

TREVALI MINING CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

Years Ended December 31, 2014 and 2013

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TREVALI MINING CORPORATION
(Expressed in Canadian Dollars)

December 31, 2014 and 2013

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Trevali Mining Corporation have been prepared by management in accordance with International Financial Reporting Standards and reflect management's best estimates and judgment based on information currently available. The financial information contained elsewhere in this report has been reviewed to ensure consistency with the consolidated financial statements.

Management maintains systems of internal control designed to provide reasonable assurance that the assets are safeguarded. All transactions are authorized and duly recorded, and financial records are properly maintained to facilitate financial statements in a timely manner. The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements. The Board carries out this responsibility principally through its Audit Committee.

The Audit Committee of the Board of Directors has reviewed the consolidated financial statements with management and the external auditors. PricewaterhouseCoopers LLP, an independent firm of chartered accountants, appointed as external auditors by the shareholders, have audited the consolidated financial statements and their report is included herein.

Mark Cruise
President and Chief Executive Officer

Anna Ladd
Chief Financial Officer

Vancouver, British Columbia
March 30, 2015

March 30, 2015

Independent Auditor's Report

To the Shareholders of Trevali Mining Corporation

We have audited the accompanying consolidated financial statements of Trevali Mining Corporation, which comprise the consolidated statements of financial position as at December 31, 2014 and December 31, 2013 and the consolidated statements of operations and comprehensive loss, cash flows and changes in shareholders' equity for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Trevali Mining Corporation as at December 31, 2014 and December 31, 2013 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

signed "PricewaterhouseCoopers LLP"

Chartered Accountants

TREVALI MINING CORPORATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in thousands of Canadian Dollars)

	Notes	December 31, 2014	December 31, 2013
ASSETS			
Current			
Cash		$ 24,681	$ 35,984
Restricted cash	**24**	4,530	2,381
Accounts receivable	**5, 20**	24,817	23,151
Prepaid expenses and other	**6**	3,162	1,012
Inventory	**7**	2,280	3,877
		59,470	66,405
Reclamation bonds	**8**	5,460	5,405
Non-current receivable	**9**	4,408	2,729
Exploration and evaluation assets	**10**	11,358	8,611
Property, plant and equipment	**11**	356,580	306,885
		$ 437,276	$ 390,035
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued liabilities	**12, 20**	$ 9,906	$ 11,085
Loans payable	**13**	-	28,535
Flow-through share premium liability	**15**	-	280
Due to related parties	**20**	7,480	23,838
Interest payable on senior secured notes	**16**	547	-
Current portion of finance lease	**14**	3,865	-
Current portion of long term debt	**16**	5,201	7,638
		26,999	71,376
Finance lease	**14, 20**	26,766	-
Long-term debt	**16, 20**	66,588	19,281
Provision for environmental rehabilitation	**17**	41,999	34,233
Deferred income tax liabilities	**21**	13,988	9,981
		176,340	134,871
Shareholders' equity			
Capital stock	**18**	287,006	282,818
Share-based payment reserve	**19**	19,026	17,130
Cumulative translation adjustment		11,465	4,771
Deficit		(56,561)	(49,555)
		260,936	255,164
		$ 437,276	$ 390,035

Liquidity (Note 1) Commitments (Note 24) Subsequent Events (Note 31)

On behalf of the Board:

"Mr. Anton Drescher" (signed) Director
Mr Anton Drescher

"Mr. Peter Meredith" (signed) Director
Mr Peter Meredith

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

TREVALI MINING CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(Expressed in thousands of Canadian Dollars, except for share and per share amounts)
YEAR ENDED DECEMBER 31

	Notes	2014	2013
REVENUES	**20, 22**	$ 94,181	$ -
Mining operating expenses			
Production costs		37,070	-
Smelting, refining and freight		30,998	-
Royalty expense		2,407	-
Depreciation and amortization		10,992	-
		81,467	-
Income from mining operations		12,714	-
GENERAL AND ADMINISTRATION EXPENSES			
Consulting fees	**20**	2,635	2,109
Investor relations	**20**	514	461
Office and miscellaneous	**20**	888	1,213
Professional fees		1,087	1,045
Regulatory		277	270
Travel and promotion		180	189
Income (loss) before other items		7,133	(5,287)
OTHER ITEMS			
Loss on foreign exchange		(1,267)	(1,215)
Gain on derivatives		74	-
Loss on debt extinguishment		-	(107)
Interest expense	**23**	(6,900)	(686)
Other income		438	68
Write-down of evaluation assets		-	(10,480)
Loss on disposal of subsidiary	**29**	(3,219)	-
Loss before income taxes		(3,741)	(17,707)
Deferred income tax recovery (expense)	**21**	(3,265)	2,236
Net Loss for the year		$ (7,006)	$ (15,471)
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that may be reclassified subsequently to net income (loss)			
Translation Adjustment		6,694	4,771
Total Comprehensive Loss		(312)	(10,700)
Basic and diluted loss per share		$ (0.03)	$ (0.07)
Weighted average number of shares outstanding		280,265,942	218,932,363

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

TREVALI MINING CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of Canadian Dollars)
YEAR ENDED DECEMEBR 31

	Notes	2014	2013
CASH FLOWS USED IN OPERATING ACTIVITIES			
Net loss for the year		$ (7,006)	$ (15,471)
Items not affecting cash:			
Depreciation and amortization		10,992	3
Share-based payment expense	**19**	1,706	538
Unrealized loss (gain) on foreign exchange		(942)	578
Loss on debt extinguishment		-	107
Accretion of finance lease	**14**	3,540	-
Accretion of provision for environmental rehabilitation	**17**	1,075	686
Interest accretion and accrued on long-term debt	**16**	1,426	-
Interest accrued on reclamation bond		(55)	(35)
Deferred income tax expense (recovery)	**21**	3,265	(2,236)
Loss on disposal of asset	**29**	3,219	-
Gain on derivatives		(74)	-
Write-down of evaluation assets		-	10,480
Changes in non-cash working capital items:			
Accounts receivable		(10,702)	(8)
Prepaid expenses and other		(1,726)	(1,089)
Inventory		(1,249)	-
Accounts payable and accrued liabilities		3,960	1,703
Due to related parties		458	88
Net cash flows provided by (used) in operating activities		7,887	(4,656)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of notes, net of transaction costs		49,047	-
Shares issued for cash, net of share issue costs		-	58,188
Proceeds from issuance of notes, net of transaction costs			-
Loans received, net of transaction costs		-	29,309
Options exercised	**18**	704	-
Warrants exercised	**18**	1,000	-
Repayments of loans		(33,198)	(19,086)
Interest payments	**20**	(6,954)	-
Payments on finance lease	**14, 20**	(2,708)	(59)
Net cash flows provided by financing activities		7,891	68,352
CASH FLOWS USED IN INVESTING ACTIVITIES			
Disposal of asset, net of cash disposed of		7,402	112
Decrease (increase) in restricted cash		(1,783)	112
Decrease (increase) in input tax credit and IGV		6,511	(14,143)
Advances and deposits paid		-	(120)
Decrease in non-current receivable		-	9,410
Inventory		-	(487)
Purchase of plant and equipment and evaluation assets		(39,336)	(25,717)
Net cash flows used in investing activities		(27,206)	(30,945)
Effect of foreign exchange on cash		125	(94)
Increase (decrease) in cash for the year		(11,303)	32,657
Cash, beginning of year		35,984	3,327
Cash, end of year		$ 24,681	$ 35,984

Supplemental cash flow information (Note 26)

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

TREVALI MINING CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in thousands of Canadian Dollars, except for share amounts)

	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		-	-	781	-	-	781
Private placements		78,601,700	61,610	-	-	-	61,610
Exercise of warrants		5,500	6	-	-	-	6
Shares issued for debt settlement		1,190,477	857	-	-	-	857
RMB compensation warrants issued		-	-	515	-	-	515
Share issuance costs		-	(3,728)	-	-	-	(3,728)
Net loss for the year		-	-	-	-	(15,471)	(15,471)
Tax impact from expiry of warrants		-	-	(226)	-	-	(226)
Translation adjustment		-	-	-	4,771	-	4,771
Balance, December 31, 2013		279,333,538	$ 282,818	$ 17,130	$ 4,771	$ (49,555)	$ 255,164

	Notes	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		-	-	2,046	-	-	2,046
Exercise of options		652,499	704	-	-	-	704
Exercise of warrants		1,000,000	1,000	-	-	-	1,000
Bonus share units issued		450,153	541	(541)	-	-	-
Director share units issued		14,000	14	(14)	-	-	-
Share issuance related to 2011 Kria acquisition	**18c**	12,665	-	-	-	-	-
Warrants issued – senior secured notes		-	-	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		-	-	(462)	-	-	(462)
Net loss for the year		-	-	-	-	(7,006)	(7,006)
Translation adjustment		-	-	-	6,694	-	6,694
Balance, December 31, 2014		281,462,855	$ 287,006	$ 19,026	$ 11,465	$ (56,561)	$ 260,936

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, the Halfmile mine and the 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 December 31, 2014, the Company had working capital of $32,471 (2013 - deficiency of $4,971) and a cumulative deficit of $56,561 (2013 - $49,555).

Based on the anticipated positive cash flows from Santander, the subsequent financing of approximately $5.1 million (Note 31) and refinancing of the debt facility (Note 16) during 2014, 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, testing and commissioning, start-up and ramp-up of the Company's Caribou mine project and the Company may need to seek additional funding to finance such activities.

The Company has relied principally upon the issuance of securities and debt financings for financing. The Company intends to continue to rely on the issuance of equity or debt securities to finance its future activities, and from cash flows from its producing Santander 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 PREPARATON

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").

