

TriMetals Mining Inc.
(An Exploration Stage Company)

Consolidated Financial Statements
December 31, 2014 and 2013

(expressed in U.S. dollars)

Management's Responsibility for Financial Reporting

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

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

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

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

(Signed) "Ralph Fitch"
President and Chief
Executive Officer

(Signed) "Matias Herrero"
Chief Financial Officer

Vancouver, British Columbia
March 23, 2015



March 23, 2015

Independent Auditor's Report

To the Shareholders of TriMetals Mining Inc.

We have audited the accompanying consolidated financial statements of TriMetals Mining Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2014 and December 31, 2013 and the consolidated statements of earnings (loss) and comprehensive loss, changes in equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

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PwC refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of TriMetals Mining Inc. as at December 31, 2014 and December 31, 2013 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

PricewaterhouseCoopers LLP

Chartered Accountants

TriMetals Mining Inc.

(An Exploration Stage Company)

Consolidated Statements of Financial Position as at December 31, 2014 and 2013

(expressed in U.S. dollars)

	Note	2014 \$	2013 \$
Assets			
Current assets			
Cash and cash equivalents		4,837,862	11,921,723
Receivables and prepaids	5	226,397	229,353
		<u>5,064,259</u>	<u>12,151,076</u>
Non-current assets			
Equity investments	6	136,072	250,813
Equipment	7	160,396	253,549
Reclamation deposit		145,000	-
Drilling advance	8	208,514	308,724
Mining claims and deferred exploration costs	9	24,562,804	21,299,736
Malku Khota project	10, 16	18,734,000	18,504,000
		<u>43,946,786</u>	<u>40,616,822</u>
Total assets		<u>49,011,045</u>	<u>52,767,898</u>
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	15	236,488	1,175,376
Provision for Mexican tax	11	497,403	560,003
		<u>733,891</u>	<u>1,735,379</u>
Non-current liabilities			
Class B shares	12	13,531,345	15,286,040
Stock options exercisable into Class B and common shares	13 c	218,374	1,332,166
Warrants exercisable into Class B and common shares	13 d	-	156,922
		<u>13,749,719</u>	<u>16,775,128</u>
Total liabilities		<u>14,483,610</u>	<u>18,510,507</u>
Equity attributable to shareholders			
Share capital	13	89,941,924	89,919,156
Contributed surplus		9,747,247	9,418,007
Accumulated other comprehensive income		163,085	564,600
Deficit		(65,324,821)	(65,644,372)
Total equity		<u>34,527,435</u>	<u>34,257,391</u>
Total liabilities and equity		<u>49,011,045</u>	<u>52,767,898</u>
Commitments (notes 9 and 17)			
Contingencies (note 16)			
Subsequent events (note 21)			

Approved by the Board of Directors:

(signed) "Paul Haber"

(signed) "Roman Mironchik"

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

TriMetals Mining Inc.

(An Exploration Stage Company)

Consolidated Statements of Earnings (Loss) and Comprehensive Loss For the years ended December 31, 2014 and 2013

(expressed in U.S. dollars)

	Note	2014 \$	2013 \$
General and administrative expenses			
Arbitration	10	280,276	503,887
Consulting	15	73,340	70,147
Depreciation and amortization		104,403	80,446
Directors' fees	15	126,008	182,153
Filing and transfer agent fees		81,689	73,669
Office and administration		358,687	641,879
Professional fees	15	634,239	869,468
Reconnaissance and sundry exploration		186,066	22,642
Shareholder information and investor relations		205,022	210,587
Share-based payments	13c, 15	324,435	692,456
Wages and benefits	15	525,555	2,309,561
		<u>(2,899,720)</u>	<u>(5,656,895)</u>
Other income (expenses)			
Interest and other income		111,685	134,674
Foreign currency gain (loss)		48,256	(34,027)
Gain on disposal of mineral property		150,000	-
Equity loss of High Desert Gold Corporation ("HDG")		-	(838,111)
Impairment of investment in HDG		-	(706,654)
Equity loss of HGI		(114,741)	-
Change in fair value of Class B shares		1,754,695	-
Change in fair value of warrants exercisable into Class B and common shares		156,922	39,151
Change in fair value of stock options exercisable into Class B and common shares		1,113,792	69,785
Loss on disposal of equipment		(1,338)	(2,100)
		<u>3,219,271</u>	<u>(1,337,282)</u>
Net earnings (loss) for the year		319,551	(6,994,177)
Other comprehensive loss			
Items that may be subsequently reclassified to profit or loss:			
Currency translation differences		(401,515)	(565,147)
Total comprehensive loss		<u>(81,964)</u>	<u>(7,559,324)</u>
Basic and diluted net earnings (loss) per share		<u>0.00</u>	<u>(0.06)</u>
Weighted average number of shares outstanding		<u>135,734,405</u>	<u>115,786,526</u>

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

TriMetals Mining Inc.

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Consolidated Statements of Changes in Equity

For the years ended December 31, 2014 and 2013

(expressed in U.S. dollars)

