# MANAGEMENT'S DISCUSSION AND ANALYSIS
## YEAR ENDED DECEMBER 31, 2020

This Management's Discussion & Analysis ("MD&A") is dated as of February 24, 2021 and should be read in conjunction with our audited consolidated financial statements for the year ended December 31, 2020. In this MD&A, a reference to "Trevali", the "Company", "us", "we" or "our" refers to Trevali Mining Corporation and its subsidiaries. Additional information about us, including our Annual Information Form and Management Information Circular, is available on SEDAR at www.sedar.com.

This MD&A contains certain forward-looking information and forward-looking statements. Please refer to the cautionary language under the heading "Notes to Reader".

## FINANCIAL AND OPERATIONAL HIGHLIGHTS

- **Improved safety performance** with a 35% reduction in Total Recordable Injury Frequency for 2020 compared to 2019.
- **Achieved 2020 production and cost guidance by producing 313 million payable pounds of zinc at a C1 Cash Cost[1] of $0.90 per pound and an All-in Sustaining Cost[1] of $1.02 per pound.**
- **Lead production exceeded 2020 guidance and silver production achieved guidance** with 30 million payable pounds of lead and 752 thousand payable ounces of silver produced in 2020.
- **Q4 2020 revenues increased 36% to $68.1 million compared to the prior quarter** due to a 12% improvement in the average quarterly zinc price and a 15% increase in payable sales volumes.
- **Operating cash flows before changes in working capital of $20.9 million for Q4 2020,** due to the implementation of T90 initiatives and the recovery in commodity prices, with positive contributions from all operating mines.
- **Adjusted EBITDA[1] of $20.1 million for Q4 2020 ($19.0 million for 2020 year),** a 79% increase over prior quarter and consistent with Q4 2019.
- **A non-cash impairment of $43.6 million was recorded in Q4 2020 relating to Santander** as a result of the revised mine plan with mining operations expected to complete at the end of 2021.
- **Amended the existing credit facility and arranged a loan facility with Glencore in August 2020.**
- **Completed an equity raise of $26.6 million to pursue growth activities in December 2020**.
- **Implemented a hedging program covering 148 million pounds of 2021 payable zinc production (~40% of forecast production)** through forward swaps, fixed pricing arrangements and put options.
- **Net Debt[1] of $105.0 million as at December 31, 2020 reduced to $95.0 million as at January 31, 2021,** a result of the collection of receivables largely related to sales late in Q4 2020.
- **Published Trevali's second annual Sustainability Report in May 2020** setting targets to reduce water consumption and greenhouse gas emissions.

| | | **2020** | 2019 | YoY | **Q4'20** | Q3'20 | Q4'19 | Q4'20 vs Q3'20 | Q4'20 vs Q4'19 |
|---|---|---|---|---|---|---|---|---|---|
| Zinc payable production | Mlbs | 313.0 | 417.4 | –25% | 74.2 | 74.1 | 104.8 | 0% | –29% |
| Lead payable production | Mlbs | 29.9 | 50.3 | –41% | 8.4 | 6.1 | 13.8 | 38% | –39% |
| Silver payable production | Moz | 0.8 | 1.5 | –47% | 0.3 | 0.1 | 0.4 | 200% | –25% |
| Revenue | $ | 212,884 | 386,110 | –45% | 68,086 | 50,157 | 91,466 | 36% | –26% |
| Adjusted EBITDA[1] | $ | 18,960 | 106,864 | –82% | 20,101 | 11,214 | 20,364 | 79% | –1% |
| Net (loss) income | $ | (245,606) | (35,411) | 594% | (51,742) | 1,122 | (3,833) | –4712% | 1250% |
| Net (loss) income per share | $ | (0.30) | (0.04) | 650% | (0.06) | – | – | –100% | –100% |
| C1 Cash Cost[1] | $/lb | 0.90 | 0.88 | 2% | 0.87 | 0.81 | 0.86 | 7% | 1% |
| AISC[1] | $/lb | 1.02 | 1.01 | 1% | 0.97 | 0.91 | 1.02 | 7% | –5% |
| Sustaining capital expenditure[1] | $ | 32,887 | 52,004 | –37% | 6,561 | 6,665 | 15,752 | –2% | –58% |
| Exploration expenditure | $ | 4,278 | 10,362 | –59% | 550 | 143 | 2,755 | 285% | –80% |

*Conversion of tonnes to pounds, 1 tonne = 2,204.62 pounds or lbs.*

*[1] See "Use of Non-IFRS Financial Performance Measures".*

## BUSINESS OVERVIEW

Trevali is a global base-metals mining company, headquartered in Vancouver, Canada. The bulk of the Company's revenue is generated from base-metals mining at its three operational assets: the 90%-owned Perkoa Mine in Burkina Faso, the 90%-owned Rosh Pinah mine in Namibia, and the wholly-owned Santander mine in Peru. In addition, Trevali owns the Caribou mine, Halfmile and Stratmat properties and the Restigouche deposit in New Brunswick, Canada, and the past producing Ruttan mine in northern Manitoba, Canada. The Caribou mine was placed on care and maintenance on March 26, 2020; on January 15, 2021, the Company announced that the operations were being restarted with first payable zinc production expected by the end of March 31, 2021. Trevali also owns an effective 44% interest in the Gergarub project in Namibia, as well as an option to acquire a 100% interest in the Heath Steele deposit located in New Brunswick, Canada. The shares of the Company are listed on the TSX (symbol TV), the OTCQX (symbol TREVF), the Lima Stock Exchange (symbol TV), and the Frankfurt Exchange (symbol 4TI). For further details on Trevali, readers are referred to the Company's website (www.trevali.com) and to Canadian regulatory filings on SEDAR at www.sedar.com.

## T90 PROGRAM

In November 2019, Trevali launched the T90 business improvement program which targeted a reduction in AISC[1] to $0.90 per payable pound of zinc by the beginning of 2022 through achieving annual sustainable efficiencies of $50 million. In response to market conditions as a result of the COVID-19 pandemic, the implementation of benefits under the program have been accelerated and expanded.

During Q4 2020, the Company continued its efforts to transform the business through the implementation and acceleration of the T90 program and additional one-time cost reductions. In response to market conditions as a result of the COVID-19 pandemic, the T90 business program was accelerated and is now expected to reach an AISC[1] of $0.90 per pound by the beginning of 2021, a full year earlier than originally planned. The program is forecast to deliver $51 million of recurring annualized efficiencies, of which $35 million was delivered in 2020.

Improvements delivered by the T90 program during Q4 2020 reduced AISC[1] by approximately $0.09 per pound and increased Adjusted EBITDA[1] by approximately $7 million. For the 2020 year, the T90 program reduced AISC[1] by approximately $0.08 per pound and increased revenues and Adjusted EBITDA[1] by approximately $5 million and $29 million, respectively.

## FINANCIAL AND OPERATIONAL SUMMARY

| | | **2020** | 2019 | YoY | **Q4'20** | Q3'20 | Q4'19 | Q4'20 vs Q3'20 | Q4'20 vs Q4'19 |
|---|---|---|---|---|---|---|---|---|---|
| **Production** | | | | | | | | | |
| Ore mined | t | 2,399,931 | 3,150,423 | –24% | 567,071 | 558,044 | 790,927 | 2% | –28% |
| Ore milled | t | 2,376,829 | 3,234,358 | –27% | 560,898 | 532,033 | 822,278 | 5% | –32% |
| Zinc head grade | | 8.1% | 8.0% | 1% | 8.1% | 8.5% | 7.8% | –5% | 4% |
| Lead head grade | | 1.2% | 1.5% | –20% | 1.4% | 1.1% | 2.0% | 27% | –30% |
| Silver head grade | (ozs/t) | 1.0 | 1.4 | –29% | 0.8 | 0.9 | 1.3 | –11% | –38% |
| Zinc recovery | | 88.2% | 87.2% | 1% | 88.9% | 88.3% | 88.2% | 1% | 1% |
| Lead recovery | | 73.4% | 67.2% | 9% | 75.7% | 77.3% | 69.5% | –2% | 9% |
| Silver recovery | | 51.4% | 46.2% | 11% | 61.9% | 49.9% | 47.4% | 24% | 31% |
| Zinc payable | Mlbs | 313.0 | 417.4 | –25% | 74.2 | 74.1 | 104.8 | 0% | –29% |
| Lead payable | Mlbs | 29.9 | 50.3 | –41% | 8.4 | 6.1 | 13.8 | 38% | –39% |
| Silver payable | Moz | 0.8 | 1.5 | –47% | 0.3 | 0.1 | 0.4 | 200% | –25% |
| **Cost per unit** | | | | | | | | | |
| C1 Cash Cost[1] | $/lb | 0.90 | 0.88 | 2% | 0.87 | 0.81 | 0.86 | 7% | 1% |
| AISC[1] | $/lb | 1.02 | 1.01 | 1% | 0.97 | 0.91 | 1.02 | 7% | –5% |

Consolidated quarterly production remained consistent with the prior quarter at 74.2 million pounds of payable zinc but decreased by 29% as compared to Q4 2019 as Caribou's operations were on care and maintenance during 2020.

C1 Cash Cost[1] and AISC[1] for Q4 2020 both increased by 7% as compared to Q3 2020 primarily due to increased costs related to higher sales volumes through the reduction in inventories and increased distances to destination ports, both of which result in higher smelting and refining costs, which were partially offset by one of two annual lead shipments at Rosh Pinah.

| | | **2020** | 2019 | YoY | **Q4'20** | Q3'20 | Q4'19 | Q4'20 vs Q3'20 | Q4'20 vs Q4'19 |
|---|---|---|---|---|---|---|---|---|---|
| Revenues | $ | 212,884 | 386,110 | –45% | 68,086 | 50,157 | 91,466 | 36% | –26% |
| Zinc payable sales | Mlbs | 303.5 | 440.1 | –31% | 74.8 | 65.3 | 110.4 | 15% | –32% |
| Average zinc LME price | $/lb | 1.03 | 1.16 | –11% | 1.19 | 1.06 | 1.08 | 12% | 10% |
| EBITDA[1] | $ | (198,664) | 71,787 | –377% | (34,832) | 15,368 | 19,611 | –327% | –278% |
| Adjusted EBITDA[1] | $ | 18,960 | 106,864 | –82% | 20,101 | 11,214 | 20,364 | 79% | –1% |
| Net (loss) income | $ | (245,606) | (35,411) | 594% | (51,742) | 1,122 | (3,833) | –4712% | 1250% |
| Loss per share basic and diluted | $ | (0.30) | (0.04) | 650% | (0.06) | 0.00 | (0.02) | –100% | 200% |
| Adjusted (loss) earnings per share[1] | $ | (0.03) | 0.00 | –100% | 0.00 | 0.00 | 0.00 | 0% | 0% |

The increase in revenues in Q4 2020 to $68.1 million is attributable to the 12% increase in zinc price as compared to Q3 2020 as well as the 15% increase in payable sales volumes as a direct result of the timing of shipments.

Q4 2020 Adjusted EBITDA[1] of $20.1 million improved from $11.2 million in Q3 2020 due primarily to the increase in revenues. The $56.8 million difference between EBITDA[1] and Adjusted EBITDA[1] during Q4 2020 is primarily due to the $43.6 million impairment of property, plant and equipment at the Santander mine and a $7.3 million mark-to-market loss on financial instruments.

## Market Outlook

Management of the Company believes that the outlook for the zinc market has improved after ending a volatile year with the zinc price up over 50% from the lows the commodity experienced in the spring. Looking back, the rapid outbreak of the COVID-19 pandemic caused a contraction to concentrate supply as mining operations curtailed production in response to the virus. It was not until the end of June that the majority of mining operations that were suspended to control the spread of COVID-19 were in the process of restarting, however, flare-ups of COVID-19 at individual mines and an ever-changing response by various national governments continue to put strain on the concentrate supply chain.

Global smelting production was also materially impacted in the year however this was mainly limited to the first quarter of 2020 as production capacity in Asia largely recovered to pre-COVID-19 levels early in the second quarter. This imbalance between the supply of concentrate from miners and the demand from smelters led to a deficit in concentrate for the full year of 2020.

This concentrate deficit throughout the year led to a significant reduction in spot zinc concentrate treatment charges which trended significantly below the annual benchmark reported in March at $300 per tonne. Trevali's concentrate off-take agreements reference the annual benchmark treatment charges. In January 2021, the average imported zinc spot treatment charge for the month was reported to be $70 per tonne, which is an important indicator in setting the annual benchmark which is expected to be set lower for the year 2021.

Demand for refined zinc was also impacted by COVID-19 as early into the pandemic global manufacturing was disrupted as factories were temporarily shutdown to contain the spread of the virus. However, this demand disruption was short lived as factories reopened to normal operating levels and economic activities were stoked by government infrastructure stimulus spending which began in Asia and is expanding to the rest of the world as governments implement similar infrastructure stimulus programs.

[1] *See "Use of Non-IFRS Financial Performance Measures".*

During Q4 2020, the London Metals Exchange ("LME") zinc price averaged $1.19 per pound, continuing its improvement from its year low of $0.82 per pound reached back in March. We expect that the continued disruption to mine production will continue to provide fundamental support for zinc prices in the midterm as management believes demand will outweigh supply as global economic activity accelerates.

At the end of January 2021, total global exchange inventories decreased by 30,000 tonnes to 231,000 tonnes or an estimated 6 days of global consumption, compared to the end of Q3 2020. This inventory level is well below historical averages of 18 days of global consumption and is also supportive of higher zinc prices.

## CORPORATE DEVELOPMENTS

Between March and August 2020, the Company obtained waivers of the financial covenants under the terms of its revolving credit facility (the "Facility") to August 31, 2020. On August 6, 2020, further amendments to the Facility and a new credit facility with Glencore Canada Corporation (the "Glencore Facility"), an affiliate of the Company's largest shareholder, Glencore plc (collectively "Glencore") were announced.

On August 25, 2020, the Company announced a positive pre-feasibility study ("PFS") for Rosh Pinah Mine Expansion ("RP2.0") which presented a mine plan to increase production capacity at Rosh Pinah by 86% and significantly reduce operating costs.

On August 28, 2020, the Company announced that Matthew Quinlan was departing as Trevali's Interim Chief Financial Officer ("CFO") and Brendan Creaney, the then Vice President of Investor Relations, had been appointed Interim CFO.

On September 4, 2020, the Company announced the appointments of Nick Popovic and Aline Cote to its Board of Directors of the Company, replacing Chris Eskdale and Dan Myerson as Glencore nominees.

In October 2020, the Company entered into zinc price forward swaps for approximately 25% of forecast zinc production for six months from October 1, 2020 to March 31, 2021 at an average price of $1.11 per pound. In addition, in order to provide downside zinc price protection, zinc price put options for approximately 25% of forecast zinc production across the group were entered into for the same six-month period at $1.04 per pound.

On October 9, 2020, the Company filed a preliminary short form base shelf prospectus related to the sale of up to C$100.0 million in aggregate, in one or more series or issuances of: common shares, debt securities, subscription receipts, share purchase contracts, warrants or units. The Company intends to use the net proceeds for general corporate and working capital purposes, including advancing work on the Rosh Pinah RP 2.0 expansion project and its associated feasibility study, undertaking additional exploration work, continuing the study and potential restart of the Caribou operation, and repaying amounts of the Company's indebtedness.

