# TREVALI MINING CORPORATION

# CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

**Three and nine months ended September 30, 2021 and 2020**

**TABLE OF CONTENTS**

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

| | Notes | September 30, 2021 | December 31, 2020 |
|---|---|---|---|
| **ASSETS** | | | |
| Current | | | |
| Cash and cash equivalents | | $ 39,890 | $ 33,500 |
| Restricted cash | | 85 | 170 |
| Settlement and other receivables | **5** | 57,485 | 63,231 |
| Prepaids | | 5,946 | 3,322 |
| Inventories | **6** | 46,002 | 41,529 |
| | | 149,408 | 141,752 |
| Reclamation bonds and other | | 10,036 | 9,433 |
| Value-added taxes receivable | | – | 9,966 |
| Exploration and evaluation assets | | 34,149 | 28,579 |
| Property, plant and equipment | **7** | 376,770 | 382,294 |
| | | $ 570,363 | $ 572,024 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | | |
| **Liabilities** | | | |
| Current | | | |
| Accounts payable and accrued liabilities | **8** | $ 56,092 | $ 51,866 |
| Warrant liability | **9** | 2,932 | 4,395 |
| Debt | **10** | 118,655 | 16,840 |
| | | 177,679 | 73,101 |
| Debt | **10** | 3,189 | 121,692 |
| Reclamation and rehabilitation provisions | | 64,076 | 62,886 |
| Other provisions | | 3,411 | 3,136 |
| Deferred income taxes | | 87,743 | 85,046 |
| | | 336,098 | 345,861 |
| **Shareholders' equity** | | | |
| Share capital | | 771,518 | 771,470 |
| Other reserves | **11** | 19,673 | 18,739 |
| Deficit | | (497,161) | (503,642) |
| Accumulated other comprehensive loss | | (47,147) | (47,147) |
| | | 246,883 | 239,420 |
| **Non-controlling interests** | **12** | (12,618) | (13,257) |
| | | 234,265 | 226,163 |
| | | $ 570,363 | $ 572,024 |

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

Signed on behalf of the Board,

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

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

**TREVALI MINING CORPORATION**
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
(Expressed in thousands of United States Dollars except for share and per share amounts – unaudited)

| | | Three months ended September 30 | | Nine months ended September 30, | |
|---|---|---|---|---|---|
| | **Notes** | **2021** | **2020** | **2021** | **2020** |
| **REVENUES** | **13** | $ **79,811** | $ 50,157 | $ **252,872** | $ 144,798 |
| **MINE OPERATING EXPENSES** | | | | | |
| Production | | **49,200** | 30,015 | **147,419** | 115,932 |
| Distribution | | **6,211** | 4,049 | **14,077** | 13,845 |
| Royalties | | **2,645** | 1,813 | **7,579** | 3,900 |
| Care and maintenance | | **–** | 1,663 | **386** | 5,610 |
| Depreciation, depletion and amortization | | **14,110** | 9,329 | **49,095** | 36,513 |
| | | **72,166** | 46,869 | **218,556** | 175,800 |
| **GROSS PROFIT (LOSS)** | | **7,645** | 3,288 | **34,316** | (31,002) |
| General and administrative | | **621** | 817 | **4,292** | 5,364 |
| Stock-based compensation | | **602** | 586 | **2,054** | 1,288 |
| **Operating profit (loss)** | | **6,422** | 1,885 | **27,970** | (37,654) |
| **OTHER** | | | | | |
| Settlement mark-to-market (gain) loss | | **(1,288)** | (9,891) | **(1,023)** | 2,581 |
| Mark-to-market gain on financial instruments | | **(2,565)** | – | **(1,367)** | – |
| Foreign exchange (gain) loss | | **(1,606)** | 850 | **565** | 483 |
| Interest expense | | **2,720** | 3,038 | **8,314** | 7,454 |
| Restructuring expenses | | **–** | – | – | 5,428 |
| Mine restart expenses | | **–** | – | **6,338** | – |
| Impairment | | **–** | – | – | 153,419 |
| Other (income) expense | | **(1,077)** | 4,887 | **(573)** | 780 |
| **Income (loss) before taxes** | | **10,238** | 3,001 | **15,716** | (207,799) |
| Current income tax expense | | **4,238** | 335 | **5,899** | 1,098 |
| Deferred income tax expense (recovery) | | **248** | 1,544 | **2,697** | (15,033) |
| **NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)** | | $ **5,752** | $ 1,122 | $ **7,120** | $ (193,864) |
| Attributable to: | | | | | |
| Owners of Trevali | | $ **5,552** | $ 1,297 | $ **6,481** | $ (188,154) |
| Non-controlling interests | | **200** | (175) | **639** | (5,710) |
| | | $ **5,752** | $ 1,122 | $ **7,120** | $ (193,864) |
| Basic and diluted income (loss) per share | | $ **0.01** | $ 0.00 | $ **0.01** | $ (0.24) |
| **Weighted average number of shares outstanding** | | | | | |
| Basic and diluted | (000's) | **989,209** | 802,562 | **989,151** | 802,562 |

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)

