TriMetals Mining Inc.

(An Exploration Stage Company)

Consolidated Financial Statements

Years ended December 31, 2018 and 2017

(*Expressed in U.S. dollars*)

Independent auditor's report

To the Shareholders of TriMetals Mining Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of TriMetals Mining Inc. and its subsidiaries (together, the Company) as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited
The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2018 and 2017;
- the consolidated statements of earnings (loss) and comprehensive income (loss) for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence
We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern

We draw attention to Note 1 in the consolidated financial statements, which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

PricewaterhouseCoopers LLP
PricewaterhouseCoopers Place, 250 Howe Street, Suite 1400, Vancouver, British Columbia, Canada V6C 3S7
T: +1 604 806 7000, F: +1 604 806 7806

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company’s financial reporting process.

Auditor’s responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Mark Platt.

(signed) PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, British Columbia
March 28, 2019

TriMetals Mining Inc.

(An Exploration Stage Company)

Consolidated Statements of Financial Position

(Expressed in U.S. dollars)

	Note	December 31, 2018	December 31, 2017
		$	$
Assets			
Current			
Cash and cash equivalents		11,678	497,750
Receivables and prepaids	5	115,088	180,996
Marketable securities		-	85,155
		126,766	763,901
Non-current assets			
Equipment		45,257	70,470
Reclamation deposit		234,800	234,800
Mining claims and deferred exploration costs	6	32,516,391	31,321,331
Malku Khota project	7	-	18,734,000
Arbitration award asset	7	11,874,819	-
		44,798,033	51,124,502
Liabilities			
Current			
Accounts payable and accrued liabilities	11	419,794	295,561
Convertible notes	8	-	1,731,609
		419,794	2,027,170
Non-current liabilities			
Class B shares and other arbitration award liabilities	7	9,463,383	20,407,779
Stock options exercisable into Class B shares	9	-	58,456
		9,883,177	22,493,405
Equity attributable to shareholders			
Share capital	9	97,678,334	94,395,573
Contributed surplus	9	13,403,664	12,631,120
Convertible notes - equity component	8	-	317,197
Accumulated other comprehensive loss		(337,601)	(291,773)
Deficit		(75,829,541)	(78,421,020)
		34,914,856	28,631,097
		44,798,033	51,124,502

Going concern (Note 1)
Contingencies (Note 12)
Subsequent events (Note 16)

Approved by the Board of Directors:

(signed) “Robert van Doorn” (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 Income (Loss)

For the years ended December 31

(Expressed in U.S. dollars)

	Note	2018	2017
		$	**$**
General and administrative expenses			
Arbitration		75,113	101,336
Consulting		23,812	54,776
Depreciation and amortization		24,554	37,582
Directors' fees	11	59,775	69,300
Filing and transfer agent fees		62,092	71,200
Office and administration		160,501	233,654
Professional fees	11	415,694	492,044
Reconnaissance and sundry exploration		21,351	370,397
Shareholder information and investor relation		79,042	117,442
Share-based payments	9, 11	107,659	300,420
Wages and benefits	11	317,082	384,729
		(1,346,675)	(2,232,880)
Other income (expenses)			
Interest and other income		48,792	20,224
Accretion and interest on convertible notes	8	(478,174)	(253,468)
Gain on extension of maturity date of convertible notes	8	221,443	-
Foreign exchange loss		(4,017)	(3,192)
Gain (loss) on disposal of equipment		6,439	(156)
Derecognition of Malku Khota project	7	(1,147,249)	-
Change in fair value of arbitration award assets, Class B shares and other arbitration award liabilities	7	5,232,464	394,512
Change in fair value of stock options exercisable into Class B shares	9	58,456	98,386
		3,938,154	256,306
Net earnings (loss) for the year		2,591,479	(1,976,574)
Other comprehensive income (loss)			
Items that will not be subsequently reclassified to profit or loss:			
Unrealized loss on marketable securities	3i)	(85,155)	-
Items that may be subsequently reclassified to profit or loss:			
Currency translation differences		39,327	(70,435)
Unrealized loss on marketable securities	3i)	-	(50,111)
Total other comprehensive income (loss) for the year		(45,828)	(120,546)
Total comprehensive earnings (loss) for the year		2,545,651	(2,097,120)
Basic and diluted net earnings (loss) per share		0.01	(0.01)
Weighted average number of shares outstanding		195,503,672	168,296,151

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

TriMetals Mining Inc.