On November 24, 2020, the Company entered into a fixed pricing arrangement pursuant to its existing offtake agreement with Glencore for 59.5 million pounds of zinc allocable to production at Perkoa and Rosh Pinah. The tenure of the arrangement is for a nine-month period covering April 2021 to December 2021 at a price of $1.23 per pound and extends the existing hedging program which covers the period October 2020 to March 2021.

On December 2, 2020, the Company closed its marketed offering of 186,530,000 units at a price of C$0.185 per unit for aggregate gross proceeds of $26.6 million (C$34.5 million), which included the exercise of the full amount of the over-allotment option of 24,330,000 units. Each unit is comprised of one common share and one-half of one common share purchase warrant entitling the holder thereof to acquire one common share at a price of C$0.23 until June 2, 2022. Glencore plc exercised its pre-emptive participation rights in the offering to purchase 49,000,000 units.

[1] *See "Use of Non-IFRS Financial Performance Measures".*

On December 10, 2020, the Company announced the appointment of Brendan Creaney as the permanent CFO.

On January 15, 2021, the Company announced the planned restart of its Caribou mine which has been on a care and maintenance program since March 2020. The Company has reduced its exposure to commodity price fluctuations during the initial two-year plan by entering into a 21-month fixed-pricing arrangement for 115 million pounds of payable zinc production from Caribou, at an average price of $1.25 per pound.

On January 18, 2021, the Company announced the appointment of Jeane Hull to its Board of Directors.

On January 18, 2021, the Company announced preliminary 2020 full year and Q4 production results and 2021 operating, capital and exploration expenditure guidance.

## CONSOLIDATED FINANCIAL RESULTS

The following table summarizes the change in net loss for 2020 and the quarter:

| | | 2019 vs 2020 | Q4'19 vs Q4'20 |
|---|---|---|---|
| **Net loss for the 2019 period** | $ | (35,411) | (3,833) |
| Decrease in revenues | | (173,226) | (23,380) |
| Expense components: | | | |
| Decrease in Mine operating expenses | | 121,574 | 28,666 |
| Increase in General and administrative | | (1,330) | (1,002) |
| Increase in Impairment | | (193,346) | (43,589) |
| Decrease (Increase) in Other items | | 8,817 | (11,585) |
| Decrease in Income tax expense | | 27,316 | 2,981 |
| Net decrease | $ | (210,195) | (47,909) |
| **Net loss for the 2020 period** | $ | (245,606) | (51,742) |

The net loss increased in 2020 compared to 2019 primarily due to the impairment of property, plant and equipment (net of a related deferred tax recovery) related to the Caribou and Santander mines and the Canadian, Peruvian and Namibian exploration properties that was recorded in Q1 and Q4 of 2020 as well as the decrease in revenues due to the lower zinc price and lower sales volumes. This was partially offset by the benefits of the T90 program being realized as a decrease in mine operating expenses. Both revenues and mine operating expenses decreased due to the Caribou mine being in operation for three months during 2020 compared to the full year in 2019.

Net loss increased in Q4 2020 compared to the corresponding quarter of 2019 primarily due to the $43.6 million impairment of property, plant and equipment at the Santander mine. The decrease in revenues was largely offset by the decrease in operating expenses which is primarily due to Caribou being on care and maintenance in 2020 compared to regular operations in 2019.

## Revenues

| | | **2020** | 2019 | YoY | **Q4'20** | Q3'20 | Q4'19 | Q4'20 vs Q3'20 | Q4'20 vs Q4'19 |
|---|---|---|---|---|---|---|---|---|---|
| **Revenues** | | | | | | | | | |
| Zinc revenue | $ | 316,217 | 497,160 | –36% | 90,917 | 70,530 | 117,406 | 29% | –23% |
| Lead and silver revenue | | 34,799 | 70,339 | –51% | 11,467 | 5,704 | 21,278 | 101% | –46% |
| Smelting and refining costs | | (138,132) | (181,389) | –24% | (34,297) | (26,077) | (47,218) | 32% | –27% |
| Net revenue | $ | 212,884 | 386,110 | –45% | 68,086 | 50,157 | 91,466 | 36% | –26% |
| Average zinc LME price | $/lb | 1.03 | 1.16 | –11% | 1.19 | 1.06 | 1.08 | 12% | 10% |
| Average lead LME price | $/lb | 0.83 | 0.91 | –9% | 0.86 | 0.85 | 0.92 | 1% | –7% |
| Average silver LBMA price | $/oz | 20.51 | 16.20 | 27% | 24.39 | 24.39 | 17.33 | 0% | 41% |
| **Sales quantities** | | | | | | | | | |
| Payable zinc | Mlbs | 303.5 | 440.1 | –31% | 74.8 | 65.3 | 110.4 | 15% | –32% |
| Payable lead | Mlbs | 25.0 | 47.5 | –47% | 8.8 | 3.0 | 14.8 | 193% | –41% |
| Payable silver | Mozs | 0.7 | 1.4 | –50% | 0.2 | 0.1 | 0.3 | 100% | –33% |

The average zinc price in Q4 2020 as quoted on the LME of $1.19 per pound increased by 12% when compared to the previous quarter and 10% compared to Q4 2019. The price of lead increased by 1% and decreased 7% over the comparative periods, respectively.

Payable zinc sales volumes increased by 15% over the prior quarter to 74.8 million pounds due primarily to COVID-19 related operational disruptions at Santander which resulted in the temporary suspension of milling in July and timing of shipments, while smelting and refining costs also increased by 32% due to increased distances to destination ports and a freight settlement credit that was recognized in Q3 2020. Combined with the increase in zinc prices, this resulted in net revenues of $68.1 million in Q4 2020, representing a 36% increase compared to the previous quarter.

Payable zinc sales declined compared to the corresponding quarter in the prior year due to Caribou transitioning to care and maintenance at the end of March 2020.

Lead and silver revenues of $11.5 million increased by 101% from the prior quarter as a result of increased lead sales quantities while prices of lead and silver remained consistent. The higher sales quantities of lead in Q4 2020 was a result of the timing of lead shipments from Rosh Pinah, which typically has two lead shipments annually, which occurred during Q2 2020 and Q4 2020. By-product revenues declined compared to the corresponding quarter in the prior year due to the transition of Caribou to care and maintenance at the end of March 2020.

## Settlement Mark-to-Market

| | | Zinc | Lead |
|---|---|---|---|
| Spot 3-month future price as at September 30, 2020 | $/lb | 1.10 | 0.83 |
| Provisionally priced metal – September 30, 2020 | Mlbs | 25.0 | 0.6 |
| Average 3-month future price for September 2020 | $/lb | 1.12 | 0.86 |
| Average Q4 LME price | $/lb | 1.19 | 0.86 |
| Provisionally priced metal – December 31, 2020 | Mlbs | 33.9 | 0.6 |
| Average 3-month future price for December 2020 | $/lb | 1.27 | 0.92 |
| Spot 3-month future price as at December 31, 2020 | $/lb | 1.25 | 0.90 |

All the Company's zinc and lead concentrate sales contracts provide for final commodity pricing in a future month nominated at the time of shipment and based on quoted LME monthly average zinc and lead prices. The Company recognizes revenues at the time of shipment based on estimated final pricing, with mark-to-market adjustments made each subsequent period until final pricing on the date of settlement. Concentrate smelting and refining charges and freight from the loading port to the receiving smelter are included within smelting and refining costs.

The $1.0 million settlement mark-to-market gain for Q4 2020 primarily reflects the increase in the estimated final zinc pricing from $1.12 per pound to $1.27 per pound at December 31, 2020, compared to the average zinc prices during Q3 2020 and Q4 2020 of $1.06 and $1.19 per pound, respectively. This is also impacted by the quantity of provisionally priced metal at various stages during the quarter and the timing of sales weighted towards the end of the quarter with 52% of Q4 2020 zinc sales occurring during the month of December.

Each $0.05 change in the zinc price per pound realized from the provisional price recorded of $1.27 per pound as at December 31, 2020 is estimated to result in a change of approximately $1.7 million on the 2021 settlement mark-to-market and EBITDA[1].

## Other Items

| | 2020 | 2019 | YoY | Q4'20 | Q3'20 | Q4'19 | Q4'20 vs Q3'20 | Q4'20 vs Q4'19 |
|---|---|---|---|---|---|---|---|---|
| Settlement mark-to-market loss (gain) | $ 1,534 | 23,485 | 93% | (1,047) | (9,891) | 311 | –89% | 437% |
| Fair value loss on financial instruments | 7,318 | – | 100% | 6,032 | 1,286 | – | –369% | –100% |
| Loss on foreign exchange | 2,470 | 2,458 | 0% | 1,987 | 850 | 1,321 | –134% | –50% |
| Interest expense | 10,262 | 8,280 | –24% | 2,808 | 3,038 | 1,814 | 8% | –55% |
| Restructuring expenses | 5,428 | 7,550 | 28% | – | – | – | 0% | 0% |
| Impairment | 197,008 | 3,662 | –5280% | 43,589 | – | – | –100% | –100% |
| Other expense (income) | 3,866 | (2,078) | –286% | 4,372 | 3,601 | (879) | 21% | –597% |
| | $ 227,886 | 43,357 | –426% | 57,741 | (1,116) | 2,567 | 5274% | –2149% |

The increase in other items during Q4 2020, compared to the comparative quarters is primarily due to the impairment of $43.6 million of property, plant and equipment related to the Santander mine but also the fair value loss on financial instruments which is comprised of the warrant liability revaluation of $1.8 million and $4.2 million for the revaluation of the zinc forward swaps. Other expense (income) during Q4 2020 is comprised primarily of VAT and inventory obsolescence provisions while the prior quarter included the non-cash loss on extinguishment of debt resulting from the renegotiated Facility on August 6, 2020.

Restructuring expenses for the 2020 year of $5.4 million related to the change in executive management and Caribou's transition to care and maintenance.

## Income Taxes

| | 2020 | 2019 | YoY | Q4'20 | Q3'20 | Q4'19 | Q4'20 vs Q3'20 | Q4'20 vs Q4'19 |
|---|---|---|---|---|---|---|---|---|
| Current income tax expense (recovery) | $ 1,088 | 11,079 | 90% | (10) | 337 | (1,041) | 103% | 99% |
| Deferred income tax (recovery) expense | (14,294) | 3,031 | 572% | 740 | 1,543 | 4,751 | 52% | 84% |
| | $ (13,206) | 14,110 | 194% | 730 | 1,880 | 3,710 | 61% | 80% |

The current income tax recovery in Q4 2020 reflects mining taxes offset by book to tax adjustments recorded during the quarter, similar to the prior quarter expense of $0.3 million but significantly less than the comparative quarter of the prior year where a higher recovery was recognized for a net $1.0 million recovery.

Deferred income tax expense of $0.7 million for Q4 2020 is lower than the $1.5 million expense in the prior quarter and $4.8 million expense in the comparative quarter of the prior year, primarily a result of unrealized foreign exchange movements.

[1] *See "Use of Non-IFRS Financial Performance Measures".*

## PERKOA MINE, BURKINA FASO

| | | **2020** | 2019 | YoY | **Q4'20** | Q3'20 | Q4'19 | Q4'20 vs Q3'20 | Q4'20 vs Q4'19 |
|---|---|---|---|---|---|---|---|---|---|
| **Production** | | | | | | | | | |
| Ore mined | t | 778,904 | 751,681 | 4% | 191,365 | 202,248 | 181,165 | –5% | 6% |
| Ore milled | t | 748,482 | 739,849 | 1% | 187,571 | 187,000 | 189,740 | 0% | –1% |
| Zinc head grade | | 12.0% | 14.3% | –16% | 12.0% | 12.7% | 14.0% | –6% | –14% |
| Zinc recovery | | 89.5% | 91.6% | –2% | 89.5% | 89.1% | 93.9% | 0% | –5% |
| Zinc concentrate grade | | 51.8% | 50.5% | 3% | 50.4% | 51.5% | 52.0% | –2% | –3% |
| Zinc payable | Mlbs | 150.0 | 179.8 | –17% | 37.2 | 39.3 | 46.2 | –5% | –19% |
| **Sales** | | | | | | | | | |
| Zinc payable | Mlbs | 145.9 | 191.5 | –24% | 37.5 | 34.2 | 47.3 | 10% | –21% |
| C1 Cash Cost[1] | $/lb | 0.95 | 0.88 | 8% | 0.97 | 0.88 | 0.83 | 10% | 17% |
| AISC[1] | $/lb | 1.05 | 0.94 | 12% | 1.09 | 0.97 | 0.90 | 12% | 21% |
| **FINANCE** | | | | | | | | | |
| Revenues, net | $ | 91,635 | 151,980 | –40% | 30,766 | 23,411 | 33,365 | 31% | –8% |
| Mine operating expenses | | 82,190 | 105,011 | –22% | 21,572 | 18,415 | 23,607 | 17% | –9% |
| Adjusted EBITDA[1] | | 9,445 | 46,969 | –80% | 9,194 | 4,996 | 9,758 | 84% | –6% |
| Other expenses (income) | | 1,167 | 16,038 | –93% | (5,659) | (6,162) | (3,138) | 8% | –80% |
| EBITDA[1] | | 8,278 | 30,931 | –73% | 14,853 | 11,158 | 12,896 | 33% | 15% |
| Depreciation, depletion & amortization | | 22,248 | 35,702 | –38% | 6,821 | 4,937 | 7,769 | 38% | –12% |
| EBIT[1] | $ | (13,970) | (4,771) | –193% | 8,032 | 6,221 | 5,127 | 29% | 57% |

Payable zinc production for Q4 2020 was 37.2 million pounds, a 5% decrease over the prior quarter due to a corresponding 6% decrease in zinc head grade. Similarly, the payable zinc production was 19% lower compared to the corresponding quarter in 2019 due to a 15% reduction in zinc head grades and a 5% reduction in zinc recovery slightly below the mine plan.

Payable zinc volumes sold for Q4 2020 increased by 10% over the prior quarter with the reduction in Q3 2020 inventory as a result of timing of shipments. The decrease of 9.8 million pounds of zinc payable sold or 21% from the corresponding quarter in 2019 is consistent with the decrease in production.

C1 Cash Cost[1] and AISC[1] in Q4 2020 increased by 10% and 12%, respectively, compared to the prior quarter due to increased costs related to higher sales volumes through the reduction in inventories and increased distances to destination ports, both of which result in higher smelting and refining costs. The C1 Cash Cost[1] and AISC[1] increased by 17% and 21% compared to the corresponding quarter in 2019 for the same reasons as well as an increase in capital expenditures related to the expansion of the tailings storage facility.

Adjusted EBITDA[1] in Q4 2020 increased compared to the prior quarter due to higher revenues related to higher payable zinc sales and improved zinc prices while it reduced in comparison to the corresponding quarter in 2019 primarily as a result of the decrease in revenues due to decreased payable zinc sales.