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| | **2021** | **2020** | **2021** | **2020** |
| **OPERATING ACTIVITIES** | | | | |
| Net income (loss) | $ **5,753** | $ 1,122 | $ **7,120** | $ (193,864) |
| Items not affecting cash: | **–** | | | |
| Depreciation, depletion and amortization | **14,110** | 9,329 | **49,095** | 36,513 |
| Stock-based compensation | **602** | 161 | **2,054** | 500 |
| Unrealized mark-to-market (gain) loss on financial instruments | **(2,575)** | – | **(1,463)** | – |
| Unrealized (gain) loss on foreign exchange | **(2,348)** | 1,715 | **(281)** | 404 |
| Accrued interest, accretion and other non-cash items | **2,658** | 2,932 | **7,761** | 7,269 |
| Deferred income tax expense (recovery) | **248** | 1,544 | **2,697** | (15,033) |
| Impairments | **–** | – | **–** | 153,419 |
| Loss on disposal of plant and equipment | **47** | 344 | **494** | 344 |
| Operating cash flows before working capital changes | **18,495** | 17,147 | **67,477** | (10,448) |
| Restricted cash | **–** | (85) | **85** | (85) |
| Settlement and other receivables | **32,063** | (15,382) | **9,013** | (5,574) |
| Prepaids | **(150)** | 1,494 | **(2,624)** | 880 |
| Inventories | **(6,789)** | (3,086) | **(5,148)** | (1,763) |
| Accounts payable and accrued liabilities | **5,916** | (1,368) | **5,951** | (15,427) |
| Due to related parties | **(80)** | (5) | **182** | (50) |
| Value-added taxes receivable | **(4,833)** | (1,142) | **6,670** | 3,688 |
| Net cash provided by (used in) operating activities | **44,622** | (2,427) | **81,606** | (28,779) |
| | | | | |
| **INVESTING ACTIVITIES** | | | | |
| Increase of reclamation bond | **–** | (180) | **(912)** | (180) |
| Purchase of plant and equipment | **(13,603)** | (10,078) | **(37,156)** | (34,242) |
| Proceeds on disposal of plant and equipment | **–** | – | **–** | 532 |
| Exploration and evaluation asset expenditures | **(1,817)** | (143) | **(5,569)** | (3,728) |
| Net cash used in investing activities | **(15,420)** | (10,401) | **(43,637)** | (37,618) |
| | | | | |
| **FINANCING ACTIVITIES** | | | | |
| Share units settled in cash | **–** | (8) | **(14)** | (105) |
| Stock options and warrants exercised | **–** | – | **42** | – |
| Net (repayment) drawdown on revolving credit facility | **–** | (100) | **(6,400)** | 48,900 |
| Drawdown on Glencore facility | **–** | 3,600 | **–** | 3,600 |
| Net (repayment) drawdown on other facilities | **(12,747)** | 4,675 | **(13,731)** | 10,080 |
| Interest payments | **(1,749)** | (1,828) | **(5,281)** | (4,447) |
| Lease payments | **(2,073)** | (1,323) | **(5,490)** | (3,768) |
| Net cash (used in) provided by financing activities | **(16,569)** | 5,016 | **(30,874)** | 54,260 |
| | | | | |
| Effect of foreign exchange on cash | **(437)** | 179 | **(705)** | (643) |
| Increase (decrease) in cash and cash equivalents | **12,196** | (7,633) | **6,390** | (12,780) |
| Cash and cash equivalents, beginning of the period | **27,694** | 19,321 | **33,500** | 24,468 |
| Cash and cash equivalents, end of the period | $ **39,890** | $ 11,688 | $ **39,890** | $ 11,688 |

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

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

| | Notes | Number of shares | Share capital | Other reserves | Deficit | Accumulated other comprehensive loss | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|
| **December 31, 2020** | | 989,092,585 | $ 771,470 | $ 18,739 | $ (503,642) | $ (47,147) | $ (13,257) | 226,163 |
| Net income and total comprehensive income | | – | – | – | 6,481 | – | 639 | 7,120 |
| Warrants exercised | 9 | 97,000 | 18 | – | – | – | – | 18 |
| Stock options exercised | 11 | 167,166 | 30 | (6) | – | – | – | 24 |
| Stock-based compensation | 11 | – | – | 954 | – | – | – | 954 |
| Share units settled in cash | | – | – | (14) | – | – | – | (14) |
| **September 30, 2021** | | **989,356,751** | **$ 771,518** | **$ 19,673** | **$ (497,161)** | **$ (47,147)** | **$ (12,618)** | **234,265** |
| **December 31, 2019** | | 802,561,585 | $ 748,731 | $ 18,158 | $ (264,315) | $ (47,147) | $ (6,978) | 448,449 |
| Net loss and total comprehensive loss | | – | – | – | (188,154) | – | (5,710) | (193,864) |
| Stock-based compensation | 11 | – | – | 500 | – | – | – | 500 |
| Share units settled in cash | | – | – | (105) | – | – | – | (105) |
| **September 30, 2020** | | **802,561,585** | **$ 748,731** | **$ 18,553** | **$ (452,469)** | **$ (47,147)** | **$ (12,688)** | **254,980** |

