metallurgical recoveries

mineralization of the existing resource estimate at the Jumbo target continues further to the north with these holes filling-in another 200 metres of strike length, and include some high grade near surface mineralization. The best hole of this round was J-16-010 which intercepted 4.6 m @ 5.4 g/t AuEq<sup>1</sup>.

On January 11, 2017 (NR 17-01) and on March 2, 2017 (NR 17-03) the Company announced a total of 8 drill results from South Jumbo (Etna Target) located towards the southern end of the Jumbo Trend, around the historic Etna mine, 1.5 km south of our existing Jumbo mineral resource. The Company believes that these holes, most of which ended in mineralization, demonstrate the existence of an open-ended zone of gold mineralization in South Jumbo, extending for 400 metres, open along strike both to the north and south, and to depth, of higher-grade, near surface, mineralization than has typically been drilled in the past. Some strong interceptions include drill hole E-16-005 with 150.9 m @ 1 g/t AuEq<sup>1</sup> including 18.3 m @ 3.84 g/t AuEq<sup>1</sup> and E-16-004 with 24.4 m @ 2.22 g/t AuEq<sup>1</sup>.

On March 2, 2017 (NR 17-03), the Company also announced results from 3 holes drilled in the State Section target located in the central portion of the Jumbo trend (Central Jumbo). The best hole (SS-16-001) returned 12.2 metres at 0.79 g/t Au and 5.79 g/t Ag. This hole, located in the central portion of the Jumbo Trend between the North Jumbo (location of the Jumbo target resource estimate) and South Jumbo (Etna target), intersected the mineralized system, again confirming the continuity of the mineralization flanking the 5.5 km long Jumbo Structural Trend resistivity high. Drilling has now indicated the presence of gold mineralization over approximately half of the 5.5 km Jumbo Trend.

The results of the 2015 drilling program showed an expansion of the mineralized zone at the North end of the Jumbo target, together with some high-grade intercepts. All 14 RC holes of the 2015 program were drilled at the Jumbo target. Hole J-15-003 was the best hole of the 2015 program with 106.7 m @ 0.81 g/t AuEq<sup>1</sup>.

On January 27, 2016, the Company announced that it had acquired the last remaining block of the Jumbo trend, a quarter section encompassing the historic Etna mine.

#### *Thor*

On March 1, 2016, the Company announced the completion of the analysis of exploration data on and around the patented Talisman claim which includes portions of the historic Thor Vein located in Nevada very close to the Utah border. The analysis of exploration data identified high-priority drill targets defined by a combination of drill hole, outcrop, and float sample assays over a strike length of 1,100 metres. Geophysics indicate that the entire vein system forming the Thor Trend may extend for 1.6 km and the drill results, surface geology and sampling indicate there may be more than one mineralized vein zone within the system.

On June 24, 2016 the Company started a trenching program designed to expose the vein systems in the Thor Trend which contain multi-gram samples and better understand these systems and potentially expose additional veining in areas of post-mineral cover. On August 15, 2016, the Company announced the results of the trenching program in which several new vein systems were exposed (See NR 16-19, dated August 15, 2016).

On July 26, 2016, the Company started its 2016 drill program at the Thor Trend and 14 RC drill holes were completed as part of the program. All 14 holes intersected mineralized vein material. Together with 7 historic intercepts, the results of the 14 holes established the continuity of a 400-metre segment of the Thor Trend. The best hole drilled at Thor in the 2016 drill program was T-16-001 which intercepted 7 oz./t gold over 1.5 metres at depth and 4 g/t AuEq<sup>1</sup> over 6.1 metres near-surface (See NR 16-20 dated August 30, 2016).

The relatively narrow higher-grade veins at Thor are of interest for the development of an at-surface, higher-grade resource that could be used for a starter-pit and which has the potential to positively impact the project economics described in the Gold Springs PEA.

#### *2015 Preliminary Economic Assessment Update*

On August 12, 2015, the Company announced the filing on SEDAR of an updated Preliminary Economic Assessment ("updated PEA") of the Gold Springs project (NR 15-10, dated August 12, 2015). The 2015 resource estimate which supports the updated PEA includes the assay information from drill holes completed through 2014.

The updated PEA base-case<sup>2</sup> assumes contractor mining, uses a price of gold of \$1,300/oz and a price of silver of \$21/oz, and projected metal recovery rates of 73% for gold at Jumbo, 72% of gold at Grey Eagle, 40% for silver at Jumbo and 20% for silver at Grey Eagle. The base-case includes a 15,000 tonne-per-day mine plan of 9 years with a

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<sup>1</sup> Gold equivalent ("AuEq") using a gold/silver price ratio of 61.9 and not adjusted for metallurgical recoveries

<sup>2</sup> This information was derived from the Technical Report Preliminary Economic Assessment Update on the Gold Springs Property, Utah/Nevada, USA dated and filed on SEDAR on August 12, 2015, authored by Global Resource Engineering Ltd. ("GRE") and Kurt Katsura.

2:1 strip ratio; heap-leachable, open-pit operation using the Merrill-Crowe metal-recovery process. The updated PEA yields a pre-tax NPV<sub>5%</sub> of \$137.4 million (after-tax \$92.1 million), a pre-tax IRR of 49.9% (after-tax 35.8%), cash operating cost of \$669/Au<sup>1</sup> oz and a fully-loaded cost of \$863/Au<sup>1</sup> oz. The base-case requires a pre-production capital cost of \$55 million (including a \$6.4 million contingency) and on-going capital cost of \$24.8 million (including a \$3.7 million contingency). As the existing resource estimate that supports the updated PEA mainly includes assay information of only 2 of the 26 identified outcropping gold targets at Gold Springs, additional drilling has the potential to expand the resource estimate, and enhance project economics, significantly.

### *Metallurgical Testing*

Six mini-column (2 feet high) tests were completed in 2015 on six different types of mineralized materials from Grey Eagle and Jumbo. These tests included reagent variations to enhance silver extraction. The metallurgical report received from these tests indicated that using a simple average, gold recoveries for the Grey Eagle and Jumbo areas were 77% and 68%, respectively. This does not take into account weighting of the recovery by proportion of type of mineralized material. Globally the recovery averaged 73% for gold at Jumbo and 72% at Grey Eagle. Silver recovery averaged 16% and 47% for Grey Eagle and Jumbo, respectively which after adjusting for weighting by type of mineralized material equates to a 20% recovery at Grey Eagle and 40% at Jumbo. The cause for the lower silver recovery at Grey Eagle is unknown at this time. Additional metallurgical tests were completed to determine the grain size selection for large-column tests. These additional tests known as “bucket” tests were completed on nine types of mineralized materials at four different grain sizes with the largest being one inch. A summary of the results was reported in the updated PEA in August 2015. These results were used to choose the ¾-inch grain size for the large, full size (2-metre high and 4-inch diameter) cyanide column tests, similar sized material to that which would be used in a “heap leach” mine. Three full size column-tests were completed in 2016 on three different types of mineralized materials from Jumbo using ¾-inch material and covered a wide range of gold grades. Each material type was crushed to a P80 of ¾ inches, and loaded into the columns. These 3 types of mineralized materials used in the columns, of the 5 Jumbo material types used in the 2015 PEA, represent approximately 73% of the Jumbo resource as presented in the 2015 PEA. The tests were conducted over a long period of time to look at extraction rates over the short term and long term after a “rest period” in which no additional cyanide solution was applied. The results suggest that higher recoveries than those used in the PEA may be possible both in gold and silver (NR 16-23, dated November 2, 2016).

