TREVALI

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three and nine months ended September 30, 2019 and 2018

TABLE OF CONTENTS

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

	Notes	September 30, 2019	December 31, 2018
ASSETS			
Current			
Cash and cash equivalents		$ 35,972	$ 65,462
Restricted cash		85	1,217
Settlement and other receivables	5	31,457	73,016
Prepaids		5,165	6,242
Inventories	6	51,215	63,161
		123,894	209,098
Reclamation bonds and other		8,418	8,471
Long-term receivables		13,199	12,387
Investment and advances	7	1,140	3,129
Exploration and evaluation assets	8	120,256	118,755
Property, plant and equipment	9	459,003	473,900
		$ 725,910	$ 825,740
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Current			
Accounts payable and accrued liabilities	10	$ 56,521	$ 58,541
Due to related parties	14	75	1,539
Debt	11	4,366	132,167
		60,962	192,247
Debt	11	68,921	257
Reclamation and rehabilitation provision		46,654	46,727
Other provisions		3,003	2,956
Deferred income tax		94,589	96,309
		274,129	338,496
Shareholders' equity			
Share capital	12	756,644	763,596
Other reserves	13	16,232	17,935
Deficit		(267,000)	(242,551)
Accumulated other comprehensive loss		(47,102)	(46,766)
		458,774	492,214
Non-controlling interests	19	(6,993)	(4,970)
		451,781	487,244
		$ 725,910	$ 825,740

Contingencies (Note 17)

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

Signed on behalf of the Board,

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

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

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

	Notes	Three months ended September 30, 2019	Three months ended September 30, 2018 (restated)*	Nine months ended September 30, 2019	Nine months ended September 30, 2018 (restated)*
REVENUES	15	$ 87,135	$ 73,095	$ 294,644	$ 342,584
MINE OPERATING EXPENSES					
Production		55,241	41,781	172,871	147,843
Distribution		6,563	7,287	21,796	21,571
Royalties		919	1,114	7,153	8,044
Depreciation, depletion and amortization		22,547	14,575	66,888	53,197
		85,270	64,757	268,708	230,655
GROSS PROFIT		1,865	8,338	25,936	111,929
General and administrative		1,925	1,664	6,324	5,745
Operating (loss) profit		(60)	6,674	19,612	106,184
OTHER					
Settlement mark-to-market		10,868	42,556	23,174	63,413
(Gain) loss on foreign exchange		(1,280)	1,278	1,137	2,416
Interest expense		2,156	3,065	6,466	9,511
Restructuring expenses		718	–	7,550	–
Impairment	7	–	–	3,662	–
Other income		(764)	(184)	(1,199)	(1,379)
(Loss) Income before taxes		(11,758)	(40,041)	(21,178)	32,223
Current income tax expense (recovery)		2,814	(2,885)	12,120	6,972
Deferred income tax expense (recovery)		1,559	(6,310)	(1,720)	4,067
NET (LOSS) INCOME		$ (16,131)	$ (30,846)	$ (31,578)	$ 21,184
Other comprehensive loss					
Unrealized loss on investments in equity securities		(336)	(198)	(336)	(265)
Total comprehensive (loss) income		(16,467)	(31,044)	(31,914)	20,919
Net (loss) Income attributable to:					
Owners of Trevali		$ (15,281)	$ (31,109)	$ (29,555)	$ 18,897
Non-controlling interests	19	(850)	263	(2,023)	2,287
		$ (16,131)	$ (30,846)	$ (31,578)	$ 21,184
Total comprehensive (loss) income attributable to:					
Owners of Trevali		(15,617)	(31,307)	(29,891)	18,632
Non-controlling interests		(850)	263	(2,023)	2,287
		$ (16,467)	$ (31,044)	$ (31,914)	$ 20,919
(Loss) Income per share					
Basic		$ (0.02)	$ (0.04)	$ (0.04)	$ 0.02
Diluted		$ (0.02)	$ (0.04)	$ (0.04)	$ 0.02
Weighted average number of shares outstanding (000's)					
Basic		813,145	830,797	815,616	829,439
Diluted		813,145	830,797	815,616	836,365

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

*The comparative information has been restated as a result of the change in the accounting policy for revenue as discussed in note 3.