(An Exploration Stage Company)

Consolidated Statements of Changes in Equity

For the years ended December 31, 2018 and 2017

(Expressed in U.S. dollars)

	Share Capital		Contributed Surplus	Convertible notes - equity component	Deficit	AOCL[1]	Total
	Number	$	$	$	$	$	$
Balance, January 1, 2017	156,529,796	92,326,275	11,529,067	317,197	(76,444,446)	(171,227)	27,556,866
Shares issued on private placement	16,058,270	2,137,074	716,903	-	-	-	2,853,977
Less: issue costs - cash	-	(358,372)	-	-	-	-	(358,372)
Less: issue costs - warrants	-	(94,093)	94,093	-	-	-	-
Shares issued on exercise of warrants	256,098	14,910	(14,910)	-	-	-	-
Shares issued on exercise of SARs	4,203,243	369,779	(57,526)	-	-	-	312,253
Share-based payments	-	-	363,493	-	-	-	363,493
Total comprehensive loss	-	-	-	-	(1,976,574)	(120,546)	(2,097,120)
Balance, December 31 2017	**177,047,407**	**94,395,573**	**12,631,120**	**317,197**	**(78,421,020)**	**(291,773)**	**28,631,097**
Shares issued on private placement	19,123,570	1,596,497	237,414	-	-	-	1,833,911
Less: issue costs - cash	-	(97,844)	-	-	-	-	(97,844)
Convertible notes – maturity extension (note 8)	-	-	-	78,312	-	-	78,312
Convertible notes – conversion (note 8)	33,398,487	1,784,108	395,509	(395,509)	-	-	1,784,108
Share-based payments	-	-	139,621	-	-	-	139,621
Total comprehensive income (loss)	-	-	-	-	2,591,479	(45,828)	2,545,651
Balance, December 31, 2018	**229,569,464**	**97,678,334**	**13,403,664**	-	**(75,829,541)**	**(337,601)**	**34,914,856**

[1] Accumulated other comprehensive loss

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

TriMetals Mining Inc.

(An Exploration Stage Company)

Consolidated Statements of Cash Flows

For the years ended December 31, 2018 and 2017

(Expressed in U.S. dollars)

	2018	2017
	$	$
Cash flows (used in) from operating activities		
Net income for the period	2,591,479	(1,976,574)
Items not affecting cash		
Accretion on convertible notes	394,867	146,697
Gain on extension of maturity date of convertible notes	(221,443)	-
Interest paid in common shares	32,030	-
Depreciation and amortization	24,554	37,582
Derecognition of Malku Khota project	1,147,249	-
Change in fair value of arbitration award assets, Class B shares and other arbitration award liabilities	(5,232,464)	(394,512)
Change in fair value of stock options exercisable into Class B shares	(58,456)	(98,386)
Interest income	(7,185)	(20,224)
Unrealized foreign exchange (gain) loss	(74,643)	106,871
Share-based payments	107,659	300,420
(Gain) / Loss on disposal of equipment	(6,439)	156
	(1,302,792)	(1,897,970)
Interest received	6,102	9,763
Changes in non-cash operating working capital		
Change in receivables and prepaids	472	(13,712)
Change in accounts payable and accrued liabilities	185,764	(30,619)
	(1,110,454)	(1,932,538)
Cash flows (used in) from investing activities		
Mining claims and deferred exploration costs	(1,224,629)	(2,464,992)
Repayment of drilling advance	66,519	75,000
Reclamation deposit	-	(71,500)
Purchase of equipment	(1,483)	(39,161)
Proceeds on disposal of equipment	8,581	-
	(1,151,012)	(2,500,653)
Cash flows from (used in) financing activities		
Private placement of units	1,833,911	2,853,977
Exercise of warrants	-	312,253
Share issuance costs	(97,844)	(358,372)
	1,736,067	2,807,858
Decrease in cash and cash equivalents	(525,399)	(1,625,333)
Foreign exchange effect on cash and cash equivalents	39,327	(70,435)
Cash and cash equivalents - Beginning of year	497,750	2,193,518
Cash and cash equivalents[1] - End of year	11,678	497,750

[1] Cash and cash equivalents as at December 31, 2018 and 2017 was solely comprised of cash.

Supplemental cash flow information (Note 14)

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

1 Nature of operations and going concern

TriMetals Mining Inc. ("TMI" or the "Company") was incorporated pursuant to the *Canada Business Corporations Act* by articles of incorporation dated September 28, 2006 and was continued under the *Business Corporations Act* (British Columbia) ("BCBCA") on December 17, 2013. The Company's registered and head office is located at Suite 880, 580 Hornby Street, Vancouver, British Columbia, Canada. The Company's principal activities include the acquisition, exploration and development of mineral properties. The principal countries where the Company has been undertaking exploration activities are the United States and Chile. Property interests in these countries are held through various wholly owned subsidiaries.

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

The Company has incurred losses since inception and expects to incur further losses in the development of its business and at December 31, 2018, the Company had a working capital deficit of $293,028 (December 31, 2017 – working capital deficit of $1,263,269). At that date, the Company also had an accumulated deficit of $75,829,541 which has been funded primarily by the issuance of equity.

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

2 Basis of presentation

Statement of compliance

The Company's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC") effective for the Company's reporting for the year ended December 31, 2018. The consolidated financial statements have been prepared under the historical cost convention except for certain financial instruments carried at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

These financial statements were approved by the board of directors on March 28, 2019.

