

TriMetals Mining Inc.
(An Exploration Stage Company)

Condensed Interim Consolidated Financial Statements
First Quarter Ended March 31, 2017

(Unaudited - Expressed in U.S. dollars)

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 Chartered Professional Accountants of Canada 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	March 31, 2017 \$	December 31, 2016 \$
Assets			
Current assets			
Cash and cash equivalents		1,190,879	2,193,518
Receivables and prepaids	4	105,942	100,434
Drilling advance	5	110,625	131,389
Marketable securities	6	136,555	135,266
		<u>1,544,001</u>	<u>2,560,607</u>
Non-current assets			
Equipment	7	70,225	69,047
Reclamation deposit		163,300	163,300
Mining claims and deferred exploration costs	8	29,366,346	28,732,403
Malku Khota project	9	18,734,000	18,734,000
		<u>48,333,871</u>	<u>47,698,750</u>
Total assets		<u>49,877,872</u>	<u>50,259,357</u>
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	13	292,794	265,317
Non-current liabilities			
Convertible notes	10	1,526,264	1,478,041
Class B shares	11	18,375,520	20,802,291
Stock options exercisable into Class B and common shares	12 c	155,393	156,842
		<u>20,057,177</u>	<u>22,437,174</u>
Total liabilities		<u>20,349,971</u>	<u>22,702,491</u>
Equity attributable to shareholders			
Share capital	12	92,326,275	92,326,275
Contributed surplus		11,591,810	11,529,067
Convertible notes - equity component	10	317,197	317,197
Accumulated other comprehensive loss		(179,134)	(171,227)
Deficit		(74,528,247)	(76,444,446)
Total equity		<u>29,527,901</u>	<u>27,556,866</u>
Total liabilities and equity		<u>49,877,872</u>	<u>50,259,357</u>
Going concern (note 1)			
Commitments (notes 8 and 18)			
Contingencies (note 14)			
Subsequent events (note 18)			

Approved by the Board of Directors:

(signed) "Paul Sheehan"

(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 Earnings and Comprehensive Income

For the three months ended March 31

(Unaudited - Expressed in U.S. dollars)

	Note	2017 \$	2016 \$
General and administrative expenses			
Arbitration	9	17,921	35,151
Consulting	13	23,479	20,675
Depreciation and amortization		10,059	17,429
Directors' fees	13	11,850	16,350
Filing and transfer agent fees		34,174	27,387
Office and administration		67,593	73,412
Professional fees	13	88,159	52,795
Reconnaissance and sundry exploration		12,937	20,977
Shareholder information and investor relations		24,073	33,956
Share-based payments	12 c, 13	55,448	17,046
Wages and benefits	13	111,147	106,241
		<u>(456,840)</u>	<u>(421,419)</u>
Other income (expenses)			
Interest and other income		5,771	8,788
Accretion and interest on convertible notes	10	(60,028)	(58,376)
Foreign currency loss		(924)	(41)
Loss on disposal of equipment		-	(2,304)
Change in fair value of Class B shares	11	2,426,771	(1,502,901)
Change in fair value of stock options exercisable into Class B and common shares	12 c	1,449	(45,293)
		<u>2,373,039</u>	<u>(1,600,127)</u>
Net earnings (loss) for the period		<u>1,916,199</u>	<u>(2,021,546)</u>
Other comprehensive loss			
Items that may be subsequently reclassified to profit or loss:			
Currency translation differences		(9,196)	(34,965)
Unrealized gain on marketable securities		1,289	8,627
Total other comprehensive loss		<u>(7,907)</u>	<u>(26,338)</u>
Total comprehensive income (loss)		<u>1,908,292</u>	<u>(2,047,884)</u>
Basic and diluted net earnings (loss) per share		<u>0.01</u>	<u>(0.01)</u>
Weighted average number of shares outstanding		<u>156,529,796</u>	<u>135,738,714</u>

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

TriMetals Mining Inc.