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

	Notes	Three months ended September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018
OPERATING ACTIVITIES					
Net (loss) income		$ (16,131)	$ (30,846)	$ (31,578)	$ 21,184
Items not affecting cash:					
Depreciation, depletion and amortization		22,547	14,575	66,888	53,197
Share-based payment expenses		(3)	365	258	983
Unrealized (gain) loss on foreign exchange		(387)	224	220	(1,523)
Accrued interest and accretion		1,255	2,313	6,185	7,451
Deferred income tax		1,559	(6,310)	(1,720)	4,067
Impairment		–	–	3,662	–
Operating cash flows before working capital changes		8,840	(19,679)	43,915	85,359
Restricted cash		1,688	968	1,132	2,417
Settlement and other receivables		13,268	28,684	44,744	42,489
Prepaids		4,102	663	1,056	(5,480)
Inventories		2,050	(9,983)	8,594	(8,497)
Accounts payable and accrued liabilities		(11,665)	(11,127)	3,194	(32,646)
Due to related parties		22	(224)	(1,463)	(6,546)
Value-added taxes receivable		(1,451)	2,360	(4,382)	9,857
Net cash (used in) from operating activities		16,854	(8,338)	96,790	86,953
INVESTING ACTIVITIES					
Tingo sale receivable		–	3,800	–	3,800
Reclamation bonds		–	(720)	85	(2,681)
Investment		–	(20)	–	(3,129)
Purchase of plant, equipment and exploration and evaluation assets		(15,273)	(13,872)	(49,238)	(50,962)
Rosh Pinah share buy-back		–	–	–	(23,101)
Net cash used in investing activities		(15,273)	(10,812)	(49,153)	(76,073)
FINANCING ACTIVITIES					
Share units settled in cash		(234)	(58)	(335)	(82)
Stock options and warrants exercised		–	20	–	1,406
Repayment of debt, net		(13,500)	(136,000)	(66,500)	(152,000)
Drawdown on Revolving Credit Facility		–	149,500	–	149,500
Interest payments		(1,583)	(3,402)	(3,863)	(7,327)
Lease payments		(1,292)	(579)	(3,984)	(1,769)
Dividends paid to non-controlling interest		–	–	–	(1,991)
Share buy-back		(374)	–	(1,846)	–
Net cash (used in) from financing activities		(16,983)	9,481	(76,528)	(12,263)
Effect of foreign exchange on cash		(1,449)	330	(599)	321
Decrease in cash and cash equivalents		(16,851)	(9,339)	(29,490)	(1,062)
Cash and cash equivalents, beginning of the period		52,823	102,412	65,462	94,135
Cash and cash equivalents, end of the period		$ 35,972	$ 93,073	$ 35,972	$ 93,073