	Share Capital		Contributed Surplus \$	Deficit \$	AOCI \$	Total \$
	Number	Amount \$				
Balance, January 1, 2014	135,726,708	89,919,156	9,418,007	(65,644,372)	564,600	34,257,391
Shares issued on exercise of share appreciation rights (SAR's)	12,006	-	-	-	-	-
Share-based payments	-	-	352,008	-	-	352,008
Transfer to share capital on exercise of SAR's	-	22,768	(22,768)	-	-	-
Total comprehensive loss for the year	-	-	-	319,551	(401,515)	(81,964)
Balance, December 31, 2014	135,738,714	89,941,924	9,747,247	(65,324,821)	163,085	34,527,435
Balance, January 1, 2013	114,973,549	98,925,930	10,996,227	(58,650,195)	1,129,747	52,401,709
Shares issued to acquire HDG	19,460,067	5,299,737	-	-	-	5,299,737
Fair value of warrants issued to acquire HDG	-	-	180,053	-	-	180,053
Fair value of stock options granted to acquire HDG	-	-	126,824	-	-	126,824
Fair value of warrants exercisable into Class B and common shares	-	-	(196,073)	-	-	(196,073)
Fair value of stock options exercisable into Class B and common shares	-	-	(1,401,951)	-	-	(1,401,951)
Shares split into new common and Class B shares	-	(15,286,040)	-	-	-	(15,286,040)
Shares issued on exercise of share appreciation rights (SAR's)	1,293,092	-	-	-	-	-
Share-based payments	-	-	692,456	-	-	692,456
Transfer to share capital on exercise of SAR's	-	979,529	(979,529)	-	-	-
Total comprehensive loss for the year	-	-	-	(6,994,177)	(565,147)	(7,559,324)
Balance, December 31, 2013	135,726,708	89,919,156	9,418,007	(65,644,372)	564,600	34,257,391

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

TriMetals Mining Inc.

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Consolidated Statements of Cash Flows

For the years ended December 31, 2014 and 2013

(expressed in U.S. dollars)

	2014	2013
	\$	\$
Cash flows from (used in) operating activities		
Net earnings (loss) for the year	319,551	(6,994,177)
Items not affecting cash		
Depreciation and amortization	104,403	80,446
Equity loss of HGI	114,741	-
Equity loss of HDG	-	838,111
Impairment of investment in HDG	-	706,654
Change in fair value of Class B shares	(1,754,695)	-
Change in fair value of warrants exercisable into Class B and common shares	(156,922)	(39,151)
Change in fair value of stock options exercisable into Class B and common shares	(1,113,792)	(69,785)
Interest income	(62,242)	(134,674)
Loss on disposal of equipment	1,338	2,100
Share-based payments	324,435	692,456
	(2,223,183)	(4,918,020)
Interest received	52,405	160,668
Changes in non-cash operating working capital		
Change in receivables and prepaids	63,003	271,677
Change in accounts payable and accrued liabilities	(922,170)	(61,415)
Change in provision for Mexican tax	(62,600)	(8,200)
	(3,092,545)	(4,555,290)
Cash flows (used in) from investing activities		
Investment in HDG	-	(89,326)
Mining claims and deferred exploration costs	(3,252,213)	(6,925,390)
Repayment of drilling advance	50,000	-
Malku Khota project	(230,000)	-
Reclamation deposit	(145,000)	-
Purchase of equipment	(12,588)	(18,137)
Proceeds on disposal of equipment	-	575
Transaction costs in respect of acquisition of HDG, net of cash acquired	-	(167,675)
	(3,589,801)	(7,199,953)
Decrease in cash and cash equivalents	(6,682,346)	(11,755,243)
Foreign exchange effect on cash and cash equivalents	(401,515)	(565,147)
Cash and cash equivalents - Beginning of year	11,921,723	24,242,113
Cash and cash equivalents - End of year	4,837,862	11,921,723
Cash and cash equivalents are comprised of:		
Cash	703,472	1,219,410
Cash equivalents	4,134,390	10,702,313
	4,837,862	11,921,723

Supplemental cash flow information (Note 19)

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

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Notes to Consolidated Financial Statements

For the years ended December 31, 2014 and 2013

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1 Organization and nature of operations

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

On December 20, 2013, the Company completed a statutory plan of arrangement under the BCBCA (the “Arrangement”). Under the Arrangement, the Company exchanged each of its common shares for one new TMI common share and one TMI Class B share, and acquired all of the issued and outstanding shares of High Desert Gold Corporation (“HDG”) that it did not already own in an all-share transaction. Shareholders of HDG (other than TMI) received 0.275 of a new TMI common share for each HDG common share previously held.

The new TMI common shares carry voting, dividend and liquidation rights similar to TMI’s former common shares. The TMI 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 South American Silver Limited’s arbitration proceeding against the State of Bolivia for the expropriation of the Malku Khota project. The Class B shares are non-voting and non-participating in regards to dividends and on liquidation other than as described above.

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

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

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

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Notes to Consolidated Financial Statements

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2 Summary of significant accounting policies

Statement of compliance

The Company's consolidated financial statements, including comparatives, have been prepared in accordance with and using accounting policies in compliance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the IFRS Interpretations Committee, effective for the Company's reporting for the year ended December 31, 2014.

These financial statements were approved by the board of directors on March 23, 2015.

Basis of consolidation

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

Name	Country of incorporation
South American Silver (U.S.) Ltd.	U.S.A.
South American Silver Limited	Bermuda
South American Silver Chile SCM	Chile
Compania Minera Malku Khota S.A.	Bolivia
High Desert Gold Corporation (1)	Canada
High Desert Gold Corporation (1)	U.S.A.
Gold Springs LLC (1)	U.S.A.
Minera Genminmex S.A. de C.V. (1)	Mexico

(1) Consolidated from December 20, 2013, the date of acquisition.

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

Cash and cash equivalents

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

Equipment

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

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

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Mining claims and deferred exploration costs

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

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

If the properties are put into commercial production, the expenditures will be depleted using the unit of production basis. If the properties are impaired, sold or abandoned, the expenditures will be charged to operations in the related period.

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

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

Financial assets

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

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

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

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

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

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Financial liabilities

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

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

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

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

Derecognition of financial assets and liabilities

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

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

Impairment

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

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or

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loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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

Restoration, rehabilitation and environmental obligations

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

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

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

The operations of the Company may in the future be affected from time to time in varying degree by changes in environmental regulations, including those for site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company are not predictable.

