



## **TREVALI MINING CORPORATION**

### **CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited – Prepared by Management)**

**(Expressed in thousands of United States Dollars)**

**Three Months Ended March 31, 2018 and 2017**

#### **Corporate Head Office**

1400 - 1199 West Hastings Street,  
Vancouver, B.C.,  
Canada  
V6E 3T5  
Tel: 604-488-1661

# TREVALI MINING CORPORATION

(Expressed in thousands of United States Dollars)

**March 31, 2018 and 2017**

<b><u>INDEX</u></b>	<b><u>Page</u></b>
Condensed Interim Consolidated Statements of Financial Position	1
Condensed Interim Consolidated Statements of Operations	2
Condensed Interim Consolidated Statements of Comprehensive Income	3
Condensed Interim Consolidated Statements of Cash Flows	4
Condensed Interim Consolidated Statements of Changes in Shareholders' Equity	5
Notes to the Condensed Interim Consolidated Financial Statements	6-26

**TREVALI MINING CORPORATION**

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Unaudited – Prepared by Management)

(Expressed in thousands of United States Dollars)

	Notes	March 31, 2018	December 31, 2017
<b>ASSETS</b>			
<b>Current</b>			
Cash and cash equivalents		\$ 120,464	\$ 94,135
Restricted cash		1,779	3,210
Settlement and other receivables	6	73,126	88,931
Prepays		7,429	5,981
Inventories	7	83,883	66,537
		286,681	258,794
<b>Reclamation bonds and other</b>		7,430	8,381
<b>Long-term receivables</b>	8	14,492	19,714
<b>Investment</b>	9	1,950	-
<b>Exploration and evaluation</b>	10	62,620	62,168
<b>Property, plant and equipment</b>	11	753,849	760,746
<b>Deferred income tax</b>		8,109	8,521
<b>Goodwill</b>	4	61,835	61,835
		\$ 1,196,966	\$ 1,180,159
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current</b>			
Accounts payable and accrued liabilities	12	\$ 59,953	\$ 69,630
Due to related parties	18	8,818	8,410
Current portion of finance leases	13	2,405	2,404
Current portion of long-term debt	14	36,000	34,000
		107,176	114,444
<b>Finance leases</b>	13	8,924	9,845
<b>Long-term debt</b>	14	104,505	114,308
<b>Provision for environmental rehabilitation</b>	15	47,724	47,690
<b>Other provisions</b>		3,175	2,877
<b>Deferred income taxes</b>		152,747	145,932
		424,251	435,096
<b>Shareholders' equity</b>			
Share capital	16	774,527	770,129
Share-based payment reserve	17	17,363	20,626
Deficit		(10,563)	(37,114)
Accumulated other comprehensive loss		(46,567)	(46,500)
		734,760	707,141
<b>Non-controlling interests</b>	25	37,955	37,922
		772,715	745,063
		\$ 1,196,966	\$ 1,180,159
<b>Contingent Liabilities (Note 22) Subsequent Event (Note 27)</b>			

*“Mr. Anton Drescher” (signed)*

Mr. Anton Drescher  
Director, Chair of the Audit Committee

*“Mr. Russell Ball” (signed)*

Mr. Russell Ball  
Director

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

**TREVALI MINING CORPORATION****CONDENSED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS**

(Unaudited – Prepared by Management)

(Expressed in thousands of United States Dollars except for share and per share amounts)

Three Months Ended March 31, 2018 and 2017

	Notes	2018	2017
<b>REVENUES</b>	<b>19</b>	\$ 114,718	\$ 39,923
<b>Mine operating expenses</b>			
Production		51,604	22,915
Distribution		7,930	1,054
Royalties		4,194	221
Depreciation, depletion and amortization		14,382	6,051
		78,110	30,241
<b>GROSS PROFIT</b>		36,608	9,682
<b>GENERAL AND ADMINISTRATIVE</b>	<b>20</b>	1,913	1,617
<b>Operating profit</b>		34,695	8,065
<b>OTHER ITEMS</b>			
Loss (gain) on foreign exchange		(3,343)	80
Interest expense	<b>21</b>	3,414	2,816
Business acquisition costs		-	225
Other income		(6,126)	(52)
<b>Income before taxes</b>		40,750	4,996
<b>Current income tax</b>		4,948	416
<b>Deferred income tax</b>		7,227	1,891
<b>Net income for the period</b>		\$ 28,575	\$ 2,689
<b>Attributable to:</b>			
Owners of Trevali		\$ 26,551	\$ 2,689
Owners of non-controlling interests	<b>25</b>	2,024	-
		\$ 28,575	\$ 2,689
<b>Basic and diluted income per share</b>			
Basic		\$ 0.03	\$ 0.01
Diluted		\$ 0.03	\$ 0.01
<b>Weighted average number of shares outstanding</b>			
Basic		828,072,274	402,727,611
Diluted		837,567,628	409,199,073

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

**TREVALI MINING CORPORATION****CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

(Unaudited – Prepared by Management)

(Expressed in thousands of United States Dollars except for share and per share amounts)

Three Months Ended March 31, 2018 and 2017

	Notes	2018	2017
<b>Net income for the period</b>		\$ 28,575	\$ 2,689
<b>Other comprehensive income (loss)</b>			
Unrealized loss on investments in equity securities		\$ (67)	\$ (108)
<b>Other comprehensive income (loss) for the year</b>		(67)	(108)
<b>Total comprehensive income for the year</b>		\$ 28,508	\$ 2,581
<b>Other comprehensive income (loss) attributable to:</b>			
Owners of Trevali		\$ (67)	\$ (108)
<b>Total comprehensive income (loss) attributable to:</b>			
Owners of Trevali		\$ 26,484	\$ 2,581
Owners of non-controlling interests	25	2,024	-
		\$ 28,508	\$ 2,581

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

**TREVALI MINING CORPORATION**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited – Prepared by Management)  
(Expressed in thousands of United States Dollars)  
Three Months Ended March 31, 2018 and 2017

	Notes	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income for the period		\$ 28,575	\$ 2,689
Items not affecting cash:			
Depreciation, depletion and amortization		14,382	6,051
Share-based payment expenses		323	827
Unrealized (gain) loss on foreign exchange		(174)	195
Accrued interest and accretion on finance leases		(11)	629
Accretion of provision for environmental rehabilitation	15	544	192
Accrued interest and accretion on long-term debt		2,099	1,931
Accrued interest on reclamation bond		(5)	-
Deferred income tax		7,227	1,891
Changes in non-cash working capital items:			
Restricted Cash		1,439	1,137
Settlement and other receivables		16,245	4,589
Prepays		(1,449)	(1,221)
Inventories		(9,398)	1,541
Accounts payable and accrued liabilities		(11,068)	(171)
Due to related parties		(507)	(1,243)
Net cash flows provided by (used in) operating activities		48,222	19,037
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Shares units settled in cash		(24)	(342)
Stock options and warrants exercised		836	487
Repayment of long-term debt and revolving facility, net	14	(8,000)	(1,999)
Interest payments	14	(1,974)	(225)
Payments on finance leases	13	(601)	(3,193)
Net cash flows provided by (used in) financing activities		(9,763)	(5,272)
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>			
Recovery of (increase) in value added taxes receivable		5,907	(209)
Decrease in reclamation bonds		896	4,470
Investment		(1,962)	-
Purchase of plant, equipment and exploration and evaluation assets		(14,973)	(7,677)
Dividends	25	(1,991)	-
Net cash flows provided by (used in) investing activities		(12,123)	(3,416)
<b>Effect of foreign exchange on cash</b>		(7)	(33)
<b>Increase in cash for the period</b>		26,329	10,316
<b>Cash, beginning of period</b>		94,135	11,136
<b>Cash, end of period</b>		\$ 120,464	\$ 21,452

