TREVALI

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three and six months ended June 30, 2020 and 2019

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TREVALI MINING CORPORATION
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in thousands of United States Dollars – unaudited)

	Notes		June 30, 2020		December 31, 2019
ASSETS					
Current					
Cash and cash equivalents		$	19,321	$	24,468
Restricted cash			85		85
Settlement and other receivables	6		41,685		55,866
Prepaids			4,450		3,837
Inventories	7		38,424		44,460
			103,965		128,716
Reclamation bonds and other			8,498		8,640
Value-added taxes receivable			10,921		11,373
Investment and advances			–		158
Exploration and evaluation assets	8		27,798		123,325
Property, plant and equipment	9		419,492		472,358
		$	570,674	$	744,570
LIABILITIES AND SHAREHOLDERS' EQUITY					
Liabilities					
Current					
Accounts payable and accrued liabilities	10	$	52,651	$	67,002
Due to related parties	14		28		73
Debt	11		126,378		11,850
			179,057		78,925
Debt	11		5,040		66,758
Reclamation and rehabilitation provisions			47,196		48,133
Other provisions			2,913		2,965
Deferred income taxes			82,763		99,340
			316,969		296,121
Shareholders' equity					
Share capital	12		748,731		748,731
Other reserves	13		18,400		18,158
Deficit			(453,766)		(264,315)
Accumulated other comprehensive loss			(47,147)		(47,147)
			266,218		455,427
Non-controlling interests	18		(12,513)		(6,978)
			253,705		448,449
		$	570,674	$	744,570

Basis of preparation and going concern (Note 2)
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The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Signed on behalf of the Board,

/s/ Mr. Russell Ball
Mr. Russell Ball, Director

/s/ Mr. Dan Isserow
Mr. Dan Isserow, Director

TREVALI MINING CORPORATION
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(Expressed in thousands of United States Dollars – unaudited)

		Three months ended June 30,		Six months ended June 30,	
	Notes	2020	2019 (restated)[1]	2020	2019 (restated)[1]
REVENUES	15	$ 42,689	$ 82,297	$ 94,641	$ 207,509
MINE OPERATING EXPENSES					
Production		35,094	53,540	85,917	117,630
Distribution		4,458	6,834	9,796	15,233
Royalties		1,527	2,602	2,087	6,234
Care and maintenance		3,947	–	3,947	–
Depreciation, depletion and amortization		13,470	20,485	27,184	44,341
		58,496	83,461	128,931	183,438
GROSS (LOSS) PROFIT		(15,807)	(1,164)	(34,290)	24,071
General and administrative		3,372	1,763	5,249	4,399
Operating (loss) profit		(19,179)	(2,927)	(39,539)	19,672
OTHER					
Settlement mark-to-market (gain) loss		(3,101)	17,876	12,472	12,306
Loss (gain) on foreign exchange		3,469	698	(367)	2,417
Interest expense		2,872	2,103	4,416	4,310
Restructuring expense		–	6,832	5,428	6,832
Impairment	4	–	–	153,419	3,662
Other income	15	(1,765)	(405)	(4,107)	(435)
Loss before taxes		(20,654)	(30,031)	(210,800)	(9,420)
Current income taxes expense		214	1,845	763	9,306
Deferred income taxes recovery		(1,487)	(313)	(16,577)	(3,279)
NET LOSS AND OTHER COMPREHENSIVE LOSS		$ (19,381)	$ (31,563)	$ (194,986)	$ (15,447)
Net loss and total comprehensive loss attributable to:					
Owners of Trevali		$ (17,111)	$ (29,743)	$ (189,451)	$ (14,274)
Non-controlling interests	18	(2,270)	(1,820)	(5,535)	(1,173)
		$ (19,381)	$ (31,563)	$ (194,986)	$ (15,447)
Loss per share					
Basic and diluted		$ (0.02)	$ (0.04)	$ (0.24)	$ (0.02)
Weighted average number of shares outstanding (000's)					
Basic and diluted		802,562	815,470	802,562	816,872

[1] The comparative information has been restated because of the change in the accounting policy for revenue as described in Note 15.

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

(Expressed in thousands of United States Dollars – unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2020	**2019**	**2020**	**2019**
OPERATING ACTIVITIES				
Net Loss	$ (19,381)	$ (31,563)	$ (194,986)	$ (15,447)
Items not affecting cash:				
Depreciation, depletion and amortization	13,470	20,485	27,184	44,341
Share-based payment expense	216	311	339	261
Unrealized loss (gain) on foreign exchange	1,370	(142)	(1,311)	607
Accrued interest and accretion	3,679	3,736	4,337	4,930
Deferred income tax recovery	(1,487)	(313)	(16,577)	(3,279)
Impairment	–	–	153,419	3,662
Operating cash flows before working capital changes	(2,133)	(7,486)	(27,595)	35,075
Restricted cash	–	(906)	–	(556)
Settlement and other receivables	(8,220)	65,188	9,804	31,476
Prepaids	4,065	(2,279)	(614)	(3,046)
Inventories	3,581	(3,838)	1,323	6,544
Accounts payable and accrued liabilities	(14,540)	3,374	(14,055)	14,859
Due to related parties	(11)	47	(45)	(1,485)
Value-added taxes receivable	5,451	(5,085)	4,830	(2,931)
Net cash (used in) from operating activities	(11,807)	49,015	(26,352)	79,936
INVESTING ACTIVITIES				
Increase in reclamation bonds	–	135	–	85
Proceeds on disposal of plant and equipment	532	–	532	–
Purchase of plant and equipment	(9,340)	(18,455)	(24,164)	(28,998)
Exploration and evaluation asset expenditure	(421)	(2,546)	(3,585)	(4,967)
Net cash used in investing activities	(9,229)	(20,866)	(27,217)	(33,880)
FINANCING ACTIVITIES				
Share units settled in cash	(28)	(16)	(97)	(101)
Drawdown (repayment) on revolving credit facility	18,900	(13,000)	48,900	(53,000)
Net drawdown on other facilities	5,505	–	5,505	–
Interest payments	(1,463)	(702)	(2,619)	(2,280)
Lease payments	(1,221)	(1,348)	(2,445)	(2,690)
Share buy-back	–	(1,221)	–	(1,474)
Net cash from (used in) financing activities	21,693	(16,287)	49,244	(59,545)
Effect of foreign exchange on cash	160	1,229	(822)	850
Increase (decrease) in cash and cash equivalents	817	13,091	(5,147)	(12,639)
Cash and cash equivalents, beginning of the period	18,504	39,732	24,468	65,462
Cash and cash equivalents, end of the period	$ 19,321	$ 52,823	$ 19,321	$ 52,823

