TREVALI

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three and six months ended June 30, 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	June 30, 2019	December 31, 2018
ASSETS			
Current			
Cash and cash equivalents		$ 52,823	$ 65,462
Restricted cash		1,718	1,217
Settlement and other receivables	5	45,009	73,016
Prepaids		9,082	6,242
Inventories	6	54,540	63,161
		163,172	209,098
Reclamation bonds and other		8,596	8,471
Long-term receivables		11,888	12,387
Investment and advances	7	1,335	3,129
Exploration and evaluation assets	8	117,680	118,755
Property, plant and equipment	9	469,024	473,900
		$ 771,695	$ 825,740
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Current			
Accounts payable and accrued liabilities	10	$ 66,915	$ 58,541
Due to related parties	14	53	1,539
Debt	11	4,554	132,167
		71,522	192,247
Debt	11	83,087	257
Reclamation and rehabilitation provision		49,341	46,727
Other provisions		3,088	2,956
Deferred income tax		94,172	96,309
		301,210	338,496
Shareholders' equity			
Share capital	12	758,662	763,596
Share-based payment reserve	13	18,095	17,935
Deficit		(253,363)	(242,551)
Accumulated other comprehensive loss		(46,766)	(46,766)
		476,628	492,214
Non-controlling interests	18	(6,143)	(4,970)
		470,485	487,244
		$ 771,695	$ 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
Mr. Russell Ball, Director

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

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

	Notes	Three months ended June 30, 2019	Three months ended June 30, 2018	Six months ended June 30, 2019	Six months ended June 30, 2018
REVENUES	15	$ 64,421	$ 133,914	$ 195,203	$ 248,632
MINE OPERATING EXPENSES					
Production		53,540	54,458	117,630	106,062
Distribution		6,834	6,354	15,233	14,284
Royalties		2,602	2,736	6,234	6,930
Depreciation, depletion and amortization		20,485	24,240	44,341	38,622
		83,461	87,788	183,438	165,898
GROSS (LOSS) PROFIT		(19,040)	46,126	11,765	82,734
General and administrative		1,763	2,169	4,399	4,081
Operating (loss) profit		(20,803)	43,957	7,366	78,653
OTHER					
Loss on foreign exchange		698	4,481	2,417	1,138
Interest expense		2,103	3,032	4,310	6,446
Restructuring expenses		6,832	–	6,832	–
Impairment	7	–	–	3,662	–
Other (income) loss		(405)	4,931	(435)	(1,195)
(Loss) Income before taxes		(30,031)	31,513	(9,420)	72,264
Current income tax		1,845	4,909	9,306	9,857
Deferred income tax (recovery) expense		(313)	3,150	(3,279)	10,377
NET (LOSS) INCOME		$ (31,563)	$ 23,454	$ (15,447)	$ 52,030
Other comprehensive loss					
Unrealized loss on investments in equity securities		–	(109)	–	(176)
Total comprehensive (loss) income		(31,563)	23,345	(15,447)	51,854
Net (loss) Income attributable to:					
Owners of Trevali		$ (29,743)	$ 21,154	$ (14,274)	$ 47,706
Non-controlling interests	18	(1,820)	2,300	(1,173)	4,324
		$ (31,563)	$ 23,454	$ (15,447)	$ 52,030
Total comprehensive (loss) income attributable to:					
Owners of Trevali		(29,743)	21,045	(14,274)	47,530
Non-controlling interests		(1,820)	2,300	(1,173)	4,324
		$ (31,563)	$ 23,345	$ (15,447)	$ 51,854
(Loss) Income per share					
Basic		$ (0.04)	$ 0.03	$ (0.02)	$ 0.06
Diluted		$ (0.04)	$ 0.03	$ (0.02)	$ 0.06
Weighted average number of shares outstanding	**(000's)**				
Basic		815,470	830,776	816,872	829,432
Diluted		815,470	837,742	816,872	837,863