**Supplemental Cash Flow Information (Note 24)**

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

**TREVALI MINING CORPORATION**

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Unaudited – Prepared by Management)

(Expressed in thousands of United States Dollars except for share amounts)

Three Months Ended March 31, 2018 and 2017

	Notes	Number of shares	Share Capital	Share-based payment reserve	Deficit	Accumulated other comprehensive loss	Non-controlling interests	Total equity
<b>Balance, December 31, 2017</b>		825,725,260	\$ 770,129	\$ 20,626	\$ (37,114)	\$ (46,500)	\$ 37,922	\$ 745,063
Share-based payment		-	-	323	-	-	-	323
Share units issued		2,249,426	2,826	(2,826)	-	-	-	-
Exercise of options and warrants		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)	-	-	-	-
Unrealized loss on investment		-	-	-	-	(67)	-	(67)
Income attributed to the non-controlling interests	25	-	-	-	(2,024)	-	2,024	-
Dividends	25	-	-	-	-	-	(1,991)	(1,991)
Net income for the period		-	-	-	28,575	-	-	28,575
<b>Balance, March 31, 2018</b>		830,092,385	\$ 774,527	\$ 17,363	\$ (10,563)	\$ (46,567)	\$ 37,955	\$ 772,715

	Notes	Number of shares	Share Capital	Share-based payment reserve	Deficit	Accumulated other comprehensive loss	Non-controlling interests	Total equity
<b>Balance, December 31, 2016</b>		401,606,025	\$ 336,712	\$ 22,100	\$ (55,878)	\$ (46,027)	\$ -	\$ 256,907
Share-based payment		-	-	868	-	-	-	868
Exercise of options and warrants		707,667	487	-	-	-	-	487
Share units issued		549,812	529	(529)	-	-	-	-
Share units settled in cash		-	-	(342)	-	-	-	(342)
Bonus share units issued		760,200	722	-	-	-	-	722
Reallocation from share-based payment		-	182	(182)	-	-	-	-
Unrealized loss on 'Available for Sale' investment		-	-	-	-	(108)	-	(108)
Net income for the period		-	-	-	2,689	-	-	2,689
<b>Balance, March 31, 2017</b>		403,623,704	\$ 338,632	\$ 21,915	\$ (53,189)	\$ (46,135)	\$ -	\$ 261,223

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

# **TREVALI MINING CORPORATION**

## **NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited – Prepared by Management)

(Expressed in thousands of United States Dollars except for share and per share amounts)

For the Three Months Ended March 31, 2018 and 2017

---

### **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 and Bolsa de Valores de Lima in Peru, (ii) “TREV” on the OTCQX International Quotation System in the United States, and (iii) “4T1” on the Frankfurt Stock Exchange. The Company is a natural resource company engaged in the acquisition, exploration, development and production from mineral properties.

On August 31, 2017, Trevali acquired, directly and through its subsidiaries, an 80% interest in the Rosh Pinah mine in Namibia, a 90% interest in the Perkoa mine in Burkina Faso, an effective 39% interest in the Gergarub project in Namibia, and an option to acquire 100% interest in the Heath Steele project along with related exploration properties and assets in Canada from Glencore PLC and certain of its subsidiaries. The Rosh Pinah mine produces zinc and lead-silver concentrates and the Perkoa mine produces zinc concentrates.

Trevali operates, through its wholly-owned subsidiary Trevali Peru S.A.C., the Santander underground mine and metallurgical plant, located in Peru, and produces zinc and lead-silver concentrates.

Trevali owns, through its wholly-owned subsidiaries, the Caribou mine and mill, the Halfmile mine and the Stratmat polymetallic deposit, all located in northern New Brunswick, Canada. The Caribou mine produces zinc and lead-silver concentrates.

### **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, 2017, except for the new IFRS policies adopted as of January 1, 2018 (see Note 3 below), which were prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). Certain information and note disclosure, 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, 2017 and 2016.

#### **Approval of the financial statements**

The condensed interim consolidated financial statements of Trevali Mining Corporation for the three months ended March 31, 2018 and 2017 were reviewed by the Audit Committee, approved and authorized for issue by the Board of Directors on May 10, 2018.



## **TREVALI MINING CORPORATION**

### **NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited – Prepared by Management)

(Expressed in thousands of United States Dollars except for share and per share amounts)

For the Three Months Ended March 31, 2018 and 2017

---

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The following are the significant accounting policies that have been amended as a result of the adoption of 'IFRS 15, Revenue from Contracts with Customers' ("IFRS 15") and 'IFRS 9, Financial Instruments' ("IFRS 9"). Trevali has consistently applied all other significant accounting policies as disclosed in its 2017 audited annual consolidated financial statements.

#### Revenue

Revenue consists of zinc and lead-silver concentrate sales. Trevali's performance obligations relate primarily to the delivery of these products to its customer, Glencore (a related party), with each separate delivery or shipment representing a separate performance obligation.

Revenue is recognized when the customer obtains control of the product. Control is achieved when a product is delivered to the customer, Trevali has a present right to payment for the product, significant risks and rewards of ownership have transferred to the customer according to contract terms and there is no unfulfilled obligation that could affect the customer's acceptance of the product.

The control of the product generally transfers to the customer when an individual delivery or shipment is delivered to the customer's warehouse or loaded onto a shipping carrier accepted by the customer.

The sale of concentrate is 'provisionally priced' as the prices are subject to final adjustment based on quoted market prices during the quotational period specified in the individual mine-site concentrate off-take contract. The revenue for these sales is recorded based on the estimated consideration based on relevant commodity market prices. Adjustments are made to settlements receivable in subsequent periods based on fluctuations in market prices until the date of final metal pricing. These sales adjustments (both gains and losses) are recorded in revenue in the consolidated income statements and in 'Settlement and other receivables' on the consolidated statements of financial position.

#### Financial Instruments

Trevali recognizes financial assets and liabilities on the statement of financial position when it becomes a party to the contractual provisions of the instrument.

#### Cash and cash equivalents

Cash and cash equivalents include cash on account. Cash is classified as subsequently measured at amortized cost.

#### Settlement receivables

Settlement receivables, presented in settlement and other receivables, relate to the zinc and lead-silver concentrate sales contracts where the receivable amounts vary based on the underlying commodity prices. Settlement receivables are classified as fair value through profit or loss and are recorded at fair value at each reporting period based on published price assessments or quoted commodity prices up to the date of final pricing. The changes in fair value are recorded in revenues.

**TREVALI MINING CORPORATION**  
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited – Prepared by Management)  
(Expressed in thousands of United States Dollars except for share and per share amounts)  
For the Three Months Ended March 31, 2018 and 2017

---

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Financial Instruments (continued)

Investments in marketable equity securities

Investments in marketable equity securities, presented under investment and prepaids, are classified, at Trevali's election, as subsequently measured at fair value through other comprehensive income. Investment transactions are recognized on the trade date with transaction costs included in the underlying balance. Fair values are determined by reference to quoted market prices at the statement of financial position date.

When investments in marketable equity securities are disposed of the cumulative gains and losses recognized in other comprehensive income are not recorded through profit and loss but rather remain within equity. Dividends are recognized in profit and these investments are not assessed for impairment.

Trade payables

Trade payables, presented in accounts payable, are non-interest bearing if paid when due and are recognized at face amount, except when fair value is materially different. Trade payables are subsequently measured at amortized cost.

Long term debt

Long-term debt is initially recorded at fair value, less transaction costs. Long-term debt is subsequently measured at amortized cost, calculated using the effective interest rate method.

