

TREVALI MINING CORPORATION

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

Nine Months Ended September 30, 2014 and 2013

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TREVALI MINING CORPORATION
(Expressed in Canadian Dollars)

September 30, 2014 and 2013

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TREVALI MINING CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Unaudited – Prepared by Management)
(Expressed in thousands of Canadian Dollars)

	Notes	September 30, 2014	December 31, 2013
ASSETS			
Current			
Cash and cash equivalents		$ 37,509	$ 35,984
Restricted cash	**16**	5,331	2,381
Accounts receivable	**4**	25,836	23,151
Prepaid and other expenses		1,367	1,012
Inventory	**5**	1,823	3,877
		71,866	66,405
Reclamation bonds	**11**	5,438	5,405
Non-current receivable	**20**	4,256	2,729
Exploration and evaluation assets	**6**	10,004	8,611
Property, plant and equipment	**7**	337,461	306,885
		$ 429,025	$ 390,035
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued liabilities		$ 9,805	$ 11,085
Loans payable	**8**	-	28,535
Flow-through share premium liability		89	280
Due to related parties	**13**	5,345	23,838
Senior Secured Notes Interest Payable	**10**	2,188	-
Current portion of finance lease	**9**	3,204	-
Current portion of long term debt	**10**	5,981	7,638
		26,612	71,376
Finance lease	**9**	25,181	-
Long-term debt	**10**	66,321	19,281
Provision for environmental rehabilitation	**11**	37,795	34,233
Deferred income tax liabilities		11,292	9,981
		167,201	134,871
Shareholders' equity			
Capital stock		286,971	282,818
Share-based payment reserve	**12**	18,841	17,130
Cumulative translation adjustment		7,868	4,771
Deficit		(51,856)	(49,555)
		261,824	255,164
		$ 429,025	$ 390,035

Liquidity (Note 1) Commitments (Note 16) Subsequent Event (Note 21)

On behalf of the Board:

"Anton Drescher" Director — Mr. Anton Drescher

"Peter Meredith" Director — Mr. Peter Meredith

TREVALI MINING CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
(Unaudited – Prepared by Management)
(Expressed in thousands of Canadian Dollars, except for share and per share amounts)
THREE AND NINE MONTHS ENDED SEPTEMBER 30

	Notes	Three months ended September 30		Nine months ended September 30	
		2014	2013	2014	2013
REVENUES	**14**	$ 27,959	$ -	$ 71,932	$ -
Mining operating expenses					
Production costs		9,914	-	28,218	-
Smelting, refining and freight		9,553	-	23,464	-
Royalty expense		790	-	1,911	-
Depreciation and amortization		2,731	-	7,640	-
		22,988	-	61,233	-
Income from mining operations		4,971	-	10,699	-
GENERAL AND ADMINISTRATION EXPENSES					
Consulting fees		642	524	1,688	1,625
Investor relations		104	93	325	345
Office and miscellaneous		286	181	753	926
Professional fees		257	245	817	767
Regulatory		65	53	217	162
Travel and promotion		56	23	173	142
Income (loss) before other items		3,561	(1,119)	6,726	(3,965)
OTHER ITEMS					
Gain (loss) on foreign exchange		(43)	(657)	(681)	(158)
Gain on derivatives		-	-	74	-
Interest expense	**15**	(1,696)	(174)	(4,505)	(512)
Loss on debt extinguishment			(107)		(107)
Other income		111	22	325	53
Loss on disposal of asset	**20**	-	-	(3,219)	-
Income (Loss) before income taxes		1,933	(2,035)	(1,280)	(4,689)
Deferred income tax expense		(344)	161	(1,021)	(560)
Net Income (Loss) for the period		$ 1,589	$ (1,874)	$ (2,301)	$ (5,249)
OTHER COMPREHENSIVE INCOME (LOSS)					
Items that may be reclassified subsequently to net income (loss)					
Translation Adjustment		3,600	(747)	3,097	1,301
Comprehensive Income (Loss) for the period		5, 189	$ (2,621)	796	$ (3,948)
Basic and diluted Income (Loss) per share					
Basic		$ 0.01	$ (0.01)	$ (0.01)	$ (0.03)
Diluted		0.01	(0.01)	(0.01)	(0.03)
Weighted average number of shares outstanding					
Basic		279,678,724	223,567,099	279,476,060	210,556,766
Diluted		281,448,269	223,567,099	279,476,060	210,556,766

TREVALI MINING CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited – Prepared by Management)
(Expressed in thousands of Canadian Dollars)
NINE MONTHS ENDED SEPTEMBER 30

	Notes	2014	2013
CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES			
Net loss for the period		$ (2,301)	$ (5,249)
Items not affecting cash:			
Depreciation and amortization		7,642	2
Share-based payment expense		1,336	347
Unrealized gain on foreign exchange		(292)	987
Gain on derivatives		(74)	-
Accretion of finance lease		1,867	-
Accretion of provision for environmental rehabilitation	**11**	800	512
Interest accretion and accrued on long-term debt	**10**	1,120	-
Interest accrued on reclamation bond		(33)	(23)
Deferred income tax expense		1,021	560
Loss on debt extinguishment		-	107
Loss on disposal of asset	**20**	3,219	-
Changes in non-cash working capital items			
Accounts receivable		1,200	346
Prepaid and other expenses		(354)	(79)
Inventory		(554)	-
Accounts payable and accrued liabilities		1,487	588
Due to related parties		790	500
Net cash flows provided by (used) in operating activities		16,874	(1,402)
CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES			
Proceeds from issuance of notes, net of transaction costs	**10**	49,047	-
Shares issued for cash, net of share issue costs		1,684	14,871
Loans received, net of transaction costs		-	27,689
Repayments of loans	**8,10**	(32,373)	(18,371)
Interest payments	**8,10**	(2,271)	-
Payments on finance lease	**9**	(2,655)	(44)
Net cash flows provided by financing activities		13,432	24,145
CASH FLOWS USED IN INVESTING ACTIVITIES			
Decrease (Increase) in restricted cash		(2,830)	987
Decrease (Increase) in input tax credit and IGV	**4**	307	(3,874)
Advances and deposits paid		-	(916)
Increase in non-current receivable		-	(228)
Inventory		-	(197)
Purchase of plant and equipment and evaluation assets		(26,243)	(18,988)
Net cash flows used in investing activities		(28,766)	(23,216)
Effect of foreign exchange on cash		(15)	(55)
Increase in cash and cash equivalents for the period		1,525	(528)
Cash and cash equivalents, beginning of period		35,984	3,327
Cash and cash equivalents, end of period		$ 37,509	$ 2,799