Additions to property, plant and equipment of $6.2 million at June 30, 2020 ($6.5 million at December 31, 2019 and $4.3 million at June 30, 2019) were acquired on normal course payment terms and their settlement was outstanding and included within accounts payable and accrued liabilities at each relevant period end.

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

TREVALI MINING CORPORATION
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in thousands of United States Dollars except for share amounts – unaudited)

	Notes	Number of shares	Share capital	Other reserves	Deficit	Accumulated other comprehensive loss	Non-controlling interests	Total equity
December 31, 2019		802,561,585	$ 748,731	$ 18,158	$ (264,315)	$ (47,147)	$ (6,978)	$ 448,449
Net loss and total comprehensive loss		–	–	–	(189,451)	–	(5,535)	(194,986)
Share-based payment	13	–	–	339	–	–	–	339
Share units settled in cash		–	–	(97)	–	–	–	(97)
June 30, 2020		802,561,585	$ 748,731	$ 18,400	(453,766)	(47,147)	(12,513)	$ 253,705
December 31, 2018		818,496,085	$ 763,596	$ 17,935	$ (242,551)	$ (46,766)	$ (4,970)	$ 487,244
Net loss and total comprehensive loss		–	–	–	(14,274)	–	(1,173)	(15,447)
Share-based payment	13	–	–	261	–	–	–	261
Share units settled in cash		–	–	(101)	–	–	–	(101)
Share buy-back		(5,289,000)	(4,934)	–	3,462	–	–	(1,472)
June 30, 2019		813,207,085	$ 758,662	$ 18,095	$ (253,363)	$ (46,766)	$ (6,143)	$ 470,485

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

1. DESCRIPTION OF BUSINESS AND NATURE OF OPERATIONS

Trevali Mining Corporation ("Trevali" or the "Company") is a publicly listed company incorporated under the laws of British Columbia, Canada. The Company's common shares are listed under the symbol (i) "TV" on both the Toronto Stock Exchange ("TSX") and Bolsa de Valores de Lima in Peru, (ii) "TREVF" on the OTCQX International Quotation System in the United States, and (iii) "4T1" on the Frankfurt Stock Exchange. The Company's registered office is located at 1900 – 999 West Hastings Street, Vancouver, B.C., V6C 2W2, Canada.

The Company is a natural resource company engaged in the acquisition, exploration, development of, and production from, mineral properties. The Company produces zinc concentrate from the Perkoa mine in Burkina Faso, and zinc and lead-silver concentrates from the Rosh Pinah mine in Namibia and the Santander mine in Peru. Operations at the Caribou mine in New Brunswick, Canada were suspended and the mine was placed on care and maintenance effective March 26, 2020. In addition, Trevali owns the Halfmile project and Restigouche polymetallic deposit in New Brunswick, Canada, the Ruttan deposit in northern Manitoba, Canada, an effective 44% interest in the Gergarub project in Namibia and an option to acquire a majority position in the Heath Steele deposit located in New Brunswick, Canada.

2. BASIS OF PREPARATION AND GOING CONCERN

Statement of compliance and going concern

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 International Accounting Standard 34: *Interim Financial Reporting* and follow the same accounting policies and methods of application as our most recent annual financial statements. Certain information and note disclosures, included in the annual audited financial statements, have been omitted or condensed.

These condensed interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements of the Company for the years ended December 31, 2019 and 2018.

These condensed interim consolidated financial statements are prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business as they come due into the foreseeable future.

The financial position and liquidity of the Company has weakened significantly during the current period primarily as a result of the COVID-19 pandemic and resulting deterioration in the price of zinc and lead.

To avoid a breach of covenants related to the $275.0 million revolving credit facility (the "Facility") during the three months ended June 30, 2020, the Company obtained covenant waivers until July 31, 2020. Certain terms of the Facility were amended, including a reduction of the amount available under the Facility to $125.0 million, a permanent reduction in the size of the Facility to $200.0 million, an increase in the interest rate and commitment fees payable, additional reporting requirements, restrictions on certain investments and distributions, as well as the addition of a minimum liquidity covenant.

The minimum liquidity covenant requires that the Company maintain minimum financial liquidity, defined as cash and cash equivalents plus amounts available under the Facility of $15.0 million. As of June 30, 2020, $0.1 million was available under the Facility.

On July 31, 2020, the Company obtained a further covenant waiver until August 31, 2020.

On August 6, 2020, the Company obtained a further covenant waiver until December 31, 2020. Certain terms of the Facility were amended, including an increase of the amount available under the Facility from $125.0 million to $135.0 million, an increase in the interest rate and commitment fees payable to LIBOR plus 5.50% and 1.25% respectively, a permanent reduction in the size of the Facility to $150.0 million and the elimination of the minimum liquidity covenant.