2020 production was below guidance by 2 million pounds of zinc payable. As a result, C1 Cash Cost[1] and AISC[1] increased and exceeded guidance by $0.02 per pound of zinc payable produced. Zinc payable was lower primarily due to head grade and recoveries slightly lower than planned.

[1] *See "Use of Non-IFRS Financial Performance Measures".*

## ROSH PINAH MINE, NAMIBIA

| | | 2020 | 2019 | YoY | Q4'20 | Q3'20 | Q4'19 | Q4'20 vs Q3'20 | Q4'20 vs Q4'19 |
|---|---|---|---|---|---|---|---|---|---|
| **Production** | | | | | | | | | |
| Ore mined | t | 710,924 | 714,356 | 0% | 176,946 | 186,566 | 196,723 | –5% | –10% |
| Ore milled | t | 708,700 | 705,651 | 0% | 169,524 | 177,733 | 181,408 | –5% | –7% |
| Zinc head grade | | 7.5% | 8.2% | –9% | 7.2% | 7.3% | 7.4% | –1% | –3% |
| Lead head grade | | 1.7% | 1.3% | 31% | 2.7% | 1.8% | 2.0% | 50% | 35% |
| Silver head grade | oz/t | 0.7 | 0.6 | 17% | 0.8 | 0.9 | 1.1 | –11% | –27% |
| Zinc recovery | | 87.0% | 85.9% | 1% | 86.2% | 86.0% | 84.5% | 0% | 2% |
| Lead recovery | | 74.5% | 63.9% | 17% | 75.0% | 77.3% | 72.1% | –3% | 4% |
| Silver recovery | | 52.3% | 47.1% | 11% | 66.8% | 42.0% | 54.3% | 59% | 23% |
| Zinc concentrate grade | | 50.6% | 49.6% | 2% | 49.8% | 52.6% | 50.0% | –5% | 0% |
| Lead concentrate grade | | 49.9% | 45.3% | 10% | 51.0% | 57.1% | 52.0% | –11% | –2% |
| Zinc payable | Mlbs | 85.6 | 92.0 | –7% | 19.4 | 20.9 | 20.9 | –7% | –7% |
| Lead payable | Mlbs | 18.2 | 12.1 | 50% | 7.0 | 5.0 | 5.3 | 40% | 32% |
| Silver payable | Moz | 0.2 | 0.2 | 0% | – | 0.1 | 0.2 | –100% | –100% |
| **Sales** | | | | | | | | | |
| Zinc payable | Mlbs | 80.5 | 105.5 | –24% | 20.0 | 17.4 | 26.7 | 15% | –25% |
| Lead payable | Mlbs | 12.9 | 9.3 | 39% | 7.4 | – | 6.0 | 100% | 23% |
| Silver payable | Moz | 0.2 | 0.1 | 100% | 0.1 | – | 0.1 | 100% | 0% |
| C1 Cash Cost[1] | $/lb | 0.70 | 0.84 | –17% | 0.63 | 0.72 | 0.82 | –13% | –23% |
| AISC[1] | $/lb | 0.86 | 1.03 | –17% | 0.78 | 0.90 | 1.00 | –13% | –22% |
| **FINANCE** | | | | | | | | | |
| Revenues, net | $ | 59,036 | 89,440 | –34% | 21,354 | 13,216 | 24,040 | 62% | –11% |
| Mine operating expenses | | 36,759 | 53,288 | –31% | 9,378 | 8,314 | 16,036 | 13% | –42% |
| Adjusted EBITDA[1] | | 22,277 | 36,152 | –38% | 11,976 | 4,902 | 8,004 | 144% | 50% |
| Impairment | | 31,524 | – | 100% | – | – | – | 0% | 0% |
| Other (income) expense | | (126) | 2,182 | –106% | 8,409 | (1,014) | 1,943 | –929% | 333% |
| EBITDA[1] | | (9,121) | 33,970 | –127% | 3,567 | 5,916 | 6,061 | –40% | –41% |
| Depreciation, depletion & amortization | | 18,396 | 24,502 | –25% | 4,936 | 3,136 | 6,607 | 57% | –25% |
| EBIT[1] | $ | (27,517) | 9,468 | –391% | (1,369) | 2,780 | (546) | –149% | –151% |

Payable zinc production for Q4 2020 was 19.4 million pounds, 7% lower than both the prior quarter and the corresponding quarter in 2019, with the decrease owing to lower head grades in accordance with the mine plan and a reduction in ore milled as a result of a higher blend of microquartzite. Efforts to reduce dilution combined with an optimized blended feed to the mill utilizing our digitization investments continue. This will improve process plant stability and increase ore processing rates.

Payable zinc volumes sold for Q4 2020 increased compared to the prior quarter due to timing of shipments and an improvement in the performance of the zinc filter press. The decrease in zinc sales volumes from the corresponding quarter in 2019 is due to the 7% decrease in production and timing of shipments. Both Q4 2020 and the corresponding quarter in 2019 included one of typically two annual lead shipments, with the increase due to higher lead recovery rates. The other lead shipment in 2020 occurred in Q2, therefore there was no lead sale in the prior quarter.

C1 Cash Cost[1] and AISC[1] decreased by 13%, compared to the prior quarter, as a result of by-product credits from one of two annual lead concentrate shipments. Sustaining capital expenditure was higher during the quarter due to the timing of projects. When compared to the corresponding quarter in 2019, C1 Cash Cost[1] and AISC[1] improved by 23% and 22%, respectively, due to lower mining and maintenance costs, reduced offsite costs associated with lower sales volumes, the weakening in the quarterly average Namibian dollar exchange rate and cash preservation initiatives that were implemented on capital projects as part of the T90 business improvement program.

Adjusted EBITDA[1] in Q4 2020 increased compared to the prior quarter due to the increase in revenues driven by higher payable zinc sales and one lead shipment during the current quarter, both of which were helped by improved commodity prices, particularly zinc. The improvement compared to the corresponding quarter in 2019 is mainly due to lower mining, processing and maintenance operating costs. The RP2.0 Feasibility Study is on track for completion in H2 2021.

[1] *See "Use of Non-IFRS Financial Performance Measures".*

During Q1 2020, the Company performed an impairment review of its interest in the Gergarub project, located 15 kilometres north-west of Rosh Pinah following the suspension of operations by the nearby Skorpion Zinc mine, which is the holder of a 51% interest in the Gergarub project, unrelated to the current mining operations at Rosh Pinah. As a result, the Company recorded a non-cash impairment charge of exploration and evaluation assets of $31.5 million (excluding an $11.8 million deferred tax recovery).

2020 zinc production was below guidance by less than 1 million pounds while lead and silver production exceeded and met guidance, respectively. C1 Cash Cost[1] and AISC[1] cost guidance were achieved.

## SANTANDER MINE, PERU

| | | **2020** | 2019 | YoY | **Q4'20** | Q3'20 | Q4'19 | Q4'20 vs Q3'20 | Q4'20 vs Q4'19 |
|---|---|---|---|---|---|---|---|---|---|
| **Production** | | | | | | | | | |
| Ore mined | t | 718,286 | 775,088 | –7% | 198,760 | 169,230 | 173,926 | 17% | 14% |
| Ore milled | t | 724,341 | 875,680 | –17% | 203,802 | 167,300 | 219,075 | 22% | –7% |
| Zinc head grade | | 5.2% | 5.0% | 4% | 5.2% | 5.1% | 5.3% | 2% | –2% |
| Lead head grade | | 0.6% | 0.8% | –25% | 0.4% | 0.4% | 0.7% | 0% | –43% |
| Silver head grade | oz/t | 1.0 | 1.2 | –17% | 0.8 | 0.9 | 1.1 | –11% | –27% |
| Zinc recovery | | 89.8% | 87.7% | 2% | 90.6% | 89.7% | 88.3% | 1% | 3% |
| Lead recovery | | 81.3% | 83.0% | –2% | 79.5% | 77.3% | 83.7% | 3% | –5% |
| Silver recovery | | 60.1% | 62.1% | –3% | 58.1% | 58.1% | 62.0% | 0% | –6% |
| Zinc concentrate grade | | 47.7% | 46.8% | 2% | 47.8% | 47.7% | 46.5% | 0% | 3% |
| Lead concentrate grade | | 50.4% | 49.9% | 1% | 50.0% | 46.6% | 49.0% | 7% | 2% |
| Zinc payable | Mlbs | 62.0 | 70.6 | –12% | 17.6 | 14.0 | 18.8 | 26% | –6% |
| Lead payable | Mlbs | 6.7 | 11.5 | –42% | 1.4 | 1.1 | 2.6 | 27% | –46% |
| Silver payable | Moz | 0.4 | 0.6 | –33% | 0.1 | 0.1 | 0.2 | 0% | –50% |
| **Sales** | | | | | | | | | |
| Zinc payable | Mlbs | 61.0 | 69.2 | –12% | 17.3 | 13.7 | 18.3 | 26% | –5% |
| Lead payable | Mlbs | 6.7 | 11.5 | –42% | 1.4 | 1.1 | 2.7 | 27% | –48% |
| Silver payable | Moz | 0.4 | 0.6 | –33% | 0.1 | 0.1 | 0.2 | 0% | –50% |
| C1 Cash Cost[1] | $/lb | 0.92 | 0.76 | 21% | 0.95 | 0.89 | 0.79 | 7% | 20% |
| AISC[1] | $/lb | 0.99 | 0.99 | 0% | 0.95 | 0.92 | 1.10 | 3% | –14% |
| **FINANCE** | | | | | | | | | |
| Revenues, net | $ | 50,329 | 69,471 | –28% | 15,999 | 11,679 | 16,977 | 37% | –6% |
| Mine operating expenses | | 41,105 | 43,766 | –6% | 11,923 | 9,169 | 12,581 | 30% | –5% |
| Adjusted EBITDA[1] | | 9,224 | 25,705 | –64% | 4,076 | 2,510 | 4,396 | 62% | –7% |
| Impairment | | 66,790 | – | 100% | 43,589 | – | – | 100% | 100% |
| Other expense (income) | | 2,295 | 1,301 | 76% | 1,679 | (768) | 626 | –319% | 168% |
| EBITDA[1] | | (59,861) | 24,404 | –345% | (41,192) | 3,278 | 3,770 | –1357% | –1193% |
| Depreciation, depletion & amortization | | 5,568 | 10,738 | –48% | 1,411 | 1,039 | 2,844 | 36% | –50% |
| EBIT[1] | $ | (65,429) | 13,666 | –579% | (42,603) | 2,239 | 926 | –2003% | –4701% |

Payable zinc production of 17.6 million pounds in Q4 2020 was 26% above the prior quarter which was impacted by a temporary suspension of operations as a result of a number of workers testing positive for COVID-19. Payable zinc production was 6% lower compared to the corresponding quarter in 2019 due to lower milled tonnes and zinc head grades in accordance with the mine plan.

Payable zinc volumes sold for Q4 2020 improved when compared to the prior quarter and were slightly down from the corresponding quarter in 2019 due to the production changes.

C1 Cash Cost[1] and AISC[1] in Q4 2020 increased by 7% and 3%, respectively, compared to the prior quarter primarily due to timing of infrastructure and equipment maintenance in line with the changes to the operational plan. C1 Cash Cost[1] increased by 20% compared to the corresponding quarter in 2019 for the same reasons as the increase to the prior quarter while AISC[1] has decreased by 14% due to reduced capital development expenditures in line with the changes to the updated operational plan.

Adjusted EBITDA[1] in Q4 2020 increased compared to the prior quarter due to higher revenue from higher zinc volumes and also improved zinc prices while it is comparable to the corresponding quarter in 2019 primarily as a net result of higher zinc prices mostly offsetting decreased sales volumes.

[1] *See "Use of Non-IFRS Financial Performance Measures".*

During Q4 2020, the Company recorded an additional non-cash impairment charge of the property, plant and equipment at the Santander mine of $43.6 million, a direct result of the revised operational plan with mining operations at the Magistral deposit expected to be suspended at the end of 2021.

During Q1 2020, the Company recorded a non-cash impairment charge of the property, plant and equipment at the Santander mine of $23.2 million (which includes exploration and evaluation assets of $7.7 million and excludes $4.2 million deferred tax recovery), as a result of the adverse change to the business environment caused by the COVID-19 pandemic.

2020 production guidance and C1 Cash Cost[1] guidance were achieved while AISC[1] guidance was below the low end of guidance due to reductions in capital expenditures.

## CARIBOU MINE, CANADA

| | | **2020** | 2019 | YoY | **Q4'20** | Q3'20 | Q4'19 | Q4'20 vs Q3'20 | Q4'20 vs Q4'19 |
|---|---|---|---|---|---|---|---|---|---|
| **Production** | | | | | | | | | |
| Ore mined | t | 191,817 | 909,298 | –79% | – | – | 239,113 | 0% | –100% |
| Ore milled | t | 195,305 | 913,178 | –79% | – | – | 232,055 | 0% | –100% |
| Zinc head grade | | 5.5% | 5.7% | –4% | 0.0% | 0.0% | 5.6% | 0% | –100% |
| Lead head grade | | 2.1% | 2.3% | –9% | 0.0% | 0.0% | 2.0% | 0% | –100% |
| Silver head grade | oz/t | 1.9 | 2.1 | –10% | – | – | 1.7 | 0% | –100% |
| Zinc recovery | | 78.1% | 79.1% | –1% | 0.0% | 0.0% | 80.1% | 0% | –100% |
| Lead recovery | | 62.2% | 63.6% | –2% | 0.0% | 0.0% | 62.7% | 0% | –100% |
| Silver recovery | | 33.0% | 37.6% | –12% | 0.0% | 0.0% | 35.1% | 0% | –100% |
| Zinc concentrate grade | | 45.6% | 47.0% | –3% | 0.0% | 0.0% | 46.7% | 0% | –100% |
| Lead concentrate grade | | 36.0% | 38.7% | –7% | 0.0% | 0.0% | 38.1% | 0% | –100% |
| Zinc payable | Mlbs | 15.4 | 75.0 | –79% | – | – | 18.9 | 0% | –100% |
| Lead payable | Mlbs | 5.0 | 26.7 | –81% | – | – | 5.9 | 0% | –100% |
| Silver payable | Moz | 0.1 | 0.7 | –86% | – | – | – | 0% | 0% |
| **Sales** | | | | | | – | | | |
| Zinc payable | Mlbs | 16.1 | 73.9 | –78% | – | – | 18.1 | 0% | –100% |
| Lead payable | Mlbs | 5.4 | 26.7 | –80% | – | 1.9 | 6.1 | –100% | –100% |
| Silver payable | Moz | 0.1 | 0.7 | –86% | – | – | – | 0% | 0% |
| C1 Cash Cost[1] | $/lb | 1.42 | 1.03 | 38% | – | – | 1.05 | 0% | –100% |
| AISC[1] | $/lb | 1.71 | 1.17 | 46% | – | – | 1.24 | 0% | –100% |
| **FINANCE** | | | | | | | | | |
| Revenues, net | $ | 11,884 | 75,219 | –84% | (33) | 1,852 | 17,084 | –102% | –100% |
| Mine operating expenses | | 23,837 | 68,520 | –65% | 1,741 | 1,653 | 16,541 | 5% | –89% |
| Adjusted EBITDA[1] | | (11,953) | 6,699 | –278% | (1,774) | 199 | 543 | –991% | –427% |
| Impairment | | 56,780 | – | 100% | – | – | – | 0% | 0% |
| Other (income) expense | | 4,263 | 5,325 | –20% | 949 | 30 | 1,308 | 3063% | –27% |
| EBITDA[1] | | (72,996) | 1,374 | –5413% | (2,723) | 169 | (765) | –1711% | –256% |
| Depreciation, depletion & amortization | | 2,764 | 12,940 | –79% | – | – | 478 | 0% | –100% |
| EBIT[1] | $ | (75,760) | (11,566) | –555% | (2,723) | 169 | (1,243) | –1711% | –119% |

The Caribou mine was placed on care and maintenance on March 26, 2020 in response to adverse market conditions, combined with high concentrate treatment charges. The change in operational status triggered an impairment review which resulted in a non-cash impairment charge of $56.8 million that was recorded in Q1 2020.

