Trevali
MINING CORPORATION

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three months ended March 31, 2019 and 2018

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

	Notes	March 31, 2019	December 31, 2018
ASSETS			
Current			
Cash and cash equivalents		$ 39,732	$ 65,462
Restricted cash		867	1,217
Settlement and other receivables	5	106,448	73,016
Prepaids		7,021	6,242
Inventories	6	51,610	63,161
		205,678	209,098
Reclamation bonds and other		8,435	8,471
Long-term receivables		9,834	12,387
Investment and advances	7	584	3,129
Exploration and evaluation assets	8	122,022	118,755
Property, plant and equipment	9	469,700	473,900
		$ 816,253	$ 825,740
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Current			
Accounts payable and accrued liabilities	10	$ 66,469	$ 58,541
Due to related parties	14	7	1,539
Debt	11	4,967	132,167
		71,443	192,247
Debt	11	96,465	257
Reclamation and rehabilitation provision		47,722	46,727
Other provisions		2,903	2,956
Deferred income tax		94,748	96,309
		313,281	338,496
Shareholders' equity			
Share capital	12	762,756	763,596
Share-based payment reserve	13	17,800	17,935
Deficit		(226,495)	(242,551)
Accumulated other comprehensive loss		(46,766)	(46,766)
		507,295	492,214
Non-controlling interests	18	(4,323)	(4,970)
		502,972	487,244
		$ 816,253	$ 825,740

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

Signed on behalf of the Board,

/s/ Mr. Russell Ball	*/s/ Mr. Anton Drescher*
Mr. Russell Ball, Director	Mr. Anton Drescher, Director

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

	Notes	Three months ended March 31, 2019		Three months ended March 31, 2018	
REVENUES	15	$	130,782	$	114,718
MINE OPERATING EXPENSES					
Production			64,090		51,604
Distribution			8,399		7,930
Royalties			3,632		4,194
Depreciation, depletion and amortization			23,856		14,382
			99,977		78,110
GROSS PROFIT			30,805		36,608
General and administrative			2,636		1,913
Operating profit			28,169		34,695
OTHER					
Loss (gain) on foreign exchange			1,719		(3,343)
Interest expense			2,207		3,414
Impairment	7		3,662		–
Other income			(30)		(6,126)
Income before taxes			20,611		40,750
Current income tax expense			7,461		4,948
Deferred income tax (recovery) expense			(2,966)		7,227
Net income for the period		$	16,116	$	28,575
Attributable to:					
Owners of Trevali		$	15,469	$	26,551
Non-controlling interests	18		647		2,024
		$	16,116	$	28,575
Income per share					
Basic		$	0.02	$	0.03
Diluted		$	0.02	$	0.03
Weighted average number of shares outstanding (000's)					
Basic			818,288		828,072
Diluted			819,003		837,568

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

(Expressed in thousands of United States Dollars – unaudited)

	Notes	Three months ended March 31, 2019	2018
Net income for the period		$ 16,116	$ 28,575
Other comprehensive loss			
Unrealized loss on investments in equity securities		$ –	$ (67)
Total comprehensive income for the period		$ 16,116	$ 28,508
Total comprehensive income attributable to:			
Owners of Trevali		$ 15,469	$ 26,484
Non-controlling interests		647	2,024
		$ 16,116	$ 28,508