### *Permitting*

The Company submitted a Plan of Operations (“PoO”) to the US Bureau of Land Management (“BLM”) Caliente Office of the State of Nevada on May 23, 2013 and to the BLM Cedar City Office of the State of Utah on April 7, 2014. At the time it was submitted, the PoO was the Company’s proposal of exploration and resource expansion activities to be conducted in certain target areas of the Gold Springs project. The submission of the PoOs to the BLM offices triggered an Environmental Assessment (“EA”) in each State. On March 27, 2014, the BLM Caliente Office of the State of Nevada issued a Finding Of No Significant Impact document (“FONSI”) accepting TMI’s EA covering the Nevada portion of the Gold Springs project (NR 14-07, April 3, 2014). On September 22, 2015, the BLM Cedar City Office of the State of Utah issued a FONSI accepting TMI’s EA covering the Utah portion of the Gold Springs project (NR 15-11, September 29, 2015). The acceptance of the EAs by the BLM offices of both States, along with concurrence by each State’s Environmental Departments, means that the Company’s exploration and resource expansion activities included in the PoO are authorized to proceed in Nevada and Utah. Archeological studies and mitigation are still required in certain geographical areas covered by each State’s respective EA before exploration activities start in these areas. If the proposed exploration and resource expansion activities substantially change from the PoO, or if new areas not covered by the EA are to be disturbed by the activities, additional permitting from the BLM and State offices will be required. The Company envisions staged exploration and resource expansion activities in the 26 outcropping gold targets that are located in the Gold Springs project. Some of these future activities are included in the PoOs but others would require further permitting.

### **Escalones copper-gold project, Chile**

The Escalones copper-gold project is located in the central Chilean mining district which includes the nearby El Teniente deposit – the world’s largest underground copper mine. The project is accessible by road and is approximately 100 kilometres south-east of Santiago.

On August 12, 2013, the Company filed a NI 43-101 Technical Report which was later amended and refiled on July 11, 2014 that includes an updated resource estimate for Escalones (See News Releases 13-13 dated June 28, 2013 and 13-

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<sup>1</sup> Cash Operating cost per gold ounce is net of silver credit and includes mining, processing, general and administrative and operating cost contingency; Fully-loaded cost per gold ounce includes Cash Operating cost per gold ounce plus sustaining capital, federal, state and local taxes and does not include initial capital. The portion of the project subject to the updated PEA does not have overriding royalties.

17 dated August 12, 2013). The updated resource estimate, which was prepared by Jeffrey Choquette and Jennifer J. Brown, both of Hard Rock Consulting, LLC, who are both “qualified persons” as defined in NI 43-101 and “independent” of the Company as defined in NI 43-101, is based on 24,939 metres of drilling carried out on Escalones to date and is as follows (note that Indicated resource is in addition to the Inferred resource):

- An Indicated resource of 232.6 million tonnes of mineralized material containing 1.6 billion lbs. of copper, 498,012 oz. of gold, 4.9 million oz. of silver and 31.9 million lbs. of molybdenum, at a grade of 0.31% copper, 0.07 g/t gold, 0.66 g/t silver and 0.006% molybdenum using a 0.25% Cu Equivalent cut-off grade. This is a copper-equivalent<sup>1</sup> content of 1.9 billion lbs. of copper grading 0.38%.
- An Inferred resource of 527.7 million tonnes of mineralized material containing 4.0 billion lbs. of copper, 609,437 oz. of gold, 14.4 million oz. of silver and 79.5 million lbs. of molybdenum at a grade of 0.34% copper, 0.04 g/t gold, 0.85 g/t silver and 0.007% molybdenum using a 0.25% Cu Equivalent cut-off grade. This is a copper-equivalent<sup>1</sup> content of 4.7 billion lbs. of copper grading 0.40%.

The Escalones deposit remains open to expansion laterally and at depth. Interpretation of ZTEM resistivity and aeromagnetic surveys show several large areas of untested conductivity and magnetic anomalies which may represent areas of potential additional mineralization.

In November 2014, the Company was granted an environmental permit to construct 20 drill pads from which 20,000 metres of diamond drilling can be performed. The permit authorizes work to be completed over 3 continuous drilling seasons, which typically extend from October to May, and should begin by no later than November 2019.

On February 21, 2017, the Company acquired mineral concessions immediately adjacent to the north and north-east of Escalones, increasing the property position controlled by the Company from 9,389 hectares to 16,189 ha., of which 4,689 ha. are subject to the Boezio Option agreement.

The Company is looking for a partner to develop this project and it is also considering other alternatives to monetize the value of the project.

### **Arbitration claim against the Bolivian government for the expropriation of the Malku Khota project**

The Malku Khota project is located approximately 200 kilometres north of Potosi, Bolivia. Malku Khota is one of the world's largest silver, indium and gallium resources with a NI 43-101-qualified Indicated Resource of 255 million tonnes of mineralized material containing 230.3 million ozs of silver, 1,481 tonnes of indium and 1,082 tonnes of gallium at a grade of 28.7 g/t silver, 5.8 g/t indium and 4.3 g/t gallium (43.8 g/t silver equivalent<sup>2</sup>), and an additional Inferred Resource of 230 million tonnes containing 140 million ozs of silver, 935 tonnes of indium, and 1,001 tonnes of gallium at a grade of 18.9 g/t silver, 4.1 g/t indium and 4.3 g/t gallium (33.0 g/t silver equivalent<sup>2</sup>).

Exploration commenced at Malku Khota in 2003 and work on the Project continued through to the expropriation in August 2012. After completing a total of 42,700 metres of drilling in 121 diamond core holes, and undertaking metallurgical testwork, process development and engineering design, a Preliminary Economic Assessment study was published in May 2011 showing a bulk-mineable heap leach operation with the potential to be one of the largest new silver, indium and gallium producing mines in development with over 13.2 million ounces of silver production annually over the first 5 years.

The Preliminary Economic Assessment showed a Pre-tax Net Present Value (“NPV”) for the project, using a 5% discount rate, of \$1.5 billion and a Pre-tax Internal Rate of Return (“IRR”) of 63% at the “middle price case” of \$25.00 per ounce of silver.

After the publication of the Preliminary Economic Assessment, the pre-feasibility study (“PFS”) phase was started in June 2011. The ongoing work program, which was designed to expand mineral resources and enhance project economics, included the development of social and community programs to benefit indigenous communities, baseline studies for the environmental review and assessment program, exploration, metallurgical testwork, flowsheet

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<sup>1</sup> Copper equivalent (Cu Eq %) calculations reflect gross metal content using approximate 3 year average metals prices as of June 25, 2013 of \$3.71/lb copper (Cu), \$1549/oz gold (Au), \$30.29/oz silver (Ag), and \$14.02/lb molybdenum (Mo) and have not been adjusted for metallurgical recoveries. An economic cut-off grade of 0.25% copper equivalent was assumed. Contained metal values may vary from calculated values due to rounding.

<sup>2</sup> Silver equivalent calculated using total contained metal using base case metal pricing (Ag at \$18/oz, In at \$500/kg, Ga at \$500/kg, Cu at \$3.00/lb, Pb at \$0.90/lb, and Zn at \$0.90/lb).



development, engineering design and preparations to construct a modern 150 person exploration camp near the exploration site. The planned work programs including the PFS were not completed due to the expropriation.

On July 10, 2012, the Bolivian government announced to the media its intention to nationalize the Malku Khota project and on August 1, 2012, issued Supreme Decree No.1308 nationalizing the Malku Khota project. On October 23, 2012 the Company's wholly-owned subsidiary, South American Silver Limited ("SASL"), delivered a formal letter to the Bolivian government notifying it of an investment dispute between SASL 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 which revoked mining concessions held by Compañía Minera Malku Khota S.A. ("CMMK"), a wholly-owned subsidiary of SASL, without any compensation.

SASL is a company incorporated in the Bermuda Islands, an overseas territory of the United Kingdom, which through its wholly owned Bahaman subsidiaries, Malku Khota Ltd., G.M. Campana Ltd. and Productora Limited., owns one hundred per cent of the outstanding shares of CMMK. 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 ("Treaty"), and the actions and omissions of the Bolivian Government are in violation of the Treaty and of international law. Bolivia has breached the Treaty's requirement to provide full protection and security to foreign investors and their investments, as well as the Treaty's protections against, among other things, expropriation without just and effective compensation, unfair and inequitable treatment, and less favorable treatment than afforded to Bolivian nationals or nationals of third states. Notification of the investment dispute triggered a six-month cooling-off period during which the disputing parties could negotiate a settlement.

Arbitration provides the forum for the Company to pursue fair value compensation for the expropriation of the Malku Khota project. Since the expropriation Supreme Decree, the Company has appointed the international legal firm, King & Spalding, to prepare and handle the claim. King & Spalding is being supported by prominent local counsel in Bolivia. Experts to assess the value of the damages have also been appointed.