As the covenant waiver of the Facility in effect on June 30, 2020 does not extend for a period of at least 12 months, the Facility balance is classified as a current liability as at June 30, 2020 which caused the significant decline in working capital to a deficiency of $75.1 million compared to positive working capital of $49.8 million at December 31, 2019.

The Company will not generate sufficient funds from operations to repay the Facility upon expiration of the covenant waiver on December 31, 2020 and will need to generate funds from other sources to do so or will need an extension or refinancing of the Facility. There can be no assurance that the Company will be able to raise additional sources of debt or equity on a timely basis. The Company has also taken a number of other steps to assist in meeting the repayment obligations, including reducing capital, operating and exploration spending, placing the Caribou mine on care and maintenance and cancelling the Normal Course Issuer Bid ("NCIB").

The ability to repay or refinance the Facility and maintain financial covenants depends on a number of factors, many of which are beyond the Company's control. These include general global economic, credit and capital market conditions, timing of receipt of payments for the sale of concentrate and the demand for and selling price of commodities, particularly zinc. There is no assurance that the expected cash flows from operations in combination with other steps being taken will allow the Company to meet these obligations as they become due, that the Company will meet the covenants under the Facility, or that the Company will be successful in renegotiating or refinancing the Facility.

On August 6, 2020, the Company entered into a second lien secured facility agreement ("Glencore Facility") with Glencore Canada Corporation, an affiliate of the Company's largest shareholder, Glencore plc (collectively "Glencore") up to a maximum of $20.0 million. Under the terms of the agreement, Glencore will advance to the Company amounts equal to the volume of dry metric tonnes of zinc concentrate delivered to Glencore in a given month multiplied by the difference between the annual benchmark treatment charge ("TC") and the average monthly spot TC.

Advances under the Glencore Facility will be applicable to deliveries of zinc concentrate between June 2020 and December 2020. Amounts outstanding of under the Glencore Facility will bear interest at the same rate as the Revolving Credit Facility. The Glencore Facility ranks subordinate to the Revolving Credit Facility and has a maturity date of September 18, 2022.

The Company's ability to continue as a going concern is dependent upon its ability to generate cash flow from operations and to obtain additional funding from loans, equity financings or asset sales. While the Company has been successful in arranging financing in the past, the success of such initiatives cannot be assured, particularly with the current uncertainty surrounding COVID-19 and the extent and duration of the impact on the ability to obtain funding. These material uncertainties cast significant doubt upon the validity of the going concern assumptions.

These consolidated financial statements do not reflect the adjustments to the carrying values of the assets and liabilities and the reported expenses and balance sheet classifications that would be necessary were the going concern assumption deemed to be inappropriate. Such adjustments could be material.

Approval of the financial statements

The condensed interim consolidated financial statements of Trevali Mining Corporation for the three and six months ended June 30, 2020 and 2019 were reviewed by the Audit Committee and approved for issuance by the Board of Directors on August 5, 2020.

(Expressed in thousands of United States Dollars – unaudited)

3. COVID-19 ESTIMATION UNCERTAINTY

In March 2020, the World Health Organization declared a global pandemic related to COVID-19. The current and expected impacts on global commerce are anticipated to be far-reaching. To date there has been significant volatility in commodity and foreign exchange markets, restrictions on the conduct of business in many jurisdictions, disruption in stock markets and the global movement of people and some goods has become restricted. There is significant ongoing uncertainty surrounding COVID-19 and the extent and duration of the impacts that it may have on demand and the price of zinc and lead, suppliers, employees and on global financial markets.

During Q1 2020, non-cash, pre-tax asset impairments were recorded totaling $153.4 million ($137.4 million net of taxes) to the property, plant and equipment at the Caribou and Santander mines and the exploration and evaluation assets related to the Canadian, Peruvian and Namibian properties. In the current environment, assumptions about future commodity prices, exchange rates and interest rates are subject to greater variability than normal, which could in future significantly affect the asset valuations. As an understanding of the longer-term impacts of COVID-19 on commodity, credit and equity markets continues to develop, there is heightened potential for changes in these estimates which could result in further impairments over the balance of 2020.

During Q2 2020, milling operations at Santander were suspended for a period of time resulting in inefficiencies and affecting financial results.

4. IMPAIRMENTS

The Company reviewed its plant and equipment and exploration and evaluation assets at the cash-generating unit ("CGU") level to determine whether there is any indication that these assets are impaired.

The operational plan for Caribou changed significantly when it was placed on care and maintenance on March 26, 2020. The deterioration in the near-term zinc price outlook resulted in an adverse change to Santander's economics, whose carrying value approximated the estimated recoverable amount as at December 31, 2019. These factors were considered to be impairment indicators as of March 31, 2020 and, accordingly, the recoverable amounts of the Caribou and Santander CGUs were estimated and compared against their respective carrying values. No impairment indicators were identified as at June 30, 2020.

In addition, the carrying values of exploration and evaluation assets that would be dependent on processing ore at the Caribou mill and the Company's interest in the Gergarub project have also been reviewed for impairment (see Notes 8 and 9).

No impairments were recorded during the three months ended June 30, 2020 and 2019.

The following impairment charges related to the three months ended March 31, 2020 have been recognized to record the CGUs and exploration and evaluation assets at their estimated recoverable amounts.

	Three months ended March 31,	
	2020	**2019**
Property, plant and equipment (Note 9)		
Caribou	34,641	–
Santander	15,544	–
Exploration and evaluation assets (Note 8)	99,112	917
Inventory	4,000	–
Investments	122	2,745
Impairment	$ 153,419	$ 3,662
Deferred income tax recovery	(15,984)	–
Impairment, net	$ 137,435	$ 3,662

(Expressed in thousands of United States Dollars – unaudited)

The recoverable amounts of the CGUs are based on their future after-tax cash flows expected to be derived from the Company's mining properties and represent each CGU's fair value less cost of disposal ("FVLCD"). The projected cash flows used in impairment testing are significantly affected by changes in assumptions for LME zinc prices, changes to production volumes, operating costs, capital expenditures and discount rates. The determination of FVLCD uses Level 3 inputs.