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

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

	Notes	Three months ended March 31, 2019	2018
OPERATING ACTIVITIES			
Net income for the period		$ 16,116	$ 28,575
Items not affecting cash:			
Depreciation, depletion and amortization		23,856	14,382
Share-based payment (recovery) expenses		(50)	323
Unrealized loss (gain) on foreign exchange		749	(174)
Accrued interest and accretion		1,194	2,627
Deferred income tax		(2,966)	7,227
Impairment	7	3,662	–
Cash generated by operating activities before working capital changes		42,561	52,960
Changes in non-cash working capital items:			
Restricted cash		350	1,439
Settlement and other receivables		(33,712)	16,245
Prepaids		(767)	(1,449)
Inventories		10,382	(9,398)
Accounts payable and accrued liabilities		11,485	(11,068)
Due to related parties		(1,532)	(507)
Net cash provided by operating activities		28,767	48,222
INVESTING ACTIVITIES			
Recovery of value added taxes receivable		2,154	5,907
(Increase) decrease in reclamation bonds		(50)	896
Investment	7	–	(1,962)
Purchase of plant, equipment and exploration and evaluation assets		(12,964)	(14,973)
Net cash used in investing activities		(10,860)	(10,132)
FINANCING ACTIVITIES			
Share units settled in cash		(85)	(24)
Stock options and warrants exercised		–	836
Repayment of debt, net	11	(40,000)	(8,000)
Interest payments	11	(1,578)	(1,974)
Lease payments		(1,342)	(601)
Dividends paid to non-controlling interest	18	–	(1,991)
Share buy-back		(253)	–
Net cash used in financing activities		(43,258)	(11,754)
Effect of foreign exchange on cash		(379)	(7)
(Decrease) increase in cash and cash equivalents for the period		(25,730)	26,329
Cash and cash equivalents, beginning of the period		65,462	94,135
Cash and cash equivalents, end of the period		$ 39,732	$ 120,464

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

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

	Notes	Number of shares	Share capital	Share-based payment reserve	Deficit	Accumulated other comprehensive loss	Non-controlling interests	Total equity
December 31, 2018		818,496,085	$ 763,596	$ 17,935	$ (242,551)	$ (46,766)	$ (4,970)	$ 487,244
Net income and comprehensive income for the period		–	–	–	15,469	–	647	16,116
Share-based payment		–	–	(50)	–	–	–	(50)
Share units settled in cash		–	–	(85)	–	–	–	(85)
Share buy-back	12	(900,000)	(840)	–	587	–	–	(253)
March 31, 2019		817,596,085	$ 762,756	$ 17,800	$ (226,495)	$ (46,766)	$ (4,323)	$ 502,972

	Notes	Number of shares	Share capital	Share-based payment reserve	Deficit	Accumulated other comprehensive loss	Non-controlling interests	Total equity
December 31, 2017		825,725,260	$ 770,129	$ 20,626	$ (37,114)	$ (46,500)	$ 37,922	$ 745,063
Net income for the period		–	–	–	26,551	–	2,024	28,575
Unrealized loss on investment		–	–	–	–	(67)	–	(67)
Total comprehensive loss		–	–	–	26,551	(67)	2,024	28,508
Share-based payment		–	–	323	–	–	–	323
Share units issued	13	2,249,426	2,826	(2,826)	–	–	–	–
Exercise of options and warrants	13	2,117,699	836	–	–	–	–	836
Share units settled in cash		–	–	(24)	–	–	–	(24)
Reallocation of share-based payment on exercise of options and warrants		–	736	(736)	–	–	–	–
Dividends paid		–	–	–	–	–	(1,991)	(1,991)
March 31, 2018		830,092,385	$ 774,527	$ 17,363	$ (10,563)	$ (46,567)	$ 37,955	$ 772,715

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

1. DESCRIPTION OF BUSINESS AND NATURE OF OPERATIONS

Trevali Mining Corporation (“Trevali” or "Company") is a publicly listed company incorporated under the laws of British Columbia, Canada. The Company’s common shares are listed under the symbol (i) “TV” on both the Toronto Stock Exchange (“TSX”) and Bolsa de Valores de Lima in Peru, (ii) “TREVF” on the OTCQX International Quotation System in the United States, and (iii) “4T1” on the Frankfurt Stock Exchange. The Company’s registered office is located at 1400 – 1199 West Hastings Street, Vancouver, B.C., V6E 3T5, Canada.