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

(Expressed in thousands of United States Dollars – unaudited)

## 1. DESCRIPTION OF BUSINESS AND NATURE OF OPERATIONS

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

The Company is a natural resource company engaged in the acquisition, exploration, development of, and production from, mineral properties. The Company produces zinc concentrate from the Perkoa mine in Burkina Faso, and zinc and lead-silver concentrates from the Rosh Pinah mine in Namibia and the Santander mine in Peru. Operations at the Caribou mine in New Brunswick, Canada were suspended and the mine was placed on care and maintenance effective March 26, 2020; on January 15, 2021, the Company announced that the operations were being restarted and full payable zinc production resumed on March 25, 2021. In addition, Trevali owns the Halfmile project and Restigouche polymetallic deposit in New Brunswick, Canada, the Ruttan deposit in northern Manitoba, Canada, an effective 44% interest in the Gergarub project in Namibia and an option to acquire a majority position in the Heath Steele deposit located in New Brunswick, Canada.

The Company's principal subsidiaries and geographic locations are as follows:

| | | Ownership | | |
|---|---|---|---|---|
| **Legal name** | **Country** | **2021** | **2020** | **Main activity** |
| Nantou Mining Burkina Faso S.A. | Burkina Faso | 90.0% | 90.0% | Zinc production |
| Rosh Pinah Zinc Corporation (Proprietary) Ltd. | Namibia | 90.0% | 90.0% | Zinc, lead-silver production |
| Trevali Mining (New Brunswick) Ltd. | Canada | 100.0% | 100.0% | Zinc, lead-silver production |
| Trevali (Peru) S.A.C. | Peru | 100.0% | 100.0% | Zinc, lead-silver production |
| Trevali Mining (Maritimes) Ltd. | Canada | 100.0% | 100.0% | Exploration |

## 2. BASIS OF PREPARATION

*Statement of compliance*

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements including International Accounting Standard 34: *Interim Financial Reporting* and follow the same accounting policies and methods of application as our most recent annual financial statements. Certain information and note disclosures, included in the annual audited financial statements, have also been omitted or condensed.

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

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, 2020 and 2019.

Certain pronouncements have been issued by the IASB that are mandatory for accounting periods after December 31, 2021. There are currently no such pronouncements that are expected to have a significant impact on the Company's consolidated financial statements upon adoption.

*Liquidity*

As both the Facility and the Glencore Facility are due for repayment at maturity on September 18, 2022, a period of less than twelve months, these balances are classified as current liabilities as at September 30, 2021. This caused the significant decrease in working capital, to a deficiency position of $25.3 million compared to positive working capital of $73.0 million at December 31, 2020.

The Company is engaged in negotiations with current and new prospective lenders to refinance debt requirements.

*Approval of the financial statements*

The condensed interim consolidated financial statements of Trevali Mining Corporation for the three and nine months ended September 30, 2021 and 2020 were reviewed by the Audit Committee and approved for issuance by the Board of Directors on November 8, 2021.

## 3. COVID-19 ESTIMATION UNCERTAINTY

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

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

## 4. IMPAIRMENTS

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

No impairment or impairment reversal indicators were identified during the three and nine months ended September 30, 2021.

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

- The operational plan for Caribou changed significantly when it was placed on care and maintenance on March 26, 2020; and
- The deterioration in the near-term zinc price outlook resulted in an adverse change to Santander's economics, whose carrying value approximated the estimated recoverable amount as at December 31, 2019.

As a result of the impairment indicators identified above, the recoverable amounts of the Caribou and Santander CGUs were estimated and compared against their respective carrying values.

In addition, the carrying values of exploration and evaluation assets that would be dependent on processing ore at the Caribou mill and the Company's interest in the Gergarub project were also reviewed for impairment.

(Expressed in thousands of United States Dollars – unaudited)

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

| | | **March 31, 2020** |
|---|---|---|
| Property, plant and equipment (Note 7) | | |
| Caribou | | 34,641 |
| Santander | | 15,544 |
| Exploration and evaluation assets | | 99,112 |
| Inventory | | 4,000 |
| Investments | | 122 |
| Impairment | $ | 153,419 |
| Deferred income tax recovery | | (15,984) |
| Impairment, net | $ | 137,435 |

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

### Caribou

On March 26, 2020, the Company announced that the Caribou mine would suspend operations and commence a care and maintenance program, effective immediately. The change to the operational mine plan resulted in a total $42.5 million impairment (comprised of $34.6 million in property, plant and equipment, $4.0 million of inventory and $3.9 million of near-mine exploration and evaluation assets) to its estimated recoverable amount of $12.6 million.

### Santander

During Q1 2020, the Company's near-term zinc price assumptions were revised as a direct result of the decline in the zinc price caused by COVID-19. Additionally, cash preservation initiatives resulted in feasibility activities related to the Santander Pipe being deferred and as such a delay in production from this potential source of ore has been incorporated into the estimate of recoverable amount. These changes resulted in a net $19.0 million impairment ($15.5 million property, plant and equipment write-down and $7.7 million near-mine exploration and evaluation assets net of a $4.2 million deferred income tax recovery) to its estimated recoverable amount of $17.3 million.