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 June 30, 2019	Three months ended June 30, 2018	Six months ended June 30, 2019	Six months ended June 30, 2018
OPERATING ACTIVITIES					
Net (loss) income	15	$ (31,563)	$ 23,454	$ (15,447)	$ 52,030
Items not affecting cash:					
Depreciation, depletion and amortization		20,485	24,240	44,341	38,622
Share-based payment expenses		311	295	261	618
Unrealized (gain) loss on foreign exchange		(142)	(1,572)	607	(1,747)
Accrued interest and accretion		3,736	2,511	4,930	5,138
Deferred income tax		(313)	3,150	(3,279)	10,377
Impairment		–	–	3,662	–
Cash (used in) generated by operating activities before working capital changes		(7,486)	52,078	35,075	105,038
Changes in non-cash working capital items:					
Restricted cash		(906)	10	(556)	1,449
Settlement and other receivables		65,188	(2,440)	31,476	13,805
Prepaids		(2,279)	(4,694)	(3,046)	(6,143)
Inventories		(3,838)	10,884	6,544	1,486
Accounts payable and accrued liabilities		3,374	(10,451)	14,859	(21,519)
Due to related parties		47	(5,815)	(1,485)	(6,322)
Net cash provided by operating activities		54,100	39,572	82,867	87,794
INVESTING ACTIVITIES					
Value-added taxes receivable		(5,085)	1,590	(2,931)	7,497
Reclamation bonds		135	(2,857)	85	(1,961)
Investment		–	(1,147)	–	(3,109)
Purchase of plant, equipment and exploration and evaluation assets		(21,001)	(22,117)	(33,965)	(37,090)
Rosh Pinah share buy-back		–	(23,101)	–	(23,101)
Net cash used in investing activities		(25,951)	(47,632)	(36,811)	(57,764)
FINANCING ACTIVITIES					
Share units settled in cash		(16)	–	(101)	(24)
Stock options and warrants exercised		–	550	–	1,386
Repayment of debt, net		(13,000)	(8,000)	(53,000)	(16,000)
Interest payments		(702)	(1,951)	(2,280)	(3,925)
Lease payments		(1,348)	(589)	(2,690)	(1,190)
Dividends paid to non-controlling interest		–	–	–	(1,991)
Share buy-back		(1,221)	–	(1,474)	–
Net cash used in financing activities		(16,287)	(9,990)	(59,545)	(21,744)
Effect of foreign exchange on cash		1,229	(2)	850	(9)
Increase (Decrease) in cash and cash equivalents for the period		13,091	(18,052)	(12,639)	8,277
Cash and cash equivalents, beginning of the period		39,732	120,464	65,462	94,135
Cash and cash equivalents, end of the period		$ 52,823	$ 102,412	$ 52,823	$ 102,412

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 loss and total comprehensive loss		–	–	–	(14,274)	–	(1,173)	(15,447)
Share-based payment		–	–	261	–	–	–	261
Share units settled in cash		–	–	(101)	–	–	–	(101)
Share buy-back	12	(5,289,000)	(4,934)	–	3,462	–	–	(1,472)
June 30, 2019		813,207,085	$ 758,662	$ 18,095	$ (253,363)	$ (46,766)	$ (6,143)	$ 470,485
December 31, 2017		825,725,260	$ 770,129	$ 20,626	$ (37,114)	$ (46,500)	$ 37,922	$ 745,063
Net income for the period		–	–	–	47,706	–	4,324	52,030
Unrealized loss on investment		–	–	–	–	(176)	–	(176)
Total comprehensive (loss) income		–	–	–	47,706	(176)	4,324	51,854
Share-based payment		–	–	618	–	–	–	618
Share units issued	13	2,249,426	2,826	(2,826)	–	–	–	–
Exercise of options and warrants	13	3,181,199	1,386	–	–	–	–	1,386
Share units settled in cash		–	–	(24)	–	–	–	(24)
Reallocation of share-based payment on exercise of options and warrants		–	1,073	(1,073)	–	–	–	–
Dividends paid		–	–	–	–	–	(1,991)	(1,991)
Change in ownership interest in Rosh Pinah		–	–	–	8,430	–	(31,531)	(23,101)
June 30, 2018		831,155,885	$ 775,414	$ 17,321	$ 19,022	$ (46,676)	$ 8,724	$ 773,805

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 and six months ended June 30, 2019 and 2018 were reviewed by the Audit Committee and approved for issuance by the Board of Directors on July 31, 2019.