Caribou

On March 26, 2020, the Company announced that the Caribou mine would suspend operations and commence a care and maintenance program, effective immediately. The change to the operational mine plan resulted in a total $42.5 million impairment (comprised of $34.6 million in property, plant and equipment, $4.0 million of inventory and $3.9 million of near-mine exploration and evaluation assets) to its estimated recoverable amount of $12.6 million. The valuation remains sensitive to the key assumptions used and a further deterioration in the pricing outlook, decreases to reserves and resources or changes to assumptions about when operations could restart, may result in additional impairment. It is estimated that a change of $0.05 per pound in the long-term price of zinc assumption (keeping all other assumptions constant) would result in an additional impairment or impairment reversal of $12.6 million.

Santander

During Q1 2020, the Company's near-term zinc price assumptions were revised as a direct result of the decline in the zinc price caused by COVID-19. Additionally, cash preservation initiatives resulted in feasibility activities related to the Santander Pipe being deferred and as such a delay in production from this potential source of ore has been incorporated into the estimate of recoverable amount. These changes resulted in a net $19.0 million impairment ($15.5 million property, plant and equipment write-down and $7.7 million near-mine exploration and evaluation assets net of a $4.2 million deferred income tax recovery) to its estimated recoverable amount of $17.3 million. The valuation remains sensitive to the key assumptions used and further deterioration in the pricing outlook, decreases to reserves and resources or changes to the economic feasibility of the Santander Pipe may result in additional impairment. It is estimated that a change of $0.05 per pound in the long-term price of zinc assumption (keeping all other assumptions constant) would result in an additional impairment or impairment reversal of $9.5 million.

The Company's impairment testing incorporated the following key assumptions:

a) *Zinc price*

Forecast LME zinc prices are based on management's estimates and are derived from long-term views of global supply and demand, building on experience of the industry, consistent with external sources.

	March 31, 2020			**December 31, 2019**		
	2020	**2021**	**Long term (2022+)**	**2020**	**2021**	**Long term (2022+)**
Zinc ($ per lb)	0.98	1.13	1.14	1.15	1.15	1.14

b) *Production volumes*

Estimated production volumes and timing are based on life-of-mine plans and internal management forecasts and consider development plans for the mines agreed as part of the long-term planning process. Production volumes are dependent on several variables, including the amount of recoverable resources, production and other cost estimates, future capital expenditures and exploration potential.

As each producing mine has specific resource characteristics and economic circumstances the cash flows of the mines are calculated using individual economic models. The production profiles used the most recent reserve and resource estimates and resource conversion rates based on historical conversion and future expectations determined by mineralogy specific to each of the mines.

c) *Operating costs and capital expenditure*

Operating cost (include care and maintenance costs) and capital expenditures are based on the most recent approved financial budgets, current operating costs and the nature and location of each operation. Operating cost and capital expenditure assumptions are continuously subjected to review.

d) *Weighted average cost of capital*

Projected cash flows for the Caribou and Santander CGUs were discounted using real post-tax discount rates of 8% (2019: 8%). This discount rate is derived from the Company's weighted average cost of capital, with appropriate adjustments made to reflect the risks specific to the CGU.

Halfmile, Restigouche and the Heath Steele Option

The Company performed a valuation review of its interests in exploration and evaluation assets in the Bathurst Mining Camp following the decision to place Caribou under care and maintenance. As a result, the following impairments were recognized against exploration and evaluation assets in addition to the impairment of near mine exploration and evaluation assets described above:

- $41.8 million relating to Halfmile following a valuation review. The FVLCD is based on a price per pound of zinc equivalent resources observed for publicly traded zinc exploration and development companies and its determination uses Level 3 inputs.
- $14.2 million representing the full carrying value of its option over the Heath Steele property and its interest in the Restigouche project which are no longer considered commercially viable.

Gergarub

The Company performed a valuation review of its interest in the Gergarub project following the suspension of operations at the nearby Skorpion Zinc mine, holder of a 51% interest in the Gergarub project, and the adverse change to the business environment caused by COVID-19. As a result, a net $19.7 million impairment ($31.5 million exploration and evaluation assets and $11.8 million deferred income tax recovery) to its estimated recoverable amount of $5.7 million was recognized. The FVLCD is based on a price per pound of zinc equivalent resources observed for publicly traded zinc exploration and development companies and its determination uses Level 3 inputs.

5. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The Company's financial assets and liabilities consist of cash and cash equivalents, restricted cash, settlement receivables, reclamation bonds, accounts payable and accrued liabilities, due to related parties and debt.

Fair value of financial instruments

Fair value represents the price at which a financial instrument could be exchanged in an active market, in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act.

Trade receivables from provisionally priced concentrate sales are referred to as settlement receivables and are included in Level 2 of the fair value hierarchy as the basis of valuation uses quoted commodity prices. The fair value of cash and cash equivalents and restricted cash approximate carrying values due to the immediate or short-term maturities of these financial instruments. The fair value of accounts payable and accrued liabilities, due to related parties and debt may be less than the carrying value as a result of the Company's credit and liquidity risk (Note 2).

The reclamation bonds are interest bearing and the carrying values represent fair values.

(Expressed in thousands of United States Dollars – unaudited)

Capital risk management

The Company's capital risk management objectives include continuing to operate as a going concern while maximizing the return to shareholders. The main risks that could adversely affect the Company's financial assets, liabilities or future cash flows are market risks comprising commodity price risk, cash flow interest rate risk and foreign currency risk; liquidity risk; and credit risk. The Company manages its exposure to key financial risks in accordance with its financial risk management policy. The capital structure of the Company includes shareholders' equity and debt.

