

TriMetals Mining Inc.
(An Exploration Stage Company)

Condensed Interim Consolidated Financial Statements
Second Quarter Ended June 30, 2016

(expressed in U.S. dollars)

TriMetals Mining Inc.

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

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

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

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

TriMetals Mining Inc.

(An Exploration Stage Company)

Condensed Interim Consolidated Statements of Financial Position

(expressed in U.S. dollars)

	Note	June 30, 2016 \$	December 31, 2015 \$
Assets			
Current assets			
Cash and cash equivalents		2,612,080	2,316,468
Receivables and prepaids	4	332,722	163,963
Marketable securities	5	140,605	131,215
		<u>3,085,407</u>	<u>2,611,646</u>
Non-current assets			
Equipment	6	74,183	100,537
Reclamation deposit		163,300	163,300
Drilling advance	7	-	156,389
Mining claims and deferred exploration costs	8	27,225,852	26,660,747
Malku Khota project	9, 14	18,734,000	18,734,000
		<u>46,197,335</u>	<u>45,814,973</u>
Total assets		<u>49,282,742</u>	<u>48,426,619</u>
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	13	<u>233,799</u>	<u>292,010</u>
Non-current liabilities			
Convertible notes	10	1,468,437	1,309,770
Class B shares	11	29,732,222	9,241,245
Stock options exercisable into Class B and common shares	12 c	308,454	64,303
		<u>31,509,133</u>	<u>10,615,318</u>
Total liabilities		<u>31,742,912</u>	<u>10,907,328</u>
Equity attributable to shareholders			
Share capital	12	90,021,790	89,941,924
Contributed surplus		10,239,432	9,999,049
Share subscriptions	19	1,699,747	-
Convertible notes - equity component	10	317,197	317,197
Accumulated other comprehensive loss		(166,741)	(149,283)
Deficit		(84,571,595)	(62,589,596)
Total equity		<u>17,539,830</u>	<u>37,519,291</u>
Total liabilities and equity		<u>49,282,742</u>	<u>48,426,619</u>
Commitments (notes 8 and 15)			
Contingencies (note 14)			
Subsequent event (note 19)			

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 Loss and Comprehensive Loss

For the three and six months ended June 30

(expressed in U.S. dollars)

	Note	Three Month Period Ended June 30, 2016 \$	Three Month Period Ended June 30, 2015 \$	Six Month Period Ended June 30, 2016 \$	Six Month Period Ended June 30, 2015 \$
General and administrative expenses					
Arbitration	9	66,699	47,530	101,850	103,491
Consulting	13	14,879	17,796	35,554	36,852
Depreciation and amortization		15,630	20,483	33,059	41,818
Directors' fees	13	15,813	30,234	32,163	53,484
Filing and transfer agent fees		8,280	10,151	35,667	50,724
Office and administration		58,502	71,673	131,914	154,250
Professional fees	13	109,402	141,139	162,197	232,265
Reconnaissance and sundry exploration		8,217	15,054	29,194	52,314
Shareholder information and investor relations		51,870	35,709	85,826	57,833
Share-based payments	12 c, 13	271,123	15,126	288,169	30,678
Wages and benefits	13	99,730	119,092	205,971	257,632
		(720,145)	(523,987)	(1,141,564)	(1,071,341)
Other (expenses) income					
Accretion and interest on convertible notes	10	(58,935)	-	(117,311)	-
Interest and other income		7,673	15,145	16,461	31,358
Foreign currency (loss) gain		(2,112)	13,293	(2,153)	23,425
Loss on disposal of equipment		-	-	(2,304)	-
Change in fair value of Class B shares	11	(18,988,076)	(1,570,634)	(20,490,977)	(432,557)
Change in fair value of stock options exercisable into Class B and common shares	12 c	(198,858)	4,136	(244,151)	99,084
		(19,240,308)	(1,538,060)	(20,840,435)	(278,690)
Net loss for the period		(19,960,453)	(2,062,047)	(21,981,999)	(1,350,031)
Other comprehensive income (loss)					
Items that may be subsequently reclassified to profit or loss:					
Currency translation differences		8,117	42,715	(26,848)	(209,285)
Unrealized gain on marketable securities		763	2,016	9,390	9,328
Total other comprehensive income (loss)		8,880	44,731	(17,458)	(199,957)
Total comprehensive loss		(19,951,573)	(2,017,316)	(21,999,457)	(1,549,988)
Basic and diluted net loss per share		(0.15)	(0.02)	(0.16)	(0.01)
Weighted average number of shares outstanding		135,794,014	135,738,714	135,766,364	135,738,714

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

TriMetals Mining Inc.