Supplemental cash flow information (Note 18)

TREVALI MINING CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Unaudited – Prepared by Management)
(Expressed in thousands of Canadian Dollars, except for share amounts)
NINE MONTHS ENDED SEPTEMBER 30, 2014 AND 2013

	Notes	Number of shares	Issued Share Capital	Share-based payment reserve	Cumulative Translation Adjustment	Deficit	Total Equity
Balance, December 31, 2012		199,535,861	224,073	16,060	-	(34,084)	206,049
Share-based payment		-	-	480	-	-	480
Private placements		23,171,700	15,603	-	-	-	15,603
Exercise of warrants		5,500	6	-	-	-	6
Shares issued for debt settlement		1,190,477	857				857
RMB Compensation Warrants issued	**8**	-	-	515	-	-	515
Share issue costs		-	(1,038)	-	-	-	(1,038)
Loss for the period		-	-	-	-	(5,249)	(5,249)
Tax impact from expiry of warrants				(196)			(196)
Translation adjustment		-	-	-	1,301	-	1,301
Balance, September 30, 2013		223,903,538	$ 239,501	$ 16,859	$ 1,301	$ (39,333)	$ 218,328

	Number of shares	Issued Share Capital	Share-based payment reserve	Cumulative Translation Adjustment	Deficit	Total Equity
Balance, December 31, 2013	279,333,538	282,818	17,130	4,771	(49,555)	255,164
Share-based payment	-	-	1,482	-	-	1,482
Exercise of options	652,499	704	-	-	-	704
Exercise of warrants	1,000,000	1,000	-	-	-	1,000
Bonus share units issued	461,718	539	(539)	-	-	-
Share issued costs	-	(19)	-	-	-	(19)
Senior Secured warrants issued **10**	-	-	2,796	-	-	2,796
Reallocation of share-based payment on exercise of warrants and options	-	1,929	(1,929)	-	-	-
Tax impact of expiry of warrants	-	-	(99)	-	-	(99)
Loss for the period	-	-	-	-	(2,301)	(2,301)
Translation adjustment	-	-	-	3,097	-	3,097
Balance, September 30, 2014	281,447,755	$ 286,971	$ 18,841	$ 7,868	$ (51,856)	$ 261,824

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

1. NATURE OF BUSINESS AND LIQUIDITY

Trevali Mining Corporation (the "Company" or "Trevali") is incorporated under the laws of British Columbia, Canada. The Company is a natural resource company engaged in the acquisition, exploration, development and production from mineral properties. The Company currently holds four properties in Canada and an interest in one property in Peru with an option on a second Peruvian property.

The Company, through its wholly owned subsidiary Trevali Peru S.A.C. operates the Santander underground mine and metallurgical plant located in Peru. The Company entered the production phase at Santander on January 1, 2014 and is producing zinc and lead-silver concentrates.

In Canada the Company owns through its wholly owned subsidiaries, the Caribou mine and mill, Halfmile mine and Stratmat polymetallic deposit all located in northern New Brunswick.

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will be able to continue in operation for the foreseeable future, and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

As at September 30, 2014, the Company had working capital of $45,254 (December 31, 2013 - deficiency of $4,971) and a cumulative deficit of $51,856 (December 31, 2013 - $49,555).

Based on the refinancing of the debt facility (Note 10), the Company is expected to have sufficient resources to meet its committed expenditures for the next twelve months. However, additional funds may be required to complete the development of the Company's Bathurst Camp project during the next twelve months and the Company may need to seek additional funding to continue the timely development of this project.

The Company has relied principally upon the issuance of securities and debt financings for financing. The Company intends to continue relying upon the issuance of equity or debt securities to finance its future activities, and positive cash flows from production at its mine in Peru, but there can be no assurance that such financing will be available on a timely basis under terms acceptable to the Company.

The business of mining and exploration involves a high degree of risk and there can be no assurance that current exploration programs or development plans will result in profitable mining operations. The Company has positive cash flows generated in Peru to support its operation but not enough at this stage to finance Canadian operations. The Company continues to have significant cash requirements to meet its project development costs and maintain its mineral property interests. The recoverability of amounts shown for mineral properties is dependent on several factors. These include the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development of these properties, and future profitable production or proceeds from disposition of mineral properties.

2. BASIS OF PREPARATION

Statement of compliance

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), and Interpretations issued by the IFRS Interpretations committee ("IFRICs") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting.

2. BASIS OF PREPARATON (cont'd…)

These condensed consolidated interim financial statements do not include all the information and note disclosures required by IFRS for annual financial statements and therefore, the condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2013, which have been prepared in accordance with IFRS as issued by the IASB.