6. SETTLEMENT AND OTHER RECEIVABLES

		June 30, 2020		December 31, 2019
Settlement receivables	$	22,747	$	32,472
Sales tax and income taxes		17,743		21,964
Other		1,195		1,430
	$	41,685	$	55,866

Settlement receivables and sales tax and income taxes include $5.7 million (2019: nil) and $8.3 million (2019: $9.8 million), respectively, of settlement receivables and value-added taxes ("VAT") receivable in Burkina Faso that are subject to factoring arrangements.

The Company has transferred the relevant settlement receivables and VAT receivables in exchange for cash and is prevented from pledging the receivables. However, due to the fact that the Company has retained the risk of late payment and recoverability, the Company continues to recognize the transferred accounts receivables in their entirety. The amounts repayable under the each of the factoring arrangements are recorded as debt and disclosed in Note 11.

7. INVENTORIES

		June 30, 2020		December 31, 2019
Mineralized stockpiles	$	5,332	$	5,358
Concentrates				
Site		2,518		3,409
In-transit		2,607		4,234
Port		1,764		1,536
Materials and supplies		26,203		29,923
	$	38,424	$	44,460

8. EXPLORATION AND EVALUATION ASSETS

		Perkoa, Burkina Faso		Gergarub and other, Namibia		Halfmile, Stratmat and other, Canada		Santander, Peru		Total
January 1, 2020	$	7,568	$	41,071	$	66,514	$	8,172	$	123,325
Additions		780		513		401		1,891		3,585
Impairment (Note 4)		–		(31,524)		(59,931)		(7,657)		(99,112)
June 30, 2020	$	8,348	$	10,060	$	6,984	$	2,406	$	27,798

The Company has an indirect effective 44% interest in the Gergarub project (Namibia) and a 100% interest in the Heath Steele Option (Canada) and various exploration properties in Peru and Burkina Faso.

(Expressed in thousands of United States Dollars – unaudited)

9. PROPERTY, PLANT AND EQUIPMENT

	Buildings and infrastructure	Mine development	Equipment and other	Total
Net book value				
January 1, 2020	$ 124,270	$ 271,816	$ 76,272	$ 472,358
Additions	4,518	11,715	7,572	23,805
Disposals	–	–	(532)	(532)
Depreciation	(9,662)	(9,700)	(7,108)	(26,470)
Impairment (Note 4)	(11,077)	(22,465)	(16,643)	(50,185)
Reclassifications	484	–	(484)	–
Change in reclamation and rehabilitation provision	–	516	–	516
June 30, 2020	$ 108,533	$ 251,882	$ 59,077	$ 419,492
Gross carrying value	$ 233,589	$ 613,472	$ 124,864	$ 971,925
Accumulated depreciation and impairment	$ (125,056)	$ (361,590)	$ (65,787)	$ (552,433)

Equipment and other includes expenditure for construction in progress of $6.3 million.

The net book value of right-of-use assets included in property, plant and equipment relates to the following types of assets:

	June 30, 2020
Buildings and infrastructure	$ 2,119
Equipment and other	5,116
Total right-of-use assets	$ 7,235

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	June 30, 2020	**December 31, 2019**
Trade payables	$ 37,047	$ 43,835
Accrued payroll and other	10,970	15,636
Corporate income taxes	1,041	871
Burkina Faso royalty payable	515	1,718
Burkina Faso community payable	2,293	4,887
Other	785	55
	$ 52,651	$ 67,002

11. DEBT

	June 30, 2020	**December 31, 2019**
Revolving credit facility, net of fees	$ 113,243	$ 63,730
Other loan	2,912	–
VAT factoring facility (Note 6)	6,654	7,822
Receivables factoring facility (Note 6)	3,812	–
	126,621	71,552
Leases	4,797	7,056
Total debt	$ 131,418	$ 78,608
Current	126,378	11,850
Non-current	$ 5,040	$ 66,758

Revolving credit facility

The Company has a credit agreement with a syndicate of lenders for a Facility that bore interest on a sliding scale: (i) at a rate of LIBOR plus between 2.0% to 3.0%; or (ii) at a base rate plus between 1.0% to 2.0%, based on the Company's consolidated leverage ratio. Commitment fees for the undrawn portion of the Facility were on a sliding scale between 0.45% to 0.68%. The Facility matures on September 18, 2022.

As disclosed in Note 2, the Company has obtained covenant waivers and amended certain terms of the Facility, including a reduction of the amount available under the Facility to $125.0 million and a permanent reduction in the size of the Facility to $200.0 million. As part of the amendments, the Facility bears interest at a rate of LIBOR plus 4.0% and commitment fees for the undrawn portion of the Facility are 0.90%.

(Expressed in thousands of United States Dollars – unaudited)

The Company has letters of credit, issued under the Facility, totaling $9.1 million to support $6.1 million in various reclamation bonding requirements with its Caribou mine and to provide $3.0 million of financial security toward power transmission payments related to the Santander mine. The amount available to the Company under the Facility as of June 30, 2020 was $0.1 million.

On August 6, 2020, the Company obtained a further covenant waiver until December 31, 2020. Certain terms of the Facility were amended, including an increase of the amount available under the Facility from $125.0 million to $135.0 million, a permanent reduction in the size of the Facility to $150.0 million, in increase in the interest rate and commitment fees payable to LIBOR plus 5.50% and 1.25% respectively, and the elimination of the minimum liquidity covenant.