(An Exploration Stage Company)

Condensed Interim Consolidated Statements of Changes in Equity

For the six months ended June 30, 2016 and 2015

(expressed in U.S. dollars)

	Share Capital				Convertible			
	Number	Amount	Contributed	Share	notes -	Deficit	AOCI	Total
		\$	Surplus	Subscriptions	equity	\$	\$	\$
			\$	\$	component			
					\$			
Balance, January 1, 2016	135,738,714	89,941,924	9,999,049	-	317,197	(62,589,596)	(149,283)	37,519,291
Shares issued on exercise of share appreciation rights (SAR's)	154,839	-	-	-	-	-	-	-
Transfer to share capital on exercise of SAR's	-	79,866	(79,866)	-	-	-	-	-
Share subscriptions received	-	-	-	1,699,747	-	-	-	1,699,747
Share-based payments	-	-	320,249	-	-	-	-	320,249
Total comprehensive loss for the period	-	-	-	-	-	(21,981,999)	(17,458)	(21,999,457)
Balance, June 30, 2016	135,893,553	90,021,790	10,239,432	1,699,747	317,197	(84,571,595)	(166,741)	17,539,830
Balance, January 1, 2015	135,738,714	89,941,924	9,747,247	-	-	(65,324,821)	163,085	34,527,435
Share-based payments	-	-	37,831	-	-	-	-	37,831
Total comprehensive loss for the period	-	-	-	-	-	(1,350,031)	(199,957)	(1,549,988)
Balance, June 30, 2015	135,738,714	89,941,924	9,785,078	-	-	(66,674,852)	(36,872)	33,015,278

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

TriMetals Mining Inc.

(An Exploration Stage Company)

Condensed Interim Consolidated Statements of Cash Flows

For the six months ended June 30

(expressed in U.S. dollars)

	2016 \$	2015 \$
Cash flows (used in) from operating activities		
Net loss for the period	(21,981,999)	(1,350,031)
Items not affecting cash		
Accretion on convertible notes	64,769	-
Depreciation and amortization	33,059	41,818
Change in fair value of Class B shares	20,490,977	432,557
Change in fair value of stock options exercisable into Class B and common shares	244,151	(99,084)
Interest income	(16,461)	(31,358)
Unrealized foreign exchange gain	-	(30,700)
Share-based payments	288,169	30,678
Loss on disposal of equipment	2,304	-
	(875,031)	(1,006,120)
Interest received	4,195	17,306
Changes in non-cash operating working capital		
Change in receivables and prepaids	(50,104)	8,072
Change in accounts payable and accrued liabilities	25,223	(63,196)
	(895,717)	(1,043,938)
Cash flows (used in) from investing activities		
Mining claims and deferred exploration costs	(616,459)	(1,064,523)
Repayment of drilling advance	50,000	50,000
Reclamation deposit	-	(18,300)
Purchase of equipment	(11,809)	(6,540)
Proceeds on disposal of equipment	2,800	-
	(575,468)	(1,039,363)
Cash flows from financing activities		
Share subscriptions received	1,699,747	-
Increase (decrease) in cash and cash equivalents	228,562	(2,083,301)
Foreign exchange effect on cash and cash equivalents	67,050	(209,285)
Cash and cash equivalents - Beginning of period	2,316,468	4,837,862
Cash and cash equivalents - End of period	2,612,080	2,545,276
Cash and cash equivalents are comprised of:		
Cash	2,302,400	611,827
Cash equivalents	309,680	1,933,449
	2,612,080	2,545,276

Supplemental cash flow information (Note 17)

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

TriMetals Mining Inc.