2. BASIS OF PREPARATON (cont'd…)

Statement of compliance (cont'd…)

These consolidated financial statements have been prepared on a historical cost basis except for share-based payments and awards, which are measured at fair value, and mineralized stockpile and concentrate inventory which are measured at the lower of cost or net realizable value. In addition these consolidated financial statements have been prepared using the accrual basis of accounting.

The accounting policies set out in Note 3 have been applied consistently by the Company and its subsidiaries in preparing the consolidated financial statements for the years ended December 31, 2014 and 2013, except for those new accounting pronouncements adopted in 2014 (Note 3).

Approval of the financial statements

The consolidated financial statements of Trevali for the year ended December 31, 2014 and 2013 were reviewed by the Audit Committee, approved and authorized for issue by the Board of Directors on March 30, 2015.

Functional and presentation currency

The functional currency of each of the Company's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Canadian dollar ("CAD") and the functional currency of the Company is the Canadian dollar except for Peruvian entities, which functional currency is the United States dollar ("USD").

Use of judgments and estimates

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the year. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future years if the revision affects both current and future years. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting year, which could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to the following significant area:

2. BASIS OF PREPARATON (cont'd…)

Critical accounting estimates (cont'd…)

(i) recoverability of the carrying amount of evaluation assets, property, plant and equipment (Notes 10 and 11);
(ii) inputs used in measuring the provisions for environmental rehabilitation (Note 17); and
(iii) inputs used in measuring the deferred income tax assets and liabilities (Note 21).

Review of asset carrying values and impairment assessment

Each reporting period, assets or cash generating units are evaluated to determine whether there are any indications of impairment. If any such indication exists, which is often judgmental, an impairment test is performed and if indicated, an impairment loss is recognized to the extent that the carrying amount exceeds the recoverable amount. The recoverable amount of an asset or cash generating group of assets is measured at the higher of fair value less costs to sell or value in use. The recoverable amount of the Company's assets was calculated based on cash flow projections using several assumptions and estimates that represent management's best estimate of the range of economic conditions that will exist over the remaining useful lives of the assets. Key estimates in such calculations included estimates of future zinc, lead, copper and silver metal prices, recoverable resources and reserves, operating and capital costs which are subject to certain risk and uncertainties, inflation, discount rates, exchange rates, and estimated life of mines between 7 and 20 years. Although management has made its best estimate of these factors, it is possible that changes could occur in the near term that could adversely affect management's estimate of the net cash flows to be generated from its projects. The carrying value of property, plant and equipment at the balance sheet date is disclosed in Note 11, and by mine location in Note 25.

Deferred income taxes

The determination of the Company's tax expense or recovery for the year and deferred tax liabilities involves significant estimation and judgment by management. In determining these amounts, management interprets tax legislation in a variety of jurisdictions and makes estimates of the expected timing of the reversal of deferred tax assets and liabilities. Management also makes estimates of future earnings which affect the extent to which potential future tax benefits may be used. Estimates of future taxable income are based on forecasted cash flows from future operations and the application of existing tax laws in each jurisdiction. Forecasted cash flows are based on life of mine projections. To the extent that future cash flows from operations and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred income tax assets recorded on the balance sheet could be impacted. The Company is also subject to assessments by various taxation authorities, which may interpret legislation differently. These differences may affect the final amount or the timing of the payment of taxes. The Company provides for such differences where known based on management's best estimate of the probable outcome of these matters.

Provision for environmental rehabilitation

The Company's accounting policy requires the recognition of a provision for environmental rehabilitation when the obligation occurs. Provisions for environmental rehabilitation are periodically reviewed to reflect known developments, including updated cost estimates. The calculation of the present value of the necessary costs to settle the obligation in the future includes assumptions regarding the risk-free interest rate for discounting those future cash flows, inflation, foreign exchange rates, and estimates of the underlying currencies in which the provisions will ultimately be settled. Although the ultimate cost to be incurred is uncertain, the Company estimates its costs based on studies using current restoration standards and techniques. Key estimates used to calculate the provision for environmental rehabilitation are in Note 17.

2. BASIS OF PREPARATON (cont'd…)

Useful lives of mineral properties, plant and equipment

The Company estimates the remaining lives of its producing mineral properties using a combination of quantitative and qualitative factors including historical results, mineral resources reported under National Instrument 43-101 ("NI 43-101"), estimates of ore production from areas not included in the NI 43-101 reports, and management's intent to operate the property. The estimated remaining lives of the producing mineral properties are used to calculate amortization and depletion expense, assess impairment charges and the carrying values of assets, and for forecasting the timing of the payment of reclamation and remediation costs.

There are numerous uncertainties inherent in the estimation of the remaining lives of the producing mineral properties, and assumptions that are valid at the time of estimation may change significantly when new information becomes available. Changes in the forecast prices of commodities, exchange rates, or production costs may change the economic status of the resources, estimates of production from areas not included in the NI 43-101 reports, and management's intent to operate the property and may ultimately have a material impact on the estimated remaining lives of the properties.

Revenue from concentrate sales

Revenue from the sale of metals in concentrate is recorded at the time when it is probable that the economic benefits associated with the transaction will flow to the Company, the risks and rewards of ownership are transferred to the customer and the revenue can be reliably measured. Variations between the sales price recorded at the initial recognition date and the actual final sales price at the settlement date caused by changes in market metals prices result in an embedded derivative in the related trade accounts receivable. The embedded derivative is recorded at fair value each period until final settlement occurs, with changes in fair value classified as a component of revenue. During periods of high price volatility, the effect of mark-to-market price adjustments related to the concentrate shipments which remain to be settled could be significant. In addition, actual settlement prices could vary significantly from the estimated prices or forward prices at each reporting date.

Estimated Recoverable Reserves and Resources

Mineral reserve and resource estimates are based on various assumptions relating to operating matters. These include production costs, mining and processing recoveries, cut-off grades, long term commodity prices and, in some cases, exchange rates, inflation rates and capital costs. Cost estimates are based on feasibility study estimates or operating history. Estimates are prepared by appropriately qualified persons, but will be affected by forecasted commodity prices, inflation rates, exchange rates, capital and production costs and recoveries amongst other factors. Estimated recoverable reserves and resources are used to determine the depreciation of property, plant and equipment at operating mine sites, in accounting for deferred stripping costs, in performing impairment testing and in forecasting the timing of the payment of decommissioning and restoration costs. Therefore, changes in the assumptions used could affect the carrying value of assets, depreciation and impairment charges recorded in the income statement and the carrying value of the decommissioning and restoration provision.

2. BASIS OF PREPARATON (cont'd…)

Critical accounting judgments

The determination of categories of financial assets and financial liabilities has been identified as an accounting policy which involves judgments or assessments made by management. The following are accounting items which involve judgment:

Mineral properties

The acquisition of title to mineral properties is a complicated and uncertain process. The Company has taken steps, in accordance with industry standards, to verify mineral properties in which it has an interest. Although the Company has made efforts to ensure that legal title to its properties is properly recorded in the name of the Company, there can be no assurance that such title will ultimately be secured.

Provision for environmental rehabilitation

The operations of the Company have been, and may in the future be, affected from time to time in varying degree by changes in environmental regulations, including those relating to site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company are not predictable.

Acquisition of the mill and floatation plant

In 2010 the Company entered into an agreement with Glencore International AG's Peruvian subsidiary, Empresa Minera Los Quenuales S.A. ("Glencore"), under which the Company agreed to acquire the mill and floatation plant (together the "Plant") from Glencore once it had been constructed and commissioned, and met required speculations for operations. At January 31, 2014, commissioning was completed and the Company accepted the Plant. On January 1, 2014 the Company recognized the cost of this Plant as the asset was ready for its intended use for financial reporting purposes. Refer to Notes 11 and 14 for additional details.

Functional currency

The functional currency of the Company is the Canadian dollar ("CAD") except for Peruvian entities, which functional currency is the United States dollar ("USD"). Determination of functional currency may involve certain judgments to determine the primary economic environment and this is re-evaluated for each new entity or if conditions change.

Achievement of Production Phase

Once a mine reaches the operating levels intended by management, depreciation of capitalized costs begins. Significant judgment is required to determine when certain assets of the Company's reach this level. Management considers several factors including, completion of a reasonable period of commissioning, consistent operating results are being achieved at a pre-determined level of design capacity.

As of January 1, 2014, the Company determined that its Santander operations were capable of operating at the levels intended by management. Management has determined that production at Santander has commenced, based on all of the following technical and engineering design achievements:

1. Completion of the operational commissioning of the Plant and formal handover of the Plant asset from Glencore to Trevali effective January 31, 2014;
2. The demonstrated ability of the Santander mill to operate consistently and without significant interruption at a production rate exceeding 70 per cent of design capacity; and
3. Metal concentrates production meeting saleable concentrate specifications.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries (Note 28). Subsidiaries are all entities over which the group has the power to govern the financial and operating policies through share ownership and the existence of voting rights currently or potentially exercisable. Subsidiaries are fully consolidated from the date on which control is transferred. All significant intercompany balances and transactions were eliminated upon consolidation. In addition the Company consolidates special purpose entities when the substance of the relationship between an entity and the special purpose entity indicates that the SPE is controlled by the Company.

Revenue Recognition

Revenue arising from the sale of concentrate is recognized when the significant risks and rewards of ownership of the concentrate have been transferred, which has been determined, based on related contract terms, to be at the time of delivery to the port warehouse. Revenue is determined based on the estimated prices for payable metals contained in the concentrate, on which final settlement will be determined as specified in the concentrate off-take agreement. The exposure to changes in metal prices between initial revenue recognition and final settlement that occurs later than one month subsequent to delivery represents an embedded derivative. This embedded derivative is recorded in accounts receivable and marked-to-market each period until final settlement occurs, with changes in fair value classified as an adjustment to revenue during production phase and as a gain or loss of a derivative instrument in the statement of operations and comprehensive loss prior to production phase.

