

TREVALI MINING CORPORATION

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

Three Months Ended March 31, 2015 and 2014

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TREVALI MINING CORPORATION
(Expressed in Canadian Dollars)

March 31, 2015 and 2014

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

	Notes	March 31, 2015	December 31, 2014
ASSETS			
Current			
Cash		$ 17,976	$ 24,681
Restricted cash	**21**	5,345	4,530
Accounts receivable	**5**	22,886	24,817
Prepaid expenses and other	**6**	3,877	3,162
Inventory	**7**	3,798	2,280
		53,882	59,470
Reclamation bonds		8,406	5,460
Non-current receivable	**8**	4,813	4,408
Exploration and evaluation assets	**9**	11,850	11,358
Property, plant and equipment	**10**	382,489	356,580
		$ 461,440	$ 437,276
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued liabilities	**11**	$ 13,049	$ 9,906
Flow-through share premium liability	**12**	258	-
Due to related parties	**18**	5,603	7,480
Interest payable on senior secured notes	**14**	2,188	547
Current portion of finance lease	**13**	3,952	3,865
Current portion of long term debt	**14**	5,634	5,201
		30,684	26,999
Finance lease	**13**	28,484	26,766
Long-term debt	**14**	68,784	66,588
Provision for environmental rehabilitation	**15**	46,341	41,999
Deferred income tax liabilities		15,068	13,988
		189,361	176,340
Shareholders' equity			
Capital stock		291,853	287,006
Share-based payment reserve	**17**	19,872	19,026
Cumulative translation adjustment		19,723	11,465
Deficit		(59,369)	(56,561)
		272,079	260,936
		$ 461,440	$ 437,276

Liquidity (Note 1) Commitments (Note 21) Subsequent Events (Note 26)

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 condensed consolidated financial statements.

TREVALI MINING CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
(Unaudited – Prepared by Management)
(Expressed in thousands of Canadian Dollars, except for share and per share amounts)
THREE MONTHS ENDED MARCH 31

	Notes	2015	2014
REVENUES	**19**	$ 25,914	$ 24,113
Mining operating expenses			
Production costs		10,742	9,624
Smelting, refining and freight		8,510	7,471
Royalty expense		940	481
Depreciation and amortization		3,503	2,681
		23,695	20,257
Income from mining operations		2,219	3,856
GENERAL AND ADMINISTRATION EXPENSES			
Consulting fees		698	491
Investor relations		147	110
Office and miscellaneous		253	250
Professional fees		140	170
Regulatory		97	100
Travel and promotion		92	69
Income before other items		792	2,666
OTHER ITEMS			
Loss on foreign exchange		(221)	(681)
Gain on derivatives		-	47
Litigation settlement	**11, 26**	(1,276)	-
Interest expense	**20**	(1,323)	(1,207)
Other income		74	100
Income (loss) before income taxes		(1,954)	925
Deferred income tax expense		(854)	(314)
Net Income (loss) for the period		$ (2,808)	$ 611
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to net income (loss)			
Translation Adjustment		8,258	3,729
Total Comprehensive Income		5,450	4,340
Basic and diluted income (loss) per share			
Basic		$ (0.01)	$ 0.00
Diluted		(0.01)	0.00
Weighted average number of shares outstanding			
Basic		283,082,298	279,333,538
Diluted		283,082,298	279,384,014

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

TREVALI MINING CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of Canadian Dollars)
THREE MONTHS ENDED MARCH 31