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Condensed Interim Consolidated Statements of Changes in Equity

For the three months ended March 31, 2017 and 2016

(Unaudited - Expressed in U.S. dollars)

	Share Capital		Contributed Surplus \$	Convertible notes - equity component \$	Deficit \$	AOCI \$	Total \$
	Number	Amount \$					
Balance, January 1, 2017	156,529,796	92,326,275	11,529,067	317,197	(76,444,446)	(171,227)	27,556,866
Share-based payments	-	-	62,743	-	-	-	62,743
Total comprehensive income for the period	-	-	-	-	1,916,199	(7,907)	1,908,292
Balance, March 31, 2017	<u>156,529,796</u>	<u>92,326,275</u>	<u>11,591,810</u>	<u>317,197</u>	<u>(74,528,247)</u>	<u>(179,134)</u>	<u>29,527,901</u>
Balance, January 1, 2016	135,738,714	89,941,924	9,999,049	317,197	(62,589,596)	(149,283)	37,519,291
Share-based payments	-	-	22,154	-	-	-	22,154
Total comprehensive loss for the period	-	-	-	-	(2,021,546)	(26,338)	(2,047,884)
Balance, March 31, 2016	<u>135,738,714</u>	<u>89,941,924</u>	<u>10,021,203</u>	<u>317,197</u>	<u>(64,611,142)</u>	<u>(175,621)</u>	<u>35,493,561</u>

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TriMetals Mining Inc.

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Condensed Interim Consolidated Statements of Cash Flows

For the three months ended March 31

(Unaudited - Expressed in U.S. dollars)

	2017	2016
	\$	\$
Cash flows from (used in) operating activities		
Net earnings (loss) for the period	1,916,199	(2,021,546)
Items not affecting cash		
Accretion on convertible notes	34,133	31,930
Depreciation and amortization	10,059	17,429
Change in fair value of Class B shares	(2,426,771)	1,502,901
Change in fair value of stock options exercisable into Class B and common shares	(1,449)	45,293
Interest income	(5,771)	(8,788)
Unrealized foreign exchange loss	14,090	-
Share-based payments	55,448	17,046
Loss on disposal of equipment	-	2,304
	(404,062)	(413,431)
Interest received	2,649	2,398
Changes in non-cash operating working capital		
Change in receivables and prepaids	(6,622)	(12,846)
Change in accounts payable and accrued liabilities	(24,673)	(3,557)
	(432,708)	(427,436)
Cash flows (used in) from investing activities		
Mining claims and deferred exploration costs	(574,498)	(418,706)
Repayment of drilling advance	25,000	25,000
Purchase of equipment	(11,237)	(6,678)
Proceeds on disposal of equipment	-	2,800
	(560,735)	(397,584)
Decrease in cash and cash equivalents	(993,443)	(825,020)
Foreign exchange effect on cash and cash equivalents	(9,196)	51,144
Cash and cash equivalents - Beginning of period	2,193,518	2,316,468
Cash and cash equivalents - End of period	1,190,879	1,542,592
Cash and cash equivalents are comprised of:		
Cash	1,190,879	799,542
Cash equivalents	-	743,050
	1,190,879	1,542,592

Supplemental cash flow information (Note 16)

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

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Notes to Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2017 and 2016

(Unaudited - Expressed in U.S. dollars)

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 office is located at Suite 880, 580 Hornby Street, Vancouver, British Columbia, Canada and the Company’s head office is located at Suite 120, 6746 South Revere Parkway, Centennial, Colorado, USA.

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 condensed interim 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 March 31, 2017, the Company had working capital of \$1.3 million (December 31, 2016 - \$2.3 million). At that date, the Company also had an accumulated deficit of \$74.5 million which has been funded primarily by the issuance of equity. The Company is dependent upon share issuances to provide the funding necessary to meet its general operating expenses and will require additional financing to continue to explore its mineral properties. The recoverability of amounts shown as mining claims and deferred exploration costs is dependent upon the discovery of economically recoverable reserves, the Company’s ability to obtain financing to develop its mineral properties, and the ultimate realization of profits through future production from, or sale of, the properties. These factors may cast significant doubt upon the Company’s ability to continue as a going concern and, therefore, that it may be unable to realize its assets and discharge its liabilities in the normal course of business.

The Company’s ability to continue as a going concern is dependent upon its ability to obtain the necessary financing to meet its 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 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

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) 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 consolidated financial statements for the year ended December 31, 2016, which have been prepared in accordance with IFRS.