(An Exploration Stage Company)

Notes to Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2016 and 2015

(expressed in U.S. dollars)

1 Nature of operations and liquidity risk

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 117, 2755 S. Locust Street, Denver, 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 United States and Chile. Property interests in these countries are held through various wholly owned subsidiaries.

As at June 30, 2016, the Company had working capital of \$2,851,608 and was indebted for convertible notes with a principal amount of \$1,777,563 (Cdn. \$2,296,000).

The Company currently has limited financial resources and no operating revenues. The Company’s ability to continue operations in the normal course of business may depend upon its ability to secure additional funding by methods which could include debt refinancing, equity financing, forward sale agreements, sale of assets and strategic partnerships. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to continue to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company.

Subsequent to June 30, 2016, the Company completed a private placement of units for gross proceeds of Cdn. \$4,348,250 (Note 19), of which the Company had received share subscriptions of \$1,699,747 as at June 30, 2016. The Company believes it will have sufficient working capital to enable the Company to continue with its planned activities at its Gold Springs and Escalones projects, to fund the costs and expenses related to its international arbitration proceedings against Bolivia that are not otherwise covered by the Fund, and to meet its other working capital requirements for the next twelve months.

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, 2015, which have been prepared in accordance with IFRS.

The Company uses the same accounting policies and methods of computation as in the annual consolidated financial statements for the year ended December 31, 2015.

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.

TriMetals Mining Inc.

(An Exploration Stage Company)

Notes to Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2016 and 2015

(expressed in U.S. dollars)

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, 2015.

These financial statements were approved by the board of directors for use on August 5, 2016.

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 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.

4 Receivables and prepaids

	June 30, 2016 \$	December 31, 2015 \$
GST receivable	6,883	5,517
Drilling advance	171,102	52,125
Other receivables	16,751	2,919
Other prepaids and advances	137,986	103,402
	<u>332,722</u>	<u>163,963</u>

TriMetals Mining Inc.

(An Exploration Stage Company)

Notes to Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2016 and 2015

(expressed in U.S. dollars)

5 Marketable securities

	June 30, 2016 \$	December 31, 2015 \$
Portfolio investment	140,605	131,215

The Company owns 1,068,313 shares (12.2% interest) of Highvista Gold Inc. ("HGI") and, until June 5, 2015, the Company and HGI had two directors in common. 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).

6 Equipment

Six months ended June 30, 2016	Furniture and equipment \$	Computer hardware \$	Computer software \$	Vehicles \$	Leasehold improvements \$	Total \$
Cost						
Balance, beginning of the period	196,094	56,260	168,880	63,857	52,609	537,700
Additions	10,170	1,639	-	-	-	11,809
Disposals	-	-	-	(24,500)	-	(24,500)
Balance, end of the period	206,264	57,899	168,880	39,357	52,609	525,009
Accumulated amortization						
Balance, beginning of the period	128,603	55,199	167,714	39,905	45,742	437,163
Amortization for the period	20,125	778	1,166	5,991	4,999	33,059
Disposals	-	-	-	(19,396)	-	(19,396)
Balance, end of the period	148,728	55,977	168,880	26,500	50,741	450,826
Net book value at June 30, 2016	57,536	1,922	-	12,857	1,868	74,183
Year ended December 31, 2015						
Cost						
Balance, beginning of the year	176,244	55,659	168,880	63,857	52,609	517,249
Additions	19,850	601	-	-	-	20,451
Balance, end of the year	196,094	56,260	168,880	63,857	52,609	537,700
Accumulated amortization						
Balance, beginning of the year	85,578	52,281	163,808	19,966	35,220	356,853
Amortization for the year	43,025	2,918	3,906	19,939	10,522	80,310
Balance, end of the year	128,603	55,199	167,714	39,905	45,742	437,163
Net book value at December 31, 2015	67,491	1,061	1,166	23,952	6,867	100,537

TriMetals Mining Inc.