On August 1, 2012, September 4, 2012, December 12, 2012, January 16, 2013 and February 14, 2013, SASL delivered letters to the Bolivian Government reiterating its willingness to attend meetings with Bolivian Government representatives to resolve the dispute amicably. The Government of Bolivia finally responded on February 21, 2013 and on April 17, 2013 a meeting was held but no resolution was reached and no compensation was offered.

The cooling-off period ended on April 23, 2013 and on April 30, 2013 the Company announced in News Release 13-09 that its wholly-owned subsidiary, SASL had commenced international arbitration proceedings against the Government of Bolivia under the Arbitration Rules of the United Nations Commission on International Trade Law ("UNCITRAL") pursuant to the Treaty seeking compensation based on fair market value of the Malku Khota project. Concurrent with the Notice of Arbitration issued to Bolivia, SASL appointed its arbitrator to the Arbitral Tribunal. On June 28, 2013, the Bolivian Government responded to the Notice of Arbitration and appointed its own arbitrator. Each party challenged the appointment of the other party's arbitrator on grounds of justifiable doubts as to his independence and impartiality but the challenges were ultimately rejected by the Permanent Court of Arbitration ("PCA"). The appointed arbitrators could not agree on the appointment of a third arbitrator to act as president of the three-person Arbitral Tribunal so on January 22, 2014 the Secretary General of the PCA appointed the presiding arbitrator (see News Release NR 14-01 dated February 3, 2014).

On May 13, 2014, SASL attended its first Procedural Meeting with representatives of the Government of Bolivia and the three members of the Arbitral Tribunal, Messrs. Eduardo Zuleta Jaramillo (President), Francisco Orrego Vicuña and Osvaldo Guglielmino, at the Center of Arbitration and Conciliation of the Bogota Chamber of Commerce in Bogota, Colombia under the oversight of the Permanent Court of Arbitration (see News Release NR 14-12 dated May 14, 2014).

On June 3, 2014, SASL received Procedural Order No. 1 from the Arbitral Tribunal (Tribunal's binding decisions on procedural matters). With Procedural Order No. 1 the Tribunal fixed the place of arbitration at The Hague, the Netherlands (where the arbitration is considered legally held) and stated that the meetings and hearings will take place in Bogota (Colombia) or Washington DC (U.S.A.), to be determined by the Tribunal after consultation with the Parties before each hearing or meeting. Procedural Order No. 1 also includes a procedural calendar with two rounds of pleadings (4 months to each party for the first round and 3 months to each party for the second round, with an additional 1 month to SASL for a potential rejoinder on jurisdiction). The Tribunal also limited the document production phase to approximately 5 months. The procedural calendar included in Procedural Order No.1, was amended in April 2015, June 2015 and January 2016.

Based on the procedural calendar, SASL's statement of claim and memorial on the merits was filed on time on September 24, 2014. 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.

On April 30, 2015, after consultations with the parties, the Tribunal decided to postpone the oral hearing from May 2016 to July 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. It is typical for tribunals in this type of arbitration to require six to twelve months after the oral hearing to finalize and issue a final award.

SASL seeks monetary compensation for damages in the amount of \$385.7 million (NR 14-21, September 25, 2014), 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. Orders of the Tribunal, including any awards, and pleadings (but not exhibits, witness statements or expert reports) are being posted on the Permanent Court of Arbitration's website at [www.pca-cpa.org](http://www.pca-cpa.org).

The Company has Class B shares outstanding that 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 SASL's arbitration proceeding against the State of Bolivia for the expropriation of the Malku Khota project. The Class B shares have no interest in the other assets or properties of the Company. The Class B shares carry redemption and retraction rights and rights on liquidation, are non-voting and non-participating in regards to dividends and on liquidation other than as described above.

On May 23, 2013, the Company entered into an agreement (the "Arbitration Costs Funding Agreement") with a third party funder (the "Fund") pursuant to which the Fund will cover most of SASL's future costs and expenses related to its international arbitration proceedings against Bolivia. The Fund will not cover the salaries or travel expenses of the employees and executives of the Company when working on arbitration related matters. The non-brokered funding is on a non-recourse basis and includes costs and expenses of the enforcement of any award rendered by the Arbitral Tribunal. The Fund specializes in the funding of international arbitration proceedings and in providing assistance in connection with the enforcement of arbitration awards.

Under the terms of the privileged Arbitration Costs Funding Agreement, the Company has given certain warranties and covenants to the Fund and has provided security for its obligations. In consideration for the funding, SASL and the Company have agreed to pay to the Fund a portion of any recoveries received by SASL pursuant to the arbitration proceedings or any settlement with Bolivia. SASL continues to have control over the conduct of the international arbitration proceedings and to have the right to settle with Bolivia, discontinue proceedings, pursue the proceedings to trial and take any action it considers appropriate to enforce any resulting judgment or award.

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, the 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.

### **San Antonio property, Mexico**

The Company is seeking a joint venture partner for this property. No exploratory work has been conducted at San Antonio since 2011, as the Company's exploration efforts have been focused on the Gold Springs project.

### **Selected annual information**

The table below provides selected financial information derived from the audited consolidated financial statements of the Company for each of the past three years ended December 31.

	2016	2015	2014
Total Revenues	\$nil	\$nil	\$nil
Net (Loss) Earnings	(\$13,854,850)	\$2,735,225	\$319,551



	2016	2015	2014
Net (Loss) Earnings Per Share (basic and diluted)	(\$0.10)	\$0.02	\$0.00
Total Assets	\$50,259,357	\$48,426,619	\$49,011,045
Non-current Liabilities			
– Convertible notes	\$1,478,041	\$1,309,770	\$nil
– Class B shares, and options and warrants exercisable therein	\$20,959,133	\$9,305,548	\$13,749,719
Deferred Exploration Expenditures – for the year	\$2,071,656	\$2,097,943	\$3,263,068
Dividends Declared	\$nil	\$nil	\$nil

The net loss for 2016 includes expense items for the change in fair value of Class B shares and stock options exercisable into Class B shares and common shares of \$11,561,046 (2015 - income of \$4,290,100; 2014 - income of \$1,754,695) and \$92,539 (2015 - income of \$154,071; 2014 - income of \$1,113,792), respectively. The net loss for 2016 includes a non-cash charge of \$339,952 (2015 - \$129,132; 2014 - \$324,435) for share-based payments expense.

## Results of operations

During the year ended December 31, 2016, the Company reported a net loss of \$13,854,850 (\$0.10 per share) compared to net earnings of \$2,735,225 (\$0.02 per share) reported during the year ended December 31, 2015.

The 2016 net loss includes non-cash charges of \$11,561,046 (2015 - income of \$4,290,100) in respect of the significant change in fair value of the Company's Class B shares and \$92,539 (2015 - income of \$154,071) in respect of the change in fair value of stock options exercisable into Class B and common shares. Under IFRS, the Company's Class B shares are considered to be financial instruments, not equity instruments, and stock options exercisable into Class B and common shares are considered to be derivative liabilities. The Class B shares and derivatives are measured at fair value at each period-end, and changes in fair values are included in the determination of earnings/loss. The fair value of the Class B shares at each period-end is based on the closing price of the Class B shares on the TSX. During 2016, the closing price of the Class B shares on the TSX increased from Cdn. \$0.11 per Class B share at December 31, 2015 to Cdn. \$0.24 per Class B share at December 31, 2016. This significant price increase during the year gave rise to the non-cash charge of \$11,561,046.

General and administrative expenses decreased from \$2,152,744 to \$1,989,555. Non-cash share-based payments increased from \$129,132 to \$339,952. Non-cash share-based payments expense tends to fluctuate significantly between quarters in accordance with the timing of stock option grants and the Company's share price, among other factors.

Excluding the impact of share-based payments, general and administrative expense decreased by a factor of 18% as the Company has continued to streamline its operations and administration. Wages and benefits expense decreased by 19% from \$482,659 to \$391,900 as the Company's senior management have voluntarily reduced their contractual salaries by a factor of 25% to 40% to assist with cost reduction. Professional fees incurred in respect of accounting, legal and tax services decreased by 35% from \$485,987 to \$314,391; and office and administration expense decreased by 21% from \$283,771 to \$225,318 mainly due to reductions in the cost of office leases. Directors' fees decreased by 50% from \$113,484 to \$57,288 reflecting a reduction in the size of the Board, and a reduction in the annual retainer as well as meeting attendance fees. These favourable variances were offset by shareholder information and investor relations expense which increased by 64% from \$108,761 to \$178,502, as management increased its promotional activities including attendance at various investor meetings and roadshows.