The Company is following the same accounting policies and methods of computation in these condensed financial statements as it did in the audited financial statements for the year ended December 31, 2013, except for those policies which have changed as a result of the adoption of new and amended IFRS pronouncements effective January 1, 2014, and the adoption of new accounting policies as described in Note 3.

Approval of the financial statements

The condensed consolidated financial statements of Trevali for the nine month period ended September 30, 2014 and 2013 were reviewed by the Audit Committee, approved and authorized for issue by the Board of Directors on November 13, 2014.

3. SIGNIFICANT ACCOUNTING POLICIES

As of January 1, 2014, the Company adopted the new and amended IFRS pronouncements in accordance with the transitional provisions outlined in the respective standards as listed below.

(i) IFRS Interpretations Committee 21, *Levies* ("IFRIC 21")

("IFRIC 21") was issued by the International Accounting Standards Board ["IASB"] in May 2013. IFRIC 21 addresses the accounting for a liability to pay a levy if that liability is within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as well as addressing what the obligating event is that gives rise to pay a levy and when should a liability be recognized. IFRIC 21 was adopted by the Company effective January 1, 2014 and there was no impact of the policy on these interim condensed consolidated financial statements.

The following new standards, amendments to standards and interpretations are not yet effective or have otherwise not yet been adopted by the Company. The Company is evaluating the impact, if any; adoption of the standards will have on the disclosures in the Company's condensed consolidated financial statements:

(i) IFRS 9 *Financial Instruments* ("IFRS 9")

IFRS 9, 'Financial Instruments', addresses the classification, measurement and recognition of the financial assets and financial liabilities. IFRS 9 was issued in November 2009 and 2010. It replaces parts of the IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. 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 due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Company is set to assess IFRS 9's full impact. The Company will also consider the impact of the remaining phases of IFRS 9 when completed by the Board.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

(ii) IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15")

The IASB issued IFRS 15 in May 2014. This IFRS replaces IAS 18 Revenue, IAS 11 Construction Contracts and several revenue-related interpretations. IFRS 15 establishes a single revenue recognition framework which requires an entity to recognize revenue to reflect the transfer of goods and services for the amount it expects to receive, when control is transferred to the purchaser. The new standard is effective for periods beginning on or after January 1, 2017, with earlier adoption permitted. The Company is currently evaluating the impact of adopting IFRS 15 on the consolidated financial statements.

4. ACCOUNTS RECEIVABLE

	September 30, 2014	December 31, 2013
Trade receivables	$ 11,523	$ 7,589
Sale of asset receivable	2,626	-
IGV tax credits	10,982	14,568
HST tax credits	574	868
Other	131	126
	$ 25,836	$ 23,151

Trade receivables are from the sale of concentrate to the Company's sole buyer, Glencore Peru S.A.C. ("Glencore").

5. INVENTORY

	September 30, 2014	December 31, 2013
Mineralized stockpile	$ 477	$ 193
Concentrate	399	2,759
Materials and supplies	947	925
	$ 1,823	$ 3,877

6. EXPLORATION AND EVALUATION ASSETS

	Stratmat (Canada)	Huampar (Peru)	Brooks (Canada)	Ruttan Bill Copper (Canada)	Other (Canada)	Exploration and evaluation assets
Cost as at December 31, 2012	$ 1,429	$ 1,377	$ -	$ 11,695	$ -	$ 14,501
Additions	4,326	246	-	10	-	4,582
Write-downs	-	-	-	(10,480)	-	(10,480)
Translation adjustment	-	8	-	-	-	8
Net book value, December 31, 2013	$ 5,755	$ 1,631	$ -	$ 1,225	$ -	$ 8,611
Additions	850	163	287	2	15	1,317
Translation adjustment	-	76	-	-		76
Net book value, September 30, 2014	$ 6,605	$ 1,870	$ 287	$ 1,227	$ 15	$ 10,004

7. PROPERTY, PLANT AND EQUIPMENT

	Mine development	Construction in progress	Buildings and infrastructure	Equipment and other	Assets under financial lease	Total
Cost as at December 31, 2013	$ 240,376	$ 5,473	$ 29,004	$ 35,561	$ -	$ 310,414
Additions (Note 9)	17,673	706	146	281	28,569	47,375
Disposals (Note 20)	(1,643)	(1,961)	(3,626)	(9,853)	-	(17,083)
Reclassification	(4,589)	(487)	4,570	432	-	(74)
Credit on construction	-	(678)	-	-	-	(678)
Capitalized borrowing costs (Note 8 and 10)	5,145	-	-	-	-	5,145
Pre-production costs, net of revenues	(4,402)	-	-	-	-	(4,402)
Change in provision for environmental rehabilitation (Note 11)	2,754	-	-	-	-	2,754
Translation adjustment	3,520	28	852	117	641	5,158
As at September 30, 2014	258,834	3,081	30,946	26,538	29,210	348,609
Accumulated amortization as at December 31, 2013	-	-	(1,591)	(1,938)	-	(3,529)
Charge for the period	(5,148)	-	(1,402)	(1,090)	(1,392)	(9,032)
Disposals (Note 20)	56	-	264	1,093	-	1,413
As at September 30, 2014	(5,092)	-	(2,729)	(1,935)	(1,392)	(11,148)
Net book value, September 30, 2014	$ 253,742	$ 3,081	$ 28,217	$ 24,603	$ 27,818	$ 337,461