Pre-production revenue is capitalized as part of pre-production costs net of treatment and refining costs paid to counterparties as specified in the concentrate off-take agreement until the asset is ready for its intended use.

Cash and cash equivalents

Cash and cash equivalents is comprised of cash on hand, deposits in banks and highly liquid investments having original terms to maturity of 90 days or less when acquired.

Inventory

Stockpile inventories represent mineralized material that has been mined and hauled to the surface from the underground mines. Costs include materials, labour and other direct costs and production overheads directly involved in the mining and production processes. This inventoried stockpile is ready for processing and is expected to be processed within 12 months. Mineralized stockpile inventories and concentrate are carried at the lower of cost or net realizable value. Concentrate inventory includes mineralized material that went through the milling process and mineralized material at the mine warehouse before transport for sale.

Net realizable value is the estimated selling price net of any estimated selling costs in the ordinary course of business. Write-downs of mineralized stockpiled inventories and concentrate, resulting from net realizable value impairments, are reported as an expense within cost of sales in the period of write-down or capitalized during the pre-production phase.

Supplies inventories are valued at the lower of average cost and net realizable value. Replacement cost is used as the best available measure of net realizable value.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Exploration and evaluation

Once a license to explore an area has been secured, expenditures on exploration and evaluation activities are capitalized to exploration and evaluation and classified as a component of property, plant and equipment.

Exploration expenditures relate to the initial search for deposits with economic potential and to detailed assessments of deposits or other projects that have been identified as having economic potential.

Management annually assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying value of capitalized exploration costs may not be recoverable.

In the case of undeveloped projects, there may be only inferred resources to form a basis for the impairment review. The review is based on a status report regarding the Company's intentions for development of the undeveloped property. Once an economically viable reserve has been determined for an area and the decision to proceed with development has been approved, exploration and evaluation assets attributable to that area are first tested for impairment and then reclassified to Mine Development within property, plant and equipment.

Subsequent recovery of the resulting carrying value depends on successful development or sale of the undeveloped project. If put into production, the costs of exploration and evaluation will be amortized on a unit of production basis over the life of the property, based on estimated economic reserves. If a project does not prove viable, all irrecoverable costs associated with the project, net of any impairment provisions are written off.

Property, plant and equipment

Mine development

When economically viable reserves have been determined and the decision to proceed with development has been approved, the expenditures related to development and construction are capitalized as mine development costs and classified as a component of property, plant and equipment. Costs associated with the commissioning of new assets incurred in the period before they are operating in the way intended by management are capitalized. Development expenditure is net of the proceeds of the sale of metals from mineralized stockpiles extracted during the development phase. Interest on borrowings related to the construction and development of assets is capitalized until substantially all the activities required to make the asset ready for its intended use are complete.

The costs of removing overburden to access mineralized stockpiles are capitalized as pre-production stripping costs and classified as a component of property, plant and equipment.

On initial recognition, plant and equipment are valued at cost, less accumulated depreciation and accumulated impairment losses.

Cost is comprised of the fair value of consideration given to acquire or construct an asset and includes the direct charges associated with bringing the asset to the location and condition necessary for putting it into use, along with the future cost of dismantling and removing the asset. The corresponding liability is recognized within provisions.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Property, plant and equipment (cont'd…)

Expenditure on major maintenance or repairs includes the cost of replacement parts of assets and overhaul costs. Where an asset or part of an asset is replaced and it is probable that further future economic benefit will flow to the Company, the expenditure is capitalized. Similarly, overhaul costs associated with major maintenance are capitalized when it is probable that future economic benefit will flow to the Company and any remaining costs of previous overhauls relating to the same asset are derecognized. All other expenditures are expensed as incurred.

Amortization of property, plant and equipment is recorded at the following annual rates:

Mine development	-	Units of production over the life of mine
Assets under finance lease	-	Units of production over the life of mine
Buildings and infrastructure	-	4-10% straight-line, when in service and nil for assets not yet in service
Construction in progress	-	Nil, as not yet in service
Other and equipment		
Office equipment	-	10% declining balance basis
Computer equipment	-	25% to 30% declining balance basis
Equipment	-	1-10 years straight-line

Impairment of non-current assets

Non-current assets are evaluated at each reporting date by management for indicators that carrying value is impaired and may not be recoverable. When indicators of impairment are present the recoverable amount of an asset is evaluated at the level of a cash generating unit ("CGU'), the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets, where the recoverable amount of a CGU is the greater of the CGU's fair value less costs to sell and its value in use. An impairment loss is recognized in profit or loss to the extent the carrying amount exceeds the recoverable amount.

In calculating the recoverable amount, the Company uses discounted cash flow techniques to determine fair value when it is not possible either by quotes from an active market or a binding sales agreement. The determination of discounted cash flows is dependent on a number of factors, including future metal prices, the amount of reserves, the cost of bringing the project into production, production schedules, production costs, sustaining capital expenditures, and site closure, restoration and environmental rehabilitation costs. Additionally, the reviews take into account factors such as political, social and legal, and environmental regulations. These factors may change due to changing economic conditions or the accuracy of certain assumptions and, hence may affect the recoverable amount.

The Company uses its best efforts to fully understand all of the aforementioned to make an informed decision based upon historical and current facts surrounding the projects. Discounted cash flow techniques often require management to make estimates and assumptions concerning resources and expected future production revenues and expense.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Reversal of impairment

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. An impairment loss with respect to goodwill is never reversed.

Provisions for environmental rehabilitation

The Company records a liability based on the best estimate of costs for site closure and reclamation activities that the Company is legally or constructively required to remediate. The liability is recognized at the time environmental disturbance occurs and the resulting costs are capitalized to the corresponding asset. The provision for closure and reclamation liabilities is estimated using expected cash flows based on engineering and environmental reports prepared by internal specialists. The capitalized amount is depreciated on the same basis as the related asset.

The liability is adjusted for the accretion of the discounted obligation and any changes in the amount or timing of the underlying future cash flows. Significant judgments and estimates by management are involved in forming expectations of the amounts and timing of future closure and reclamation cash flows.

Additional disturbances and changes in closure and reclamation estimates are accounted for as incurred with a change in the corresponding capitalized cost. Costs of rehabilitation projects for which a provision has been recorded are recorded directly against the provision as incurred, most of which are incurred at the end of the life of mine.

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the risk-adjusted expected cash flow at a pre-tax risk-free rate that reflects current market assessment of the true value of money. The unwinding of the discount is recognized as finance costs.

Income Taxes

The Company uses the balance sheet method of accounting for income taxes. Under the balance sheet method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred tax assets also result from unused loss carry-forwards, resource related pools and other deductions. A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Share capital

The proceeds from the exercise of stock options and warrants are recorded as share capital in the amount for which the option and warrant enabled the holder to purchase a share in the Company. Commissions paid to underwriters, and other related share issue costs, such as legal and auditing, on the issue of the Company's shares are charged directly to capital stock. Common shares issued for consideration other than cash are valued based on their market value at the date the shares are issued.

Valuation of equity units issued in private placements

The Company has adopted fair value method with respect to the measurement of shares and warrants issued as private placement units. The Company allocates the net proceeds based on the relative fair values to each component.

Flow-through shares

The Company will from time to time issue flow-through common shares to finance a significant portion of its exploration and development program. The issuance of flow-through common shares results in the tax deductibility of the qualifying resource expenditures funded from the proceeds of the sale of such shares being transferred to the purchasers of the shares. Under IFRS, on the issuance of such shares, the Company bifurcates the flow-through shares into: a flow-through share premium liability, equal to the estimated premium that investors pay for the flow-through feature, which is recognized as a liability, and share capital. As the related exploration expenditures are incurred, the Company derecognizes the liability and recognizes a related income tax recovery. Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a two-year period.

The portion of premium related to expenses not incurred at the end of the Company's period, is disclosed separately as flow-through premium share liability in Note 15.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Look back Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is recorded as a financial expense

Bonus Shares, Restricted Share Units and Deferred Share Units

The fair value method of accounting is used for share-based payment transactions. Under this method, the cost of bonus shares and other equity-settled share-based payment arrangements, such as restricted share units ("RSU's") and deferred share units ("DSU's"), is recorded based on the estimated fair value at the grant date, including an estimate of the forfeiture rate, and recognized reserve the vesting period. For employees eligible for normal retirement prior to vesting, the expense is recognized over the period from the grant date to the date they are eligible for retirement.

Share-based payment expense relating to cash-settled awards, including deferred and restricted share units, is accrued over the vesting period of the units based on the quoted market value of the Company's shares. As these awards will be settled in cash, the expense and liability are adjusted each reporting period for changes in the underlying share price.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Earnings (loss) per share

Basic earnings (loss) per share is calculated using the weighted average number of common shares outstanding during the period. The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method, the dilutive effect on earnings per share is calculated presuming the exercise of outstanding options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to repurchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Financial instruments

Financial assets and liabilities are initially recognized at fair value on settlement date and are subsequently measured based on their classification. Regular purchases and sales of financial instruments are recognized at trade date:

(i) Financial assets

The Company classifies its financial assets in the following categories: available-for-sale ("AFS"), held-to-maturity or loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at recognition.

Available-for-sale ("AFS")

AFS financial assets are non-derivatives that are either designated as available-for-sale or not classified in any of the other financial asset categories. Changes in the fair value of AFS financial assets other than impairment losses are recognized as other comprehensive income and classified as a component of equity. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. The Company currently does not have any AFS assets.

