

TriMetals Mining Inc.
(An Exploration Stage Company)

Condensed Interim Consolidated Financial Statements
Second Quarter Ended June 30, 2014

(Unaudited - expressed in U.S. dollars)

TriMetals Mining Inc.

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

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

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

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

TriMetals Mining Inc.

(An Exploration Stage Company)

Condensed Interim Consolidated Statements of Financial Position

(Unaudited - expressed in U.S. dollars)

	Note	June 30, 2014 \$	December 31, 2013 \$
Assets			
Current assets			
Cash and cash equivalents		8,032,973	11,921,723
Receivables and prepaids	4	189,720	229,353
		<u>8,222,693</u>	<u>12,151,076</u>
Non-current assets			
Equity investment – Highvista Gold Inc. (“HGI”)	5	184,204	250,813
Equipment	6	200,101	253,549
Drilling advance	7	308,724	308,724
Reclamation deposit		145,000	-
Mining claims and deferred exploration costs	8	23,056,682	21,299,736
Other deferred costs – Malku Khota	9	18,734,000	18,504,000
		<u>42,628,711</u>	<u>40,616,822</u>
Total assets		<u>50,851,404</u>	<u>52,767,898</u>
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		754,854	1,175,376
Provision for Mexican tax	10	566,103	560,003
		<u>1,320,957</u>	<u>1,735,379</u>
Non-current liabilities			
Class B shares	11	16,891,333	15,286,040
Stock options exercisable into Class B and common shares	12 c	631,256	1,332,166
Warrants exercisable into Class B and common shares	12 d	-	156,922
		<u>17,522,589</u>	<u>16,775,128</u>
Total liabilities		<u>18,843,546</u>	<u>18,510,507</u>
Equity attributable to shareholders			
Share capital	12	89,941,924	89,919,156
Contributed surplus		9,583,241	9,418,007
Accumulated other comprehensive income		483,894	564,600
Deficit		(68,001,201)	(65,644,372)
Total equity		<u>32,007,858</u>	<u>34,257,391</u>
Total liabilities and equity		<u>50,851,404</u>	<u>52,767,898</u>
Commitments (notes 8 and 15)			
Contingencies (note 14)			

Approved by the Board of Directors:

(signed) “Paul Haber”

(signed) “Roman Mironchik”

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

TriMetals Mining Inc.

(An Exploration Stage Company)

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

For the three and six months ended June 30

(Unaudited - expressed in U.S. dollars)

	Note	Three Month Period Ended June 30, 2014 \$	Three Month Period Ended June 30, 2013 \$	Six Month Period Ended June 30, 2014 \$	Six Month Period Ended June 30, 2013 \$
General and administrative expenses					
Arbitration		67,811	53,403	138,833	332,457
Consulting	13	12,650	20,828	36,450	45,398
Depreciation and amortization		27,912	21,969	55,818	43,924
Directors' fees	13	35,508	81,750	75,008	109,000
Filing and transfer agent fees		15,069	9,501	67,369	56,246
Office and administration		83,073	180,555	199,758	354,351
Professional fees	13	148,349	194,953	307,792	486,144
Reconnaissance and sundry exploration		30,601	17,149	122,750	17,645
Shareholder information and investor relations		42,576	61,240	91,030	127,675
Share-based payments	13	7,195	74,605	174,233	200,785
Wages and benefits	13	141,467	426,780	334,449	1,063,648
		(612,211)	(1,142,733)	(1,603,490)	(2,837,273)
Other income (expenses)					
Interest and other income		46,755	36,174	66,972	78,417
Foreign currency loss		(4,042)	(15,203)	(6,241)	(29,312)
Equity loss of High Desert Gold Corporation ("HDG")		-	(455,043)	-	(449,538)
Impairment of investment in HDG		-	(1,001,867)	-	(1,001,867)
Equity loss of HGI		(43,343)	-	(66,609)	-
Change in fair value of Class B shares		(63,365)	-	(1,605,293)	-
Change in fair value of warrants exercisable into Class B and common shares		-	-	156,922	-
Change in fair value of stock options exercisable into Class B and common shares		126,182	-	700,910	-
Loss on disposal of equipment		-	(577)	-	(577)
		62,187	(1,436,516)	(753,339)	(1,402,877)
Net loss for the period		(550,024)	(2,579,249)	(2,356,829)	(4,240,150)
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss:					
Currency translation differences		148,098	(293,430)	(80,706)	(502,428)
Total comprehensive loss		(401,926)	(2,872,679)	(2,437,535)	(4,742,578)
Basic and diluted net loss per share		(0.00)	(0.02)	(0.02)	(0.04)
Weighted average number of shares outstanding		135,733,305	114,973,549	135,730,025	114,973,549

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

TriMetals Mining Inc.