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

(1) Subsidiary dissolved August 30, 2018

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.

Summary of significant accounting policies

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

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

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

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

Once the technical feasibility and commercial viability of the extraction of mineral reserves or resources from a particular mineral property has been determined, expenditures are reclassified to development assets within

property, plant and equipment and are carried at cost until the properties to which the expenditures relate are sold, abandoned or determined by management to be impaired in value.
If a property is put into commercial production, the carrying value will be depleted using the unit of production basis. If a property is impaired, sold or abandoned, the expenditures will be charged to profit or loss in the related period.

Exploration costs that are not attributable to a specific property or that are incurred prior to the Company acquiring the legal rights to a property are charged to profit or loss 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.

Recognition of Financial Instruments
The Company recognizes a financial asset or financial liability on the statement of financial position when it becomes a party to the contractual provisions of the financial instrument.

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics.

Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

Financial assets at FVTOCI
Investments in equity instruments designated at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with both realized and unrealized gains and losses recognized in other comprehensive income (loss) in the period in which they arise.

Financial assets and liabilities at amortized cost
Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL
Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in profit or loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in profit or loss in the period in which they arise. Where management has opted to recognize a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in other comprehensive income (loss).

Impairment of financial assets at amortized cost
The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost.

At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

Derecognition of financial assets and liabilities
The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in profit or loss in the period in which they arise. However, gains and losses on derecognition of financial assets designated as FVTOCI are recorded in other comprehensive income (loss) in the period in which they arise. Cumulative gains and losses on derecognized financial assets designated as FVTOCI are reclassified from accumulated other comprehensive income (loss) to deficit.

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

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

In assessing value in use, the estimated future pre-tax 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 profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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

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

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

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

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

Earnings per share
Basic earnings or loss per share represents the profit or loss for the period, divided by the weighted average number of common shares in issue during the period. Diluted earnings or loss per share represents the profit or loss for the period, divided by the weighted average number of common shares in issue during the period plus the weighted average number of dilutive shares resulting from the exercise of stock options, warrants and other similar instruments where the inclusion of these would not be anti-dilutive. Diluted earnings or loss per share is calculated using the Treasury Stock Method which assumes proceeds raised from the assumed exercise of stock options, warrants and other similar instruments are used to repurchase common shares in the open market.

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 these consolidated financial statements 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 profit or 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 (loss).

Income tax

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

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

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

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

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

Share capital

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

Share-based payments

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

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

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

3 New accounting standards

ii) Standards adopted during the current year:

IFRS 9, Financial Instruments
This standard replaces IAS 39 Financial Instruments: Recognition and Measurement and became effective for the Company on 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, FVTOCI or FVTPL. IFRS 9 requires equity instruments to be measured at FVTPL unless an irrevocable election is made to measure them at FVTOCI, which results in changes in fair value not being recycled to profit or loss. The adoption of this standard did not have a material measurement or disclosure impact on the Company's consolidated financial statements.

The Company completed a detailed assessment of its financial assets and liabilities as at January 1, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

	Original classification IAS 39	**New classification IFRS 9**
Cash and cash equivalents	Loans & receivables	Amortized cost
Marketable securities	Available for sale	FVTOCI
Accounts receivable	Loans & receivables	Amortized cost
Accounts payable	Other financial liabilities	Amortized cost
Class B shares and other arbitration award liabilities	FVTPL	FVTPL
Stock options exercisable into Class B	FVTPL	FVTPL

The Company did not restate prior periods as there was no impact at the date of initial application. The adoption of IFRS 9 resulted in no impact to the opening accumulated deficit nor to the opening balance of accumulated comprehensive income on January 1, 2018. The marketable securities were previously accounted for as available for sale with changes in fair value and impairments recorded in other comprehensive income (loss). Further, upon derecognition cumulative gains and losses for available for sale financial assets were reclassified from other comprehensive income (loss) to profit or loss. In accordance with IFRS 9 cumulative gains and losses for FVTOCI financial assets will not be reclassified from other comprehensive income (loss) to profit or loss.

iii) Standards issued but not yet effective

IFRS 16, Leases
The new standard eliminates the classification of leases as either operating or finance leases for a lessee. Instead all leases are capitalized by recognizing the present value of lease payments and recognizing an asset and a financial liability representing an obligation to make future lease payments. The principles in IFRS 16 provide a more consistent approach to acquiring the use of an asset whether by leasing or purchasing an asset. The new leasing standard is applicable to all entities and will supersede current lease accounting standards under IFRS. IFRS 16 is mandatory for annual periods beginning on or after January 1, 2019. The Company has assessed the expected impact of IFRS 16 on its consolidated financial statements and has concluded that there will not be a material impact.

4 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 significantly from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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

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

Mining claims and deferred exploration costs
The recoverability of amounts shown as mining claims and deferred exploration costs is dependent upon the discovery of economically recoverable reserves, the Company’s ability to obtain financing to develop the properties, and the ultimate realization of profits through future production or sale of the properties.