Fair value Through Profit or Loss

Derivative financial assets, including embedded derivatives included within accounts receivable are classified as fair value through profit or loss and accordingly are recorded on the balance sheet at fair value. Unrealized gains and losses on embedded derivatives arising from the sale of concentrates or credit facility are recorded as part of other gains or losses in earnings. Fair values for derivative instruments are determined using valuation techniques and using assumptions based on market conditions existing at the balance sheet date.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Financial instruments (cont'd…)

(i) Financial assets (cont'd…)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as current assets or non-current assets based on their maturity date. Loans and receivables are initially recognized at fair value and subsequently carried at amortized cost less any impairment. Loans and receivables are comprised of cash, restricted cash, and accounts receivable.

(ii) Financial liabilities

The Company classifies its financial liabilities in the following categories: other financial liabilities and derivative financial liabilities.

Other financial liabilities

Other financial liabilities are non-derivatives and are recognized initially at fair value, net of transaction costs incurred, and are subsequently stated at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in profit and loss or capitalized as borrowing costs over the period to maturity using the effective interest method.

Other financial liabilities are classified as current or non-current based on their maturity date. Financial liabilities include trade accounts payable and accrued liabilities, loan payable, due to related parties, finance lease and long-term debt.

Derivative financial liabilities

Derivative financial liabilities are initially recognized at their fair value on the date the derivative contract is entered into and are subsequently re-measured at their fair value at each reporting period with changes in the fair value recognized in profit and loss. The Company currently does not have derivative financial liabilities.

New accounting standards adopted during the year

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 annual consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

New accounting standards adopted during the year (cont'd…)

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 annual 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.

(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. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Based on its activities, the Company is exposed to a variety of risks arising from financial instruments. These risks and management's objectives, policies and procedures for managing these risks are disclosed as follows:

Fair value of financial instruments

Fair value represents the price at which a financial instrument could be exchanged in an active market, in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act. The following provides a comparison of carrying and fair values of each classification of financial instrument as at December 31, 2014.

4. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (cont'd…)

	Loans and receivables	Other financial liabilities	Total carrying amount	Total fair value
Financial assets				
Cash (b)	$ 24,681	$ -	$ 24,681	$ 24,681
Restricted cash (b)	$ 4,530	$ -	$ 4,530	$ 4,530
Accounts receivable (b)	$ 24,817	$ -	$ 24,817	$ 24,817
Financial liabilities				
Accounts payable and accrued liabilities (b)	$ -	$ 9,906	$ 9,906	Note (b)
Due to related parties (b)	$ -	$ 7,480	$ 7,480	Note (b)
Finance lease (d)	$ -	$ 30,361	$ 30,361	Note (d)
Santander's creditors obligation	$ -	$ 2,505	$ 2,505	$ 2,505
Working capital facility (a)	$ -	$ 22,336	$ 22,336	Note (a)
Senior Secured Notes (c)	$ -	$ 47,495	$ 47,495	Note (c)

(a) The fair value of the working capital facility approximates its carrying value due to the floating interest rate.

(b) The fair values for short term financial assets and liabilities, which include cash, restricted cash, accounts receivable, 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.

(c) The fair value of the Senior Secured Notes approximates its carrying value (Note 16).

(d) The fair value of the finance lease approximates its carrying value as it is calculated based on the present value of the future principal cash flows, discounted at the market rate of interest at the reporting dates. 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 (Note 14).

The following provides a comparison of carrying and fair values of each classification of financial instrument as at December 31, 2013:

	Loans and receivables	Other financial liabilities	Total carrying amount	Total fair value
Financial assets				
Cash	$ 35,984	$ -	$ 35,984	$ 35,984
Restricted cash	$ 2,381	$ -	$ 2,381	$ 2,381
Accounts receivable	$ 23,151	$ -	$ 23,151	$ 23,151
Financial liabilities				
Accounts payable and accrued liabilities	$ -	$ 11,085	$ 11,085	Note (b)
Due to related parties	$ -	$ 23,838	$ 23,838	Note (b)
Debt facility with RMB (a)	$ -	$ 28,535	$ 28,535	$ 28,535
Convertible debt (a) (c)	$ -	$ 2,356	$ 2,356	$ 2,356
Santander's creditors obligation	$ -	$ 2,069	$ 2,069	$ 2,069
Working capital facility (a)	$ -	$ 22,494	$ 22,494	$ 22,494

4. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (cont'd…)

Fair value of financial instruments (cont'd…)

(a) The fair value of the convertible debt and the working capital facility approximates its carrying value due to the floating interest rate.

(b) Accounts payable and accrued liabilities fair value is below its carrying amounts given the Company's liquidity risk and going concern at December 31, 2013.

(c) The carrying value of the convertible debt is a split instrument between equity and liabilities. The fair value represents the value payable under the debt instrument, as the equity component was determined to have a value of $nil.

Credit risk

Concentration of credit risk exists with respect to the Company's cash and restricted cash, as all amounts are held at a major Canadian financial institution and a major Peruvian financial institution. The Company's concentration of credit risk and maximum exposure thereto is as follows:

Cash		December 31, 2014		December 31, 2013
Canadian financial institution	$	23,560	$	35,729
Peruvian financial institution		1,121		255
		24,681		35,984
Canadian financial institution – restricted current		40		840
Peruvian financial institution – restricted current		4,490		1,541
Canadian financial institution – restricted non-current		-		-
Peruvian financial institution – restricted non-current		-		-
	$	29,211	$	38,365

The credit risk associated with cash is managed by ensuring that these financial assets are placed with major Canadian and Peruvian financial institutions with strong investment-grade ratings by a primary ratings agency.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they fall due. The Company manages its liquidity risk by forecasting cash flows required by operations and anticipated investing and financing activities. As at December 31, 2014, the Company had an unrestricted cash balance of $24,681 and working capital of $32,471. Based on the anticipated positive cash flows from Santander, the subsequent financing of approximately $5.1 million (Note 31) and refinancing of the debt facility (Note 16) during 2014, 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, testing and commissioning, start-up and ramp-up of the Company's Caribou mine project and the Company may need to seek additional funding to finance such activities.

4. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (cont'd…)

Liquidity risk (cont'd…)

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 revenues 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. (See Note 1)

The remaining contractual maturities of the financial liabilities of the Company on December 31, 2014 are as follows:

	Less than 3 months	3 months to 1 year	1 to 2 years	2 year to 5 years	Total
Accounts payable and accrued liabilities	$ 9,906	$ -	$ -	$ -	$ 9,906
Due to related parties	7,480	-	-	-	7,480
Interest payable	-	547	-	-	547
Long term debt	-	5,201	10,334	56,254	71,789
Finance lease	-	3,865	4,326	22,440	30,631
	$ 17,386	$ 9,613	$ 14,660	$ 78,694	$ 120,353

The remaining contractual maturities of the financial liabilities of the Company on December 31, 2013 were as follows:

	Less than 3 months	3 months to 1 year	1 to 2 years	2 year to 5 years	Total
Accounts payable and accrued liabilities	$ 11,085	$ -	$ -	$ -	$ 11,085
Due to related parties	23,838		-	-	23,838
Loan payable	-	28,535	-	-	28,535
Long-term debt	-	6,291	7,586	13,042	26,919
	$ 34,923	$ 34,826	$ 7,586	$ 13,042	$ 90,377

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and other price risk.

(i) Interest rate risk

Interest rate risk consists of the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates.

The Company's cash consists primarily of cash held in bank accounts and short-term deposits. Due to the short-term nature of these financial instruments, fluctuations in market rates do not have a significant impact on estimated fair values as of December 31, 2014 and 2013.

4. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (cont'd…)

Market risk (cont'd…)

(i) Interest rate risk (cont'd…)

The Company is exposed to interest rate cash flow risk on certain long-term debt amounts as the payments will fluctuate during their term with changes in the interest rate. Based on the amount owing at December 31, 2014, and assuming that all other variables remain constant, a 1% change in the Libor rate would result in an increase/decrease of $196 in the interests accrued by the Company per annum.

(ii) Foreign currency risk

The Company is exposed to foreign currency risk to the extent expenditures incurred or funds received and balances maintained by the Company are denominated in currencies other than the Canadian dollar (primarily United States dollars ("USD") and Peruvian soles ("soles")). The Company has net monetary liabilities of $47,770 (2013 – $46,201) denominated in USD and net monetary assets of $10,916 (2013 – $14,349) denominated in soles. For the year ended December 31, 2014, the Company's sensitivity analysis suggests that a change in the absolute rate of exchange in USD by 8% will increase or decrease net loss by $3,822 (2013 – $3,867) and a change in the absolute rate of exchange in soles by 8% will increase or decrease net loss by $873 (2013 – $1,148). The Company has not entered into any foreign currency contracts to mitigate this risk.

(iii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company has no financial instruments exposed to other price risk at December 31, 2014.

5. ACCOUNTS RECEIVABLE

	December 31, 2014	December 31, 2013
Trade receivable[1]	$ 9,369	$ 7,589
Sale of asset receivable (Note 29)	2,781	-
IGV tax credits	11,057	14,568
HST tax credits	1,441	868
Other	169	126
	$ 24,817	$ 23,151

[1] At December 31, 2014, trade receivable are from the production sales to Glencore.

Included in input tax credits and IGV ("IGV") is IGV incurred by Trevali Peru in Peru and which may only be recoverable from taxes collected from mine production revenues. IGV in Trevali Peru was previously recorded as a component of mine development until the probability of taxable revenues from production was assessed as probable.

6. PREPAID EXPENSES AND OTHER

	December 31, 2014	December 31, 2013
Peruvian prepaid taxes	$ 1,350	$ 110
Prepaid royalties	1,092	-
Advances on Santander project	-	385
Other	720	517
	$ 3,162	$ 1,012

7. INVENTORY

Stockpile inventories represent mineralized material that has been mined at the Santander mine. Stockpiles are measured by estimating the number of tons added and removed from the stockpile, the number of contained metal ounces or pounds (based on assay data) and the estimated metallurgical recovery rates (based on the expected processing method).