**4. PURCHASE OF THE ROSH PINAH AND PERKOA MINES**

On August 31, 2017, Trevali completed the acquisition ("Acquisition") of a portfolio of zinc assets from Glencore PLC and certain of its subsidiaries ("Glencore") including an 80% interest in the Rosh Pinah mine in Namibia, a 90% interest in the Perkoa mine in Burkina Faso, an effective 39% interest in the Gergarub project in Namibia, and an option to acquire 100% interest in the Heath Steele project in Canada along with related exploration properties and other assets. The aggregate purchase price totaled \$464,659 consisting of \$245,216 cash and the issuance of 193,432,310 Trevali common shares to Glencore totaling \$219,443 (\$219,288 net of fees) based on the closing share price of CAD\$1.43 on August 31, 2017. After the completion of this transaction, Glencore became a 25.6% shareholder of Trevali.

The cash consideration of the Acquisition was funded through a combination of: (i) the issuance of 220,455,000 Trevali common shares, from a bought deal private placement of subscription receipts completed in March 2017, at a price of CAD\$1.20 per common share for gross proceeds of CAD\$264,546 (\$211,029); and, (ii) advances under a \$160,000 senior secured term loan and a \$30,000 senior secured revolving working capital loan (a portion of these proceeds was also used to retire existing Trevali long-term debt (see Notes 13 and 14).

This acquisition is a business combination and has been accounted for in accordance with the IFRS 3 measurement and recognition provisions. IFRS 3 requires the purchase consideration to be allocated to the assets acquired and liabilities assumed based upon their estimated fair values at the date of acquisition.

Fair values have been determined based on third party appraisals, discounted cash flow models, and quoted market prices, as deemed appropriate. Acquisition costs, such as advisory, legal and other professional fees, totalling \$12,619 were expensed during the year ended December 31, 2017.

**TREVALI MINING CORPORATION****NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited – Prepared by Management)

(Expressed in thousands of United States Dollars except for share and per share amounts)

For the Three Months Ended March 31, 2018 and 2017

**4. PURCHASE OF THE ROSH PINAH AND PERKOA MINES (continued)**

The allocation of the purchase price includes \$61,835 of goodwill relating to the recognition of deferred income tax liabilities on the Acquisition. The Company is required to record a deferred tax liability for the difference between the assigned value and the tax bases of assets acquired and liabilities assumed. None of the goodwill is deductible for tax purposes.

The Company estimates that had these assets been acquired at the beginning of the 2017 year, revenues would have been approximately \$488,599 and earnings before tax approximately \$67,715.

The following table summarizes the fair value of the consideration paid and the estimates of the fair values of assets acquired and liabilities assumed from Glencore as of August 31, 2017.

<b>Purchase Price:</b>	
Share Consideration - 193,432,310 Trevali common shares issued	\$ 219,443
Cash Consideration	245,216
	<u>\$ 464,659</u>
<b>Fair values of assets acquired and liabilities assumed:</b>	
Cash and cash equivalents	\$ 22,506
Reclamation bond	544
Trade and other receivables	43,594
Prepays and other	7,986
Inventory	98,580
Exploration and evaluation assets	50,617
Property, plant and equipment	405,920
Goodwill	61,835
Trade and other payables	(46,056)
Payable to Related Parties	(18,476)
Provisions for environmental liabilities	(10,851)
Other long-term provisions	(2,625)
Non-controlling interests	(36,459)
Deferred income tax liabilities	(112,456)
	<u>\$ 464,659</u>

**TREVALI MINING CORPORATION****NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited – Prepared by Management)

(Expressed in thousands of United States Dollars except for share and per share amounts)

For the Three Months Ended March 31, 2018 and 2017

**5. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS**

The Company's financial assets and liabilities consist of cash and cash equivalents, restricted cash, settlement receivables, reclamation bonds and other, long-term receivable, accounts payable and accrued liabilities, due to related parties, finance leases and long-term 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 each classification of financial instrument as at March 31, 2018 and December 31, 2017 are summarized as follows:

	<b>March 31, 2018</b>		<b>December 31, 2017</b>	
	Carrying value	Fair value	Carrying value	Fair Value
<b>Financial assets</b>				
Cash and cash equivalents (a)	\$ 120,464	\$ 120,464	\$ 94,135	\$ 94,135
Restricted cash (a)	\$ 1,779	\$ 1,779	\$ 3,210	\$ 3,210
Settlement receivables (a)	\$ 52,043	\$ 52,043	\$ 70,360	\$ 70,360
Reclamation bonds and other (b)	\$ 7,430	\$ 7,430	\$ 8,381	\$ 8,381
Long-term receivable	\$ 3,800	n/a	\$ 3,800	n/a
<b>Financial liabilities</b>				
Accounts payable and accrued liabilities (a)	\$ 59,953	\$ 59,953	\$ 69,630	\$ 69,630
Due to related parties (a)	\$ 8,818	\$ 8,818	\$ 8,410	\$ 8,410
Finance leases (c)	\$ 11,329	\$ 11,329	\$ 12,249	\$ 12,249
Revolving and Term Credit Facilities	\$ 36,000	n/a	\$ 34,000	n/a
Term Facility	\$ 104,505	n/a	\$ 114,308	n/a

- a) 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.
- b) The reclamation bonds are interest bearing and the carrying values represent fair values.
- c) For the finance leases, the market rate of interest is determined by reference to similar lease agreements.

**Capital risk management**

The Company 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.

**TREVALI MINING CORPORATION****NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited – Prepared by Management)

(Expressed in thousands of United States Dollars except for share and per share amounts)

For the Three Months Ended March 31, 2018 and 2017

**6. SETTLEMENT AND OTHER RECEIVABLES**

	<b>March 31, 2018</b>	<b>December 31, 2017</b>
Settlement receivables – Glencore (Note 18)	\$ 52,043	\$ 70,360
Burkina Faso VAT credits	6,749	5,000
Peru IGV sales tax credits	5,117	5,447
Namibia VAT credits	5,541	5,052
Namibia income taxes receivable	2,318	2,131
Other	1,358	941
	<b>\$ 73,126</b>	<b>\$ 88,931</b>

**7. INVENTORIES**

	<b>March 31, 2018</b>	<b>December 31, 2017</b>
Mineralized stockpiles	\$ 11,808	\$ 8,209
Concentrates	44,489	34,473
Materials and supplies	27,586	23,855
	<b>\$ 83,883</b>	<b>\$ 66,537</b>

**8. LONG-TERM RECEIVABLES**

	<b>March 31, 2018</b>	<b>December 31, 2017</b>
Burkina Faso VAT credits	\$ 10,692	\$ 15,914
Receivable from sale of Tingo	3,800	3,800
	<b>\$ 14,492</b>	<b>\$ 19,714</b>

During the year ended December 31, 2014, the Company sold its 100% interest in Compania Hidroelectrica Tingo S.A.C. (“Tingo”) for \$13,500. At March 31, 2018, the Company is owed \$3,800, which is held in escrow, with \$800 scheduled to be released in 2019, \$500 in 2020, \$800 in 2021, \$800 in 2022 and \$900 in 2023.

**9. INVESTMENT**

	<b>March 31, 2018</b>	<b>December 31, 2017</b>
Puma Exploration Inc.		
Advance and investment	\$ 1,950	\$ -

During March 2018, Trevali entered into a Letter of Intent with Puma Exploration Inc. (“Puma”) for the acquisition of an option to acquire an interest in the Murray Brook Deposit and to form a proposed Strategic Exploration Alliance in the northern portion of the Bathurst Mining Camp in New Brunswick. As part of this agreement, Trevali will provide, at its option, all or part of the remaining C\$7,500 in 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.