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The Company uses the same accounting policies and methods of computation as in the annual consolidated financial statements for the year ended December 31, 2016.

The preparation of interim financial statements requires management to make judgments, 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 group'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, 2016.

These financial statements were approved by the board of directors for use on May 12, 2017.

3 Changes in accounting standards including initial adoption

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

- IFRS 9, *Financial Instruments*, was issued in July 2014 and replaces IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 was developed in phases by the IASB. As a result there are a number of transition options and requirements in relation to earlier versions of IFRS 9 prior to the mandatory effective date of IFRS 9 in its entirety. IFRS 9 is mandatory for annual periods beginning on or after January 1, 2018. IFRS 9 includes requirements for classification and measurement of financial assets and financial liabilities; impairment methodology for financial instruments; and general hedge accounting. IFRS 9 has specific requirements for whether debt instruments are accounted for at amortized cost, fair value through other comprehensive income or fair value through profit or loss. IFRS 9 requires equity instruments to be measured at fair value through profit or loss unless an irrevocable election is made for use of fair value through other comprehensive income which results in changes in fair value not being recycled to the income statement. The Company has not adopted IFRS 9 and has not completed its assessment of the impact of this standard.
- IFRS 16, *Leases*, was issued in January 2016 and eliminates the classification of leases as either operating or finance leases for a lessee. Instead all leases are capitalized by recognizing the present value of lease payments and recognizing an asset and a financial liability representing an obligation to make future lease payments. The principles in IFRS 16 provide a more consistent approach to acquiring the use of an asset whether by leasing or purchasing an asset. The new leasing standard is applicable to all entities and will supersede current lease accounting standards under IFRS. IFRS 16 is mandatory for annual periods beginning on or after January 1, 2019. The Company has not adopted IFRS 16 and has not completed its assessment of the impact of this standard.

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(Unaudited - Expressed in U.S. dollars)

4 Receivables and prepaids

	March 31, 2017	December 31, 2016
	\$	\$
GST receivable	7,793	4,274
Other receivables	5,824	5,049
Other prepaids and advances	92,325	91,111
	<u>105,942</u>	<u>100,434</u>

5 Drilling advance

	March 31, 2017	December 31, 2016
	\$	\$
Drilling advance	110,625	131,389

During 2011 and 2012, the Company advanced an aggregate \$1,050,000 under the terms of a drill contract in respect of the Escalones drill program. These advances were being recovered through reductions on a per metre basis to amounts invoiced to the Company in respect of drilling costs and through payments on a per metre basis in respect of drilling by the contractor for other mining companies. During 2014, the parties renegotiated the terms of repayment. During the three months ended March 31, 2017, the Company received a payment on account of \$25,000 (year ended December 31, 2016 - \$100,000). The balance outstanding bears interest at the compounded rate of 1% per month.

6 Marketable securities

	March 31, 2017	December 31, 2016
	\$	\$
Marketable securities	<u>136,555</u>	<u>135,266</u>

The Company owns 1,068,313 shares (10.5% interest) of Highvista Gold Inc. ("HGI"). The investment in HGI has been reported at fair value based on the period-end market bid quotation with unrealized gains or losses being reported in Other Comprehensive Income (OCI).

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(Unaudited - Expressed in U.S. dollars)

