TREVALI MINING CORPORATION

Management Discussion and Analysis

For the year ended December 31, 2015

Dated March 30, 2016

INTRODUCTION

This Management Discussion & Analysis ("MD&A") for Trevali Mining Corporation (the "Company" or "Trevali") for the three and twelve month period ended December 31, 2015 has been prepared by Management, in accordance with the requirements of National Instrument 51-102 - Continuous Disclosure Obligations ("NI 51-102"), as of March 30, 2016, and compares its financial results to the three and twelve month period ended December 31, 2014. This MD&A provides a detailed analysis of the business of Trevali and should be read in conjunction with the Company's audited consolidated financial statements for the years ended December 31, 2015 and 2014, which are prepared in accordance with International Financial Reporting Standards (IFRS) (the "Financial Statements"). The Company's reporting currency is the Canadian dollar, and all monetary amounts in this MD&A are expressed in Canadian dollars, unless otherwise stated. The Company is presently a non "Venture Issuer" as defined in NI 51-102.

This MD&A contains certain statements that may constitute "forward-looking statements". These forward-looking statements are based on the current beliefs and expectations of management and are subject to significant risks and uncertainties. If underlying assumptions prove inaccurate or unknown risks or uncertainties materialize, actual results may differ materially from current expectations and projections. These forward-looking statements include, but are not limited to, statements regarding future anticipated property acquisitions, the content, cost, timing and results of future anticipated exploration programs, the anticipated discovery and delineation of mineral resources/reserves, proposed business and financing plans (including private placements of equity securities), anticipated business trends and future operating revenues. Although the Company believes that such statements are reasonable, it can give no assurance that such expectations will prove to be correct. Forward-looking statements are typically identified by words such as: "plans", "believes", "expects", "anticipates", "intends", "estimates", "postulates", "does not expect", "does not anticipate" and similar expressions or are those which, by their nature, refer to future events. The Company cautions investors that any forward-looking statements by the Company are not guarantees of future performance, and that actual results may differ materially from those in forward-looking statements as a result of various factors, including, but not limited to, the Company's inability to negotiate successfully for the acquisition of interests in mineral properties, the determination of applicable governmental agencies not to issue the exploration concessions applied for by the Company or excessive delay by applicable governmental agencies in connection with any such issuances, the Company's inability to identify one or more economic deposits on its properties, variations in the nature, quality and quantity of any mineral deposits that may be located, the Company's inability to obtain any necessary permits, consents or authorizations required for its activities, to continue to produce minerals from its mining assets successfully or profitably, to continue its projected growth, to raise the necessary capital or to be fully able to implement its future business strategies.

Many of these factors are beyond the Company's ability to control or predict. These factors are not intended to represent a complete list of the general or specific factors that may affect the Company. The Company may note additional factors elsewhere in this MD&A and in any documents incorporated by reference into this MD&A. All forward-looking statements speak only as of the date made. All subsequent written and oral forward-looking statements attributable to the Company, or persons acting on

the Company's behalf, are expressly qualified in their entirety by the cautionary statements. Except as required by law, the Company undertakes no obligation to update any forward-looking statements.

Historical results of operations and trends that may be inferred from this MD&A may not necessarily indicate future results from operations. Please see the "Risk Factors" section of this MD&A.

External Technical Reports and Experts

Estimates contained in the National Instrument 43-101 - *Standards of Disclosure for Mineral Projects* ("NI 43-101") technical report dated August 19, 2012 (effective July 5, 2012), as amended November 26, 2013, for the Santander Property entitled "*Technical Report and July 2012 Resource Update, Santander Property Province De Huraral, Peru*" were prepared for the Company by Greg Greenough, P.Geo and Brian Thomas, P.Geo, of Golder Associates Ltd. ("Golder"), each of whom is a "qualified person" within the meaning of NI 43-101 and is independent of the Company. To the best of our knowledge, as at the date hereof, neither Golder nor its officers, directors, employees or consultants beneficially own, directly or indirectly, any of the securities of the Company.

Estimates contained in the currently filed NI 43-101 technical report dated June 26, 2014, amended May 14, 2015, for the Caribou Property entitled "*Technical Report on Preliminary Economic Assessment for the Caribou Massive Sulphide Zinc-Lead-Silver Project, Bathurst, New Brunswick, Canada*" were prepared for the Company by Dr. Gilles Arseneau P.Geo., Yao Hua (Benny) Zhang, P.Eng. of SRK Consulting (Canada) Inc. ("SRK"), Leonard Holland, C.Eng. of Holland and Holland Consultants ("Holland") and Jeffrey Barrett, P.Eng. of Stantec Consulting ("Stantec"), each of whom is a "qualified person" within the meaning of NI 43-101 and is independent of the Company To the best of our knowledge, as at the date hereof, neither SRK, Holland, Stantec nor any of its respective officers, directors, employees or consultants beneficially own, directly or indirectly, any of the securities of the Company.

Estimates contained in the currently filed NI 43-101 technical report dated July 6, 2015 (effective May 20, 2015) for the Stratmat project entitled "*Independent Technical Report for the Stratmat Lead-Zinc Project, Bathurst, New Brunswick*" were prepared for the Company by Dr. Gilles Arseneau, P.Geo of SRK, a "qualified person" within the meaning of NI 43-101 and is independent of the Corporation. To the best of our knowledge, as at the date hereof, neither SRK nor its officers, directors, employees or consultants beneficially own, directly or indirectly, any of the securities of the Company. Furthermore given this most recent mineral resource estimate update for the Stratmat deposit and changes in key assumptions and other underlying information including, but not limited to, resource sector outlook, technical inputs, assumptions and background parameters, the Company's prior report entitled "*Halfmile Lake-Stratmat Preliminary Economic Assessment*" having an original effective date of February 17, 2009 (and filed by the Company on SEDAR on August 24, 2011), including associated amendments, authored by Tetra Tech Wardrop should no longer be relied upon. The Company plans to undertake a revised Halfmile-Stratmat Preliminary Economic Assessment ("PEA") study in due course.

Estimates contained in the NI 43-101 technical reports prepared for each of the Halfmile and the Ruttan Properties were prepared by Wardrop Engineering Inc., a subsidiary of Tetra Tech ("Tetra Tech Wardrop"). The Qualified Persons (QPs) responsible for the preparation of the Halfmile and Ruttan reports were Tim Maunula, P. Geo. and Mike McLaughlin, P. Eng. Respectively. To the best of our knowledge, as at the date hereof, neither Tetra Tech Wardrop nor its officers, directors, employees or consultants beneficially own, directly or indirectly, any of the securities of the Company.

All of the Company's public disclosure filings, including its most recent management information circular, annual information form, material change reports, press releases and other information, may be accessed at www.sedar.com and readers are urged to review these materials, including the technical reports as stated above, which are filed with respect to the Company's mineral properties.

Internal Qualified Person and Quality Control/Quality Assurance

Dr. Mark D. Cruise, Trevali's President and Chief Executive Officer, Paul Keller, Chief Operating Officer and Daniel Marinov, Vice President of Exploration are qualified persons as defined by NI 43-101, have supervised the preparation of the scientific and technical information that form the basis for various news releases issued by the Company. Dr. Cruise is not independent of the Company as he is a senior officer, director and shareholder of the Company. Mr. Keller and Mr. Marinov are not independent of the Company as they are senior officers and shareholders of the Company.

The exploration, definition, construction, pre-production development and production work programs at the Company's properties were designed and supervised by Mark D. Cruise, President and Chief Executive Officer, Paul Keller, Chief Operating Officer, and Daniel Marinov, VP Exploration who together are responsible for all aspects of the work including the quality control/quality assurance programs. On-site personnel at the Company's respective projects rigorously collect and track samples which are then security sealed and shipped to internationally accredited geochemical assay laboratories. At Santander, production mine samples are assayed at the independent on-site SGS geochemical laboratory. In the case of the Company's properties in New Brunswick, samples are shipped to Bureau Veritas Minerals Laboratories (BVML – formally ACME) preparation facility in Val D'Or, Quebec, then forwarded to Vancouver, British Columbia for assay. SGS and BVMLs quality systems comply with the requirements for the International Standards ISO 17025 with CAN-P-1579 designation. Analytical accuracy and precision are monitored by the analysis of reagent blanks, reference material and replicate samples. Quality control is further assured by the use of international and in-house standards.

2015 in review - Highlights for the Year

Expressed in thousands of Canadian Dollars, except for share and per share amounts

Overview

In 2015, the Company continued to focus on improvements in connection with the Company's second full year of commercial production at its Santander Mine located in Peru, and in June 2015, commenced mill commissioning at its 3,000 tonne-per-day Caribou mill and associated polymetallic deposit in New Brunswick. The Company anticipates entering into the production phase at its Caribou Mine by the end of June, 2016.

The Company recognized $106 million dollars in revenues in 2015 (2014 - $94 million). Income from mining operations was $6.7 million (2014 - $12.7 million) and net loss for the year was $14.3 million (2014 - $7 million).

In general, 2015 was a challenging year as base metal prices, including those for zinc, lead and silver, weakened substantially due to soft demand and increasing worldwide inventory levels – and mainly attributable to softness in demand from China. During 2015, the Company raised additional capital from the sale of common shares and flow-through common shares and also sold $8.4 million in additional senior secured notes, all as described elsewhere in this MD&A. See also "Liquidity and Capital Resources".

Santander Mine, Peru

Production results for the year ended December 31, 2015, the second full year of operations, were 54.1 million payable pounds of zinc, 30.2 million payable pounds of lead and 1.1 million payable ounces of silver (See also Table 1). This contrasts to the first full year of commercial production at Santander of 50.4 million payable pounds of zinc, 23.3 million payable pounds of lead and 914,637 payable ounces of silver.

In 2015, the mill at Santander continued to perform at above design recoveries with recoveries averaging 90% for zinc, 89% for lead and 77% for silver. Mill throughput for the year was 778,151 tonnes. Average head grades were 4.14% Zinc (Zn), 2.09% Lead (Pb) and 1.66 oz/ton Silver (Ag) with production of 58,232 tonnes of zinc concentrate averaging 50% Zn and 24,963 tonnes of lead-silver concentrate averaging 58% Pb and 40 oz/ton Ag.

All concentrates are purchased by Glencore International AG's Peruvian subsidiary, Empresa Minera Los Quenuales S.A. ("Glencore"), under our offtake agreement. Provisional realized commodity prices in USD for 2015 were $0.84 per pound zinc, $0.77 per pound lead and $15.67 per ounce silver, respectively.

In 2015, USD site cash operating costs were $0.33 per zinc equivalent pound produced and USD $42.65 per tonne milled (please see non-IFRS measures at the end of this MD&A).

The following table summarizes Santander production statistics for 2015 and 2014. Although production from Santander year-over-year remained relatively constant (2015 was a full year of commercial production compared to less than a full year of production in 2014 as commercial production in 2014 commenced in late January of 2014), what is particularly noticeable is the year-over-year decline in "average realized metal prices" (2015- USD $0.84 per pound of zinc versus 2014 – USD$0.96) which directly attributed to lower revenues (2015 – USD$ 83.1 million versus 2014 revenues of USD$85.2 million). On the positive side, the cash cost per tonne milled improved significantly (greater than 10%) - to USD$ 42.65 in 2015 versus USD$47.33 per tonne milled in 2014. See also non-IFRS measures at the end of this MD&A.