Caribou completed a final lead sale in Q3 2020 consisting of the remaining lead concentrate on site following the commencement of care and maintenance which was delayed as the remaining concentrate volume was less than a typical shipment.

From April 2020 onwards, Caribou's care and maintenance costs are disclosed separately within operating expenses on the consolidated statement of operations. Care and maintenance costs during Q4 2020 were consistent with Q3 2020 indicating a steady state for the program was reached.

In January 2021, the Company announced the planned restart of operations at the Caribou mine, with first payable zinc production expected by the end of March 2021. The initial two-year plan includes a 21-month fixed-pricing arrangement for 115 million pounds of payable zinc production from Caribou, at an average price of $1.25 per pound.

[1] *See "Use of Non-IFRS Financial Performance Measures".*

## EXPLORATION PROJECTS

The 2020 exploration programs were affected by a reduced scope of activities due to a decrease in commodity prices early in the year and the ongoing COVID-19 pandemic. Despite this, drilling programs which had resumed in Q3 2020 at Perkoa in Burkina Faso continued through the end of the year and with drilling also resuming in Q4 2020 at Santander in Peru targeting a magneto-telluric ("MT") anomaly at depth.

The 2020 exploration program objectives were to continue to focus on advancing near-mine exploration targets towards the development of new mineral resources located within trucking distance of existing mines, while also maintaining necessary levels of expenditures on regional programs to make new discoveries.

### Perkoa Exploration, Burkina Faso

During Q4 2020, surface drilling to follow up on the previous T3 intercepts continued with the completion of one hole which represented a 335 meter down-plunge step-out from the previous deepest intercept of a narrow, mineralized horizon which proves the continuity of the T3 horizon. A wide alteration halo was associated with the narrow T3 mineralised horizon with the target still open at depth and along strike towards the north-east. Surface exploration drilling of T3 continues in Q1 2021.

Regional exploration drilling programs are scheduled to resume in Q1 2021 along with ground fluxgate electro-magnetic ("EM") surveys.

### Rosh Pinah Exploration, Namibia

Surface EM surveys resumed along the Eastern Limb of the Rosh Pinah deposit in Q4 2020.

Drilling from underground continued during Q4 along the Western Orefield and the AAB deposits targeting areas at depth for mineral resource conversion and exploration. Surface exploration drilling is scheduled to resume in Q1 2021, targeting untested geophysical anomalies along strike of the northern extension of the Western Orefield.

Several geophysical and geochemical targets remain untested along strike with the Rosh Pinah deposit where mineralization within the belt is associated with felsic volcanic flows.

### Santander Exploration, Peru

Exploration drilling resumed at Santander during Q4 2020 with surface drilling targeting large MT anomalies at depth below the defined Magistral and Santander Pipe ore. The MT survey was completed in Q1 2020 with the goal of probing the deeper exploration potential (1,500 to 2,500 metres below surface) of the property for possible porphyry and skarn type mineralization. Interpretation, data processing and inversion were completed in Q2 2020 and this drilling represents the first hole targeting the MT anomalies.

## LIQUIDITY AND CAPITAL RESOURCES

### Balance Sheet Review

| | | **December 31, 2020** | December 31, 2019 | Change |
|---|---|---|---|---|
| Cash and cash equivalents | $ | 33,500 | 24,468 | 37% |
| Other current assets | | 108,250 | 104,248 | 4% |
| Non-current assets | | 430,274 | 615,854 | –30% |
| **Total Assets** | | 572,024 | 744,570 | –23% |
| Current debt | | 16,840 | 11,850 | –42% |
| Accounts payable and accrued liabilities | | 56,261 | 67,075 | 16% |
| Non-current liabilities | | 272,760 | 217,196 | –26% |
| Non-controlling interests | | (13,257) | (6,978) | –90% |
| Equity attributable to owners of Trevali | | 239,420 | 455,427 | –47% |
| **Total Liabilities and Equity** | | 572,024 | 744,570 | –23% |

The 30% decrease in non-current assets is attributable to the non-cash impairments totalling $197.0 million to the property, plant and equipment at Caribou and Santander mines and the exploration and evaluation assets related to the Canadian, Peruvian and Namibian properties, net of capital expenditures and depreciation.

The increase in current debt is due to the net of the increase in the receivables factoring facility and other 90-day revolving loans obtained in Peru, offset by the settlement of the VAT factoring facility.

Accounts payable and accrued liabilities have decreased since year-end as a result of Caribou's transition to a care and maintenance program at the end of Q1 2020 with a related decrease in payables consistent with the decrease in operating costs.

The increase in non-current liabilities is primarily due to the increase in debt with additional draws of $48.9 million on the Facility and $13.0 million on the Glencore Facility as well as an increase of $14.8 million in reclamation and rehabilitation provisions for updates to reclamation estimates and assumptions. This increase is partially offset by the $13.7 million decrease in deferred income tax liability due to the impairment of non-current assets and a $10.0 million voluntary repayment on the Facility in Q4 2020. See "Financial Condition and Liquidity Risk".

## Financial Condition and Liquidity

| | | **December 31, 2020** | December 31, 2019 | Change |
|---|---|---|---|---|
| Total debt | $ | 138,532 | 78,608 | 76% |
| Cash and cash equivalents | | 33,500 | 24,468 | 37% |
| Net Debt[1] | | 105,032 | 54,140 | 94% |
| Working capital | | 73,046 | 49,792 | 47% |

The Company's primary sources of liquidity and capital resources are cash and temporary investments, cash flow provided from operations and amounts available under credit agreements. The financial position and liquidity of the Company strengthened during Q4 2020, coinciding with the increases in zinc and lead prices and renegotiated credit agreements in Q3 2020, following a challenging year largely due to the COVID-19 pandemic which resulted in low zinc and lead prices for most of the year.

As at December 31, 2020, the Company was in full compliance with all covenant obligations and had $57.7 million of available liquidity, comprised of cash and cash equivalents of $33.5 million and $24.2 million of available liquidity from the Facility. The Company had working capital of $73.0 million and expects to fund its current liabilities from cash flows generated by operating activities.

When evaluating the Company's current financial position, operating plan, current forecast for key assumptions and hedging transactions that impact 2021, the Company believes that it has sufficient liquidity to meet its minimum obligations and satisfy the covenant requirements related to the Facility and the Glencore Facility for a period of at least 12 months from the balance sheet date.

### Revolving Credit Facility

The Company's Facility 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 with commitment fees for the undrawn portion of the Facility also on a sliding scale between 0.45% to 0.68% until a series of covenant waivers were obtained beginning on March 31, 2020. From April 1, 2020 until August 6, 2020, the amount available under the Facility was temporarily decreased from $275.0 million to $125.0 million, the Facility bore interest at a rate of LIBOR plus 4.0% with commitment fees for the undrawn portion of the Facility of 0.9%.

On August 6, 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 from $275.0 million to $150.0 million, an increase in the interest rate and commitment fees payable to LIBOR plus 5.5% and 1.3%, respectively, the elimination of the minimum liquidity covenant and an additional requirement to make debt repayments based on excess cash generated.

[1] *See "Use of Non-IFRS Financial Performance Measures".*

As of December 31, 2020, $105.9 million (December 31, 2019: $67.0 million) was drawn under the Facility, which includes a $10.0 million voluntary repayment made in Q4 2020, and the Company has issued letters of credit under the Facility, totaling $5.0 million to support $2.5 million in various reclamation bonding requirements for the Caribou mine and to provide $2.5 million of financial security toward power transmission payments related to the Santander mine.

**Glencore Facility**

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

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

During Q4 2020, the Glencore Facility was reduced by $7.0 million as part of Glencore’s contribution to the share unit offer on December 2, 2020, including a resulting repayment of $1.8 million on the facility. The amount available to the Company under the Glencore Facility as of December 31, 2020 was nil as the full $13.0 million limit under the agreement has been drawn.

**Other Debt**

Settlement receivables of $15.5 million are subject to a receivable factoring facility, secured against settlement receivables in Burkina Faso, with an outstanding facility balance as of December 31, 2020 of $12.7 million. In addition, the Company has a VAT factoring facility, secured against refund applications for recoverable VAT receivables in Burkina Faso which was utilized during the year but has no balance outstanding as of December 31, 2020 with all amounts having been settled.

Total debt at December 31, 2020 includes leases of $5.1 million.

## Cash Flows

| | | **2020** | 2019 | YoY | **Q4’20** | Q3’20 | Q4’19 | Q4'20 vs Q3'20 | Q4'20 vs Q4'19 |
|---|---|---|---|---|---|---|---|---|---|
| Operating cash flows before changes in working capital | $ | 10,497 | 63,991 | –84% | 20,945 | 17,147 | 20,076 | –22% | 4% |
| Changes in working capital | | (26,991) | 47,928 | –156% | (8,660) | (19,574) | (4,947) | 56% | 75% |
| Net cash (used in) provided by operating activities | | (16,494) | 111,919 | –115% | 12,285 | (2,427) | 15,129 | 606% | –19% |
| Net cash used in investing activities | | (47,777) | (77,448) | 38% | (10,159) | (10,401) | (28,295) | 2% | 64% |
| Net cash provided by (used in) financing activities | | 73,678 | (75,433) | 198% | 19,418 | 5,016 | (1,095) | 287% | 1873% |

The increase in cash generated from operating activities before changes in working capital in Q4 2020 compared to the prior quarter and the corresponding quarter of 2019 is due to higher realized zinc prices, increased sales volumes and savings being realized from the T90 program. Changes in working capital in Q4 2020 from the prior quarter are primarily due to an increase in settlement receivables due to timing of shipments, the increase in zinc price and sales volumes.

Investing activities in Q4 2020 consisted primarily of capital and exploration expenditures. The amount spent during the quarter was similar to the prior quarter but 62% less than the corresponding quarter of 2019 due to the cancellation or deferral of non-critical sustaining and expansionary capital and Caribou being on care and maintenance in 2020. Expansionary capital of $1.2 million incurred during Q4 2020 related to the digitization projects across the business, consistent with the prior quarter.

Cash provided by financing activities during Q4 2020 consists primarily of the $25.1 million equity financing (net of transaction costs) which closed in December 2020 and $9.4 million draw on the Glencore Facility which was partially offset by the $10.0 million voluntary Facility repayment compared to the prior quarter with a $3.6 million draw on the Glencore Facility and $3.0 million draws on other debt. There was a $3.0 million repayment on the Facility during Q4 2019. Other amounts consisting of lease and interest payments remain consistent with prior quarters.

### CONTRACTUAL OBLIGATIONS AND COMMITMENTS

In the normal course of business, the Company enters into contracts that give rise to commitments for future minimum payments. The following table summarizes the approximate timing of payment of the remaining maturities of the Company's commitments at December 31, 2020 in undiscounted cash flows:

| | | 2021 | 2022 | 2023 | 2024 | 2025+ | **Total** |
|---|---|---|---|---|---|---|---|
| Accounts payable and due to related parties | $ | 51,866 | – | – | – | – | **51,866** |
| Debt | | 14,386 | 120,976 | – | – | – | **135,361** |
| Lease commitments | | 2,865 | 1,435 | 984 | 273 | – | **5,557** |
| Purchase commitments | | 40,495 | 38,222 | 23,726 | 11,066 | 1,532 | **115,041** |
| Reclamation and rehabilitation | | 192 | 424 | 7,130 | 15,262 | 40,597 | **63,605** |
| | $ | **109,804** | **161,057** | **31,840** | **26,601** | **42,129** | **371,431** |

The Company enters into commitments for capital expenditures in advance of the expenditures being incurred. Approvals are obtained prior to expenditure being incurred in line with the Company's capital budget.

## ANNUAL AND QUARTERLY FINANCIAL RESULTS

The following table sets forth selected consolidated financial information and the payable sales of zinc for each of the three most recent completed years:

| | **2020** | 2019 | 2018 |
|---|---|---|---|
| Revenues | 212,884 | 386,110 | 464,347 |
| Zinc sales (Mlbs payable) | 303.5 | 440.1 | 403.3 |
| EBITDA[1] | (198,664) | 71,787 | (176,569) |
| Adjusted EBITDA[1] | 18,960 | 106,864 | 198,807 |
| Net loss | (245,606) | (35,411) | (230,595) |
| Loss per share – basic and diluted | (0.30) | (0.04) | (0.27) |
| Adjusted (loss) earnings per share[1] | (0.03) | 0.00 | 0.12 |
| Total assets | 572,024 | 744,570 | 825,740 |

*Revenue for amounts in the table above have been restated for comparative periods to reflect the Company's change in accounting policy.*

The primary factors causing variation to the annual metrics are the commodity price volatility (zinc, lead and silver), non-cash impairments of property, plant and equipment and exploration and evaluation assets recorded in 2018 and 2020 and operational changes such as the Caribou mine's transition to a care and maintenance program in March 2020.

The following table sets forth selected consolidated financial information and the payable sales of zinc for each of the eight most recently completed quarters:

| | **Q4'20** | Q3'20 | Q2'20 | Q1'20 | Q4'19 | Q3'19 | Q2'19 | Q1'19 |
|---|---|---|---|---|---|---|---|---|
| Revenues | 68,086 | 50,157 | 42,689 | 51,952 | 91,466 | 87,135 | 82,297 | 125,213 |
| Zinc sales (Mlbs payable) | 75 | 65 | 72 | 91 | 110 | 111 | 93 | 125 |
| EBITDA[1] | (34,832) | 15,368 | (4,312) | (174,888) | 19,611 | 12,945 | (7,443) | 46,674 |
| Adjusted EBITDA[1] | 20,101 | 11,214 | (5,709) | (6,646) | 20,364 | 22,487 | 17,558 | 46,455 |
| Net (loss) income | (51,742) | 1,122 | (19,381) | (175,605) | (3,833) | (16,131) | (31,563) | 16,116 |
| (Loss) income per share – basic and diluted | (0.06) | 0.00 | (0.02) | (0.22) | 0.00 | (0.02) | (0.04) | 0.02 |
| Adjusted earnings (loss) per share[1] | 0.00 | 0.00 | (0.03) | (0.01) | 0.00 | (0.01) | (0.01) | 0.02 |

*Revenue for amounts in the table above have been restated for comparative periods to reflect the Company's change in accounting policy.*

The primary factors causing variation to the quarterly metrics are the commodity price volatility (zinc, lead and silver), the timing of shipments and operational disruptions. At the end of March 2020, the Caribou mine was placed on a care and maintenance program resulting in the decrease to zinc sales and operating results. There were non-cash impairments of property, plant and equipment and exploration and evaluation assets recorded in Q1 and Q4 of 2020.