The Company is a natural resource company engaged in the acquisition, exploration, development and production from mineral properties. The Company produces zinc concentrates from the Perkoa mine in Burkina Faso, and zinc and lead-silver concentrates from the Rosh Pinah mine in Namibia, the Caribou mine in the Bathurst Mining Camp, northern New Brunswick, Canada and the Santander mine in Peru. In addition, Trevali owns the Halfmile project and Restigouche polymetallic deposits in New Brunswick, Canada, the Ruttan mine in northern Manitoba, Canada, an effective 44% interest in the Gergarub project in Namibia and an option to acquire a majority position in the Heath Steele deposit located in New Brunswick, Canada.

2. BASIS OF PREPARATION

Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34: Interim Financial Reporting, using the same accounting policies and methods of application as the audited annual consolidated financial statements of the Company for the year ended December 31, 2018, except for the new IFRS policy with respect to leases adopted as of January 1, 2019 (see Note 3 below), which were prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS”). Certain information and note disclosures, normally included in the annual audited financial statements, have been omitted or condensed.

These condensed interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements of the Company for the years ended December 31, 2018 and 2017.

Approval of the financial statements

The condensed interim consolidated financial statements of Trevali Mining Corporation for the three months ended March 31, 2019 and 2018 were reviewed by the Audit Committee and approved by the Board of Directors on May 2, 2019 for issuance.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Leases

The impact of the adoption of IFRS 16: Leases (“IFRS 16”) on Trevali’s financial statements and the new accounting policies that have been applied from January 1, 2019 is described below.

Trevali has adopted IFRS 16 prospectively from January 1, 2019 and has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard.

The reclassifications and adjustments arising from the new leasing rules are therefore recognized in the opening statement of financial position on January 1, 2019.

Nature of leasing activities and accounting policy

Trevali leases certain buildings, including offices and warehouses and various items of equipment. Rental contracts are typically made for fixed periods of 2 to 6 years but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating were charged to the consolidated statement of operations on a straight-line basis over the period of the lease.

From January 1, 2019, leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the consolidated statement of operations over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee’s incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in consolidated statement of operations. Short-term leases are leases with a lease term of 12 months or less. Low-value assets are comprised primarily of IT-equipment.

Extension and termination options are included in several leases across the Company. These terms are used to maximize operational flexibility in terms of managing contracts.

(Expressed in thousands of United States Dollars – unaudited)

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee. During the current financial period, no lease terms have been revised.

Impact on adoption of IFRS 16

On adoption of IFRS 16, Trevali recognized lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17: Leases ("IAS 17"). These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of January 1, 2019. The weighted average lessee's incremental borrowing rate applied to the lease payments was 9.64%.

For leases previously classified as finance leases the Company recognized the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application. The measurement principles of IFRS 16 are only applied after that date.

Equipment held under finance lease arrangements continue to be presented within property, plant and equipment as right-of-use-assets. There has been no change in the amount recognized.

In applying IFRS 16 for the first time, Trevali has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- the accounting for operating leases with a remaining lease term of less than 12 months as at January 1, 2019 as short-term leases; and
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application.

Trevali has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Company relied on its assessment made applying IAS 17 and IFRIC 4: Determining whether an Arrangement contains a Lease.

The off-balance lease obligations as of December 31, 2018 are reconciled as follows to the recognized lease liabilities as of January 1, 2019:

Operating lease commitments disclosed as at December 31, 2018	$	12,055
Discounted using the lessee's incremental borrowing rate at the date of initial application		11,204
Add: finance lease liabilities recognized as at 31 December 2018		420
Less: short-term leases recognized on a straight-line basis as expense		(418)
Less: low-value leases recognized on a straight-line basis as expense		(939)
Lease liabilities recognized as at January 1, 2019	$	10,267
Current lease liabilities	$	5,012
Non-current lease liabilities	$	5,255

(Expressed in thousands of United States Dollars – unaudited)

4. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

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

Fair value of financial instruments

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

The carrying and fair values of the financial instruments are accounted for as follows:

- The fair values for short-term financial assets and liabilities, which include cash, restricted cash, settlement receivables, accounts payable and accrued liabilities, and due to related parties, approximate carrying values due to the immediate or short-term maturities of these financial instruments.
- The reclamation bonds are interest bearing and the carrying values represent fair values.
- For the lease liabilities, the market rate of interest is determined by reference to similar lease agreements.