	Mine development	Construction in progress	Buildings and infrastructure	Equipment and other	Assets under financial lease	Total
Cost as at December 31, 2012	$ 222,975	$ 13,354	$ 13,234	$ 4,506	$ -	$ 254,069
Additions	36,681	5,131	4,296	263	-	46,371
Disposals	-	-	(40)	(641)	-	(681)
Reclassification	(28,187)	(13,495)	10,628	31,054	-	-
Capitalized borrowing costs (Notes 8 and 10)	5,669	-	-	-	-	5,669
Pre-production costs, net of revenues	(3,057)	-	-	-	-	(3,057)
Change in provision for environmental rehabilitation (Note 11)	2,133	-	-	-	-	2,133
Translation adjustment	4,162	483	886	379	-	5,910
As at December 31, 2013	240,376	5,473	29,004	35,561	-	310,414
Accumulated amortization as at December 31, 2012	-	-	(573)	(535)	-	(1,108)
Charge for the year	-	-	(1,018)	(1,403)	-	(2,421)
As at December 31, 2013	-	-	(1,591)	(1,938)	-	(3,529)
Net book value, December 31, 2013	$ 240,376	$ 5,473	$ 27,413	$ 33,623	$ -	$ 306,885

8. LOANS PAYABLE

		Debt Facility with RMB
Balance at December 31, 2013	$	28,535
Interest accrued		2,637
Interest payments		(1,234)
Principal payment		(29,938)
Balance at September 30, 2014	$	-

RMB Loan Facility

On April 30, 2013, the Company closed a $30,000 bank loan facility with RMB Resources Limited ("RMB"). The facility bore interest at the lender's margin rate of LIBOR plus 8.5% for the applicable interest period. There was no principal repayment until the loan's maturity date, June 30, 2014. In consideration for entering into the facility, Trevali granted 3,000,000 Common Share Purchase Warrants to RMB as an element of transaction fees, with an exercise price of $1.05, which expire June 30, 2015. The fair value of the warrants was estimated at $515 using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	0.92%
Expected life of warrants	2.17 years
Annualized volatility	56.45%
Dividend rate	0.00%

The Company had provided security on the loan facility in the form of a charge over substantially all of the Company's Canadian assets. The Company had drawn $29,938 and incurred $2,889 in total transaction fees, which included a fee of $1,753 paid to RMB. During the period the Company amortized $1,403 in transaction fees and paid $508 of interest to RMB, all of which was capitalised to property, plant and equipment under the Caribou project. The effective interest rate was 10.1%. The loan was paid in full on May 30, 2014 with the proceeds of the Senior Secured Notes (Note 10).

9. FINANCE LEASE

On January 31, 2014 the Company completed the operational commissioning of the Plant under the terms of the Concentration Plant Sale Agreement. The plant price of US$37,478, excluding IGV, which bears no interest, and the US$20 million loan (Note 10 (c)), together with any default interest, as applicable, is to be paid by Trevali to Glencore on a monthly basis over a five year repayment term based on the following schedule per ton of mineralized material treated at the plant.

	Monthly average London Metal Exchange Zinc price in USD per ton	USD per ton treated
Range 1	From 0 to 2,205	$13.00
Range 2	Above 2,205 to 2,425	$18.00
Range 3	Above 2,425 to 2,645	$23.00
Range 4	Above 2,645	$28.00

The minimum monthly payment will be based upon US$13.00 per ton treated.

9. FINANCE LEASE (cont'd…)

Any unpaid balance at the end of the term will be due on this date. It may be pre-paid at any stage without penalty.

Finance lease liabilities are payable as follow:

	Future minimum lease payments	Interest at discounted market rate	Present value of minimum lease payment
Less than one year	$ 6,795	$ (3,472)	$ 3,323
Between one and five years	32,825	(7,763)	25,062
			28,385
Less current portion			(3,204)
Long-term balance at September 30, 2014			$ **25,181**

Fair value, which is estimated for disclosure purposes, is calculated based on the present value of future principal cash flows, discounted at the market rate of interest at the reporting date. For the finance lease the market rate of interest is determined by reference to similar lease agreements. The payments were estimated based on future cash flow from production.

The plant is recorded in property plant and equipment as assets under financial lease at its fair value of US$25,344 (Note 7). The Company has pledged its plant as security on this lease.

10. LONG-TERM DEBT

	Convertible debt	**Santander's creditor obligation**	**Working capital facility**	**Senior Secured Notes**	**Total**
Balance at December 31, 2013	$ 2,356	$ 2,069	$ 22,494	$ -	$ 26,919
Proceeds from Notes, net of transaction costs	-	-	-	46,252	46,252
Accretion and accrual of interest	28	235	858	2,581	3,702
Loss on foreign exchange translation	51	115	923	-	1,089
Payments	(2,435)	-	(1,037)	-	(3,472)
Senior Secured Notes Interests payable	-	-	-	(2,188)	(2,188)
Current portion	-	(2,419)	(3,562)	-	(5,981)
Long term balance at September 30, 2014	$ -	$ -	$ 19,676	$ 46,645	$ 66,321

(a) Convertible debt

On September 3, 2010, the Company closed a US$2,000 convertible debenture between the Company and Glencore. The debenture is repayable in equal instalments over three years commencing 6 months from the date of start of production phase, as defined, from the Santander Project, and bore interest at LIBOR (three-month) plus 2.5%, payable quarterly in arrears. LIBOR (three-month) rate on May 29, 2014 was 0.23060 % (December 31, 2013 – 0.24885%). The effective interest rate at May 29, 2014 was 11.84% (December 31, 2013 – 11.89%). At inception, the full US$2,000 was allocated to the liability portion of this compound financial instrument. The equity portion thereof was determined to be $Nil at that date as the value of the conversion feature of the debt is insignificant due to the conversion price approximating the market price.

10. LONG-TERM DEBT (cont'd…)

(a) Convertible debt (cont'd…)

US$Nil (December 31, 2013 - US$61) of interest has been capitalized to mine development as capitalized borrowing costs. The debenture was paid in full on May 29, 2014.