Trevali has advanced CAD\$2,000 to Puma which was utilized to fund a portion of the remaining Murray Brook purchase price and invested CAD\$500 in Puma units consisting of 5,555,556 common shares at CAD\$0.09 per share and 2,777,777 warrants exercisable at CAD\$0.12 per share (each warrant is fully transferrable with a three-year term expiring on February 28, 2021).

On April 27, 2018, Trevali advanced an additional CAD\$1,500 to Puma to fund required staged payments as part of the Murray Brook purchase price. The total advanced to date is CAD\$3,500 with CAD\$4,000 remaining to be advanced at Trevali’s option.

**TREVALI MINING CORPORATION****NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited – Prepared by Management)

(Expressed in thousands of United States Dollars except for share and per share amounts)

For the Three Months Ended March 31, 2018 and 2017

**10. EXPLORATION AND EVALUATION**

	<b>Gegarub Namibia</b>	<b>Heath Steele Option Canada</b>	<b>Stratmat and Other Canada and Burkina Faso</b>	<b>Total</b>
Balance at December 31, 2017	\$ 37,213	\$ 13,228	\$ 11,727	\$ 62,168
Net additions	-	-	452	452
Balance at March 31, 2018	\$ 37,213	\$ 13,228	\$ 12,179	\$ 62,620

	<b>Gegarub Namibia</b>	<b>Heath Steele Option Canada</b>	<b>Stratmat and Other Canada and Burkina Faso</b>	<b>Total</b>
Balance at December 31, 2016	\$ -	\$ -	\$ 9,118	\$ 9,118
Business acquisition (Note 4)	37,213	13,228	176	50,617
Net additions	-	-	2,433	2,433
Balance at December 31, 2017	\$ 37,213	\$ 13,228	\$ 11,727	\$ 62,168

**Gegarub, Namibia and Heath Steele Option, New Brunswick, Canada**

On August 31, 2017, the Company acquired an effective 39% interest in the Gegarub project, the Heath Steele Option and various exploration properties in Burkina Faso as part of its purchase of the Rosh Pinah and Perkoa mines (Note 4).

**Halfmile and Stratmat Properties, New Brunswick, Canada**

During April 2011, the Company acquired the Halfmile, Stratmat and Ruttan properties. Glencore has the first right and option to purchase all or any portion of concentrates and other mineral products produced from these properties at market terms. Trevali acquired only a 61.51% interest on certain claims in the north portion of the Halfmile Lake property due to underlying ownership rights. On the fifth anniversary following the commencement of the production phase, Trevali will be required to make an additional final payment totalling \$5,000 if the zinc prices are greater than \$1.50 per pound (or an additional final payment totalling \$2,500 if the zinc prices are between \$1.25 and \$1.50 per pound). Halfmile is a fully permitted underground mining operation that underwent initial trial mining and production from the Upper Zone of the deposit from January 2012 to July 2012. Mineralized material was transported to and toll-processed through the Brunswick 12 mill facility, producing good quality, saleable zinc, lead-silver and copper-gold metal concentrates. Glencore retains a 2% 'net smelter royalty' on these properties and has the right to purchase a 50% interest in the properties if a discovery of more than 20 million tonnes having an average grade of not less than 11% combined lead and zinc is made. Teck Cominco Limited has a 2.5% 'net smelter royalty' on a portion of the Stratmat property.

**TREVALI MINING CORPORATION**  
**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
(Unaudited – Prepared by Management)  
(Expressed in thousands of United States Dollars except for share and per share amounts)  
For the Three Months Ended March 31, 2018 and 2017

**11. PROPERTY, PLANT AND EQUIPMENT**

	Mine development	Construction in progress	Buildings and infrastructure	Equipment and other	Assets under finance lease	Total
Cost at December 31, 2017	\$ 537,966	\$ 12,024	\$ 235,144	\$ 54,753	\$ 15,788	\$ 855,675
Additions	13,884	176	97	2,322	-	16,479
Change in PER (Note 15)	8	-	-	-	-	8
Reclassification	-	(3,310)	87	3,223	-	-
Disposals	-	(689)	(171)	(94)	-	(954)
As at March 31, 2018	551,858	8,201	235,157	60,204	15,788	871,208
Accumulated amortization at December 31, 2017	(45,891)	-	(37,084)	(11,133)	(821)	(94,929)
Charge for the period	(7,378)	-	(10,212)	(4,414)	(426)	(22,430)
As at March 31, 2018	(53,269)	-	(47,296)	(15,547)	(1,247)	(117,359)
Net book value, March 31, 2018	\$ 498,589	\$ 8,201	\$ 187,861	\$ 44,657	\$ 14,541	\$ 753,849
	Mine development	Construction in progress	Buildings and infrastructure	Equipment and other	Assets under finance lease	Total
Cost at December 31, 2016	\$ 284,139	\$ 109	\$ 42,739	\$ 25,525	\$ 25,574	\$ 378,086
Business acquisition (Note 4)	218,834	4,515	157,649	23,902	1,020	405,920
Additions	36,090	6,375	5,013	6,681	15,821	69,980
Change in PER	608	-	-	-	-	608
Reclassification	(1,705)	1,025	29,743	(1,203)	(27,860)	-
Disposals	-	-	-	(152)	-	(152)
Change in estimate on assets under finance lease	-	-	-	-	1,233	1,233
As at December 31, 2017	537,966	12,024	235,144	54,753	15,788	855,675
Accumulated amortization at December 31, 2016	(23,401)	-	(9,448)	(4,015)	(7,313)	(44,177)
Charge for the year	(22,438)	-	(17,711)	(7,117)	(3,434)	(50,700)
Reclassification	-	-	(9,926)	-	9,926	-
Disposals	(51)	-	-	(1)	-	(52)
As at December 31, 2017	(45,890)	-	(37,085)	(11,133)	(821)	(94,929)
Net book value, December 31, 2017	\$ 492,076	\$ 12,024	\$ 198,059	\$ 43,620	\$ 14,967	\$ 760,746

**TREVALI MINING CORPORATION****NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited – Prepared by Management)

(Expressed in thousands of United States Dollars except for share and per share amounts)

For the Three Months Ended March 31, 2018 and 2017

**12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	<b>March 31, 2018</b>	<b>December 31, 2017</b>
Trade	\$ 37,255	\$ 45,519
Accrued payroll and other	11,102	14,760
Corporate income taxes	5,400	1,994
Burkina Faso royalty payable	1,806	1,756
Burkina Faso community payable	3,711	2,997
Other	679	2,604
	<b>\$ 59,953</b>	<b>\$ 69,630</b>

**13. FINANCE LEASES**

	<b>Total Equipment Leases a)</b>
Balance at December 31, 2017	\$ 12,249
Lease payments during the period	(601)
Translation adjustment	(319)
	<b>\$ 11,329</b>
Less: current portion	2,405
Balance at March 31, 2018	<b>\$ 8,924</b>

	<b>Concentration Plant</b>	<b>Equipment Leases a)</b>	<b>Total</b>
Balance at December 31, 2016	\$ 22,104	\$ 71	\$ 22,175
Inception of leases	-	13,212	13,212
Interest accretion during the year	1,626	-	1,626
Change in estimate	1,233	-	1,233
Lease payments during the year	(24,963)	(1,028)	(25,991)
Translation adjustment	-	(6)	(6)
	<b>\$ -</b>	<b>\$ 12,249</b>	<b>\$ 12,249</b>
Less: current portion	-	2,404	2,404
Balance at December 31, 2017	<b>\$ -</b>	<b>\$ 9,845</b>	<b>\$ 9,845</b>

- a) During 2017, the Caribou Mine leased mobile mining equipment totaling \$13,212 over five-year terms with effective interest rates ranging from 5.63% to 6.03% per annum.