Following the completion of studies in December 2020, the life-of-mine plan for Santander was revised with mining operations at the Magistral deposit scheduled to complete at the end of 2021 and the economic feasibility of the Santander Pipe was re-evaluated because of updated capital and operating expenditure estimates and the possible development timeline. The Santander operation is expected to transition into an exploration phase to focus on the discovery and definition of new mineralization to complement existing mineral resources. As a result, in Q4 2020 a total impairment of $43.6 million to property, plant and equipment was recognized to its estimated recoverable amount of negative $10.2 million (the recoverable value of the Santander CGU is negative because the outflows associated with closure costs is included in the cash flow projection).

### Halfmile, Restigouche and the Heath Steele Option

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

- $41.8 million relating to Halfmile following a valuation review. The FVLCD is based on a price per pound of zinc equivalent resources observed for publicly traded zinc exploration and development companies and its determination uses Level 3 inputs.

(Expressed in thousands of United States Dollars – unaudited)

- $14.2 million representing the full carrying value of its option over the Heath Steele property and its interest in the Restigouche project which were no longer considered commercially viable.

**Gergarub**

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

## 5. SETTLEMENT AND OTHER RECEIVABLES

| | | September 30, 2021 | | December 31, 2020 |
|---|---|---|---|---|
| Settlement receivables | $ | 38,577 | $ | 51,311 |
| Sales tax and income taxes | | 17,876 | | 11,601 |
| Other | | 1,032 | | 319 |
| | $ | 57,485 | $ | 63,231 |

Settlement receivables as at December 31, 2020 included $15.5 million in Burkina Faso that were subject to factoring arrangements. The Company transferred the relevant receivables in exchange for cash and there are no amounts outstanding as at September 30, 2021.

## 6. INVENTORIES

| | | September 30, 2021 | | December 31, 2020 |
|---|---|---|---|---|
| Mineralized stockpiles | $ | 1,768 | $ | 7,647 |
| Concentrates | | | | |
| Site | | 4,741 | | 2,169 |
| In-transit | | 3,271 | | 2,386 |
| Port | | 11,151 | | 5,329 |
| Materials and supplies | | 25,071 | | 23,998 |
| | $ | 46,002 | $ | 41,529 |

## 7. PROPERTY, PLANT AND EQUIPMENT

| | | Buildings and infrastructure | | Mine development | | Equipment and other | | Total |
|---|---|---|---|---|---|---|---|---|
| **Net book value** | | | | | | | | |
| January 1, 2021 | $ | 104,114 | $ | 226,544 | $ | 51,636 | $ | 382,294 |
| Additions | | 1,666 | | 15,748 | | 25,244 | | 42,658 |
| Disposals | | – | | – | | (494) | | (494) |
| Depreciation | | (15,721) | | (19,988) | | (12,711) | | (48,420) |
| Reclassifications | | 1,653 | | 2,221 | | (3,860) | | 14 |
| Change in reclamation and rehabilitation provision | | – | | 718 | | – | | 718 |
| September 30, 2021 | $ | 91,712 | | 225,243 | | 59,815 | | 376,770 |
| Gross carrying value | $ | 250,614 | | 648,119 | | 147,716 | | 1,046,449 |
| Accumulated depreciation and impairment | $ | (158,902) | | (422,876) | | (87,901) | | (669,679) |

Equipment and other includes expenditure for construction in progress of $14.6 million.

The net book value of right-of-use assets included in property, plant and equipment as at September 30, 2021 was $10.8 million.

(Expressed in thousands of United States Dollars – unaudited)

## 8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | | September 30, 2021 | | December 31, 2020 |
|---|---|---|---|---|
| Trade payables | $ | 22,254 | $ | 31,508 |
| Accrued payroll and other | | 21,308 | | 12,002 |
| Forward swaps and put options | | – | | 4,084 |
| DSU and PSU liability | | 2,558 | | 1,648 |
| Corporate income taxes | | 5,792 | | 668 |
| Burkina Faso royalty and community payable | | 3,973 | | 1,793 |
| Other | | 207 | | 163 |
| | $ | 56,092 | $ | 51,866 |

## 9. WARRANT LIABILITY

On December 2, 2020, the Company closed a unit offering (the "Offering") whose units included 93,265,000 common share purchase warrants (the "Warrants"), each with an exercise price of C$0.23 and expiry date of June 2, 2022.

The Warrants are classified as a warrant liability under the principles of IFRS 9 – *Financial instruments* and are considered a derivative financial instrument given that their exercise price is fixed in Canadian dollars while the functional currency of the Company is the US dollar. Accordingly, the outstanding Warrants are remeasured to fair value at each reporting date with changes in the fair value recorded to mark-to-market loss on financial instruments in the statement of operations.

For the three months ended September 30, 2021, the Company recognized a $2.6 million gain (three months ended September 30, 2020 – $nil) on revaluation of the warrant liability to the TSX-listed trading price.