The Company has no material restoration, rehabilitation or environmental obligation as the disturbance to date is minimal.

Earnings per share

Basic earnings or loss per share represents the profit or loss for the period, divided by the weighted average number of common shares in issue during the period. Diluted earnings or loss per share represents the profit or loss for the period, divided by the weighted average number of common shares in issue during the period plus the weighted average number of dilutive shares resulting from the exercise of stock options, warrants and other similar instruments where the inclusion of these would not be anti-dilutive. During the years ended December 31, 2014 and 2013, the calculation of basic and diluted earnings (loss) per share is the same. The effect of potential issuances of 10,128,899 (2013 – 13,526,050) common shares in respect of stock options and common share purchase warrants were not included in the computation of diluted loss per share as the effect would have been anti-dilutive.

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Use of estimates, assumptions and judgments

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

Critical estimates and assumptions are made in particular with regard to assessment of impairment to the carrying value of mineral properties and to the carrying value of Malku Khota project and the assumptions used in calculating the fair value of Class B shares, warrants and share-based payments.

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

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, Compañía Minera Malku Khota S.A. ("CMMK"), a wholly-owned subsidiary of South American Silver Limited ("SASL"). A Bolivian Supreme Decree (the "Decree") revoked the applicable mining concessions and indicated the Bolivian Government would contract an independent company to conduct a valuation of CMMK's investments to establish an amount and conditions under which the Bolivian Government will recognize and compensate CMMK for the investment previously made at the Malku Khota project. Prior to the expropriation the Company had capitalized approximately \$18.7 million to the project. The Company has determined that the Decree revoking the mining concessions and indicating that compensation will be forthcoming does not represent a financial instrument under IFRS. However, an asset exists for the compensation expected from the State of Bolivia. SASL has initiated an international arbitration to seek compensation (see Note 10). Management regularly reviews the carrying amount of the Malku Khota project asset by comparing the carrying value to the amount of expected proceeds from the arbitration. If SASL is unsuccessful in the arbitration the Malku Khota project asset may be written down in future periods.

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

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

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

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

Foreign currencies

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

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

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

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Income tax

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

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

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

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

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

Share capital

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

Share-based payments

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

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

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(expressed in U.S. dollars)

Employee benefits from options

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

Equity accounting

The Company follows the equity method of accounting for its investments in companies in which it owns less than 50% and over which it exercises significant influence. Under IAS 31, significant influence is defined as the power to participate in the financial and operating policy decisions of an economic activity but is not control or joint control over those policies. Under this method, the Company includes in its net earnings its share of the net earnings or losses of the associate company.

3 Changes in accounting policies including initial adoption

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that are mandatory for accounting periods beginning before or on January 1, 2014.

The following new standards, amendments and interpretations that have been adopted for the Company's current fiscal year have not had a material impact on the Company:

- IAS 36, *Impairment of Assets*, seeks to ensure that an entity's assets are not carried at more than their recoverable amount. The IASB has made small changes to the disclosures required by IAS 36 when recoverable amount is determined based on fair value less costs of disposal. The IASB has amended IAS 36 as follows:
 - to remove the requirement to disclose the recoverable amount when a cash generating unit ("CGU") contains goodwill or indefinite lived intangible assets but there has been no impairment;
 - to require disclosure of the recoverable amount of an asset or CGU when an impairment loss has been recognized or reversed; and
 - to require detailed disclosure of how the fair value less costs of disposal has been measured when an impairment loss has been recognized or reversed.
- IFRIC 21, *Levies*, provides guidance for the accounting for levies in accordance with IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*. The interpretation defines a levy as an outflow from an entity imposed by a government in accordance with legislation and confirms that an entity recognizes a liability for a levy only when the triggering event specified in the legislation occurs.
- IAS 32, *Financial Statements: Presentation*, has been amended to clarify some of the requirements for offsetting financial assets and liabilities on the balance sheet.

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(expressed in U.S. dollars)

The following new standard has 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 for use of fair value through other comprehensive income which results in changes in fair value not being recycle to the income statement. The Company has not adopted IFRS 9 and has not completed its assessment of the impact of this standard.

4 Acquisition of High Desert Gold Corporation (“HDG”)

In 2012, the Company purchased by private placement 15,580,000 common shares of HDG (representing a 19.9% interest in HDG) at a price of Cdn. \$0.18 per share for aggregate consideration of \$2,814,250. In 2013, the Company purchased an additional 497,000 common shares of HDG at a price of Cdn. \$0.18 per share for aggregate consideration of \$89,326.

HDG was a Canadian public mineral exploration company whose shares were traded on the TSX Venture Exchange and the Company and HDG had three directors in common. During 2013, the Company determined that the fair value of its investment in HDG had decreased significantly and accordingly, the Company wrote down its investment to the quoted value of \$1,358,811, recognizing an aggregate impairment loss of \$706,654. The Company also recognized an equity loss of \$838,111 during 2013 in respect of its interest in HDG.

On December 20, 2013, the Company completed the Arrangement and acquired all of the issued and outstanding shares of HDG that it did not already own in an all-share transaction. The Company issued 19,460,067 new TMI common shares to the former HDG shareholders (other than TMI) pursuant to the Arrangement.

HDG’s results of operations have been included from December 20, 2013, the date the Arrangement was completed. For accounting purposes, the Arrangement was treated as a purchase of assets.