(An Exploration Stage Company)

Condensed Interim Consolidated Statements of Changes in Equity

For the six months ended June 30, 2014 and 2013

(Unaudited - 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
Share-based payments	-	-	188,002	-	-	188,002
Shares issued on exercise of share appreciation rights (SAR's)	12,006	-	-	-	-	-
Transfer to share capital on exercise of SAR's	-	22,768	(22,768)	-	-	-
Total comprehensive loss for the period	-	-	-	(2,356,829)	(80,706)	(2,437,535)
Balance, June 30, 2014	135,738,714	89,941,924	9,583,241	(68,001,201)	483,894	32,007,858
Balance, January 1, 2013	114,973,549	98,925,930	10,996,227	(58,650,195)	1,129,747	52,401,709
Share-based payments	-	-	200,785	-	-	200,785
Total comprehensive loss for the period	-	-	-	(4,240,150)	(502,428)	(4,742,578)
Balance, June 30, 2013	114,973,549	98,925,930	11,197,012	(62,890,345)	627,319	47,859,916

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

TriMetals Mining Inc.

(An Exploration Stage Company)

Condensed Interim Consolidated Statements of Cash Flows

For the six months ended June 30, 2014 and 2013

(Unaudited - expressed in U.S. dollars)

	2014 \$	2013 \$
Cash flows (used in) from operating activities		
Net loss for the period	(2,356,829)	(4,240,150)
Items not affecting cash		
Depreciation and amortization	55,818	43,924
Equity loss of HGI	66,609	-
Equity loss of HDG	-	449,538
Impairment of investment in HDG	-	1,001,867
Change in fair value of Class B shares	1,605,293	-
Change in fair value of warrants exercisable into Class B and common shares	(156,922)	-
Change in fair value of stock options exercisable into Class B and common shares	(700,910)	-
Interest income	(37,529)	(78,417)
Loss on disposal of equipment	-	577
Share-based payments	174,233	200,785
	(1,350,237)	(2,621,876)
Interest received	42,454	89,086
Changes in non-cash operating working capital		
Change in receivables and prepaids	34,708	(155,114)
Change in accounts payable and accrued liabilities	(899,723)	(108,178)
Change in provision for Mexican tax	6,100	-
	(2,166,698)	(2,796,082)
Cash flows used in investing activities		
Investment in HDG	-	(89,326)
Mining claims and deferred exploration costs	(1,493,976)	(6,233,190)
Purchase of equipment	(2,370)	(6,951)
Reclamation deposit	(145,000)	-
	(1,641,346)	(6,329,467)
Decrease in cash and cash equivalents	(3,808,044)	(9,125,549)
Foreign exchange effect on cash and cash equivalents	(80,706)	(502,428)
Cash and cash equivalents - Beginning of period	11,921,723	24,242,113
Cash and cash equivalents - End of period	8,032,973	14,614,136
Cash and cash equivalents are comprised of:		
Cash	571,720	1,735,816
Cash equivalents	7,461,253	12,878,320
	8,032,973	14,614,136

Supplemental cash flow information (note 17)

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

TriMetals Mining Inc.

(An Exploration Stage Company)

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2014 and 2013

(Unaudited - expressed in U.S. dollars)

1 Organization and nature of operations

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

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 Plurinational 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, CO, 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 “TMLB” 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 other deferred costs - Malku Khota is dependent upon the ability to achieve compensation in excess of the unamortized book value.

2 Basis of presentation

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. The condensed interim consolidated financial statements should be read in conjunction with the annual

TriMetals Mining Inc.

(An Exploration Stage Company)

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2014 and 2013

(Unaudited - expressed in U.S. dollars)

consolidated financial statements for the year ended December 31, 2013, which have been prepared in accordance with IFRS as issued by the IASB.

The Company uses the same accounting policies and methods of computation as in the annual consolidated financial statements for the year ended December 31, 2013.

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

In preparing these condensed interim financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended December 31, 2013.

These financial statements were approved by the board of directors for use on August 13, 2014.

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.