Glencore facility

On August 6, 2020, the Company entered into a second lien secured facility agreement (“Glencore Facility”) with Glencore Canada Corporation”, an affiliate of the Company’s largest shareholder, Glencore plc (“Glencore”) up to a maximum of $20.0 million. Under the terms of the agreement, Glencore will advance to the Company amounts equal to the volume of dry metric tonnes of zinc concentrate delivered to Glencore in a given month multiplied by the difference between the annual benchmark treatment charge (“TC”) and the average monthly spot TC.

Advances under the Glencore Facility will be applicable to deliveries of zinc concentrate between June 2020 and December 2020. Amounts outstanding of under the Glencore Facility will bear interest at the same rate as the Revolving Credit Facility. The Glencore Facility ranks subordinate to the Revolving Credit Facility and has a maturity date of September 18, 2022.

Other loan

The Company received a loan for working capital requirements under the Peruvian government-backed liquidity program launched in response to the COVID-19 pandemic. The $2.9 million (PEN 10.0 million) loan bears interest at 1.15% and no repayments are due for the first 12 months. The balance is repayable over a 24-month period beginning in June 2021.

Financial guarantee

Trevali has also arranged a $12.5 million financial guarantee to support reclamation bonding requirements with its Santander mine.

Lease liabilities

Contractual undiscounted cash flows		**June 30, 2020**		**December 31, 2019**
Less than one year	$	3,045	$	4,697
One to four years		2,504		2,789
Total undiscounted lease liabilities	$	5,549	$	7,486
Lease liabilities included in the statement of financial position				
Current	$	2,669	$	4,028
Non-current		2,128		3,028
	$	4,797	$	7,056

The Company recorded interest expense related to lease liabilities of $0.1 million (three months ended June 30, 2019: $0.2 million) in the statement of operations.

12. SHARE CAPITAL

Authorized: Unlimited number of common shares without par value.

During November 2019, the Company announced its renewal of the NCIB to purchase and cancel up to a total of an additional 50,000,000 common shares representing approximately 8.5% of the Company’s public float of common shares, as calculated in accordance with the rules of the TSX, over a twelve month period commencing on December 3, 2019 and expiring no later than December 2, 2020. As at June 30, 2020, no shares had been repurchased and/or cancelled under the renewed NCIB, which was terminated effective March 26, 2020.

(Expressed in thousands of United States Dollars – unaudited)

13. OTHER RESERVES

Share-based payment reserve

Stock options

As at June 30, 2020 and December 31, 2019, the Company had outstanding stock options enabling the holders to acquire common shares as follows:

	June 30, 2020			December 31, 2019		
Expiry date	Exercise price (C$)	Number of options	Vested and exercisable	Exercise price (C$)	Number of options	Vested and exercisable
January 30, 2020	–	–	–	$1.03	1,892,630	1,892,630
June 1, 2021	$0.45	1,612,400	1,612,400	$0.45	2,316,000	2,316,000
January 20, 2022	$1.21	644,200	644,200	$1.21	910,500	910,500
August 31, 2022	$1.59	427,890	285,259	$1.59	475,970	317,313
January 23, 2023	$1.52	807,500	538,330	$1.52	1,174,800	391,599
January 23, 2023	$0.90	200,300	133,533	$0.90	200,300	66,767
April 10, 2024	$0.47	2,035,833	692427	$0.47	2,844,900	–
March 10, 2025	$0.17	24,912,996	–	–	–	–
	$0.29	30,641,119	3,906,149	$0.83	9,815,100	5,894,809

At June 30, 2020, the weighted average remaining contractual life of the stock options was 4.3 years (December 31, 2019 – 2.3 years).

Stock option transactions are as follows:

	June 30, 2020		December 31, 2019	
	Number of options	Weighted average exercise price (C$)	Number of options	Weighted average exercise price (C$)
Opening balance	9,815,100	$0.83	10,016,534	$1.00
Granted	25,649,115	$0.17	3,475,800	$0.47
Forfeited	(1,166,958)	$0.32	(753,616)	$0.69
Expired/ cancelled	(3,656,138)	$0.92	(2,923,618)	$1.03
Ending balance	30,641,119	$0.29	9,815,100	$0.83

On March 10, 2020, the Company granted 25,649,115 stock options with an exercise price of C$0.17 per share exercisable for a period of five years with a three-year vesting period. The aggregate of the estimated fair value of the options at the time of grant was $1.7 million.

During the three months ended June 30, 2020, the Company recorded $0.1 million in share-based payment expense (2019 – $0.3 million share-based payment recovery) related to stock options.

The fair value of stock options granted was estimated using the Black-Scholes option pricing model with the following weighted average calculations:

	June 30, 2020	December 31, 2019
Risk-free interest rate	1.29%	1.59%
Expected life of options	5 years	5 years
Annualized volatility	70.05%	66.74%
Dividend rate	Nil	Nil
Forfeiture rate	7.45%	4.92%

Warrants

There have been no warrant transactions during the six months ended June 30, 2020 or the year ending December 2019. As of June 30, 2020, there are 714,560 warrants outstanding with a weighted average exercise price of C$0.35. All warrants expire on December 31, 2020.

Performance share units ("PSUs"), restricted share units ("RSUs") and deferred share units ("DSUs")

During the three months ended June 30, 2020, Trevali recorded $0.1 million in share-based payment expense (2019 – $0.1 million) related to the incentive plan for the grant of PSUs, RSUs and DSUs.

(Expressed in thousands of United States Dollars – unaudited)

During the three months ended March 31, 2020, the Company granted PSUs to selected employees. Defined performance-based criteria determine the vesting number of PSUs which vest as follows:

- 12,836,989 PSUs vest March 10, 2022 (the second anniversary of the grant date, with a performance period that covers the period from January 1, 2019 to December 31, 2021); and
- 16,841,247 PSUs vest March 10, 2023 (the third anniversary of the grant date, with a performance period that covers the period from January 1, 2020 to December 31, 2022).