7 Equipment

Three months ended March 31, 2017	Furniture and equipment \$	Computer hardware \$	Computer software \$	Vehicle \$	Leasehold improvements \$	Total \$
Cost						
Balance, beginning of the period	196,368	60,164	168,880	39,357	-	464,769
Additions	7,328	3,909	-	-	-	11,237
Balance, end of the period	203,696	64,073	168,880	39,357	-	476,006
Accumulated amortization						
Balance, beginning of the period	138,400	56,634	168,880	31,808	-	395,722
Amortization for the period	7,293	390	-	2,376	-	10,059
Balance, end of the period	145,693	57,024	168,880	34,184	-	405,781
Net book value at March 31, 2017	58,003	7,049	-	5,173	-	70,225
Year ended December 31, 2016						
	Furniture and equipment \$	Computer hardware \$	Computer software \$	Vehicles \$	Leasehold improvements \$	Total \$
Cost						
Balance, beginning of the year	196,094	56,260	168,880	63,857	52,609	537,700
Additions	29,365	3,904	-	-	-	33,269
Disposals	(29,091)	-	-	(24,500)	(52,609)	(106,200)
Balance, end of the year	196,368	60,164	168,880	39,357	-	464,769
Accumulated amortization						
Balance, beginning of the year	128,603	55,199	167,714	39,905	45,742	437,163
Amortization for the year	38,505	1,435	1,166	11,300	5,372	57,778
Disposals	(28,708)	-	-	(19,397)	(51,114)	(99,219)
Balance, end of the year	138,400	56,634	168,880	31,808	-	395,722
Net book value at December 31, 2016	57,968	3,530	-	7,549	-	69,047

8 Mining claims and deferred exploration costs – Schedule 1

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

	March 31, 2017 \$	December 31, 2016 \$
a) Escalones, Chile	15,205,502	15,126,940
b) Gold Springs, U.S.	14,160,844	13,605,463
	29,366,346	28,732,403

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(Unaudited - Expressed in U.S. dollars)

- 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, 2013 and 2015, the terms were renegotiated. Pursuant to the Boezio Option, as revised on November 24, 2015, the Company has the right until June 30, 2020 to purchase the claims upon payment to the owner of \$7,600,000. As at March 31, 2017, \$3,200,000 has been paid. The remaining \$4,400,000 is payable as follows: \$400,000 on June 30, 2017, \$500,000 on each of June 30, 2018 and 2019, and a final payment of \$3,000,000 on June 30, 2020.

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.

- b) During the three months ended March 31, 2017, the Company acquired the rights to 1,658 acre feet of water per year for the Gold Springs project through a water lease agreement which includes an option to purchase 1,500 of the 1,658 acre feet of water rights.

The water lease agreement with the option to purchase continues from year to year with automatic yearly renewal of the terms for 20 years. The annual aggregate lease payment is \$300,000, payable in quarterly instalments, and such payments may be offset prior to mining by subleasing the water rights (see Note 18 – Subsequent events). The Company has the option to purchase 1,500 of the 1,658 acre feet per year of water rights leased in the agreement for consideration of \$7,000,000. This option can be exercised at any time during the 20-year term of the lease.

During the three months ended March 31, 2017, the Company made payments of \$150,000 under the terms of this agreement.

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9 Malku Khota project

	March 31, 2017 \$	December 31, 2016 \$
Malku Khota project	18,734,000	18,734,000

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

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

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

SASL seeks monetary compensation for damages in the amount of \$385.7 million which includes \$307.2 million for all of its losses caused by Bolivia's breaches of the UK-Bolivia Treaty, plus \$78.5 million in pre-award interest but excludes fees and costs incurred in connection with the arbitration proceeding. As an alternative, SASL had been seeking restitution of the Malku Khota project along with monetary damages for project-delay in the amount of \$176.4 million, including pre-award interest, but after the second round of pleadings, SASL elected not to pursue its claim for restitution of the project itself along with the delay damages due to, among other things, the fact that restitution is rarely granted by tribunals (and even when it is, States are usually given the option of paying current fair market value in lieu of restitution), the changes in the Bolivian mining law since the expropriation impose onerous conditions on foreign investors, and Bolivia's conduct during the arbitration.

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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.

The recoverability of amounts shown as Malku Khota project is dependent upon the ability to achieve compensation in excess of the carrying value.

Management performed a review of the recoverability of the carrying amount of the Malku Khota project by comparing the unamortized book value to the higher of value in use and fair value less costs to sell as at March 31, 2017. 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 Malku Khota project may be written down in future periods.

10 Convertible notes

	Liability component \$	Equity component \$	Contributed surplus \$
Balance - December 31, 2015	1,309,770	317,197	101,914
Accretion	130,901	-	-
Foreign exchange	37,370	-	-
Transfer to share capital on exercise of warrants	-	-	(44,388)
Balance - December 31, 2016	1,478,041	317,197	57,526
Accretion	34,133	-	-
Foreign exchange	14,090	-	-
Balance - March 31, 2017	1,526,264	317,197	57,526

During 2015, the Company closed a non-brokered private placement of units consisting of Cdn. \$2,296,000 principal amount convertible notes bearing 6% interest and maturing July 23, 2018 (the "Notes") and 7,446,486 common share purchase warrants (the "Warrants") for gross proceeds of \$1,770,572 (Cdn. \$2,296,000).