(b) Third party Santander creditor obligation

On September 29, 2009, Santander became a special purpose entity controlled by the Company by virtue of Santander's Creditors Committee approval of the mineral concession purchase option granted to the Company, and 75% voting right held on the Company's creditor's claims, together with other Company obligations relating thereto. The Company recorded the present value of the obligation to those third party creditors of US$2,160, of which the calculated present value is $2,419 (December 31, 2013 - $2,069) due on or before December 31, 2014 (being the estimated date of repayment by Trevali), at a discount rate of 15%. The Company capitalized US$Nil (December 31, 2013 - US$254) of interest to mine development.

(c) Working capital facility

On November 6, 2012, the Company closed a US$20-million working capital facility from development partner Glencore. The secured working capital facility bears interest at LIBOR + 5%. The loan is repayable on a monthly basis over a five year repayment term based on a formula, which allocates the repayments between the US$20-million working capital facility and the finance lease (Note 9), based upon a sliding scale, which takes into account the price of zinc and the number of tonnes treated at the Santander mine. Any unpaid balance at the end of the term will be due on this date. It may be pre-paid at any stage without penalty. As of September 30, 2014, the working capital facility balance including interest was US$20,782 (December 31, 2013 – US$21,149). The Company has capitalized US$Nil (December 31, 2013- US$1,149) of interest to mine development. The Company has provided Glencore with security on the working capital facility in the form of a charge covering substantially all of the Company's Peruvian's assets.

(d) Senior Secured Notes

On May 30, 2014, the Company closed its offering of 52,500 units ("Unit") consisting of 12.5% Senior Secured Notes due May 30, 2019 and Common Share purchase warrants at a price of $980 per Unit, for aggregate proceeds of $51,450. Each Unit consists of $1 principal amount of Notes and 123.2 warrants. Each whole warrant shall entitle the holder thereof, subject to certain conditions, to purchase one Common Share at an exercise price of $1.26. The warrants expire on May 30, 2019. The fair value of the warrants, which represent transaction costs related to the offering, was estimated at $6,080 using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	1.52%
Expected life of warrants	5 years
Annualized volatility	62.17%
Dividend rate	0.00%

The Company has provided security on the loan facility in the form of a charge over substantially all of the Company's Canadian assets. The Senior Secured Notes bear annual compounded interest at a rate of 12.5% and must be repaid in installments between the second and fourth anniversaries of the closing date. $2,581 (December 31, 2013 - $Nil) of interest has been capitalized to mine development as capitalized borrowing costs under the Caribou project.

11. PROVISION FOR ENVIRONMENTAL REHABILITATION

The Company's provision for environmental rehabilitation consists of costs accrued based on the current best estimate of mine closure and reclamation activities that will be required at the three mine sites upon completion of mining 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 reporting date, known legal requirements and estimates prepared by an internal and third party specialist.

The assumptions used in the estimation of the provision at September 30, 2014 are as follows:

	Undiscounted liability for closure	Life of mine	Reclamation period (years)	Pre-tax discount rate	Inflation factor	PV of Cash flow required on closure
Santander[1]	$ 10,694	15	6	3.04%	2%	$ 10,427
Halfmile	$ 625	20	1	2.73%	2%	$ 579
Caribou	$ 31,256	10	50	2.20% – 2.73%	2%	$ 26,789

[1]Santander liability will be settled in US dollars.

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

	September 30, 2014	December 31, 2013
Balance at the opening of the period	$ 34,233	$ 31,374
Accretion	800	686
Addition to provision	-	7,351
Change in estimate	(299)	71
Change in discount rate	2,543	(5,380)
Change in foreign exchange rate	518	131
Balance at the end of the period	$ 37,795	$ 34,233

As of September 30, 2014 and December 31, 2013, the Company has cash on deposit with the Province of New Brunswick as security for reclamation and environmental obligations associated with its Halfmile and Caribou mines of $5,438 (December 31, 2013 - $5,405).

12. SHARE-BASED PAYMENT RESERVE

Stock options

The Company has a stock option plan in place under which it is authorized to grant options to executive officers, directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common shares of the Company. Under the plan, the exercise price of each option equals the approximate market price of the Company's stock on the date of grant. The options can be granted for a maximum term of ten years and vesting periods are determined by the Board of Directors.

12. SHARE-BASED PAYMENT RESERVE (Cont'd…)

As at September 30, 2014 and December 31, 2013, the Company had outstanding stock options enabling the holders to acquire common shares as follows:

	September 30, 2014			December 31, 2013		
Expiry Date	Exercise Price	Number of Options	Exercisable	Exercise Price	Number of Options	Exercisable
February 1, 2014	$1.19	-	-	$1.19	2,220,000	2,220,000
March 2, 2014	$1.60	-	-	$1.60	220,000	220,000
September 19, 2014	$1.12	-	-	$1.12	540,000	540,000
October 1, 2014	$1.23	200,000	200,000	$1.23	200,000	200,000
October 16, 2014	$1.19	175,000	175,000	$1.19	575,000	575,000
November 13, 2014	$1.19	50,000	50,000	$1.19	125,000	96,875
December 21, 2014	$1.20	379,500	379,500	$1.20	379,500	379,500
September 16, 2015	$0.98	40,000	40,000	$0.98	40,000	40,000
January 17, 2016	$1.95	10,000	10,000	$1.95	10,000	10,000
February 1, 2016	$2.00	60,000	60,000	$2.00	60,000	60,000
March 4, 2018	$0.98	-	-	$0.98	200,000	-
May 1, 2018	$0.77	855,000	285,000	$0.77	961,500	-
May 31, 2018	$0.62	1,300,451	391,817	$0.62	1,375,450	-
August 30, 2018	$0.72	66,650	22,217	$0.72	66,650	-
June 24, 2019	$1.01	1,247,700	-	-	-	-
August 15, 2019	$1.29	334,000	-	-	-	-
		4,718,301	1,613,534		6,973,100	4,341,375

At September 30, 2014, the weighted average remaining contractual life of the stock options was 3.36 (December 31, 2013 – 1.91) years.