RSU, DSU and PSU transactions are summarized as follows:

	PSUs		RSUs		DSUs	
	Number of units	Weighted average fair value (C$)	Number of units	Weighted average fair value (C$)	Number of units	Weighted average fair value (C$)
January 1, 2019	–	–	1,138,528	$1.40	719,260	$1.00
Granted	1,428,572	$0.35	1,925,963	$0.47	1,300,325	$0.43
Forfeited	(714,286)	$0.35	(459,905)	$0.71	–	–
Redeemed	–	–	(466,182)	$0.33	(1,179,360)	$0.73
December 31, 2019	714,286	$0.35	2,138,404	$0.94	840,225	$0.50
Granted	29,678,236	$0.04	–	–	4,386,277	$0.12
Forfeited/ cancelled	(391,735)	$0.04	(231,964)	$0.13	–	–
Redeemed	–	–	(913,948)	$0.15	–	–
June 30, 2020	30,000,787	$0.04	992,492	$0.09	5,226,502	$0.09

14. RELATED PARTY TRANSACTIONS AND BALANCES

Glencore

As of June 30, 2020, Glencore owned 210,835,925 Trevali common shares representing approximately 26.3% of the total issued and outstanding common shares.

Glencore purchases all of the Company's concentrate production under separate off-take agreements with each of its mines which were entered into before Glencore became a related party of the Company. Trevali entered into the following transactions during the three and six months ended June 30, 2020 and 2019:

	Three months ended June 30, 2020	Three months ended June 30, 2019	Six months ended June 30, 2020	Six months ended June 30, 2019
Net revenue on concentrate sales	$ 42,689	$ 82,297	$ 94,641	$ 207,509
Settlement mark-to-market on concentrate sales (gain) loss	(3,101)	17,876	12,472	12,306
Other income[1]	775	–	3,075	–

	June 30, 2020	December 31, 2019
Settlement receivable from Glencore (Note 6)	$ 22,747	$ 32,472
Payable to Glencore	$ 28	$ 73

[1] Relates to the settlement of the fixed-pricing arrangement for the Caribou and Santander mines (Note 15).

P.E. Minerals Namibia (Proprietary) Limited

P.E. Minerals Namibia (Proprietary) Limited is a minority shareholder of Rosh Pinah and is the License holder of Mining License, with the Company paying a market rate lease. This mining licence expires on November 12, 2020, and a renewal application was submitted to the Ministry of Mines and Energy in Namibia on November 8, 2019. Management does not foresee any reason for the license application to be denied.

(Expressed in thousands of United States Dollars – unaudited)

15. REVENUES

		Three months ended June 30, 2020			Three months ended June 30, 2019[1]		
		Zinc	Lead-Silver	Total	Zinc	Lead-Silver	Total
Revenues	$	66,331	9,241	75,572	108,233	16,221	124,454
Smelting and refining charges		(30,778)	(2,105)	(32,883)	(38,256)	(3,901)	(42,157)
Revenues, net	$	35,553	7,136	42,689	69,977	12,320	82,297

		Six months ended June 30, 2020			Six months ended June 30, 2019[1]		
		Zinc	Lead-Silver	Total	Zinc	Lead-Silver	Total
Revenues	$	154,770	17,631	172,401	262,983	31,863	294,846
Smelting and refining charges		(72,939)	(4,821)	(77,760)	(80,387)	(6,950)	(87,337)
Revenues, net	$	81,831	12,810	94,641	182,596	24,913	207,509

[1] Revenues for the three and six months ended June 30, 2019 have been restated as a result of the change in accounting policy implemented effective July 1, 2019. The Company revised its accounting policy to record settlement mark-to-market in other items that were previously recognized as an adjustment to revenue in order to enhance the relevance, comparability and understandability of disclosures. Refer to Note 3 of the Company's audited consolidated financial statements for the years ended December 31, 2019 and 2018 for more details.

A fixed zinc pricing arrangement was entered into in November 2019 for 70% of the zinc concentrate produced at Caribou and Santander for the six-month period covering December 2019 to May 2020 at a price of $1.10 per pound. As a direct result of COVID-19 and suspension of milling and transportation at Santander in April, less zinc concentrate was produced at Santander during April and May 2020 than was agreed to be delivered as part of the fixed-pricing arrangement, resulting in the financial settlement of a $0.8 million benefit that has been recorded to other income during Q2 2020. Further, in Q1 2020, Caribou being placed on care and maintenance on March 26, 2020, zinc concentrate was not delivered into the above fixed-pricing arrangement for April and May 2020 and the arrangement was financially settled resulting in a $2.3 million benefit that has been recorded to other income.

16. SEGMENTED INFORMATION

The Company's executive management team manages its business, including the allocation of resources, on a project by project basis, except where the Company's projects are substantially connected and share resources and administrative functions. The Company has four operating segments: Perkoa mine, Burkina Faso; Rosh Pinah mine, Namibia; Caribou mine, Canada and Santander mine, Peru. Corporate and other includes the Company's head office, general corporate administration and activity, group eliminations and the Halfmile-Stratmat project and Heath Steele option in Canada.