(An Exploration Stage Company)

Notes to Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2016 and 2015

(expressed in U.S. dollars)

7 Drilling advance

	June 30, 2016 \$	December 31, 2015 \$
Drilling advance	171,102	208,514
Less: current portion	(171,102)	(52,125)
	<u>-</u>	<u>156,389</u>

During 2011 and 2012, the Company advanced an aggregate \$1,050,000 under the terms of a drill contract in respect of the Escalones drill program. These advances were being recovered through reductions on a per metre basis to amounts invoiced to the Company in respect of drilling costs and through payments on a per metre basis in respect of drilling by the contractor for other mining companies. During the third quarter of 2014, the parties renegotiated the terms of repayment. The balance outstanding bears interest at the compounded rate of 1% per month and is repayable in one further quarterly instalment of \$25,000, with the residual balance being due on January 9, 2017.

8 Mining claims and deferred exploration costs – Schedule 1

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

	June 30, 2016 \$	December 31, 2015 \$
a) Escalones, Chile	15,056,282	14,958,164
b) Gold Springs, U.S.	12,169,570	11,702,583
	<u>27,225,852</u>	<u>26,660,747</u>

- a) In 2004, the Company entered into an option agreement (the “Boezio Option”) to acquire the remaining 4,689 hectares of the Escalones property located in Chile which are not already 100% owned by the Company. In each of 2005, 2007, 2009, 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 June 30, 2016, \$3,350,000 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

TriMetals Mining Inc.

(An Exploration Stage Company)

Notes to Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2016 and 2015

(expressed in U.S. dollars)

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) The Gold Springs mineral property was acquired through the 2013 acquisition of High Desert Gold Corporation ("HDG"). This property was recorded on acquisition at its estimated fair value based on the consideration paid. During the six months ended June 30, 2016, the Company expanded its Gold Springs property holdings by acquiring a 64.75 hectare Utah State mineral lease at a cost of \$20,000.

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.

9 Malku Khota project

	June 30, 2016 \$	December 31, 2015 \$
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

TriMetals Mining Inc.

(An Exploration Stage Company)

Notes to Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2016 and 2015

(expressed in U.S. dollars)

will submit post-hearing memorials, due on a date yet to be determined, 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 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.

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 June 30, 2016. 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, 2014	-	-	-
Private placement of units	1,349,618	318,592	102,362
Allocation of issuance costs	(5,908)	(1,395)	(448)
Accretion	51,689	-	-
Foreign exchange	(85,629)	-	-
Balance - December 31, 2015	1,309,770	317,197	101,914
Accretion	64,769	-	-
Foreign exchange	93,898	-	-
Balance - June 30, 2016	1,468,437	317,197	101,914

TriMetals Mining Inc.

(An Exploration Stage Company)

Notes to Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2016 and 2015

(expressed in U.S. dollars)

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 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 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.

11 Class B shares

	June 30, 2016 \$	December 31, 2015 \$
Class B shares	29,732,222	9,241,245

During the six months ended June 30, 2016, 96,505 Class B shares were issued pursuant to the exercise of SAR’s. As at June 30, 2016, an aggregate 116,375,152 Class B shares are 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”).

TriMetals Mining Inc.

(An Exploration Stage Company)

Notes to Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2016 and 2015

(expressed in U.S. dollars)

	\$
Carrying value as at December 31, 2014	13,531,345
Change in fair value	<u>(4,290,100)</u>
Carrying value as at December 31, 2015	9,241,245
Change in fair value	<u>20,490,977</u>
Carrying value as at June 30, 2016	<u>29,732,222</u>

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

12 Share capital

a) Authorized

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

The holders of the common shares are entitled to one vote per share. The holders of the common shares are entitled to dividends, when and if declared by the directors of the Company, and, subject to the rights of the holders of the Class B shares, to the distribution of the residual assets of the Company in the event of the liquidation, dissolution or winding-up of the Company. No dividends have ever been declared or paid as at June 30, 2016.