During 2016, the Company incurred direct costs associated with the arbitration process amounting to \$211,246 (2015 - \$225,274) and which mainly includes salaries and travel expenses of employees and executives of the Company when working on arbitration related matters as they are not covered by the Fund. The 2016 costs are net of recoveries from the Fund amounting to \$2,687,593 (2015 - \$1,208,342).

Reconnaissance and sundry exploration costs of \$99,873 (2015 - \$107,874) include costs incurred by management in evaluating mineral properties for potential acquisition as well as holding costs associated with the Company's Mexican properties acquired through the 2013 acquisition of High Desert Gold Corporation ("HDG"). These Mexican properties were attributed \$nil value on acquisition and the Company is expensing various holding costs to keep the properties in good standing.

Expenses were offset by interest and other income of \$33,354 (2015 - \$53,344). The Company also recorded a foreign currency loss of \$6,134 (2015 - gain of \$59,598) and incurred accretion and interest expense on its convertible notes amounting to \$234,749 (2015 - \$95,647).

During the comparative year ended December 31, 2015, management re-assessed the status of an uncertain tax provision related to the 2011 transfer of a Mexican mineral property and reversed the provision, recording a recovery of \$426,503.

The Company's convertible notes and a portion of its funds are held in Canadian currency. As a result of the appreciation of the Canadian dollar against the U.S. dollar during the year, the Company has recognized a currency translation loss of \$25,995 (2015 - \$307,511) on the accounting translation to U.S. dollars. This unrealized charge has been recorded as other comprehensive loss and has not been included in the determination of net loss for the year. Future changes in exchange rates could materially affect the Company's results in either a positive or negative direction.

## **Capital expenditures and investing activities**

Total exploration spending for year ended December 31, 2016 decreased marginally to \$2,071,656 from \$2,097,943 incurred in the year ended December 31, 2015. The current year costs included \$1,902,880 incurred at Gold Springs which included \$546,144 in direct drilling costs as well as costs associated with geochemistry, supervision, analysis of exploration data, ongoing metallurgical testing and environmental studies for permitting. In addition, the Company expanded its Gold Springs property holdings by acquiring a 64.75 hectare Utah State mineral lease at a cost of \$20,000. At Escalones, the Company incurred costs of \$168,776 which mainly included land payments and supervision.

The comparative 2015 costs included \$1,775,518 incurred at Gold Springs which included \$229,192 in direct drilling costs as well as costs associated with updating the resource estimate and PEA, and ongoing metallurgical testing. A total of \$322,425 was incurred at Escalones, including a cash option payment of \$100,000.

During 2016, the Company received \$100,000 (2015 - \$100,000) in repayments of drilling advances under the terms of its drill contract at Escalones.

## **Financing activities**

During the year ended December 31, 2016, the Company completed in two tranches a private placement for gross proceeds of \$3,327,711 through the issuance of 17,393,000 units (the "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 ("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.

In connection with the private placement, the Company paid a cash commission of \$15,200 and 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. The Company also paid share issue costs of \$33,836 in respect of this private placement.

During 2016, the Company also received \$245,291 from the exercise of 3,243,243 share purchase warrants at Cdn. \$0.10 per share.

During the comparative year ended December 31, 2015, the Company raised net proceeds of \$1,762,821 from 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").

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. The Notes 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.

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.

## Summary of quarterly results (unaudited)

Three months ended	Dec. 31, 2016	Sept. 30, 2016	June 30, 2016	Mar. 31, 2016	Dec. 31, 2015	Sept. 30, 2015	June 30, 2015	Mar. 31, 2015
Total revenues	\$nil	\$nil	\$nil	\$nil	\$nil	\$nil	\$nil	\$nil
Net earnings (loss)	\$2,719,709	\$5,407,440	(\$19,960,453)	(\$2,021,546)	\$3,294,829	\$790,427	(\$2,062,047)	\$712,016
Total comprehensive income (loss)	\$2,728,724	\$5,393,939	(\$19,951,573)	(\$2,047,884)	\$3,305,426	\$667,419	(\$2,017,316)	\$467,328
Net earnings (loss) per share								
- Basic	\$0.02	\$0.04	(\$0.15)	(\$0.01)	\$0.02	\$0.01	(\$0.02)	\$0.01
- Diluted	\$0.02	\$0.03	(\$0.15)	(\$0.01)	\$0.02	\$0.01	(\$0.02)	\$0.01
Deferred exploration costs	\$753,172	\$753,379	\$268,493	\$296,612	\$552,609	\$444,681	\$648,724	\$451,929

Net earnings (loss) and total comprehensive income (loss) have been volatile for the eight most recent quarters. During Q4 2016, the Company recognized income of \$3,153,301 (Q3 2016 - income of \$5,776,630; Q2 2016 - charge of \$18,988,076; Q1 2016 - charge of \$1,502,901; Q4 2015 - income of \$3,392,255; Q3 2015 - income of \$1,330,402; Q2 2015 - charge of \$1,570,634; Q1 2015 - income of \$1,138,077) in respect of the change in fair value of the Company's Class B shares. Quarterly results have also been impacted by non-cash share-based payments expense which fluctuated significantly between quarters in accordance with the timing of stock option grants and the Company's share price, among other factors.

Deferred exploration costs have also been variable as exploration activities have fluctuated significantly on a quarterly basis. The Company conducted drilling programs at Gold Springs in Q3 and Q4 2016, and in Q4 2015.

### Three month results

During the fourth quarter of 2016, the Company reported net earnings of \$2,719,709 (\$0.02 per share) compared to net earnings of \$3,294,829 (\$0.02 per share) reported in the fourth quarter of 2015. The 2016 fourth quarter earnings include non-cash income amounts of \$3,153,301 (2015 - \$3,392,255) in respect of the change in fair value of the Company's Class B shares, and \$88,206 (2015 - \$27,861) in respect of the change in fair value of stock options exercisable into Class B and common shares. The Class B shares are measured at fair value at each period-end, which is based on the closing price of the Class B shares on the TSX, and changes in fair values are included in the determination of earnings/loss for the period. During Q4, 2016, the closing price of the Class B shares on the TSX decreased from Cdn. \$0.27 per Class B share at September 30, 2016 to Cdn. \$0.24 per Class B share at December 31, 2016. This price decrease during Q4, 2016 gave rise to the non-cash income of \$3,153,301.

The Company incurred non-cash share-based payments expense during the fourth quarter of \$49,069 (2015 - \$26,900). Excluding the impact of share-based payments, general and administrative expense decreased by a factor of 14% as the Company has continued to streamline its operations and administration. Variances include professional fees which decreased by 46% from \$153,226 to \$82,807; wages and benefits which decreased by 10% from \$115,382 to \$104,398; directors' fees which decreased by 58% from \$31,250 to \$12,975; and costs associated with the arbitration process which decreased by 49% from \$60,007 to \$30,569. These variances were offset by increases in shareholder information and investor relations expense by 115% from \$24,916 to \$53,603; in office and administration by 19% from \$51,167 to \$60,988; and in reconnaissance and sundry exploration costs by 361% from \$8,275 to \$38,149.

Expenses were offset by interest and other income of \$6,710 (2015 - \$9,337). The Company also recorded a foreign currency loss of \$2,692 (2015 - gain of \$7,856) and incurred accretion and interest expense on its convertible notes amounting to \$58,103 (2015 - \$53,895). The comparative 2015 fourth quarter loss also included a reversal of a Mexican tax provision amounting to \$426,503.

## Liquidity and capital resources and going concern

The Company's aggregate operating, investing and financing activities during the year ended December 31, 2016 resulted in a net cash outflow of \$96,955. In an effort to preserve cash, the Company has entered into the Arbitration Costs Funding Agreement with the Fund pursuant to which the Fund covers on a non-recourse basis most of the costs and expenses related to the Company's international arbitration proceedings against Bolivia in consideration for a portion of any recoveries received by the Company pursuant to the arbitration proceedings or any settlement with Bolivia.