If the repayment of the Notes on the maturity date would expose the Company to undue financial hardship, then the Company has the right to extend the maturity date to July 23, 2020 for no additional consideration.

Notwithstanding the foregoing, if the Company receives a cash payment pursuant to any award or settlement in the arbitration by its subsidiary against Bolivia of at least \$5 million (after the payment of all Malku Khota Arbitration Expenses and the Class B Share Entitlement, each as defined in the Company's Articles), the holders shall have the right to demand repayment of the outstanding principal amount of the Notes and accrued interest thereon, in cash, within 60 days of the first public disclosure by the Company of receipt of such net cash payment.

The holders of the Notes have the option to convert all or any portion of the outstanding principal amount of the Notes into common shares of the Company at any time at the conversion price of Cdn. \$0.20 per share ("Conversion Price"). If the closing price of the common shares of the Company on the TSX is at least

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Cdn. \$0.40 for 10 consecutive trading days, the Company has the right to convert all or any portion of the outstanding principal amount of the Notes into common shares, without penalty. Shares issued to repay the principal amount of the Notes shall be issued at the Conversion Price, while accrued interest on the converted portion of the Notes shall be paid in cash.

The Notes are secured by a pledge of approximately 20.7% of the shares of the Company's subsidiary in Chile, the holder of the Escalones property.

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

At the date of issue, \$1,349,618 (Cdn. \$1,750,125) was attributed to the liability component of the convertible notes based on an effective interest rate of 17%. \$102,362 (Cdn. \$132,739) was attributed to the 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 – 2.0 years; expected volatility – 111%; and expected dividends – nil. The residual amount of \$318,592 (Cdn. \$413,136) was attributed to the equity component of the convertible notes (less \$1,395 of transaction costs), being the lenders' conversion option to common shares.

11 Class B shares

	March 31, 2017	December 31, 2016
	\$	\$
Class B shares	18,375,520	20,802,291

As at March 31, 2017 and December 31, 2016, an aggregate 116,375,152 Class B shares were issued and outstanding, with each Class B share having the attributes described in Note 12 a). The Class B shares are recorded at their estimated fair value which is estimated based on the quoted price of the Class B shares on the Toronto Stock Exchange ("TSX").

	\$
Carrying value as at December 31, 2015	9,241,245
Change in fair value	11,561,046
Carrying value as at December 31, 2016	20,802,291
Change in fair value	(2,426,771)
Carrying value as at March 31, 2017	18,375,520

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

TriMetals Mining Inc.

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Notes to Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2017 and 2016

(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 March 31, 2017.

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

b) Financings

There were no financings completed during the three months ended March 31, 2017.

c) Stock options

(i) Changes in stock options

The Company's stock options outstanding as at March 31, 2017 and the changes for the three months then ended are as follows:

	Number of options	Weighted average price Cdn.\$
Balance outstanding – December 31, 2016	10,840,458	0.31
Options forfeited or expired	(167,750)	1.06
Balance outstanding – March 31, 2017	<u>10,672,708</u>	<u>0.30</u>

(ii) Share-based payments

During the three months ended March 31, 2017, the Company recorded share-based payments of \$62,743 (2016 - \$22,154) in respect of stock options. Of this amount, \$55,448 (2016 - \$17,046) was recorded as a charge to operations and \$7,295 (2016 - \$5,108) was included in deferred exploration costs.

During the three months ended March 31, 2017, the Company did not grant any stock options.

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(iii) Options outstanding at the end of the period

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 March 31, 2017 as follows:

Number of options outstanding	Number of options exercisable	Exercise price Cdn. \$	Expiry date
1,033,333	1,033,333	0.44	October 21, 2018

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 – 0.7%; expected life – 1.56 years; expected volatility – 78%; and expected dividends – nil. The fair value of these options as at March 31, 2017 amounts to \$155,393 (December 31, 2016 - \$156,842). The change in fair value of these stock options during the three months ended March 31, 2017 of \$1,449 (2016 - \$45,293) was included in earnings (loss) for the period.