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 six months ended June 30, 2016. Subsequent to June 30, 2016, the Company completed a private placement of units for gross proceeds of Cdn. \$4,348,250 (Note 19).

c) Stock options

(i) Changes in stock options

The Company's stock options outstanding as at June 30, 2016 and the changes for the six months then ended are as follows:

TriMetals Mining Inc.

(An Exploration Stage Company)

Notes to Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2016 and 2015

(expressed in U.S. dollars)

	Number of options	Weighted average price Cdn.\$
Balance outstanding – December 31, 2015	11,746,916	0.62
Options granted	2,170,000	0.305
Options exercised	(433,333)	0.32
Options expired	(1,160,875)	2.05
Balance outstanding – June 30, 2016	12,322,708	0.44

(ii) Share-based payments

During the six months ended June 30, 2016, the Company recorded share-based payments of \$320,249 (2015 - \$37,831) in respect of stock options. Of this amount, \$288,169 (2015 - \$30,678) was recorded as a charge to operations and \$32,080 (2015 - \$7,153) was included in deferred exploration costs.

During the six months ended June 30, 2016, the Company granted stock options to non-executive directors of the Company for the purchase of 900,000 common shares at a strike price of Cdn. \$0.305 per share. These options are exercisable for a period of five years and vested immediately.

The Company also granted stock options to officers, employees and consultants for the purchase of 1,270,000 common shares at a strike price of Cdn. \$0.305 per share. These options are exercisable for a period of five years, and 33 1/3% vested immediately, with a further 33 1/3% vesting on the date which is 12 months following the date of the grant; and the final 33 1/3% vesting on the date which is 24 months following the date of the grant.

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

	Six months ended June 30, 2016
Weighted average exercise price	Cdn. \$0.305
Weighted average grant date share price	Cdn. \$0.305
Risk-free interest rate	1.4%
Expected life	5.0 years
Expected volatility	105%
Dividend rate	0%

Grant date share price is the closing market price on the date before the options were granted. Expected volatility was determined by measuring the historical volatility of the Company's share price. The historical period used to measure historical volatility was the same as the expected life of the options granted. The weighted average grant date fair value of options granted during the six months ended June 30, 2016 was \$0.18 per share.

(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

TriMetals Mining Inc.

(An Exploration Stage Company)

Notes to Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2016 and 2015

(expressed in U.S. dollars)

their options on a cashless basis resulting in a lesser number of common shares to be issued to the optionee pursuant to their exercise.

Options to acquire one common share and one Class B share are outstanding at June 30, 2016 as follows:

Number of options outstanding	Number of options exercisable	Exercise price Cdn. \$	Expiry date
1,050,000	1,050,000	1.71	November 14, 2016
1,108,333	1,108,333	0.44	October 21, 2018
<u>2,158,333</u>	<u>2,158,333</u>		

These stock options have been categorized as a financial liability. The fair values of these options have been estimated using the Black Scholes option-pricing model. Assumptions used in the pricing model are as follows: average risk-free interest rate – 0.8% to 1.1%; expected life – 0.4 to 2.3 years; expected volatility – 79% to 100%; and expected dividends – nil. The fair value of these options as at June 30, 2016 amounts to \$308,454 (December 31, 2015 - \$64,303). The change in fair value of these stock options during the six months ended June 30, 2016 of \$244,151 (2015 - income of \$99,084) was included in loss for the period.

The weighted average exercise price of the outstanding options to acquire one common share and one Class B share is Cdn. \$1.06 per share, and of the exercisable options is Cdn. \$1.06 per share. At June 30, 2016, these options have a weighted average remaining contractual life of 1.4 years.

Options to acquire common shares are outstanding at June 30, 2016 as follows:

Number of options outstanding	Number of options exercisable	Exercise price Cdn. \$	Expiry date
200,750	200,750	1.05	March 29, 2017
658,625	658,625	0.65	October 22, 2018
2,000,000	1,333,333	0.10	December 23, 2018
600,000	600,000	0.365	January 28, 2019
2,117,500	1,711,667	0.42	November 13, 2019
2,417,500	1,689,167	0.21	August 12, 2020
2,170,000	1,323,333	0.305	May 19, 2021
<u>10,164,375</u>	<u>7,516,875</u>		

The weighted average exercise price of the outstanding options to acquire one common share is Cdn. \$0.31 per share, and of exercisable options is Cdn. \$0.33 per share. At June 30, 2016, these options have a weighted average remaining contractual life of 3.5 years.