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

- IFRS 9, *Financial Instruments*, was issued in November 2009 and addresses classification and measurement of financial assets. It replaces the multiple category and measurement models in IAS 39

TriMetals Mining Inc.

(An Exploration Stage Company)

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2014 and 2013

(Unaudited - expressed in U.S. dollars)

for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments. Such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent that they do not clearly represent a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely. Requirements for financial liabilities were added to IFRS 9 in October 2010 and they largely carried forward existing requirements in IAS 39, *Financial Instruments – Recognition and Measurement*, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss are generally recorded in other comprehensive income. This new standard is effective for annual periods beginning on or after January 1, 2018 with earlier application permitted. The Company has not assessed the impact of this standard.

4 Receivables and prepaids

	June 30, 2014	December 31, 2013
	\$	\$
GST receivable	8,593	55,577
Other receivables	15,343	24,186
Other prepaids and advances	165,784	149,590
	<u>189,720</u>	<u>229,353</u>

5 Equity investment – Highvista Gold Inc. (“HGI”)

	June 30, 2014	December 31, 2013
	\$	\$
Investment in HGI	184,204	250,813

In 2013, the Company acquired 10,683,125 shares of HGI (26.8% interest) through the acquisition of HDG. As at June 30, 2014, the HGI shares had a quoted value of \$250,306 (December 31, 2013 - \$251,107). The Company and HGI have two directors in common. The HGI shares are subject to a time-released regulatory escrow agreement. As at June 30, 2014, 6,409,875 shares of HGI had been released from escrow. The final 4,273,250 shares are scheduled for release on October 14, 2014.

TriMetals Mining Inc.

(An Exploration Stage Company)

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2014 and 2013

(Unaudited - expressed in U.S. dollars)

	\$
Acquisition cost of HGI	250,813
Equity earnings of HGI	-
Carrying value as at December 31, 2013	250,813
Equity loss of HGI	(66,609)
Carrying value as at June 30, 2014	184,204

A summary of the Company's proportionate share of the book value in the financial statements of its equity investments as at June 30, 2014 and December 31, 2013 and the results of operations for the three and six months ended June 30, 2014 are as follows:

	June 30, 2014	Dec. 31, 2013
	Cdn. \$ 000 (1)	Cdn. \$ 000 (1)
Total current assets	58	134
Total non-current assets	1,329	1,299
Total assets	1,387	1,433
Total current liabilities	188	161
Total equity	1,199	1,272
Total liabilities and equity	1,387	1,433
	Three months	Six months
	ended	ended
	June 30, 2014	June 30, 2014
	Cdn. \$ 000 (1)	Cdn. \$ 000 (1)
Income	-	-
Expenses	(48)	(73)
Net loss	(48)	(73)

(1) These figures are derived from the accounts of HGI, which reports in Canadian dollars.

TriMetals Mining Inc.

(An Exploration Stage Company)

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2014 and 2013

(Unaudited - expressed in U.S. dollars)

6 Equipment

Six months ended June 30, 2014	Furniture and equipment \$	Computer hardware \$	Computer software \$	Vehicles \$	Leasehold improvements \$	Total \$
Cost						
Balance, beginning of the period	174,720	83,322	167,085	63,857	52,609	541,593
Additions	1,181	176	1,013	-	-	2,370
Balance, end of the period	175,901	83,498	168,098	63,857	52,609	543,963
Accumulated amortization						
Balance, beginning of the period	47,053	58,953	156,767	573	24,698	288,044
Amortization for the period	20,602	12,432	7,827	9,696	5,261	55,818
Balance, end of the period	67,655	71,385	164,594	10,269	29,959	343,862
Net book value at June 30, 2014	108,246	12,113	3,504	53,588	22,650	200,101

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

TriMetals Mining Inc.

(An Exploration Stage Company)

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2014 and 2013

(Unaudited - expressed in U.S. dollars)

7 Drilling advance

	June 30, 2014	December 31, 2013
	\$	\$
Drilling advance	308,724	308,724

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. Given the downturn in the demand for drilling in Chile, the parties are currently renegotiating the terms of repayment.

8 Mining claims and deferred exploration costs – Schedule 1

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

	June 30, 2014	December 31, 2013
	\$	\$
a) Escalones, Chile	14,513,545	13,681,093
b) Gold Springs, U.S.	8,543,137	7,618,643
	<u>23,056,682</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 effective June 27, 2013, the Company has the right until June 30, 2018 (formerly June 30, 2013) to purchase the claims upon payment to the owner of \$7,600,000 (formerly \$5,000,000). As at June 30, 2014, \$3,100,000 has been paid, including \$500,000 paid during the quarter ended June 30, 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. In this event, the \$200,000 annual payments made from the date of exercise of the option are deemed to

TriMetals Mining Inc.