Consideration paid:

	\$
Fair value of 19,460,067 Class A shares issued by TMI	5,299,737
Equity investment in HDG de-recognized by TMI	1,358,811
Fair value of 1,501,500 stock options granted by TMI	126,824
Fair value of 1,721,499 warrants issued by TMI	180,053
Transaction costs incurred by TMI	783,896
Aggregate consideration paid	<u>7,749,321</u>

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The purchase price was allocated as follows:

	\$
Cash and cash equivalents	616,221
Receivables and prepaids	111,369
Equipment	148,337
Investment in Highvista Gold Inc.	250,813
Mining claims and deferred exploration costs	7,609,015
Accounts payable and accrued liabilities	(418,231)
Provision for Mexican tax	(568,203)
	<hr/>
Net assets acquired	7,749,321
	<hr/>

5 Receivables and prepaids

	2014	2013
	\$	\$
GST receivable	10,308	55,577
Drilling advance	68,445	-
Other receivables	7,649	24,186
Other prepaids and advances	139,995	149,590
	<hr/>	<hr/>
	226,397	229,353
	<hr/>	<hr/>

6 Equity investment

	2014	2013
	\$	\$
Investment in Highvista Gold Inc. ("HGI")	136,072	250,813
	<hr/>	<hr/>

In 2013, the Company acquired 10,683,125 shares of HGI (26.8% interest) through the acquisition of HDG. As at December 31, 2014, the HGI shares had a quoted value of \$138,133 (December 31, 2013 - \$251,107). The Company and HGI have two directors in common. The HGI shares were subject to a time-released regulatory escrow agreement. The final 4,273,249 shares were released during 2014. During 2014, the shares of HGI were consolidated on a 10:1 basis such that as at December 31, 2014, the Company owns 1,068,313 shares of HGI.

Subsequent to December 31, 2014, the Company's interest in HGI was diluted from 26.8% to 12.2%. See Note 21 b).

	\$
Acquisition cost of HGI	250,813
Equity in earnings of HGI	-
	<hr/>
Carrying value as at December 31, 2013	250,813
Equity in loss of HGI	(114,741)
	<hr/>
Carrying value as at December 31, 2014	136,072
	<hr/>

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7 Equipment

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

Year ended December 31, 2013	Furniture and equipment \$	Computer hardware \$	Computer software \$	Vehicle \$	Leasehold improvements \$	Total \$
Cost						
Balance, beginning of the year	96,321	89,000	222,037	27,500	52,609	487,467
Additions	3,006	2,525	12,606	-	-	18,137
Disposals	(3,106)	(12,976)	(68,766)	(27,500)	-	(112,348)
Acquisition of HDG	78,499	4,773	1,208	63,857	-	148,337
Balance, end of the year	174,720	83,322	167,085	63,857	52,609	541,593
Accumulated amortization						
Balance, beginning of the year	31,053	44,735	199,805	27,500	14,178	317,271
Amortization for the year	19,106	24,519	25,728	573	10,520	80,446
Disposals	(3,106)	(10,301)	(68,766)	(27,500)	-	(109,673)
Balance, end of the year	47,053	58,953	156,767	573	24,698	288,044
Net book value at December 31, 2013	127,667	24,369	10,318	63,284	27,911	253,549

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8 Drilling advance

	2014	2013
	\$	\$
Drilling advance	276,959	308,724
Less: current portion	(68,445)	-
	<u>208,514</u>	<u>308,724</u>

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

9 Mining claims and deferred exploration costs – Schedule 1

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

	2014	2013
	\$	\$
a) Escalones, Chile	14,635,739	13,681,093
b) Gold Springs, U.S.	9,927,065	7,618,643
	<u>24,562,804</u>	<u>21,299,736</u>

- a) In 2004, the Company entered into an option agreement (the “Boezio Option”) to acquire the remaining 4,689 hectares of the Escalones property located in Chile which are not already 100% owned by the Company. In each of 2005, 2007, 2009 and 2013, the terms were renegotiated. Pursuant to the Boezio Option, as revised, the Company has the right until June 30, 2018 to purchase the claims upon payment to the owner of \$7,600,000. As at December 31, 2014, \$3,100,000 has been paid, including \$500,000 paid during 2014, and \$150,000 paid by a former partner. The remaining \$4,500,000 is payable as follows: \$500,000 on each of June 30, 2015, 2016 and 2017 and a final payment of \$3,000,000 on June 30, 2018.

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

If the Company purchases the concessions, the Boezio Option requires the Company to commence exploitation of the concessions within two years thereafter. Once Escalones is acquired and until exploitation begins, the Company is required to pay annual advance royalty payments of \$200,000 which are credited against future royalty payments. Failure to commence exploitation within the two year period triggers an obligation to make annual indemnity payments of \$300,000 until exploitation begins.

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In this event, the \$200,000 annual payments made from the date of exercise of the option are deemed to be indemnity payments, not advance royalty payments. Royalty payments are suspended if exploitation of the mining concessions is suspended for reasons beyond the Company's control.

- b) The Gold Springs mineral property was acquired through the acquisition of HDG (Note 4). This property has been recorded on acquisition at its estimated fair value based on the consideration paid.

10 Malku Khota project

	2014	2013
	\$	\$
Malku Khota project	18,734,000	18,504,000

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

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

On September 24, 2014, SASL filed its statement of claim and memorial on the merits. SASL seeks monetary compensation for damages in the amount of \$385.7 million which includes \$307.2 million for all of its losses caused by Bolivia's breaches of the UK-Bolivia Treaty, plus \$78.5 million in pre-award interest but excludes fees and costs incurred in connection with the arbitration proceeding. Alternatively, SASL seeks restitution of the Malku Khota project along with monetary damages in the amount of \$176.4 million, including pre-award interest.

On May 23, 2013, the Company entered into the Arbitration Costs Funding Agreement pursuant to which the Fund will cover most of the Company's future costs and expenses related to its international arbitration proceedings against Bolivia. See Note 16.

Management performed a review of the recoverability of the carrying amount of the Malku Khota project by comparing the unamortized book value to the higher of value in use and fair value less costs to sell as at December 31, 2014. Management has concluded that no impairment adjustment is necessary at this time.