Capital risk management

The Company's capital risk management objectives include continuing to operate as a going concern while maximizing the return to shareholders. The selling price of zinc and lead-silver concentrates and minimizing production costs and capital expenditures are key factors in helping the Company reach its capital risk management objectives. The capital structure of the Company includes shareholders' equity and debt.

5. SETTLEMENT AND OTHER RECEIVABLES

		March 31, 2019		December 31, 2018
Settlement receivables – Glencore (Note 14)	$	77,524	$	56,091
Sales tax and income taxes		21,136		15,281
Other		7,788		1,644
	$	106,448	$	73,016

6. INVENTORIES

		March 31, 2019		December 31, 2018
Mineralized stockpiles	$	5,791	$	3,687
Concentrates				
Site		9,909		23,683
In-transit		5,662		4,483
Port		2,781		5,565
Materials and supplies		27,467		25,743
	$	51,610	$	63,161

(Expressed in thousands of United States Dollars – unaudited)

7. INVESTMENT AND ADVANCES

		March 31, 2019		December 31, 2018
Investment and advances	$	584	$	3,129

During April 2018, Trevali entered into an option agreement with Puma Exploration Inc. ("Puma") pursuant to which Trevali had an option to acquire an interest in the Murray Brook Deposit and formed a strategic exploration alliance in the northern portion of the Bathurst Mining Camp in New Brunswick.

As part of this agreement, Trevali had the option to advance up to $5.5 million of funding to Puma in order for Puma to finalize the 100-percent acquisition of the Murray Brook Deposit ultimately leading to a 75:25 percent ownership interest between Trevali and Puma, respectively, and a 51:49 percent ownership in the Murray Brook East Property, respectively.

As at March 31, 2019, Trevali advanced $2.7 million to Puma to fund a portion of the remaining Murray Brook purchase price and invested $0.4 million in Puma units consisting of 5,555,556 common shares at C$0.09 per share and 2,777,777 warrants exercisable at C$0.12 per share (each warrant is fully transferrable with a three-year term expiring on February 28, 2021).

During the first quarter of 2019, Trevali declined to exercise the option to acquire the 75% interest in the Murray Brook Deposit described above and, consequently, recognized an impairment of $3.6 million ($2.7 million of advances and $0.9 million of exploration and evaluation assets).

8. EXPLORATION AND EVALUATION ASSETS

		Perkoa Mine Burkina Faso	Gergarub and other Namibia	Halfmile, Stratmat and other Canada	Santander	Total
January 1, 2018	$	219	37,213	24,736	–	62,168
Net additions		2,068	1,706	3,493	5,570	12,837
Reclassification (Note 9)		–	–	89,756	5,508	95,264
Impairment		–	–	(51,514)	–	(51,514)
December 31, 2018	$	2,287	38,919	66,471	11,078	118,755
Net additions		1,035	612	627	210	2,484
Reclassifications (Note 9)		1,700	–	–	–	1,700
Impairment (Note 7)		–	–	(917)	–	(917)
March 31, 2019	$	5,022	39,531	66,181	11,288	122,022

The Company has an indirect effective 44% (2018: 44%) interest in the Gergarub project (Namibia) and a 100% interest in the Heath Steele Option (Canada) and various exploration properties in Burkina Faso.