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 leases 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 is 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 the 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 the 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.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not. 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.

(Expressed in thousands of United States Dollars – unaudited)

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 sheet 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 December 31, 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

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, 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.

(Expressed in thousands of United States Dollars – unaudited)

5. SETTLEMENT AND OTHER RECEIVABLES

		June 30, 2019		December 31, 2018
Settlement receivables – Glencore (Note 14)	$	21,006	$	56,091
Sales tax and income taxes		18,473		15,281
Other		5,530		1,644
	$	45,009	$	73,016

6. INVENTORIES

		June 30, 2019		December 31, 2018
Mineralized stockpiles	$	5,499	$	3,687
Concentrates				
Site		7,089		23,683
In-transit		4,797		4,483
Port		8,752		5,565
Materials and supplies		28,403		25,743
	$	54,540	$	63,161

7. INVESTMENT AND ADVANCES

		June 30, 2019		December 31, 2018
Investment and advances	$	1,335	$	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.

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 Burkina Faso		Gergarub and other Namibia		Halfmile, Stratmat and other Canada		Santander Peru		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		2,246		1,056		649		1,080		5,031
Reclassifications (Note 9)		1,700		–		–		(6,889)		(5,189)
Impairment (Note 7)		–		–		(917)		–		(917)
June 30, 2019	$	6,233	$	39,975	$	66,203	$	5,269	$	117,680

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 $30.9 million ($41.9 million exploration and evaluation assets and $11.0 million deferred income tax) was recorded relating to Halfmile following a valuation review due to the decline in commodity prices as at December 31, 2018. 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		7,976	9,847
January 1, 2019 – restated	164,082	229,826	89,839	483,747
Additions	591	16,742	6,945	24,278
Disposals	(17)	-	-	(17)
Depreciation	(16,562)	(17,379)	(8,323)	(42,264)
Reclassification (Note 8)	(24,948)	29,187	(1,565)	2,674
Change in reclamation and rehabilitation provision	–	606	–	606
June 30, 2019	$ 123,146	$ 258,982	$ 86,896	$ 469,024
Gross carrying value	$ 213,190	$ 578,116	$ 116,900	$ 908,206
Accumulated depreciation and impairment	$ (90,044)	$ (319,134)	$ (30,004)	$ (439,182)

	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 $2.5 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 financial position as at December 31, 2018.

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

	June 30, 2019	**January 1, 2019**
Buildings and infrastructure	$ 1,656	$ 1,872
Equipment and other	7,399	8,575
Total right-of-use assets	$ 9,055	$ 10,447

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	June 30, 2019	**December 31, 2018**
Trade payables	$ 37,247	$ 32,318
Accrued payroll and other	19,326	18,097
Income taxes	2,691	785
Burkina Faso royalty	2,461	2,666
Burkina Faso community development	4,637	3,760
Other	553	915
	$ 66,915	$ 58,541

(Expressed in thousands of United States Dollars – unaudited)

11. DEBT

		June 30, 2019		December 31, 2018
Revolving Credit Facility, net of fees	$	79,589	$	132,004
Lease liabilities[1]		8,052		420
Total debt	$	87,641	$	132,424
Current		4,554		132,167
Non-current	$	83,087	$	257

[1] The Company adopted IFRS 16 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 are 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 June 30, 2019, Trevali was in full compliance with these covenants.