	Notes	2015	2014
CASH FLOWS USED IN OPERATING ACTIVITIES			
Net income (loss) for the period		$ (2,808)	$ 611
Items not affecting cash:			
Depreciation and amortization		3,503	2,681
Share-based payment expense		531	241
Unrealized gain on foreign exchange		(110)	(106)
Accretion of finance lease	**13**	659	204
Accretion of provision for environmental rehabilitation	**15**	249	270
Interest accretion and accrued on long-term debt	**14**	321	377
Interest accrued on reclamation bond		(24)	
Deferred income tax expense		854	314
Gain on derivatives		-	(47)
Changes in non-cash working capital items:			
Accounts receivable		4,454	(7,139)
Prepaid expenses and other		(501)	(243)
Inventory		(500)	(1,277)
Accounts payable and accrued liabilities		(3,079)	2,574
Due to related parties		4	3,226
Net cash flows provided by in operating activities		3,553	1,686
CASH FLOWS FROM FINANCING ACTIVITIES			
Shares issued for cash, net of share issue costs		5,114	-
Interest payments	**14**	(272)	-
Payments on finance lease		(470)	(15)
Net cash flows provided by financing activities		4,372	(15)
CASH FLOWS USED IN INVESTING ACTIVITIES			
Decrease (increase) in restricted cash		(1,108)	(1,924)
Decrease (increase) in input tax credit and IGV		(837)	589
Reclamation bond		(2,260)	-
Decrease in non-current receivable		-	151
Purchase of plant and equipment and evaluation assets		(10,542)	(8,809)
Net cash flows used in investing activities		(14,747)	(9,993)
Effect of foreign exchange on cash		117	(22)
Increase (decrease) in cash for the period		(6,705)	(8,344)
Cash, beginning of period		24,681	35,984
Cash, end of period		$ 17,976	$ 27,640

Supplemental cash flow information (Note 23)

The accompanying notes are an integral part of these condensed 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, 2013		279,333,538	282,818	17,130	4,771	(49,555)	255,164
Share-based payment		-	-	257	-	-	257
Net income for the period		-	-	-	-	611	611
Tax impact from expiry of warrants		-	-	(99)	-	-	99
Translation adjustment		-	-	-	3,729	-	3,729
Balance, March 31, 2014		279,333,538	$ 282,452	$ 17,288	$ 8,500	$ (48,944)	$ 259,662

	Notes	Number of shares	Issued Share Capital	Share-based payment reserve	Cumulative Translation Adjustment	Deficit	Total Equity
Balance, December 31, 2014		281,462,855	287,006	19,026	11,465	(56,561)	260,936
Share-based payment		-	-	846	-	-	846
Private placement	**16**	4,436,957	4,836	-	-	-	4,836
Bonus share units issued		27,625	30	-	-	-	30
Share issuance costs		-	(19)	-	-	-	(19)
Net loss for the period		-	-	-	-	(2,808)	(2,808)
Translation adjustment		-	-	-	8,258	-	8,258
Balance, March 31, 2015		285,927,437	$ 291,853	$ 19,872	$ 19,723	$ (59,369)	$ 272,079

The accompanying notes are an integral part of these condensed 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 March 31, 2015, the Company had working capital of $23,198 (December 31, 2014 - $32,471) and a cumulative deficit of $59,369 (December 31, 2014 - $56,561).

Based on the anticipated positive cash flows from Santander, 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 condensed consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), and Interpretations issued by the IFRS Interpretations committee ("IFRICs") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting.

2. BASIS OF PREPARATON (cont'd)

Statement of compliance (cont'd…)

The Company is following the same accounting policies and methods of computation in these condensed financial statements as it did in the audited financial statements for the year ended December 31, 2014.

Approval of the financial statements

The condensed consolidated financial statements of Trevali for the three month period ended March 31, 2015 and 2014 were reviewed by the Audit Committee, approved and authorized for issue by the Board of Directors on May 14, 2015.

3. USE OF JUDGEMENTS 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. The following are accounting items which involve judgment and estimates:

- Review of asset carrying values and impairment assessment
- Deferred income taxes
- Provision for environmental rehabilitation
- Mineral properties
- Acquisition of the mill and floatation plant
- Going concern
- Functional currency
- Achievement of commercial production

4. FINANCIAL INSTRUMENTS

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 March 31, 2015.