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, 2018		818,496,085	$ 763,596	$ 17,935	$ (242,551)	$ (46,766)	$ (4,970)	$ 487,244
Net loss for the period		–	–	–	(29,555)	–	(2,023)	(31,578)
Unrealized loss on investment		–	–	–	–	(336)	–	(336)
Total comprehensive loss		–	–	–	(29,555)	(336)	(2,023)	(31,914)
Share-based payment		–	–	258	–	–	–	258
Share units settled in cash		–	–	(335)	–	–	–	(335)
Share purchase obligation	13	–	–	(2,000)	–	–	–	(2,000)
Share buy-back	12	(7,451,500)	(6,952)	374	5,106	–	–	(1,472)
September 30, 2019		811,044,585	$ 756,644	$ 16,232	$ (267,000)	$ (47,102)	$ (6,993)	$ 451,781
December 31, 2017		825,725,260	$ 770,129	$ 20,626	$ (37,114)	$ (46,500)	$ 37,922	$ 745,063
Net income for the period		–	–	–	18,897	–	2,287	21,184
Unrealized loss on investment		–	–	–	–	(265)	–	(265)
Total comprehensive income		–	–	–	18,897	(265)	2,287	20,919
Share-based payment		–	–	983	–	–	–	983
Share units issued	13	2,249,426	2,825	(2,825)	–	–	–	–
Exercise of options and warrants	13	3,221,399	1,406	–	–	–	–	1,406
Share units settled in cash		–	–	(82)	–	–	–	(82)
Reallocation of share-based payment on exercise of options and warrants		–	1,085	(1,085)	–	–	–	–
Dividends paid		–	–	–	–	–	(2,991)	(2,991)
Change in ownership interest in Rosh Pinah		–	–	–	8,430	–	(31,531)	(23,101)
September 30, 2018		831,196,085	$ 775,445	$ 17,617	$ (9,787)	$ (46,765)	$ 5,687	$ 742,197

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

1. DESCRIPTION OF BUSINESS AND NATURE OF OPERATIONS

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

The Company is a natural resource company engaged in the acquisition, exploration, development 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, the Caribou mine in New Brunswick, Canada and the Santander mine in Peru. In addition, Trevali owns the Halfmile project and Restigouche polymetallic deposits in New Brunswick, Canada, the Ruttan 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.

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, except for those policies disclosed in Note 3. Certain information and note disclosures, included in the annual audited financial statements, have also been omitted or condensed.

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

Approval of the financial statements

The condensed interim consolidated financial statements of Trevali Mining Corporation for the three and nine months ended September 30, 2019 and 2018 were reviewed by the Audit Committee and approved for issuance by the Board of Directors on November 5, 2019.

3. NEWLY ADOPTED AND CHANGES IN ACCOUNTING POLICIES

Revenue and settlement receivables

Revenue is recorded at the date of sale based on the estimated final consideration to be received, being the estimate of the price expected to be received at the end of the relevant quotational period ("QP") stipulated in the off-take agreement, i.e., the forward price. At the same time, a corresponding settlement receivable is recognized.

Adjustments to the sales price based on movements in quoted market prices between the date of revenue recognition and the end of the QP are referred to as settlement mark-to-market and are made to settlement receivables in subsequent periods up to the date of final pricing. As the adjustment mechanism is an embedded derivative, the changes in fair value of the settlement receivables are disclosed separately from revenue from contracts with customers. Previously, these changes in fair value were recognized as an adjustment to revenue, however, in order to enhance the relevance, comparability and understandability of disclosures, the Company has revised its accounting policy to record settlement mark-to-market in other items.

(Expressed in thousands of United States Dollars – unaudited)

		Three months ended September 30, 2018			Nine months ended September 30, 2018		
EXTRACT FROM CONSOLIDATED STATEMENTS OF OPERATIONS		**As originally presented**	**Change in accounting policy**	**Restated**	**As originally presented**	**Change in accounting policy**	**Restated**
Revenues	$	30,539	42,556	73,095	279,171	63,413	342,584
Settlement mark-to-market		–	42,556	42,556	–	63,413	63,413
(Loss) income before taxes	$	(40,041)	–	(40,041)	32,223	–	32,223
Net (loss) income	$	**(30,846)**	–	**(30,846)**	**21,184**	–	**21,184**

Leases

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

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

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

Nature of leasing activities and accounting policy

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

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

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

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

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

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

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

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

(Expressed in thousands of United States Dollars – unaudited)

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

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

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

Impact on adoption of IFRS 16

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

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

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

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

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

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

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

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

(Expressed in thousands of United States Dollars – unaudited)

4. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, restricted cash, settlement receivables, reclamation bonds, accounts payable and accrued liabilities, due to related parties and debt.