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

11 Provision for Mexican tax

	2014	2013
	\$	\$
Provision for Mexican tax	497,403	560,003

The Company assumed a provision for Mexican tax on the 2013 acquisition of HDG (Note 4). The provision is denominated in Mexican pesos and relates to a 2011 transfer of a Mexican mineral property.

12 Class B shares

	2014	2013
	\$	\$
Class B shares	13,531,345	15,286,040

An aggregate 116,266,641 Class B shares were issued in connection with the Arrangement, with each Class B share having the attributes described in Note 13 a). During the year ended December 31, 2014, an additional 12,006 Class B shares were issued on the exercise of SAR's. The Class B shares are recorded at their estimated fair value which is estimated based on the quoted price of the Class B shares on the TSX.

	\$
Carrying value as at December 31, 2013	15,286,040
Change in fair value	<u>(1,754,695)</u>
Carrying value as at December 31, 2014	<u>13,531,345</u>

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

13 Share capital

a) Authorized

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

The holders of the common shares are entitled to one vote per share. The holders of the common shares are entitled to dividends, when and if declared by the directors of the Company, and, subject to the rights of the holders of the Class B shares, to the distribution of the residual assets of the Company in the event of the liquidation, dissolution or winding-up of the Company. No dividends have ever been declared or paid as at December 31, 2014.

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

b) Financings

There were no financings completed during the years ended December 31, 2014 or 2013.

c) Stock options

(i) Changes in stock options

The Company's stock options outstanding as at December 31, 2014 and 2013 and the changes for the years then ended are as follows:

	Number of options	Weighted average price Cdn.\$
Balance outstanding – December 31, 2012	9,550,468	1.02
Options granted	1,525,000	0.44
Options exercised	(3,606,667)	0.40
Options forfeited	(2,185,000)	1.17
Options assumed under the Arrangement with HDG ⁽¹⁾	1,501,500	0.90
Balance outstanding – December 31, 2013	6,785,301	1.15
Options granted ⁽¹⁾	2,942,500	0.41
Options exercised	(83,400)	0.35
Options forfeited	(1,256,251)	1.34
Balance outstanding – December 31, 2014	8,388,150	0.87

⁽¹⁾ Each option assumed under the Arrangement with HDG and each option granted in 2014 is exercisable to acquire one common share. The remainder of the options granted by TMI prior to the Arrangement are each exercisable to acquire one common share and one Class B share.

During 2014, the weighted average stock price on the date of option exercise was Cdn. \$0.41 (2013 – Cdn. \$0.70) per share.

(ii) Share-based payments

During the year ended December 31, 2014, the Company recorded share-based payments of \$352,008 (2013 - \$692,456) in respect of stock options. Of this amount, \$324,435 (2013 - \$692,456) was recorded as a charge to operations and \$27,573 (2013 - \$nil) was included in deferred exploration costs.

During the year ended December 31, 2014, the Company granted stock options to non-executive directors of the Company for the purchase of 600,000 common shares at a strike price of Cdn. \$0.365 per share, and for the purchase of 900,000 common shares at a strike price of Cdn. \$0.42 per share. These options are exercisable for

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(expressed in U.S. dollars)

a period of five years and vested immediately.

The Company also granted stock options to officers and consultants for the purchase of 1,442,500 common shares at a strike price of Cdn. \$0.42 per share. These options are exercisable for a period of five years, and 33 1/3% vested immediately, with a further 33 1/3% vesting on the date which is 12 months following the date of the grant; and the final 33 1/3% vesting on the date which is 24 months following the date of the grant.

During the comparative year ended December 31, 2013, the Company granted stock options to non-executive directors of the Company for the purchase of 1,000,000 common shares at a strike price of Cdn. \$0.44 per share. These options are exercisable for a period of five years and vested immediately. The Company also granted stock options to officers and consultants for the purchase of 525,000 common shares at a strike price of Cdn. \$0.44 per share. These options are exercisable for a period of five years, and 33 1/3% vested immediately, with a further 33 1/3% vesting on the date which is 12 months following the date of the grant; and the final 33 1/3% vesting on the date which is 24 months following the date of the grant.

The fair value of each option grant was estimated at the time of the grant using the Black-Scholes option pricing model with assumptions for grants as follows:

	Year ended Dec. 31, 2014	Year ended Dec. 31, 2013
Weighted average exercise price	Cdn. \$0.41	Cdn. \$0.44
Weighted average grant date share price	Cdn. \$0.15	Cdn. \$0.44
Risk-free interest rate	1.9%	1.6%
Expected life	5.0 years	5.0 years
Expected volatility	101%	90%
Dividend rate	0%	0%

Grant date share price is the closing market price on the date before the options were granted. Expected volatility was determined by measuring the historical volatility of the Company's share price. The historical period used to measure historical volatility was the same as the expected life of the options granted. The weighted average grant date fair value of options granted during the year ended December 31, 2014 was \$0.09 per share (2013 - \$0.30).

During 2013, the Company assumed 1,501,500 options under the Arrangement with HDG. Each of these options is exercisable to acquire one common share. The fair value of these options was estimated at the date of the Arrangement using the Black-Scholes option pricing model with assumptions for grants as follows: average risk-free interest rate – 0.8% to 1.6%; expected life – 0.3 to 4.8 years; expected volatility – 99% to 231%; and expected dividends – nil. The weighted average fair value of these options at the date of the Arrangement was \$0.14 per share.