4. FINANCIAL INSTRUMENTS (cont'd)

Fair value of financial instruments (cont'd)

March 31, 2015	Loans and receivables	Other financial liabilities	Total carrying amount	Total fair value
Financial assets				
Cash (b)	$ 17,976	$ -	$ 17,976	$ 17,976
Restricted cash (b)	$ 5,345	$ -	$ 5,345	$ 5,345
Accounts receivable (b)	$ 22,886	$ -	$ 22,886	$ 22,886
Financial liabilities				
Accounts payable and accrued liabilities (b)	$ -	$ 13,049	$ 13,049	Note (b)
Due to related parties (b)	$ -	$ 5,603	$ 5,603	Note (b)
Finance lease (d)	$ -	$ 32,436	$ 32,436	Note (d)
Santander's creditors obligation	$ -	$ 2,736	$ 2,736	$ 2,736
Working capital facility (a)	$ -	$ 24,436	$ 24,436	Note (a)
Senior Secured Notes (c)	$ -	$ 49,434	$ 49,434	Note (c)

December 31, 2014	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 14).

(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 13).

5. ACCOUNTS RECEIVABLE

		March 31, 2015		December 31, 2014
Trade receivables[1]	$	9,164	$	9,369
Sale of asset receivable		-		2,781
IGV tax credits		11,337		11,057
GST/HST tax credits		2,289		1,441
Other		96		169
	$	22,886	$	24,817

[1] Trade receivables are from sales to Glencore.

Included in input tax credits and IGV ("IGV") are amounts incurred by Trevali Peru in Peru and which may only be recoverable from taxes collected from mine production revenues.

6. PREPAID EXPENSES AND OTHER

		March 31, 2015		December 31, 2014
Peruvian prepaid taxes	$	1,548	$	1,350
Prepaid royalties		992		1,092
Other		1,337		720
	$	3,877	$	3,162

7. INVENTORY

Stockpile inventories represent mineralized material that has been mined at the Santander mine and the Caribou mine in Canada. 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).

Concentrate inventories at the Santander mine are valued at the lower of cost and net realizable value. Cost is determined on a weighted average basis and includes direct labour and materials; depreciation and amortization; freight; and overhead costs. Net realizable value is determined with reference to relevant market prices, less applicable variable selling costs and estimated remaining costs of completion to bring the inventories into saleable form.

		March 31, 2015		December 31, 2014
Mineralized stockpiles	$	1,773	$	830
Concentrates		932		439
Materials and supplies		1,093		1,011
	$	3,798	$	2,280

8. NON-CURRENT RECEIVABLE

	March 31, 2015	December 31, 2014
Receivable from sale of Tingo	4,813	4,408
	$ 4,813	$ 4,408

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 March 31, 2015, the Company was due US$3,800 all of which is held in escrow until 2019.

9. EXPLORATION AND EVALUATION ASSETS

	Stratmat (Canada)	Huampar (Peru)	Ruttan Bill Copper (Canada)	Other (Canada)	Exploration and evaluation assets
Cost as at 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
Additions	281	44	1	9	335
Translation adjustment	-	157	-	-	157
Net book value, March 31, 2015	$ 8,427	$ 2,170	$ 1,229	$ 24	$ 11,850

10. 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, 2014	$ 280,638	$ 3,573	$ 31,223	$ 27,073	$ 30,374	$ 372,881
Additions	13,540	11	255	40		13,846
Reclassification	914	-	(741)	(173)	-	-
Change in estimate on assets under finance lease	-	-	-	-	(1,412)	(1,412)
Capitalized borrowing costs (Note 14c)	1,939	-	-	-	-	1,939
Change in provision for environmental rehabilitation (Note 15)	2,978	-	-	-	-	2,978
Translation adjustment	8,146	-	1,518	170	2,560	12,394
As at March 31, 2015	308,155	3,584	32,255	27,110	31,522	402,626
Accumulated amortization as at December 31, 2014	(7,005)	-	(5,125)	(2,189)	(1,982)	(16,301)
Charge for the period	(2,010)	-	(741)	(254)	(831)	(3,836)
As at March 31, 2015	(9,015)	-	(5,866)	(2,443)	(2,813)	(20,137)
Net book value, March 31, 2015	$ 299,140	$ 3,584	$ 26,389	$ 24,667	$ 28,709	$ 382,489