## FINANCIAL RISK MANAGEMENT

Liquidity risk is the risk that the Company will be unable to satisfy financial obligations as they fall due. The Company manages its liquidity risk by optimizing its cash holdings, forecasting cash flows required by operations and anticipated investing and financing activities.

The Company's operating cash flows are very sensitive to variations in the price of zinc and lead, foreign exchange rates and ore grades, and any cash flow outlook provided may vary significantly to actual results. Spending and capital investment plans may be adjusted in response to changes in operating cash flow expectations. An increase in average zinc and lead prices from current levels may result in an increase in planned expenditures and, conversely, weaker average zinc and lead prices could result in a reduction of planned expenditures.

### Hedging

The Company has entered into hedging arrangements in respect to a portion of its forecast zinc production. These hedging arrangements consist of a combination of forward swaps, put options and fixed-pricing arrangements which combine to provide stability, predictability and insurance in the current volatile zinc price environment. In accordance with the Company's hedging policy, the hedged amounts represent less than 50% of forecast production. There are no hedges in place related to lead or silver. The following is a summary of the various arrangements:

- In early October 2020, the Company entered into zinc price forward swaps for 3.75 million pounds of payable zinc per month (approximately 15% of zinc production) for six months from October 1, 2020 to March 31, 2021 at a price of $1.10 per pound;
- In addition, zinc price put options at $1.04 per pound for 6.25 million pounds of payable zinc per month at a price of $0.03 per pound (approximately 25% of zinc production across the group) were entered into for the same six-month period, providing downside zinc price protection;
- In late October 2020, the Company entered into additional zinc price forward swaps for 2.50 million pounds of payable zinc per month (approximately 10% of zinc production) for five months from November 1, 2020 to March 31, 2021 at a price of $1.12 per pound;
- In November 2020, the Company entered into a 9-month fixed-pricing arrangement covering the period from April 2021 to December 2021 for 59.5 million pounds of payable zinc produced at Perkoa and Rosh Pinah at a price of $1.23 per pound; and
- In mid-January, the Company entered into a 21-month fixed-pricing arrangement covering the period from April 2021 to December 2022 for 115 million pounds of payable zinc produced at Caribou, which represents approximately 80% of forecast zinc production from Caribou, at a price of $1.25 per pound.

The Company remains positive in the longer-term demand outlook for zinc and lead; however, global economic uncertainty and COVID-19 have had a significant negative effect on commodity demand and prices during 2020. The extent and duration of impacts that COVID-19 may have on demand and zinc and lead prices, on the Company's suppliers and employees and on global financial markets going forward is not known at this time, but could be material.

[1] *See "Use of Non-IFRS Financial Performance Measures".*

## RISKS AND UNCERTAINTIES

The mining industry involves many risks which are inherent to the nature of the business, global economic trends and economic, environmental and social conditions in the geographical areas of operation. As a result, the Company is subject to a number of risks and uncertainties, each of which could have an adverse effect on our operating results, business prospects or financial position. The Company continuously assesses and evaluate these risks and attempts to mitigate them by implementing operating standards and processes to identify, assess, report and monitor risks across our organization.

For a comprehensive list of other risks and uncertainties affecting our business, please refer to the section entitled "Risk Factors" in our most recent Annual Information Form, which is available at www.sedar.com.

***The volatility of the price of zinc, lead, silver and other metals could have a negative impact on the Company's current and future operations.***

The Company's principal products are zinc, lead, and silver with minor gold and copper production. Even if commercial quantities of mineral deposits are discovered by the Company, there is no guarantee that a profitable market will continue for the sale of the metals produced. The price of the Common Shares, the Company's financial results and exploration, and the Company's development and mining activities in the future may be materially adversely affected by declines in the price of zinc, lead, silver, gold and copper. Zinc, lead, silver, gold and copper prices fluctuate widely and are affected by numerous factors beyond the Company's control, such as the sale or purchase of metals by various central banks and financial institutions, interest rates, exchange rates, inflation or deflation, fluctuation in the value of the United States dollar and foreign currencies, global and regional supply and demand, and the political and economic conditions of major metals-producing and metals-consuming countries throughout the world.

If Mineral Reserve calculations and life-of-mine plans are required to be revised using significantly lower zinc, lead, silver, gold and copper prices, as a result of a decrease in commodity prices, this could result in material write-downs of the Company's investment in mining properties and increased reclamation and closure charges. In addition to adversely affecting the Company's Mineral Reserve and Mineral Resource estimates and financial condition, declining metal prices can impact operations by requiring a reassessment of the feasibility of a specific project. As a result of any reassessment, the Company may determine that it is not feasible to continue commercial production at some or all its current projects. Even if a project is ultimately determined to be economically viable, the need to conduct such a reassessment may cause substantial delays and/or may interrupt operations until the reassessment can be completed, which may have a material adverse effect on the results of operations and financial condition.

***The Company's Facility and Glencore Facility (together, the "Facilities") contains a number of covenants that impose significant operating and financial restrictions on the Company and may limit its ability to engage in acts that may be in the Company's long-term best interest.***

The terms of the Facilities require the Company to satisfy various affirmative and negative covenants and to meet certain financial ratios and tests. The covenants include, without limitation, restrictions on its ability to: incur additional indebtedness; pay dividends or make other distributions or repurchase or redeem its capital stock; prepay, redeem or repurchase certain debt; make loans and investments; sell, transfer or otherwise dispose of assets; incur or permit to exist certain liens; enter into transactions with affiliates; enter into agreements restricting its subsidiaries' ability to pay dividends; and, consolidate, amalgamate, merge or sell all or substantially all of the Company's assets. The Company can provide no assurances that in the future, it will not be limited in its ability to respond to changes in its business or competitive activities or be restricted in its ability to engage in mergers, acquisitions or dispositions of assets. The Company's failure to comply with covenants in its Facilities could result in an event of default that, if not cured or waived, could result in a cross-default under other debt instruments and the acceleration of all its debt. Furthermore, a failure to comply with these covenants could materially and adversely affect the Company's business, financial condition and results of operations, ability to meet its payment obligations under its debt, and the price of the Common Shares.

The Company is exposed to long-term liquidity risk through the excess of financial obligations due over available assets at any point in time. It is also possible that the Company may not be able to obtain the external financing necessary to continue its exploration and development activities on its properties.

In light of the current prices of the Company's principal commodities and forecasts for such prices through the remainder of 2020, the Company expects that it will be required to draw on its Facility, or seek other sources of equity or debt finance, in order to ensure availability of sufficient resources to meet its committed and budgeted expenditures for the next twelve months. Additional funds may be required should commodity prices further weaken beyond current levels or the U.S. dollar depreciates significantly.

The ability of the Company to continue the exploration and development of its property interests may be dependent upon its ability to maintain or increase revenues from its existing production and planned expansions, and potentially raise significant additional financing thereafter. The sources of external financing that the Company may use for these purposes may include project debt, joint ventures, production sharing arrangements, sale of assets, corporate debt, or equity offerings, or some combination of these or other means. There is no assurance that the financing alternative chosen by the Company will be available to the Company, on favourable terms or at all. Depending on the alternative chosen, the Company may have less control over the management of its projects. There is no assurance that the Company will successfully increase revenues from existing and expanded production. Should the Company not be able to obtain such financing and increase its revenues, it may become unable to acquire and retain its exploration properties and carry out exploration and development on such properties, and its title interests in such properties may be adversely affected or lost entirely.

***Epidemics, pandemics or other public health crises, including COVID-19, could adversely affect our operations.***

The Company is exposed to diseases and pandemics like malaria, dengue, Zika, other flu like viruses (e.g. avian, swine), HIV and Ebola. Such pandemics and diseases represent a serious threat to maintaining a skilled workforce in the mining industry in Africa and in South America and is a major healthcare challenge for the Company. The recent outbreak of COVID-19, declared a pandemic in March 2020, and any future emergence and spread of similar pathogens, could have a material adverse effect on global economic conditions which may adversely impact our business and results of operations and the operations of our suppliers, contractors and service providers, and the demand for our production. The COVID-19 pandemic has now resulted in mass production shutdowns and supply chain disruptions due to temporary closure of businesses in affected areas, port closures and other preventative and/or restrictive measures taken by governments. Should the COVID-19 pandemic reach and affect the workforce at any of our operations, the Company may see a decline in workforce availability, and may also face difficulties securing transportation of supplies and equipment essential to its mining operations. As a result, the Company's exploration, development and production plans could be suspended or delayed. Governments in a number of countries where the Company has operations, including Canada, Burkina Faso, Namibia and Peru, have taken steps to curtail the spread of COVID-19, including the formal declaration of a state of emergency, the introduction of curfews, quarantines and other measures to restrict the movement of individuals and goods, including the closing of borders to international travel. It is uncertain what similar or more severe measures may be enacted in future, or the effect that any such measures may have on our business and results of operations.

The actual and threatened spread of COVID-19 globally could also have a material adverse effect on the regional economies in which we operate, could continue to negatively impact stock markets, including the trading price of our shares, could adversely impact our ability to raise capital, could cause continued interest rate volatility and movements that could make obtaining financing more challenging or more expensive, and could result in any operations affected by COVID-19 becoming subject to quarantine. Any of these developments, and others, could have a material adverse effect on our business and results of operations, which could significantly increase costs of operations and have a material adverse effect on the Company's business, results of operations, and future cash flow.

***The Company is subject to currency fluctuations that may adversely affect its financial position.***

The Company is subject to currency risks. The Company's functional currency is the US dollar, and its mining operations and interests located in Canada, Peru, Burkina Faso, and Namibia, with additional development stage assets in Canada and Namibia. Zinc, lead, silver, gold and copper are sold in US dollars and the Company's costs are incurred principally in US dollars, Canadian dollars, Peruvian sols, Namibian dollars, South African rand, West African CFA francs, and Euros. The appreciation of non-US dollar currencies against the US dollar can increase the cost of zinc, lead, silver, gold and copper production and capital expenditures in US dollar terms. The Company also holds cash and cash equivalents that are denominated in foreign currencies that are subject to currency risk. The Company is further exposed to currency risk through non-monetary assets and liabilities of entities whose taxable profit or tax loss are denominated in foreign currencies.

***Global economic conditions may adversely affect the Company's growth and profitability.***

Global markets continue to experience a high level of price and volume volatility, which continue to impact many industries, including the base metals mining industry. Some of the key impacts of these conditions include contraction in credit markets resulting in a widening of credit risk, devaluations, high volatility in global equity, commodity, foreign exchange and precious metal markets, and a lack of market confidence and liquidity. A continued or worsened slowdown in the financial markets or other economic conditions, may adversely affect the Company's growth and profitability. Specifically: the global credit/liquidity crisis could impact the cost and availability of financing and the Company's overall liquidity; continued recessionary pressures could adversely impact demand for the Company's production; volatile energy, commodity and consumables prices could impact the Company's production costs; and the devaluation and volatility of global stock markets could impact the valuation of the Company's equity and other securities.

***The Company is subject to taxation in multiple jurisdictions and changes to the taxation laws of such jurisdictions could have a material adverse effect on its profitability.***

The Company has operations and conducts business in multiple jurisdictions and it is subject to the taxation laws of those jurisdictions. The Company may be subject to review, audit and assessment in the ordinary course, the outcome of which could result in penalties imposed or higher taxes being payable, any of which could have a material adverse effect on the Company. These taxation laws are complicated and subject to change. The introduction of new tax laws, regulations or rules, or changes to, or differing interpretation of, or application of, existing tax laws, regulations or rules in any of the countries in which the Company's operations or business is located, could result in an increase in the Company's taxes, or other governmental charges, duties or impositions, or an unreasonable delay in the refund of certain taxes owing to the Company. No assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail production or development. Taxes may also adversely affect the Company's ability to repatriate earnings and otherwise deploy its assets.

***Changes in the Company's production outlook will have an effect on the Company's cash flow from operations.***

A decrease in the amount of, or a change in the timing of the production outlook for, or in the prices realized for, metals of the Company, particularly in relation to the production of zinc, lead and silver, will directly affect the amount and timing of the Company's cash flow from operations. The actual effect of such a decrease on the Company's cash flow from operations would depend on the timing of any changes in production and on actual prices and costs. Any change in the timing of these projected cash flows that would occur due to production shortfalls, delays in receiving permits, delays in construction, delays in commissioning the mines or labour disruptions would, in turn, result in delays in receipt of such cash flows and in using such cash to fund capital expenditures, including capital for the Company's development projects, in the future. Any such financing requirements could adversely affect the Company's ability to access capital markets in the future to meet any external financing requirements or increase its debt financing costs.

***Shortages, or increases in prices, of energy and other consumables can adversely affect the Company's results of operations.***

The Company is dependent on various commodities (such as diesel fuel, electricity, steel, and concrete), labour and equipment (including parts) to conduct its mining operations and development projects. A shortage of such input commodities, labour or equipment or a significant increase of their cost could have a material adverse effect on the Company's ability to carry out its operations and therefore limit or increase the cost of production.

The Company is also dependent on access to and supply of water and electricity to carry out its mining operations, and such access and supply may not be readily available. Market prices of input commodities can be subject to volatile price movements which can be material, occur over short periods of time and are affected by factors that are beyond the Company's control, including global and regional supply and demand, political and economic conditions, and applicable regulatory regimes. An increase in the cost, or decrease in the availability, of input commodities, labour or equipment may affect the timely conduct and cost of the Company's operations and development projects. If the costs of certain input commodities consumed or otherwise used in connection with the Company's operations and development projects were to increase significantly, and remain at such levels for a substantial period, the Company may determine that it is not economically feasible to continue commercial production at some or all of its operations or the development of some or all of its current projects, which could have an adverse impact on the Company's financial performance and results of operations.

***The Company may be unable to identify opportunities to grow its business, and it may be unsuccessful in integrating new businesses and assets that it may acquire in the future.***

As part of the Company's business strategy, it has sought and will continue to seek new operating, development and exploration opportunities in the mining industry. In pursuit of such opportunities, the Company may fail to select appropriate acquisition candidates or negotiate acceptable arrangements, including arrangements to finance acquisitions or integrate the acquired businesses into its business. The Company cannot provide assurance that it can complete any acquisition or business arrangement that it pursues, or is pursuing, on favourable terms, if at all, or that any acquisitions or business arrangements completed will ultimately benefit its business. Further, any acquisition the Company makes will require a significant amount of time and attention of its management, as well as resources that otherwise could be spent on the operation and development of its existing business.