Stock option transactions are as follows:

	September 30, 2014		December 31, 2013	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Balance, beginning of the period	6,973,100	$1.03	6,942,000	$1.37
Granted	1,651,700	$1.07	2,811,600	$0.71
Exercised	(652,499)	$1.08	-	-
Forfeited	(329,417)	$0.92	(633,000)	$1.21
Cancelled	(70,000)	-	(87,500)	$0.62
Expired	(2,854,583)	$1.22	(2,060,000)	$1.79
Balance, end of the period	4,718,301	$0.92	6,973,100	$1.03

Share-based compensation

During the nine month period ended September 30, 2014, the Company recorded $374 in total share-based compensation expense related to the vesting of previously issued options, including an amount of $93 capitalized to property, plant and equipment during the period.

Option pricing models require the input of subjective assumptions including the expected volatility. The expected volatility is based on the historical volatility of the Company's common shares.

Changes in the subjective input assumptions can materially affect the fair value estimate.

12. SHARE-BASED PAYMENT RESERVE (Cont'd…)

The fair value of stock options granted was estimated using the Black-Scholes option pricing model with the following weighted average calculations for the period ended September 30, 2014 and December 31, 2013:

	2014	2013
Risk-free interest rate	1.56%	1.35%
Expected life of options	5.00 years	5.00 years
Annualized volatility	60.28%	80.21%
Dividend rate	0.00%	0.00%
Forfeiture rate	2.38%	2.44%
Share price on grant date	$1.08	$0.71

Warrants

	September 30, 2014		December 31, 2013	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Balance, beginning of the period	6,074,760	$1.06	21,201,552	$1.29
Issued (Note 10d)	6,468,000	$1.26	3,000,000	$1.05
Exercised	(1,000,000)	$1.00	(5,500)	$1.10
Expired	(2,074,760)	$1.10	(18,121,292)	$1.33
Balance, end of the period	9,468,000	$1.19	6,074,760	$1.06

The weighted average market price on exercise of warrants for the period ended September 30, 2014 was $1.00 (December 31, 2013 - $1.01).

The unexercised warrants that expired during the period created a $99 (December 31, 2013 - $226) deferred income tax gain which was recorded in share based payment reserve.

At September 30, 2014 and December 31, 2013, warrants were outstanding as follows:

	September 30, 2014		December 31, 2013	
Expiry Date	Exercise Price	Number of Warrants	Exercise Price	Number of Warrants
January 16, 2014	-	-	$1.10	2,074,760
July 29, 2014	-	-	$1.00	1,000,000
June 30, 2015	$1.05	3,000,000	$1.05	3,000,000
May 30, 2019	$1.26	6,468,000	-	-
		9,468,000		6,074,760

The fair value of warrants was estimated using the Black-Scholes option pricing model with the following weighted average calculations for the period ended September 30, 2014 and December 31, 2013:

	2014	2013
Risk-free interest rate	1.52%	0.92%
Expected life of options/warrants	5.00 years	2.17 years
Annualized volatility	62.17%	56.45%
Dividend rate	0.00%	0.00%
Share price on grant date	$0.94	$0.76

12. SHARE-BASED PAYMENT RESERVE (Cont'd…)

Bonus Shares, RSUs and DSUs

In May 2013, the Company initiated a long-term incentive plan which provides for the grant of Bonus Shares, RSUs and DSUs in such amounts as approved by the Corporation's Board of Directors. Bonus Shares are granted to directors, executives and key employees, RSUs are granted to executives and key employees, and DSUs are granted to directors.

The Incentive Plan for the grant of the Bonus Shares is considered an equity-settled share-based compensation arrangement. Each unit entitles the participant to receive one common share of the Company subject to vesting criteria. Bonus Share grants vest one third per year over a three year period.

RSUs and DSUs can be settled in either cash or equity at the option of the Company. RSU grants vest 100% on the third anniversary of the date of grant and DSU grants vest 100% on the first anniversary of the date of the grant. Bonus shares, RSUs and DSUs expected to be settled in common shares are measured at fair value based on the Company's share price on date of grant.

During the nine month period ended September 30, 2014, the Company granted 789,200 Bonus shares, 2,146,400 RSUs, 212,700 DSUs and redeemed 449,053 Bonus Shares for common stock of the Company. The Company recorded $1,109 in total share-based compensation expense, including $24 capitalized to property, plant and equipment for the forfeited Bonus Shares, and RSUs during the period, and amount of $320 recorded as part of cost of sales and an amount of $15 recorded in prepaid for DSUs issued in advance in lieu of directors' fees.