Warrant transactions are as follows:

| | Number of Warrants |
|---|---|
| Granted – December 2, 2020 | 93,265,000 |
| Exercised | (1,000) |
| December 31, 2020 | 93,264,000 |
| Exercised | (97,000) |
| September 30, 2021 | 93,167,000 |

## 10. DEBT

| | | September 30, 2021 | | December 31, 2020 |
|---|---|---|---|---|
| Revolving credit facility, net of fees | $ | 98,578 | $ | 104,287 |
| Glencore facility, net of fees | | 12,833 | | 12,707 |
| Other loans | | 2,153 | | 3,810 |
| Receivables factoring facility (Note 5) | | – | | 12,650 |
| | | 113,564 | | 133,454 |
| Leases | | 8,280 | | 5,078 |
| Total debt | $ | 121,844 | $ | 138,532 |
| Current | | 118,655 | | 16,840 |
| Non-current | $ | 3,189 | $ | 121,692 |

*Revolving credit facility*

The Company has a credit agreement with a syndicate of lenders for a $128.6 million revolving credit facility (the "Facility") that was last renegotiated on August 6, 2020 that bears interest at a rate of LIBOR plus 5.5% and commitment fees for the undrawn portion of the Facility at 1.3%. The Facility was reduced by $6.4 million from $135.0 million, the amount of the mandatory repayment in May 2021 and matures on September 18, 2022.

The Company has letters of credit, issued under the Facility, totaling $6.2 million to support $4.5 million in various reclamation bonding requirements and the new mining contractor for the Caribou mine and to provide $1.7 million of financial security toward power transmission payments related to the Santander mine.

As at September 30, 2021, the Company was in full compliance with all covenant obligations and by mid November 2021 must complete a principal repayment of $9.1 million, in accordance with the terms of the agreement requiring minimum repayments based on excess cash generated on a quarterly basis. Following this mandatory prepayment, the credit limit under the revolving facility will be permanently reduced by the payment amount to $119.5 million. At September 30, 2021, the carrying balance has been classified as current as the maturity date is less than one year.

The amount available to the Company under the Facility as of September 30, 2021 was $22.9 million.

*Glencore facility*

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

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

The Glencore Facility was reduced by $7.0 million as part of Glencore's contribution to the Offering on December 2, 2020, including a resulting repayment of $1.8 million on the facility. The amount available to the Company under the Glencore Facility as of September 30, 2021 was nil as the full $13.0 million limit under the agreement has been drawn. At September 30, 2021, the carrying balance has been classified as current as the maturity date is less than one year.

*Other loans*

In June 2020, the Company received a $2.9 million loan for working capital requirements under the Peruvian government-backed liquidity program launched in response to the COVID-19 pandemic. The loan bears interest at 1.15% and is repayable over a 24-month period beginning in June 2021. In accordance with the schedule, the Company began making monthly repayments in July 2021 reducing the amount payable to $2.2 million as at September 30, 2021. In addition, Santander had drawn down $1.0 million on a 90-day revolving loan with a local financial institution in August 2020 that was renewed once before being repaid in March 2021.

*Financial guarantee*

In addition to the guarantees linked to the Facility, Trevali has also arranged a $11.5 million financial guarantee to support reclamation bonding requirements with its Santander mine and a $5.3 million surety bond to support reclamation bonding requirements with its Caribou mine.

*Leases*

In February 2021, a new lease was entered into with the mining contractor at the Caribou mine as part of the restart. The lease runs until December 31, 2022 and a corresponding lease liability of $7.5 million was recognized as the present value of future payments using an implied interest rate of 8%.

(Expressed in thousands of United States Dollars – unaudited)

## 11. OTHER RESERVES

### Share-based payment reserve

*Stock options*

As at September 30, 2021 and December 31, 2020, the Company had outstanding stock options enabling the holders to acquire common shares as follows:

| | **September 30, 2021** | | | **December 31, 2020** | | |
|---|---|---|---|---|---|---|
| Expiry date | Exercise price (C$) | Number of options | Vested and exercisable | Exercise price (C$) | Number of options | Vested and exercisable |
| June 1, 2021 | – | – | – | $0.45 | 1,576,600 | 1,576,600 |
| January 20, 2022 | $1.21 | 625,100 | 625,100 | $1.21 | 625,100 | 625,100 |
| August 31, 2022 | $1.59 | 427,890 | 427,890 | $1.59 | 427,890 | 427,890 |
| January 23, 2023 | $1.52 | 798,400 | 798,400 | $1.52 | 798,400 | 532,264 |
| January 23, 2023 | $0.90 | 200,300 | 200,300 | $0.90 | 200,300 | 133,533 |
| April 10, 2024 | $0.47 | 1,957,115 | 1,316,412 | $0.47 | 1,984,400 | 661,461 |
| March 10, 2025 | $0.17 | 19,453,353 | 6,779,327 | $0.17 | 21,067,017 | – |
| March 17, 2026 | $0.22 | 20,901,407 | 21,488 | – | – | – |
| | $0.26 | 44,363,565 | 10,168,917 | $0.30 | 26,679,707 | 3,956,848 |

At September 30, 2021, the weighted average remaining contractual life of the stock options was 3.8 years (December 31, 2020 – 3.7 years).