	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	(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	7,087	-	-	-	-	7,087
Pre-production costs, net of revenues	(4,483)	-	-	-	-	(4,483)
Change in provision for environmental rehabilitation	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	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

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31, 2015	December 31, 2014
Trade payables	$ 8,061	$ 7,725
Accrued payroll and other	3,720	2,181
Accrued Litigation settlement[1]	1,268	-
	$ 13,049	$ 9,906

[1] As part of the settlement, the Company issued 1,000,000 shares for $1,060 and 500,000 warrants for $148 on April 9, 2015. An additional $60 was paid in legal fees (See note 26).

12. 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 February 27, 2015	Total
Balance at December 31, 2014	$ -	$ -
Premium liability incurred on flow-through shares issued	266	266
Reduction of flow-through share liability on incurring qualifying expenditures	(8)	(8)
Balance at March 31, 2015	$ 258	$ 258

13. 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 14), together with any default interest, as applicable, are 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, 2014	**$ 30,631**
Change in estimate	(1,202)
Finance charges	-
Interest accretion during the period	659
Payments of the lease during the period	(470)
Translation adjustment	2,818
	$ 32,436
Less current portion	(3,952)
Balance at March 31, 2015	**$ 28,484**

	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

13. FINANCE LEASE (cont'd…)

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.

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	$ 7,706	$ (3,754)	$ 3,952
Between one and five years	36,180	(7,696)	28,484
	43,886	(11,450)	32,436
Less current portion			(3,952)
Balance at March 31, 2015			$ 28,484

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 was recorded in property plant and equipment as assets under finance lease at its inception date fair value of US$25,608 (Note 10). The Company has provided Glencore with security on the finance lease in the form of a charge on the Plant.

14. LONG-TERM DEBT

	Santander's creditors obligation (a)	**Working capital facility (b)**	**Senior Secured Notes (c)**	**Total**
Balance at December 31, 2014	$ 2,505	$ 22,336	$ 47,495	$ 72,336
Accretion and accrual of interest	-	321	1,939	2,260
Loss on foreign exchange translation	231	2,051	-	2,282
Loan and interest payments	-	(272)	-	(272)
	$ 2,736	$ 24,436	$ 49,434	$ 76,606
Less current portion	(2,736)	(2,898)	(2,188)	(7,822)
Long-term balance at March 31, 2015	$ -	$ 21,538	$ 47,246	$ 68,784

(a) 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 $2,736 (2014 - $2,505) due on or before December 31, 2015 (being the estimated date of repayment by Trevali), at a discount rate of 15%.

14. LONG-TERM DEBT (cont'd…)

(b) 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 13), 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. 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 assets.

(c) 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 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. For the three months ended March 31, 2015, $1,939 (December 31, 2014 - $4,524) 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	4,921	-
2016	6,016	7,500
2017	5,078	7,500
2018	4,141	7,500
2019	1,563	30,000
Total	**21,719**	**52,500**

15. 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.

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	2.13%	2.00%	13,637
Halfmile	625	20	1	1.97%	2.00%	684
Caribou	31,256	10	50	1.33-1.97%	2.00%	32,020

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

15. PROVISION FOR ENVIRONMENTAL REHABILITATION (cont'd)

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

Balance at December 31, 2014	**$**	**41,999**
Accretion		249
Change in discount rate		2,978
Change in foreign exchange rate		1,115
Balance at March 31, 2015	**$**	**46,341**

As of March 31, 2015, 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 $5,484. The Company has a further $2,922 cash on deposit with the Government of Peru as security for reclamation and environmental obligations associated with its Santander mine.