Table 1: 2015 Santander Production Statistics

	Q1-2015	Q2-2015	Q3-2015	Q4-2015	YTD
Tonnes Mined	182,258	191,259	175,560	173,283	722,360
Tonnes Milled	185,365	190,498	197,289	204,999	778,151
Average Head Grades %					
Zinc	4.03%	4.27%	4.45%	3.80%	4.14%
Lead	2.13%	2.47%	2.11%	1.68%	2.09%
Silver - Oz (ounces)/ton	1.65	1.85	1.79	1.38	1.66
Average Recoveries %					
Zinc	90%	90%	90%	90%	90%
Lead	90%	88%	89%	88%	89%
Silver	80%	78%	77%	75%	77%
Concentrate Produced DMT (dry metric tonne):					
Zinc	13,429	14,708	15,954	14,141	58,232
Lead	5,924	7,081	6,610	5,347	24,962
Concentrate Grades %					
Zinc	50%	50%	50%	49%	50%
Lead	60%	59%	56%	56%	58%
Ag - Oz/ton	41.04	39.46	41.76	39.69	40.48
Payable Production:					
Zinc lbs (pounds)	12,536,783	13,684,987	14,848,026	13,078,864	54,148,660
Lead lbs (pounds)	7,407,887	8,706,534	7,785,192	6,337,737	30,237,350
Silver Oz	254,805	291,177	285,962	224,021	1,055,965

Santander Sales Summary:

Zinc Concentrate (NDMT)	12,884	14,511	16,694	14,125	58,214
Lead Concentrate (NDMT)	5,810	7,048	6,828	5,408	25,094
Payable Zinc lbs	11,793,052	13,229,078	15,215,705	12,636,871	52,874,706
Payable Lead lbs	7,271,847	8,681,007	7,996,297	6,458,550	30,407,701
Payble Silver Oz	244,333	290,879	290,228	229,464	1,054,904
Revenues (USD$)[3]	20,876,156	24,824,966	20,595,060	16,873,509	83,169,691
Average Realized Metal Price:					
Zinc	$ 0.93	$ 0.95	$ 0.78	$ 0.70	$ 0.84
Lead	$ 0.81	$ 0.82	$ 0.73	$ 0.74	$ 0.77
Silver	$ 16.43	$ 16.33	$ 14.80	$ 15.11	$ 15.67
Zinc Equivalent lb Sold	22,468,911	25,685,704	28,143,580	24,411,530	100,709,725

Zn Equivalent lbs Payable Produced	23,504,206	26,171,782	27,474,171	24,497,894	101,648,053
Cash Cost per Equivalent Payable Zinc lb Produced (USD$) [1-2]	$ 0.39	$ 0.33	$ 0.28	$ 0.32	$ 0.33
Cash Cost per Tonne Milled (USD$)[2]	$ 48.88	$ 44.95	$ 38.67	$ 38.70	$ 42.65

2014 Santander Production Statistics

	Q1-2014	Q2-2014	Q3-2014	Q4-2014	YTD
Tonnes Mined	156,030	152,733	164,911	190,583	664,257
Tonnes Milled	173,820	175,384	174,075	185,862	709,140
Average Head Grades %					
Zinc	4.76%	4.20%	4.40%	3.65%	4.24%
Lead	1.90%	1.42%	2.11%	2.12%	1.89%
Silver - Oz (ounces)/ton	1.97	1.44	1.61	1.56	1.64
Average Recoveries %					
Zinc	87%	88%	88%	88%	88%
Lead	86%	84%	83%	88%	85%
Silver	74%	70%	74%	80%	75%
Concentrate Produced DMT (dry metric tonne):					
Zinc	15,640	13,048	13,466	12,050	54,204
Lead	4,510	3,680	5,370	5,815	19,375
Concentrate Grades %					
Zinc	50%	49%	50%	50%	50%
Lead	58%	57%	56%	59%	57%
Ag - Oz/ton	55.28	48.84	39.0	43.71	46.65
Payable Production:					
Zinc lbs (pounds)	14,597,890	12,044,583	12,589,624	11,217,048	50,449,145
Lead lbs (pounds)	5,466,350	4,420,428	6,307,263	7,132,555	23,326,597
Silver Oz	268,600	186,824	217,648	241,566	914,637

Santander Sales Summary:

Zinc Concentrate (NDMT)	13,790	13,019	14,834	12,066	53,709
Lead Concentrate (NDMT)	4,330	3,556	5,414	5,607	18,907
Payable Zinc lbs	12,696,380	11,760,521	13,593,266	10,969,902	49,020,070
Payable Lead lbs	5,196,480	4,179,783	6,381,882	6,826,434	22,584,578
Payble Silver Oz	249,425	180,795	228,219	234,309	892,749
Revenues (USD$)[3]	21,849,515	18,242,806	25,651,095	19,527,136	85,270,552
Average Realized Metal Price:					
Zinc	$ 0.92	$ 0.92	$ 1.02	$ 0.97	$ 0.96
Lead	$ 0.97	$ 0.95	$ 1.00	$ 0.88	$ 0.95
Silver	$ 20.44	$ 19.55	$ 19.79	$ 16.72	$ 18.99
Zinc Equivalent lb Sold	23,657,000	19,866,662	24,188,778	21,170,409	88,882,849
Zn Equivalent lbs Payable Produced	26,244,980	20,528,315	22,898,043	21,803,313	91,474,651
Cash Cost per Equivalent Payable Zinc lb Produced (USD$) [1-2]	$ 0.33	$ 0.39	$ 0.40	$ 0.37	$ 0.37
Cash Cost per Tonne Milled (USD$)[2]	$ 50.17	$ 45.12	$ 52.05	$ 43.12	$ 47.33

[1]ZnEq Payable Pounds Produced=((Zn Payable lbs Produced*Zn Price)+(Pb Payable lbs Produced*Pb Price)+(Ag oz Payable Produced*Ag Price))/Zn Price.
[2]ZnEq Payable Pounds Sold=((Zn Payable lbs Sold*Zn Price)+(Pb Payable lbs Sold*Pb Price)+(Ag oz Payable Sold*Ag Price))/Zn Price.
[3]Revenues for the quarter includes prior quarters adjustment

2016 Guidance for Santander

The Company increased its 2016 production guidance estimate for its Santander business unit to approximately:

- 52-55 million pounds of payable zinc in concentrate grading approximately 50 percent Zn and at an average head grade of 4.2-4.4 percent Zn.
- 22-25 million pounds of payable lead in concentrate grading approximately 56-58 percent Pb and at an average head grade of 1.7-2.0 percent Pb.
- 800,000-1,000,000 ounces of payable silver at an average head grade of 1.5-1.8 oz per ton Ag.

Caribou Mine, New Brunswick, Canada

The Company continued to advance its Caribou mine and mill commissioning. Given the complexity of the mineralization at Caribou, the Company elected to sequentially commission the various concentrate circuits using lower-grade feed. The primary focus continues to be on the zinc (Zn) and Lead (Pb) circuits with Copper (Cu) circuit commissioning deferred until both Zn and Pb have achieved design level recoveries and concentrate qualities. The Company anticipates entering into the production phase at its Caribou Mine by the end of June, 2016.

In 2015, underground mineral pre-commercial production during the year was 280,183 tonnes. Mill throughput was 369,006 tonnes with recoveries averaging 66% for zinc, 48% for lead and 25% for silver. Average head grades were 5.31% Zn, 1.99% Pb and 1.74 oz/ton Ag with production of 27,080 tonnes of zinc concentrate averaging 48% Zn and 9,470 tonnes of lead-silver concentrate averaging 38% Pb and 16.80 oz/ton Ag. See also Table 2.

Table 2: 2015 Caribou Pre-Commercial Production Statistics

	YTD
Tonnes Mined	280,183
Tonnes Milled	369,006
Milled/Day	2,005.47
Average Head Grades %	
Zinc	5.31%
Lead	1.99%
Silver - Oz (ounces)/ton	1.74
Average Recoveries %	
Zinc	65.80%
Lead	48.25%
Silver (in Lead)	24.59%
Concentrate Produced DMT (dry metric tonne):	
Zinc	27,080
Lead	9,470
Concentrate Grades %	
Zinc	48.27%
Silver - Oz (ounces)/ton	4.09
Lead	37.55%
Silver - Oz (ounces)/ton	16.80

For reference predictive design recoveries and concentrate grades using anticipated Run-Of-Mine (ROM) feed are as follows: zinc recoveries of 84% to produce a 50% Zn concentrate; lead recoveries of 65% to produce a 45% Pb concentrate; copper recoveries of 45% to produce a 20% Cu concentrate; and silver recoveries of 32.5% and 5% respectively into the Pb and Cu concentrates. For full details please see the Company's filed NI 43-101 technical report for the Caribou Property.

Other highlights

- On June 11, 2015, the Company closed a bought-deal short form prospectus offering of 30,000,000 common shares of the Company at a price of $1.02 per share for aggregate gross proceeds of $30,600.
- On December 30, 2015, the Company amended its original note indenture with its senior secured holders (“Noteholders”) of its $52.5-million 12.5% senior secured notes originally placed on May

30, 2014 (the "May 2014 Offering") to extend and expand the debt facility. Under the amended agreement, the Company issued an additional $8.4 million in new Notes ("New Notes").

- Subsequent to December 31, 2015, the Company closed a "best efforts" marketed offering of 46,718,750 common shares at a price of $0.32 per share for aggregate gross proceeds of $14,950.

See "Liquidity and Capital Resources" elsewhere in this MD&A for more information.

Company Business & Background

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 (its Caribou Property in New Brunswick being the most material) and an interest in one producing property in Peru. The Company's common shares trade on the TSX under the symbol TV and are also listed for trading on the Lima Exchange under the symbol TV, on the Frankfurt Exchange under the symbol 4T1 and on the OTCQX under the TREVF trading symbol.

During 2007 and 2008, the Company acquired notes due from Compania Minerales Santander Inc. S.A.C. ("Santander") from Santander's third party creditors. Santander is an insolvent Peruvian company controlled by its creditors under applicable Peruvian insolvency regulations, incorporated on December 11, 2007. The third party notes had a remaining face value of $5,893 representing approximately 75% of Santander's debts after certain restructuring activities. The Company acquired these debts, for total consideration of $3,724, paid in cash and 1,000,000 common shares of the Company (valued at $1.70 per share). The purpose of these transactions was to gain assurance that the Company would be assigned Santander's mineral property interests. Accordingly, these costs were treated as acquisition costs. Santander is a special purpose entity controlled by the Company by virtue of the Company's acquisition of the majority of the notes payable of Santander.

On December 11, 2007, Trevali Peru was granted all of Santander's interest in the Santander Property for a period of 50 years with an automatic 50 year extension ("the Santander Mining Lease"). The interests assigned include 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, which the Company sold in 2014.

In April 2011, the Company announced the successful merger with Kria Resources Ltd. ("Kria"), a Toronto Venture Exchange listed Company with base metal properties in New Brunswick and Manitoba, Canada. Kria's properties included Halfmile and Stratmat in New Brunswick and the previously operating Ruttan mine in Northern Manitoba.

On November 5, 2012, the Company announced its acquisition of Maple Minerals Corporation ("Maple") (now known as Trevali Mining (New Brunswick) Ltd.), a private company located in New Brunswick, by way of amalgamation. This acquisition provided Trevali with a 3,000 tonne-per-day processing plant, the former Caribou base metal mine, and a permitted tailings treatment facility.