	December 31, 2014	December 31, 2013
Mineralized stockpile	$ 830	$ 193
Concentrate	439	2,759
Materials and supplies	1,011	925
	$ 2,280	$ 3,877

In 2014 $2,952 (2013 - $Nil) of pre-production inventory from the prior year was sold and the related costs capitalized to mine development. $439 (2013 - $Nil) of material was expensed in cost of sales during the year.

8. RECLAMATION BONDS

Reclamation bonds are cash collateral on deposits with the Province of New Brunswick as security for reclamation and environmental obligations associated with its Halfmile mine for $636 (2013 - $625) and Caribou mine for $4,824 (2013 - $4,780). These deposits bear interest on a quarterly basis at an average rate of 0.23% at December 31, 2014 (2013 - 0.24%).

9. NON-CURRENT RECEIVABLE

	December 31, 2014	December 31, 2013
Tingo Input Tax Credits	$ -	$ 2,729
Receivable from sale of Tingo (Note 29)	4,408	-
	$ 4,408	$ 2,729

10. EXPLORATION AND EVALUATION ASSETS

	Stratmat (Canada)	Huampar (Peru)	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	2,391	204	3	15	2,613
Translation adjustment	-	134	-		134
Net book value, December 31, 2014	$ 8,146	$ 1,969	$ 1,228	$ 15	$ 11,358

Ruttan & Bill Copper, Manitoba

As of December 31, 2014, the Company maintains title to the two properties. In 2013, the Company's impairment analysis suggested the write-down of the two properties to their acquisition costs to reflect the focus of the Company in its mine development projects. The Company wrote-down $10,480 of capitalized exploration and evaluation costs.

Huampar Property, Peru

On May 18, 2011, the Company signed a memorandum of understanding with Nueva Condor Inc. wherein Nueva Condor agreed to grant to the Company the exclusive option to acquire all of the outstanding shares of its Peruvian subsidiary Nueva Condor S.A., 100% owner and holder of the Huampar Property for a period of four years from the date of execution of the memorandum of understanding. The Company paid US$50,000 upon signing the memorandum of understanding.

On April 04, 2014 the memorandum of understanding was superseded and replaced by a definitive Stock Purchase Agreement by which the registered owner of 100% of the shares of Nueva Condor S.A. transferred all of his shares to the Company (the "SPA").

Pursuant to the terms of the SPA, the price for the Nueva Condor shares includes: (i) the issuance of 900,000 Common Shares, (ii) a cash payment of US$350,000 to be paid in monthly installments of US$5,000 as from the date of execution of the memorandum of understanding, (iii) an amount in cash equivalent to 5% of the recognized value of the credits listed on Schedule 3 of the SPA and (iv) a 3% net smelter royalty, of which 2% may be purchased in 1% tranches for 4 years as from January 3, 2012 for payments of US$1.5 million and US$2 million.

Payments detailed in (i) and (iii) above, and a US$100,000 annual advance payment (deductible from the net smelter royalty payments), will be due upon the seller's compliance with the covenants set forth in the SPA.

To date the seller has not fully complied with the covenants, therefore payment of the consideration is not due.

Stratmat, New Brunswick

As at December 31, 2014, the Company maintains title to its Stratmat project. The Company continued its drilling and ongoing technical programs during the year.

11. PROPERTY, PLANT AND EQUIPMENT

	Mine development	Construction in progress	Buildings and infrastructure	Equipment and other	Assets under finance lease	Total
Cost as at December 31, 2013	$ 240,376	$ 5,473	$ 29,004	$ 35,561	$ -	$ 310,414
Additions	31,848	1,196	18	756	28,481	62,299
Disposals (Note 29)	(1,643)	(1,961)	(3,626)	(9,853)	-	(17,083)
Reclassification	(5,970)	(487)	4,465	424	532	(1,036)
Credit on construction	-	(678)	-	-	-	(678)
Capitalized borrowing costs (Note 16)	7,087	-	-	-	-	7,087
Pre-production costs, net of revenues	(4,483)	-	-	-	-	(4,483)
Change in provision for environmental rehabilitation (Note 17)	6,358	-	-	-	-	6,358
Translation adjustment	7,065	30	1,362	185	1,361	10,003
As at December 31, 2014	280,638	3,573	31,223	27,073	30,374	372,881
Accumulated amortization as at December 31, 2013	-	-	(1,591)	(1,938)	-	(3,529)
Charge for the period	(7,061)	-	(3,798)	(1,344)	(1,982)	(14,185)
Disposals (Note 29)	56	-	264	1,093	-	1,413
As at December 31, 2014	(7,005)	-	(5,125)	(2,189)	(1,982)	(16,301)
Net book value, December 31, 2014	$ 273,633	$ 3,573	$ 26,098	$ 24,884	$ 28,392	$ 356,580

	Mine development	Construction in progress	Buildings and infrastructure	Equipment and other	Assets under finance 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 16)	5,669	-	-	-	-	5,669
Pre-production costs, net of revenues	(3,057)	-	-	-	-	(3,057)
Change in provision for environmental rehabilitation (Note 17)	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

11. PROPERTY, PLANT AND EQUIPMENT (cont'd…)

Property Acquisition

Santander Project

On December 11, 2007, Trevali Peru was assigned all of Santander's interest in the Santander Property for a period of 50 years with an automatic 50 year extension. Santander's interest includes the right to engage in exploration, development, processing and commercialization activities in respect of the Santander Property. The consideration payable by the Company to Santander is a 3.5% net smelter royalty. In addition, Trevali Peru also acquired from Santander a long-term lease of the Tingo Power Station.

In July 2009, the Company entered into an addendum agreement to the assignment agreement above referred, pursuant to which, subject to ratification by all of the creditors of Santander, the Company and Santander agreed to suspend the US$100,000 minimum monthly payment until such time as the Company had generated US$51,000,000 of revenue subject to the 3.5% NSR Royalty above referred, at which time the Company would be obligated to recommence paying the greater of the monthly NSR Royalty and the minimum monthly payment. It should be noted, however, that 70.2% of such NSR Royalty would actually be payable to the Company as the Company is the largest single creditor of Santander in relation to its bankruptcy proceedings. There was approximately $797 paid in royalties in 2014. In consideration for the suspension of the minimum monthly payment, the Company agreed to advance to Santander by way of loan all necessary funds to cover the ongoing costs of Santander's bankruptcy proceedings estimated to be US$250,000 per annum. In addition, the Company was granted the exclusive right, up to September 30, 2015, to acquire the mineral concessions which comprise the Santander Property for a payment equal to the balance of the Santander liabilities outstanding on the date the Company exercises the right plus US$300,000. The terms of the addendum agreement were subsequently approved by the Santander creditors at a creditors meeting held on September 16, 2009. On March 15, 2011, the creditors of Santander approved the spin-off of the Santander Property in favor of a new company, Santander Concesiones S.A.C. ("New Santander"), effective on the issuance of a public deed for the spin-off. Pursuant to Peruvian law, under a spin-off procedure, the shareholders of the company that is being reorganized (Santander) will be the shareholders of the company which receives the assets (New Santander)."

As of December 31, 2014, the outstanding third party liabilities of Santander are approximately US$2,160 not including quarterly distributions to all creditors of US$120, commenced in March 2013. As at December 31, 2014, the Company has recorded the value of the obligation to those third party creditors for US$2,160, as a result of the consolidation of the special purpose entity (Note 28). The value in Canadian currency at December 31, 2014 is $2,505 (2013 - $2,069) (Note 16).

During 2007, the Company entered into a lease agreement for the use of a hydroelectric plant in connection with the acquisition of the mining concessions of Santander in Peru. On September 29, 2009, the Company purchased the hydroelectric facility and capitalized related costs under buildings and infrastructure and construction in progress. In 2014, the Company sold the facility (Note 29).

Agreements with Glencore International AG's Peruvian subsidiary, Empresa Minera Los Quenuales S.A. ("Glencore")

During the year ended December 31, 2010, the Company entered into agreements with Glencore to jointly develop, construct and operate a mine at the Santander Project. Glencore is considered a related party of the Company given the fact that a director of the Company is also a member of key management at Glencore. The agreements are summarized as such:

11. PROPERTY, PLANT AND EQUIPMENT (cont'd…)

Property Acquisition (cont'd…)

Santander Project (cont'd…)

As at December 31, 2014 Glencore:

(i) completed construction of a mill and a flotation plant (together, the "Plant").

(ii) operates the Plant and the mine for the Company on a contract basis.

(iii) buys 100% of the Santander mine production at benchmark international market terms for the life of the mine (Note 22).

(iv) has the right of first refusal over the Santander Project's assets in the event that the Company intends to sell them, and an option to purchase 51% of the ownership of all Santander's assets, at fair market value, in the event that a change of control is to take place. This agreement shall terminate on the later of (1) the fourth anniversary of the commencement of production phase and (2) repayment of all obligations of the Company under the Concentration Plant Sale Agreement (described in the Company's obligations below) and the convertible debenture agreement (Notes 14 and 16).

The Company:

(i) retains a 100% ownership of the Santander Mining Concession Rights.

(ii) completed the facilities and capacity needed to provide electrical power and water resources for camp infrastructure and the Santander Project.

(iii) acquired the Plant and the associated infrastructure from Glencore, through the Concentration Plant Sale Agreement (Note 14).

Effective January 1, 2014 management has determined that the production phase at Santander has commenced, based on all of the following technical and engineering design achievements:

a. Completion of the operational commissioning of the Plant and formal handover of the Plant asset from Glencore to Trevali effective January 31, 2014;
b. The demonstrated ability of the Santander mill to operate consistently and without significant interruption at a production rate exceeding 70 per cent of design capacity; and
c. Metal concentrates production meeting saleable concentrate specifications.