Stock option transactions are as follows:

| | **September 30, 2021** | | **December 31, 2020** | |
|---|---|---|---|---|
| | Number of options | Weighted average exercise price (C$) | Number of options | Weighted average exercise price (C$) |
| Opening balance | 26,679,707 | $0.30 | 9,815,100 | $0.83 |
| Granted | 22,572,807 | $0.22 | 25,982,632 | $0.17 |
| Exercised | (167,166) | $0.17 | – | – |
| Forfeited | (3,140,250) | $0.20 | (5,306,242) | $0.20 |
| Expired | (1,581,533) | $0.45 | (3,811,783) | $0.90 |
| Ending balance | 44,363,565 | $0.26 | 26,679,707 | $0.30 |

During the three months ended September 30, 2021, the Company recorded $0.4 million in share-based payment expense (2020 – $0.7 million) related to stock options.

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

| | **September 30, 2021** | **December 31, 2020** |
|---|---|---|
| Risk-free interest rate | 0.99% | 1.29% |
| Expected life of options | 5 years | 5 years |
| Annualized volatility | 75.15% | 70.05% |
| Dividend rate | Nil | Nil |
| Forfeiture rate | 13.72% | 7.45% |

*Performance share units (“PSUs”), deferred share units (“DSUs”) and restricted share units (“RSUs”)*

During the three months ending September 30, 2021, Trevali recorded $0.6 million in share-based payment expense (2020 – $0.1 million) related to the incentive plan for the grant of PSUs, RSUs and DSUs.

On March 17, 2021, the Company granted 10,700,901 PSUs to selected employees. Defined performance-based criteria determine the vesting number of PSUs which vest March 17, 2024 (the third anniversary of the grant date, with a performance period that covers the period from January 1, 2021 to December 31, 2023).

(Expressed in thousands of United States Dollars – unaudited)

PSU, DSU and RSU transactions are summarized as follows:

| | PSUs | | DSUs | | RSUs | |
|---|---|---|---|---|---|---|
| | Number of units | Fair value (C$) | Number of units | Fair value (C$) | Number of units | Fair value (C$) |
| January 1, 2020 | 714,286 | $0.35 | 840,225 | $0.50 | 2,138,404 | $0.94 |
| Granted | 29,855,721 | $0.04 | 6,186,278 | $0.11 | – | – |
| Forfeited/ cancelled | (2,597,418) | $0.04 | – | – | (244,965) | $0.13 |
| Redeemed | (18,494) | $0.04 | – | – | (990,756) | $0.15 |
| December 31, 2020 | 27,954,095 | $0.11 | 7,026,503 | $0.20 | 902,683 | $0.20 |
| Granted | 10,700,901 | $0.19 | 1,629,168 | $0.24 | 1,684,124 | $0.20 |
| Exercised | (111,140) | $0.20 | – | – | – | – |
| Forfeited | (1,395,110) | $0.11 | – | – | (556,895) | $0.21 |
| Redeemed | – | – | (1,214,746) | $0.20 | (507,508) | $0.21 |
| September 30, 2021 | 37,148,746 | $0.13 | 7,440,925 | $0.18 | 1,522,404 | $0.18 |

## 12. NON-CONTROLLING INTERESTS

| | | Perkoa | Rosh Pinah | Total |
|---|---|---|---|---|
| January 1, 2021 | $ | (30,024) | 16,767 | (13,257) |
| Net (loss) gain attributable to non-controlling interests | | (356) | 995 | 639 |
| September 30, 2021 | | (30,380) | 17,762 | (12,618) |

## 13. REVENUES

| | | Three months ended September 30, 2021 | | | Three months ended September 30, 2020 | | |
|---|---|---|---|---|---|---|---|
| | | Zinc | Lead-Silver | Total | Zinc | Lead-Silver | Total |
| Revenues | $ | 86,823 | 20,289 | 107,112 | 70,530 | 5,704 | 76,234 |
| Smelting and refining charges | | (22,188) | (5,113) | (27,301) | (24,825) | (1,252) | (26,077) |
| Revenues, net | $ | 64,635 | 15,176 | 79,811 | 45,705 | 4,452 | 50,157 |

| | | Nine months ended September 30, 2021 | | | Nine months ended September 30, 2020 | | |
|---|---|---|---|---|---|---|---|
| | | Zinc | Lead-Silver | Total | Zinc | Lead-Silver | Total |
| Revenues | $ | 289,523 | 46,699 | 336,222 | 225,300 | 23,335 | 248,635 |
| Smelting and refining charges | | (72,937) | (10,413) | (83,350) | (97,764) | (6,073) | (103,837) |
| Revenues, net | $ | 216,586 | 36,286 | 252,872 | 127,536 | 17,262 | 144,798 |

(Expressed in thousands of United States Dollars – unaudited)