**TREVALI MINING CORPORATION**

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited – Prepared by Management)

(Expressed in thousands of United States Dollars except for share and per share amounts)

For the Three Months Ended March 31, 2018 and 2017

**14. LONG-TERM DEBT**

	<b>Total Credit Facilities a)</b>
Balance at December 31, 2017	\$ 148,381
Accretion and accrual of interest and transaction costs	2,098
Loan and interest payments	(9,974)
	140,505
Less: Current portion	36,000
Balance at March 31, 2018	\$ 104,505

	<b>Credit Facilities a)</b>	<b>Promissory Note b)</b>	<b>Working Capital Facility c)</b>	<b>Senior Secured Notes d)</b>	<b>Santander Creditors Obligation</b>	<b>Total</b>
Balance at December 31, 2016	\$ -	\$ -	\$ 14,802	\$ 43,041	\$ 263	\$ 58,106
Amount advanced, net of transaction costs	186,044	2,064	-	-	-	188,108
Accretion and accrual of interest and transaction costs	3,202	-	1,629	6,431	-	11,262
Loss on foreign exchange translation	-	104	-	3,073	-	3,177
Loan and interest payments	(40,865)	(2,168)	(16,431)	(52,545)	(263)	(112,272)
	148,381	-	-	-	-	148,381
Less: Interest payable	73	-	-	-	-	73
Less: Current portion	34,000	-	-	-	-	34,000
Balance at December 31, 2017	\$ 114,308	\$ -	\$ -	\$ -	\$ -	\$ 114,308

a) Credit Facilities

During August 2017, the Company entered into a \$190,000 five-year senior secured credit facility comprised of a \$160,000 senior-secured, amortizing non-revolving five-year credit facility (“Term Facility”) and a \$30,000 senior-secured, revolving three-year credit facility (“Revolving Facility”). The Term Facility is repayable on a quarterly instalment basis (see schedule below). The advances under the Term Facility and Revolving Facility bear interest on a sliding scale: (i) at a rate of LIBOR plus between 3.00 percent to 4.00 percent or (ii) at a base rate plus between 2.00 percent to 3.00 percent. The Company has provided security on the credit facilities in the form of a general pledge of the Company’s assets including unconditional joint and several guarantees by existing and future directly owned material subsidiaries and by an assignment of the Company’s concentrate off-take contracts and various insurance policies.

The Company has \$27,900 (net of letters of credit issued) available on the ‘Revolving Facility’ for future draw-downs as of March 31, 2018.

**TREVALI MINING CORPORATION**  
**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
(Unaudited – Prepared by Management)  
(Expressed in thousands of United States Dollars except for share and per share amounts)  
For the Three Months Ended March 31, 2018 and 2017

---

**14. LONG-TERM DEBT (continued)**

a) Credit Facilities (continued)

Year	Scheduled Principal Payments	Principal Payments During to Date	Remaining Scheduled Principal Payments
2018	\$ 34,000	\$ 8,000	\$ 26,000
2019	40,000	-	40,000
2020	36,000	-	36,000
2021	24,000	-	24,000
2022	18,000	-	18,000
<b>Total</b>	<b>\$ 152,000</b>	<b>\$ 8,000</b>	<b>\$ 144,000</b>

The Company must maintain certain financial covenants including tangible net worth, interest coverage and leverage ratios. As at March 31, 2018, the Company was in full compliance with these financial covenants.

b) Promissory Note

During March 2017, Trevali signed a CAD\$2,755 promissory note with Sandvik Customer Finance Canada to finance the Caribou Mine fleet. This promissory note carried a 5.4% annual interest rate with eighteen monthly repayments scheduled to August 1, 2018.

During November 2017, Trevali paid the remaining balance owing and retired this note.

c) Working Capital Facility

During November 2012, Trevali closed a \$20,000 working capital facility from its development partner, Glencore. Trevali provided a charge covering substantially all the Company's Peruvian assets as security. The facility bears interest at LIBOR plus five percent and is repayable monthly over a five-year term. Any balance at the end of the five-year repayment term is payable immediately and the balance may be pre-paid, at any stage, without penalty.

On August 31, 2017, Trevali refinanced its Santander Mine operations and retired this working capital facility.

d) Senior Secured Notes

On August 31, 2017, Trevali refinanced its operations and retired all remaining senior secured notes. The Company incurred a prepayment interest penalty totaling \$5,213 and expensed all remaining deferred loan fees and bond discounts totaling \$2,178.

## TREVALI MINING CORPORATION

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited – Prepared by Management)

(Expressed in thousands of United States Dollars except for share and per share amounts)

For the Three Months Ended March 31, 2018 and 2017

#### 15. PROVISION FOR ENVIRONMENTAL REHABILITATION

The Company's provision for environmental rehabilitation consists of costs accrued based on the best estimate of mine closure and reclamation activities that will be required at its sites upon completion of mining and related activity. These activities include costs for earthworks, including land re-contouring and re-vegetation, water treatment and demolition. The Company's provision for future site closure and reclamation costs is based on the level of known disturbance at the balance sheet date, known legal requirements and estimates prepared by internal and third-party specialists.

The assumptions used in the estimation of the provision are as follows:

	Undiscounted liability for closure	Remaining Life-of-Mine (Years)	Reclamation period (Years)	Pre-tax discount rate	Inflation factor	PV of cash flow required on closure
Santander	\$ 10,694	15	6	2.8%	2.0%	\$ 10,630
Caribou <sup>1</sup>	\$ 24,241	10	50	2.1%-2.3%	2.0%	\$ 24,254
Rosh Pinah <sup>2</sup>	\$ 4,342	8	5	8.2%	7.0%	\$ 4,653
Perkoa <sup>3</sup>	\$ 7,000	8	5	2.5%	2.1%	\$ 7,658
Halfmile <sup>4</sup>	\$ 485	20	1	2.3%	2.0%	\$ 529
						\$ 47,724

<sup>1</sup>Caribou liability will be settled in Canadian dollars. The CAD\$ equivalent of the undiscounted obligation is CAD\$31,723.

<sup>2</sup>Rosh Pinah liability will be settled in South African Rand. The ZAR equivalent of the undiscounted obligation is ZAR58,839.

<sup>3</sup>Perkoa liability will be settled in United States Dollars.

<sup>4</sup>Halfmile liability will be settled in Canadian dollars. The CAD\$ equivalent of the undiscounted obligation is CAD\$625.

The following is a continuity schedule of the Company's estimated provisions:

Balance at December 31, 2017	\$	47,690
Accretion		544
Change in estimates		(185)
Change in discount rate		128
Change in foreign exchange rate		(453)
Balance at March 31, 2018	\$	47,724
Balance at December 31, 2016	\$	33,468
Business acquisition (Note 4)		10,851
Accretion		1,275
Change in estimates		(346)
Change in discount rate		497
Change in foreign exchange rate		1,945
Balance at December 31, 2017	\$	47,690

#### 16. SHARE CAPITAL

Authorized: Unlimited number of common shares without par value.

During the three months ended March 31, 2018, the Company:

- Issued 2,249,426 common shares from previously issued short-term incentive plan bonus shares.
- Issued 2,117,699 shares from the exercise of stock options and warrants for aggregate gross proceeds of \$836.