During 2018, the Company reclassified the $81.8 million carrying value of Halfmile from property, plant and equipment (Mine development). Following the reclassification, a net impairment of $62.2 million ($73.2 million exploration and evaluation assets and $11.0 million deferred income tax) was recorded relating to Halfmile following a valuation review following the decline in commodity prices. In addition, the Company wrote off $9.6 million representing the full carrying value of Stratmat which is no longer considered commercially viable.

(Expressed in thousands of United States Dollars – unaudited)

9. PROPERTY, PLANT AND EQUIPMENT

	Buildings and infrastructure	Mine development	Equipment and other	Total
Net book value				
January 1, 2019	$ 162,211	$ 229,826	$ 81,863	$ 473,900
IFRS 16 adoption (Note 3)	1,871	–	7,977	9,848
January 1, 2019 – restated	164,082	229,826	89,840	483,748
Additions	63	8,186	2,232	10,481
Depreciation	(8,851)	(10,312)	(3,523)	(22,686)
Reclassification (Note 8)	(545)	667	(1,822)	(1,700)
Change in reclamation and rehabilitation provision	–	(143)	–	(143)
March 31, 2019	$ 154,749	$ 228,224	$ 86,727	$ 469,700
Gross carrying value	$ 237,082	$ 540,291	$ 111,931	$ 889,304
Accumulated depreciation and impairment	$ (82,333)	$ (312,067)	$ (25,204)	$ (419,604)

	Buildings and infrastructure	Mine development	Equipment and other	Total
Net book value				
January 1, 2018	$ 198,059	$ 492,076	$ 70,611	$ 760,746
Additions	3,015	50,573	23,134	76,722
Disposals	–	(1,473)	(1,550)	(3,023)
Depreciation	(26,815)	(31,605)	(9,142)	(67,562)
Impairment	(12,110)	(182,784)	(3,585)	(198,479)
Reclassification (Note 8)	62	(97,721)	2,395	(95,264)
Change in reclamation and rehabilitation provision	–	760	–	760
December 31, 2018	$ 162,211	$ 229,826	$ 81,863	$ 473,900
Gross carrying value	$ 235,693	$ 531,581	$ 103,544	$ 870,818
Accumulated depreciation and impairment	$ (73,482)	$ (301,755)	$ (21,681)	$ (396,918)

Equipment and other includes expenditure for construction in progress during the period of $1.2 million (2018: $13.0 million).

Right-of use assets were measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized on the consolidated statement of position as at December 31, 2018.

Right-of-use assets included in property, plant and equipment relates to the following types of assets:

	March 31, 2019	**January 1, 2019**
Buildings and infrastructure	$ 1,764	$ 1,872
Equipment and other	7,987	8,575
Total right-of-use assets	$ 9,751	$ 10,447

(Expressed in thousands of United States Dollars – unaudited)

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		March 31, 2019		December 31, 2018
Trade payables	$	34,934	$	32,318
Accrued payroll and other		17,557		18,097
Income taxes		6,453		785
Burkina Faso royalty		2,798		2,666
Burkina Faso community development		4,134		3,760
Other		593		915
	$	66,469	$	58,541

11. DEBT

		March 31, 2019		December 31, 2018
Revolving Credit Facility, net of fees	$	92,282	$	132,004
Lease liabilities[1]		9,150		420
Total debt	$	101,432	$	132,424
Current		4,967		132,167
Non-current	$	96,465	$	257

[1] The Company adopted IFRS: 16 Leases prospectively on January 1, 2019, see Note 3 for more details.

Credit Facilities

During September 2018, Trevali entered into an amended and restated credit agreement with a syndicate of lenders for a $275,000 Revolving Credit Facility (“Facility”). This Facility replaced the $160,000 term facility and $30,000 revolving facility entered into in August 2017.

This Facility bears interest on a sliding scale: (i) at a rate of LIBOR plus between 2.0% to 3.0%; or (ii) at a base rate plus between 1.0% to 2.0%, based on the Company’s consolidated leverage ratio. Commitment fees for the undrawn portion of the Facility will also be on a sliding scale between 0.45% to 0.68%. The Facility matures in four years on September 18, 2022.