The Company has incurred losses since inception and expects to incur further losses in the development of its business and at December 31, 2016, the Company had working capital of \$2.3 million and was indebted for convertible notes with a principal amount of \$1.7 million. The Company also has an option payment of \$400,000 due on June 30, 2017 in respect of its Escalones property. At December 31, 2016, the Company also had an accumulated deficit of \$76.4 million which has been funded primarily by the issuance of equity. The Company is dependent upon share issuances to provide the funding necessary to meet its general operating expenses and will require additional financing to continue to explore its mineral properties. 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 its mineral properties, and the ultimate realization of profits through future production from, or sale of, the properties. 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. The Company's ability to continue as a going concern is dependent upon its ability to obtain the necessary financing to meet its current operating expenses and to continue to explore its mineral properties by methods which could include debt refinancing, equity financing, forward sale agreements, sale of assets and strategic partnerships. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to continue to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company.

## Contractual obligations

The Company has the following contractual obligations as at December 31, 2016:

	Total due over next 5 years	Payments Due by Period		
		Less than 1 year	1-3 years	3-5 years
Lease agreements for office premises	\$5,000	\$5,000	\$nil	\$nil
Escalones Option Agreement (1)	\$4,600,000	\$400,000	\$1,000,000	\$3,200,000
Total	\$4,605,000	\$405,000	\$1,000,000	\$3,200,000

- (1) The Company is contractually obliged to make these payments only and as long as it is willing to exercise its option to acquire the Escalones property. The Company has the option to acquire the Escalones property by making total option payments aggregating \$4,400,000, in stages, including a final option payment of \$3,000,000 on June 30, 2020. Once Escalones is acquired and until exploitation begins the Company is required to make annual advance royalty payments of \$200,000 for the first two years (increases to \$300,000 annually thereafter).

Subsequent to December 31, 2016, the Company entered into a water lease agreement at Gold Springs with annual lease payments of \$300,000, payable in quarterly instalments. The Company has the option to purchase 1,500 of the 1,658 acre feet per year of water rights leased in the agreement for consideration of \$7,000,000. This option can be exercised at any time during the 20-year term of the lease.

## 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, the holder 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, 2016, 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 with its lead arbitration counsel to be determined based on the outcome of the arbitration. As at December 31, 2016, 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.

The convertible notes issued in 2015 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.

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.

## Outlook

The priorities of the Company are to (i) continue with the exploration program at Gold Springs with the intention of expanding the mineral resource and moving the project closer to production; (ii) seek an appropriate partner for the Escalones copper-gold porphyry project in Chile and consider other alternatives to monetize the value of the project; (iii) continue with the international arbitration against Bolivia to recover full compensation based on the fair market value for the Malku Khota project; and (iv) diligently continue managing the Company's cash resources.

## Related party transactions

The Company's related parties consist of the Company's officers or companies associated with them and Gowling WLG (Canada) LLP which is a legal firm in which Tina Woodside, a director of the Company, is a partner. The Company incurred the following expenditures during the years ended December 31, 2016 and 2015 that were charged by related parties. All transactions with related parties have occurred in the normal course of the Company's operations and have been measured at their fair value as determined by management.

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Consulting fees (1)	64,919	88,068
Legal fees for general corporate matters (2)	88,599	175,451
Consulting fees included in mineral property costs (1)	14,360	46,475
Legal fees included in share issue costs (2)	18,387	-
	<u>186,265</u>	<u>309,994</u>

(1) paid to Felipe Malbran and to a company owned by David Dreisinger as compensation to serve as officers of the Company.

(2) paid to Gowling WLG (Canada) LLP.

Included in accounts payable at December 31, 2016 is an amount of \$59,358 (December 31, 2015 - \$77,283) due to related parties. The 2016 amounts include amounts payable to Gowling WLG (Canada) LLP for legal services, to David Dreisinger and Felipe Malbran for accrued compensation as officers of the Company, to directors of the Company for their most recent directors' fees, and to officers of the Company for reimbursement of expenses incurred. 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, 2016 and 2015 is as follows:

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Directors' fees	57,288	113,484
Wages and benefits	279,750	420,000
Share-based payments	261,577	89,276
	<u>598,615</u>	<u>622,760</u>



## **Financial instruments**

The Company's financial instruments consist of cash and cash equivalents, receivables, marketable securities, accounts payable and accrued liabilities, convertible notes, Class B shares, and stock options exercisable into Class B shares and common shares. Cash equivalents consist of term deposits with investment terms of less than three months at acquisition. The majority of the Company's cash and cash equivalents is held through a major Canadian chartered bank. The Company also maintains deposits for ongoing working capital at major banks in the jurisdictions in which its foreign subsidiaries operate.

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. At December 31, 2016, the Company's currency risk is related to approximately \$1,480,000 of net financial assets denominated in U.S. dollars which are owned by the Canadian parent, or denominated in Bolivian Bolivianos, Chilean pesos, or Mexican pesos. Based on this exposure as at December 31, 2016, a 5% change in exchange rates would give rise to a change in net loss of approximately \$74,000. The Company does not use derivative financial instruments to reduce its foreign exchange exposure.

## **Off-balance sheet arrangements**

The Company has not entered into any material off-balance sheet arrangements such as guarantee contracts, contingent interests in assets transferred to unconsolidated entities, derivative financial obligations, or with respect to any obligations under a variable interest equity arrangement.

## **Disclosure controls and procedures and internal controls over financial reporting**

The Company's management, with the participation of the Chief Executive Officer and the Chief Financial Officer, engaged external consultants to evaluate the effectiveness of the Company's disclosure controls and procedures (as defined in the rules of the Canadian Securities Administrators ("CSA")) as at December 31, 2016, and have concluded that such disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in reports that it files or submits under Canadian securities laws is (i) recorded, processed, summarized and reported within the time periods specified in Canadian securities laws and (ii) accumulated and communicated to the Company's management to allow timely decisions regarding required disclosure.

Management is also responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Management has engaged external consultants, who used the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") control framework (2013) to evaluate the effectiveness of the Company's internal control over financial reporting. As of December 31, 2016, management assessed the effectiveness of the Company's internal control over financial reporting and concluded that such internal control over financial reporting is effective and that there are no material weaknesses in the Company's internal control over financial reporting that have been identified by management.

As of the date of this report, management is not aware of any change in the Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

It should be noted that all internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

## **Critical accounting estimates and judgments**

The accounting estimates and judgments considered to be significant to the Company include the carrying values of mining claims and exploration and Malku Khota project, the carrying value of marketable securities, the computation of share-based payments expense and warrants, the computation of convertible notes, and the computation of derivative liabilities and Class B shares which are disclosed as non-current liabilities.

Management reviews the carrying values of its mining claims and exploration and other deferred costs 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 amounted to \$28,732,403 as at December 31, 2016. These costs may ultimately prove not to be recoverable and there is a risk that these costs may be written down in future periods.

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, CMMK, a wholly-owned subsidiary of 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.

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. 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. On April 30, 2015, after consultations with the parties, the Tribunal decided to postpone the oral hearing from May 2016 to July 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. It is typical for tribunals in this type of arbitration to require six to twelve months after the oral hearing to finalize and issue a final award.

Management reviewed the carrying amount of the Malku Khota project asset by comparing the unamortized book value to the higher of value in use and fair value less costs to sell as at December 31, 2016 and concluded that no impairment adjustment is necessary at this time. If SASL is unsuccessful in its efforts to obtain compensation in excess of the unamortized book value of its investment in Malku Khota, the Malku Khota project asset may be written down in future periods.

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 and awards 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 costs being less than or greater than the amount recorded. During the year ended December 31, 2016, the Company granted stock options, the estimated fair value of which totaled \$470,484. During the year ended December 31, 2016, the Company recorded share-based payments costs of \$390,403 (2015 - \$149,888) in accordance with the vesting provisions of stock options.

The Company completed a private placement of units during the year ended December 31, 2016 with each unit consisting of one common share and one half of one common share purchase warrant. The Company allocated \$1,255,450 to the warrants included in this private placement and \$8,419 to compensation warrants issued in respect of this financing. In determining the fair value of the warrants, the Company makes estimates of the expected volatility of the stock, the expected life of the warrants, and an estimated risk-free interest rate.

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. At the date of issue on July 23, 2015, \$1,349,618 was attributed to the liability component of the convertible notes based on an effective interest rate of 17%. 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. In determining the fair value of the warrants, the Company makes estimates of the expected volatility of the stock, the expected life of the warrants, and an estimated risk-free interest rate.