(Expressed in U.S. dollars)

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.

Other critical estimates and assumptions are made in particular with regard to the assumptions used in calculating the fair value of the arbitration award assets and other arbitration award liabilities and the Class B share options and warrants and share-based payments.

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

Arbitration award asset and other arbitration award liabilities
The fair value of the arbitration award assets and other arbitration award liabilities is estimated based on the quoted price of the Class B shares on the TSX. Changes to these estimates could result in the fair value of the Class B shares being less than or greater than the amount recorded.

Warrants
In determining the fair value of warrants included in unit placements, the Company makes estimates of the expected volatility of the stock, the expected life of the warrants, and an estimated risk-free interest rate.

5 Receivables and prepaids

	December 31, 2018	**December 31, 2017**
	$	**$**
GST receivable	5,221	7,348
Drilling advance	-	66,519
Other receivables	9,616	7,542
Other prepaids and advances	100,251	99,587
	115,088	180,996

(Expressed in U.S. dollars)

6 Mining claims and deferred exploration costs

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

	Gold Springs	Escalones	Total
	$	**$**	**$**
Balance at December 31, 2016	**13,605,463**	**15,126,940**	**28,732,403**
Land and option payments	228,091	151,047	379,138
Laboratory	135,256	-	135,256
Field supplies	32,255	-	32,255
Camp	34,686	8,998	43,684
Consulting and supervision	667,619	165,386	833,005
Surveying and staking	28,953	1,083	30,036
Environmental	272,819	3,233	276,052
Technical consulting	102,607	12,117	114,724
Drilling	339,725	-	339,725
Trenching	125,940	-	125,940
Travel and accommodation	198,963	16,788	215,751
Share-based payments	63,073	-	63,073
Value added tax credits	-	289	289
	2,229,987	358,941	2,588,928
Balance at December 31, 2017	**15,835,450**	**15,485,881**	**31,321,331**

	Gold Springs	Escalones	Total
	$	**$**	**$**
Balance at December 31, 2017	**15,835,450**	**15,485,881**	**31,321,331**
Land and option payments	224,447	160,142	384,589
Laboratory	44,497	-	44,497
Field supplies	11,734	10	11,744
Camp	26,874	10,114	36,988
Consulting and supervision	417,414	118,927	536,341
Environmental	118,432	3,593	122,025
Technical consulting	19,995	13,910	33,905
Trenching	-	3,630	3,630
Travel and accommodation	92,954	8,088	101,042
Share-based payments	31,962	-	31,962
Value added tax credits	-	1,127	1,127
Deposit received on non-binding letter of intent	-	(112,790)	(112,790)
	988,309	206,751	1,195,060
Balance at December 31, 2018	**16,823,759**	**15,692,632**	**32,516,391**

Escalones, Chile

In 2004, the Company entered into an option agreement (the "Boezio Option") to acquire the remaining 4,689 hectares of the Escalones property located in Chile which are not already 100% owned by the Company. Pursuant to the Boezio Option, as revised on June 23, 2017, the Company has the right until June 30, 2022 to purchase the claims upon payment of $7,800,000. As at December 31, 2018 $3,400,000 has been paid. The remaining $4,400,000 is payable as follows: $400,000 on June 30, 2019, $500,000 on each of June 30, 2020 and 2021, and a final payment of $3,000,000 on June 30, 2022.

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

If the Company purchases the concessions, the Boezio Option requires the Company to commence exploitation of the concessions within two years thereafter. Once Escalones is acquired and until exploitation begins, the Company is required to pay annual advance royalty payments of $200,000 which are credited against future royalty payments. Failure to commence exploitation within the two year period triggers an obligation to make annual indemnity payments of $300,000 until exploitation begins. In this event, the $200,000 annual payments made from the date of exercise of the option are deemed to be indemnity payments, not advance royalty payments. Royalty payments are suspended if exploitation of the mining concessions is suspended for reasons beyond the Company's control.

On November 30, 2018, the Company executed a letter of intent ("LOI") with Wealth Minerals Ltd. ("Wealth Minerals") for the sale of the Escalones property. Upon execution of the LOI, the Company received a non-refundable deposit of $112,790 (Cdn$150,000). In consideration for the sale of the Escalones property, Wealth Minerals will spin-out to its shareholders a newly formed subsidiary ("Wealth Copper") which will issue to the Company a total of 30% of its issued and outstanding common shares and will pay a total of Cdn$1,000,000 in cash installments of which the last installment is to be paid on the one year anniversary of Wealth Copper closing a Cdn$5,000,000 private placement.

Subsequent to December 31, 2018, the Company amended the terms of the LOI with Wealth Minerals whereby Wealth Minerals will transfer, to Wealth Copper, an option to acquire mining concessions in a Chilean copper project, and the date for executing a definitive agreement was amended to being no later than April 20, 2019.