Trevali has letters of credit, issued under the Facility, totaling $9.9 million to support $6.1 million in various reclamation bonding requirements with its Caribou Mine and $3.8 million to secure funding receipts related to a long-term receivable.

Trevali must maintain certain financial covenants including tangible net worth, interest coverage and leverage ratios. As at March 31, 2019, Trevali was in full compliance with these covenants.

Lease liabilities

Contractual undiscounted cash flows		March 31, 2019		December 31, 2018
Less than one year	$	3,927	$	167
One to four years		6,007		440
More than four years		243		–
Total undiscounted lease liabilities	$	10,177	$	607
Lease liabilities included in the statement of financial position				
Current	$	4,967	$	163
Non-current		4,183		257
	$	9,150	$	420

(Expressed in thousands of United States Dollars – unaudited)

12. SHARE CAPITAL

Authorized: Unlimited number of common shares without par value.

During the three months ended March 31, 2019, the Company purchased and cancelled 900,000 common shares for total consideration of $0.3 million under the normal course issuer bid announced in November 2018 to purchase and cancel up to 40,000,000 common shares. As at March 31, 2019, the Company has purchased and cancelled a cumulative total of 13,600,000 common shares for total consideration of $3.8 million since November 2018.

13. SHARE-BASED PAYMENT RESERVE

Stock options

As at March 31, 2019 and December 31, 2018, Trevali had outstanding stock options enabling the holders to acquire common shares as follows:

	March 31, 2019			**December 31, 2018**		
Expiry date	Exercise price (C$)	Number of options	Exercisable	Exercise price (C$)	Number of options	Exercisable
June 24, 2019	$1.01	886,200	886,200	$1.01	886,200	886,200
August 15, 2019	$1.29	188,500	188,500	$1.29	188,500	188,500
January 30, 2020	$1.03	2,584,794	2,584,794	$1.03	2,584,794	2,584,794
June 1, 2021	$0.45	2,740,500	2,740,500	$0.45	2,740,500	2,740,500
January 20, 2022	$1.21	1,277,100	1,277,100	$1.21	1,277,100	1,277,100
August 31, 2022	$1.59	553,540	184,513	$1.59	553,540	184,513
January 23, 2023	$1.52	1,585,600	528,533	$1.52	1,585,600	–
January 23, 2023	$0.90	200,300	66,767	$0.90	200,300	–
	$1.00	10,016,534	8,456,907	$1.00	10,016,534	7,861,607

At March 31, 2019, the weighted average remaining contractual life of the stock options was 2.1 years (December 31, 2018 – 2.3 years).

Stock option transactions are as follows:

	March 31, 2019		**December 31, 2018**	
	Number of options	Weighted average exercise price (C$)	Number of options	Weighted average exercise price (C$)
Opening	10,016,534	$1.00	9,908,901	$0.79
Granted	–	–	1,785,900	$1.45
Exercised	–	–	(1,649,367)	$0.75
Forfeited	–	–	(28,900)	$1.21
Closing	10,016,534	$1.00	10,016,534	$1.00

There were no options exercised in the three-month period ended March 31, 2019. The weighted average market price on the exercise of options for the year ended December 31, 2018 was C$1.30.

(Expressed in thousands of United States Dollars – unaudited)

The fair value of stock options granted was estimated using the Black-Scholes option pricing model with the following weighted average calculations for the year ended December 31, 2018. There were no stock options granted during the three months ended March 31, 2019.

	December 31, 2018
Risk-free interest rate	2.03%
Expected life of options	5 years
Annualized volatility	63.79%
Dividend rate	nil
Forfeiture rate	5.27%

Warrants

Warrants transactions are summarized as follows:

	March 31, 2019		December 31, 2018	
	Number of warrants	Weighted average exercise price (C$)	Number of warrants	Weighted average exercise price (C$)
Opening	714,560	$0.35	2,286,592	$0.35
Exercised	–	–	(1,572,032)	$0.35
Closing	714,560	$0.35	714,560	$0.35

The weighted average market price on the exercise of warrants for the year ended December 31, 2018 was C$1.23.