At March 31, 2017, these options have a weighted average remaining contractual life of 1.6 years.

Options to acquire common shares are outstanding at March 31, 2017 as follows:

Number of options outstanding	Number of options exercisable	Exercise price Cdn. \$	Expiry date
584,375	584,375	0.65	October 22, 2018
2,000,000	2,000,000	0.10	December 23, 2018
300,000	300,000	0.365	January 28, 2019
1,742,500	1,742,500	0.42	November 13, 2019
2,292,500	1,928,333	0.21	August 12, 2020
2,170,000	1,323,333	0.305	May 19, 2021
250,000	-	0.285	October 10, 2021
250,000	-	0.25	November 10, 2021
50,000	-	0.225	November 21, 2021
9,639,375	7,878,541		

The weighted average exercise price of the outstanding options to acquire one common share is Cdn. \$0.28 per share, and of exercisable options is Cdn. \$0.28 per share. At March 31, 2017, these options have a weighted average remaining contractual life of 3.0 years.

d) Warrants

(i) Changes in warrants

The Company's warrants outstanding as at March 31, 2017 and the changes for the three months then ended are as follows:

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	Number of warrants	Weighted average price Cdn.\$
Balance – March 31, 2017 and December 31, 2016	12,978,943	0.30

(ii) Warrants outstanding at the end of the period

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

Number Outstanding		Exercise Price Cdn. \$	Expiry Date
4,203,243		0.10	July 23, 2017
6,000	(1)	0.30	January 5, 2018
73,200	(2)	0.30	January 11, 2018
4,472,500		0.40	July 5, 2019
4,224,000		0.40	July 11, 2019
<u>12,978,943</u>			

- (1) Each compensation-warrant entitles the holder to acquire one unit consisting of one common share and one half of one common share purchase warrant, with each whole warrant entitling the holder to purchase an additional common share at an exercise price of Cdn. \$0.40 per share until July 5, 2019.
- (2) Each compensation-warrant entitles the holder to acquire one unit consisting of one common share and one half of one common share purchase warrant, with each whole warrant entitling the holder to purchase an additional common share at an exercise price of Cdn. \$0.40 per share until July 11, 2019.

13 Related party transactions

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

	2017 \$	2016 \$
Consulting fees	13,689	15,844
Legal fees	22,251	26,122
Consulting fees - mineral property costs	6,138	3,847
	<u>42,078</u>	<u>45,813</u>

Included in accounts payable at March 31, 2017 is an amount of \$63,696 (December 31, 2016 - \$59,358) due to related parties. These amounts are non-interest bearing and have no specific terms of repayment.

Key management includes the Chief Executive Officer, the Chief Financial Officer and the remaining directors. The compensation paid or payable to key management for services during the three months ended March 31, 2017 and 2016 is as follows:

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(Unaudited - Expressed in U.S. dollars)

	2017	2016
	\$	\$
Directors' fees	11,850	16,350
Wages and benefits	69,938	69,938
Share-based payments	31,304	10,322
	<u>113,092</u>	<u>96,610</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.

Maluku Khota project

Under the terms of the privileged Arbitration Costs Funding Agreement, the Company has given certain warranties and covenants to the Fund and is obliged to pledge at least 35% of the shares of the Company's subsidiary in Chile, beneficiary of the Escalones property, as security for its obligations. In consideration for the funding, the Company has agreed to pay to the Fund a portion of any recoveries received pursuant to the arbitration proceedings or any settlement with Bolivia. As at March 31, 2017, the arbitration has not been settled and the amount of the contingent payment is deemed to be indeterminable. Accordingly nothing has been accrued for the Fund's portion of any recoveries in the arbitration.

The Company has agreed to a contingent success fee to its lead arbitration counsel to be determined based on the outcome of the arbitration. As at March 31, 2017, the arbitration has not been settled and accordingly the success fee is deemed to be indeterminable and accordingly nothing has been accrued.