Lease liabilities

Contractual undiscounted cash flows		June 30, 2019		December 31, 2018
Less than one year	$	4,912	$	167
One to four years		4,120		440
More than four years		34		–
Total undiscounted lease liabilities	$	9,066	$	607
Lease liabilities included in the statement of financial position				
Current	$	4,554	$	163
Non-current		3,498		257
	$	8,052	$	420

12. SHARE CAPITAL

Authorized: Unlimited number of common shares without par value.

During the three and six months ended June 30, 2019, the Company purchased and cancelled 4,389,000 common shares and 5,289,000 common shares, respectively, for total consideration of $1.2 million and $1.5 million, respectively, under the normal course issuer bid announced in November 2018 to purchase and cancel up to 40,000,000 common shares. As at June 30, 2019, the Company has purchased and cancelled a cumulative total of 17,989,000 common shares for total consideration of $5.0 million since November 2018.

(Expressed in thousands of United States Dollars – unaudited)

13. SHARE-BASED PAYMENT RESERVE

Stock options

As at June 30, 2019 and December 31, 2018, Trevali had outstanding stock options enabling the holders to acquire common shares as follows:

	June 30, 2019			December 31, 2018		
Expiry date	Exercise price (C$)	Number of options	Vested and exercisable	Exercise price (C$)	Number of options	Vested and exercisable
June 24, 2019	–	–	–	$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	427,647	246,021	$1.59	553,540	184,513
January 23, 2023	$1.52	1,287,919	630,718	$1.52	1,585,600	–
January 23, 2023	$0.90	200,300	66,767	$0.90	200,300	–
April 10, 2024	$0.47	3,020,957	20,657	–	–	–
	$0.85	11,727,717	7,755,057	$1.00	10,016,534	7,861,607

At June 30, 2019, the weighted average remaining contractual life of the stock options was 2.7 years (December 31, 2018 – 2.3 years).

Stock option transactions are as follows:

	June 30, 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	3,475,800	0.47	1,785,900	$1.45
Exercised	–	–	(1,649,367)	$0.75
Forfeited	(878,417)	0.99	(28,900)	$1.21
Expired	(886,200)	1.01	–	–
Closing	11,727,717	0.85	10,016,534	$1.00

There were no options exercised in the three and six-month period ended June 30, 2019. The weighted average market price on the exercise of options for the year ended December 31, 2018 was C$1.30.

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

	June 30, 2019	December 31, 2018
Risk-free interest rate	1.59%	2.03%
Expected life of options	5 years	5 years
Annualized volatility	66.74%	63.79%
Dividend rate	Nil	Nil
Forfeiture rate	4.92%	5.27%

Warrants

Warrant transactions are summarized as follows:

	June 30, 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.

(Expressed in thousands of United States Dollars – unaudited)

Bonus Shares, restricted share units ("RSUs"), deferred share units ("DSUs") and performance share units ("PSUs")

During the six months ended June 30, 2019, Trevali recorded $0.1 million in share-based payment expense (2018 – $0.2 million of share-based payment expense) related to the incentive plan for the grant of bonus shares, RSUs and DSUs.

On May 8, 2019, the Company granted PSUs to senior management, 50% of the PSUs to vest on April 23, 2022 and the remaining 50% on April 23, 2024 using a defined performance-based criteria.

Bonus share, RSU, DSU and PSU 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 June 30, 2019	–	–

	PSUs		RSUs		DSUs	
	Number of units	Weighted average fair value (C$)	Number of units	Weighted average fair value (C$)	Number of units	Weighted average fair value (C$)
January 1, 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
Granted	1,428,572	$0.35	1,925,963	$0.47	–	–
Forfeited	–	–	(382,560)	$0.76	–	–
Redeemed	–	–	(371,990)	$0.37	–	–
June 30, 2019	1,428,572	$0.35	2,309,941	$0.90	719,260	$1.00

14. RELATED PARTY TRANSACTIONS AND BALANCES

Glencore

As of June 30, 2019, Glencore owns 210,835,925 Trevali common shares representing approximately 25.9% of the total issued and outstanding common shares.