(An Exploration Stage Company)

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2014 and 2013

(Unaudited - expressed in U.S. dollars)

be indemnity payments, not advance royalty payments. Royalty payments are suspended if exploitation of the mining concessions is suspended for reasons beyond the Company's control.

- b) The Gold Springs mineral property was acquired through the 2013 acquisition of HDG. This property has been recorded on acquisition at its estimated fair value based on the consideration paid.

9 Other deferred costs – Malku Khota

	June 30, 2014	December 31, 2013
	\$	\$
Other deferred costs – Malku Khota	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 Plurinational 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 May 23, 2013, the Company entered into the Arbitration Costs Funding Agreement pursuant to which the Fund will cover most of the Company's future costs and expenses related to its international arbitration proceedings against Bolivia. See Note 14.

Management performed a review of the recoverability of the carrying amount of other deferred costs – Malku Khota by comparing the unamortized book value to the higher of value in use and fair value less costs to sell as at June 30, 2014. Management has concluded that no impairment adjustment is necessary at this time.

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

TriMetals Mining Inc.

(An Exploration Stage Company)

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2014 and 2013

(Unaudited - expressed in U.S. dollars)

10 Provision for Mexican tax

	June 30, 2014	December 31, 2013
	\$	\$
Provision for Mexican tax	566,103	560,003

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

11 Class B shares

	June 30, 2014	December 31, 2013
	\$	\$
Class B shares	16,891,333	15,286,040

An aggregate of 116,266,641 Class B shares were issued in connection with the Arrangement, with each Class B share having the attributes described in Note 12 a). During the quarter ended June 30, 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	1,605,293
Carrying value as at June 30, 2014	16,891,333

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

TriMetals Mining Inc.

(An Exploration Stage Company)

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2014 and 2013

(Unaudited - expressed in U.S. dollars)

12 Share capital

a) Authorized

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

The holders of the common shares are entitled to one vote per share. The holders of the common shares are entitled to dividends, when and if declared by the directors of the Company, and, subject to the rights of the holders of the Class B shares, to the distribution of the residual assets of the Company in the event of the liquidation, dissolution or winding-up of the Company. No dividends have ever been declared or paid as at June 30, 2014.

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 South American Silver Limited's arbitration proceeding against the Plurinational State of Bolivia for the expropriation of the Malku Khota project. The Class B shares are non-voting and non-participating in regards to dividends and on liquidation other than as described above.

b) Financings

There were no financings completed during the six months ended June 30, 2014.

c) Stock options

(i) Changes in stock options

The Company's stock options outstanding as at June 30, 2014 and the changes for the six months then ended are as follows:

	Number of options	Weighted average price Cdn.\$
Balance outstanding – December 31, 2013	6,785,301	1.15
Options granted	600,000	0.365
Options exercised	(83,400)	0.35
Options forfeited	(631,251)	0.90
Balance outstanding – June 30, 2014	<u>6,670,650</u>	<u>1.11</u>

(ii) Share-based payments

During the six months ended June 30, 2014, the Company recorded share-based payments of \$188,002 (2013 - \$200,785) in respect of stock options. Of this amount, \$174,233 (2013 - \$200,785) was recorded as a charge to operations and \$13,769 (2013 - \$nil) was included in deferred exploration costs and credited to contributed surplus.

TriMetals Mining Inc.

(An Exploration Stage Company)

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2014 and 2013

(Unaudited - expressed in U.S. dollars)

During the six months ended June 30, 2014, the Company granted stock options to non-management directors of the Company for the purchase of 600,000 common shares at a strike price of Cdn. \$0.365 per share. These options are exercisable for a period of five years and vested immediately.

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:

	Six months ended June 30, 2014
Weighted average exercise price	Cdn. \$0.365
Weighted average grant date share price	Cdn. \$0.365
Risk-free interest rate	1.6%
Expected life	5.0 years
Expected volatility	101%
Dividend rate	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 six months ended June 30, 2014 was \$0.25.

(iii) Options outstanding at June 30, 2014

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.