Gold Springs, USA

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

During the year ended December 31, 2017 the Company increased the size of the Gold Springs property by entering into lease and surface use agreements. Pursuant to the agreements, the Company has entered into a 30 year lease beginning on October 25, 2017 for the mineral rights on certain patented mining claims and a 30 year surface use agreement on certain homestead lands upon payment as follows: $41,035 paid on execution of the agreement, $40,000 on October 25, 2018 (paid), $45,000 on October 25, 2019, $50,000 on October 25, 2020 and $55,000 on each anniversary until October 25, 2047. In addition, upon commencement of commercial production, the Company is to pay the lessor a 3% net smelter returns royalty which is to be increased in relation to the average price per troy ounce of gold. The Company has the right and option, prior to commencement of commercial production, to buy back 0.5% of the net smelter returns royalty for the sum of $1,000,000, payable within 60 days from and after commencement of commercial production.

7 Arbitration related assets and liabilities

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"). The Decree revoked mining concessions held by the Company's Bolivian subsidiary, Compañia Minera Malku Khota S.A. ("CMMK"), a wholly-owned subsidiary of SASL.

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

On May 23, 2013, the Company entered into the Arbitration Costs Funding Agreement with a third-party funder (the "Fund") pursuant to which the Fund will cover most of the Company's future costs and expenses related to its international arbitration proceedings against Bolivia.

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

On November 22, 2018, an Arbitration Tribunal of the Permanent Court of Arbitration issued an award to SASL for $18,700,000 in respect of amounts invested and, approximately, a further $9,900,000 in interest thereon running from August 1, 2012 to December 31, 2018, for a total of approximately $28,600,000.

As at December 31, 2018, an aggregate 116,375,152 Class B shares are issued and outstanding. 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 Funds' portion thereof) received by TMI from an award or settlement from arbitration proceeding against the State of Bolivia. The Class B shares are non-voting and non-participating in regards to dividends and on liquidation other than as described above.

(Expressed in U.S. dollars)

As at the date of the issuance of the award, because the arbitration award asset related to the Malku Khota project is considered to be a financial instrument, IFRS requires the Company to fair value the arbitration award asset, which had previously been carried at cost. Fair value discussed in this context is the accounting measure as determined based on the requirements of IFRS-13 *Fair value measurement* ("IFRS-13").

The Class B shares are recorded at their estimated fair value which is based on the quoted price of the Class B shares on the Toronto Stock Exchange ("TSX"). The Class B shares represent a portion of the total arbitration award liability. The remainder of the liability is made up of the other costs incurred that were contingent on the monetary outcome of the award process.

The fair value requirements of IFRS-13 compel the maximum use of quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1 inputs). They further necessitate that the price of a liability held by another party as an asset must equal the price for the corresponding asset, thereby linking the fair value of an asset and the fair value of a liability. As the Class B shares are quoted on the TSX, and because of the requirement of IFRS-13 to maximise the use of Level 1 inputs, the price of the Class B shares was required to be utilized as the primary input in determining the fair values of the arbitration award asset as well as the other arbitration award liability.

As a result of the completion of the arbitration process on November 22, 2018, the Malku Khota project was derecognized and the arbitration award asset was recorded at its estimated fair value of $17,586,751. This resulted in a loss on derecognition of $1,147,249. The change in fair value of arbitration award asset, Class B shares and other arbitration award liabilities of $5,232,464 for the year ended December 31, 2018 comprises an unrealized fair value gain of $10,944,395 on the total arbitration award liabilities and an unrealized fair value loss of $5,711,931 on the arbitration award asset. Notwithstanding the fair value requirements of IFRS-13, the Company is seeking to recover the full amount of the award, inclusive of interest, of approximately $28,600,000 as at December 31, 2018.

8 Convertible notes

	Liability component	**Equity component**	**Contributed surplus**
	$	**$**	**$**
Balance – December 31, 2016	1,478,041	317,197	57,526
Accretion	146,697	-	-
Foreign exchange	106,871	-	-
Transfer to capital on exercise of warrants	-	-	(57,526)
Balance – December 31, 2017	**1,731,609**	**317,197**	**-**
Extension of maturity date	(299,755)	78,312	-
Accretion	394,867	-	-
Foreign exchange	(74,643)	-	-
Conversion of notes	(1,752,078)	(395,509)	395,509
Balance – December 31, 2018	**-**	**-**	395,509

During 2015, the Company closed a non-brokered private placement of units consisting of Cdn. $2,296,000 principal amount convertible notes bearing 6% interest and maturing July 23, 2018 (the "Notes") and 7,446,486 common share purchase warrants (the "Warrants") for gross proceeds of $1,770,572 (Cdn. $2,296,000).
On July 11, 2018 the Company gave notice to the convertible note holders that repayment of the Notes would cause financial hardship and exercised the right to extend the maturity date to July 23, 2020. A non-cash gain of $221,443 was recorded in connection with the extension of the maturity date.