TriMetals Mining Inc.

(An Exploration Stage Company)

Notes to Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2016 and 2015

(expressed in U.S. dollars)

d) Warrants

(i) Changes in warrants

The Company's warrants outstanding as at June 30, 2016 and the changes for the six months then ended are as follows:

	Number of warrants	Weighted average price Cdn.\$
Balance – December 31, 2015	7,996,486	0.15
Warrants expired	(550,000)	0.84
Balance – June 30, 2016	7,446,486	0.10

(ii) Warrants outstanding at the end of the period

Warrants to acquire common shares are outstanding at June 30, 2016 as follows:

Number Outstanding	Exercise Price Cdn. \$	Expiry Date
7,446,486	0.10	July 23, 2017

13 Related party transactions

The Company's related parties consist of the Company's officers or companies under controlling or significant influence and a legal firm in which a director is a partner. The Company incurred the following expenditures during the three and six months ended June 30, 2016 and 2015 that were charged by related parties:

	Three months ended June 30, 2016 \$	Three months ended June 30, 2015 \$	Six months ended June 30, 2016 \$	Six months ended June 30, 2015 \$
Consulting fees	19,991	19,086	35,835	39,290
Legal fees	33,242	54,563	59,364	101,332
Consulting fees – mineral property costs	-	14,925	3,847	28,524
	53,233	88,574	99,046	169,146

Included in accounts payable at June 30, 2016 is an amount of \$41,584 (December 31, 2015 - \$77,283) 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 and six months ended June 30, 2016 and 2015 is as follows:

TriMetals Mining Inc.

(An Exploration Stage Company)

Notes to Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2016 and 2015

(expressed in U.S. dollars)

	Three months ended June 30, 2016 \$	Three months ended June 30, 2015 \$	Six months ended June 30, 2016 \$	Six months ended June 30, 2015 \$
Directors' fees	15,813	30,234	32,163	53,484
Wages and benefits	69,937	105,000	139,875	210,000
Share-based payments	205,661	6,204	215,983	12,408
	291,411	141,438	388,021	275,892

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 June 30, 2016, the arbitration has not been settled and the amount of the contingent payment is deemed to be indeterminable. Accordingly nothing has been accrued for the Fund's portion of any recoveries in the arbitration.

The Company has agreed to a contingent success fee to its lead arbitration counsel to be determined based on the outcome of the arbitration. As at June 30, 2016, the arbitration has not been settled and accordingly the success fee is deemed to be indeterminable and accordingly nothing has been accrued.

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

Convertible notes

The Notes issued in 2015 (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 recorded a provision for Mexican tax on the 2013 acquisition of HDG. The provision related to the 2011 transfer of a Mexican mineral property. Management believes that it is unlikely that its 2011 Mexican

TriMetals Mining Inc.

(An Exploration Stage Company)

Notes to Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2016 and 2015

(expressed in U.S. dollars)

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.

15 Commitments

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

	Amount \$
Due on or before December 31,	
2016	23,500
2017	4,600
	<u>28,100</u>

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

16 Segment information

The Company's operations are limited to a single industry segment, being mineral exploration and development. Geographic segment information of the Company's assets and liabilities as at June 30, 2016 and December 31, 2015 is as follows:

Identifiable assets	June 30, 2016 \$	December 31, 2015 \$
Bolivia	18,753,574	18,748,157
Canada	2,744,761	2,395,307
Chile	15,266,423	15,222,311
United States and other	12,517,984	12,060,844
Total assets	<u>49,282,742</u>	<u>48,426,619</u>
Identifiable liabilities	June 30, 2016 \$	December 31, 2015 \$
Bolivia	3,818	2,839
Canada	150,779	138,555
Chile	8,342	14,573
United States and other	70,860	136,043
Total liabilities	<u>233,799</u>	<u>292,010</u>

Geographic segmentation of the Company's net loss for the three and six months ended June 30, 2016 and 2015 is as follows:

TriMetals Mining Inc.