Options to acquire one common share and one Class B share are outstanding at June 30, 2014 as follows:

Number of options outstanding	Number of options exercisable	Exercise price Cdn. \$	Expiry date
125,000	125,000	2.09	November 30, 2014
500,000	500,000	1.71	November 30, 2014
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	-	0.34	October 10, 2017
1,233,333	950,000	0.44	October 21, 2018
5,050,400	4,633,734		

These stock options have been categorized as a financial liability. The fair values of these options have been estimated using the Black Scholes option-pricing model. Assumptions used in the pricing model are as follows: average risk-free interest rate – 0.8% to 1.6%; expected life – 0.4 to 4.3 years; expected volatility – 66% to 115%; and expected dividends – nil. The fair value of these options as at June 30, 2014 amounts to \$631,256.

TriMetals Mining Inc.

(An Exploration Stage Company)

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2014 and 2013

(Unaudited - expressed in U.S. dollars)

The weighted average exercise price of the outstanding options to acquire one common share and one Class B share is Cdn. \$1.24 per share, and of the exercisable options is Cdn. \$1.31 per share. At June 30, 2014, these options have a weighted average remaining contractual life of 2.3 years.

Options to acquire one common share are outstanding at June 30, 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	311,208	0.65	October 22, 2018
600,000	600,000	0.365	January 28, 2019
<u>1,620,250</u>	<u>1,272,833</u>		

The weighted average exercise price of the outstanding options to acquire one common share is Cdn. \$0.71 per share, and of exercisable options is Cdn. \$0.73 per share. At June 30, 2014, these options have a weighted average remaining contractual life of 4.0 years.

d) Warrants

(i) Changes in warrants

The Company's warrants outstanding as at June 30, 2014 and the changes for the six months then ended are as follows:

	Number of warrants	Weighted average price Cdn. \$
Balance – December 31, 2013	6,721,499	1.70
Warrants expired	<u>(5,000,000)</u>	<u>2.00</u>
Balance – June 30, 2014	<u>1,721,499</u>	<u>0.84</u>

5,000,000 warrants to acquire one common share and one Class B share expired during the six months ended June 30, 2014. These warrants had been categorized as a financial liability and the change in fair value of the expired warrants during the six-month period amounting to \$156,922 was included in earnings.

Warrants to acquire common shares are outstanding at June 30, 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
<u>550,000</u>	(2)	<u>\$0.84</u>	<u>January 31, 2016</u>
<u>1,721,499</u>			

TriMetals Mining Inc.

(An Exploration Stage Company)

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2014 and 2013

(Unaudited - expressed in U.S. dollars)

- (1) Each broker warrant is exercisable until January 31, 2015 to purchase one unit at a price of Cdn. \$0.73 per unit. Each unit comprises one common share and one share purchase warrant exercisable to acquire one additional common share at a price of Cdn. \$0.84 per share until January 31, 2016.
- (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.

13 Related party transactions

The Company's related parties consist of the Company's officers or companies under controlling or significant influence and a legal firm in which a director is a partner. The Company incurred the following expenditures during the three and six months ended June 30, 2014 and 2013 that were charged by related parties. These transactions were made on terms equivalent to those that prevail in arm's length transactions.

	Three months ended June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2014	Six months ended June 30, 2013
	\$	\$	\$	\$
Consulting fees	17,112	7,382	25,146	18,663
Legal fees	64,273	155,769	165,944	303,800
Mineral property costs – consulting fees	18,117	38,338	45,072	72,951
	<u>99,502</u>	<u>201,489</u>	<u>236,162</u>	<u>395,414</u>

Included in accounts payable at June 30, 2014 is an amount of \$98,369 (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 current and former Chief Executive Officers, the former Chief Operating Officer, the Executive Chairman and all the directors. The compensation paid or payable to key management for services during the three and six months ended June 30, 2014 and 2013 is as follows:

	Three months ended June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2014	Six months ended June 30, 2013
	\$	\$	\$	\$
Directors' fees	35,508	81,750	75,008	109,000
Wages and benefits	58,750	133,200	117,500	267,902
Share-based payments	4,025	50,610	159,336	114,821
	<u>98,283</u>	<u>265,560</u>	<u>351,844</u>	<u>491,723</u>

14 Contingencies

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

TriMetals Mining Inc.