Any future acquisitions would be accompanied by risks, such as a significant decline in the relevant metal price after the Company commits to complete an acquisition on certain terms; the quality of the mineral deposit acquired proving to be lower than expected; the difficulty of assimilating the operations and personnel of any acquired companies; the potential disruption of its ongoing business; the inability of management to realize anticipated synergies and maximize its financial and strategic position; the failure to maintain uniform standards, controls, procedures and policies; and the potential for unknown or unanticipated liabilities associated with acquired assets and businesses, including tax, environmental or other liabilities. There can be no assurance that any business or assets acquired in the future will prove to be profitable, that the Company will be able to integrate the acquired businesses or assets successfully or that the Company will identify all potential liabilities during the course of due diligence. Any of these factors could have a material adverse effect on its business, expansion, results of operations, and financial condition.

***Failure to obtain or retain permits would adversely affect the Company's results of operations, development work and financial condition.***

The operations of the Company, including various aspects of exploration, development and expansion of projects, require receipt and maintenance of licenses and permits from various governmental authorities. Failure or delay in obtaining or maintaining required permits and licenses could result in injunctions, fines, suspension or revocation of permits and other penalties, or result in interruption of production, exploration or development. The Company has implemented plans to obtain all necessary permits prior to the relevant deadlines. While the Company is confident in its ability to meet all required deadlines or milestones to maintain its concessions in good standing, there is risk that the relevant permitting and licensing authorities will not respond in a timely manner. If these deadlines are not met, the Company believes that extensions to deadlines for obtaining the required approvals and permits could be negotiated so that the concessions would remain in good standing. However, there is no guarantee that the Company will be able to obtain the approvals and permits as planned or, if unable to meet such deadlines, that negotiations for an extension will be successful in order to maintain its concessions in good standing.

In addition to meeting the requirements necessary to obtain permits and approvals, permits may be invalidated if the applicable regulatory authority is legally challenged that it did not lawfully issue such permits and approvals. Changes in applicable laws and regulations or changes in their enforcement or regulatory interpretation could negatively impact current or planned exploration and development activities or any other projects with which the Company becomes involved. The ability of the Company to obtain and maintain permits and approvals and to successfully develop and operate mines may be adversely affected by real or perceived impacts associated with its activities that affect the environment and human health and safety at its development projects and operations and in the surrounding communities. The real or perceived impacts of the activities of other mining companies may also adversely affect the Company's ability to obtain and maintain permits and approvals. The Company is uncertain as to whether all necessary permits will be maintained on acceptable terms or in a timely manner.

***There are additional political, legal and economic risks at foreign operations.***

Trevali's operations in foreign countries are subject to various levels of political, economic and other risks and uncertainties that could negatively impact Trevali's results of operations and financial condition. These risks and uncertainties vary significantly from country to country and include, but are not limited to, the existence or possibility of terrorism; hostage taking; military repression; extreme fluctuations in currency exchange rates; high rates of inflation; labour unrest; the risks of war or civil unrest; coups and counter coups; expropriation and nationalization; uncertainty as to the outcome of any litigation in foreign jurisdictions; uncertainty as to enforcement of local laws; arbitrary changes in law or policy; environmental controls and permitting; restrictions on the use of land and natural resources; renegotiation or nullification of existing government orders, concessions, licenses, permits and/or contracts; delays in obtaining permits or licences; illegal mining; sabotage, theft, robbery, vandalism, lack of civil services such as utilities (electricity and water), hospitals, ambulances, police departments and fire departments; disease and other potential endemic health issues; changes in taxation policies; difficulty obtaining key equipment or key components; restrictions on foreign exchange and repatriation; corruption; bribery; inadequate infrastructure; unstable legal systems; changing political conditions; changes in mining and social policies; opposition to mining by non-governmental organizations or environmental groups; limits on foreign ownership; local communities; social unrest on account of poverty or unequal income distribution; "black economic empowerment" legislation; governmental regulations that favor or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction or require equity participation by local citizens; import and export restrictions; and other risks arising out of foreign sovereignty issues.

Trevali's mineral exploration and mining activities may be affected in varying degrees by political instability and governmental legislation and regulations relating to foreign investment and the mining industry. In particular, Burkina Faso has experienced varying degrees of civil unrest (See "There are security risks associated with the Company's operations in Burkina Faso that may have a material adverse effect on its operations" below). Threats or instability in a country caused by political events including elections, change in government, changes in personnel or legislative bodies, foreign relations or military control present serious political and social risk and instability causing interruptions to the flow of business negotiations and influencing relationships with government officials. Changes in policy or law may have a material adverse effect on the Company's business, financial condition or results of operations.

In the event of a dispute arising from the Company's activities, the Company may be subject to the exclusive jurisdiction of courts or arbitral proceedings outside of North America or may not be successful in subjecting persons to the jurisdiction of courts in North America, either of which could unexpectedly and adversely affect the outcome of a dispute. The courts in these foreign jurisdictions may offer less certainty as to the judicial outcome or a more protracted judicial process than is the case in North America.

Enforcement of laws in foreign jurisdictions may depend on and be subject to the interpretation placed upon such laws by the relevant local authority, and such authority may adopt an interpretation of an aspect of local law which differs from the advice that has been given to Trevali by local lawyers or even previously by the relevant local authority itself. Thus, there can be no assurance that contracts, joint ventures, licenses, license applications or other legal arrangements will not be adversely affected by the actions of government authorities and the effectiveness of and enforcement of such arrangements.

***There are security risks associated with the Company's operations in Burkina Faso that may have a material adverse effect on its operations.***

The Perkoa Mine is located in Burkina Faso. Criminal and terrorist activities in the region, or the perception that activities are likely, may disrupt the Company's operations, hamper the Company's ability to hire and keep qualified personnel and impair the Company's access to sources of capital. Incidences of armed criminal activities have been reported by other companies with operations in Burkina Faso. As well, both the French and Canadian government authorities, have issued warnings of heightened risk of jihadist incursions from Mali in certain areas within an 80-kilometre wide zone along the western border of Burkina Faso. Moreover, since last year, armed incidents on the roads to mining operations in the western region of the country have been reported, though there is no reason to believe that the employees or operations of the affected mining companies are specifically targeted.

The Perkoa Mine is outside of this zone as it is located approximately 125 kilometers from the Malian border. Risks associated with conducting business in the region include risks related to personnel safety and asset security, including, but not limited to: kidnappings of employees and contractors, exposure of employees and contractors to local crime related activity and disturbances, and damage or theft of Company or personal assets including any future concentrate shipments. The effect of these factors cannot be accurately predicted and may result in serious adverse consequences including personal injuries or death, property damage or theft, limiting or disrupting operations, restricting the movement of funds, impairing contractual rights, and causing the Company to suspend or shutdown operations. Although the Company has developed procedures regarding these risks, there is no assurance that these measures will be successful.

***Failure of the Company to comply with laws and regulations could negatively impact current or planned mining activities and exploration and developmental activities.***

The Company's mining, exploration and development activities are subject to extensive laws and regulations concerning the environment, worker health and safety, employment standards, waste disposal, mine development, mine operation, mine closure and reclamation, and other matters. Activities required to achieve full compliance can be costly and involve extended timelines. Future changes in applicable laws and regulations or changes in their enforcement or regulatory interpretation could negatively affect current or planned mining, exploration and developmental activities on the projects in which the Company is, or may become, involved. Any failure to comply with applicable laws and regulations or to obtain or maintain permits, even if inadvertent, could result in the interruption of mining, exploration and developmental operations or in material fines, penalties, cleanup costs, damages, and the loss of key permits or approvals. While the Company has taken great care to ensure full compliance with its legal obligations, there can be no assurance that the Company has been, or will be, in full compliance with all of these laws and regulations, or with all permits and approvals that it is required to have.

Furthermore, laws applicable to the Company constantly change and the Company's continued compliance with changing requirements is both time consuming and costly. Adding to the significant costs of compliance with laws is the Company's desire to meet a high standard of corporate governance. The Company's continued efforts to comply with numerous changing laws and adhere to a high standard of corporate governance have resulted in, and are likely to continue to result in, increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities.

***One or more groups of indigenous people may oppose continued operation, further development, or new development of the Company's projects and mines.***

The Company operates in some areas presently or previously inhabited or used by indigenous peoples. Trevali puts a priority on being a responsible corporate citizen and takes considerable care to develop productive relationships with a range of stakeholders in every community where it operates. In the case of indigenous peoples, the Company's presence can trigger various international and national laws, codes, resolutions, conventions, guidelines, and imposing obligations on government and companies to respect the rights of indigenous people. These may include a mandate that government consult with communities surrounding the Company's projects and mines regarding actions affecting local stakeholders, prior to granting us mining rights, permit, amendments or authorizations. Consultation and other rights of Aboriginal people may require accommodations, including undertakings regarding employment, royalty payments and other matters. While the Company is respectful of these obligations, this may affect the Company's ability to acquire, within a reasonable time frame, effective mineral titles in jurisdictions in which aboriginal title is claimed, and may affect the timetable and costs of development of mineral properties in these jurisdictions. The obligations of government and private parties under the various international and national laws pertaining to indigenous people continue to evolve and be defined. There can be no assurance that the Company's relations with any indigenous group will remain amicable. If a dispute were to arise, it might result in reduced access to properties or a delay in operations. The current and future operations are subject to a risk that one or more groups of indigenous people may oppose continued operation, further development, or new development of the Company's projects or operations. Such opposition may be directed through legal or administrative proceedings or expressed in manifestations such as protests, roadblocks or other forms of public expression against the Company's activities. Opposition by indigenous people to the Company's operations may require modification of or preclude operation or development of

the properties or may require the Company to enter into agreements with indigenous people with respect to the properties.

Trevali is respectful of Indigenous peoples in Canada and has a working relationship with the Mi'kmaq First Nation partners in New Brunswick. However, the nature and extent of First Nation rights and title remains the subject of active debate, claims and litigation in Canada, including with respect to intergovernmental relations between First Nation authorities and federal, provincial and territorial authorities. There can be no guarantee that claims will not cause permitting delays, unexpected interruptions or additional costs for the Company’s projects.

***The Company’s directors and officers may have interests that conflict with the Company’s interests.***

The directors of Trevali are nominated or appointed on the strength of their experience and the specific skills and expertise they can bring to the establishment and execution of the Company’s strategy and the enhancement of shareholder value. Certain directors and officers of the Company are, and may continue to be, involved in the mining and mineral exploration industry through their direct and indirect participation in corporations, partnerships or joint ventures that are potential competitors of the Company. Situations may arise in connection with potential acquisitions or opportunities where the other interests of these directors and officers may conflict with the interests of the Company. Directors and officers of the Company with conflicts of interest will be subject to, and follow the procedures set out in, applicable corporate and securities legislation, regulation, rules and policies.

***Exploration, development and production at the Company’s mining operations are dependent upon the efforts of its key personnel as well as good labour and employment relations.***

The Company operates large mining operations in Canada, Peru, Burkina Faso, and Namibia that requires technical expertise in the areas of geology, engineering, mine planning, metallurgical processing, mine operations, and environmental compliance. The Company’s success is heavily dependent on its key personnel and on the ability to motivate, retain and attract highly skilled employees. The Company and other companies in the mining industry compete for personnel and the Company is not always able to fill positions in a timely manner. If the Company is unable to attract and retain qualified personnel or fails to establish adequate succession planning strategies, the Company’s operations could be adversely affected. The Company does not carry key-man life insurance with respect to its executives.

Competition for skilled workers in the resource sector results in employee turnover at the Company’s operations and a need to constantly recruit and train new employees. This competition for qualified employees occasionally results in workforce shortages, which can often be supplemented with more costly contract labour. As technology evolves and automation increases, the skill mix required also changes and the Company may not be able to attract the required capabilities for new ways of working, or re-skill those skills sets that will be changed in the future. Relations between the Company and its employees may be impacted by changes in labour relations which may be introduced by, among others, employee groups, unions, and the relevant governmental authorities in whose jurisdictions the Company carries on business.

Changes in employment legislation or otherwise in the Company’s relationship with the Company’s employees may result in higher ongoing labor costs, employee turnover, strikes, lockouts or other work stoppages, any of which could have a higher material adverse effect on the Company’s business, results of operations and financial condition.

***The Company’s revenue from sale of its concentrates is derived from a single customer.***

The Company derives its revenue from a single customer, Glencore, who is the sole and exclusive purchaser of 100% of the concentrates produced from the Company’s current operations and has a right of first refusal for future concentrate sales produced from any additional properties or assets that the Company may acquire in future. Though the Company does not need to secure future purchasers for its concentrate, any failure to comply with the terms of, or default under, the concentrate off-take agreements could jeopardize the Company’s future revenues and could materially and adversely affect the Company’s business, financial condition and results of operations.

***Actual costs of reclamation are uncertain, and higher than expected costs could negatively impact the results of operations and financial position.***

Land reclamation requirements are generally imposed on mineral exploration companies (as well as companies with mining operations) in order to minimize long-term effects of land disturbance, and the Company is subject to such requirements at its mineral properties. Decommissioning liabilities include requirements to control dispersion of potentially deleterious effluents; and, reasonably re-establish pre-disturbance landforms and vegetation.

In order to carry out reclamation obligations arising from exploration and potential development activities, the Company must allocate financial resources that might otherwise be spent on further exploration and development programs. Reclamation costs are uncertain and planned expenditures may differ from the actual expenditures required. If the Company is required to carry out unanticipated reclamation work, its financial position could be adversely affected.

***Mining operations have a significant carbon footprint.***

The Company's mining and processing operations are energy intensive, resulting in a significant carbon footprint. The Company acknowledges climate change as an international and community concern. Several governments or governmental bodies have introduced or are contemplating regulatory changes in response to the potential impacts of climate change, including the introduction or expansion of carbon emission taxes. Where legislation already exists, regulation relating to emission levels and energy efficiency is becoming more stringent. Some of the costs associated with reducing emissions can be offset by increased energy efficiency and technological innovation. While the Company is committed to exploring ways to minimize the environmental impact of its operations, in the long term this may result in increased operating costs. The inability to achieve required energy efficiencies could have an adverse impact on the Company's ability to achieve cost guidance or other operational performance metrics.

***The Company may not have sufficient insurance coverage.***

The mining industry is subject to significant risks that could result in damage to, or destruction of, mineral properties or producing facilities, personal injury or death, environmental damage, delays in mining, monetary losses, and possible legal liability.

The Company's insurance does not cover all risks that may result in loss or damages and may not be adequate to reimburse the Company for all losses sustained. In particular, the Company does not have coverage for certain environmental losses or certain types of earthquake damage. The occurrence of losses or damage not covered by insurance could have a material and adverse effect on the Company's cash flows, results of operation, and financial condition.

During exploration, development, and production of mineral properties, certain risks and, in particular, unexpected or unusual geological operating conditions, including cave-ins, fires, flooding and earthquakes may occur. It is not always possible to fully insure against such risks and the Company may decide not to take out insurance against such risks as a result of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any future profitability and result in increasing costs and a decline in the value of the securities of the Company.