See also the Company's Annual Information Form ("AIF") dated March 31, 2016 for more information on the Company's material properties (namely Santander and Caribou) and non-material properties (namely Halfmile, Stratmat and Ruttan).

The Company's current resource statement for all its properties as of December 31, 2015 is summarized in Table 3 below.

Table 3: Trevali 43-101 Compliant Resource Estimate

	Tonnes	%Zn	%Pb	% Cu	Ag (g/t)	Au (g/t)	Zn (Mlbs)	Pb (Mlbs)	Cu (Mlbs)	Ag (Moz)
Indicated Resources[1]							**Contained Metal**			
Santander	6,264,000	3.62	1.30	0.07	43	-	**500**	**180**	**10**	**8.7**
Halfmile	6,262,000	8.13	2.58	0.22	31	-	**1,122**	**356**	**30**	**6.2**
Caribou (Measured & Indicated)	7,230,000	6.99	2.93	0.43	84	0.89	**1,115**	**468**	**69**	**19.6**
Stratmat	4,700,000	5.3	2.1	0.4	49	0.6	**550**	**214**	**43**	**7.3**
Total Indicated	**24,456,000**						**3,287**	**1,218**	**152**	**41.8**
Inferred Resources[1]							**Contained Metal**			
Santander	13,845,000	4.62	0.40	0.11	21	-	**1,410**	**121**	**35**	**9.4**
Halfmile	6,078,000	6.69	1.83	0.14	21	-	**896**	**245**	**19**	**4.0**
Stratmat	2,400,000	4.8	2.1	0.7	39	0.4	**252**	**110**	**37**	**3**
Caribou	3,660,000	6.95	2.81	0.32	78	1.23	**560**	**227**	**26**	**9.2**
Ruttan	19,750,000	1.47	-	1.17	-	-	**640**	-	**509**	-
Total Inferred	**48,857,000**						**3,758**	**703**	**626**	**25.6**

Reference is made to the detailed NI 43-101 technical reports filed on SEDAR

Disclosure

Trevali's production plans at Santander and Caribou, are based only on Measured, Indicated and Inferred Mineral Resources for Caribou and Indicated and Inferred Mineral Resources for Santander and not Mineral Reserves and have not demonstrated economic viability. Inferred Mineral Resources are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as Mineral Reserves, and there is therefore no certainty that the conclusions of the production plans and Preliminary Economic Assessment (PEA) will be realized. Additionally, where Trevali discusses exploration/expansion potential, any potential quantity and grade is conceptual in nature as there has been insufficient exploration to define a mineral resource and it is uncertain if further exploration will result in the target being delineated as a mineral resource.

Santander's resource estimate was completed by Golder in July 2012. The tabled resource estimate utilizes a 3% zinc equivalent (ZnEQ) cut-off and is based on the Ordinary Kriging interpolation method and Silver, Lead, Zinc and Copper assay values. Minor capping was applied to the assays prior to estimation. The bulk density was also estimated using Ordinary Kriging. The tonnages for the footwall zones are also included, but those for the tailings are not included. The average interpolated bulk density for Magistral North was 2.88 g/cm3, Magistral Central 2.94 g/cm3, Magistral South 2.97 g/cm3, Puajanca South 2.76 g/cm3, and Santander Pipe (fixed) 3.4 g/cm3. The density of the minor footwall zones is similar to the Magistral zones. The contained oz. and lbs. in the table are in situ and have not had mill factors applied to them.

Santander ZnEQ = ((Ag Price(g) x Ag Recovery x Ag Grade) + (Pb Price(t) x Pb Recovery x (Pb Grade(%)/100)+(Zn Price(t) x Zn Recovery x (Zn Grade(%)/100)))/Zn Price(t). Golder utilized the US dollar three-year rolling average price for all three metals. Price for silver is ($25.99/oz) and that for Pb ($2,205), Zn ($2,094) and Cu ($7,782) is per tonne. A recovery of 85% was applied to Ag, 90% for Pb, 85% for Zn and 60% for Cu for calculating the ZnEQ formula. The pounds of metal are in-situ and have not had any mining factors applied to them.

Halfmile resource estimate was completed by Tetra Tech Wardrop in October 2010. The resource estimate utilized a 5% zinc equivalent (ZnEQ) cut-off. The following metallurgical recoveries were applied to the ZnEQ for the resource estimate: 89.7% zinc (Zn), 72% lead (Pb), 60% copper (Cu), and 48.6% silver (Ag).

Caribou's PEA was completed by SRK in June 2014, as amended May 14, 2015. The tabled resource estimate utilizes a 5% zinc equivalent (ZnEQ) cut-off grade. ZnEq= ((Cu Grade*Cu Price*Cu Recovery)+(Pb Grade*Pb Price*Pb Recovery)+(Zn Grade*Zn Price*Zn Recover)+(Au Grade*Au Price*Au Recovery)+(Ag Grade*Ag Price*Ag Recovery))/Zn Price. In calculating ZnEq, SRK utilized the long term metal prices provide by Energy & Metals Consensus Forecast. Price for Au is $1470 per ounce, Ag is $26 per ounce, Cu is $3.39 per pound, Pb is $1.18 per pound, and Zn is $1.14 per pound. A recovery of 83% was applied to Zn, 71% was applied to Pb, 57% was applied to Cu, 45% was applied to Ag, and 40% was applied to Au. The pounds of metal are in-situ and have not had any mining factors applied to them.

Stratmat's resource estimate was completed by SRK in May 2015. The table's resource estimate utilizes a 5% zinc equivalent (ZnEQ) cut-off grade. Cut-off grades are based on the following price assumptions: Au of $1300 per ounce, Ag $21.15 per ounce, Cu $3.00 per pound, Pb $1.00 per pound and Zn $1.00 per pound. A recovery of 88% was applied to Zn, 72% to Pb, 50% was applied to Cu, 45% to Ag and 0% was applied to Au. Based on the above assumptions, zinc equivalent estimated block grades were calculated from the following formula: ZnEq = ((zinc grade * zinc price * zinc recovery) + (lead grade * lead price * lead recovery) + (copper grade * copper price * copper recovery) + (silver grade * silver price * silver recovery))/(zinc price)

Ruttan's resource estimate was completed by Tetra Tech Wardrop in February 2008. The resource estimate utilized a 1% copper equivalent (CuEQ) cut-off.

OUTLOOK

In Peru, the Company's Santander operations are currently in steady state 2,000 tonne-per-day nameplate production. The Company continues to work with partner, Glencore's local subsidiary, Empresa Minera Los Quenuales S.A. ("Los Quenuales"), to maximize and improve operational efficiencies.

The Company's Santander mine in 2016 is estimated to produce 52-55 million pounds of payable zinc (in concentrate grading approximately 50% Zn), 22-25 million pounds of payable lead (in concentrate grading approximately 56-58% Pb) and 800,000 to 1,000,000 ounces of payable silver reporting to the Pb concentrates during 2016. Site cash costs for the period are estimated to range between US$40-43 per tonne milled (please see non-IFRS measures at the end of this MD&A). Please also see the "Cautionary Note Regarding Forward-Looking Statements" in the Risk Factors section of this MD&A.

In addition, an approximate 3,000 metre, underground, drill program is planned for the first half of 2016, which is anticipated to convert inferred tonnes to a higher confidence category and to follow-up on 2015 exploration successes. Contingent on results, additional drilling may occur. The program will continue to define and potentially expand the newly discovered *Rosa* and *Fatima* lead-silver-zinc zones in addition to the *Magistral* zones which all remain open for expansion at depth.

In Canada, the Company continues to focus on the commissioning of the Caribou mine and mill in New Brunswick to achieve design throughputs from both the mine and mill including associated recoveries and concentrate quality. The Company will continue to provide regular updates until declaration of commercial production which based on progress-to-date is currently estimated to occur by June 30, 2016.

At the Company's Stratmat property in New Brunswick, the most recent resource estimate results and ongoing metallurgical test work will be incorporated into a new Halfmile-Stratmat PEA that will examine

the potential for a stand-alone milling solution for the deposits. Given current priorities on Caribou commissioning, this study may be deferred into the latter half of 2016.

The Company continues to review the projects in its portfolio and assess the likely balance between risk and reward and to structure its planned spending on its mining and exploration assets. As well, the Company continues to review opportunities and submissions for potential opportunities to realize a significant increase in value for shareholders.

OPERATIONS

PERU

Santander Mine

Approximately 778,151 tonnes of mineralized material was processed through the mill in 2015, of which underground production was approximately 722,360 tonnes for the year.

Production results for 2015 were 54.1 million payable pounds of zinc, 30.2 million payable pounds of lead and 1.1 million payable ounces of silver (See Table 1).

In 2015, the mill continued to perform at above design recoveries with recoveries averaging 90% for zinc, 89% for lead and 77% for silver. Mill throughput for the year was 778,151 tonnes. Average head grades were 4.14% Zn, 2.09% Pb and1.66 oz/ton Ag with production of 58,232 tonnes of zinc concentrate averaging 50% Zn and 24,962 tonnes of lead-silver concentrate averaging 58% Pb and 40 oz/ton Ag.

During the year, the Company sold approximately 52.9 million pounds, 30.4 million pounds, and 1.1 million ounces, of zinc, lead and silver respectively. Revenues for the fourth quarter of 2015 were approximately $23 million dollars, with the average realized metal prices in USD for the quarter were $0.84 per pound of zinc, $0.77 per pound of lead, and $15.67 per ounce of silver. Cash costs in USD were approximately $42.65 per tonne - well below annual 2015 cost guidance. This is primarily attributed to the increased production, thus having a larger impact on fixed costs, as well as the efficiencies and cost cutting measures achieved to date. See also non-IFRS measures at the end of this MD&A.

The Company also received additional assay results for 10 holes from its 2015 resource definition and expansion program. Drilling intersected high-grade zinc mineralization and successfully expanded the *Magistral Central* and *South* zones: intercepts ranged from 5 to 15 metres downhole thickness (est. at 85-95% of true width) with grades ranging from 4.09 to 11.5% Zn, 0.04 to 3.2% Pb and 5.6 to 71 g/t/ Ag. Significantly, the results to date suggest that mineralization width and grade is increasing at depth and that the *Magistral South* and *Central* zones have a single zone based on results to date. The area sits above and is spatially associated with a very large, strong geophysical anomaly (Down-Hole Electromagnetic anomaly approximately 300-by-300 metre modelled conductive plate) that extends at least an additional 150-200 metres deeper than current drilling and remains open to the north, south, east and at depth.

CANADA

Caribou Mill and Mine, New Brusnwick

Commissioning at Caribou continued to advance with the Mill exhibiting improved availability, utilization, reagent optimization and throughput on a daily basis versus prior months.

In 2015, pre-commercial production results were 23.9 million payable pounds of zinc, 7.3 million payable pounds of lead and 185,502 payable ounces of silver.

The Caribou metallurgical team and partner Glencore continue to develop and focus on the metallurgical performance improvement plan. Ongoing work includes mineralogical sampling and analyses, the data from which may also help identify opportunities to increase metallurgical "entitlement" going forward.

The key focus remains on mill throughput and recoveries, in addition to grind optimization, zinc and lead circuit pumping enhancements, and ongoing copper circuit metallurgical test work.