At September 30, 2014 and December 31, 2013, share units were outstanding as follows:

Bonus Shares:

	September 30, 2014		**December 31, 2013**	
	Number of Units	Weighted average fair value	Number of Units	Weighted average fair value
Balance, beginning of the period	643,950	$0.74	-	$-
Issued	789,200	1.03	675,950	0.74
Forfeited	(47,500)	0.75	(32,000)	0.75
Redeemed	(449,053)	1.10	-	-
Balance, end of the period	936,597	$0.81	643,950	$0.74

RSUs:

	September 30, 2014		**December 31, 2013**	
	Number of Units	Weighted average fair value	Number of Units	Weighted average fair value
Balance, beginning of the period	530,350	$0.74	-	$-
Issued	2,146,400	1.03	548,350	0.74
Forfeited	(40,500)	0.75	(18,000)	0.75
Redeemed	-	-	-	-
Balance, end of the period	2,636,250	$0.98	530,350	$0.74

12. SHARE-BASED PAYMENT RESERVE (Cont'd…)

DSUs:

	September 30, 2014		December 31, 2013	
	Number of Units	Weighted average fair value	Number of Units	Weighted average fair value
Balance, beginning of the period	113,600	$0.73	-	$-
Issued	212,700	1.02	127,600	0.74
Forfeited	(14,000)	0.75	(14,000)	0.75
Redeemed	-	-	-	-
Balance, end of the period	312,300	$0.93	113,600	$0.73

13. RELATED PARTY TRANSACTIONS AND BALANCES

Management compensation

(a) Paid or accrued consulting fees of $842 (2013 - $1,256) to companies related to officers of which $350 (2013 - $489) was capitalized to property, plant and equipment.

(b) Paid or accrued consulting and directors' fees of $505 (2013 - $705) to directors and officers. The Company recorded share-based compensation expense related to the vesting of previously issued options of $893 (2013 - $313) included in consulting fees, $107 (2013 - $40) capitalized to property, plant and equipment, $22 (2013 - $12) included in investor relations, $6 (2013 - $2) included in office and miscellaneous and $15 included in prepaid expenses (2013 - $Nil).

Amounts due to related parties is comprised of $28 (December 31, 2013 - $63) due to directors and officers and $78 (December 31, 2013 - $68) due to companies related to officers for consulting fees, and $5,239 (December 31, 2013 - $23,707) bearing approximately 8% interest due to Glencore for mine development and operation expenses due on demand.

The amounts due to directors are unsecured, bear no interest and are due on demand.

14. REVENUES

	Zinc	Lead	Total
Three months ended September 30, 2014			
Revenues before pricing adjustment	15,616	11,839	27,455
Pricing adjustment:			
Commodities	258	354	612
Foreign exchange	(62)	(46)	(108)
Revenues	$ 15,812	$ 12,147	$ 27,959

During the three month period the Company delivered all of its concentrate to one customer, Glencore, under the terms of the off-take agreement for $27,959 (2013 - $Nil). Glencore is a related party of the Company.

14. REVENUES (Cont'd…)

	Zinc	Lead	Total
Nine months ended September 30, 2014			
Revenues before pricing adjustment	40,444	31,237	71,681
Pricing adjustment:			
Commodities	258	250	508
Foreign exchange	(143)	(114)	(257)
Revenues	$ 40,559	$ 31,373	$ 71,932

15. INTEREST EXPENSE

	Note	Three months ended September 30		Nine months ended September 30	
		2014	2013	2014	2013
Interest accretion on finance lease	9	$ 913	$ -	$ 1,867	$ -
Interest accretion on provision for environmental rehabilitation	11	269	174	800	512
Interest accretion on long term debt	10(b)	81	-	235	-
Interest expense on long term debt	10(a) (c)	286	-	882	-
Interest expense on trade payables		147	-	721	-
		$ 1,696	$ 174	$ 4,505	$ 512

All borrowing costs incurred before production phase were capitalized to the relevant projects. New interest costs presented in this note are related to the Santander project.

16. COMMITMENTS AND RESTRICTED CASH

Current restricted cash includes $382 (December 31, 2013 - $372) posted as a letters of guarantee related to the mine closure plan for the Company's Santander project to be released in the next nine months, and $439 (December 31, 2013 - $31) related to the closure plan of the tailings retreatment.

The Company held a $2,000 letter of guarantee related to its Halfmile mining operation. These funds were released in full ($1,200 in 2013 and $800 during this Q3-2014) following the Company's fulfillment of these obligations. The remaining restricted cash related to operations in Canada are miscellaneous deposits of $40 (December 31, 2013 - $40).

The Company receives IGV from its sales of concentrate. 12% of the amount received is deposited directly by the vendor in a restricted account. The Company is allowed to apply every quarter to Peruvian tax authority ("SUNAT") to release the IGV from the restricted account. As of September 30, 2014 $4,470 (December 31, 2013 - $1,028) was held in the restricted account.

17. SEGMENTED INFORMATION

The Company 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's two operating segments are its Caribou mining development in Canada, and its development and operation of its Santander mine in Peru. The corporate Canada segment includes the Company's executive head office and general corporate administration and financing activity. The Company's revenue by significant product type is disclosed in Note 14.

For three month period ended September 30, 2014 and 2013 segmented information is as follows:

	Three month period ended September 30, 2014			
	Projects in Canada	Projects in Peru	Corporate Canada	Total
Revenues	$ -	$ 27,959	$ -	$ 27,959
Mining operation expenses	-	(22,988)	-	(22,988)
Income (loss) from operation	-	4,971	-	4,971
General and administration	(119)	(82)	(1,209)	(1,410)
Other items				
Foreign exchange	4	(535)	488	(43)
Interest expense	(191)	(1,505)	-	(1,696)
Other income	4	-	107	111
Loss on disposal of asset	-	-	-	-
Income (loss) before income tax	$ (302)	$ 2,849	$ (614)	$ 1,933

	Three month period ended September 30, 2013			
	Projects in Canada	Projects in Peru	Corporate Canada	Total
Revenues	$ -	$ -	$ -	$ -
Mining operation expenses	-	-	-	-
Income (loss) from operation	-	-	-	-
General and administration	(3)	(141)	(975)	(1,119)
Other items				
Foreign exchange	(43)	-	(614)	(657)
Interest expense	(164)	(10)	-	(174)
Loss on debt extinguishment	(107)	-	-	(107)
Other income	16	-	6	22
Income (loss) before income tax	$ (301)	$ (151)	$ (1,583)	$ (2,035)