***Any failure to strictly comply with anti-corruption laws could have a material adverse effect on the Company's reputation and results of operations.***

The *Canadian Corruption of Foreign Public Officials Act,* the *U.S. Foreign Corrupt Practices Act* and anti-bribery laws in other jurisdictions prohibit companies and their intermediaries from making improper payments for the purposes of obtaining or retaining business or other commercial advantage. The Company's policies mandate compliance with these anti-bribery laws, which often carry substantial penalties. The Company operates in jurisdictions that have experienced governmental and private sector corruption to some degree, and, in certain circumstances, strict compliance with anti-bribery laws may conflict with certain local customs and practices. There can be no assurances that the Company's internal control policies and procedures will always protect it from reckless or other inappropriate acts committed by the Company's affiliates, employees or agents. Violations of these laws, or allegations of such violations, could have a material adverse effect on the Company's business, financial position and results of operations.

***Trevali's critical operating systems may be compromised.***

Cyber threats have evolved in severity, frequency and sophistication in recent years, and target entities are no longer primarily from the financial or retail sectors. Cybersecurity risk is increasingly difficult to identify and quantify and cannot be fully mitigated because of the rapid evolving nature of the threats, targets and consequences. Persons engaging in cybercrime may target corruption of systems or data, or theft of sensitive data. While the Company invests in robust security systems to detect and block inappropriate or illegal access to the Company's key systems, including supervisory control and data acquisition operating systems at the Company's operations, and regularly reviews policies, procedures and protocols to ensure data and system integrity, there can be no assurance that critical systems will not be inadvertently or intentionally breached and compromised. This may result in business interruption losses, equipment damage, or loss of critical or sensitive information.

***The Company is in competition with other mining companies that have greater resources and experience.***

The mining industry is competitive in all of its business phases. The Company competes with numerous companies that have experience and financial resources significantly in excess of those of the Company, in the search for: attractive mineral properties; qualified technical expertise, operational experience, service providers, and labour; equipment and suppliers; and capital for the purpose of financing development of mineral properties. As a result of this competition, the Company may be unable to maintain or acquire attractive mining properties, recruit or retain qualified people, or acquire the capital necessary to fund its operations and develop its properties on terms it considers acceptable, or at all. Consequently, the Company's competitive disadvantages could have materially adverse effects on the Company's, operations, revenues, and financial condition.

***Mining has inherent risks and is subject to conditions or events beyond the Company's control, which could have a material adverse effect on its business and which conditions and events may not be insurable.***

Mineral exploration and development involve risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Operations in which the Company has a direct or indirect interest will be subject to hazards and risks beyond the Company's control and normally incidental to exploration, development and production of minerals, any of which could result in work stoppages, damage to or destruction of property, loss of life and environmental damage. Fires, power outages, labour disruptions, flooding, explosions, cave-ins, landslides and the inability to obtain suitable or adequate machinery, equipment or labour are other risks involved in the operation of mines and the conduct of exploration programs. Substantial expenditures are required to establish reserves through drilling, to develop metallurgical processes, to develop the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineralized deposit, no assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations or that funds required for development can be obtained on a timely basis. The economics of developing mineral properties is affected by many factors including the cost of operations, variations of the grade of ore mined, fluctuations in the price of minerals produced, costs of processing equipment and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals and environmental protection. In addition, the grade of mineralization ultimately mined may differ from that indicated by drilling results and such differences could be material. Short-term factors, such as the need for orderly development of mineralized bodies or the processing of new or different grades, may have an adverse effect on mining operations and on the results of operations. There can be no assurance that minerals recovered in small scale laboratory tests will be duplicated in large scale tests under on-site conditions or in production scale operations. Material changes in geological resources, grades, stripping ratios or recovery rates may affect the economic viability of projects. The Company does not currently carry any liability insurance for such risks, electing instead to ensure its contractors have adequate insurance coverage. The nature of these risks is such that liabilities might exceed any insurance policy limits, the liabilities and hazards might not be insurable, or the Company might not elect to insure itself against such liabilities due to high premium costs or other factors. Such liabilities may have a materially adverse effect upon the Company's financial condition.

***The business of exploration for minerals and mining requires significant infrastructure. Infrastructure in some of the jurisdictions in which the Company operates may be underdeveloped, which could have an adverse effect on the Company.***

Mining, processing, development, and exploration activities depend, to one degree or another on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important determinants, which affect capital and operating costs. The maintenance and management of much of the infrastructure that the Company relies upon is beyond the control of the Company. The loss of such infrastructure, even temporarily, could potentially materially adversely affect the Company's operations, revenues, and financial condition.

Trevali's operations in Namibia and Burkina Faso depend on adequate infrastructure, which is underdeveloped in certain parts of West Africa, and the uninterrupted flow of materials, supplies, and services. Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important determinants which affect capital and operating costs. The lack of availability on acceptable terms or the delay in the availability of any one or more of these items could prevent or delay exploitation and/or development of the Company's projects. If adequate infrastructure is not available in a timely manner, there can be no assurance that the continued development of the Company's projects will be commenced or completed on a timely basis, if at all, or that the resulting operations will achieve the anticipated production volume, or that construction costs and ongoing operating costs will not be higher than anticipated. In addition, unusual or infrequent weather phenomena, sabotage or other interference in the maintenance or provision of such infrastructure could adversely affect the Company's business, financial condition and results of operations. Any interruptions to the procurement of equipment or the flow of materials, supplies and services to these properties could have an adverse impact on Trevali's business, financial condition and results of operations.

***The trading price of the Company's shares may be volatile, subject to large fluctuations over short periods, and may increase or decrease in response to several events and factors, some of which are outside of the Company's ability to control.***

Share prices for many companies in the mineral exploration and mining industries have experienced wide fluctuations that have been often unrelated to the operations, underlying asset values or prospects of the companies themselves. These factors may include:

- the price of zinc and other metals;
- operating performance and the performance of competitors and other similar companies;
- exploration results from mineral properties;
- the public's reaction to news releases, other public announcements, and filings with the various securities regulatory authorities;
- changes in earnings estimates or recommendations by research analysts;
- changes in general economic conditions;
- the arrival or departure of key personnel; and
- acquisitions, strategic alliances or joint ventures involving a company or its competitors.

The market price of the Company's shares is affected by many variables not directly related to the Company's success and are therefore not within the Company's control, including other developments that affect the market for all resource sector shares, the breadth of the public market for the Company's shares, and the attractiveness of alternative investments. The effect of these and other factors on the market price of the Company's shares on the exchanges in which the Company trades has historically made the Company's share price volatile and suggests that the Company's share price will continue to be volatile in the future.

## CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in accordance with IFRS requires significant assumptions and judgments about the future and other sources of estimation uncertainty that management has made at the end of the reporting year, which could result in a material adjustment to the carrying amounts of assets and liabilities within the next twelve months, in the event that actual results differ from assumptions made.

These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

a) COVID-19 Economic Uncertainty

In March 2020, the World Health Organization declared a global pandemic related to COVID-19. To date there has been significant volatility in commodity and foreign exchange markets, restrictions on the conduct of business in many jurisdictions and disruption in stock markets while the global movement of people and some goods has become restricted.

Operational uncertainty and depressed commodity prices were key factors in the impairments of property, plant and equipment and exploration and evaluation assets recorded as at March 31, 2020. The temporary suspension of operations at Santander for a period of time during 2020 as a direct result of COVID-19 cases and restrictions on the movement of people resulted in inefficiencies and affected financial results.

There is significant ongoing uncertainty surrounding COVID-19 and the extent and duration of the impacts that it may have on the demand and the price of zinc and lead, suppliers, employees and on global financial markets. The Company continues to follow published guidance from governments and public health authorities to protect the safety and health of our employees, contractors and the communities in which we operate, while closely monitoring any potential impact on the Company's operations that may include the operating plans and production, supply chain or maintenance activities.

b) Assessment of Impairment and Impairment Reversal Indicators

Judgment is required in assessing whether certain factors would be considered an indicator of impairment or impairment reversal. Both internal and external information are considered when determining whether there is an indicator of impairment or impairment reversal present and, accordingly, whether impairment testing is required. The information considered in assessing whether there is an indicator of impairment or impairment reversal includes, but is not limited to, market transactions for similar assets, commodity prices, interest rates, inflation rates, market capitalization, reserves and resources, mine plans and operating results.

The following factors were considered impairment indicators as of March 31, 2020:

- The operational plan for Caribou changed significantly when it was placed on care and maintenance on March 26, 2020; and
- 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.

The following factor was considered an impairment indicator as of December 31, 2020:

- Following the completion of studies in December 2020, the life-of-mine plan for Santander was revised with mining operations at the Magistral deposit scheduled to complete at the end of 2021 and the economic feasibility of the Santander Pipe was re-evaluated. The Santander operation is expected to transition into an exploration phase to focus on the discovery and definition of new mineralization to complement existing mineral resources.

c) Impairment testing

Impairment assessments require the use of estimates and assumptions such as future zinc, lead and silver metal prices (considering current and historical prices, price trends and related factors), operating and capital costs, discount rates, foreign exchange rates, closure and rehabilitation costs, estimated life-of-mines, mineral reserves and resources including exploration potential and operating performance (which includes production and sales volumes). These estimates and assumptions are subject to risk and uncertainty.

There is a possibility that changes in circumstances will impact these projections, which may impact the recoverable amount of assets and/or cost generating units ("CGUs"). Such circumstances may give rise to an impairment or a reversal of previous impairments with the impact recognized in the statement of operations.

As at March 31, 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 Caribou and Santander mines and the exploration and evaluation assets related to the Canadian, Peruvian and Namibian properties, a direct result of the adverse change to the business environment caused by COVID-19 and Caribou's care and maintenance status. The economic models for determining the impairments assumed an average LME zinc price of $0.98 per pound in 2020 increasing to a long-term price of $1.14 per pound in 2024.

As at December 31, 2020, a non-cash asset impairment was recorded totaling $43.6 million to the property, plant and equipment at the Santander mine and the exploration and evaluation asset, over and above the amount recognized above, related to revisions to the life-of-mine plan with mining operations at the Magistral deposit scheduled to complete at the end of 2021. The Santander operation is expected to transition into an exploration phase to focus on the discovery and definition of new mineralization to complement existing mineral resources. The economic models for determining the impairments assumed an average LME zinc price of $1.15 per pound in 2021.

d) Income taxes

Judgment is required to determine which arrangements are considered to be a tax on income as opposed to an operating cost. Judgment is also required to determine whether deferred tax assets are recognized in the statement of financial position. Deferred tax assets, including those arising from unutilized tax losses, require the Company to assess the likelihood that it will generate sufficient taxable earnings in future periods, in order to utilize recognized deferred tax assets. Judgment is also required in respect of the application of existing tax laws in each jurisdiction.

Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These estimates of future taxable income are based on forecast cash flows from operations (which are impacted by production and sales volumes, commodity prices, reserves, operating costs, closure and rehabilitation costs, capital expenditure, and other capital management transactions). To the extent that future cash flows and taxable income differ significantly from estimates, the Company may have the ability to realize deferred tax assets not recorded at the reporting date.

e) Reclamation and rehabilitation provisions

The ultimate costs for reclamation and rehabilitation are uncertain, and cost estimates can vary in response to many factors, including estimates of the nature, extent and timing of rehabilitation activities, technological changes, regulatory changes, cost increases as compared to inflation rates, the risk-free interest rate for discounting future cash flows, foreign exchange rates, and estimates of the underlying currencies in which the provisions will ultimately be settled. The Company estimates its costs based on studies using current restoration standards and techniques, and the provision at the reporting date represents management's best estimate of the present value of the future rehabilitation costs required.

f) Useful lives of mineral properties, plant and equipment

Estimated mineral resources are used in determining the depreciation of certain assets. This results in depreciation expense proportional to the depletion of the anticipated remaining life-of-mine production. The estimate of the remaining lives of the Company's producing mineral properties is based on a combination of quantitative and qualitative factors including historical production and financial results, mineral resources reported under National Instrument 43-101 ("NI 43-101"), estimates of ore mineral feed production from areas not included in the NI 43-101 reports, and management's intent to operate the property. The estimated remaining lives of the producing mineral properties are used to calculate amortization and depletion expense, forecast the timing of the payment of reclamation and remediation costs and perform impairment or impairment reversal testing to review the carrying value of asset and/or CGUs.

There are numerous uncertainties inherent in estimating the remaining lives of the producing mineral properties, and assumptions that are valid at the time of estimation may change significantly when new information becomes available. Changes in the forecast prices of commodities, exchange rates, or production costs may change the economic status of the mineral resources, estimates of production from areas not included in the NI 43-101 reports, and management's intent to operate the property, and may ultimately have a material impact on the estimated remaining lives of the properties.

g) Exploration and evaluation assets and expenditures

Judgment is required in evaluating whether expenditures meet the criteria to be capitalized, including the probability that future economic benefits will be generated. Determination of probable future economic benefit is based on management's evaluation of the technical feasibility and commercial viability of the geological properties of a given ore body based on information obtained through evaluation activities, including metallurgical testing, mineral resource and reserve estimates and the economic assessment of whether the ore body can be mined economically.

## ACCOUNTING CHANGES

There have been no changes in accounting policy or new standards and interpretations not yet adopted during 2020.

## OUTSTANDING SHARE DATA

The Company's authorized capital consists of an unlimited number of common shares without par value, of which 989,092,585 are issued and outstanding as of the date of this MD&A.

In addition, there were approximately 26.7 million employee stock options outstanding, with exercise prices ranging between C$0.17 and C$1.59 per share and approximately 93.3 million common share purchase warrants outstanding with an exercise price of C$0.23 each. More information on these instruments, and the terms of their conversion, is set out in Notes 15 and 11, respectively, to our 2020 audited annual consolidated financial statements.

## OFF-BALANCE SHEET ARRANGEMENTS

The Company currently has no off-balance sheet arrangements.

# RELATED PARTY TRANSACTIONS AND BALANCES

## Glencore

As of December 31, 2020, Glencore owned 259,835,925 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 was a related party of the Company.

In addition, pursuant to a Services Agreement dated August 31, 2017 between the Company and Glencore, Glencore provides certain technical, financial and other advisory services to the Company, which are provided on a cost-recovery basis.

The Company has entered into the following transactions with Glencore:

| | | **2020** | 2019 | YoY | **Q4'20** | Q3'20 | Q4'19 | Q4'20 vs Q3'20 | Q4'20 vs Q4'19 |
|---|---|---|---|---|---|---|---|---|---|
| Net revenue on concentrate sales | $ | 212,884 | 386,110 | –45% | 68,086 | 50,157 | 91,466 | 36% | –26% |
| Settlement mark-to-market loss (gain) | | 1,534 | 23,485 | –93% | (1,047) | (9,891) | 310 | –89% | –438% |
| Other income[1] | | 3,075 | – | 100% | – | – | – | 0% | 0% |
| Professional services | | – | 250 | –100% | – | – | 63 | 0% | –100% |
| Interest expense | | 252 | – | 100% | 195 | 57 | – | 242% | 100% |

| | | **December 31, 2020** | December 31, 2019 |
|---|---|---|---|
| Settlement receivable from Glencore | $ | 51,311 | 32,472 |
| Payable to Glencore | | 48 | 73 |
| Glencore facility[2] | $ | 13,001 | – |

*[1] Relates to the settlement of the fixed pricing arrangement for the Caribou and Santander mines.*
*[2] Balance excludes capitalized transaction fees.*

## P.E. Minerals Namibia (Proprietary) Limited

P.E. Minerals Namibia (Proprietary) Limited is a minority shareholder of Rosh Pinah and is the holder of the mining licence for the Rosh Pinah mine, with the Company paying a market rate lease. The Ministry of Mines and Energy in Namibia approved the application for a 15-year extension of the mining licence on December 2, 2020.