## 14. SEGMENTED INFORMATION

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

| Three-month period ended September 30, 2021 | Perkoa mine | Rosh Pinah mine | Caribou mine | Santander mine | Corporate and other | Total |
|---|---|---|---|---|---|---|
| Revenues | $ 29,003 | $ 22,663 | $ 18,538 | $ 9,607 | $ – | $ 79,811 |
| Mine operating expenses | 22,870 | 12,343 | 13,182 | 9,641 | 20 | 58,056 |
| General and administration | – | – | – | – | 621 | 621 |
| Stock-based compensation | – | – | – | – | 602 | 602 |
| Adjusted EBITDA | 6,133 | 10,320 | 5,356 | (34) | (1,243) | 20,532 |
| Depreciation, depletion and amortization | 4,764 | 4,904 | 3,415 | 772 | 255 | 14,110 |
| Adjusted EBIT | 1,369 | 5,416 | 1,941 | (806) | (1,498) | 6,422 |
| Settlement mark-to-market | | | | | | (1,288) |
| Mark-to-market gain on financial instruments | | | | | | (2,565) |
| Gain on foreign exchange | | | | | | (1,606) |
| Interest expense | | | | | | 2,720 |
| Other income, net | | | | | | (1,077) |
| Income tax expense | | | | | | 4,486 |
| Net income | | | | | | 5,752 |
| Capital expenditures | | | | | | 11,202 |
| Exploration expenditures | | | | | | 1,819 |
| Assets | 281,741 | 276,509 | 69,085 | 31,771 | (88,743) | 570,363 |
| Liabilities | (152,354) | (147,506) | (185,183) | (37,522) | 186,467 | (336,098) |
| Net assets (liabilities) | $ 129,387 | 129,003 | (116,098) | (5,751) | 97,724 | $ 234,265 |

| Three-month period ended September 30, 2020 | Perkoa mine | Rosh Pinah mine | Caribou mine | Santander mine | Corporate and other | Total |
|---|---|---|---|---|---|---|
| Revenues | $ 23,410 | $ 13,216 | $ 1,852 | $ 11,679 | $ – | $ 50,157 |
| Mine operating expenses | 18,411 | 8,314 | 1,653 | 9,169 | (7) | 37,540 |
| General and administration | 4 | – | – | – | 813 | 817 |
| Stock-based compensation | – | – | – | – | 586 | 586 |
| Adjusted EBITDA | 4,995 | 4,902 | 199 | 2,510 | (1,392) | 11,214 |
| Depreciation, depletion and amortization | 4,937 | 3,136 | – | 1,039 | 217 | 9,329 |
| Adjusted EBIT | 58 | 1,766 | 199 | 1,471 | (1,609) | 1,885 |
| Settlement mark-to-market | | | | | | (9,891) |
| Loss on foreign exchange | | | | | | 850 |
| Interest expense | | | | | | 3,038 |
| Other expense, net | | | | | | 4,887 |
| Income tax expense | | | | | | 1,879 |
| Net income | | | | | | 1,122 |
| Capital expenditures | | | | | | 10,767 |
| Exploration expenditures | | | | | | 142 |
| Assets | 299,168 | 263,394 | 44,017 | 70,556 | (94,208) | 582,927 |
| Liabilities | (171,253) | (143,229) | (144,732) | (58,872) | 190,139 | (327,947) |
| Net assets (liabilities) | $ 127,915 | $ 120,165 | $ (100,715) | $ 11,684 | $ 95,931 | $ 254,980 |

(Expressed in thousands of United States Dollars – unaudited)

| Nine-month period ended September 30, 2021 | | | | | | |
|---|---|---|---|---|---|---|
| | Perkoa mine | Rosh Pinah mine | Caribou mine | Santander mine | Corporate and other | Total |
| Revenues | $ 104,717 | $ 67,814 | $ 36,729 | $ 43,612 | $ – | $ 252,872 |
| Mine operating expenses | 71,510 | 37,239 | 26,112 | 34,600 | – | 169,461 |
| General and administration | – | – | – | – | 4,292 | 4,292 |
| Stock-based compensation | – | – | – | – | 2,054 | 2,054 |
| Adjusted EBITDA | 33,207 | 30,575 | 10,617 | 9,012 | (6,346) | 77,065 |
| Depreciation, depletion and amortization | 23,136 | 14,600 | 8,185 | 2,533 | 641 | 49,095 |
| Adjusted EBIT | 10,071 | 15,975 | 2,432 | 6,479 | (6,987) | 27,970 |
| Settlement mark-to-market | | | | | | (1,023) |
| Mark-to-market gain on financial instruments | | | | | | (1,367) |
| Loss on foreign exchange | | | | | | 565 |
| Interest expense | | | | | | 8,314 |
| Mine restart expenses | | | | | | 6,338 |
| Other income, net | | | | | | (573) |
| Income tax expense | | | | | | 8,596 |
| Net income | | | | | | 7,120 |
| Capital expenditures | 7,500 | 18,305 | 13,974 | 791 | 2,088 | 42,658 |
| Exploration expenditures | | | | | | 5,570 |
| Assets | 281,741 | 276,509 | 69,085 | 31,771 | (88,743) | 570,363 |
| Liabilities | (152,354) | (147,506) | (185,183) | (37,522) | 186,466 | (336,098) |
| Net assets (liabilities) | $ 129,387 | 129,003 | (116,098) | (5,751) | 97,723 | $ 234,265 |