(iii) Options outstanding at the end of the year

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

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Options to acquire one common share and one Class B share are outstanding at December 31, 2014 as follows:

Number of options outstanding	Number of options exercisable	Exercise price Cdn. \$	Expiry date
400,000	400,000	0.69	June 8, 2015
608,734	608,734	0.63	September 16, 2015
1,000,000	1,000,000	2.09	April 15, 2016
1,050,000	1,050,000	1.71	November 14, 2016
133,333	133,333	0.34	October 10, 2017
1,233,333	1,041,666	0.44	October 21, 2018
<u>4,425,400</u>	<u>4,233,733</u>		

These stock options have been categorized as a financial liability. The fair values of these options have been estimated using the Black Scholes option-pricing model. Assumptions used in the pricing model are as follows: average risk-free interest rate – 1.1% to 2.0%; expected life – 0.4 to 3.8 years; expected volatility – 67% to 125%; and expected dividends – nil. The fair value of these options as at December 31, 2014 amounts to \$218,374. The change in fair value of these stock options of \$1,193,792 was included in earnings.

The weighted average exercise price of the outstanding options to acquire one common share and one Class B share is Cdn. \$1.16 per share, and of the exercisable options is Cdn. \$1.19 per share. At December 31, 2014, these options have a weighted average remaining contractual life of 2.0 years.

Options to acquire common shares are outstanding at December 31, 2014 as follows:

Number of options outstanding	Number of options exercisable	Exercise price Cdn. \$	Expiry date
160,875	160,875	1.80	April 15, 2016
200,750	200,750	1.05	March 29, 2017
658,625	484,917	0.65	October 22, 2018
600,000	600,000	0.365	January 28, 2019
2,342,500	1,380,833	0.42	November 13, 2019
<u>3,962,750</u>	<u>2,827,375</u>		

The weighted average exercise price of the outstanding options to acquire one common share is Cdn. \$0.54 per share, and of exercisable options is Cdn. \$0.57 per share. At December 31, 2014, these options have a weighted average remaining contractual life of 4.3 years.

TriMetals Mining Inc.

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Notes to Consolidated Financial Statements

For the years ended December 31, 2014 and 2013

(expressed in U.S. dollars)

d) Warrants

(i) Changes in warrants

The Company's warrants outstanding as at December 31, 2014 and 2013 and the changes for the years then ended are as follows:

	Number of warrants	Weighted average price Cdn.\$
Balance – December 31, 2012	5,700,000	1.95
Warrants expired	(700,000)	1.60
Warrants assumed under the Arrangement with HDG	1,721,499	0.83
Balance – December 31, 2013	6,721,499	1.70
Warrants expired	(5,000,000)	2.00
Balance – December 31, 2014	1,721,499	0.83

5,000,000 warrants to acquire one common share and one Class B share expired during 2014. These warrants had been categorized as a financial liability and the change in fair value of the expired warrants of \$156,922 was included in earnings.

(ii) Warrants outstanding at the end of the year

Warrants to acquire common shares are outstanding at December 31, 2014 as follows:

Number Outstanding		Exercise Price Cdn. \$	Expiry Date
38,499	(1)	\$0.73	January 31, 2015
1,133,000		\$0.84	December 28, 2015
550,000	(2)	\$0.84	January 31, 2016
<u>1,721,499</u>			

(1) Subsequent to December 31, 2014, these warrants expired, unexercised. See Note 21 a).

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

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Notes to Consolidated Financial Statements

For the years ended December 31, 2014 and 2013

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14 Income taxes

	2014 \$	2013 \$
Cash paid for income tax	-	-
Income tax		
Current tax		
Current tax on profits for the year	-	-
Adjustments in respect of prior years	-	-
Total current tax	-	-
Deferred tax		
Origination and reversal of timing differences	(835,050)	(951,175)
Adjustment to unrecognized deferred tax asset	835,050	951,175
Total deferred tax	-	-
Income tax expense	-	-

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

	2014 \$	2013 \$
Tax rate	26%	25.75%
Net earnings (loss) for the year	319,551	(6,994,177)
Provision for income taxes (recovery) at applicable rates	83,083	(1,801,001)
Tax effects of:		
Prior year adjustments	(68,218)	617,701
Foreign rate differences	(106,391)	(98,536)
Non-deductible expenses and non-taxable gains	(741,345)	407,166
Losses not recognized	15,350	216,463
Difference as a result of changing tax rates	(17,529)	(201,102)
Adjustments to benefits not recognized	835,050	859,309
Income tax expense	-	-

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The analysis of deferred tax assets and deferred tax liabilities is as follows:

	2014	2013
	\$	\$
Deferred tax assets		
Deferred tax asset to be recovered after more than 12 months	8,913,221	7,965,528
Deferred tax asset to be recovered within 12 months	-	-
Deferred tax liabilities		
Deferred tax liability to be realized after more than 12 months	(521,333)	(503,936)
Deferred tax liability to be realized within 12 months	-	-
Benefits not recognized	<u>(8,391,888)</u>	<u>(7,461,592)</u>
Deferred tax liabilities (net)	<u>-</u>	<u>-</u>

The change in the deferred income tax account is as follows:

	2014	2013
	\$	\$
Charge to statement of loss and comprehensive loss	(835,050)	(859,309)
Charge relating to a component of equity	9,118	73,620
Tax charge (credit) relating to components of other comprehensive income	(104,364)	(157,374)
Benefits not recognized	<u>930,296</u>	<u>943,063</u>
Balance at end of year	<u>-</u>	<u>-</u>

The income tax rate used in the preparation of the reconciliation above increased as a result of legislated increases in the overall tax rates in British Columbia.