**TREVALI MINING CORPORATION****NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited – Prepared by Management)

(Expressed in thousands of United States Dollars except for share and per share amounts)

For the Three Months Ended March 31, 2018 and 2017

**17. SHARE-BASED PAYMENT RESERVE****Stock options**

As at March 31, 2018 and December 31, 2017, the Company had outstanding stock options enabling the holders to acquire common shares as follows:

Expiry date	March 31, 2018			December 31, 2017		
	Exercise price (CAD\$)	Number of options	Exercisable	Exercise price (CAD\$)	Number of options	Exercisable
May 1, 2018	\$0.77	527,500	527,500	\$0.77	527,500	527,500
May 31, 2018	\$0.62	320,000	320,000	\$0.62	320,000	320,000
August 30, 2018	\$0.72	30,000	30,000	\$0.72	30,000	30,000
June 24, 2019	\$1.01	886,200	886,200	\$1.01	911,200	911,200
August 15, 2019	\$1.29	188,500	188,500	\$1.29	248,500	248,500
January 30, 2020	\$1.03	2,584,794	2,584,794	\$1.03	2,734,794	2,734,794
June 1, 2021	\$0.45	2,966,700	2,966,700	\$0.45	3,132,367	3,132,367
January 20, 2022	\$1.21	1,277,100	1,277,100	\$1.21	1,451,000	1,451,000
August 31, 2022	\$1.59	553,540	-	\$1.59	553,540	-
January 23, 2023	\$1.52	1,351,200	-	-	-	-
	\$0.96	10,685,534	8,780,794	\$0.79	9,908,901	9,355,361

At March 31, 2018, the weighted average remaining contractual life of the stock options was 2.15 years (December 31, 2017 – 2.72 years).

Stock option transactions are as follows:

	March 31, 2018		December 31, 2017	
	Number of options	Weighted average exercise price (CAD\$)	Number of options	Weighted average exercise price (CAD\$)
Balance, beginning of the period	9,908,901	\$0.79	9,561,661	\$0.76
Granted	1,351,200	\$1.52	2,033,440	\$1.31
Exercised	(545,667)	\$0.93	(1,657,833)	\$0.70
Forfeited	(28,900)	\$1.21	(28,367)	\$0.58
Expired	-	-	-	-
Balance, end of the period	10,685,534	\$0.96	9,908,901	\$0.79

The weighted average market price on the exercise of options for the three month period ended March 31, 2018 was CAD\$1.59 (December 31, 2017 – CAD\$1.48).

During the three months ended March 31, 2018, the Company granted 1,351,200 stock options at an exercise price of CAD\$1.52 per share exercisable for a period of five years with a three-year vesting schedule. The Company recorded \$136 (2017 – \$235) in total share-based payment expense related to its stock option plan, of which \$nil (2017 – \$13) was capitalized to exploration and evaluation assets.

**TREVALI MINING CORPORATION****NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited – Prepared by Management)

(Expressed in thousands of United States Dollars except for share and per share amounts)

For the Three Months Ended March 31, 2018 and 2017

**17. SHARE-BASED PAYMENT RESERVE (continued)****Stock options (continued)**

The fair value of stock options granted was estimated using the Black-Scholes option pricing model with the following weighted average calculations for the three months ended March 31, 2018 and the year ended December 31, 2017:

	<b>March 31, 2018</b>	<b>December 31, 2017</b>
Risk-free interest rate	2.03%	1.03%
Expected life of options	5 years	5 years
Annualized volatility	63.79%	64.05%
Dividend rate	0.00%	0.00%
Forfeiture rate	5.27%	5.60%

**Warrants**

Warrants transactions are summarized as follows:

	<b>March 31, 2018</b>		<b>December 31, 2017</b>	
	Number of warrants	Weighted average exercise price (CAD\$)	Number of warrants	Weighted average exercise price (CAD\$)
Balance, beginning of the period	2,286,592	\$0.35	7,902,880	\$0.40
Exercised	(1,572,032)	\$0.35	(5,616,288)	\$0.41
Balance, end of the period	714,560	\$0.35	2,286,592	\$0.35

The weighted average market price on the exercise of warrants for the three months ended March 31, 2018 was CAD\$1.23 (December 31, 2017 - CAD\$1.43).

At March 31, 2018 and December 31, 2017, warrants outstanding were as follows:

	<b>March 31, 2018</b>		<b>December 31, 2017</b>	
	Number of warrants	Exercise price (CAD\$)	Number of warrants	Exercise price (CAD\$)
Expiry date				
December 31, 2020	714,560	\$0.35	2,286,592	\$0.35

**TREVALI MINING CORPORATION****NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited – Prepared by Management)

(Expressed in thousands of United States Dollars except for share and per share amounts)

For the Three Months Ended March 31, 2018 and 2017

**17. SHARE-BASED PAYMENT RESERVE (continued)****Bonus Shares, RSUs and DSUs**

During the three months ended March 31, 2018, the Company granted 739,500 RSUs and 269,800 DSUs, redeemed previously granted 2,249,426 Bonus Shares and 156,433 DSU's for common stock of the Company. The Company recorded \$157 (2017 – \$631) in share-based payment expense related to the incentive plan for the grant of bonus shares, RSUs and DSUs, of which \$nil (2017 – \$26) was capitalized to exploration and evaluation assets.

At March 31, 2018 and December 31, 2017, share units outstanding were as follows:

<b>Bonus Shares:</b>	<b>March 31, 2018</b>		<b>December 31, 2017</b>	
	Number of units	Weighted average fair value (CAD\$)	Number of units	Weighted average fair value (CAD\$)
Balance, beginning of period	2,249,426	\$0.74	2,112,000	\$0.72
Issued	-	-	672,800	\$1.23
Forfeited	-	-	(28,772)	\$1.42
Redeemed	(2,249,426)	\$0.74	(506,602)	\$1.41
Balance, end of period	-	-	2,249,426	\$0.74

<b>RSUs:</b>	<b>March 31, 2018</b>		<b>December 31, 2017</b>	
	Number of units	Weighted average fair value (CAD\$)	Number of units	Weighted average fair value (CAD\$)
Balance, beginning of period	298,090	\$1.56	3,731,670	\$0.86
Granted	739,500	\$1.52	970,890	\$1.33
Forfeited	-	-	(137,040)	\$1.47
Redeemed	-	-	(4,267,430)	\$1.46
Balance, end of period	1,037,590	\$1.53	298,090	\$1.56

<b>DSUs:</b>	<b>March 31, 2018</b>		<b>December 31, 2017</b>	
	Number of units	Weighted average fair value (CAD\$)	Number of units	Weighted average fair value (CAD\$)
Balance, beginning of period	605,893	\$0.86	996,453	\$0.71
Granted	269,800	\$1.52	310,000	\$1.23
Redeemed	(156,433)	\$1.39	(700,560)	\$0.81
Balance, end of period	719,260	\$1.00	605,893	\$0.86

## TREVALI MINING CORPORATION

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited – Prepared by Management)

(Expressed in thousands of United States Dollars except for share and per share amounts)

For the Three Months Ended March 31, 2018 and 2017

#### 18. RELATED PARTY TRANSACTIONS AND BALANCES

During the three months ended March 31, 2018, the Company had the following related party transactions:

##### Glencore

On August 31, 2017, Glencore acquired 193,432,310 Trevali common shares as part of Trevali's acquisition of the Rosh Pinah and Perkoa mines (Note 4). As of March 31, 2018, Glencore owns 210,835,925 Trevali common shares representing approximately 25.4% of the total issued and outstanding common shares.

Glencore purchases Trevali's concentrate production under market term off-take agreements with each of its mines.

Trevali entered into the following transactions during the three months ended March 31, 2018 and 2017:

- a) Earned revenue of \$114,718 (2017 - \$39,923) on concentrate sales (Note 19).
- b) Paid \$nil (2017 - \$3,187) in principal and interest on the Santander 'concentration plant' finance lease (Note 13).
- c) Paid \$nil (2017 - \$1,985) in principal and interest on the Santander 'working capital facility' (Note 14).
- d) Paid or accrued \$5,470 production expenses at Santander (2017 - \$4,722) and \$3,036 on mine development (2017 - \$2,699) capitalized to property, plant and equipment.
- e) Paid \$362 (2017 - n/a) interest on concentrate sales advances.