Halfmile Mine, New Brunswick

There was no significant exploration activity at Halfmile during the year.

Stratmat Deposit, New Brunswick

There was no significant exploration activity at Stratmat during the year.

EXPLORATION

Ruttan Copper Project, Manitoba, Canada

There was no significant exploration activity at Ruttan during the year.

Huampar Project, Peru

There was no significant exploration activity at Huampar during the year.

Values of Exploration and Evaluation Assets as at December 31, 2015

Expressed in thousands of Canadian Dollars

The following table sets forth the net book value of the Company's exploration and evaluation assets as of December 31, 2015.

	Stratmat (Canada)	Huampar (Peru)	Ruttan Bill Copper (Canada)	Other (Canada)	Exploration and evaluation assets
Net book value, December 31,2015	$ 9,273	$ 500	$ 1,237	$ 44	$ 11,054

SELECTED ANNUAL INFORMATION

Expressed in thousands of Canadian Dollars, except for share and per share amounts

The following table sets forth selected annual financial information prepared in accordance with IFRS extracted from the Company's audited financial statements for the years noted:

	December 31, 2015 CAD $	December 31, 2014 CAD $	December 31, 2013 CAD $
Revenues	106,351	94,181	-
Mine Operating Expenses	99,628	81,467	-
General and Administrative Expenses	5,939	5,581	5,287
Loss for the year	(14,298)	(7,006)	(15,471)
Loss per Share – Basic and Diluted	(0.05)	(0.03)	(0.07)
Total Assets	517,513	437,276	390,035
Non-Current Financial Liabilities	111,843	93,354	19,281
Cash Dividends Declared	-	-	-

The Company recognized $106,351 in revenues (2014 - $94,181) and $99,628 (2014 - $81,467) in mine operating expenses in 2015. The increased loss was the result of reduced income from mining operations of $6,723 for the 2015 year (2014 - $12,714) combined with the write-down of the Huampar property in the amount of $1,928 and a litigation settlement of $1,285. The decrease in income from operations was mainly driven by the decline in commodity prices as compared to 2014, which more than offset the significant improvement in the cash operating costs (See non-IFRS measures at the end of this MD&A). Santander mine commenced commercial production on January 31, 2014 resulting in initial operating income in 2014. In 2013, the loss for the year increased due to the write-down of the Ruttan and Bill-Copper properties in the amount of $10,480.

Total assets increased significantly in 2015 due to the capital costs of the Caribou project including the de-watering and refurbishments in the underground and refurbishment, commissioning and testing of the mill. There were also significant capital expenditures on the Santander property related to continued expansion of the mine. In 2014, total assets increased due to the recognition of the Santander mill, which is under a capital lease (finance lease) as discussed in Notes 11 and 15 of the Company's audited financial statements for the period ended December 31, 2015 (herein, the "Financial Statements"). In 2013, the increase in total assets was attributable to significant capital expenditures incurred on the Santander and Caribou projects and exploration activities on the Halfmile and Stratmat properties.

Non-current financial liabilities increased in 2015 primarily due to an additional $8.4 million in notes from the senior secured note offering as discussed in Note 16 of the Financial Statements. In 2014, as compared to 2013, the increase in non-current financial assets was due to the closing of the long term $52.5 million 12.5% senior secured notes discussed in Note 16 of the Financial Statements and finance lease related to the Santander plant recognition discussed in Note 15 of the Financial Statements.

DISCUSSION OF OPERATIONS

Three months ended December 31, 2015 compared with three months ended December 31, 2014

Expressed in thousands of Canadian Dollars, except for share, per share, per pound and per ounce amounts

During the three months ended December 31, 2015, the Company recorded a net loss of $8,279 compared to $4,703 in the same period of the prior year, or loss of $0.03 per share (2014 - $0.02). This loss was primarily due to lower realized metal prices despite increased metal units sold as compared to the same quarter last year and despite a significant reduction in our cash operating costs from the comparable quarter (See non-IFRS measures at the end of this MD&A).

Revenues of $22,816 (2014 - $22,249) resulted from the sale of 14,125 (2014 - 12,066) tonnes of zinc concentrates containing 12.6 million (2014 - 11 million) pounds of payable zinc and 5,408 (2014 – 5,607) tonnes of lead-silver concentrates containing 6.5 million (2014 – 6.8 million) pounds of payable lead and 229,464 (2014 – 234,309) ounces of payable silver. Provisional realized commodity prices in USD were $0.70 (2014 - $0.97) per pound per zinc, $0.74 (2014 - $0.88) per pound lead and $15.11 (2014 - $16.72) per ounce silver at a USD to CAD foreign exchange of $1.3354 (2014 – 1.1356). Revenues in CAD were slightly greater this quarter than the comparative quarter due to the increase in the foreign exchange rate and higher production, specifically due to more tonnes milled as well as increased grades and recoveries from lead and silver. This was offset by a material decrease in commodity prices.

Total mine operating expenses of $25,144 (2014 - $20,234) related to the sale of concentrate to Glencore at market prices. The Company's site operating cash cost for the quarter was US$38.70 per tonne milled as compared to US$43.12 per tonne during the same period last year. Costs consisted of direct site production costs of $11,790 (2014 - $8,853) related to mining, milling and site camp, lab and surface maintenance facilities. The increased costs is as a result of significant increased production over the same period last year, as well as the effects of fixed costs and results of continued cost cutting initiatives. International benchmark smelting, refining, and freight costs were $9,388 (2014 - $7,533). Smelting and refining costs increased this quarter as compared to previous quarter in 2015 as there was a true up of actual 2015 terms settled during Q4-2015. Royalty expense was $(112) (2014 - $496) due to the reversal of the over accrual of royalty expense from the previous quarter. The Company also recorded $4,078 (2014 - $3,352) of depreciation and amortization. The increased depreciation is due to 1.7 million additional zinc equivalent pounds sold and a significant increase in the foreign exchange rate.

Santander achieved outstanding operational results in fourth quarter of 2015. Cash costs for 2015 were estimated at US$48-51 per tonne milled and actual cash cost per tonne milled for the fourth quarter of 2015 was US$38.70. The reduced cost is a function of continued cost optimization and operational efficiencies achieved throughout 2015. In addition, many of the cost and optimization were realized in the renegotiations of key contracts, fuel and power for the mine and mill (see also non-IFRS measures at the end of this MD&A). Loss from mining operations was $2,328 during the fourth quarter (2014 - income of $2,015) directly as a result of lower realized metal prices.

General and administrative (G&A) expenses were $1,146 (2014 - $1,609) and the decrease consists of the following material costs: consulting expenses of $625 (2014 - $947); professional fees of $88 (2014 - $270); and office expenses of $208 (2014 - $137). The decrease in fourth quarter 2015 consulting and offices expenses versus the same quarter last year is primarily due to share bonuses being awarded in 2014. No such bonuses were issued in 2015. The decrease in professional fees is the result of the decrease in legal fees due to the settlement (in April, 2015) of a New Brunswick court action first commenced in 2014, and decrease in audit fees.

Other items totaling $4,651 (2014 - $2,866) increased mainly due to the write-down of the Huampar property in the amount of $1,928 (2014 - $Nil).

Deferred income tax expense of $154 (2014 – expense of $2,243) increased mainly due to Peruvian operations and the foreign exchange resulting from the translation of Peruvian assets.

Twelve months ended December 31, 2015 compared with twelve months ended December 31, 2014

Expressed in thousands of Canadian Dollars, except for share and per share amounts

During the year ended December 31, 2015, the Company recorded a loss of $14,299 compared to a loss of $7,006 in the same period of prior year, or a loss of $0.05 per share (2014 - $0.03). The increase in the loss is a result of the following material factors.

Revenues of $106,351 (2014 - $94,181) from the sale of 58,214 (2014 - 53,709) tonnes of zinc concentrates containing 52.9 million (2014 - 49.0 million) pounds of payable zinc and 25,094 (2014 - 18,907) tonnes of lead-silver concentrates containing 30.4 million (2014 - 22.6 million) pounds of payable lead and 1,054,904 (2014 - 892,749) ounces of payable silver. Provisional realized commodity prices in USD were $0.84 (2014 - $0.96) per pound zinc, $0.77 (2014 - $0.95) per pound lead and $15.67 (2014 - $18.99) per ounce silver at a US to CAD foreign exchange of 1.2787 (2014 - 1.1045). Revenues in CAD were higher this period than the comparative period due to the increase in the foreign exchange rate and higher production, and increased grades and recoveries from lead and silver. The materially higher production partially offset the decrease in revenues due to significantly lower metal prices realized in year-to-date Q4-2015 versus Q4-2014.

Total mine operating expenses of $99,628 (2014 - $81,467) related to the sale of concentrate to Glencore and increased as a result of higher tonnes of concentrates sold. Costs consisted of direct site production costs of $43,305 (2014 - $37,070) related to mining, milling and camp, lab and surface maintenance facilities and increased as a result of higher tonnes of concentrates sold. Smelting, refining and freight costs were $39,071 (2014 - $30,998), which are settled at international benchmark terms and increased as a result of the higher tonnes of concentrate sold. Royalty expense was $1,726 (2014 - $2,407). The Company also expensed $15,526 (2014 - $10,992) of depreciation and amortization. The increased depreciation and amortization is due to 11.8 million additional zinc equivalent pounds sold and a significant increase in the foreign exchange rate.

Santander achieved outstanding operational results in 2015. The Company exceeded expected production guidance for 2015, which was estimated at approximately 48-50 million pounds of payable zinc, 23-25 million pounds of payable lead and 850,000-950,000 ounces of payable silver. The Company achieved actual results of 54.1 million pounds of payable zinc, 30.2 million pounds of payable lead and 1,055,965 ounces of payable silver. Cash costs for 2015 were estimated at US$48-51 per tonne milled and actual cash cost per tonne milled for 2015 was US$42.65 (2014 - $47.33). The decrease in per tonne costs is due to higher mill throughput and continued cost optimization throughout 2015 versus 2014. In addition, many of the cost and optimization were realized in the renegotiations of key contracts, fuel and power for the mine and mill (See also non-IFRS measures at the end of this MD&A).

General and administrative expenses were $5,939 (2014 - $5,581) and the increase consists of the following material items: Investor relations expenses of $640 (2014 - $514) increased due to increased share based compensation of $198 (2014 - $110) as the result of additional grants during the year and valuation increase of redeemed bonus shares and increased activity in the year due to Caribou. Office expenses of $1,240 (2014 - $888) increased due to additional staff in the corporate office in 2015 compared to 2014 and a one-time Peru input tax credit penalty of $386 imposed on prior year related filings. Professional fees of $727 (2014 - $1,087) decreased as the result of settlement (in April, 2015) of a New Brunswick court action first commenced in 2014, and decrease in audit fees.

Other items of $10,951 (2014 - $10,874) increased mainly due to the litigation settlement of $1,285 related to the New Brunswick court action, consisting of $77 in legal fees and $1,208 for shares and warrants that were issued and the write-down of the Huampar property in the amount of $1,928 (2014 - $Nil). See also Note 10 of the Financial Statements. In 2014, there was a loss incurred from the sale of the Company's Tingo hydroelectric asset through its wholly-owned subsidiary of $3,219.

Deferred income tax expense of $4,132 (2014 - $3,265) increased mainly due to Peruvian operations and the foreign exchange resulting from the translation of Peruvian assets.