Fair value of financial instruments

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

Trade receivables from provisionally priced concentrate sales are included in level 2 of the fair value hierarchy as the basis of valuation uses quoted commodity prices. The fair values for short-term financial assets and liabilities, which include cash, restricted cash, accounts payable and accrued liabilities, and due to related parties, approximate carrying values due to the immediate or short-term maturities of these financial instruments.

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

For the lease liabilities, the market rate of interest is determined by reference to similar lease agreements.

Capital risk management

The Company's capital risk management objectives include continuing to operate as a going concern while maximizing the return to shareholders. The 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.

5. SETTLEMENT AND OTHER RECEIVABLES

		September 30, 2019		December 31, 2018
Settlement receivables	$	7,428	$	56,091
Sales tax and income taxes		18,841		15,281
Other		5,188		1,644
	$	31,457	$	73,016

6. INVENTORIES

		September 30, 2019		December 31, 2018
Mineralized stockpiles	$	5,743	$	3,687
Concentrates				
Site		5,818		23,683
In-transit		3,534		4,483
Port		7,024		5,565
Materials and supplies		29,096		25,743
	$	51,215	$	63,161

7. INVESTMENT AND ADVANCES

		September 30, 2019		December 31, 2018
Investment and advances	$	1,140	$	3,129

During April 2018, Trevali entered into an option agreement with Puma Exploration Inc. ("Puma") pursuant to which Trevali had an option to acquire an interest in the Murray Brook Deposit and formed a strategic exploration alliance in New Brunswick. During the first quarter of 2019, Trevali declined to exercise the option to acquire the 75% interest in the Murray Brook Deposit described above and, consequently, recognized an impairment of $3.6 million ($2.7 million of advances and $0.9 million of exploration and evaluation assets).

(Expressed in thousands of United States Dollars – unaudited)

8. EXPLORATION AND EVALUATION ASSETS

	Perkoa Burkina Faso	Gergarub and other Namibia	Halfmile, Stratmat and other Canada	Santander Peru	Total
January 1, 2018	$ 219	$ 37,213	$ 24,736	$ –	$ 62,168
Net additions	2,068	1,706	3,493	5,570	12,837
Reclassification (Note 9)	–	–	89,756	5,508	95,264
Impairment	–	–	(51,514)	–	(51,514)
December 31, 2018	$ 2,287	$ 38,919	$ 66,471	$ 11,078	$ 118,755
Net additions	3,175	1,554	747	2,131	7,607
Reclassification (Note 9)	1,700	–	–	(6,889)	(5,189)
Impairment (Note 7)	–	–	(917)	–	(917)
September 30, 2019	$ 7,162	$ 40,473	$ 66,301	$ 6,320	$ 120,256

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

During 2018, the Company reclassified the $81.8 million carrying value of Halfmile from property, plant and equipment (Mine development). Following the reclassification, a net impairment of $30.9 million ($41.9 million exploration and evaluation assets and $11.0 million deferred income tax) was recorded relating to Halfmile following a valuation review due to the decline in commodity prices as at December 31, 2018. In addition, the Company wrote off $9.6 million representing the full carrying value of Stratmat which is no longer considered commercially viable.

9. PROPERTY, PLANT AND EQUIPMENT

	Buildings and infrastructure	Mine development	Equipment and other	Total
Net book value				
January 1, 2019	$ 162,211	$ 229,826	$ 81,863	$ 473,900
IFRS 16 adoption (Note 3)	1,871	–	7,976	9,847
January 1, 2019 – restated	164,082	229,826	89,839	483,747
Additions	3,314	23,018	11,846	38,178
Disposals	(16)	–	(411)	(427)
Depreciation	(26,607)	(23,573)	(13,357)	(63,537)
Reclassification (Note 8)	(24,948)	29,187	(1,565)	2,674
Change in reclamation and rehabilitation provision	–	(1,632)	–	(1,632)
September 30, 2019	$ 115,825	$ 256,826	$ 86,352	$ 459,003
Gross carrying value	$ 215,914	$ 583,786	$ 121,390	$ 921,090
Accumulated depreciation and impairment	$ (100,089)	$ (326,960)	$ (35,038)	$ (462,087)

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

Equipment and other includes expenditure for construction in progress during the period of $3.7 million (2018: $13.0 million).