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 SASL's arbitration proceeding against the State of Bolivia for the expropriation of the Malku Khota project. As at December 31, 2016, the Class B shares have been determined to have a fair value of \$20,802,291, based on the closing price of a Class B share on the TSX (Cdn. \$0.24 per Class B share). The estimated fair value of the derivative liability related to stock options exercisable into common shares and Class B shares amounts to \$156,842 as at December 31, 2016 and is measured using estimates for the expected value of the stock, the expected life of options, and an estimated risk-free rate.

## Outstanding share data

Authorized Capital:

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

Issued and outstanding as at March 16, 2017: 156,529,796 common shares and 116,375,152 Class B shares

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 have no interest in the other assets or properties of the Company. The Class B shares are non-voting and non-participating in regards to dividends and on liquidation other than as described above.

Fully diluted as at March 16, 2017: 191,868,797 common shares and 117,408,485 Class B shares.

Outstanding options and warrants as at March 16, 2017:

Type of Security	Number	Exercise Price Cdn. \$	Expiry date
Stock options <sup>(1)</sup>	1,033,333	\$0.44	October 21, 2018
Stock options	167,750	\$1.05	March 29, 2017
Stock options	584,375	\$0.65	October 22, 2018
Stock options	2,000,000	\$0.10	December 23, 2018
Stock options	300,000	\$0.365	January 28, 2019
Stock options	1,742,500	\$0.42	November 13, 2019
Stock options	2,292,500	\$0.21	August 12, 2020
Stock options	2,170,000	\$0.305	May 19, 2021
Stock options	250,000	\$0.285	October 10, 2021
Stock options	250,000	\$0.25	November 10, 2021
Stock options	50,000	\$0.225	November 21, 2021
Warrants	4,203,243	\$0.10	July 23, 2017
Warrants <sup>(2)</sup>	6,000	\$0.30	January 5, 2018
Warrants <sup>(3)</sup>	73,200	\$0.30	January 11, 2018
Warrants	4,472,500	\$0.40	July 5, 2019
Warrants	4,224,000	\$0.40	July 11, 2019

(1) Each option is exercisable into one common share and one Class B share.

(2) 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 an exercise price of Cdn. \$0.40 per share until July 5, 2019.

(3) 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 an exercise price of Cdn. \$0.40 per share until July 11, 2019.

Outstanding convertible notes as at March 16, 2017:

Type of Security	Principal Amount Cdn. \$	Conversion Price Cdn. \$	Number of Common Shares on Conversion	Expiry date
Convertible notes <sup>(1)</sup>	\$2,296,000	\$0.20	11,480,000	July 23, 2018

- (1) 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. 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 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.

## Changes in accounting standards including initial adoption

The following new standards have been issued by the IASB but not yet applied:

- 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 is made 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.
- IFRS 16, *Leases*, was issued in January 2016 and 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. The Company has not adopted IFRS 16 and has not completed its assessment of the impact of this standard.

## Risks and uncertainties

Exploration for and the development of mineral resources involves a high degree of risk. The cost of conducting programs may be substantial and the likelihood of success is difficult to assess. The following risks are listed in the order of most to least significant:

**Additional Funding:** The Company currently has no revenues from operations. The Company has entered into the Arbitration Costs Funding Agreement with the Fund pursuant to which the Fund has agreed to fund most of SASL's costs and expenses related to its international arbitration proceedings against Bolivia. The Company is dependent upon share issuances to provide the funding necessary to meet its general operating expenses and will require additional financing to continue to explore its mineral properties. In order to further fund the Company's business plans, additional funds will be required. The only sources of future funds presently available to the Company are the sale of additional equity capital, the sale of a future metal stream from a property, the sale of a production royalty, the entering into of a metal or concentrate off-take type agreement, the entering into a loan agreement, the sale or leasing of the Company's interest in a property, or the entering into of a joint venture arrangement or other strategic alliance in which the funding source could become entitled to an interest in one or more of the assets of the Company. The Company's capital resources are largely determined by the strength of the junior resource market 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. There is no assurance that the Company will be successful in raising additional funds in the future. If the Company does not have the necessary capital to meet its obligations under its contractual obligations, the Company may have to forfeit its interest in properties or prospects earned or assumed under such contracts. In addition, if the Company does not have sufficient funds to pursue its exploration and development programs and other plans, the viability of the Company could be jeopardized.

*International Arbitration:* On August 2, 2012, the Company received a Nationalization Decree from the Bolivian government revoking the concessions held by CMMK without any compensation. The Company is vigorously pursuing international arbitration proceedings against Bolivia to recover full compensation based on the fair market value of the Malku Khota project. The Company, however, cannot provide assurances with respect to the outcome of the international arbitration, the amount, timing or form of any settlement or award, or its ability to enforce any award against Bolivia.

*Class B Shares:* The holders of the Class B Shares have contingent rights to receive a pro rata share of 85% of the net cash proceeds, if any (after deducting all costs, tax and expenses and the third party funder's portion thereof), received pursuant to any award or settlement agreement entered into in respect of the South American Silver Limited's arbitration claim against the Government of Bolivia. The holders of Class B Shares will not realize any value if: (i) no award or settlement agreement is reached; (ii) no cash payment is included in the award or settlement agreement; or (iii) the costs of obtaining a cash payment on, or enforcement of, the award or settlement agreement exceeds the amount of such cash payment.

In addition, the accrual of value on the Class B Shares may be significantly delayed. The international arbitration process can take several years before an award is rendered or settlement reached. Once an award is rendered or settlement is reached, enforcing the award or settlement agreement could take additional several years and the full amount of any award or settlement may not ultimately be received, which could reduce the amount, if any, payable to the holders of the Class B Shares.

*Commodity Price Risk:* The profitability of the Company's operations, if ever established, will be dependent upon the market price of mineral commodities. Mineral prices fluctuate widely and are affected by numerous factors beyond the control of the Company. The level of interest rates, the rate of inflation, world supply of mineral commodities, consumption patterns, sales of copper, gold and silver by central banks, forward sales by producers, production, industrial and jewellery demand, speculative activities and stability of exchange rates can all cause significant fluctuations in prices. Such external economic factors are in turn influenced by changes in international investment patterns, monetary systems and political developments. The prices of mineral commodities have fluctuated widely in recent years. Current and future price declines could cause commercial production to be impracticable.

The Company's revenues and earnings also could be affected by the prices of other commodities such as fuel and other consumable items, although to a lesser extent than by the price of copper, gold, silver or molybdenum. The prices of these commodities are affected by numerous factors beyond the Company's control.

*Uncertainty of Resource Estimates:* The Company announced the results of the initial and updated resource estimates on the Escalones project in December 2011 and June 2013 and the results of the updated resource estimate on the Gold Springs project in February 2014, July 2014 and June 2015 and the results of an initial and updated preliminary economic assessment on the Gold Springs project in July 2014 and August 2015, respectively. The Company also announced the results of the initial and updated resource estimates on the Malku Khota project in May and October 2008 and March 2011, and announced the results of the initial and updated preliminary economic assessment on the Malku Khota project in February 2009 and March 2011, respectively. The statements of mineral resources disclosed are estimates only and no assurance can be given that the anticipated tonnages and grades will be achieved or that the indicated level of recovery will be realized. Mineral resources are not mineral reserves and do not have demonstrated economic viability. Until they are categorized as "mineral reserves", the known mineralization at each of the Malku Khota, Escalones and Gold Springs projects is not determined to be economic ore.

The mining and exploration business relies upon the accuracy of determinations as to whether a given deposit has significant mineral reserves and resources. Mineral reserve and resource estimates are based on limited sampling, and inherently carry the uncertainty that samples may not be representative. Such estimates necessarily include presumptions of continuity of mineralization which may not actually be present. Mineral reserve and resource estimates may require revision (either upward or downward) based on actual production experience. Market fluctuations in the price of metals, as well as increased production costs or reduced recovery rates, may render certain mineral resources uneconomic. Inaccurate estimates may result in a misallocation of resources such that an excess amount could be allocated to a less than economic deposit or, conversely, failure to develop a significant deposit. Greater assurance will require completion of final comprehensive feasibility studies that conclude a potential mine at the Escalones or Gold Springs project is likely to be economic, but such studies remain subject to the same risks and uncertainties.