16. CAPITAL STOCK

Authorized:
Unlimited number of common shares without par value.

During the period ended March 31, 2015, the Company:

On February 24, 2015, 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 $1.15 per Flow-through Share for aggregate gross proceeds of $5,102,501 of which $4,836,283 was recorded in capital stock and the remaining $266,217 was recorded as flow through shares premium liability (note 12). All securities issued are subject to a four month and one day hold period.

17. 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.

17. SHARE-BASED PAYMENT RESERVE (cont'd)

Stock options (cont'd)

As at March 31, 2015 and December 31, 2014 the Company had outstanding stock options enabling the holders to acquire common shares as follows:

	March 31, 2015			December 31, 2014		
Expiry Date	Exercise Price	Number of Options	Exercisable	Exercise Price	Number of Options	Exercisable
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
May 1, 2018	$0.77	855,000	285,000	$0.77	855,000	285,000
May 31, 2018	$0.62	1,300,451	433,484	$0.62	1,300,451	433,484
August 30, 2018	$0.72	66,650	22,217	$0.72	66,650	22,217
June 24, 2019	$1.01	1,247,700	-	$1.01	1,247,700	-
August 15, 2019	$1.29	277,500	-	$1.29	277,500	-
January 30, 2020	$1.03	3,149,040	-	-	-	-
	$0.94	7,006,341	850,701	$0.86	3,857,301	850,701

At March 31, 2015, the weighted average remaining contractual life of the stock options was 4.11 years (December 31, 2014 – 3.76 years).

Stock option transactions are as follows:

	March 31, 2015		December 31, 2014	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Balance, beginning of the period	3,857,301	0.86	6,973,100	$1.03
Granted	3,222,000	$1.03	1,651,700	$1.07
Exercised	-	-	(652,499)	$1.08
Forfeited	(72,960)	$1.03	(455,917)	$0.98
Expired	-	-	(3,659,083)	$1.22
Balance, end of the period	7,006,341	$0.94	3,857,301	$0.86

Share-based compensation

During the three month period ended March 31, 2015, the Company granted 3,222,000 vesting stock options. The Company recorded $335 in total share-based compensation expense, of which $137 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.

17. SHARE-BASED PAYMENT RESERVE (cont'd)

Share-based compensation (cont'd)

The fair value of stock options granted was estimated using the Black-Scholes option pricing model with the following weighted average calculations for the period ended March 31, 2015 and December 31, 2014:

	2015	2014
Risk-free interest rate	0.61%	1.56%
Expected life of options	5 years	5 years
Annualized volatility	55.97%	60.28%
Dividend rate	0.00%	0.00%
Forfeiture rate	2.97%	2.38%
Grant date fair value	$0.98	$1.08

Warrants

Warrants transactions are summarized as follows:

	March 31, 2015		December 31, 2014	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Balance, beginning of the period	9,468,000	$1.19	6,074,760	$1.06
Issued	-	-	6,468,000	$1.26
Exercised	-	-	(1,000,000)	$1.00
Expired	-	-	(2,074,760)	$1.10
Balance, end of the period	9,468,000	$1.19	9,468,000	$1.19

For the year ended December 31, 2014, the weighted average market price on exercise of warrants was $1.19.

The warrants that expired during the year ended December 31, 2014 created a $462 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 March 31, 2015 and December 31, 2014 warrants were outstanding as follows:

	March 31, 2015		December 31, 2014	
Expiry Date	Exercise Price	Number of Warrants	Exercise Price	Number of Warrants
June 30, 2015	1.05	3,000,000	1.05	3,000,000
May 30, 2019	1.26	6,458,000	1.26	6,458,000
	1.19	9,468,000	1.19	9,468,000

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.