## Key management compensation

The compensation for key management recognized in the statement of operations is summarized in the table below. Key management includes our directors and chief officers.

| | Year ended December 31, | | | |
|---|---|---|---|---|
| | | **2020** | | **2019** |
| Short-term employee benefits | $ | 3,266 | $ | 3,514 |
| Share-based payments | | 1,825 | | 933 |
| Termination benefits | | 2,967 | | 7,548 |
| Other short-term benefits | | 279 | | 140 |
| | $ | 8,337 | $ | 12,135 |

## USE OF NON-IFRS FINANCIAL PERFORMANCE MEASURES

This MD&A refers to the following non-IFRS financial performance measures: Earnings before interest, taxes, depreciation and amortization ("EBITDA"), Earnings before interest and taxes ("EBIT"), Adjusted EBITDA, Adjusted Earnings per Share, Net Debt, C1 Cash Cost and All-In Sustaining Cost ("AISC").

These measures are not recognized under IFRS as they do not have any standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. Trevali uses these measures internally to evaluate the underlying operating performance of the Company for the reporting periods presented. The use of these measures enables the Company to assess performance trends and to evaluate the results of the underlying business. Trevali understands that certain investors, and others who follow the Company's performance, also assess performance in this way.

The Company believes that these measures reflect our performance and are useful indicators of our expected performance in future periods. This data is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

### EBITDA and EBIT

EBITDA provides insight into overall business performance. This measure assists readers in understanding the ongoing cash generating potential of the business including liquidity to fund working capital, service debt, and fund capital expenditures and investment opportunities. EBITDA is profit attributable to shareholders before net finance expense, income taxes and depreciation, depletion, and amortization. EBIT is EBITDA after depreciation, depletion, and amortization. Other companies may calculate EBIT and EBITDA differently.

### Adjusted EBITDA, Adjusted EBIT and Adjusted Earnings per Share

Adjusted EBITDA consists of EBITDA less the impact of impairments or reversals of impairment and other non-cash and non-recurring expenses and recoveries. Adjusted EBIT consists of EBIT less the impact of impairments or reversals of impairment and other non-cash and non-recurring expenses and recoveries. These expenses and recoveries are removed from the calculation of EBITDA and EBIT as the Company does not believe they are reflective of the Company's ability to generate liquidity and its core operating results.

Adjusted Earnings per Share consists of net income or loss in the period less the impact of impairments or reversals of impairment, settlement mark-to-market, fair value (gain) loss on financial instruments, (gain) loss on foreign exchange, restructuring expenses and other income or expenses.

| | | 2020 | Q4'20 |
|---|---|---|---|
| Net loss | $ | (245,606) | (51,742) |
| Current income tax expense (recovery) | | 1,088 | (10) |
| Deferred income tax (recovery) expense | | (14,294) | 739 |
| Interest expense | | 10,262 | 2,808 |
| EBIT | | (248,550) | (48,205) |
| Depreciation, depletion and amortization | | 49,886 | 13,373 |
| EBITDA | | (198,664) | (34,832) |
| Settlement mark-to-market loss (gain) | | 1,534 | (1,047) |
| Fair value loss on financial instruments | | 7,318 | 6,032 |
| Other expense | | 3,866 | 4,372 |
| Restructuring expenses | | 5,428 | – |
| Impairment | | 197,008 | 43,589 |
| Loss on foreign exchange | | 2,470 | 1,987 |
| Adjusted EBITDA | $ | 18,960 | 20,101 |
| Net loss | $ | (245,606) | (51,742) |
| Loss on foreign exchange | | 2,470 | 1,987 |
| Impairment | | 197,008 | 43,589 |
| Restructuring expenses | | 5,428 | – |
| Other expense | | 3,866 | 4,372 |
| Fair value loss on financial instruments | | 7,318 | 6,032 |
| Settlement mark-to-market loss (gain) | | 1,534 | (1,047) |
| Adjusted net (loss) income | $ | (27,982) | 3,191 |
| Loss per Share | $ | (0.30) | (0.06) |
| Adjusted (Loss) Earnings per Share | $ | (0.03) | 0.00 |
| Weighted average number of shares outstanding – basic ('000) | | 817,341 | 861,359 |

## Net Debt

Net Debt demonstrates how the Company's debt is being managed and is defined as total current and non-current portions of debt and lease liabilities less cash and cash equivalents.

| | | December 31, 2020 | December 31, 2019 |
|---|---|---|---|
| Revolving Credit Facility, net of fees | $ | 104,287 | 63,730 |
| Glencore facility, net of fees | | 12,707 | – |
| Other loans | | 3,810 | – |
| VAT factoring facility | | – | 7,822 |
| Receivables factoring facility | | 12,650 | – |
| | | 133,454 | 71,552 |
| Leases | | 5,078 | 7,056 |
| Total debt | $ | 138,532 | 78,608 |
| Less: cash and cash equivalents | | 33,500 | 24,468 |
| Net Debt | **$** | 105,032 | 54,140 |

## C1 Cash Cost

This measures the estimated cash cost to produce a pound of payable zinc. This measure includes mine operating production expenses such as mining, processing, administration, indirect charges (including surface maintenance and camp), and smelting, refining and freight, distribution, royalties, and by-product metal revenues divided by pounds of payable zinc produced. C1 Cash Cost per pound of payable zinc produced does not include depreciation, depletion, and amortization, reclamation expenses, capital sustaining and exploration expenses.

## AISC

This measures the estimated cash costs to produce a pound of payable zinc plus the estimated capital sustaining costs to maintain the mine and mill. This measure includes the C1 Cash Cost per pound and capital sustaining costs divided by pounds of payable zinc produced. All-In Sustaining Cost per pound of zinc payable produced does not include depreciation, depletion, and amortization, reclamation and exploration expenses.

| | | Q4 2020 | | | | |
|---|---|---|---|---|---|---|
| | | Perkoa | Rosh Pinah | Santander | Caribou | Total |
| Mining | $ | 6,776 | 3,472 | 5,723 | – | 15,971 |
| Processing | | 5,123 | 2,086 | 2,605 | – | 9,814 |
| Maintenance | | 1,112 | 1,653 | 2,006 | – | 4,771 |
| General and administrative | | 3,181 | 748 | 948 | – | 4,877 |
| Smelting and refining | | 16,246 | 7,730 | 7,620 | – | 31,596 |
| Distribution | | 2,891 | 1,091 | 655 | – | 4,637 |
| Royalties | | 641 | 1,255 | 39 | – | 1,935 |
| Less: By-product revenues | | – | (5,871) | (2,926) | 33 | (8,764) |
| C1 total costs | | 35,970 | 12,164 | 16,670 | 33 | 64,837 |
| Sustaining CAPEX | | 3,596 | 2,998 | (33) | – | 6,561 |
| Lease payments | | 860 | – | – | – | 860 |
| AISC total costs | $ | 40,426 | 15,162 | 16,637 | 33 | 72,258 |
| Pounds of zinc payable produced | Mlbs | 37.2 | 19.4 | 17.6 | – | 74.2 |
| C1 Cash Cost | $/lbs | 0.97 | 0.63 | 0.95 | – | 0.87 |
| AISC | $/lbs | 1.09 | 0.78 | 0.95 | – | 0.97 |
| | | Q4 2019 | | | | |
| | | Perkoa | Rosh Pinah | Santander | Caribou | Total |
| C1 Cash Cost | $/lbs | 0.83 | 0.82 | 0.79 | 1.05 | 0.86 |
| AISC | $/lbs | 0.90 | 1.00 | 1.10 | 1.24 | 1.02 |

| | | 2020 | | | | |
|---|---|---|---|---|---|---|
| | | Perkoa | Rosh Pinah | Santander | Caribou | Total |
| Mining | $ | 29,614 | 13,301 | 18,230 | 7,225 | 68,370 |
| Processing | | 19,123 | 7,699 | 8,604 | 6,350 | 41,776 |
| Maintenance | | 3,854 | 5,893 | 6,936 | 894 | 17,577 |
| General and administrative | | 14,803 | 5,018 | 4,092 | 1,771 | 25,684 |
| Smelting and refining | | 60,743 | 31,167 | 27,889 | 9,561 | 129,360 |
| Distribution | | 12,135 | 3,557 | 2,436 | 354 | 18,482 |
| Royalties | | 2,287 | 3,432 | 116 | – | 5,835 |
| Less: By-product revenues | | – | (10,301) | (11,478) | (4,248) | (26,027) |
| C1 total costs | | 142,559 | 59,766 | 56,825 | 21,907 | 281,057 |
| Sustaining CAPEX | | 11,193 | 13,892 | 4,859 | 2,943 | 32,887 |
| Lease payments | | 4,229 | – | – | 28 | 4,257 |
| AISC total costs | $ | 157,981 | 73,658 | 61,684 | 24,878 | 318,201 |
| Pounds of zinc payable produced | Mlbs | 150.0 | 85.6 | 62.0 | 15.4 | 313.0 |
| C1 Cash Cost | $/lbs | 0.95 | 0.70 | 0.92 | 1.42 | 0.90 |
| AISC | $/lbs | 1.05 | 0.86 | 0.99 | 1.71 | 1.02 |
| | | 2019 | | | | |
| | | Perkoa | Rosh Pinah | Santander | Caribou | Total |
| C1 Cash Cost | $/lbs | 0.88 | 0.84 | 0.76 | 1.03 | 0.88 |
| AISC | $/lbs | 0.94 | 1.03 | 0.99 | 1.17 | 1.01 |

Sustaining capital expenditures are defined as those expenditures which do not increase payable mineral production at a mine site and excludes all expenditures at the Company’s projects and certain expenditures at the Company’s operating sites which are deemed expansionary in nature. The following table reconciles sustaining capital expenditures to the Company’s total capital expenditures:

| | 2020 | Q4'20 |
|---|---|---|
| Additions to property, plant and equipment | 42,793 | 8,221 |
| Sustaining capital expenditures | 32,887 | 6,561 |
| Non-operational capital expenditures[1] | 1,351 | 413 |
| Expansionary capital expenditures | 6,174 | 1,247 |
| Additions to right-of-use assets and other | 2,381 | – |

[1] Comprised of capital expenditures for Corporate and for Caribou for the period on care and maintenance.

## MANAGEMENT'S REPORT ON INTERNAL CONTROLS

### Disclosure Controls and Procedures ("DC&P")

Management, under the supervision of the President and Chief Executive Officer and the Chief Financial Officer, has designed DC&P which provide reasonable assurance that material information related to Trevali is identified and communicated on a timely basis.

### Internal Control over Financial Reporting ("ICFR")

The CEO and the CFO, with the assistance of management, conducted an evaluation of the effectiveness of the Company's internal control over financial reporting as at December 31, 2020. Based on the evaluation, the CEO and the CFO have concluded that as at December 31, 2020, the Company's internal control over financial reporting is effective, based on the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") on Internal Control — Integrated Framework (2013).

Our internal control system over disclosure controls and procedures is designed to provide reasonable assurance that material information relating to the Company is made known to management and disclosed to others and information required to be disclosed by the Company in our annual filings, interim filings or other reports filed or submitted by us under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation.

The inherent limitations in all control systems are such that they can provide only reasonable, not absolute, assurance that all control issues and instances of fraud or error, if any, within the Company have been detected. Therefore, no matter how well-designed, ICFR has limitations and can provide only reasonable assurance with respect to financial statement preparation and may not prevent and detect all misstatements.

As of December 31, 2020, Trevali's management evaluated the effectiveness of its disclosure controls. Based on that evaluation, the CEO and the CFO have concluded that Trevali's disclosure controls and procedures and internal controls over financial reporting, provide reasonable assurance that they were effective. There have been no changes in our internal control over financial reporting during the year ended December 31, 2020 that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

Management is responsible for establishing and maintaining adequate ICFR. Any system of ICFR, no matter how well designed, has inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

## NOTES TO READER

### Cautionary Note Regarding Forward-Looking Information and Statements

This MD&A contains "forward-looking information" within the meaning of Canadian securities legislation and "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995 (collectively, "forward-looking statements"). Forward-looking statements are based on the beliefs, expectations and opinions of management of the Company as of the date the statements are published, and the Company assumes no obligation to update any forward-looking statement, except as required by law.

Forward-looking statements relate to future events or future performance and reflect management's expectations or beliefs regarding future events including, but not limited to, statements with respect to the Company's growth strategies, expected annual savings from capital projects, anticipated effects of commodity prices on revenues, estimation of mineral reserves and mineral resources, the realization of mineral reserve estimates, the timing and amount of estimated future production, costs of production and capital expenditures, success of mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims, future anticipated property acquisitions, the content, cost, timing and results of future exploration programs and life of mine expectancies. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects", "outlook", "guidance", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might", "will be taken", "occur" or "be achieved" or the negative of these terms or comparable terminology. By their very nature, forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others, risks related to actual results of current exploration activities; changes in project parameters as plans continue to be refined; future prices of zinc, lead, silver and other minerals and the anticipated sensitivity of our financial performance to such prices; possible variations in ore reserves, grade or recoveries; dependence on key personnel; potential conflicts of interest involving our directors and officers; labour pool constraints; labour disputes; availability of infrastructure required for the development of mining projects; delays or inability to obtain governmental and regulatory approvals for mining operations or financing or in the completion of development or construction activities; counterparty risks; increased operating and capital costs; foreign currency exchange rate fluctuations; operating in foreign jurisdictions with risk of changes to governmental regulation; compliance with governmental regulations; compliance with environmental laws and regulations; land reclamation and mine closure obligations; challenges to title or ownership interest of our mineral properties; maintaining ongoing social license to operate; impact of climatic conditions on the Company's mining operations; corruption and bribery; limitations inherent in our insurance coverage; compliance with debt covenants; competition in the mining industry; our ability to integrate new acquisitions into our operations; cybersecurity threats; litigation; and other risks of the mining industry including, without limitation, other risks and uncertainties that are more fully described in the "Risks and Uncertainties" section of this MD&A and the "Risk Factors" section of our most recently filed Annual Information Form. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. Trevali provides no assurance that forward-looking statements will prove to be accurate, as actual results and future events may differ from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

**Qualified Person and Quality Control/Quality Assurance**

Yan Bourassa, Vice President, Technical Services of the Company, is a qualified person as defined by National Instrument 43-101 – Standards of Disclosure for Mineral Projects of the Canadian Securities Administrators and has supervised and approved the preparation of the scientific and technical information that forms the basis for this MD&A.

For a description of the key assumptions, parameters and methods used to estimate mineral reserves and resources, as well as data verification procedures and a general discussion of the extent to which the estimates of scientific and technical information may be affected by any known environmental, permitting, legal title, taxation, sociopolitical, marketing or other relevant factors, please see the technical reports for our material properties as filed by us on SEDAR at www.sedar.com.