As of March 31, 2018, settlement receivables from Glencore total \$52,043 (Note 6) for concentrate sales (December 31, 2017 - \$70,360).

As of March 31, 2018, amounts payable to Glencore totalled \$8,812 (December 31, 2017 - \$8,407) and comprised of \$4,954 of deferred revenue for advances made on provisional concentrate sales (December 31, 2017 - \$2,768), \$2,871 mine development expenses at Santander (December 31, 2017 - \$nil), \$nil for management and other fees (December 31, 2017 - \$5,422), and \$987 on sundry payables (December 31, 2017 - \$217).

##### Management compensation

Trevali paid or accrued compensation of \$nil (2017 - \$175) to companies related to officers; capitalized \$nil (2017 - \$46) to exploration and evaluation assets and expensed \$nil (2017 - \$24) in production costs.

Trevali paid or accrued officers' compensation and directors' fees of \$599 (2017 - \$231) to directors and officers. The Company recorded share-based payment expense related to the vesting of issued stock options and share units of \$139 (2017 - \$479) included in consulting fees, \$nil (2017 - \$39) capitalized to exploration and evaluation assets, \$8 (2017 - \$62) in investor relations, \$nil (2017 - \$158) in production costs.

At March 31, 2018, amounts payable for expense reimbursements to directors and officers totalled \$6 (December 31, 2017 - \$3) and are non-secured, non-interest bearing and payable on demand.

	March 31, 2018	December 31, 2017
Payable to Glencore	\$ 8,812	\$ 8,407
Payable to directors and officers	6	3
	\$ 8,818	\$ 8,410

**TREVALI MINING CORPORATION****NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited – Prepared by Management)

(Expressed in thousands of United States Dollars except for share and per share amounts)

For the Three Months Ended March 31, 2018 and 2017

**19. REVENUES**

	<b>Zinc</b>	<b>Lead-Silver</b>	<b>Total</b>
<b>Three months ended March 31, 2018</b>			
Revenues	\$ 133,231	\$ 13,759	\$ 146,990
Provisional pricing adjustments	(3,186)	9	(3,177)
	130,045	13,768	143,813
Less: Smelting and refining	25,993	3,102	29,095
Revenues, net	\$ 104,052	\$ 10,666	\$ 114,718
<b>Three months ended March 31, 2017</b>			
Revenues	\$ 42,661	\$ 16,078	\$ 58,739
Provisional pricing adjustments	663	89	752
	43,324	16,167	59,491
Less: Smelting and refining	15,332	4,236	19,568
Revenues, net	\$ 27,992	\$ 11,931	\$ 39,923

During the three months ended March 31, 2018, the Company delivered all concentrate to Glencore, a related party, under the terms of various off-take agreements, for net \$114,718 (2017 – \$39,923).

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

**20. GENERAL AND ADMINISTRATIVE**

	<b>Three Months Ended March 31,</b>	
	<b>2018</b>	<b>2017</b>
Consulting and management salaries	\$ 706	\$ 743
Investor relations	104	142
General and office	386	332
Professional fees	284	217
Regulatory	329	106
Travel and promotion	104	77
	\$ 1,913	\$ 1,617

**21. INTEREST EXPENSE**

		<b>Three Months Ended March 31,</b>	
	<b>Note</b>	<b>2018</b>	<b>2017</b>
Interest expense on term credit facility	13	\$ 2,098	\$ -
Interest expense on long term debt		-	1,930
Interest accretion on finance lease		-	629
Interest accretion on provision for environmental rehabilitation	14	544	192
Interest expense on finance leases		161	-
Interest expense on trades payable and receivable		611	65
		\$ 3,414	\$ 2,816



**TREVALI MINING CORPORATION****NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited – Prepared by Management)

(Expressed in thousands of United States Dollars except for share and per share amounts)

For the Three Months Ended March 31, 2018 and 2017

**22. CONTINGENT LIABILITIES**

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

The Company operates in Peru, Canada, Namibia and Burkina Faso and is subject to various tax and environmental laws and regulations. The Company is in material compliance with those laws and regulations and all probable contingencies have been reasonably estimated and accrued.

**23. 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 - Santander Mine, Peru; Caribou Mine, Canada; Rosh Pinah Mine, Namibia and Perkoa Mine, Burkina Faso and one 'Corporate and Other' segment including the Company's executive head office, general corporate administration and activity, and the Halfmile-Stratmat project and Heath Steele option in Canada.

	<b>Three months ended March 31, 2018</b>					
	Santander Mine	Caribou Mine	Rosh Pinah Mine	Perkoa Mine	Corporate and Other	Total
Revenues	\$ 16,602	\$ 28,072	\$ 33,192	\$ 36,852	\$ -	\$ 114,718
Mining operating expenses	11,569	18,021	21,559	26,961	-	78,110
Gross profit	5,033	10,051	11,633	9,891	-	36,608
General and administration	-	-	-	-	1,913	1,913
Loss (gain) on foreign exchange	(49)	(1,036)	128	(2,825)	439	(3,343)
Interest expense (recovered)	524	3,084	44	4,494	(4,732)	3,414
Other income	(173)	(80)	(163)	(5,482)	(228)	(6,126)
Income (loss) before income tax	\$ 4,731	\$ 8,083	\$ 11,624	\$ 13,704	\$ 2,608	\$ 40,750

	<b>Three months ended March 31, 2017</b>					
	Santander Mine	Caribou Mine	Rosh Pinah Mine	Perkoa Mine	Corporate and Other	Total
Revenues	\$ 13,500	\$ 26,423	\$ -	\$ -	\$ -	\$ 39,923
Mining operating expenses	10,554	19,687	-	-	-	30,241
Gross profit	2,946	6,736	-	-	-	9,682
General and administration	119	17	-	-	1,481	1,617
Loss (gain) on foreign exchange	(575)	1,034	-	-	(379)	80
Interest expense	959	1,854	-	-	3	2,816
Business acquisition costs	-	-	-	-	225	225
Other income	(51)	(1)	-	-	-	(52)
Income (loss) before income tax	\$ 2,494	\$ 3,832	\$ -	\$ -	\$ (1,330)	\$ 4,996

**TREVALI MINING CORPORATION****NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited – Prepared by Management)

(Expressed in thousands of United States Dollars except for share and per share amounts)

For the Three Months Ended March 31, 2018 and 2017

**23. SEGMENTED INFORMATION (continued)**

	<b>Total Assets at March 31, 2018</b>					<b>Total</b>
	<b>Santander Mine</b>	<b>Caribou Mine</b>	<b>Rosh Pinah Mine</b>	<b>Perkoa Mine</b>	<b>Corporate and Other</b>	
Cash and cash equivalents	\$ 5,211	\$ 21,600	\$ 46,459	\$ 30,383	\$ 16,811	\$ 120,464
Restricted cash	1,779	-	-	-	-	1,779
Settlement and other receivables	13,077	20,174	8,784	30,658	433	73,126
Prepays	2,126	521	278	3,406	1,098	7,429
Inventories	2,546	6,704	19,562	55,071	-	83,883
Reclamation bonds	85	4,018	-	2,828	499	7,430
Long-term receivables	-	-	-	10,692	3,800	14,492
Investment	-	-	-	-	1,950	1,950
Exploration and evaluation	-	2,173	37,213	310	22,924	62,620
Property, plant and equipment	139,350	131,557	226,508	165,537	90,897	753,849
Deferred income tax	-	-	-	-	8,109	8,109
Goodwill	-	-	61,835	-	-	61,835
<b>Total assets</b>	<b>\$ 164,174</b>	<b>\$ 186,747</b>	<b>\$ 400,639</b>	<b>\$ 298,885</b>	<b>\$ 146,521</b>	<b>\$1,196,966</b>