Glencore purchases Trevali's concentrate production under separate off-take agreements with each of its mines which were entered into before Glencore became a related party of the Company. Trevali entered into the following transactions during the three and six months ended June 30, 2019 and 2018:

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Net revenue on concentrate sales	$ 64,422	$ 133,914	$ 195,204	$ 248,632
Production costs	–	5,683	–	11,153
Mine development[1]	–	3,313	–	6,349
Interest expense on concentrate sales advances	–	27	–	389

	June 30, 2019	December 31, 2018
Payable to Glencore	$ 38	$ 1,539
Other	$ 15	$ –

[1] Capitalized to property, plant and equipment.

(Expressed in thousands of United States Dollars – unaudited)

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.

15. REVENUES

		Three months ended June 30, 2019			**Three months ended June 30, 2018**		
		Zinc	**Lead-Silver**	**Total**	**Zinc**	**Lead-Silver**	**Total**
Revenues	$	108,233	16,221	124,454	162,355	21,368	183,723
Provisional pricing adjustments		(17,124)	(752)	(17,876)	(17,189)	(490)	(17,679)
Smelting and refining charges		38,256	3,901	42,157	28,504	3,626	32,130
Revenues, net	$	52,853	11,568	64,421	116,662	17,252	133,914

		Six months ended June 30, 2019			**Six months ended June 30, 2018**		
		Zinc	**Lead-Silver**	**Total**	**Zinc**	**Lead-Silver**	**Total**
Revenues	$	262,983	31,863	294,846	295,585	35,128	330,713
Provisional pricing adjustments		(11,390)	(916)	(12,306)	(20,375)	(482)	(20,857)
Smelting and refining charges		80,387	6,950	87,337	54,496	6,728	61,224
Revenues, net	$	171,206	23,997	195,203	220,714	27,918	248,632

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 June 30, 2019						
	Perkoa Mine	Rosh Pinah Mine	Caribou Mine	Santander Mine	Corporate and other	Total
Revenues	$ 23,483	$ 11,798	$ 15,304	$ 13,836	$ –	$ 64,421
Mine operating expenses	25,473	10,582	16,553	10,368	–	62,976
General and administration	–	–	–	–	1,763	1,763
Adjusted EBITDA	(1,990)	1,216	(1,249)	3,468	(1,763)	(318)
Depreciation, depletion and amortization	8,141	5,598	4,010	2,299	437	20,485
Adjusted EBIT	(10,131)	(4,382)	(5,259)	1,169	(2,200)	(20,803)
Loss on foreign exchange						698
Interest expense						2,103
Restructuring expense						6,832
Other income, net						(405)
Income tax expense						1,532
Net loss						(31,563)
Capital expenditures						13,796
Exploration expenditures						2,547
Assets	210,660	304,189	106,194	86,926	63,726	771,695
Liabilities	(162,531)	(169,111)	(120,545)	(52,793)	203,770	(301,210)
Net assets(liabilities)	$ 48,129	$ 135,078	$ (14,351)	$ 34,133	$ 267,496	$ 470,485

(Expressed in thousands of United States Dollars – unaudited)

Three-month period ended June 30, 2018	Perkoa Mine	Rosh Pinah Mine	Caribou Mine	Santander Mine	Corporate and other	Total
Revenues	$ 62,010	$ 21,566	$ 29,706	$ 20,632	$ –	$ 133,914
Mine operating expenses	26,336	10,870	15,723	10,618	–	63,547
General and administration	–	–	–	–	2,169	2,169
Adjusted EBITDA	35,674	10,696	13,983	10,014	(2,169)	68,198
Depreciation, depletion and amortization	16,167	1,821	2,940	3,315	(2)	24,241
Adjusted EBIT	19,507	8,875	11,043	6,699	(2,167)	43,957
Loss on foreign exchange						4,481
Interest expense						3,032
Other income, net						4,931
Income tax expense						8,059
Net income						23,454
Capital expenditures	4,048	3,935	4,706	5,323	178	18,190
Exploration expenditures						2,694
Assets	298,838	372,409	185,355	171,651	144,039	1,172,292
Liabilities	(37,818)	(114,001)	(62,706)	(38,745)	(145,217)	(398,487)
Net assets(liabilities)	$ 261,020	258,408	122,649	132,906	(1,178)	773,805