On October 19, 2018, the convertible note holders converted 100% of the outstanding balance of the Notes, plus $32,030 of accrued interest, into an aggregate of 33,398,487 common shares of the Company at an amended conversion price of Cdn $0.07 per common shares. The Notes and the security interests provided to secure payment of the Notes, were thereby extinguished.

9 Share capital

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

The holders of the common shares are entitled to one vote per share. The holders of the common shares are entitled to dividends, when and if declared by the directors of the Company, and, subject to the rights of the holders of the Class B shares, to the distribution of the residual assets of the Company in the event of the liquidation, dissolution or winding-up of the Company. No dividends have ever been declared or paid as at December 31, 2018. Refer to note 7 for the number of Class B shares issued and related terms.

Financings
On April 5, 2018 the Company completed a private placement in three tranches for gross proceeds of $1,490,011 (Cdn. $1,904,250) through the issuance of 12,694,999 units at a price of Cdn. $0.15 per unit. Each unit is comprised of one common share and one half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share of the Company at an exercise price of Cdn. $0.25 per share for a period of 24 months from the closing date of the private placement. The warrants are subject to an acceleration clause should the Company's common shares trade at a price of $0.35 or greater for 10 consecutive trading days. A value of $190,013 was attributed to these warrants using the Black-Scholes option-pricing model and has been credited to contributed surplus. Assumptions used in the pricing model were as follows: average risk-free interest rate – 1.21%; expected life – 2 years; expected volatility – 71% to 74%; and expected dividends – nil. The Company incurred share issuance costs of $71,313.

On October 25, 2018, the Company completed a private placement in two tranches of 6,428,571 units for total gross proceeds of $343,900 (Cdn $450,000). Each unit consists of one common share of the Company and one-half of one common share purchase warrant of the Company. A value of $47,401 was attributed to these warrants using the Black-Scholes option-pricing model and has been credited to contributed surplus. Assumptions used in the pricing model were as follows: average risk-free interest rate – 1.36%; expected life – 2 years; expected volatility – 61%; and expected dividends – nil. The Company incurred share issuance costs of $26,531.

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

(Expressed in U.S. dollars)

In connection with the 2017 private placement, the Company paid share issuance costs of $358,372 and issued 963,496 non-transferable compensation-warrants. Each compensation-warrant entitles the holder to purchase one unit, for a period of 30 months, at a price of Cdn. $0.25 per unit. A value of $94,093 was attributed to these warrants based on the Black-Scholes option-pricing model. Assumptions used in the pricing model were as follows: average risk-free interest rate – 1.03%; expected life – 2.5 years; expected volatility – 87% to 88%; and expected dividends – nil.

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

Stock options

The Company's stock options outstanding as at December 31, 2018 and 2017 and the changes for the years then ended are as follows:

	Number of options	**Weighted average exercise price (per share)**	**Weighted average remaining life (years)**
		Cdn $	
Balance – December 31, 2016	10,840,458	0.31	3.04
Granted	2,525,000	0.30	
Exercised	(500,000)	0.10	
Expired	(167,750)	1.00	
Forfeited	(1,156,250)	0.33	
Balance – December 31, 2017	11,541,458	0.30	2.57
Expired	(5,206,458)	0.31	
Granted	3,650,000	0.10	
Balance – December 31, 2018	9,985,000	0.22	2.62
Exercisable – December 31, 2018	7,109,167	0.27	2.30

During the year ended December 31, 2018, the Company granted 3,650,000 stock options. A total of 833,333 vested immediately, 833,333 will vest 12 months following the date of the grant, 833,333 will vest 24 months following the date of the grant vest and 1,000,000 will vest based on performance milestones set out by the board of directors.

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

During the year ended December 31, 2018, the Company recorded share-based payments of $139,621 (2017 - $363,493) in respect of the vesting of previously granted stock options and newly granted options. Of this amount, $107,659 (2017 - $300,420) was recorded as a charge to operations and $31,962 (2017 - $63,073) was included in deferred exploration costs. The weighted average grant date fair value of options granted during the year ended December 31, 2018 was $0.05 per share (2017 - $0.13 per share). The fair value of each option grant during the years ended December 31, 2018 and 2017 was estimated at the time of the grant using the Black-Scholes option pricing model with assumptions for grants as follows:

(Expressed in U.S. dollars)

	2018	**2017**
Weighted average exercise price	Cdn. $0.11	Cdn. $0.30
Weighted average grant date share price	Cdn. $0.10	Cdn. $0.24
Risk-free interest rate	1.51%	1.13%
Expected life	3.7 years	5.0 years
Expected volatility	86%	103%
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.

During 2017, the weighted average stock price on the date of option exercise was Cdn. $0.20 per share. No options were exercised during 2018.