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

Convertible notes

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

Mexican uncertain tax position

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

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Notes to Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2017 and 2016

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15 Segment information

The Company's operations are limited to a single industry segment, being mineral exploration and development. Geographic segment information of the Company's assets and liabilities as at March 31, 2017 and December 31, 2016 is as follows:

Identifiable assets	March 31,	December 31,
	2017	2016
	\$	\$
Bolivia	18,762,337	18,756,620
Canada	1,205,816	2,210,527
Chile	15,343,455	15,296,987
United States and other	14,566,264	13,995,223
Total assets	<u>49,877,872</u>	<u>50,259,357</u>
Identifiable liabilities	March 31,	December 31,
	2017	2016
	\$	\$
Bolivia	5,556	4,276
Canada	137,845	88,399
Chile	1,864	7,838
United States and other	147,529	164,804
Total liabilities	<u>292,794</u>	<u>265,317</u>

Geographic segmentation of the Company's net earnings (loss) for the three months ended March 31, 2017 and 2016 is as follows:

	2017	2016
	\$	\$
Bolivia	(21,462)	(20,685)
Canada	2,104,001	(1,789,597)
Chile	(6,728)	(12,429)
United States and other	(159,612)	(198,835)
Net earnings (loss)	<u>1,916,199</u>	<u>(2,021,546)</u>

16 Supplemental cash flow information

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

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Notes to Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2017 and 2016

(Unaudited - Expressed in U.S. dollars)

	2017	2016
	\$	\$
Interest income included in receivables and prepaids	403	7,540
Investing activities		
Deferred exploration costs included in accounts payable	(112,981)	(11,112)
Financing activities		
Share-based payments included in deferred exploration costs	7,295	5,108

17 Financial instruments

The Company's financial instruments consist of cash and cash equivalents, receivables, marketable securities, accounts payable and accrued liabilities, convertible notes, Class B shares, and stock options exercisable into Class B shares and common shares. Cash equivalents consisted of term deposits, the investment terms of which were 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. The Company's marketable securities have been designated as available for sale. Publicly held investments are reported at fair value based on quoted market prices with unrealized gains or losses reported in OCI. Accounts payable and accrued liabilities and convertible notes 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, 2016.

18 Subsequent events

Subsequent to March 31, 2017, the Company entered into an office lease agreement that expires on April 30, 2020. Rent and estimated operating costs are approximately \$22,000 per annum.

Subsequent to March 31, 2017, the Company has subleased to a third party 242 acre feet of water rights for annual proceeds of \$12,120. The agreement is for three years, with automatic renewals thereafter, and can be terminated at any time by either party.

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, 2015	14,958,164	11,702,583	26,660,747
Land and option payments	39,621	207,458	247,079
Laboratory	10,588	151,579	162,167
Field supplies	-	15,418	15,418
Camp	5,954	38,472	44,426
Consulting and supervision	98,552	476,453	575,005
Surveying and staking	7,606	8,580	16,186
Environmental	3,085	160,902	163,987
Technical consulting	-	19,574	19,574
Drilling	-	546,144	546,144
Trenching	1,678	84,170	85,848
Travel and accommodation	1,557	143,679	145,236
Share-based payments	-	50,451	50,451
Value added tax credits	135	-	135
	<u>168,776</u>	<u>1,902,880</u>	<u>2,071,656</u>
Balance at December 31, 2016	15,126,940	13,605,463	28,732,403
Land and option payments	43,315	30,727	74,042
Laboratory	-	35,529	35,529
Field supplies	-	3,785	3,785
Camp	2,081	9,470	11,551
Consulting and supervision	28,598	158,417	187,015
Surveying and staking	1,083	1,400	2,483
Environmental	-	50,379	50,379
Technical consulting	1,873	28,094	29,967
Trenching	-	21,440	21,440
Travel and accommodation	1,350	58,845	60,195
Share-based payments	-	7,295	7,295
Value added tax credits	262	-	262
Water lease payments	-	150,000	150,000
	<u>78,562</u>	<u>555,381</u>	<u>633,943</u>
Balance at March 31, 2017	<u>15,205,502</u>	<u>14,160,844</u>	<u>29,366,346</u>