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

(Expressed in thousands of United States Dollars – unaudited)

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

		September 30, 2019		January 1, 2019
Buildings and infrastructure	$	1,548	$	1,872
Equipment and other		6,809		8,575
Total right-of-use assets	$	8,357	$	10,447

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		September 30, 2019		December 31, 2018
Trade payables	$	30,419	$	32,318
Accrued payroll and other		15,041		18,097
Income taxes		2,770		785
Burkina Faso royalty		731		2,666
Burkina Faso community development		4,443		3,760
Share purchase obligation and other		3,117		915
	$	56,521	$	58,541

11. DEBT

		September 30, 2019		December 31, 2018
Revolving Credit Facility, net of fees	$	66,423	$	132,004
Lease liabilities[1]		6,864		420
Total debt	$	73,287	$	132,424
Current		4,366		132,167
Non-current	$	68,921	$	257

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

Credit Facilities

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

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

Trevali has letters of credit, issued under the Facility, totaling $9.1 million to support $6.1 million in various reclamation bonding requirements with its Caribou mine and to provide $3.0 million of financial security toward power transmission payments related to the Santander mine. Trevali has also arranged a $12.5 million financial guarantee to support reclamation bonding requirements with its Santander mine.

Trevali must maintain certain financial covenants including tangible net worth, interest coverage and leverage ratios. As at September 30, 2019, Trevali was in full compliance with these covenants.

Lease liabilities

Contractual undiscounted cash flows		September 30, 2019		December 31, 2018
Less than one year	$	4,763	$	167
One to four years		2,985		440
More than four years		-		–
Total undiscounted lease liabilities	$	7,748	$	607
Lease liabilities included in the statement of financial position				
Current	$	4,366	$	163
Non-current		2,498		257
	$	6,864	$	420

(Expressed in thousands of United States Dollars – unaudited)

12. SHARE CAPITAL

Authorized: Unlimited number of common shares without par value.

During the three and nine months ended September 30, 2019, the Company purchased and cancelled 2,162,500 common shares and 7,451,500 common shares, respectively, for total consideration of $0.4 million and $1.8 million, respectively, under the normal course issuer bid ("NCIB") announced in November 2018 to purchase and cancel up to 40,000,000 common shares. As at September 30, 2019, the Company has purchased and cancelled a cumulative total of 20,151,500 common shares for total consideration of $5.4 million since November 2018. Subsequent to September 30, 2019 a further 5,685,000 shares were purchased and cancelled for additional consideration of $0.9 million.

13. OTHER RESERVES

Share purchase reserve

On September 20, 2019, the TSX accepted the Company's entry into an automatic securities purchase plan ("APP") in connection with the NCIB. The APP allows for the purchase of common shares under the NCIB at times when Trevali would ordinarily not be permitted to purchase shares due to regulatory restrictions and customary self-imposed blackouts. As at September 30, 2019, an obligation to repurchase shares for total consideration of $1.6 million was recognized under the APP.

Share-based payments reserve

Stock options

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

	September 30, 2019			**December 31, 2018**		
Expiry date	Exercise price (C$)	Number of options	Vested and exercisable	Exercise price (C$)	Number of options	Vested and exercisable
June 24, 2019	–	–	–	$1.01	886,200	886,200
August 15, 2019	–	–	–	$1.29	188,500	188,500
January 30, 2020	$1.03	2,584,794	2,584,794	$1.03	2,584,794	2,584,794
June 1, 2021	$0.45	2,740,500	2,740,500	$0.45	2,740,500	2,740,500
January 20, 2022	$1.21	1,277,100	1,277,100	$1.21	1,277,100	1,277,100
August 31, 2022	$1.59	427,647	336,833	$1.59	553,540	184,513
January 23, 2023	$1.52	1,287,919	630,718	$1.52	1,585,600	–
January 23, 2023	$0.90	200,300	66,767	$0.90	200,300	–
April 10, 2024	$0.47	2,881,358	36,458	–	–	–
	$0.84	11,399,618	7,673,170	$1.00	10,016,534	7,861,607

At September 30, 2019, the weighted average remaining contractual life of the stock options was 2.4 years (December 31, 2018 – 2.3 years).