The balance of options outstanding as at December 31, 2018 is as follows:

Expiry date	**Exercise price Cdn$**	**Number of options outstanding**	**Number of options exercisable**
November 13, 2019	0.42	1,177,500	1,177,500
August 12, 2020	0.21	1,727,500	1,727,500
May 19, 2021	0.305	1,427,500	1,427,500
October 10, 2021	0.285	250,000	250,000
November 21, 2021	0.225	50,000	50,000
June 12, 2022	0.30	1,702,500	1,393,333
January 15, 2023	0.22	250,000	83,333
March 28, 2023	0.18	1,000,000	200,000
November 27, 2021	0.05	2,400,000	800,000
		9,985,000(1)	7,109,167

(1) Refer to Note 16 for options expired subsequent to year-end.

During the year ended December 31, 2018 the remaining stock options to acquire one common share and one Class B share expired unexercised. These stock options had been categorized as a financial liability. The fair value of these options as at December 31, 2017 amounted to $58,456. The change in fair value of these stock options during the year ended December 31, 2018 was included in loss for the year.

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

(Expressed in U.S. dollars)

Warrants

The Company's warrants outstanding as at December 31, 2018 and 2017 and the changes for the years then ended are as follows:

	Number of warrants	Weighted average exercise price (per share)	Weighted average remaining life (years)
		Cdn$	
Balance – December 31, 2016	12,978,943	0.30	1.87
Warrants issued	8,992,631	0.29	
Warrants exercised	(4,203,243)	0.10	
Balance – December 31, 2017	17,768,331	0.35	1.72
Issued	9,561,785	0.20	
Expired	(79,200)	0.30	
Balance – December 31, 2018	27,250,916	0.30	0.96

Warrants to acquire common shares are outstanding at December 31, 2018 as follows:

Expiry Date	Exercise Price Cdn$	Number of warrants outstanding
July 5, 2019	0.40	4,472,500
July 11, 2019	0.40	4,224,000
December 2, 2019	0.30	7,300,000
December 2, 2019[1]	0.25	876,000
December 8, 2019	0.30	729,135
December 8, 2019[1]	0.25	87,496
February 28, 2020	0.25	4,039,167
March 2, 2020	0.25	1,475,000
April 5, 2020	0.25	833,333
October 19, 2020	0.11	714,286
October 25, 2020	0.11	2,500,000
		27,250,916

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

(Expressed in U.S. dollars)

10 Income taxes

	2018	2017
	$	$
Origination and reversal of timing differences	402,872	(395,642)
Adjustment to unrecognized deferred tax asset	(402,872)	395,642
	-	-

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:

	2018	2017
Tax rate	27%	26%
	$	$
Net earnings (loss) for the year	2,591,479	(1,976,548)
Provision for income taxes at applicable rates	(699,699)	(513,902)
Tax effects of:		
Prior year adjustments	106,433	192,245
Foreign rate differences	29,279	(63,090)
Non-deductible expenses and non-taxable gains	310,002	(49,657)
Losses not recognized	38,578	38,762
Differences as a result of changing tax rates	618,279	-
Adjustments to benefits not recognized	(402,872)	395,642
Income tax expense	-	-

The analysis of deferred tax assets and deferred tax liabilities as at December 31, 2018 and 2017 is as follows:

	2018	2017
	$	$
Deferred tax assets	9,986,926	10,570,624
Deferred tax liabilities	(288,029)	(521,333)
Benefits not recognized	(9,698,897)	(10,049,291)
Net deferred tax balance	-	-

(Expressed in U.S. dollars)

The movement of deferred tax assets for the years ended December 31, 2018 and 2017 are as follows:

	Operating loss carry forwards	**Excess of tax basis over carrying value of assets**	**Tax basis of financing fees in excess of book value**	**Unrealized gains and losses charged to OCI**	**Total**
	$	$	$	$	$
Balance, December 31, 2016	9,476,294	395,683	11,950	166,537	10,050,464
Charged to equity	-	-	93,177	-	93,177
Charged (credited) to the statement of loss	424,512	(7,248)	(21,623)	-	395,641
Charged to OCI	-	-	-	31,342	31,342
Balance, December 31, 2017	**9,900,806**	**388,435**	**83,504**	**197,879**	**10,570,624**
Charged to equity	-	-	26,418	-	26,418
Charged (credited) to the statement of loss	(656,043)	50,469	(24,526)	-	(630,100)
Charged to OCI	-	-	-	19,984	19,984
Balance, December 31, 2018	**9,244,763**	**438,904**	**85,396**	**217,863**	**9,986,926**

The Company has a non-capital loss carried forward available to reduce future taxable income of approximately $37,391, 000. Of this amount, $826,000 do not expire. The remainder of the losses expire as follows:

	$
2026	87,000
2027	681,000
2028	1,118,000
2029	1,628,000
2030	3,802,000
2031	6,269,000
2032	6,545,000
2033	5,733,000
2034	3,571,000
2035	2,265,000
2036	1,904,000
2037	2,176,000
2038	1,176,000
	36,565,000

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

(Expressed in U.S. dollars)

11 Related party transactions

Key management includes the Chief Executive Officer, the Chief Financial Officer and the remaining directors. The compensation paid or payable to key management for services during the years ended December 31, 2018 and 2017is as follows:

	2018	2017
	$	$
Directors' fees	59,775	69,300
Professional fees	69,412	16,229
Share-based payments	53,900	208,752
Wages and benefits	187,244	260,221
	370,331	554,502

Included in accounts payable at December 31, 2018 is an amount of $281,499 (December 31, 2017 - $94,936) due to related parties. These amounts are non-interest bearing and have no specific terms of repayment.