17. SHARE-BASED PAYMENT RESERVE (cont'd)

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

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 three month period ended March 31, 2015, the Company granted 635,170 bonus shares, 435,500 RSU's and 336,480 DSU's. The Company recorded $511 in share-based compensation expense, of which $177 was capitalized to property, plant and equipment.

At March 31, 2015 and December 31, 2014 share units were outstanding as follows:

Bonus Shares:

	March 31, 2015		December 31, 2014	
	Number of units	Weighted average fair value	Number of units	Weighted average fair value
Balance, beginning of the period	931,597	0.91	643,950	0.74
Issued	653,170	0.98	789,200	1.03
Forfeited	(6,310)	0.98	(51,400)	0.75
Redeemed	-	-	(450,153)	0.90
Balance, end of the period	1,578,457	0.94	931,597	0.91

RSU's:

	March 31, 2015		December 31, 2014	
	Number of units	Weighted average fair value	Number of units	Weighted average fair value
Balance, beginning of the period	2,628,350	0.98	530,350	0.74
Issued	435,500	0.98	2,146,400	1.03
Forfeited	(4,210)	0.98	(48,400)	0.75
Balance, end of the period	3,059,640	0.98	2,628,350	0.98

17. SHARE-BASED PAYMENT RESERVE (cont'd)

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

DSU's:

	March 31, 2015		December 31, 2014	
	Number of units	Weighted average fair value	Number of units	Weighted average fair value
Balance, beginning of the period	298,300	0.97	113,600	0.73
Issued	336,480	0.98	212,700	1.02
Forfeited	-	-	(14,000)	0.75
Redeemed	-	-	(14,000)	-
Balance, end of the period	634,780	0.98	298,300	0.97

18. RELATED PARTY TRANSACTIONS AND BALANCES

Management compensation

(a) Paid or accrued consulting fees of $225 (2014 - $281) to companies related to officers of which $83 (2014 - $118) was capitalized to property, plant and equipment.

(b) Paid or accrued consulting and directors' fees of $263 (2014 - $187) to directors and officers. Directors and officers were granted stock options fair valued at $406 (2014 - $482) included in consulting fees, $206 (2014 - $26) capitalized to property, plant and equipment, $49 (2014 - $8) included in investor relations, $3 (2014 - $2) included in office and miscellaneous and $Nil included in prepaid expenses (2014 - $44).

Other transactions

The Company also incurred the following transactions during the three months ended March 31, 2015 and 2014 with Glencore:

(a) Paid $470 (2014 - $Nil) in principal on the finance lease (Note 13).

(b) Paid $272 (2014 - $Nil) in principal and interest on the working capital facility (Note 14).

(c) Earned revenue of $25,914 (2014 - $24,113) on concentrate sales (Note 19).

(d) Paid or accrued production expenses of $7,857 and mine development expenses of $3,594 capitalized to property, plant and equipment in 2015.

Amounts due to related parties is comprised of $720 (December 31, 2014 - $723) due to directors and officers and $91 (December 31, 2014 - $79) due to companies related to officers for consulting fees, and $4,792 (2014 - $6,678) 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.

19. REVENUES

	Zinc	Lead	Total
Three months ended March 31, 2015			
Revenues before settlement adjustment	$ 13,652	$ 12,314	$ 25,966
Settlement adjustments:			
Commodities	(116)	64	(52)
Revenues	$ 13,536	$ 12,378	$ 25,914

	Zinc	Lead	Total
Three months ended March 31, 2014			
Revenues before settlement adjustment	$ 12,942	$ 11,171	$ 24,113
Settlement adjustments:			
Commodities	-	-	-
Foreign exchange	-	-	-
Revenues	$ 12,942	$ 11,171	$ 24,113

During the three months ended March 31, 2015 the Company delivered all of its concentrate to one customer, Glencore, under the terms of the off-take agreement for $25,914 (2014 - $24,113). Glencore is a related party of the Company.