Stock option transactions are as follows:

	September 30, 2019		**December 31, 2018**	
	Number of options	Weighted average exercise price (C$)	Number of options	Weighted average exercise price (C$)
Opening	10,016,534	$1.00	9,908,901	$0.79
Granted	3,475,800	$0.47	1,785,900	$1.45
Exercised	–	–	(1,649,367)	$0.75
Forfeited	(1,018,016)	$0.92	(28,900)	$1.21
Expired	(1,074,700)	$1.06	–	–
Closing	11,399,618	$0.84	10,016,534	$1.00

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

(Expressed in thousands of United States Dollars – unaudited)

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

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

Warrants

Warrant transactions are summarized as follows:

	September 30, 2019		**December 31, 2018**	
	Number of warrants	Weighted average exercise price (C$)	Number of warrants	Weighted average exercise price (C$)
Opening	714,560	$0.35	2,286,592	$0.35
Exercised	–	–	(1,572,032)	$0.35
Closing	714,560	$0.35	714,560	$0.35

The weighted average market price on the exercise of warrants for the year ended December 31, 2018 was C$1.23. All warrants expire on December 31, 2020.

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

During the nine months ended September 30, 2019, Trevali recorded $0.3 million in share-based payment expense (2018 – $1.0 million of share-based payment expense) related to the incentive plan for the grant of PSUs, RSUs and DSUs.

On May 8, 2019, the Company granted PSUs to senior management. Defined performance-based criteria determine the vesting number of PSUs, with 50% of the PSUs to vest on April 23, 2022. At September 30, 2019 the remaining 50% vesting on April 23, 2024 were cancelled in accordance with changes to the terms of the incentive plan.

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

	Bonus shares	
	Number of units	Weighted average fair value (C$)
January 1, 2018	2,249,426	$0.74
Redeemed	(2,249,426)	$0.74
December 31, 2018 and September 30, 2019	–	–

	PSUs		**RSUs**		**DSUs**	
	Number of units	Weighted average fair value (C$)	Number of units	Weighted average fair value (C$)	Number of units	Weighted average fair value (C$)
January 1, 2018	–	–	298,090	$1.56	605,893	$0.86
Granted	–	–	1,068,100	$1.31	269,800	$1.52
Forfeited	–	–	(128,300)	$1.52	–	–
Redeemed	–	–	(99,362)	$0.76	(156,433)	$1.39
December 31, 2018	–	–	1,138,528	$1.40	719,260	$1.00
Granted	1,428,572	$0.35	1,925,963	$0.47	1,046,925	$0.47
Forfeited/Cancelled	(714,286)	$0.35	(415,305)	$0.74	–	–
Redeemed	–	–	(457,427)	$0.33	(1,179,360)	$0.73
September 30, 2019	714,286	$0.35	2,191,759	$0.93	586,825	$0.59

(Expressed in thousands of United States Dollars – unaudited)

14. RELATED PARTY TRANSACTIONS AND BALANCES

Glencore

As of September 30, 2019, Glencore owned 210,835,925 Trevali common shares representing approximately 26.0% of the total issued and outstanding common shares.

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

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Net revenue on concentrate sales	$ 87,135	$ 73,095	$ 294,644	$ 342,584
Settlement mark-to-market on concentrate sales	(10,868)	(42,556)	(23,174)	(63,413)
Production costs	–	5,024	–	16,177
Mine development[1]	–	3,146	–	9,495
Interest expense on concentrate sales advances	–	–	–	387

	September 30, 2019	December 31, 2018
Settlement receivable from Glencore (Note 5)	$ 7,428	$ 56,091
Payable to Glencore	$ 51	$ 1,539
Other	$ 24	$ –

[1] Capitalized to property, plant and equipment.