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

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Deferred tax assets

	Operating loss carryforward \$	Excess of tax basis over carrying value of assets \$	Tax basis of financing fees in excess of book value \$	Sub-total \$	Benefits not recognized \$	Total \$
Balance at December 31, 2012	5,521,608	373,068	623,852	6,518,528	(6,518,528)	-
Charged (credited) to equity	-	-	(73,620)	(73,620)	73,620	-
Charged (credited) to the statement of loss	1,506,516	23,246	(190,002)	1,339,760	(1,339,760)	-
Charged (credited) to other comprehensive income	157,374	-	-	157,374	(157,374)	-
Balance at December 31, 2013	7,185,498	396,314	360,230	7,942,042	(7,942,042)	-
Charged (credited) to equity	-	-	(9,118)	(9,118)	9,118	-
Charged (credited) to the statement of earnings (loss)	1,061,130	29,760	(214,957)	875,933	(875,933)	-
Charged (credited) to other comprehensive income	104,364	-	-	104,364	(104,364)	-
Balance at December 31, 2014	8,350,992	426,074	136,155	8,913,221	(8,913,221)	-

Deferred tax liabilities

	Excess of carrying value over tax basis of assets \$	Benefits not recognized \$	Total \$
Balance at December 31, 2012	-	-	-
Charged (credited) to the statement of loss	(480,450)	480,450	-
Charged (credited) to other comprehensive income	-	-	-
Balance at December 31, 2013	(480,450)	480,450	-
Charged (credited) to the statement of earnings (loss)	(40,883)	40,883	-
Charged (credited) to other comprehensive income	-	-	-
Balance at December 31, 2014	(521,333)	521,333	-

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(expressed in U.S. dollars)

The Company has a non-capital loss carried forward available to reduce future taxable income of approximately \$29,297,000. These losses expire as follows:

	\$
2026	87,000
2027	723,000
2028	1,118,000
2029	1,628,000
2030	3,802,000
2031	6,269,000
2032	6,545,000
2033	5,738,000
2034 and thereafter	3,387,000
	<hr/>
	29,297,000
	<hr/>

15 Related party transactions

The Company's related parties consist of the Company's officers or companies under controlling or significant influence, a legal firm in which a director is a partner, and, until December 20, 2013, HDG which had three directors in common. On December 20, 2013, the Company completed its acquisition of a 100% interest in HDG under the Arrangement (see Note 4). In addition, the Company incurred the following expenditures during the years ended December 31, 2014 and 2013 that were charged by related parties:

	2014	2013
	\$	\$
Consulting fees	67,286	35,303
Legal fees	256,723	455,713
Consulting fees included in mineral property costs	72,704	147,462
Legal fees incurred in transaction costs associated with the acquisition of HDG	-	308,575
	<hr/>	<hr/>

Included in accounts payable at December 31, 2014 is an amount of \$68,487 (December 31, 2013 - \$380,085) due to related parties. These amounts are non-interest bearing and have no specific terms of repayment.

Key management includes the Chief Executive Officer, the Executive Chairman, the Chief Financial Officer and the remaining directors. The compensation paid or payable to key management for services during the years ended December 31, 2014 and 2013 is as follows:

	2014	2013
	\$	\$
Directors' fees	126,008	182,153
Wages and benefits	420,000	983,202
Share-based payments	257,461	572,388
	<hr/>	<hr/>
	803,469	1,737,743
	<hr/>	<hr/>

TriMetals Mining Inc.

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Notes to Consolidated Financial Statements

For the years ended December 31, 2014 and 2013

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16 Contingencies

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

Under the terms of the privileged Arbitration Costs Funding Agreement, the Company has given certain warranties and covenants to the Fund and is obliged to pledge at least 35% of the shares of the Company's subsidiary in Chile, beneficiary of the Escalones property, as security for its obligations. In consideration for the funding, the Company has agreed to pay to the Fund a portion of any recoveries received pursuant to the arbitration proceedings or any settlement with Bolivia. As at December 31, 2014, the arbitration has not been settled and the amount of the contingent payment is deemed to be indeterminable. Accordingly nothing has been accrued for the Fund's portion of any recoveries in the arbitration.

The Company has agreed to a contingent success fee to its lead arbitration counsel to be determined based on the outcome of the arbitration. As at December 31, 2014, 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.

17 Commitments

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

	Amount
	\$
Due on or before December 31,	
2015	127,000
2016	74,000
	<u>201,000</u>

The Company has sublet its main office in Vancouver and will recover a large portion of these costs. Subsequent to December 31, 2014, the term of the Denver office lease was extended for one year at an approximate additional rental cost of \$52,000.

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Notes to Consolidated Financial Statements

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18 Segment information

The Company's operations are limited to a single industry segment, being mineral exploration and development. Geographic segment information of the Company's assets and liabilities as at December 31, 2014 and 2013 is as follows:

Identifiable assets	December 31, 2014	December 31, 2013
	\$	\$
Bolivia	18,750,713	18,526,603
Canada	4,932,871	12,234,568
Chile	15,074,732	14,084,811
United States and other	10,252,729	7,921,916
Total assets	<u>49,011,045</u>	<u>52,767,898</u>
	December 31, 2014	December 31, 2013
	\$	\$
Identifiable liabilities		
Bolivia	5,716	9,399
Canada	164,907	967,311
Chile	7,850	42,907
United States and other	555,418	715,762
Total liabilities	<u>733,891</u>	<u>1,735,379</u>

Additions to segmented non-current assets during the years ended December 31, 2013 and 2014	Bolivia	Canada	Chile	United States and other	Total
	\$	\$	\$	\$	\$
Balance, December 31, 2012	18,706,936	2,921,360	7,737,509	16,994	29,382,799
Additions	(202,936)	(2,607,807)	6,287,366	7,757,400	11,234,023
Balance, December 31, 2013	18,504,000	313,553	14,024,875	7,774,394	40,616,822
Additions	230,000	(144,704)	837,565	2,407,103	3,329,964
Balance, December 31, 2014	<u>18,734,000</u>	<u>168,849</u>	<u>14,862,440</u>	<u>10,181,497</u>	<u>43,946,786</u>

Geographic segmentation of the Company's net earnings (loss) for the years ended December 31, 2014 and 2013 is as follows:

TriMetals Mining Inc.