The Company incurred the following additional expenditures with related parties during the years ended December 31, 2018 and 2017:

	2018	2017
	$	$
Consulting fees	6,220	26,329
Consulting fees - mineral property costs	13,850	53,445
Professional fees	113,222	108,125
Share issuance costs	41,224	80,293
	174,516	268,192

12 Contingencies

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

Malku Khota project and arbitration award assets and liabilities
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 which controls 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.

On November 22, 2018 an Arbitration Tribunal of the Permanent Court of Arbitration issued an award to SASL for $18,700,000 in respect of amounts invested and, approximately, a further $9,900,000 in interest thereon running from August 1, 2012 to December 31, 2018, for a total of approximately $28,600,000.

A large majority of the costs of the arbitration to be incurred by SASL or the Company are payable only in the event of 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.

(Expressed in U.S. dollars)

13 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, 2018 and December 31, 2017 is as follows:

Identifiable assets	**December 31, 2018**	**December 31, 2017**
	$	**$**
Bolivia	11,881,004	18,760,469
Canada	81,442	374,208
Chile	15,698,557	15,571,670
United States	17,137,030	16,418,155
Total assets	44,798,033	51,124,502

Identifiable liabilities	**December 31, 2018**	**December 31, 2017**
	$	**$**
Bolivia	8,853	5,373
Canada	289,711	158,439
Chile	33,371	9,598
United States	87,859	122,151
Total liabilities	419,794	295,561

Geographic segmentation of the Company's net earnings (loss) for the years ended December 31, 2018 and 2017 is as follows:

	2018	**2017**
	$	**$**
Bolivia	(100,277)	(108,431)
Canada	3,145,210	(910,633)
Chile	(52,016)	(46,979)
United States	(401,438)	(910,531)
Net earnings (loss)	2,591,479	(1,976,574)

(Expressed in U.S. dollars)

14 Supplemental cash flow information

The Company conducted non-cash investing activities during the years ended December 31, 2018 and 2017 as follows:

	2018	2017
	$	$
Investing activities		
Deferred exploration costs included in accounts payable	(60,163)	(121,694)
Financing activities		
Share-based payments included in deferred exploration costs	31,962	63,073

15 Financial instruments

The Company's financial instruments as at December 31, 2018 consist of cash and cash equivalents, receivables, marketable securities, arbitration award assets, accounts payable and Class B shares and other arbitration award liabilities. Cash and cash equivalents, receivables and accounts payable are classified as amortized cost. Marketable securities are designated as FVTOCI and the arbitration award assets, Class B shares and other arbitration award liabilities are designated as FVTPL.

Fair Value of Financial Instruments

The Company classified the fair value of the financial instruments according to the following fair value hierarchy based on the amount of observable inputs used to value the instruments:

- Level 1 – Values based on unadjusted quoted prices available in active markets for identical assets or liabilities as of the reporting date.

- Level 2 – Values based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace. Prices in Level 2 are either directly or indirectly observable as of the reporting date.

- Level 3 – Values based on prices or valuation techniques that are not based on observable market data.

Marketable securities, and the Class B shares are Level 1 fair values. The arbitration award asset and the other arbitration award liabilities are Level 2 fair values, which are derived from the valuation of the Class B shares.

Discussions of risks associated with financial assets and liabilities are detailed below:

Currency risk
Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. 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 and Chile. As at December 31 2018 and 2017 the Company was not exposed to significant currency risk. The Company does not use derivative financial instruments to reduce its foreign exchange exposure.

Credit risk

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

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company manages its cash according to its operational needs and to maximize interest revenue. The Company is not significant exposed to interest rate risk.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Company manages liquidity risk by maintaining sufficient cash and cash equivalents balances to enable settlement of transactions on the due date. 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. See Note 1. The Company's accounts payable are due on normal commercial terms.

Management of capital

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

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, or acquire or dispose of assets.

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

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

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

There have been no changes to the Company's approach in managing capital during the year ended December 31, 2018.

16 Subsequent events

The Company closed a non-brokered private placement pursuant to which it issued 9,200,000 common shares at Cdn$0.05 per share for gross proceeds of Cdn$460,000.

The Company issued 400,000 common shares at a deemed price of $0.07 per common share to settle trade accounts payable.

A total of 2,200,000 options at an exercise price ranging from $0.055 to $0.06 were granted and the following options expired unvested (i) 83,333 options at an exercise price of $0.22 (ii) 800,000 options at an exercise price of $0.21 and (iii) 233,333 options at an exercise price of $0.05.

The Company entered into an amended LOI regarding the Escalones property. Refer to note 6.