QUARTERLY FINANCIAL INFORMATION

Expressed in thousands of Canadian Dollars, except for share and per share amounts

The Company's financial statements are reported under IFRS issued by the IASB. The following tables provide highlights, extracted from the Company's financial statements, of quarterly results for the past eight quarters:

	Three Months Ended December 31, 2015	Three Months Ended September 30, 2015	Three Months Ended June 30, 2015	Three Months Ended March 31, 2015
Total assets	$ 517,513	$ 508,496	$ 489,291	$ 461,440
Total revenue	22,816	27,074	30,547	25,914
Working capital	9,423	4,729	35,579	23,198
Net income (loss) for the period	(8,279)	(3,420)	207	(2,808)
Basic and diluted earnings (loss) per share	(0.03)	(0.01)	0.00	(0.01)

	Three Months Ending December 31, 2014	Three Months Ended September 30, 2014	Three Months Ended June 30, 2014	Three Months Ended March 31, 2014
Total assets	$ 437,276	$ 429,025	$ 423,762	$ 419,635
Total revenue	22,249	27,959	19,860	24,113
Working capital (deficiency)	32,471	45,254	54,607	(4,297)
Net income (loss) for the period	(4,703)	1,589	(4,138)	611
Basic and diluted earnings (loss) per share	(0.02)	0.01	(0.01)	0.00

Continued investment in the Company's mining projects, specifically the Company's Caribou project in 2015, accounts for the quarter-to-quarter increases in total assets. The increase in assets in 2014 relates to the recognition of the plant at Santander and in 2015, the increase relates to the capitalization of underground development, as well as capital costs related to the Caribou mine and mill located in New Brunswick.

Revenues commenced in 2014 at the Company's Santander mine. Revenues continue to fluctuate from quarter- to- quarter due to metal price volatility. Specifically, revenues were higher in the second quarter of 2015 due to higher production, despite the metal prices throughout 2015. In the fourth quarter of 2015, despite the higher production output, revenues decreased significantly due to continued decline of metal prices realized.

During the Company's first quarter of 2014, the Company carried a working capital deficiency as a result of the RMB Resources $30 million mezzanine bridge facility (now fully paid), the current portion of the Glencore USD $20 million working capital facility; and the current portion of the finance lease related to the Santander plant recognition. As of December 31, 2014, the Company had a positive working capital following the closing of its long term $52.5 million 12.5% senior secured note offering (described in more detail below) in the second quarter of 2014, which allowed repayment of the loans owing to RMB Resources and a USD $2 million convertible debenture owing to Glencore.

Working capital continued to increase in the second quarter of 2015 when the Company closed a bought-deal offering of 30 million common shares of the Company at a price of $1.02 per share for aggregate gross proceeds of $30.6 million. Working capital declined in the fourth quarter of 2015 as the result of spending on the Caribou project as the Company continued commissioning activities. This was offset by an additional $8.4 million of senior secured notes being placed on December 30, 2015 - as discussed in Note 16 of the Financial Statements and closing of flow-through private placement financings in November 2015 - as discussed in Note 18 of the Financial Statements.

During the first quarter of 2014, the Company declared commercial production at its Santander mine and recorded net income for the first and third quarters of 2014. The Company recognized a loss from the sale of its interests in its Tingo hydroelectric asset in second quarter of 2014, which resulted in a net loss in the second quarter of 2014. The net loss during the fourth quarter of 2014 is primarily the result of $3.3 million dollars in deferred income tax.

The Company incurred litigation fees in 2015 related to the New Brunswick legal action referred to above, which resulted in a net loss during the first quarter of 2015. Net income during second quarter of 2015 was mainly due to an increase in income from mining operations due to increased revenues from higher production. This was offset by an increase in deferred income tax expense. Net loss in the third quarter of 2015 was primarily due to a continued decline in metal prices, as well as $1.7 million dollars in deferred income tax expense. In the fourth quarter of 2015, the Company significantly increased its loss as the result of reduced income from mining operations of $6,723 (2014 - $12,714) combined with the write-down of the Huampar property in the amount of $1,928.

LIQUIDITY AND CAPITAL RESOURCES

Expressed in thousands of Canadian Dollars, except for share and per share amounts

The Company's 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, 2015, the Company had working capital of $9,423 (December 31, 2014 - $32,471) and a cumulative deficit of $70,603 (December 31, 2014 - $56,561).

During the twelve month period ended December 31, 3015, the following financing activities occurred:

The Company issued 1,900,000 common shares for contracting services to be rendered at a price of $0.38 on December 3, 2015.

The Company closed a flow-through private placement financing on November 6, 2015, issuing 900,000 common shares on a "flow-through" basis under the Income Tax Act (Canada) ("Flow-through Shares") at a price of $0.55 per Flow-through Share for aggregate gross proceeds of $495 of which $450 was recorded in capital stock and the remaining $45 was recorded as flow through shares premium liability (See Note 13 of the Company's Financial Statements). The Company also incurred share issue costs of $29 with regard to the flow-through private placement.

The Company closed a flow-through private placement financing on October 30, 2015 and November 2, 2015, issuing 5,053,846 Flow-through Shares in aggregate at a price of $0.65 per Flow-through Share for aggregate gross proceeds of $3,285 of which $2,623 was recorded in capital stock and the remaining $662 was recorded as flow through shares premium liability (Note 13 of the Company's Financial Statements). The Company also incurred share issue costs of $30 with regard to the flow-through private placement.

The Company closed a bought-deal short form prospectus offering of 30,000,000 common shares of the Company at a price of $1.02 per share for aggregate gross proceeds of $30,600 on June 11, 2015. The Company also incurred share issue costs of $1,952 with regard to the prospectus offering.

The Company also closed a flow-through private placement financing, issuing 5,000,000 Flow-through Shares at a price of $1.15 per Flow-through Share for aggregate gross proceeds of $5,103 on February 27, 2015. The Company also incurred share issue costs of $14 with regard to the flow-through private placement.

1,500,000 warrants were exercised at an exercise price of $1.05 for gross proceeds of $1,575.

100,831 stock options were exercised at a weighted average price of $0.62 for gross proceeds of $63.

Subsequent to December 31, 2015, the Company closed an additional flow-through private placement. Specifically, the Company issued 4,410,700 Flow-through Shares at a price of $0.34 per Flow-through Share for aggregate gross proceeds of $1,500. Additionally, on March 16, 2016, the Company closed a "best efforts" marketed short form prospectus offering (the "Offering") of 46,718,750 common shares at a price of $0.32 per share for aggregate gross proceeds of $14,950. The shares were offered pursuant to a short form prospectus dated March 10, 2016. The Company intends to use the net proceeds of the Offering for ongoing commissioning and ramp-up expenditures at its Caribou Zinc Mine in New Brunswick, for working capital and general corporate purposes.

As at December 31, 2015, the Company had an unrestricted cash balance of approximately $6,336,000 and working capital of $9,423,000. Based on an anticipated positive cash flow from the Company's Santander operations, the subsequent equity financings completed in early 2016 as discussed in this MD&A, 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, and ramp-up of the Company's Caribou Mine project should commodity prices weaken beyond current levels.

During the twelve month period ended December 31, 2014, the following financing activities occurred:

1,000,000 warrants were exercised at an exercise price of $1.00 for gross proceeds of $1,000.

652,499 stock options were exercised at a weighted average price of $1.08 for gross proceeds of $704.

On May 30, 2014, the Company closed its offering of 52,500 units (each a "Unit") consisting of 12.5% senior secured notes ("Notes") due May 30, 2019 and common share purchase warrants at a price of C$980 per Unit, for aggregate proceeds of $51,450. Each Unit consisted of $1 principal amount of Notes and 123.2 warrants. Each whole warrant entitles the holder thereof, subject to certain conditions, to purchase one common share at an exercise price of $1.26 until 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 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. With the proceeds from the Note offering, the Company repaid the RMB Resources bridge facility of $30 million and the US$2 million convertible debenture owing to Glencore.

The Company has relied, to date, principally upon the issuance of securities and debt financings and operating cash flow from its Santander mine to fund its operations. The Company intends to continue relying upon the issuance of equity or debt securities and revenues from production at its Santander mine in Peru and its Caribou mine in Canada, following the successful completion of the commissioning phase, to finance its future activities, but there can be no assurance that such equity and/or debt financings 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 the Company's current exploration programs or development plans will result in profitable mining operations. The Company has revenues generated from its Santander Property in Peru to support its operations. The recoverability of amounts shown in the Company's financial statements for its 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.

The Company has not entered into any significant long-term lease commitments nor is the Company subject to any mineral property commitments other than those outlined under Notes 14 and 16 in the Company's Financial Statements for the year ended December 31, 2015.

The Company has no exposure to any asset-backed commercial paper. Other than cash held by its subsidiary for their immediate operating needs in Peru, all of the Company's cash reserves are on deposit with a major Canadian chartered bank or invested in Government of Canada Treasury Bills or Banker's Acceptances issued by major Canadian chartered banks. The Company does not believe that the credit, liquidity or market risks with respect thereto have increased as a result of the current market conditions. However, in order to achieve greater security for the preservation of its capital, the Company has, by necessity, been required to accept lower rates of interest which has also lowered its potential interest income. Also refer to Note 1 of the Company's Financial Statements for the year ended December 31, 2015.

The remaining contractual maturities of the financial liabilities of the Company on December 31, 2015 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	$ 24,041	$ -	$ -	$ -	$ 24,041
Due to related parties	4,136	-	-	-	4,136
Interest payable	-	1,011	-	-	1,011
Long term debt	-	6,411	18,555	64,088	89,054
Finance lease	-	1,427	8,444	33,517	43,388
	$ 28,177	$ 8,849	$ 26,999	$ 97,605	$ 161,630

CAPITAL RESOURCES

The Company monitors its capital structure and based on changes in operations and economic conditions, may adjust the structure by issuing new shares, issuing new debt or retiring existing debt. The Company prepares annual budgets approved by the Company's Board of Directors and quarterly forecasts to facilitate the management of its capital requirements.

In 2016, the Company intends to allocate the majority of its capital resources to the ongoing commissioning and ramp-up of expenditures at its Caribou mine in New Brunswick. The estimated capital expenditures committed to grow and fund the development of the Caribou mine in the next twelve months is approximately $4.5 million. The Company plans to complete commissioning by issuing shares and using funds from its concentrate revenues at its Santander mine in Peru. Subsequent to December 31, 2015, the Company closed a public offering by short form prospectus raising $14,950. See also "Liquidity and Capital Resources".

OFF -BALANCE SHEET ARRANGEMENTS

The Company currently has no off balance sheet arrangements.

RELATED PARTY TRANSACTIONS

Expressed in thousands of Canadian Dollars, except for share and per share amounts

During the year ended December 31, 2015, the Company entered into the following transactions with related parties:

Management compensation

Key management include directors (executive and non-executive) and other key officers, including the Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, VP of Investor Relations, VP of Exploration and VP of Human Resources and Corporate Secretary. The compensation paid or payable to key management for as salaries and directors' fees is shown below:

	December 31, 2015	December 31, 2014
Salaries and wages	$ 1,184	$ 1,011
Share based compensation	1,698	1,594
Total compensation	$ 2,882	$ 2,605

In addition, the Company has management consulting agreements with the following entities and paid consulting fees as follows:

	December 31, 2015	December 31, 2014
Cruise Geoservices Ltd	$ 229	$ 229
Ladd Mining Incorporated	230	200
Keller Consulting	126	96
Daniel Marinov Ltd.	120	120
Concept 2 Creation	245	144
Marval Office Management Ltd.	50	48
Total compensation	$ 1,000	$ 837

Other transactions

The Company also incurred the following transactions during the year ended December 31, 2015 and 2014 with Glencore:

(a) Paid $4,792 (2014 - $2,708) in principal on the finance lease (Note 15 of the Financial Statements).