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Notes to Consolidated Financial Statements

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(expressed in U.S. dollars)

	2014	2013
	\$	\$
Bolivia	(64,779)	(650,344)
Canada	1,381,314	(5,470,816)
Chile	(2,433)	(349,242)
United States and other	(994,551)	(523,775)
Net earnings (loss)	<u>319,551</u>	<u>(6,994,177)</u>

19 Supplemental cash flow information

The Company conducted non-cash investing and financing activities during the years ended December 31, 2014 and 2013 as follows:

	2014	2013
	\$	\$
Interest income included in receivables and prepaids	5,733	14,131
Investing activities		
Deferred exploration costs included in accounts payable	(53,780)	(70,498)
Financing activities		
Share-based payments included in deferred exploration costs	<u>27,573</u>	<u>-</u>

20 Financial instruments

a) Management of capital

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

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust capital structure, the Company may attempt to issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents. The Company has no debt.

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

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

TriMetals Mining Inc.

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

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

There have been no changes to the Company's approach in managing capital during the year ended December 31, 2014.

b) Designation of financial instruments

The Company's financial instruments consist of cash and cash equivalents, receivables, accounts payable and accrued liabilities, Class B shares, and stock options exercisable into Class B shares and common shares. Cash equivalents consist of term deposits, the investment terms of which are less than three months at the time of acquisition. Cash and cash equivalents and receivables are designated as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are designated as other financial liabilities which are measured at amortized cost. Class B shares and stock options exercisable into Class B and common shares are designated as FVTPL, which are measured at fair value, with changes in fair value recognized directly in earnings or loss in the period in which they arise.

c) Fair value of financial instruments

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

d) Currency risk

A portion of the Company's financial assets and liabilities is denominated in foreign currencies giving rise to risks from changes in foreign exchange rates. The Company is exposed to currency exchange rate risks to the extent of its activities in the U.S., Bolivia, Chile and Mexico. The Company's currency risk is presently limited to approximately \$1,140,000 of financial assets and liabilities 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, 2014, a 5% change in exchange rates would give rise to a change in net loss of approximately \$57,000. The Company does not use derivative financial instruments to reduce its foreign exchange exposure.

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The currencies of the Company's financial instruments, based on notional amounts, were as follows:

	December 31, 2014			
	U.S. dollar	Mexican Peso	Bolivian Boliviano	Chilean Peso
Cash and cash equivalents	1,808,530	23,925	34,486	68,225,173
Receivables	530	24,765	-	-
Accounts payable and accrued liabilities	(42,345)	(1,741)	(40,446)	(4,038,470)
Provision for Mexican taxes	-	(7,336,709)	-	-
Net balance sheet exposure	1,766,715	(7,289,760)	(5,960)	64,186,703

	December 31, 2013			
	U.S. dollar	Mexican Peso	Bolivian Boliviano	Chilean Peso
Cash and cash equivalents	5,787,061	244,878	56,062	7,407,213
Receivables	2,086	221,639	-	-
Accounts payable and accrued liabilities	(82,960)	-	(66,501)	(5,405,631)
Provision for Mexican taxes	-	(7,336,052)	-	-
Net balance sheet exposure	5,706,187	(6,869,535)	(10,439)	2,001,582

Future changes in exchange rates could have a material effect on the Company's business, financial condition and results of operations.

e) **Credit risk**

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

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

f) **Interest rate risk**

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The risk that the Company will realize a loss as a result of a decline in the fair value of the short term investments included in cash and cash equivalents is limited because these instruments, although available for sale, are generally held to maturity and the interest rate is fixed. The Company manages its cash according to its operational needs and to maximize interest revenue.

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g) Liquidity risk

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

21 Subsequent events

Subsequent to December 31, 2014:

- a) 38,499 broker warrants expired, unexercised.
- b) The Company's interest in HGI was diluted from 26.8% to 12.2%.

TriMetals Mining Inc.*(An Exploration Stage Company)***Consolidated Schedule of Deferred Exploration Costs***(expressed in U.S. dollars)*

	Chile properties \$	U.S. properties \$	Total \$
Balance at December 31, 2012	6,922,443	-	6,922,443
Land and option payments	648,191	930	649,121
Laboratory	260,047	-	260,047
Field supplies	51,028	924	51,952
Camp	208,773	-	208,773
Consulting and supervision	658,995	6,815	665,810
Maps and reproduction	61,311	-	61,311
Environmental	321,292	228	321,520
Technical consulting	85,973	731	86,704
Drilling	3,342,138	-	3,342,138
Trenching	228,608	-	228,608
Travel and accommodation	114,072	-	114,072
Value added tax credits	778,222	-	778,222
	6,758,650	9,628	6,768,278
Acquired on acquisition of HDG (Note 4)	-	7,609,015	7,609,015
	6,758,650	7,618,643	14,377,293
Balance at December 31, 2013	13,681,093	7,618,643	21,299,736
Land and option payments	541,160	242,796	783,956
Laboratory	6,206	184,630	190,836
Field supplies	210	11,953	12,163
Camp	10,704	75,492	86,196
Consulting and supervision	209,133	663,655	872,788
Surveying and staking	13,271	52,546	65,817
Environmental	67,075	135,366	202,441
Technical consulting	73,137	161,335	234,472
Drilling	-	514,217	514,217
Trenching	5,890	98,057	103,947
Travel and accommodation	25,390	140,802	166,192
Share-based payments	-	27,573	27,573
Value added tax credits	2,470	-	2,470
	954,646	2,308,422	3,263,068
Balance at December 31, 2014	14,635,739	9,927,065	24,562,804