P.E. Minerals Namibia (Proprietary) Limited

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

15. REVENUES

The following disclosures have been represented to reflect the change in accounting policy as described in Note 3. Settlement mark-to-market on concentrate sales are presented as Other Items.

		Three months ended September 30, 2019			Three months ended September 30, 2018		
		Zinc	Lead-Silver	Total	Zinc	Lead-Silver	Total
Revenues	$	116,771	17,198	133,969	84,997	12,471	97,468
Smelting and refining charges		(42,946)	(3,888)	(46,834)	(21,703)	(2,670)	(24,373)
Revenues, net	$	73,825	13,310	87,135	63,294	9,801	73,095

		Nine months ended September 30, 2019			Nine months ended September 30, 2018		
		Zinc	Lead-Silver	Total	Zinc	Lead-Silver	Total
Revenues	$	379,754	49,061	428,815	380,583	47,600	428,183
Smelting and refining charges		(123,333)	(10,838)	(134,171)	(76,201)	(9,398)	(85,599)
Revenues, net	$	256,421	38,223	294,644	304,382	38,202	342,584

(Expressed in thousands of United States Dollars – unaudited)

16. SEGMENTED INFORMATION

The Company's executive management team manages its business, including the allocation of resources, on a project by project basis, except where the Company's projects are substantially connected and share resources and administrative functions. The Company has four operating segments: Perkoa Mine, Burkina Faso; Rosh Pinah Mine, Namibia; Caribou Mine, Canada and Santander Mine, Peru. 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, 2019

	Perkoa Mine	Rosh Pinah Mine	Caribou Mine	Santander Mine	Corporate and other	Total
Revenues	$ 34,861	$ 16,030	$ 19,235	$ 17,009	$ –	$ 87,135
Mine operating expenses	22,116	11,425	17,917	11,265	–	62,723
General and administration	–	–	–	–	1,925	1,925
Adjusted EBITDA	12,745	4,605	1,318	5,744	(1,925)	22,487
Depreciation, depletion and amortization	9,954	5,995	4,683	1,674	241	22,547
Adjusted EBIT	2,791	(1,390)	(3,365)	4,070	(2,166)	(60)
Settlement mark-to-market						10,868
Gain on foreign exchange						(1,280)
Interest expense						2,156
Restructuring expense						718
Other income, net						(764)
Income tax expense						4,373
Net loss						(16,131)
Capital expenditures						13,900
Exploration expenditures						2,576
Assets	304,997	291,852	99,763	86,985	(57,687)	725,910
Liabilities	(156,126)	(155,415)	(121,361)	(52,507)	211,280	(274,129)
Net assets (liabilities)	$ 148,871	$ 136,437	$ (21,598)	$ 34,478	$ 153,593	$ 451,781

Three-month period ended September 30, 2018

	Perkoa Mine	Rosh Pinah Mine	Caribou Mine	Santander Mine	Corporate and other	Total
Revenues	$ 33,438	$ 6,004	$ 19,989	$ 13,664	$ –	$ 73,095
Mine operating expenses	21,945	4,039	15,432	8,766	–	50,182
General and administration	–	–	–	–	1,664	1,664
Adjusted EBITDA	11,493	1,965	4,557	4,898	(1,664)	21,249
Depreciation, depletion and amortization	7,104	1,219	2,034	4,218	–	14,575
Adjusted EBIT	4,389	746	2,523	680	(1,664)	6,674
Settlement mark-to-market						42,556
Loss on foreign exchange						1,278
Interest expense						3,065
Other income, net						(184)
Income tax recovery						(9,195)
Net loss						(30,846)
Capital expenditures						16,058
Exploration expenditures						1,739
Assets	409,472	389,331	164,984	165,078	13,875	1,142,740
Liabilities	(211,523)	(182,067)	(118,378)	(78,237)	189,662	(400,543)
Net assets	$ 197,949	$ 207,264	$ 46,606	$ 86,841	$ 203,537	$ 742,197