| Nine-month period ended September 30, 2020 | | | | | | |
|---|---|---|---|---|---|---|
| | Perkoa mine | Rosh Pinah mine | Caribou mine | Santander mine | Corporate and other | Total |
| Revenues | $ 60,868 | $ 37,682 | $ 11,917 | $ 34,331 | $ – | $ 144,798 |
| Mine operating expenses | 60,608 | 27,382 | 22,096 | 29,183 | 18 | 139,287 |
| General and administration | 7 | – | – | – | 5,357 | 5,364 |
| Stock-based compensation | – | – | – | – | 1,288 | 1,288 |
| Adjusted EBITDA | 253 | 10,300 | (10,179) | 5,148 | (6,663) | (1,141) |
| Depreciation, depletion and amortization | 15,427 | 13,460 | 2,764 | 4,157 | 705 | 36,513 |
| Adjusted EBIT | (15,174) | (3,160) | (12,943) | 991 | (7,368) | (37,654) |
| Settlement mark-to-market | | | | | | 2,581 |
| Gain on foreign exchange | | | | | | 483 |
| Interest expense | | | | | | 7,454 |
| Restructuring expenses | | | | | | 5,428 |
| Impairment | | | | | | 153,419 |
| Other income, net | | | | | | 780 |
| Income tax recovery | | | | | | (13,935) |
| Net loss | | | | | | (193,864) |
| Capital expenditures | | | | | | 34,572 |
| Exploration expenditures | | | | | | 3,727 |
| Assets | 299,168 | 263,394 | 44,017 | 70,556 | (94,208) | 582,927 |
| Liabilities | (171,253) | (143,229) | (144,732) | (58,872) | 190,139 | (327,947) |
| Net assets (liabilities) | $ 127,915 | $ 120,165 | $ (100,715) | $ 11,684 | $ 95,931 | $ 254,980 |

(Expressed in thousands of United States Dollars – unaudited)

## 15. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The Company's financial assets and liabilities consist of cash and cash equivalents, restricted cash, settlement receivables, reclamation bonds, accounts payable and accrued liabilities, warrant liability and debt.

*Fair value of financial instruments*

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

Trade receivables from provisionally priced concentrate sales are referred to as settlement receivables and are included in Level 2 of the fair value hierarchy as the basis of valuation uses quoted commodity prices. The fair value of cash and cash equivalents and restricted cash approximate carrying values due to the immediate or short-term maturities of these financial instruments. The fair values of the Facility and the Glencore Facility approximate their carrying values as these are floating rate instruments and no significant changes in the Company's credit and liquidity risk have occurred between the recognition of the debt on August 6, 2020 and September 30, 2021.

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

*Capital risk management*

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

## 16. RELATED PARTY TRANSACTIONS AND BALANCES

### Glencore

As of September 30, 2021, Glencore owned 259,835,925 Trevali common shares representing approximately 26.3% of the total issued and outstanding common shares. In addition, there were 24,500,000 common share purchase warrants outstanding with an exercise price of C$0.23 each and expiry of June 2, 2022, see Note 9 for more information on these instruments.

Glencore purchases all of the Company's concentrate production under separate off-take agreements with each of its mines which were entered into before Glencore became a related party of the Company. Trevali entered into the following transactions during the three and nine months ending September 30, 2021 and 2020:

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Net revenue on concentrate sales | $ 79,811 | $ 50,157 | $ 252,872 | $ 144,798 |
| Settlement mark-to-market on concentrate sales (gain) loss | (1,288) | (9,891) | (1,023) | 2,581 |
| Other income[1] | – | – | – | 3,075 |
| Interest expense on Glencore Facility | $ 182 | $ 57 | $ 553 | $ 57 |

| | September 30, 2021 | December 31, 2020 |
|---|---|---|
| Settlement receivable from Glencore (Note 5) | $ 38,577 | $ 51,311 |
| Payable to Glencore | 2 | 48 |
| Glencore Facility (Note 10)[2] | $ 13,001 | $ 13,001 |

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

## 17. SUBSEQUENT EVENTS

### Sale of Santander

On November 8, 2021, the Company announced that it has entered into a share purchase agreement (the "Agreement") with Cerro De Pasco Resources Inc. ("Cerro De Pasco"), pursuant to which it has agreed to sell its Santander Mine in Peru to Cerro De Pasco. Under the terms of the Agreement, Trevali will receive 10 million common shares of Cerro De Pasco, $0.8 million (C$1.0 million) in cash (subject to adjustment as described below), and a 1% Net Smelter Return Royalty on certain areas of the Santander Mine site that exclude areas on which there is currently a defined Mineral Resource.

### Share Consolidation Announced

On November 8, 2021, the Company announced that the Board of Directors has approved a consolidation (the "Consolidation") of the common shares of the Company on a ten-to-one basis. The Company has 989 million common shares outstanding and if completed, the Consolidation would reduce the issued and outstanding common shares to approximately 98.9 million common shares. Subject to TSX approval, the Company anticipates that the Consolidation will take effect on or around December 1, 2021, at which time the common shares will trade on a consolidated basis under the existing name and trading symbol.