Three-month period ended June 30, 2020												
		Perkoa mine		Rosh Pinah mine		Caribou mine		Santander mine		Corporate and other		Total
Revenues	$	17,410	$	15,542	$	(57)	$	9,794	$	–	$	42,689
Mine operating expenses		21,584		9,950		3,927		9,540		25		45,026
General and administration		–		–		–		–		3,372		3,372
Adjusted EBITDA		(4,174)		5,592		(3,984)		254		(3,397)		(5,709)
Depreciation, depletion and amortization		5,103		6,379		385		1,368		235		13,470
Adjusted EBIT		(9,277)		(787)		(4,369)		(1,114)		(3,632)		(19,179)
Settlement mark-to-market												(3,101)
Loss on foreign exchange												3,469
Interest expense												2,872
Other income, net												(1,765)
Income tax recovery												(1,273)
Net loss												(19,381)
Capital expenditures												8,341
Exploration expenditures												421
Assets		283,407		257,535		45,589		65,132		(80,989)		570,674
Liabilities		(159,424)		(138,360)		(144,669)		(55,160)		180,644		(316,969)
Net assets (liabilities)	$	123,983		119,175		(99,080)		9,972		99,655	$	253,705

(Expressed in thousands of United States Dollars – unaudited)

Three-month period ended June 30, 2019	Perkoa mine	Rosh Pinah mine	Caribou mine	Santander mine	Corporate and other	Total
Revenues	$ 30,779	$ 15,989	$ 18,740	$ 16,789	$ –	$ 82,297
Mine operating expenses	25,473	10,582	16,553	10,368	–	62,976
General and administration	–	–	–	–	1,763	1,763
Adjusted EBITDA	5,306	5,407	2,187	6,421	(1,763)	17,558
Depreciation, depletion and amortization	8,141	5,598	4,010	2,299	437	20,485
Adjusted EBIT	(2,835)	(191)	(1,823)	4,122	(2,200)	(2,927)
Settlement mark-to-market						17,876
Loss on foreign exchange						698
Interest expense						2,103
Impairment						6,832
Other income, net						(405)
Income tax expense						1,532
Net loss						(31,563)
Capital expenditures						13,796
Exploration expenditures						2,547
Assets	210,660	304,189	106,194	86,926	63,726	771,695
Liabilities	(162,531)	(169,111)	(120,545)	(52,793)	203,770	(301,210)
Net assets (liabilities)	$ 48,129	$ 135,078	$ (14,351)	$ 34,133	$ 267,496	$ 470,485

Six-month period ended June 30, 2020	Perkoa mine	Rosh Pinah mine	Caribou mine	Santander mine	Corporate and other	Total
Revenues	$ 37,458	$ 24,466	$ 10,065	$ 22,652	$ –	$ 94,641
Mine operating expenses	42,197	19,068	20,443	20,014	25	101,747
General and administration	3	–	–	–	5,246	5,249
Adjusted EBITDA	(4,742)	5,398	(10,378)	2,638	(5,271)	(12,355)
Depreciation, depletion and amortization	10,490	10,324	2,764	3,118	488	27,184
Adjusted EBIT	(15,232)	(4,926)	(13,142)	(480)	(5,759)	(39,539)
Settlement mark-to-market						12,472
Gain on foreign exchange						(367)
Interest expense						4,416
Impairment						153,419
Restructuring expense						5,428
Other income, net						(4,107)
Income tax recovery						(15,814)
Net loss						(194,986)
Capital expenditures						23,805
Exploration expenditures						3,585
Assets	283,407	257,535	45,589	65,132	(80,989)	570,674
Liabilities	(159,424)	(138,360)	(144,669)	(55,160)	180,644	(316,969)
Net assets (liabilities)	$ 123,983	119,175	(99,080)	9,972	99,655	$ 253,705

(Expressed in thousands of United States Dollars – unaudited)

Six-month period ended June 30, 2019	Perkoa mine	Rosh Pinah mine	Caribou mine	Santander mine	Corporate and other	Total
Revenues	$ 83,755	$ 49,371	$ 38,900	$ 35,483	$ –	$ 207,509
Mine operating expenses	59,288	25,827	34,062	19,920	–	139,097
General and administration	–	–	–	–	4,399	4,399
Adjusted EBITDA	24,467	23,544	4,838	15,563	(4,399)	64,013
Depreciation, depletion and amortization	17,979	11,899	7,779	6,221	463	44,341
Adjusted EBIT	6,488	11,645	(2,941)	9,342	(4,862)	19,672
Settlement mark-to-market						12,306
Loss on foreign exchange						2,417
Interest expense						4,310
Restructuring expenses						6,832
Impairment						3,662
Other income, net						(435)
Income tax expense						6,027
Net loss						(15,447)
Capital expenditures						24,278
Exploration expenditures						5,031
Assets	210,660	304,189	106,194	86,926	63,726	771,695
Liabilities	(162,531)	(169,111)	(120,545)	(52,793)	203,770	(301,210)
Net assets (liabilities)	$ 48,129	$ 135,078	$ (14,351)	$ 34,133	$ 267,496	$ 470,485

17. CONTINGENCIES

The Company and its subsidiaries are subject to routine legal proceedings and tax audits. Although management cannot predict the result of any legal proceeding or tax filing, management believes that the likelihood of any liability arising from any such claim is remote and that the liability, if any, arising from any litigation or tax filing assessment, individually or in aggregate, will not have a significant effect on the financial position or profitability of the Company and its subsidiaries.

18. NON-CONTROLLING INTERESTS

	Perkoa	Rosh Pinah	Total
January 1, 2020	$ (25,695)	18,717	(6,978)
Net loss attributable to non-controlling interests	(2,952)	(2,583)	(5,535)
June 30, 2020	(28,647)	16,134	(12,513)

The Mining Convention between Nantou Mining and the Government of Burkina Faso (the “Convention”), signed by the Minister of Mines of Burkina Faso on August 27, 2008, sets out the fiscal and legal terms with respect to the operation of the Perkoa Exploitation Permit, including taxation rates applicable to the project, per the 2003 Mining Code. The Convention is valid for 20 years commencing on the date of the grant and may be renewed for subsequent periods of five years. The Government of Burkina Faso holds a 10% interest in accordance with the Mining Code.

The payments of the 10% earnings to the Government of Burkina Faso shall only start once all investments have been recovered by the majority shareholder. As of June 30, 2020, no earnings are due to the Government of Burkina Faso.