17. SEGMENTED INFORMATION (cont'd…)

For nine month period ended September 30, 2014 and 2013, segmented information is as follows:

	Nine month period ended September 30, 2014			
	Projects in Canada	Projects in Peru	Corporate Canada	Total
Revenues	$ -	$ 71,932	$ -	$ 71,932
Mining operation expenses	-	(61,233)	-	(61,233)
Income (loss) from operation	-	10,699	-	10,699
General and administration	(254)	(401)	(3,318)	(3,973)
Other items				
Foreign exchange	(15)	(553)	(113)	(681)
Gain on derivative	-	74	-	74
Interest expense	(574)	(3,931)	-	(4,505)
Other income	48	-	277	325
Loss on disposal of asset	-	(3,219)	-	(3,219)
Income (loss) before income tax	$ (795)	$ 2,669	$ (3,154)	$ (1,280)

	Nine month period ended September 30, 2013			
	Projects in Canada	Projects in Peru	Corporate Canada	Total
Revenues	$ -	$ -	$ -	$ -
Mining operation expenses	-	-	-	-
Income (loss) from operation	-	-	-	-
General and administration	(257)	(434)	(3,274)	(3,965)
Other items				
Foreign exchange	48	(1,473)	1,267	(158)
Interest expense	(485)	(27)	-	(512)
Loss on debt extinguishment	(107)			(107)
Other income	47	-	6	53
Income (loss) before income tax	$ (754)	$ (1,934)	$ (2,001)	$ (4,689)

17. SEGMENTED INFORMATION (cont'd…)

For nine month period ended September 30, 2014 and for the year ended December 31, 2013, segmented information is as follows:

	September 30, 2014			
	Projects in Canada	Projects in Peru	Corporate Canada	Total
Cash	$ 1,860	$ 2,495	$ 33,154	$ 37,509
Restricted cash	20	5,291	20	5,331
Accounts receivable	529	18,249	7,058	25,836
Inventory	506	1,317	-	1,823
Reclamation bond	5,438	-	-	5,438
Non-current receivable	-	4,256	-	4,256
Exploration and Evaluation	8,134	1,870	-	10,004
Property, plant and equipment	183,672	153,782	7	337,461
Other assets	395	863	109	1,367
Total assets	$ 200,554	$ 188,123	$ 40,348	$ 429,025

	December 31, 2013			
	Projects in Canada	Projects in Peru	Corporate Canada	Total
Cash	$ 157	$ 255	$ 35,572	$ 35,984
Restricted cash	820	1,541	20	2,381
Accounts Receivable	861	22,157	133	23,151
Inventory	294	3,583	-	3,877
Reclamation bond	5,405	-	-	5,405
Non-current receivable	-	2,729	-	2,729
Exploration and Evaluation	6,980	1,631	-	8,611
Property, plant and equipment	171,287	135,589	9	306,885
Other assets	225	705	82	1,012
Total assets	$ 186,029	$ 168,190	$ 35,816	$ 390,035

18. SUPPLEMENTAL CASH FLOWS INFORMATION

Non-cash transactions for the nine month period ended September 30 consist of the following:

	2014	2013
Due to related parties included in property, plant and equipment	$ 3,623	$ 23,728
Accounts payable and accrued liabilities included in property, plant and equipment	$ 5,155	$ 10,029
Finance lease included in property, plant and equipment	$ 28,368	$ -
Accounts receivable included in property, plant and equipment	$ 81	$ 7,589
Share-based payment (forfeiture reversal) included in property, plant and equipment	$ 117	$ 49

19. DISCLOSURE OF INTERESTS IN OTHER ENTITIES

Significant subsidiaries of Trevali, the parent company, are as follows:

	Country of Incorporation	Principal Activity	Trevali's effective interest for 2014 and 2013
Trevali Mining (Maritimes) Ltd.	Canada	Mining Company	100%
Trevali Mining (New Brunswick) Ltd.	Canada	Mining Company	100%
Trevali Peru S.A.C.	Peru	Mining Company	100%
Trevali Renewable Energy Inc.	Canada	Holding Company	100%

Compania Minerales Santander S.A.C. and Santander Concessiones S.A.C. are considered special purpose entities and are also consolidated.

20. SALE OF ASSET

During period ended June 30, 2014, the Company completed a sale of its power plant and related net assets by way of a sale of a 100% interest in Compania Hidroelectrica Tingo S.A.C. ("Tingo") for US$13,500 ($14,405), through a share purchase agreement.

At September 30, 2014, the Company was due US$6,145, of which US$ 3,800 is held in escrow until 2019. $2,345 is due in November 2014. The funds held in escrow are scheduled to be released as follows:

2019	$ 800
2020	$ 500
2021	$ 800
2022	$ 800
2023	$ 900

During the period, as a result of the sale, the Company recognized a loss on the sale of the power plant and related net assets of $3,219 as follow:

Proceeds	$ 14,405
Net book value of the power plant - property, plant and equipment	15,670
Net current assets disposed	2,807
Cumulative translation adjustment	(1,133)
Costs of disposition	280
	17,624
Loss on disposal of asset	$ (3,219)

21. SUBSEQUENT EVENTS

The following options expired unexercised subsequent to quarter's end:

Expiry Date	Exercise Price	Number of options
1-Oct-14	$1.23	200,000
16-Oct-14	$1.19	175,000
13-Nov-14	$1.19	50,000