Six-month period ended June 30, 2019	Perkoa Mine	Rosh Pinah Mine	Caribou Mine	Santander Mine	Corporate and other	Total
Revenues	$ 74,808	$ 47,532	$ 37,759	$ 35,104	$ –	$ 195,203
Mine operating expenses	59,288	25,827	34,062	19,920	–	139,097
General and administration	–	–	–	–	4,399	4,399
Adjusted EBITDA	15,520	21,705	3,697	15,184	(4,399)	51,707
Depreciation, depletion and amortization	17,979	11,899	7,779	6,221	463	44,341
Adjusted EBIT	(2,459)	9,806	(4,082)	8,963	(4,862)	7,366
Loss on foreign exchange						2,417
Interest expense						4,310
Restructuring expenses						6,832
Impairment						3,662
Other income, net						(435)
Income tax expense						6,027
Net loss						(15,447)
Capital expenditures						24,278
Exploration expenditures						5,031
Assets	210,660	304,189	106,194	86,926	63,726	771,695
Liabilities	(162,531)	(169,111)	(120,545)	(52,793)	203,770	(301,210)
Net assets(liabilities)	$ 48,129	$ 135,078	$ (14,351)	$ 34,133	$ 267,496	$ 470,485

Six-month period ended June 30, 2018	Perkoa Mine	Rosh Pinah Mine	Caribou Mine	Santander Mine	Corporate and other	Total
Revenues	$ 98,862	$ 54,758	$ 57,778	$ 37,234	$ –	$ 248,632
Mine operating expenses	50,055	26,908	30,285	20,028	–	127,276
General and administration	–	–	–	–	4,081	4,081
Adjusted EBITDA	48,807	27,850	27,493	17,206	(4,081)	117,275
Depreciation, depletion and amortization	19,409	7,340	6,399	5,474	–	38,622
Adjusted EBIT	29,398	20,510	21,094	11,732	(4,081)	78,653
Loss on foreign exchange						1,138
Interest expense						6,446
Other income, net						(1,195)
Income tax expense						20,234
Net income						52,030
Capital expenditures	6,798	8,399	9,506	9,628	338	34,669
Exploration expenditures						3,146
Assets	298,838	372,409	185,355	171,651	144,039	1,172,292
Liabilities	(37,818)	(114,001)	(62,706)	(38,745)	(145,217)	(398,487)
Net assets(liabilities)	$ 261,020	258,408	122,649	132,906	(1,178)	773,805

(Expressed in thousands of United States Dollars – unaudited)

17. SUPPLEMENTAL CASH FLOWS INFORMATION

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

	Six months ended June 30, 2019	Six months ended June 30, 2018
Due to related parties included in property, plant and equipment	$ –	$ 926
Accounts payable and accrued liabilities included in property, plant and equipment	6,485	3,903
Fair value of bonus shares, RSUs and DSUs issued	$ –	$ 2,826

18. NON-CONTROLLING INTERESTS

	Six months ended June 30, 2019			Year ended December 31, 2018		
	Perkoa Mine	Rosh Pinah Mine	Total	Perkoa Mine	Rosh Pinah Mine	Total
Beginning of the period	$ (23,103)	$ 18,133	(4,970)	$ (20,166)	$ 58,088	37,922
Net (loss) gain attributable to non-controlling interests	(1,744)	571	(1,173)	(2,937)	(5,433)	(8,370)
Dividends paid to non-controlling interests	–	–	–	–	(2,991)	(2,991)
Share buy-back	–	–	–	–	(31,531)	(31,531)
End of the period	$ (24,847)	$ 18,704	(6,143)	$ (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%.