(An Exploration Stage Company)

Notes to Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2016 and 2015

(expressed in U.S. dollars)

	Three months ended June 30, 2016 \$	Three months ended June 30, 2015 \$	Six months ended June 30, 2016 \$	Six months ended June 30, 2015 \$
Bolivia	17,762	17,727	38,447	31,010
Canada	19,781,689	1,850,439	21,571,286	838,846
Chile	28,174	12,216	40,603	62,953
United States and other	132,828	181,665	331,663	417,222
Net loss	19,960,453	2,062,047	21,981,999	1,350,031

17 Supplemental cash flow information

The Company conducted non-cash investing and financing activities during the six months ended June 30, 2016 and 2015 as follows:

	2016 \$	2015 \$
Interest income included in receivables and prepaids	13,416	19,785
Investing activities		
Deferred exploration costs included in accounts payable	(54,880)	(82,757)
Financing activities		
Share-based payments included in deferred exploration costs	32,080	7,153

18 Financial instruments

The Company's financial instruments consist of cash and cash equivalents, receivables, marketable securities, accounts payable and accrued liabilities, convertible notes, Class B shares, and stock options exercisable into Class B shares and common shares. Cash equivalents consist of term deposits, the investment terms of which are less than three months at the time of acquisition. Cash and cash equivalents and receivables are designated as loans and receivables, which are measured at amortized cost. 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, 2015.

TriMetals Mining Inc.

(An Exploration Stage Company)

Notes to Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2016 and 2015

(expressed in U.S. dollars)

19 Subsequent event

Subsequent to June 30, 2016, the Company completed in two tranches a private placement for gross proceeds of Cdn. \$4,348,250 through the issuance of 17,393,000 units (the "Units") at a price of Cdn. \$0.25 per Unit. Each Unit is comprised of one common share and one half of one common share purchase warrant ("Warrant"). Each whole Warrant entitles the holder to purchase one additional common share of the Company at an exercise price of Cdn. \$0.40 per share for a period of 36 months from the closing date of the private placement. As at June 30, 2016, the Company had received share subscriptions of \$1,699,747 in respect of this financing.

In connection with the private placement, the Company paid a cash commission of Cdn. \$19,800 and 79,200 non-transferable compensation-warrants. Each compensation-warrant entitles the holder to purchase one Unit, for a period of 18 months, at a price of Cdn. \$0.30 per Unit.

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

	Chile properties \$	U.S. properties \$	Total \$
Balance at December 31, 2014	14,635,739	9,927,065	24,562,804
Land and option payments	140,761	224,717	365,478
Laboratory	9,694	145,117	154,811
Field supplies	-	19,245	19,245
Camp	2,134	51,868	54,002
Consulting and supervision	128,560	585,127	713,687
Surveying and staking	9,921	-	9,921
Environmental	16,155	66,955	83,110
Technical consulting	126	261,644	261,770
Drilling	-	229,192	229,192
Trenching	9,479	43,180	52,659
Travel and accommodation	4,891	127,717	132,608
Share-based payments	-	20,756	20,756
Value added tax credits	704	-	704
	322,425	1,775,518	2,097,943
Balance at December 31, 2015	14,958,164	11,702,583	26,660,747
Land and option payments	37,286	48,530	85,816
Laboratory	-	44,539	44,539
Field supplies	-	7,071	7,071
Camp	2,061	16,978	19,039
Consulting and supervision	49,069	179,287	228,356
Surveying and staking	3,912	-	3,912
Environmental	3,085	66,591	69,676
Technical consulting	-	3,774	3,774
Trenching	1,678	15,920	17,598
Travel and accommodation	964	52,217	53,181
Share-based payments	-	32,080	32,080
Value added tax credits	63	-	63
	98,118	466,987	565,105
Balance at June 30, 2016	15,056,282	12,169,570	27,225,852