(b) Paid $2,688 (2014 - $3,133) in principal and interest on the working capital facility (Note 16 of the Financial Statements).

(c) Earned revenue of $106,351 (2014 - $94,181) on concentrate sales (Note 22 of the Financial Statements).

(d) Paid or accrued production expenses of $32,238 (2014 - $24,258) and mine development expenses of $14,888 (2014 - $12,116) capitalized to property, plant and equipment in 2015.

Amounts due to related parties is comprised of $85 (2014 - $723) due to directors and officers and $64 (2014 - $79) due to companies related to officers for consulting fees, and $3,632 (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.

The amounts due to directors are unsecured, bear no interest and are payable on demand. See also the Company's Management Information Circular filed on May 12, 2015 on SEDAR.

SUBSEQUENT EVENTS

Expressed in thousands of Canadian Dollars, except for share, per share and per tonne amounts

(a) On January 15, 2016, the Company issued 156,600 common shares for mining contract services to be rendered at a price of $0.36.

(b) On February 1, 2016, the Company issued a total of 17,143 common shares pursuant to the bonus share issuance of January 31, 2015.

(c) On February 19, 2016, the Company closed a flow-through private placement financing. Specifically, the Company issued 4,410,700 common shares on a "flow-through" basis under the Income Tax Act (Canada) at a price of $0.34 per Flow-through Share for aggregate gross proceeds of $1,500.

(d) On March 16, 2016, the Company closed a “best efforts” marketed short form prospectus offering of 46,718,750 common shares at a price of $0.32 per share for aggregate gross proceeds of $14,950. As a result of the offering, the exercise price of 7,502,880 previously issued warrants to purchase shares with an expiry date of December 30, 2020 has been adjusted from $0.391 to $0.368. The adjustment represents a new warrant exercise price equal to 115% of the subscription price of the shares issued in connection with the offering.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with IFRS requires Trevali to establish accounting policies and to make estimates that affect both the amount and timing of the recording of assets, liabilities, revenues and expenses. Some of these estimates require judgments about matters that are inherently uncertain.

A detailed summary of all of the Company’s significant accounting policies and the estimates derived therefrom is included in Note 2 to the annual consolidated financial statements for the year ended December 31, 2015 and 2014. While all of the significant accounting policies are important to the Company’s consolidated financial statements, the following accounting policies and the estimates derived therefrom have been identified as being critical:

- Reserves and resources;
- Recoverable amount of property, plant and equipment;
- Depletion and depreciation of property, plant and equipment;
- Asset retirement obligations; and
- Income taxes.

Reserves and resources

Proven and probable reserves are determined based on a professional evaluation using accepted international standards for the assessment of mineral reserves. The assessment involves the study of geological, geophysical and economic data and the reliance on a number of assumptions. The estimates of the reserves may change, based on additional knowledge gained subsequent to the initial assessment. This may include additional data available from continuing exploration, results from the reconciliation of actual mining production data against the original reserve estimates, or the impact of economic factors such as changes in the price of commodities or the cost of components of production. A change in the original estimate of reserves would result in a change in the rate of depletion and depreciation of the related mining assets and could result in impairment, resulting in a write-down of the assets.

Recoverable amount of property, plant and equipment

Trevali reviews the carrying values of its property, plant and equipment whenever events or changes in circumstances indicate that their carrying values may not be recoverable. An impairment loss is measured and recorded based on discounted estimated future cash flows associated with proven and probable reserves and value beyond proven and probable reserves. In estimating future cash flows, assets are grouped at the lowest level for which there is identifiable future cash flows that are largely independent of cash flows from other asset groups. Generally, in estimating future cash flows, all assets are grouped at a particular mine for which there is identifiable cash flows.

The estimates used by management are subject to various risks and uncertainties. It is reasonably possible that changes in estimates could occur which may affect the expected recoverability of Trevali's investments in property, plant and equipment.

Recoverable amount of exploration and evaluation assets

Trevali reviews the carrying values of its exploration and evaluation assets whenever events or changes in circumstances indicate that their carrying values may not be recoverable. An impairment loss is measured and recorded based on discounted estimated future cash flows associated with proven and probable reserves and value beyond proven and probable reserves. In estimating future cash flows, assets are grouped at the lowest level for which there is identifiable future cash flows that are largely independent of cash flows from other asset groups. Generally, in estimating future cash flows, all assets are grouped at a particular mine for which there is identifiable cash flows.

The estimates used by management are subject to various risks and uncertainties. It is reasonably possible that changes in estimates could occur which may affect the expected recoverability of Trevali's investments in exploration and evaluation assets.

Depletion and depreciation of property, plant and equipment

Property, plant and equipment comprise one of the largest components of Trevali's assets and, as such, the amortization of these assets has a significant effect on Trevali's financial statements.

Capital works in progress are not categorized as mineral property interests, mining plant and equipment or other capital assets until the capital asset is in the condition and location necessary for its intended use. Mining plant and equipment and other capital assets are depreciated over their expected economic lives using either the units-of-production method or the straight-line method. Depletion of each mineral property interest is provided on the units-of-production basis using estimated proven and probable reserves as the depletion basis.

Significant judgment is involved in the determination of the useful lives and residual values of long-lived assets. A change in the estimated useful life or residual value of a long-lived asset would result in a change in the rate of depreciation for that asset. For long-lived assets that are depleted or depreciated over proven and probable reserves using the units-of-production method, a change in the original estimate of proven and probable reserves would result in a change in the rate of depletion or deprecation.

Asset retirement obligations

Trevali has obligations for site restoration and decommissioning related to its mining properties. Trevali, using mine closure plans or other similar studies that outline the requirements planned to be carried out, estimates the future obligations for mine closure activities. Because the obligations are dependent on the laws and regulations of the countries in which the mines operate, the requirements could change as a result of amendments in those laws and regulations relating to environmental protection and other legislation affecting resource companies.

Trevali recognizes liabilities for statutory, contractual or legal obligations associated with the retirement of property, plant and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a liability for an asset retirement obligation is recognized at its fair value in the period in which it is incurred. Upon initial recognition of the liability, the corresponding asset retirement cost is added to the carrying amount of that asset and the cost is amortized as an expense over the economic life of the related asset. Following the initial recognition of the asset retirement obligation, the carrying amount of the liability is increased for the passage of time and adjusted for changes to the amount or timing of the underlying cash flows needed to settle the obligation.

Because the estimate of obligations is based on future expectations in the determination of closure provisions, management makes a number of assumptions and judgments including estimating the amount of future reclamation costs and their timing, risk-free inflation rates and risk-adjusted discount rates. The closure provisions are more uncertain the further into the future the mine closure activities are to be carried out. Actual costs incurred in future periods in relation to the remediation of Trevali's existing assets could differ materially from their estimated undiscounted future value.

Income taxes

Trevali must make significant estimates in respect of the provision for income taxes and the composition of its deferred income tax assets and deferred income tax liabilities. Trevali's operations are, in part, subject to foreign tax laws where interpretations, regulations and legislation are complex and continually changing. As a result, there are usually some tax matters in question which may, on resolution in the future, result in adjustments to the amount of deferred income tax assets and deferred income tax liabilities, and those adjustments may be material to Trevali's financial position and results of operations.

Trevali computes the provision for deferred income taxes under the asset and liability method. Under this method, deferred tax assets and deferred tax liabilities are recorded based on temporary differences between the financial reporting basis of the Company's assets and liabilities and their corresponding tax basis. The future benefits of deferred tax assets, including unused tax losses and tax credits, are recognized to the extent that it is probable that taxable profit will be available against the temporary difference and the tax loss and tax credit can be utilized.

The determination of the ability of Trevali to utilize tax loss carry-forwards to offset deferred income taxes payable requires management to exercise judgment and make assumptions about Trevali's future performance. Management is required to assess whether Trevali is more likely than not able to benefit from these tax losses. Changes in economic conditions, metal prices and other factors could result in revisions to the estimates of the benefits to be realized or the timing of utilizing the losses.

These deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates and laws that are expected to apply when the tax liabilities or assets are to be either settled or realized. Government assistance, including investment tax credits, is credited against the expenditure generating the assistance when it is probable that the government assistance will be realized.

CHANGES IN ACCOUNTING POLICIES

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.

(iii) IFRS 16 *Leases* ("IFRS 16")

The IASB issued IFRS 16 in January 2016. This IFRS will result in all leases being recognized on the statement of financial position of lessees, except those that meet the limited exception criteria. The standard is effective for annual periods beginning on or after January 1, 2019.

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 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, 2015.

	December 31, 2015		December 31, 2014	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets				
Loans and receivables				
Cash (b)	$ 6,336	$ 6,336	$ 24,681	$ 24,681
Restricted cash (b)	8,155	8,155	4,530	4,530
Accounts receivable (b)	24,253	24,253	24,817	24,817
Total financial assets	**$ 38,744**	**$ 38,744**	**$ 54,028**	**$ 54,028**
Financial liabilities				
Fair value through profit or loss				
Derivatives (b)	$ 2,125	$ 2,125	$ -	$ -
Other financial liabilities				
Accounts payable and accrued liabilities (b)	24,041	24,041	9,906	9,906
Due to related parties (b)	4,136	4,136	7,480	7,480
Finance lease (d)	31,464	31,464	30,361	30,361
Santander's creditors obligation (b)	2,990	2,990	2,505	2,505
Working capital facility (a)	25,165	25,165	22,336	22,336
Senior Secured Notes (c)	56,413	56,413	47,495	47,495
Total financial liabilities	**$ 146,334**	**$ 146,334**	**$ 120,083**	**$ 120,083**

(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, due to related parties and derivative liability 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 (See Note 16 of the Financial Statements).

(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 (See Note 15 of the Financial Statements).

Internal Control over Financial Reporting (ICFR)

The CEO and the CFO, with the assistance of management, conducted an evaluation of the effectiveness of the Company's internal control over financial reporting as at December 31, 2015. Based on the evaluation, the CEO and the CFO have concluded that as at December 31, 2015, the Company's internal control over financial reporting is effective, based on the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) on Internal Control — Integrated Framework (2013).

As discussed above, the inherent limitations in all control systems are such that they can provide only reasonable, not absolute, assurance that all control issues and instances of fraud or error, if any, within the Company have been detected. Therefore, no matter how well-designed, ICFR has limitations and can provide only reasonable assurance with respect to financial statement preparation and may not prevent and detect all misstatements.

As of the end of the period covered by this MD&A and accompanying Financial Statements, Trevali's management evaluated the effectiveness of its disclosure controls. Based on that evaluation, the CEO and the CFO have concluded that Trevali's disclosure controls and procedures and internal controls over financial reporting, provide reasonable assurance that they were effective. There have been no changes in our internal control over financial reporting during the year ended December 31, 2015 that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

DISCLOSURE OF OUTSTANDING SHARE DATA (as at March 30, 2016)

The Company's authorized capital consists of an unlimited number of common shares without par value, of which 378,796,270 are issued and outstanding as of the date of this MD&A. On a fully diluted basis the Company has 393,080,026 common shares outstanding, assuming the exercise of 8,002,880 outstanding warrants, and 6,280,876 outstanding stock options pursuant to the Company's stock option plan.