11. PROPERTY, PLANT AND EQUIPMENT (cont'd…)

Property Acquisition (cont'd…)

Halfmile Lake/Stratmat Properties, New Brunswick

In April 7, 2011, the Company completed the acquisition of the Halfmile Property, Stratmat Property and Ruttan Property, through the acquisition of Kria by way of a plan of arrangement and changed its name to "Trevali Mining Corporation". On June 8, 2011, the Company filed a business acquisition report, a copy of which is available for review under the Company's profile on the SEDAR website at www.SEDAR.com.

Glencore, previously held by Xstrata Canada Corporation-Xstrata Zinc Canada Division ("Xstrata") has first right and option to purchase all or any portion of concentrates and other mineral products produced from the properties. Xstrata will retain a 2% NSR on the properties and has the right to repurchase a 50% interest in the properties if a discovery of more than 20 million tonnes having an average grade of not less than 11% combined lead and zinc is made. A portion of the Stratmat property has a 2.5% NSR to Teck Cominco Limited and the Company acquired only a 61.51% interest on certain claims in the north portion of the Halfmile Lake property due to underlying ownership rights. An additional final payment of US$5,000 will be made on the fifth anniversary following the commencement of production phase if zinc prices are greater than US$1.50 per pound or US$2,500 if zinc prices are between US$1.25 and US$1.50 per pound.

Caribou Property, New Brunswick

On November 2, 2012 the Company acquired all the mining rights through its acquisition of Maple of the Caribou mine and mill complex which was under care and maintenance. This acquisition is in line with the Company's goal to operate a stand-alone mineral processing operation in New Brunswick.

The Company is required to distribute 10% of all future net profit from the Caribou mine operation to Fern Trust, an unrelated party under a royalty agreement.

Asset restrictions and contractual commitments

The Company's assets are subject to certain restrictions on title, property, plant and equipment pledged as security for credit facility arrangements (Notes 14 and 16).

12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2014	December 31, 2013
Trade payables	$ 7,725	$ 8,361
Accrued payroll and other	2,181	2,684
Current portion of finance leases	-	40
	$ 9,906	$ 11,085

13. LOANS PAYABLE

	Bridge Loan with Sprott (a)	Short term loans (b)	Debt Facility with RMB (c)	Total
Balance at December 31, 2012	$ 15,521	$ 726	$ -	$ 16,247
Debt facility net of transaction costs (c)			27,049	27,049
Interest accrued	1,073	24	3,210	4,307
Loan and interests payments	(16,594)	(768)	(1,724)	(19,086)
Loss on translation	-	18	-	18
Balance at December 31, 2013	-	-	28,535	28,535
Interest accrued	-	-	2,637	2,637
Loan and interests payments	-	-	(31,172)	(31,172)
Balance at December 31, 2014	$ -	$ -	$ -	$ -

(a) Bridge-loan credit facility with Sprott

On August 16, 2012, the Company entered into a $10,000 bridge-loan credit facility agreement with Sprott Resource Lending Partnership ("Sprott"). The facility was at an interest rate of 11% per annum, compounded and payable and paid monthly, and due and payable in full on or before August 31, 2013. The effective interest rate was 1.285%. In consideration for entering into the facility, Trevali made a share bonus payment to Sprott of $250, being 2.5 % of the principal amount of the facility, payable in 329,472 common shares of the Company based on the quoted closing market price on the day the shares were issued. A structuring fee in the amount of $150 was paid to Sprott.

On November 2, 2012, Trevali and Sprott amended the bridge-loan credit facility agreement, increasing it to $16,000 under the same terms. The additional proceeds were used to redeem Maples' $6,000 debenture issued in 2012 to Breakwater Resources Ltd. (Nyrstar). In connection with Sprott's advance of an additional $6,000 to Trevali, Sprott received a $60 structuring fee and 158,127 common shares (bonus shares) fair valued at $173.

Security in the form of substantially all of the Company's Canadian assets was provided on the loan and the loan was repaid in full on April 30, 2013 with the proceeds from the closing of the $30,000RMB debt facility (Note 13(c)) and the security was released.

(b) Short term loan payable

Through the acquisition of Maple, the Company became responsible for two unsecured non-interest bearing debt balances with a total principal amount of US$730. Those loans were payable upon the earlier of (a) following the completion of the corporate debt financing of Trevali Mining Corporation by RMB Resources and (b) January 16, 2013, or (c) on such alternative date as agreed between both parties. During the year ended December 31, 2013, the loans were repaid in full for US$753 including US$23 of accrued interest all of which was capitalized to property, plant and equipment.

(c) 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

13. LOANS PAYABLE (cont'd…)

(c) RMB Loan Facility (cont'd…)

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 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 16) and the security was released.

14. 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 purchase price of US$37,478, excluding IGV, which bears no interest, and the US$20,000 loan (Note 16), 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.

Balance at December 31, 2013	**$**	**-**
Loan at inception		41,432
Finance charges		(13,074)
Interest accretion during the year		3,540
Payments of the lease during the year		(2,708)
Translation adjustment		1,441
	$	30,361
Less current portion		(3,865)
Balance at December 31, 2014	**$**	**26,766**

	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.

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.

14. FINANCE LEASE (cont'd…)

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	$ 7,058	$ (3,193)	$ 3,865
Between one and five years	33,576	(6,810)	26,766
	40,634	(10,003)	30,631
Less current portion			(3,865)
Balance at December 31, 2014			$ 26,766

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 using an annual effective interest rate of 11.28%.

The plant is recorded in property plant and equipment as assets under finance lease at its fair value of US$25,344 (Note 11). The Company has provided Glencore with security on the finance lease in the form of a charge on the Plant.

15. FLOW-THROUGH SHARE PREMIUM LIABILITY

Flow-through share liability includes the liability portion (the premium) of the flow-through shares issued but for which the qualifying exploration expenditures have yet to be incurred. The following is a continuity schedule of the liability portion of the flow-through share issuances.

	Issued on March 31, 2013	**Total**
Balance at December 31, 2013	$ 280	$ 280
Reduction of flow-through share liability on incurring qualifying expenditures	(280)	(280)
Balance at December 31, 2014	$ -	$ -

	Issued on July 25, 2012	**Issued on March 31, 2013**	**Total**
Balance at December 31, 2012	$ -	$ 2,573	$ 2,573
Premium liability incurred on flow-through shares issued (Note 18)	-	300	300
Reduction of flow-through share liability on incurring qualifying expenditures	(2,573)	(20)	(2,593)
Balance at December 31, 2013	$ -	$ 280	$ 280

16. LONG-TERM DEBT

	Convertible debt (a)	Santander's creditors obligation (b)	Working capital facility (c)	Senior Secured Notes (d)	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	1,163	4,524	5,950
Loss on foreign exchange translation	51	201	1,812	-	2,064
Loan and interest payments	(2,435)	-	(3,133)	(3,281)	(8,849)
	$ -	$ 2,505	$ 22,336	$ 47,495	$ 72,336
Less current portion	-	(2,505)	(2,696)	(547)	(5,748)
Balance at December 31, 2014	$ -	$ -	$ 19,640	$ 46,948	$ 66,588

	Convertible debt (a)	Santander's creditors obligation (b)	Working capital facility (c)	Senior Secured Notes (d)	Total
Balance at December 31, 2012	$ 2,143	$ 1,683	$ 17,747	$ -	$ 21,573
Advances	-	-	2,260	-	2,260
Accretion and accrual of interest	63	261	1,079	-	1,403
Loss on foreign exchange translation	150	125	1,408	-	1,683
Loan and interest payments	-	-	-	-	-
	$ 2,356	$ 2,069	$ 22,494	$ -	$ 26,919
Less current portion	(379)	(2,069)	(5,190)	-	(7,638)
Balance at December 31, 2013	$ 1,977	$ -	$ 17,304	$ -	$ 19,281

(a) Convertible debt

On September 3, 2010, the Company closed a US$2,000 convertible debenture between the Company and Glencore. The debenture was 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. The convertible debenture was repaid in full on May 29, 2014. LIBOR (three-month) rate on May 29, 2014 was 0.23060 % (2013 – 0.24885%). The effective interest rate at May 29, 2014 was 11.84% (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 $Nil at that date as the value of the conversion feature of the debt is insignificant due to the conversion price approximating the market price. US$ Nil (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 $2,505 (2013 - $2,069) due on or before December 31, 2015 (being the estimated date of repayment by Trevali), at a discount rate of 15%. The Company capitalized US$Nil (2013 - US$254) of interest to mine development.

16. LONG-TERM DEBT (cont'd…)

(c) Working capital facility

On November 6, 2012, the Company closed a US$20,000 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$20,000 working capital facility and the finance lease (Note 14), 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 December 31, 2014, the working capital facility balance including interest was US$19,253 (2013 – US$21,149). The Company has capitalized US$Nil (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 $2,796 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. $4,524 (2013 - $Nil) of interest and transaction fees has been capitalized to mine development as capitalized borrowing costs under the Caribou project.

Payment Schedule		
Fiscal Year	Interest Payments	Principal Payments
2015	6,563	-
2016	6,094	7,500
2017	5,156	7,500
2018	4,219	7,500
2019	1,875	30,000
Total	**23,907**	**52,500**

17. 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 internal and third party specialists.

17. PROVISION FOR ENVIRONMENTAL REHABILITATION (cont'd…)

The assumptions used in the estimation of the provision 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	2.32%	2.00%	12,079
Halfmile	625	20	1	2.33%	2.00%	630
Caribou	31,256	10	50	1.79-2.33%	2.00%	29,290

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

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

Balance at December 31, 2012	**$**	**31,374**
Accretion		686
Addition to provision		7,351
Change in estimate		71
Change in discount rate		(5,380)
Change in foreign exchange rate		131
Balance at December 31, 2013	**$**	**34,233**
Accretion		1,075
Addition to provision		-
Change in estimate		(457)
Change in discount rate		6,256
Change in foreign exchange rate		892
Balance at December 31, 2014	**$**	**41,999**

As of December 31, 2014, 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 $5,460 (Note 8).