	<b>Total Assets at December 31, 2017</b>					<b>Total</b>
	<b>Santander Mine</b>	<b>Caribou Mine</b>	<b>Rosh Pinah Mine</b>	<b>Perkoa Mine</b>	<b>Corporate and Other</b>	
Cash and cash equivalents	\$ 6,937	\$ 15,369	\$ 23,514	\$ 21,431	\$ 26,884	\$ 94,135
Restricted cash	3,210	-	-	-	-	3,210
Settlement and other receivables	13,773	22,178	22,257	30,458	265	88,931
Prepays	1,685	519	278	2,448	1,051	5,981
Inventories	1,479	5,215	19,286	40,557	-	66,537
Reclamation bonds	85	5,957	-	1,826	513	8,381
Long-term receivables	-	-	-	15,914	3,800	19,714
Exploration and evaluation	-	1,816	37,213	219	22,920	62,168
Property, plant and equipment	137,721	130,517	228,759	173,086	90,663	760,746
Deferred income tax	-	-	-	-	8,521	8,521
Goodwill	-	-	61,835	-	-	61,835
<b>Total assets</b>	<b>\$ 164,890</b>	<b>\$ 181,571</b>	<b>\$ 393,142</b>	<b>\$ 285,939</b>	<b>\$ 154,617</b>	<b>\$1,180,159</b>

**24. SUPPLEMENTAL CASH FLOWS INFORMATION**

Non-cash investing and financing transactions for the three months ended March 31, 2018 and 2017 consist of the following:

	<b>2018</b>	<b>2017</b>
Due to related parties included in property, plant and equipment	\$ 1,112	\$ 1,178
Accounts payable and accrued liabilities included in property, plant and equipment	\$ 4,309	\$ 1,189
Promissory note provided as deposit on Caribou mine fleet	\$ -	\$ 1,919
Mining equipment leased at the Caribou mine	\$ -	\$ 27
Share-based payment included in exploration and evaluation	\$ -	\$ 40
Fair value of bonus shares, RSUs and DSUs issued	\$ 2,826	\$ 529

## TREVALI MINING CORPORATION

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited – Prepared by Management)

(Expressed in thousands of United States Dollars except for share and per share amounts)

For the Three Months Ended March 31, 2018 and 2017

#### 25. NON-CONTROLLING INTERESTS

	Rosh Pinah Mine	Perkoa Mine	Total
Balance, December 31, 2017	\$ 58,088	\$ (20,166)	\$ 37,922
Non-controlling interests' share of net income	1,769	255	2,024
Dividends paid	(1,991)	-	(1,991)
Balance, March 31, 2018	\$ 57,866	\$ (19,911)	\$ 37,955

	Rosh Pinah Mine	Perkoa Mine	Total
Balance, January 1, 2017	\$ -	\$ -	\$ -
Business acquisition – August 31, 2017 (Note 4)	57,184	(20,725)	36,459
Non-controlling interests' share of net income	904	559	1,463
Balance, December 31, 2017	\$ 58,088	\$ (20,166)	\$ 37,922

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

The payments of the 10% earnings to the Government of Burkina Faso shall only start once all investments have been recovered by the majority shareholder. As of March 31, 2018, no earnings are due to the Government of Burkina Faso.

#### 26. ADOPTION OF NEW IFRS PRONOUNCEMENTS

Trevali adopted the new IFRS pronouncements listed below as at January 1, 2018, in accordance with the transitional provisions outlined in the respective standards and described below. The adoption of these new IFRS pronouncements did not result in any adjustments to any previously reported figures.

##### Revenue Recognition

Trevali adopted IFRS 15 on January 1, 2018 in accordance with the transitional provisions of the standard. The new revenue standard introduces a single principles-based, five-step model for the recognition of revenue when control of goods is transferred to, or a service is performed for, the customer. The five steps are to identify the contract(s) with the customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price to each performance obligation and recognize revenue as each performance obligation is satisfied. IFRS 15 also requires enhanced disclosures about revenue to help users better understand the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers. Based on management's analysis, the timing and amount of Trevali's revenue from product sales did not change under IFRS 15.

##### Financial Instruments

Trevali adopted IFRS 9 on January 1, 2018 in accordance with the transitional provisions of the standard. Trevali elected not to adopt the hedging requirements of IFRS 9 at this time but may adopt them in a future period.

IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities and supersedes the guidance relating to the classification and measurement of financial instruments in IAS 39, Financial Instruments: Recognition and Measurement (IAS 39).

## TREVALI MINING CORPORATION

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited – Prepared by Management)

(Expressed in thousands of United States Dollars except for share and per share amounts)

For the Three Months Ended March 31, 2018 and 2017

---

## 26. ADOPTION OF NEW IFRS PRONOUNCEMENTS (continued)

### Financial Instruments (continued)

IFRS 9 requires financial assets to be classified into three measurement categories on initial recognition: those measured at fair value through profit and loss, those measured at fair value through other comprehensive income and those measured at amortized cost. Investments in equity instruments are required to be measured by default at fair value through profit or loss (but there is an irrevocable option for each equity instrument to present fair value changes in other comprehensive income). Measurement and classification of financial assets is dependent on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change relating to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

IFRS 9 introduces a new three-stage expected credit loss model for calculating impairment for financial assets. IFRS 9 no longer requires a triggering event to have occurred before credit losses are recognized. An entity is required to recognize expected credit losses when financial instruments are initially recognized and to update the amount of expected credit losses recognized at each reporting date to reflect changes in the credit risk of the financial instruments. In addition, IFRS 9 requires additional disclosure requirements about expected credit losses and credit risk

Trevali assessed the classification and measurement of its financial assets and financial liabilities under IFRS 9 and has summarized its assessments under each category as follows:

### Cash equivalents

Cash equivalents were reclassified from loans and receivables to amortized cost or fair value through profit or loss, depending on their nature. The fair value of \$94,135 as at January 1, 2018 is deemed to be the starting amortized cost for cash equivalents classified as subsequently measured at amortized cost. There was no impact on retained earnings as at January 1, 2018 as a result of this reclassification.

### Investments in marketable equity securities

Trevali made the irrevocable classification choice to record fair value changes on its investments in equity instruments through other comprehensive income. As a result, there was no impact on retained earnings as at January 1, 2018.

### Expected credit losses

Credit risk arises from cash and cash equivalents, restricted cash, and other receivables. The Company limits its credit exposure on cash and cash equivalents and restricted cash by holding its deposits mainly with strong investment-grade ratings by a primary ratings agency. All the Company's settlement receivables are with Glencore – a related party (Note 18). Although Trevali is exposed to credit losses due to the non-performance of its counterparties, there are no significant concentrations of credit risk and Trevali does not consider this to be a material risk.

## 27. SUBSEQUENT EVENT

On May 1, 2018, Trevali announced that its majority-owned subsidiary 'Rosh Pinah Zinc Corporation (Proprietary) Limited' ("RPZC") in Namibia will undertake a partial share buy-back of issued RPZC shares under agreements with its Namibian shareholders. RPZC will acquire issued shares, tendered under the agreements, for an aggregate amount of approximately NAD291,000,000 (approximately \$24,260,000). The tendered shares will subsequently be cancelled by RPZC's treasury. Following the cancellation of the tendered shares, Trevali's effective beneficial ownership in RPZC will increase from approximately 80 percent to approximately 90 percent.