*Exploration Stage Operations:* The Company's operations are subject to all of the risks normally associated with the exploration for and the development of mineral properties. The Escalones and Gold Springs projects are still in the

advanced exploration stage. Mineral exploration and exploitation involves a high degree of risk, which even a combination of experience, knowledge and careful evaluation may not be able to avoid. Few properties that are explored are ultimately developed into producing mines. Unusual or unexpected formations, formation pressures, fires, power outages, labour disruptions, flooding, explosions, tailings impoundment failures, cave-ins, landslides and the inability to obtain necessary permits, adequate machinery, equipment or labour are some of the risks involved in mineral exploration and exploitation activities. The Company has relied on and may continue to rely on consultants and others for mineral exploration and exploitation expertise.

Substantial expenditures are required to establish mineral reserves and resources through drilling, to develop metallurgical processes to extract the metal from the material processed and to develop the mining and processing facilities and infrastructure at any site chosen for mining. There can be no assurance that commercial quantities of ore will be discovered. There is also no assurance that even if commercial quantities of ore are discovered, that the properties will be brought into commercial production or that the funds required to exploit mineral reserves and resources discovered by the Company will be obtained on a timely basis or at all. The commercial viability of a mineral deposit once discovered is also dependent on a number of factors, some of which are the particular attributes of the deposit, such as size, grade and proximity to infrastructure, as well as metal prices. Most of the above factors are beyond the control of the Company. There can be no assurance that the Company's mineral exploration activities will be successful. In the event that such commercial viability is never attained, the Company may seek to transfer its property interests or otherwise realize value or may even be required to abandon its business and fail as a "going concern". The recoverability of the carrying value of its mineral properties and the Company's continued existence is dependent, in part, upon the preservation of its interest in its properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to obtain financing or, alternatively, upon the Company's ability to dispose of its interests on an advantageous basis.

A portion of the Company's interest in the Escalones project is subject to an option agreement which requires the Company to make periodic payments over a varying number of years to maintain its interest in that portion of the projects. The Company can cancel this agreement at any time without completing the remaining payments and without further obligation.

*Exploration and Operation Risks:* In common with other enterprises undertaking business in the mining sector, the Company's mineral exploration and project development activities are subject to conditions beyond its control. The success of the Company will be dependent on many factors including: the discovery and/or acquisition of mineral reserves and mineral resources; the successful conclusions to feasibility and other mining studies; access to adequate capital for project development and sustaining capital; design and construction of efficient mining and processing facilities within capital expenditure budgets; the securing and maintaining of title to properties; obtaining permits, consents and approvals necessary for the conduct of exploration and potential mining operations; complying with the terms and conditions of all permits, consents and approvals during the course of exploration and mining activities; access to competent operational management and prudent financial administration, including the availability and reliability of appropriately qualified employees, contractors and consultants; the ability to procure major equipment items and key consumables in a timely and cost-effective manner; the ability to access full power supply; and the ability to access appropriate road and port networks for shipment of any mineral production. There can be no assurance that the Company will ever be able to develop any of its mineral properties at all or on time or on budget. Should any of these events occur, it would have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Although the Company has implemented comprehensive safety and environmental measures designed to comply with or exceed government regulations and ensure safe, reliable and efficient operations in all phases of its operations, accidents, environmental hazards or degradation, unusual and unexpected geological formations, seismic activity, cave-ins, pit-wall failures, flooding, rock bursts and other acts of God or unfavorable operating conditions and losses may still occur.

*Permits and Government Regulation:* The Company requires licenses and permits from various governmental authorities in Chile and in the U.S. to carry out exploration and development at Escalones and Gold Springs, respectively. Obtaining permits can be a complex, time-consuming process. There can be no assurance that the Company will be able to obtain the necessary licences and permits on acceptable terms, in a timely manner or at all. The costs and delays associated with obtaining permits and complying with these permits and applicable laws and regulations could stop or materially delay or restrict the Company from continuing or proceeding with existing or future operations or projects. Any failure to comply with permits and applicable laws and regulations, even if inadvertent, could result in the interruption or closure of operations or material fines, penalties or other liabilities. In addition, the requirements applicable to sustain existing permits and licenses may change or become more stringent over time and there is no assurance that the Company will have the resources or expertise to meet its obligations under such licenses and permits.

The mineral exploration activities of the Company are also subject to various laws governing prospecting, development, production, taxes, labour standards, occupational health, mine safety, waste disposal, toxic substances and other matters. Mining and exploration activities are also subject to various laws and regulations relating to the



protection of the environment, historical and archaeological sites and endangered and protected species of plants and animals. Although the exploration activities of the Company are currently carried out substantially in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail exploration or development. Amendments to current laws and regulations governing the operations and activities of the Company or more stringent implementation thereof could have a substantial adverse impact on the Company.

*Environmental Regulations:* The Company's activities are subject to foreign environmental laws and regulations which may materially adversely affect its future operations. These laws and regulations control the exploration and development of mineral properties and their effects on the environment, including air and water quality, mine reclamation, waste handling and disposal, the protection of different species of plant and animal life, and the preservation of lands and glaciers. These laws and regulations will require the Company to acquire permits and other authorizations for certain activities. There can be no assurance that the Company will be able to acquire such necessary permits or authorizations on a timely basis, if at all.

The Company cannot predict what environmental legislation or regulations will be enacted or adopted in the future or how future laws and regulations will be administered or interpreted. Compliance with more stringent laws and regulations, as well as potentially more vigorous enforcement policies or regulatory agencies or stricter interpretation of existing laws, may materially adversely affect the Company's future operations.

Mineral exploration and development in the United States are subject to various U.S. federal and state and local laws and regulations relating to the protection of the environment. These laws impose high standards on the mining industry to monitor the discharge of waste water and report the results of such monitoring to regulatory authorities, to reduce or eliminate certain effects on or into land, water or air, to progressively rehabilitate mine properties, to manage hazardous wastes and materials and to reduce the risk of worker accidents. A violation of these laws may result in the imposition of substantial fines and other penalties. There can be no assurance that the Company will be able to meet all the regulatory requirements in a timely manner or without significant expense or that the regulatory requirements will not change to prohibit the Company from proceeding with certain exploration and development.

In late 2012 new environmental legislation related to mineral exploration came into effect in Chile. Amongst other things, the new legislation provided the Ministry of Environment with the resources to review the compliance by companies with their environmental permits and put the onus on companies to advise project status to the Ministry by January 22, 2013. This new legislation will increase the likelihood that the Company's exploration activities at Escalones will be subject to more frequent and rigorous review of the permit conditions and compliance with those conditions. Although the exploration activities of the Company at Escalones are currently carried out substantially in accordance with all applicable environmental rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail exploration or development. Amendments to current laws and regulations governing the operations and activities of the Company or more stringent implementation thereof, could have a material adverse impact on the Company.

*Infrastructure:* Development and exploration activities depend on adequate infrastructure, including reliable roads, power sources and water supply. The Company's inability to secure adequate water and power resources, as well as other events outside of its control, such as unusual weather, sabotage, government or other interference in the maintenance or provision of such infrastructure, could adversely affect the Company's operations and financial condition.

*Political Risk:* Exploration in Chile and the maximization of the value from the expropriated Malku Khota project in Bolivia expose the Company to risks that may not otherwise be experienced if operations were domestic. Real and perceived political risk in some countries may also affect the Company's ability to finance exploration programs and future mine development opportunities.

Although Chile has a mature and stable political system and enjoys one of the best country risk ratings of the region, there is always the potential for changes in mining policies, royalties, taxes or shifts in political attitude towards foreign investment in natural resources. Changes, even if minor in nature, may adversely affect the Company's operations.

In the past, Mexico has been subject to political instability, changes and uncertainties, which may cause changes to existing governmental regulations affecting mineral exploration and mining activities. The Company's operations and properties in Mexico are subject to a variety of Mexican governmental regulations including, among others: environmental and water rights and the Mexican mining law. Mexican regulators have broad authority to shut down and/or levy fines against operations that do not comply with regulations or standards. The Company's mineral exploration and development activities in Mexico may be adversely affected in varying degrees by changing government regulations relating to the mining industry or shifts in political conditions that increase the costs related to the Company's activities or maintaining its properties. Operations may also be affected in varying degrees by government regulations with respect to restrictions on production, price controls, export controls, income taxes,



expropriation of property, environmental legislation and mine safety. Mexico's status as a developing country may make it more difficult for the Company to obtain any required financing for its projects in Mexico.