18. CAPITAL STOCK

Authorized:

Unlimited number of common shares without par value.

During the year ended December 31, 2014:

(a) 450,153 bonus shares were redeemed for common stock of the Company (Note 19).

(b) 1,000,000 warrants were exercised at an exercise price of $1.00 for gross proceeds of $1,000 (Note 19).

(c) 12,665 shares were issued to correct the share issuance related to the acquisition of Kria in 2011. The associated shares had a fair value of $Nil.

(d) 14,000 DSU's were redeemed for common stock of the Company (Note 19).

(e) 652,499 options were exercised for gross proceeds of $704 (Note 19).

18. CAPITAL STOCK (cont'd…)

During the year ended December 31, 2013:

(a) 5,500 warrants were exercised at an exercise price of $1.10 for gross proceeds of $6 (Note 19).

(b) The Company closed a flow-through private placement financing, issuing 5,000,000 common shares on a "flow-through" basis under the Income Tax Act (Canada) ("Flow-through Shares") at a price of $1.00 per Flow-through Share for aggregate gross proceeds of $5,000, of which $4,700 was recorded in capital stock and the remaining $300 was recorded as flow through shares premium liability (Note 15). In connection with the Offering, the Underwriters received a cash commission of $225 and $45 for expense reimbursement. Additionally, the Company incurred share issuance costs of $57. All securities issued were subject to a four month and one day hold period.

(c) The Company closed a private placement financing, issuing 18,171,700 common shares of the Company at a price of $0.60 per share for aggregate gross proceeds of $10,903. In connection with the offering, the underwriters received a cash commission of $545. The Company also incurred $160 in share issuance costs. All securities issued were subject to a four month and one day hold period.

(d) The Company settled $750 in debt outstanding by issuing 1,190,477 common shares at a price of $0.63 per share. The debt settlement resulted in a loss on debt extinguishment of $107. Additionally, the Company paid share issuance costs in cash of $6.

(e) The Company closed a private placement financing, issuing 55,430,000 common shares of the Company at a price of $0.83 per share for aggregate gross proceeds of $46,007. In connection with the offering, the underwriters received a cash commission of $2,289 and $10 for expense reimbursement. The Company also incurred share issuance costs of $391. All securities issued were subject to a four month and one day hold period.

19. 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.

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

19. SHARE-BASED PAYMENT RESERVE (cont'd…)

Stock options (cont'd…)

	December 31, 2014			December 31, 2013		
Expiry Date	Exercise Price	Number of Options	Exercisable	Exercise Price	Number of Options	Exercisable
February 1, 2014	-	-	-	$1.19	2,220,000	2,220,000
February 14, 2014	-	-	-	$1.40	-	-
March 2, 2014	-	-	-	$1.60	220,000	220,000
September 19, 2014	-	-	-	$1.12	540,000	540,000
October 1, 2014	-	-	-	$1.23	200,000	200,000
October 16, 2014	-	-	-	$1.19	575,000	575,000
November 13, 2014	-	-	-	$1.19	125,000	96,875
December 21, 2014	-	-	-	$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	200,000	-
May 1, 2018	$0.77	855,000	285,000	$0.77	961,500	-
May 31, 2018	$0.62	1,300,451	433,484	$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	277,500	-	-	-	-
	$0.86	3,857,301	850,701	$1.03	6,973,100	4,341,375

At December 31, 2014, the weighted average remaining contractual life of the stock options was 3.76 (2013 – 1.91) years.

Stock option transactions are as follows:

	December 31, 2014		December 31, 2013	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Balance, beginning of the year	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	(455,917)	$0.98	(633,000)	$1.21
Cancelled	-	-	(87,500)	$0.62
Expired	(3,659,083)	$1.22	(2,060,000)	$1.79
Balance, end of the year	3,857,301	$0.86	6,973,100	$1.03

The weighted average market price on exercise of options for the year ended December 31, 2014 was $1.28 (2013 – $Nil).

19. SHARE-BASED PAYMENT RESERVE (cont'd…)

Share-based compensation

During the year ended December 31, 2014, the Company granted 1,651,700 (2013 - 2,811,600) vesting stock options. The Company recorded $564 (2013 - $450) in total share-based compensation expense, of which $177 was capitalized to property, plant and equipment.

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.

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

	2014	2013
Risk-free interest rate	1.56%	1.35%
Expected life of options	5 years	5 years
Annualized volatility	60.28%	80.21%
Dividend rate	0.00%	0.00%
Forfeiture rate	2.38%	2.44%
Grant date fair value	$1.08	$0.71

Warrants

Warrants transactions are summarized as follows:

	December 31, 2014		December 31, 2013	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Balance, beginning of the year	6,074,760	$1.06	21,201,552	$1.29
Issued (Note 16)	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 year	9,468,000	$1.19	6,074,760	$1.06

The weighted average market price on exercise of warrants for the year ended December 31, 2014 was $1.06 (2013 - $1.01).

The warrants that expired during the year created a $462 (2013 - $226) capital gain, which in turn was offset by the recognition of previously unrecorded tax assets as a tax recovery in the year and offset by a charge to share based payment reserve.

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

	December 31, 2014		December 31, 2013	
Expiry Date	Exercise Price	Number of Warrants	Exercise Price	Number of Warrants
January 16, 2014 (Note 21)	-	-	$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	6,458,000	-	-
	1.19	9,468,000	$1.06	6,074,760

19. SHARE-BASED PAYMENT RESERVE (cont'd…)

Warrants (cont'd…)

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

	2014	2013
Risk-free interest rate	1.52%	0.92%
Expected life of options/warrants	5 years	2.17 years
Annualized volatility	62.17%	56.45%
Dividend rate	0.00%	0.00%
Grant date fair value	$0.94	$0.17

Bonus Shares, RSU's and DSU's

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

The Incentive Plan for the grant of the bonus shares is considered an equity-settled share-based compensation arrangement, and is administered by a trustee. 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.

RSU's and DSU's 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, RSU's and DSU's 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 year ended December 31, 2014, the Company granted 789,200 bonus shares, 2,146,400 RSU's and 212,700 DSU's and redeemed 450,153 bonus shares for common stock of the Company. The Company recorded $1,481 (2013 - $332) in total share-based compensation expense, of which $162 (2013 - $19) was capitalized to property, plant and equipment, and an amount of $320 (2013 – Nil) recorded as part of cost of sales.

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

Bonus Shares:

	December 31, 2014		December 31, 2013	
	Number of units	Weighted average fair value	Number of units	Weighted average fair value
Balance, beginning of the year	643,950	0.74	-	-
Issued	789,200	1.03	675,950	0.74
Forfeited	(51,400)	0.75	(32,000)	(0.75)
Redeemed	(450,153)	0.90	-	-
Balance, end of the year	931,597	0.91	643,950	0.74

19. SHARE-BASED PAYMENT RESERVE (cont'd…)

Bonus Shares, RSU's and DSU's (cont'd…)

RSU's:

	December 31, 2014		December 31, 2013	
	Number of units	Weighted average fair value	Number of units	Weighted average fair value
Balance, beginning of the year	530,350	0.74	-	-
Issued	2,146,400	1.03	548,350	0.74
Forfeited	(48,400)	0.75	(18,000)	(0.75)
Redeemed	-	-	-	-
Balance, end of the year	2,628,350	0.98	530,350	0.74

DSU's:

	December 31, 2014		December 31, 2013	
	Number of units	Weighted average fair value	Number of units	Weighted average fair value
Balance, beginning of the year	113,600	0.73	-	-
Issued	212,700	1.02	127,600	0.74
Forfeited	(14,000)	0.75	(14,000)	0.75
Redeemed	(14,000)	-	-	-
Balance, end of the year	298,300	0.97	113,600	0.73

20. RELATED PARTY TRANSACTIONS AND BALANCES

Management compensation

(a) Paid or accrued consulting fees of $837 (2013 - $1,705) to companies related to officers of which $308 (2013 - $542) was capitalized to property, plant and equipment in an amount of $52 (2013 – Nil) recorded as part of cost of sales.

(b) Paid or accrued consulting and directors' fees of $1,010 (2013 - $901) to directors and officers. Directors and officers were granted stock options fair valued at $1,594 (2013 - $482) included in consulting fees, $469 (2013 - $66) capitalized to property, plant and equipment, $110 (2013 - $20) included in investor relations, and $8 (2013 - $2) included in office and miscellaneous.

Other transactions

The Company also incurred the following transactions during the years ended December 31, 2014 and 2013 with Glencore:

(a) Paid $2,708 (2013 - $Nil) on the finance lease (Note 14).

(b) Paid $2,435 (2013 - $Nil) on the repayment of the convertible debenture (Note 16).

(c) Paid $3,133 (2013 - $Nil) in principle and interest on the working capital facility (Note 16).

(d) Earned revenue of $94,181 (Note 22) in 2014.

20. RELATED PARTY TRANSACTIONS AND BALANCES (cont'd…)

Other transactions (cont'd…)

(e) Paid or accrued production expenses of $24,258 and mine development expenses of $12,116 capitalized to property, plant and equipment in 2014.

Amounts due to related parties is comprised of $723 (2013 - $63) due to directors and officers and $79 (2013 - $68) due to companies related to officers for consulting fees, and $6,678 (2013 - $23,707) bearing approximately 8% interest due to Glencore for mine development and operation expenses.