All warrants expire on December 31, 2020.

Bonus Shares, RSUs and DSUs

During the three months ended March 31, 2019, Trevali recorded $0.3 million in share-based payment expense recovery (2018 – $0.2 million of share-based payment expense) related to the incentive plan for the grant of bonus shares, RSUs and DSUs.

Bonus share, RSU and DSU transactions are summarized as follows:

	Bonus shares	
	Number of units	Weighted average fair value (C$)
January 1, 2018	2,249,426	$0.74
Redeemed	(2,249,426)	$0.74
December 31, 2018 and March 31, 2019	–	–

(Expressed in thousands of United States Dollars – unaudited)

	RSUs		DSUs	
	Number of units	Weighted average fair value (C$)	Number of units	Weighted average fair value (C$)
January 1, 2018	298,090	$1.56	605,893	$0.86
Granted	1,068,100	$1.31	269,800	$1.52
Forfeited	(128,300)	$1.52	–	–
Redeemed	(99,362)	$0.76	(156,433)	$1.39
December 31, 2018	1,138,528	$1.40	719,260	$1.00
Redeemed	(313,262)	$0.37	–	–
March 31, 2019	825,266	$1.79	719,260	$1.00

14. RELATED PARTY TRANSACTIONS AND BALANCES

Glencore

As of March 31, 2019, Glencore owns 210,835,925 Trevali common shares representing approximately 25.8% of the total issued and outstanding common shares. Glencore purchases Trevali's concentrate production under separate off-take agreements with each of its mines.

Trevali entered into the following transactions during the three months ended March 31, 2019 and 2018:

	Three months ended March 31, 2019	Three months ended March 31, 2018
Net revenue on concentrate sales	$ 130,782	$ 114,718
Production costs	–	5,470
Mine development[1]	–	3,036
Interest expense on concentrate sales advances	$ –	$ 362

	March 31, 2019	December 31, 2018
Payable to Glencore	$ 7	$ 1,539

[1] Capitalized to property, plant and equipment.

P.E. Minerals Namibia (Proprietary) Limited

P.E. Minerals Namibia (Proprietary) Limited is a minority shareholder of Rosh Pinah and owns the right to use the Rosh Pinah Mine Grant Number ML39 with Trevali paying a market rate lease. This mining licence expires during 2020 and negotiations with the Ministry of Mines and Energy in Namibia to renew the license commenced in 2018. Management does not foresee any reason for the license application to be denied.

(Expressed in thousands of United States Dollars – unaudited)

15. REVENUES

	Zinc	Lead-Silver	Total
Three months ended March 31, 2019			
Revenues	$ 154,749	$ 15,643	$ 170,392
Provisional pricing adjustments	5,733	(164)	5,569
Smelting and refining charges	42,130	3,049	45,179
Revenues, net	$ 118,352	$ 12,430	$ 130,782
Three months ended March 31, 2018			
Revenues	$ 133,231	$ 13,759	$ 146,990
Provisional pricing adjustments	(3,186)	9	(3,177)
Smelting and refining charges	25,993	3,102	29,095
Revenues, net	$ 104,052	$ 10,666	$ 114,718

Revenues are disclosed net of smelting and refining charges consistent with industry standards.