The Company's operations and investments may be adversely affected by political instability and legal and economic uncertainty that might exist. The risks associated with the Company's foreign operations may include political unrest, labour disputes, invalidation of governmental orders, permits or agreements, war, civil disturbances, criminal and terrorist actions, arbitrary changes in laws, regulations and policies, taxation, price controls, exchange controls, delays in obtaining or the inability to obtain necessary permits, import or export restrictions, opposition to mining from local, environmental or other non-governmental organizations, limitations on foreign ownership, limitations on the repatriation of earnings, limitations on mineral exports, government participation, royalties, duties, rates of exchange, high rates of inflation and increased financing costs, currency fluctuations, and changes in laws, regulations or policies as well as by laws and policies of Canada affecting foreign trade, investment and taxation. These risks may limit or disrupt the Company's projects or operations, restrict the movement of funds or result in the deprivation of contractual rights or the taking of property by nationalization, expropriation or other means without fair compensation.

**Litigation Risk:** Companies in all industries, including the mining industry, are subject to legal claims from time to time, some of which have merit and others of which do not. Defence and settlement costs of legal claims can be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation process, the resolution of any particular legal proceeding to which the Company may become subject could have a material effect on the Company's financial position, results of operations or the Company's property development.

## About TriMetals Mining Inc.

TriMetals Mining Inc. is a growth focused mineral exploration company creating value through the exploration and development of the near surface Gold Springs gold-silver project in mining friendly Nevada and Utah in the U.S.A.

The Company's approach to business combines the team's track record of discovery and advancement of large projects, key operational and process expertise, and a focus on community relations and sustainable development. Management has extensive experience in the global exploration and mining industry.

The Company's common shares and Class B shares are listed on the Toronto Stock Exchange under the symbols "TMI" and "TMI.B" and the common shares and Class B shares also trade on the OTCQX market under the symbol "TMIAF" and "TMIBF". The Class B shares are entitled 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 award or settlement in relation to the Company's subsidiary South American Silver Limited's arbitration proceeding against Bolivia for the expropriation of the Malku Khota project in 2012. The Class B shares have no interest in the other assets or properties of the Company.

Additional information related to TriMetals Mining Inc. is available at [www.trimetalsmining.com](http://www.trimetalsmining.com) and on SEDAR at [www.sedar.com](http://www.sedar.com).

Mr. Ralph Fitch, President and Chief Executive Officer of the Company, is the "qualified person" who reviewed and approved the disclosure of the technical information herein regarding Escalones and Malku Khota and Mr. Randall Moore, Executive Vice-President of the Company, is the "qualified person" who reviewed and approved the technical information herein regarding Gold Springs.

## Cautionary notes

### Forward-looking statements

*Certain statements contained herein constitute "forward-looking information" or "forward-looking statements" under applicable securities laws ("forward-looking statements"). Forward-looking statements look into the future and provide an opinion as to the effect of certain events and trends on the business. Forward-looking statements may include words such as "will", "may", "expand", "continue", "estimated", "potential", "contingent", "develop", "plan", "future", "indications", "further", "could", "would", "expected", "nearing", "believes", "envisions", "ongoing", "possible", "creating", "advancing", "realization" and "pursuing" and similar expressions. This MD&A contains forward-looking statements. These forward-looking statements are based on current expectations and various estimates, factors and assumptions and involve known and unknown risks, uncertainties and other factors. Information concerning mineral resource estimates, preliminary economic assessments, and the interpretation of exploration programs, drill results and metallurgical testing may also be considered as a forward-looking statement, as such information constitutes a prediction of what mineralization might be found to be present and economically mineable if and when a project is actually developed.*

*Readers are cautioned not to place undue reliance on these statements as the Company's actual results, performance or achievements may differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements if known or unknown risks, uncertainties or other factors affect the Company's business, or if the Company's estimates or assumptions prove inaccurate. Therefore, the Company cannot provide any assurance that forward-looking statements will materialize. Factors that could cause results or events to differ materially from current expectations expressed or implied by the forward-looking statements, include, but are not limited to, uncertainties associated with the arbitration proceeding against Bolivia, including the advancement of the international arbitration process in a customary manner and in accordance with*

*Procedural Order No. 1 (as amended in April and June 2015 and January 2016), the outcome of the international arbitration process including the timing and the quantum of damages to be obtained, management's expectation with regard to the final amount of costs, fees and other expenses and commitments payable in connection with the arbitration, and any inability or delay in the collection of the value of any award or settlement, and risks of the mineral exploration industry which may affect the advancement of the Gold Springs or Escalones projects, including possible variations in mineral resources or grade, recovery rates, metal prices, capital and operating costs, and the application of taxes, availability of sufficient financing to fund further required work in a timely manner and on acceptable terms, availability of equipment and qualified personnel, failure of equipment or processes to operate as anticipated, changes in project parameters as plans continue to be refined; and other risks more fully described in the Company's Annual Information Form filed and publicly available on SEDAR at [www.sedar.com](http://www.sedar.com). The assumptions made in developing the forward-looking statements include: the ability of the Company to realize value from its investments in Bolivia, the arbitration proceeding along the timeline included in Procedural Order No. 1 issued by the Arbitral Tribunal (as amended in April and June 2015 and January 2016 following consultation with the parties), and the Fund honoring its contractual commitments; the accuracy of current resource estimates and the interpretation of drill, metallurgical testing and other exploration results; the continuing support for mining by local governments in Nevada, Utah and Chile; the availability of equipment and qualified personnel to advance exploration projects; and execution of the Company's existing plans and further exploration and development programs for its projects, which may change due to changes in the views of the Company or if new information arises which makes it prudent to change such plans or programs.*

*Subject to applicable laws, the Company assumes no obligation to update or revise any forward-looking statement, whether as a result of new information, future events or any other reason. Unless otherwise indicated, forward-looking statements in this MD&A describe the Company's expectations as of March 16, 2017.*

*Readers are also cautioned that the preliminary economic assessments in this MD&A are preliminary in nature and include inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves and there is no certainty that the results indicated in the preliminary economic assessments will or could be realized. Mineral resources that are not mineral reserves do not have economic viability.*

### **Cautionary note regarding reserve and resource estimates**

*The material in this MD&A has been prepared in accordance with the requirements of the securities laws in effect in Canada, which differ from the requirements of U.S. securities laws. Unless otherwise indicated, all resource and reserve estimates included in this MD&A have been prepared in accordance with National Instrument 43-101 Standards of Disclosure for Mineral Projects ("NI 43-101") and the Canadian Institute of Mining and Metallurgy Classification System. NI 43-101 is a rule developed by the Canadian Securities Administrators which establishes standards for all public disclosure an issuer makes of scientific and technical information concerning mineral projects. Canadian standards, including NI 43-101, differ significantly from the requirements of the United States Securities and Exchange Commission ("SEC"), and resource and reserve information contained herein may not be comparable to similar information disclosed by U.S. companies. In particular, and without limiting the generality of the foregoing, the term "resource" does not equate to the term "reserves". Investors should also understand that "inferred mineral resources" have a great amount of uncertainty as to their existence and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of an "inferred mineral resource" will ever be upgraded to a higher category. The estimation of quantities of resources and reserves is complex, based on significant subjective assumptions and forward-looking information, including assumptions that arise from the evaluation of geological, geophysical, engineering and economic data for a given ore body. This data could change over time as a result of numerous factors, including new information gained from development activities, evolving production history and a reassessment of the viability of production under different economic conditions. Changes in data and/or assumptions could cause reserve estimates to substantially change from period to period. No assurance can be given that the indicated level of mineral will be produced. Actual production could differ from expected production and an adverse change in mineral prices could make a reserve uneconomic to mine. Variations could also occur in actual ore grades and recovery rates from estimates.*

### **Other information**

Additional information related to the Company, including the Company's Annual Information Form, is available for viewing on SEDAR at [www.sedar.com](http://www.sedar.com) and at the Company's website at [www.trimetalsmining.com](http://www.trimetalsmining.com).