RISK FACTORS

The Company is in the business of acquiring, exploring and, if warranted, developing and exploiting natural resource properties, currently in Peru and Canada. Due to the nature of the Company's proposed business and the present stage of exploration and development of its mineral properties, the following risk factors, among others, are noted:

Substantial Sums Owing to Glencore in relation to the Company's Santander Operations: In connection with the acquisition and development of the Santander Property, the Company has substantial indebtedness owing to Glencore and/or its Peruvian subsidiary, Los Quenuales. Such indebtedness includes the amounts (including debt service obligations) owing by Trevali to Glencore in respect to (i) the US$20 million Glencore working capital facility first made by Glencore to Trevali in October, 2012 and bearing interest at LIBOR plus 5%; and (ii) the cost US$44,224 including refundable Peruvian IGV of US$6,746 calculated at 18% of the Trevali plant constructed on the Santander Property under the supervision and direction of Glencore. The Trevali plant price above referred, which bears no interest, and the Glencore working capital facility, 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 a fee schedule per ton of mineralized feed treated at the plant. Glencore and Los Quenuales hold real and personal property security over the indebtedness owed by Trevali to it. Accordingly, should Trevali fail to meet its obligations to Glencore and/or to Los Quenuales, such default could result in Glencore/Los Quenuales decision to realize on its security (See also Note 15 and 16 of the Financial Statements).

On October 30, 2015, the Company arranged a payment grace period with Glencore in relation to the Trevali Plant (Finance Lease). Under the grace period, repayment obligations have been suspended starting from October 30, 2015 and ending the earlier of: (i) October 31, 2016 and (ii) the last day of the month that comes before any month in which the price of zinc reaches at least US$1,990 per tonne as an average for ten consecutive quotation days. The outstanding payment obligations will continue to accrue without interest; provided however, compensatory interest will accrue on the full amount owing at a rate equivalent to LIBOR (one month) plus five percent (5%) during the grace period.

Indebtedness Owing Under Senior Secured Notes: As stated above in this MD&A, on May 30, 2014, the Company completed the $52.5 million 2014 Note Offering. In connection with same, the Company provided security in respect to its obligation to pay all principal and interest owing under the Notes - in the form of a charge over substantially all of the Company's Canadian assets. As further stated in this AIF, on December 31, 2015, the Company announced it had amended the indenture governing the 2014 Note Offering described above by way of entering into a supplemental indenture with its senior secured holders ("Noteholders") to extend and expand the Company's debt facility. In connection with this

amendment, which was effected with the consent of the Noteholders, Trevali issued an additional $8.4 million in new Notes ("New Notes") to the Noteholders and, among other things, deferred the Company's $7.5 million amortization payment, originally scheduled to be made on August 30, 2016, until August 30, 2017. Additionally, in connection with the foregoing, the exercise price of the 6,468,000 five-year warrants (herein, the "May 2014 Offering Warrants") issued in connection with the Note Offering was decreased from $1.26 to $0.475, and the expiration date of such May 2014 Offering Warrants was extended to the five-year anniversary of such repricing. Also in connection with the foregoing, an additional 1,034,880 five-year warrants (together with the May 2014 Offering Warrants, the "Noteholder Warrants") having an exercise price of $0.475 were issued to the Noteholders. The Company also agreed to decrease the exercise price of the Noteholder Warrants further if and whenever, at any time on or after December 30, 2015 and on or prior to June 30, 2016, the Company issues Common Shares, or securities convertible into or exchangeable for Common Shares, at a price per share that is lower than 115% or, in some cases, 110% of the then-applicable warrant exercise price. In such cases, the exercise price of the Noteholder Warrants will be decreased so that it equals 115% or 110%, as the case may be, of the price per share in the relevant equity issuance. In relation to the issuance, by way of short form prospectus dated March 10, 2016, of 46,718,750 Common Shares at a subscription price of $0.32 per Common Share (to raise gross proceeds of $14,950,000) on March 16, 2016, the exercise price of the Noteholder Warrants has now been reduced to $0.368.

The 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. Should Trevali fail to meet its obligations to the holders of the Notes, such default could result in the Note holders' decision to realize on their security (See Note 15 of the Financial Statements).

Additional Funding Requirements: The Company has generated funds through private placement financings, public offerings, and the exercise of outstanding warrants and options. During the year ended December 31, 2015, 1,500,000 warrants were exercised at an exercise price of $1.05 for gross proceeds of $1,575. Additionally, 100,831 stock options were exercised at a weighted average price of $0.62 for gross proceeds of $63. In addition, in June, 2015, the Company closed a bought-deal offering of 30,000,000 common shares of the Company at a price of $1.02 per share for aggregate gross proceeds of $30,600. The Company also closed a flow-through private placement financing, issuing 4,436,957 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 $5,103. The Company also closed two additional flow-through private placement financings in October/November 2015. It issued 5,053,846 common shares on a "flow-through" basis at a price of $0.65 per Flow-through Share for aggregate gross proceeds of $3,285, as well as 900,000 common shares at a price of $0.55 per Flow-through Share for aggregate gross proceeds of $495. Subsequent to December 31, 2015, on February 19, 2016 the Company closed a flow-through private placement financing. It issued 4,410,700 common shares on a "flow-through" basis under the Income Tax Act (Canada) at a price of $0.34 per Flow-through Share for aggregate gross proceeds of $1,500. On March 16, 2016, the Company closed a "best efforts" marketed short form prospectus offering of 46,718,750 common shares at a price of $0.32 per share for aggregate gross proceeds of $14,950.

There are a number of risks which may have a direct impact on the Company's revenue stream, including: (i) potential for delays in development activities; (ii) risks related to the inherent uncertainty of production and cost estimates, and the potential for unexpected costs and expenses; (iii) risks related to commodity prices, smelting and refining charges and foreign exchange rate fluctuations. In the future, the Company's ability to continue its development activities depends primarily on the Company's ability to continue operations to generate revenues or to obtain financing through joint ventures, debt financings, equity financings, production sharing arrangements, sale of assets or some combination of these or other means. There can be no assurance that any such arrangements will be concluded and the associated funding obtained. There can be no assurance that the Company will generate sufficient revenues to meet its obligations as they become due or will obtain necessary financing on acceptable terms, if at all. The

failure of the Company to meet its on-going obligations on a timely basis will likely result in the loss or substantial dilution of the Company's interests (as existing or as proposed to be acquired) in its Properties. The Company's current priority is to continue to operate and optimize the Santander mine and mill operations, reach commercial production on the Caribou Property by mid-year 2016, and advance the Halfmile and Stratmat Property to a production decision going forward.

Operating Cash Flow: The Santander Property had achieved "commercial production" for two years and accordingly, the sale of concentrates from Santander has, and continues, to contribute positive operating cash flow. Going forward, and given the recent equity and debt raises the Company has completed in the last 3-4 months of this MD&A, the Company expects to have sufficient funds to meet its construction, development and commissioning of the Caribou mine and mill.

Insufficient Financial Resources: The Company's ability to continue its exploration, assessment, and development activities depends primarily on the Company's ability to commence and continue operations to generate revenues at commercial production levels or to obtain financing through joint ventures, debt financings, equity financings, production sharing arrangements, sale of assets or some combination of these or other means. There can be no assurance that any such arrangements will be concluded and the associated funding can be obtained. There can be no assurance that the Company will continue to generate sufficient revenues to meet its obligations as they become due or will obtain necessary financing on acceptable terms, if at all should the metal prices decline. The failure of the Company to meet its on-going obligations on a timely basis will likely result in the loss or substantial dilution of the Company's interests (as existing or as proposed to be acquired) in its properties. The Company's priority is to continue to operate in a profitable manner its Peruvian zinc/silver property and to and to complete commissioning of its Caribou property in New Brunswick by June 30, 2016.

Resource Exploration and Development is Generally a Speculative Business: Resource exploration and development is a speculative business and involves a high degree of risk, including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits but from finding mineral deposits which, though present, are insufficient in size to return a profit from production. The marketability of natural resources that may be acquired or discovered by the Company will be affected by numerous factors beyond the control of the Company. These factors include market fluctuations, the proximity and capacity of natural resource markets, government regulations, including regulations relating to prices, taxes, royalties, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital. There are no known reserves on any of the Company's properties. The vast majority of exploration projects do not result in the discovery of commercially mineable deposits of mineralized material. Substantial expenditures are required to establish mineralized material reserves through drilling and metallurgical and other testing techniques, determine metal content and metallurgical recovery processes to extract metal from the mineralized material, and construct, renovate or expand mining and processing facilities. No assurance can be given that any level of recovery of mineralized material reserves will be realized or that any identified mineral deposit, even if it is established to contain an estimated resource, will ever qualify as a commercial mineable mineralized material body which can be legally and economically exploited.

Fluctuation of Metal Prices: Even if commercial quantities of mineral deposits are discovered by the Company, there is no guarantee that a profitable market will continue for the sale of the metals produced. Factors beyond the control of the Company may affect the marketability of any substances discovered. The prices of various metals have experienced significant negative movement year-to-date and remain volatile over short periods of time, and are affected by numerous factors beyond the control of the Company, including international economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates and global or regional consumption patterns, speculative activities and increased production due to improved mining and production methods. The supply of and demand for metals are affected by various factors, including political events, economic conditions and production

costs in major producing regions. There can be no assurance that the price of any commodities will be such that any of the properties in which the Company has, or has the right to acquire, an interest may be mined at a profit.

Global Financial Conditions: Market events and conditions, including disruptions in the Canadian, United States and international credit markets and other financial systems and the continued volatility of the Canadian, United States and global economic conditions, could, among other things, impede access to capital or increase the cost of capital, which would have an adverse effect on the Company's ability to fund its working capital and other capital requirements. Notwithstanding various actions by the U.S. and foreign governments, concerns about the general condition of the capital markets, financial instruments, banks, investment banks, insurers and other financial institutions continue to be volatile and unpredictable. In addition, general economic indicators have deteriorated, including declining consumer sentiment, increased unemployment and declining economic growth and uncertainty about corporate earnings. These disruptions in the current credit and financial markets have had, and could continue to have a material adverse impact on a number of financial institutions and have limited access to capital and credit for many companies, particularly junior resource exploration companies such as the Company. These disruptions could, among other things, make it more difficult for the Company to obtain, or increase its cost of obtaining, capital and financing for its operations. The Company's access to additional capital may not be available on terms acceptable to the Company or at all.

Worldwide securities markets, particularly those in the United States and Canada, have continued to experience a high level of price and volume volatility, and the market price of securities of many companies, particularly those considered exploration or development stage companies, have experienced unprecedented declines in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. Most significantly, the share prices of junior natural resource companies have experienced an unprecedented decline in value and there has been a significant decline in the number of buyers willing to purchase such securities. In addition, significantly higher redemptions by holders of mutual funds has forced many of such funds (including those holding the Company's securities) to sell such securities at any price. As a consequence, despite the Company's past success in securing significant equity financing, market forces may render it difficult or impossible for the Company to secure places to purchase new share issues at a price which will not lead to severe dilution to existing shareholders, or at all**.** Therefore, there can be no assurance that significant fluctuations in the trading price of the Company's common shares will not occur, or that such fluctuations will not materially adversely impact on the Company's ability to raise equity funding without significant dilution to its existing shareholders, or at all.