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

21. INCOME TAXES

Income tax expense differs from the amount that would result from applying the Canadian and federal and provincial income tax rates to earnings before income taxes. These differences result from the following items:

	December 31, 2014	December 31, 2013
Loss before income tax	$ (3,741)	$ (17,707)
Canadian statutory rate	26.00%	25.75%
Expected income tax recovery	(973)	(4,560)
Increase (decrease) due to:		
Non-deductible expenses	1,925	(147)
Losses for which no tax benefit has been recorded	1,248	2,583
Amounts under (over) provided for in prior years	(18)	95
Differences between foreign and Canadian tax rates	316	(97)
Foreign exchange translation	-	(700)
Increase in Canadian tax rates	(11)	620
Difference between flow-through share premium and tax benefits renounced	1,070	(30)
Use of previously unrecognized tax assets	(292)	-
Deferred income tax expense (recovery)	$ 3,265	$ (2,236)

The combined federal and provincial income tax rates declined due to a reduction in income tax rates in Canada applicable to the fiscal year.

The tax effects that give rise to significant portions of the deferred income tax asset and deferred income tax liability at December 31, 2014 and 2013 are presented below:

21. INCOME TAXES (cont'd…)

	December 31, 2014	December 31, 2013
Deferred income tax assets		
Non-capital losses carried forward	$ 18,739	$ 7,916
Tax value of share and debt issuance costs	1,093	1,144
Provision for environmental rehabilitation	11,219	9,533
Other	-	715
Deferred income tax asset	31,051	19,308
Deferred income tax liability		
Book value in excess of tax value of mineral property	43,567	29,289
Debt	1,472	-
Net deferred income tax liability	$ 13,988	$ 9,981

The components of unrecognized net deferred tax assets (liabilities) are as follows:

	December 31, 2014	December 31, 2013
Non-capital losses	$ 7,605	$ 9,462
Share issuance costs	-	404
Unrealized foreign exchange losses	-	2,483
Capital losses	559	-
	$ 8,164	$ 12,349

At December 31, 2014, the Company has non-capital losses available for carry forward which may be applied to reduce future year's taxable income. These losses, if not utilized, will expire as follows:

Available to	Canada	Foreign	Total
2015	2	2,248	2,250
2016	-	445	445
2017	-	31,262	31,262
2023	12	-	12
2024	878	-	878
2025	587	-	587
2026	1,211	-	1,211
2027	975	-	975
2028	1,931	-	1,931
2029	15,271	-	15,271
2030	12,515	-	12,515
2031	7,727	-	7,727
2032	2,913	-	2,913
2033	10,371	-	10,371
2034	9,796	-	9,796
	64,189	33,955	98,144

22. REVENUES

	Zinc	Lead	Total
Year ended December 31, 2014			
Revenues before settlement adjustment	$ 52,136	$ 42,156	$ 94,292
Settlement adjustment:			
Commodities	(34)	(502)	(536)
Foreign exchange	244	181	425
Revenues	$ 52,346	$ 41,835	$ 94,181

During the year ended December 31, 2014 the Company delivered all of its concentrate to one customer, Glencore, under the terms of the off-take agreement for $94,181 (2013 - $Nil). Glencore is a related party of the Company.

23. INTEREST EXPENSE

	Note	December 31, 2014	December 31, 2013
Interest accretion on finance lease	**14**	$ 3,540	$ -
Interest accretion on provision for environmental rehabilitation	**17**	1,075	686
Interest accretion on long term debt	**16**	235	-
Interest expense on long term debt	**16, 20**	1,191	-
Interest expense on trade payables	**12, 20**	859	-
		$ 6,900	$ 686

All borrowing costs incurred before production phase are capitalized to the relevant projects.

24. COMMITMENTS AND RESTRICTED CASH

Current restricted cash includes $387 (2013 - $372) posted as a letters of guarantee related to the mine closure plan for the Company's Santander project, and $455 (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 2014) following the Company's fulfillment of these obligations. The remaining restricted cash related to operations in Canada are miscellaneous deposits of $40 (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 December 31, 2014 $3,648 (2013 - $1,028) was held in the restricted account.

25. 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's two operating segments are its Canadian development projects, comprised of the Halfmile/Stratmat, and Caribou projects, and its operating Santander mine in Peru. Corporate includes the Company's executive head office and general corporate administration and activity. For the years ended December 31, 2014 and 2013, segmented information is as follows:

	Year ended December 31, 2014			
	Projects in Canada	Projects in Peru	Corporate Canada	Total
Revenues	$ -	$ 94,181	$ -	$ 94,181
Mining operation expenses	-	(81,467)	-	(81,467)
Income (loss) from operation	-	12,714	-	12,714
General and administration	(392)	(374)	(4,815)	(5,581)
Other items				
Foreign exchange	751	(1,283)	(735)	(1,267)
Gain on derivative	-	74	-	74
Interest expense	(766)	(6,134)	-	(6,900)
Other income	70	-	368	438
Loss on disposal of asset	-	(3,219)	-	(3,219)
Income (loss) before income tax	$ (337)	$ 1,778	$ (5,182)	$ (3,741)

	Year ended December 31, 2013			
	Projects in Canada	Projects in Peru	Corporate Canada	Total
Revenues	$ -	$ -	$ -	$ -
Mining operation expenses	-	-	-	-
Income (loss) from operation	-	-	-	-
General and administration	(263)	(646)	(4,378)	(5,287)
Other items				
Foreign exchange	118	(1,642)	309	(1,215)
Interest expense	(650)	-	(36)	(686)
Other income	59	-	9	68
Loss on debt extinguishment	(107)	-	-	(107)
Write down on fixed assets	(10,480)	-	-	(10,480)
Income (loss) before income tax	$ (13,323)	$ (2,288)	$ (4,096)	$ (17,707)

25. SEGMENTED INFORMATION (cont'd…)

	December 31, 2014			
	Projects in Canada	Projects in Peru	Corporate Canada	Total
Cash	2,195	1,121	21,365	24,681
Restricted cash	20	4,490	20	4,530
Accounts receivable	4,143	20,497	177	24,817
Inventory	573	1,707	-	2,280
Reclamation bonds	5,460	-	-	5,460
Non-current receivable	4,408	-	-	4,408
Exploration and evaluation assets	9,389	1,706	263	11,358
Property, plant and equipment	194,483	162,087	10	356,580
Other assets	730	2,354	78	3,162
Total assets	221,401	193,962	21,913	437,276

	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 bonds	5,405	-	-	5,405
Non-current receivable	-	2,729	-	2,729
Exploration and evaluation assets	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

26. SUPPLEMENTAL CASH FLOWS INFORMATION

Non-cash transactions for the year ended December 31, 2014 consist of the following:

	2014	2013
Due to related parties included in property, plant and equipment	$ 3,677	$ 23,728
Accounts payable and accrued liabilities included in property, plant and equipment	$ 1,298	$ 10,029
Accounts receivable included in property, plant and equipment	$ 150	$ 7,589
Shares and warrants issued in debt settlement	$ -	$ 857
Share-based payment included in property, plant and equipment	$ 340	$ 244
Fair value of bonus shares and DSU's issued	$ 555	$ -

27. CAPITAL MANAGEMENT

The Company manages its capital structure, being its shareholders' equity, and makes adjustments to it based on the funds available to the Company in order to support future business opportunities. The Board of Directors does not establish quantitative returns on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

In order to carry future projects and pay for administrative costs, the Company will spend its existing working capital and cash flow from operations and raise additional funds if required. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the year ended December 31, 2014. See Note 1 for further discussion.

28. 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.

29. 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 (CAD $14,405), through a share purchase agreement.

At December 31, 2014, the Company was due US$6,300, of which US$ 3,800 is held in escrow until 2019. US$2,500 was due as at December 31, 2014 and received subsequent to year end. 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:

29. SALE OF ASSET (cont'd…)

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)

30. JOINT ARRANGEMENTS

Given the nature and contractual terms associated with the Santander project (Note 11), the Company has determined that its interest in its joint arrangement is a joint operation. Accordingly, it has recorded the assets, liabilities, revenues and expenses in relation to its interest. There are currently no existing joint arrangements where the Company has rights to net assets.

At December 31, 2014:

Joint Arrangement	Principal Activity	Classification	Place of Business	Working Interest
Santander Project	Mining Project	Joint Operation	Peru	100%

31. SUBSEQUENT EVENTS

(a) Subsequent to December 31, 2014, 3,222,000 stock options, 653,170 bonus shares, 435,500 RSU's and 392,560 DSU's were granted. The options have an exercise price of $1.06 and life of 5 years and shall vest on the following schedule: (i) one third on January 30, 2016, (ii) one third on January 30, 2017 and (iii) one third on January 30, 2018. The bonus shares, RSU's and DSU's were granted in accordance with the Company's incentive plan.

(b) Subsequent to December 31, 2014, the Company closed a non-brokered flow-through financing for aggregate gross proceeds of approximately $5,100, comprised of 4,436,957 flow-through common shares issued at a price of $1.15 per share.

(c) Subsequent to December 31, 2014, the Company entered into minutes of settlement in respect to the settlement (the "**Settlement**") of the New Brunswick Action. The New Brunswick Action was commenced in New Brunswick in May 2012 by two plaintiffs against Maple and certain other parties. In the New Brunswick Action, the plaintiffs claimed a 24.5% interest in Maple and/or its underlying assets (namely the Caribou mine and mill). Pursuant to the Settlement, Trevali has agreed:

- to issue 1,000,000 Common Shares (such Common Shares having a four month resale restriction from the date of issuance);
- to issue 500,000 two year warrants having an exercise price of $1.04 per Common Share;
- to pay legal fees of up to $60, 000 to plaintiff's legal counsel.

Another named party in the New Brunswick Action (unrelated to the Company), has agreed to contribute 300,000 Common Shares held by such party in escrow in order to settle the New Brunswick Action. The Settlement is subject to TSX approval and completion of the exchange of documents in connection with the Settlement.