20. INTEREST EXPENSE

	Note	March 31, 2015	March 31, 2014
Interest accretion on finance lease	**13**	$ 659	$ 204
Interest accretion on provision for environmental rehabilitation	**15**	249	270
Interest accretion on long term debt	**14(b)**	-	75
Interest expense on long term debt	**14(a)**	321	302
Interest expense on trade payables		94	356
		$ 1,323	$ 1 ,207

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

21. COMMITMENTS AND RESTRICTED CASH

Current restricted cash includes $Nil (December 31, 2014 - $387) posted as a letters of guarantee related to the mine closure plan for the Company's Santander project, and $Nil (December 31, 2014 - $455) related to the closure plan of the tailings retreatment.

Current restricted cash related to operations in Canada includes miscellaneous deposits of $40 (December 31, 2014 - $40).

The Company receives IGV from its sales of concentrate. 10% (2014-12%) 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 March 31, 2015, the balance held in the IGV restricted account was $5,305 (December 31, 2014 - $3,648).

22. 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 period ended March 31, 2015 and December 31, 2014 segmented information is as follows:

	Three months ended March 31, 2015			
	Projects in Canada	Projects in Peru	Corporate Canada	Total
Revenues	$ -	$ 25,914	$ -	$ 25,914
Mining operation expenses	-	(23,695)	-	(23,695)
Income from operation	-	2,219	-	2,219
General and administration	(45)	(19)	(1,363)	(1,427)
Other items				
Foreign exchange	11	(152)	(80)	(221)
Interest expense	(174)	(1,149)	-	(1,323)
Litigation settlement	(8)		(1,268)	(1,276)
Other income	25	-	49	74
Income (loss) before income tax	$ (191)	$ 899	$ (2,662)	$ (1,954)

	Three months ended March 31, 2014			
	Projects in Canada	Projects in Peru	Corporate Canada	Total
Revenues	$ -	$ 24,113	$ -	$ 24,113
Mining operation expenses	-	(20,257)	-	(20,257)
Income from operation	-	3,856	-	3,856
General and administration	(35)	(92)	(1,064)	(1,191)
Other items				
Foreign exchange	(17)	(131)	(532)	(680)
Gain on derivative	-	47	-	47
Interest expense	(195)	(1,012)	-	(1,207)
Other income	4	-	96	100
Income (loss) before income tax	$ (243)	$ 2,668	$ (1,500)	$ 925

22. SEGMENTED INFORMATION (cont'd)

	March 31, 2015			
	Projects in Canada	Projects in Peru	Corporate Canada	Total
Cash	2,370	1,234	14,372	17,976
Restricted cash	20	5,305	20	5,345
Accounts receivable	2,241	20,502	143	22,886
Inventory	1,423	2,375	-	3,798
Reclamation bonds	5,483	2,923	-	8,406
Non-current receivable	4,813	-	-	4,813
Exploration and evaluation assets	9,679	1,908	263	11,850
Property, plant and equipment	207,282	175,177	30	382,489
Other assets	1,315	2,464	98	3,877
Total assets	234,626	211,888	14,926	461,440

	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

23. SUPPLEMENTAL CASH FLOWS INFORMATION

Non-cash transactions for the three month period ended March 31 consist of the following:

	2015	2014
Due to related parties included in property, plant and equipment	$ 1,233	$ 13,677
Accounts payable and accrued liabilities included in property, plant and equipment	$ 7,218	$ 5,046
Finance lease included in property, plant and equipment	$ -	$ 29,106
Accounts receivable included in property, plant and equipment	$ -	$ 5,099
Share-based payment included in property, plant and equipment	$ 315	$ (28)
Fair value of bonus shares and DSU's issued	$ 30	$ -

24. 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.

25. JOINT ARRANGEMENTS

Given the nature and contractual terms associated with the Santander project, 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 March 31, 2015:

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

26. SUBSEQUENT EVENTS

Subsequent to March 31, 2015, the Company settled the New Brunswick Action which 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 issued on April 9, 2015:

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