(An Exploration Stage Company)

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2014 and 2013

(Unaudited - expressed in U.S. dollars)

Under the terms of the privileged Arbitration Costs Funding Agreement, the Company has given certain warranties and covenants to the Fund and is obliged to pledge at least 35% of the shares of the Company's subsidiary in Chile, beneficiary of the Escalones property, as security for its obligations. In consideration for the funding, the Company has agreed to pay to the Fund a portion of any recoveries received pursuant to the arbitration proceedings or any settlement with Bolivia. As at June 30, 2014, the outcome of the arbitration is deemed to be indeterminable and \$nil has been accrued for the Fund's portion of any recoveries in the arbitration.

The Company has agreed to a contingent success fee to its lead arbitration counsel to be determined based on the outcome of the arbitration. As at June 30, 2014, the outcome of the arbitration is deemed to be indeterminable and \$nil has been accrued.

15 Commitments

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

	Amount \$
Due on or before December 31,	
2014	83,000
2015	136,000
2016	81,000
	<u>300,000</u>

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

16 Segment information

The Company's operations are limited to a single industry segment, being mineral exploration and development. Geographic segment information of the Company's assets and liabilities as at June 30, 2014 and December 31, 2013 is as follows:

	June 30, 2014 \$	December 31, 2013 \$
Assets		
Bolivia	18,756,226	18,526,603
Canada	8,279,758	12,234,568
Chile	14,888,403	14,084,811
United States and other	8,927,017	7,921,916
Total assets	<u>50,851,404</u>	<u>52,767,898</u>

TriMetals Mining Inc.

(An Exploration Stage Company)

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2014 and 2013

(Unaudited - expressed in U.S. dollars)

	June 30, 2014	December 31, 2013
	\$	\$
Current liabilities		
Bolivia	240,513	9,399
Canada	171,000	967,311
Chile	30,531	42,907
United States and other	878,913	715,762
Total current liabilities	<u>1,320,957</u>	<u>1,735,379</u>

Additions to segmented non-current assets during the six months ended June 30, 2014	Bolivia \$	Canada \$	Chile \$	United States and other \$	Total \$
Balance, December 31, 2013	18,504,000	313,553	14,024,875	7,774,394	40,616,822
Additions	230,000	(83,620)	822,945	1,042,564	2,011,889
Balance, June 30, 2014	<u>18,734,000</u>	<u>229,933</u>	<u>14,847,820</u>	<u>8,816,958</u>	<u>42,628,711</u>

Geographic segmentation of the Company's net loss for the three and six months ended June 30, 2014 and 2013 is as follows:

	Three months ended June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2014	Six months ended June 30, 2013
	\$	\$	\$	\$
Bolivia	10,860	197,629	29,304	358,070
Canada	252,329	2,157,167	1,625,150	3,396,119
Chile	34,728	78,909	100,961	207,047
United States and other	252,107	145,544	601,414	278,914
Net loss	<u>550,024</u>	<u>2,579,249</u>	<u>2,356,829</u>	<u>4,240,150</u>

17 Supplemental cash flow information

The Company conducted non-cash investing and financing activities during the six months ended June 30, 2014 and 2013 as follows:

	2014 \$	2013 \$
Interest received	42,454	52,729
Investing activities		
Deferred exploration costs included in accounts payable	(319,699)	(1,803,801)
Other deferred costs included in accounts payable	(230,000)	-
Financing activities		
Share-based payments included in deferred exploration costs	<u>13,769</u>	<u>-</u>

TriMetals Mining Inc.

(An Exploration Stage Company)

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2014 and 2013

(Unaudited - expressed in U.S. dollars)

18 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.

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

There have been no changes in any risk management policies since December 31, 2013.

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

	Chile properties	U.S. properties	Total
	\$	\$	\$
Balance at December 31, 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
Land and option payments Acquired on acquisition of HDG	6,758,650 -	9,628 7,609,015	6,768,278 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	56,328	597,488
Laboratory	5,650	44,443	50,093
Field supplies	210	5,304	5,514
Camp	20,812	34,630	55,442
Consulting and supervision	136,302	273,809	410,111
Surveying and staking	7,873	50,142	58,015
Environmental	53,328	88,272	141,600
Technical consulting	41,648	96,965	138,613
Drilling	-	208,043	208,043
Trenching	2,314	12,430	14,744
Travel and accommodation	20,133	40,359	60,492
Share-based payments	-	13,769	13,769
Value added tax credits	3,022	-	3,022
	832,452	924,494	1,756,946
Balance at June 30, 2014	14,513,545	8,543,137	23,056,682