(Expressed in thousands of United States Dollars – unaudited)

Nine-month period ended September 30, 2019	Perkoa Mine	Rosh Pinah Mine	Caribou Mine	Santander Mine	Corporate and other	Total
Revenues	$ 118,615	$ 65,400	$ 58,135	$ 52,494	$ –	$ 294,644
Mine operating expenses	81,404	37,252	51,979	31,185	–	201,820
General and administration	–	–	–	–	6,324	6,324
Adjusted EBITDA	37,211	28,148	6,156	21,309	(6,324)	86,500
Depreciation, depletion and amortization	27,933	17,895	12,462	7,894	704	66,888
Adjusted EBIT	9,278	10,253	(6,306)	13,415	(7,028)	19,612
Settlement mark-to-market						23,174
Loss on foreign exchange						1,137
Interest expense						6,466
Restructuring expenses						7,550
Impairment						3,662
Other income, net						(1,199)
Income tax expense						10,400
Net loss						(31,578)
Capital expenditures						38,178
Exploration expenditures						7,607
Assets	304,997	291,852	99,763	86,985	(57,687)	725,910
Liabilities	(156,126)	(155,415)	(121,361)	(52,507)	211,280	(274,129)
Net assets (liabilities)	$ 148,871	$ 136,437	$ (21,598)	$ 34,478	$ 153,593	$ 451,781

Nine-month period ended September 30, 2018	Perkoa Mine	Rosh Pinah Mine	Caribou Mine	Santander Mine	Corporate and other	Total
Revenues	$ 145,046	$ 65,653	$ 80,857	$ 51,028	$ –	$ 342,584
Mine operating expenses	72,001	30,946	45,719	28,792	–	177,458
General and administration	–	–	–	–	5,745	5,745
Adjusted EBITDA	73,045	34,707	35,138	22,236	(5,745)	159,381
Depreciation, depletion and amortization	26,514	8,559	8,432	9,692	–	53,197
Adjusted EBIT	46,531	26,148	26,706	12,544	(5,745)	106,184
Settlement mark-to-market						63,413
Loss on foreign exchange						2,416
Interest expense						9,511
Other income, net						(1,379)
Income tax expense						11,039
Net income						21,184
Capital expenditures						50,727
Exploration expenditures						4,885
Assets	409,472	389,331	164,984	165,078	13,875	1,142,740
Liabilities	(211,523)	(182,067)	(118,378)	(78,237)	189,662	(400,543)
Net assets	$ 197,949	$ 207,264	$ 46,606	$ 86,841	$ 203,537	$ 742,197

17. CONTINGENCIES

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.

(Expressed in thousands of United States Dollars – unaudited)

18. SUPPLEMENTAL CASH FLOWS INFORMATION

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

	Nine months ended September 30, 2019	2018
Due to related parties included in property, plant and equipment	$ –	$ 926
Accounts payable and accrued liabilities included in property, plant and equipment	$ 2,337	$ 3,903
Fair value of bonus shares, RSUs and DSUs issued	$ –	$ 2,826

19. NON-CONTROLLING INTERESTS

	Nine months ended September 30, 2019			Year ended December 31, 2018		
	Perkoa Mine	Rosh Pinah Mine	Total	Perkoa Mine	Rosh Pinah Mine	Total
Beginning of the period	$ (23,103)	$ 18,133	(4,970)	$ (20,166)	$ 58,088	37,922
Net (loss) gain attributable to non-controlling interests	(2,355)	332	(2,023)	(2,937)	(5,433)	(8,370)
Dividends paid to non-controlling interests	–	–	–	–	(2,991)	(2,991)
Share buy-back	–	–	–	–	(31,531)	(31,531)
End of the period	$ (25,458)	$ 18,465	(6,993)	$ (23,103)	$ 18,133	(4,970)

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