16. SEGMENTED INFORMATION

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

Three-month period ended March 31, 2019						
	Perkoa Mine	Rosh Pinah Mine	Caribou Mine	Santander Mine	Corporate and other	Total
Revenues	$ 51,324	$ 35,734	$ 22,455	$ 21,269	$ –	$ 130,782
Mine operating expenses	33,814	15,246	17,509	9,552	–	76,121
General and administration	–	–	–	–	2,636	2,636
Adjusted EBITDA	17,510	20,488	4,946	11,717	(2,636)	52,025
Depreciation, depletion and amortization	9,838	6,302	3,770	3,922	24	23,856
Adjusted EBIT	7,672	14,186	1,176	7,795	(2,660)	28,169
Loss on foreign exchange						1,719
Interest expense						2,207
Impairment						3,662
Other income, net						(30)
Income tax expense						4,495
Net income						16,116
Capital expenditures	1,396	3,719	2,339	2,784	243	10,481
Exploration expenditures						2,484
Assets	350,478	306,184	118,628	92,338	(51,375)	816,253
Liabilities	(431,514)	(167,314)	(126,044)	(56,170)	467,761	(313,281)
Net (liabilities) assets	$ (81,036)	$ 138,870	$ (7,416)	$ 36,168	$ 416,386	$ 502,972

(Expressed in thousands of United States Dollars – unaudited)

Three-month period ended March 31, 2018						
	Perkoa Mine	Rosh Pinah Mine	Caribou Mine	Santander Mine	Corporate and other	Total
Revenues	$ 36,852	$ 33,192	$ 28,072	$ 16,602	$ –	$ 114,718
Mine operating expenses	23,719	16,038	14,562	9,409	–	63,728
General and administration	–	–	–	–	1,913	1,913
Adjusted EBITDA	13,133	17,154	13,510	7,193	(1,913)	49,077
Depreciation, depletion and amortization	3,242	5,519	3,459	2,160	2	14,382
Adjusted EBIT	9,891	11,635	10,051	5,033	(1,915)	34,695
Gain on foreign exchange						(3,343)
Interest expense						3,414
Other income, net						(6,126)
Income tax expense						12,175
Net income						28,575
Capital expenditures	2,750	4,464	4,800	4,305	160	16,479
Exploration expenditures						452
Assets	298,885	400,639	186,747	164,174	146,521	1,196,966
Liabilities	(362,356)	(120,334)	(141,298)	(39,962)	239,699	(424,251)
Net (liabilities) assets	$ (63,471)	$ 280,305	$ 45,449	$ 124,212	$ 386,220	$ 772,715

17. SUPPLEMENTAL CASH FLOWS INFORMATION

Non-cash investing and financing transactions consist of the following:

	Three months ended March 31,	
	2019	**2018**
Due to related parties included in property, plant and equipment	$ –	$ 1,112
Accounts payable and accrued liabilities included in property, plant and equipment	$ 5,082	$ 4,309
Fair value of bonus shares, RSUs and DSUs issued	$ –	$ 2,826

(Expressed in thousands of United States Dollars – unaudited)

18. NON-CONTROLLING INTERESTS

	Perkoa Mine	Rosh Pinah Mine	Total
January 1, 2019	$ (23,103)	$ 18,133	$ (4,970)
Net (loss) income attributable to non-controlling interests	(162)	809	647
March 31, 2019	$ (23,265)	$ 18,942	$ (4,323)
January 1, 2018	$ (20,166)	$ 58,088	$ 37,922
Net loss attributable to non-controlling interests	(2,937)	(5,433)	(8,370)
Dividends paid to non-controlling interests	–	(2,991)	(2,991)
Share buy-back	–	(31,531)	(31,531)
December 31, 2018	$ (23,103)	$ 18,133	$ (4,970)

On May 31, 2018, Trevali's majority-owned operating subsidiary Rosh Pinah Zinc Corporation (Proprietary) Limited ("Rosh Pinah") in Namibia completed a partial share buy-back of issued Rosh Pinah shares under agreements with its Namibian shareholders for an aggregate amount of $23.1 million (net of transaction fees). The tendered shares were subsequently cancelled increasing Trevali's effective beneficial ownership in Rosh Pinah from 80.1% to 90.0%.