Mining Industry is Competitive**:** The Company's business of the acquisition, exploration and development of mineral properties is intensely competitive. The Company may be at a competitive disadvantage in acquiring additional mining properties because it must compete with other entitles and companies, many of which have greater financial resources, operational experience and technical capabilities than the Company. The Company may also encounter increasing competition from other mining companies in efforts to hire experienced mining professionals. Increased competition could adversely affect the Company's ability to attract necessary capital funding or acquire suitable producing properties or prospects for mineral exploration in the future.

Permits and Licenses: The operations of the Company require licenses and permits from various governmental authorities. There can be no assurance that the Company will be able to obtain all necessary licenses and permits that may be required to carry out exploration, development and mining operations at its projects, on reasonable terms or at all. Delays or a failure to obtain such licenses and permits or a failure to comply with the terms of any such licenses and permits that the Company does obtain, could have a material adverse effect on the Company.

Government Regulation: Any exploration, development or mining operations carried on by the Company is subject to government legislation, policies and controls relating to prospecting, development, production, environmental protection, mining taxes and labour standards. In addition, the profitability of any mining prospect is affected by the market for precious and/or base metals which is influenced by many factors including changing production costs, the supply and demand for metals, the rate of inflation, the inventory of metal producing corporations, the political environment and changes in international investment patterns.

***Environmental Restrictions*:** The activities of the Company are subject to environmental regulations promulgated by government agencies in different countries from time to time. Environmental legislation generally provides for restrictions and prohibitions on spills, releases or emissions into the air, discharges into water, management of waste, management of hazardous substances, protection of natural resources, antiquities and endangered species and reclamation of lands disturbed by mining operations. Certain types of operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner which means stricter standards, and enforcement, fines and penalties for non-compliance are more stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations.

Foreign Countries and Political Risk: The mineral properties held by the Company are located in Canada and Peru, where mineral exploration and mining activities may be affected in varying degrees by political instability, expropriation of property and changes in government regulations such as tax laws, business laws, environmental laws and mining laws, affecting the Company's business in that country. Any changes in regulations or shifts in political conditions are beyond the control of the Company and may adversely affect its business, or if significant enough, may make it impossible to continue to operate in that country. Operations may be affected in varying degrees by government regulations with respect to restrictions on production, price controls, foreign exchange restrictions, export controls, income taxes, and expropriation of property, environmental legislation and mine safety.

The Company currently has 2 property interests in Peru: Santander mine and the Huampar project (which is a non-material). The status of Peru as a developing country may make it more difficult to obtain any required exploration financing for projects. The effect of all of these factors cannot be accurately predicted. There is the risk of political violence and increased social tension in Peru as a result of the increased civil unrest, crime and labour unrest. Roadblocks by members of the local communities, unemployed people and unions can occur on most national and provincial routes without notice.

Dependence Upon Others and Key Personnel: The success of the Company's operations will depend upon numerous factors, many of which are beyond the Company's control, including (i) the ability to design and carry out appropriate exploration programs on its mineral properties; (ii) the ability to produce minerals from any mineral deposits that may be located; (iii) the ability to attract and retain additional key personnel in exploration, marketing, mine development and finance; and (iv) the ability and the operating resources to develop and maintain the properties held by the Company. These and other factors will require the use of outside suppliers as well as the talents and efforts of the Company and its consultants and employees. There can be no assurance of success with any or all of these factors on which the Company's operations will depend, or that the Company will be successful in finding and retaining the necessary employees, personnel and/or consultants in order to be able to successfully carry out such activities.

Currency Fluctuations: The Company presently maintains its accounts in Canadian dollars. Due to the nature of its operations in Peru, the Company also maintains accounts in U.S. dollars and Peruvian nuevo soles. The Company's operations in Peru and its proposed exploration expenditures in such countries are denominated in either local currencies or U.S. dollars, making it subject to foreign currency fluctuations.

Such fluctuations are out of the Company's control and may materially affect the Company's financial position and results.

Surface Rights and Access: Although the Company acquires the rights to some or all of the minerals in the ground subject to the tenures that it acquires, or has a right to acquire, in most cases it does not thereby acquire any rights to, or ownership of, the surface to the areas covered by its mineral tenures. In such cases, applicable mining laws usually provide for rights of access to the surface for the purpose of carrying on mining activities, however, the enforcement of such rights can be costly and time consuming. In areas where there are no existing surface rights holders, this does not usually cause a problem, as there are no impediments to surface access. However, in areas where there are local populations or land owners (as with many of the Company's properties), it is necessary, as a practical matter, to negotiate surface access. There can be no guarantee that, despite having the right at law to access the surface and carry on mining activities, the Company will be able to negotiate a satisfactory agreement with any such existing landowners/occupiers for such access, and therefore it may be unable to carry out mining activities. In addition, in circumstances where such access is denied, or no agreement can be reached, the Company may need to rely on the assistance of local officials or the courts in such jurisdiction. The Company has not yet been successful in negotiating any formal surface access agreements.

Title Matters: Although the Company has taken steps to verify the title to the mineral properties in which it has or has a right to acquire an interest in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee title (whether of the Company or of any underlying vendor(s) from whom the Company may be acquiring its interest). Title to mineral properties may be subject to unregistered prior agreements or transfers, and may also be affected by undetected defects or the rights of indigenous peoples. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties for which titles have been issued are in good standing. The process of acquiring exploration concessions involves an application process (which can be quite lengthy) and, until title to an exploration concession is actually granted, there can be no assurance that an exploration concession which has been applied for will be granted (especially as it is not always possible to determine if there are prior applications over the same ground). Many of the exploration concessions for which the Company (or the optionee(s) from whom it holds an option to acquire an interest in an exploration concession) has applied in Peru and the Company cannot provide any estimate of the time likely to complete any such applications or the likelihood of any of such applications being granted.

Exploration and Mining Risks**:** Fires, power outages, labour disruptions, flooding, explosions, cave-ins, landslides and the inability to obtain suitable or adequate machinery, equipment or labour are other risks involved in the operation of mines and the conduct of exploration programs. Substantial expenditures are required to establish reserves through drilling, to develop metallurgical processes, to develop the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineralized deposit, no assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations or that funds required for development can be obtained on a timely basis. The economics of developing mineral properties is affected by many factors including the cost of operations, variations of the grade of mineralized material mined, fluctuations in the price of gold or other minerals produced, costs of processing equipment and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals and environmental protection. In addition, the grade of mineralization ultimately mined may differ from that indicated by drilling results and such differences could be material. Short term factors, such as the need for orderly development of mineralized material bodies or the processing of new or different grades, may have an adverse effect on mining operations and on the results of operations. There can be no assurance that minerals recovered in small scale laboratory tests will be duplicated in large scale tests under on-site conditions or in production scale operations. Material changes in geological resources, grades, stripping ratios or recovery rates may affect the economic viability of projects.

***Regulatory Requirements*:** As stated above, the activities of the Company are subject to extensive regulations governing various matters, including environmental protection, management and use of toxic substances and explosives, management of natural resources, exploration, development of mines, production and post-closure reclamation, exports, price controls, taxation, regulations concerning business dealings with indigenous peoples, labour standards on occupational health and safety, including mine safety, and historic and cultural preservation. Failure to comply with applicable laws and regulations may result in civil or criminal fines or penalties, enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions, any of which could result in the Company incurring significant expenditures. The Company may also be required to compensate those suffering loss or damage by reason of a breach of such laws, regulations or permitting requirements. It is also possible that future laws and regulations, or more stringent enforcement of current laws and regulations by governmental authorities, could cause additional expense, capital expenditures, restrictions on or suspension of the Company's operations and delays in the exploration and development of the Company's properties.

Uncertainty of Resource Estimates/Reserves: Unless otherwise indicated, mineralization figures presented in the Company's filings with securities regulatory authorities, press releases and other public statements that may be made from time to time are based upon estimates made by Company personnel and independent geologists. These estimates are imprecise and depend upon geological interpretation and statistical inferences drawn from drilling and sampling analysis, which may prove to be unreliable. There can be no assurance that:

- these estimates will be accurate;
- reserves, resource or other mineralization figures will be accurate; or
- this mineralization could be mined or processed profitably.

Because the Company has not commenced production at all of its properties, and has not defined or delineated any proven or probable reserves on any of its properties, mineralization estimates for the Company's properties may require adjustments or downward revisions based upon further exploration or development work or actual production experience. In addition, the grade of mineralized material ultimately mined, if any, may differ from that indicated by drilling results. There can be no assurance that minerals recovered in small-scale tests will be duplicated in large-scale tests under on-site conditions or in production scale. The resource estimates contained in the Company's filings with securities regulatory authorities, press releases and other public statements that may be made from time to time have been determined and valued based on assumed future prices, cut-off grades and operating costs that may prove to be inaccurate. Extended declines in market prices for zinc, silver, copper, iron or other metals may render portions of the Company's mineralization uneconomic and result in reduced reported mineralization. Any material reductions in estimates of mineralization, or of the Company's ability to extract this mineralization, could have a material adverse effect on the Company's results of operations or financial condition. The Company has not established the presence of any proven or probable reserves at any of its mineral properties. There can be no assurance that subsequent testing or future studies will establish any proven or probable reserves at the Company's properties. The failure to establish proven or probable reserves could restrict the Company's ability to successfully implement its strategies for long-term growth.

No Assurance of Profitability: The Company has had over one year of continuous earnings and, due to the nature of its business there can be no assurance that the Company can sustain its earnings. The Company has not paid dividends on its shares since incorporation and does not anticipate doing so in the foreseeable future. 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; however, there

can be no assurance that such financings will be available on a timely basis under terms acceptable to the Company.

Uninsured or Uninsurable Risks: The Company may become subject to liability for pollution or hazards against which it cannot insure or against which it may elect not to insure where premium costs are disproportionate to the Company's perception of the relevant risks. The payment of such insurance premiums and of such liabilities would reduce the funds available for exploration and production activities.

Enforcement of Civil Liabilities**:** As part of the assets of the Company and its subsidiaries are located outside of Canada and the United States, and certain of the directors and officers of the Company are resident outside of Canada and/or the United States, it may be difficult or impossible to enforce judgments granted by a court in Canada or the United States against the assets of the Company and its subsidiaries or the directors and officers of the Company residing outside of such country.

Please also refer to the Company's 2015 Annual Information Form filed on SEDAR for a discussion of additional "Risk Factors".

Cautionary Note Regarding Forward Looking Statements

Statements contained in this MD&A that are not historical facts are forward-looking statements (within the meaning of the Canadian securities legislation and the *U.S. Private Securities Litigation Reform Act of 1995*) that involve risks and uncertainties. Forward-looking statements include, but are not limited to, statements with respect to the future price of metals; the estimation of mineral reserves and resources, the realization of mineral reserve estimates; the timing and amount of estimated future production, costs of production, and capital expenditures; costs and timing of the development of new deposits; success of exploration activities, permitting time lines, currency fluctuations, requirements for additional capital, government regulation of mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims, limitations on insurance coverage and the timing and possible outcome of pending litigation. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

Such risks and other factors include, among others, risks related to the integration of acquisitions; risks related to operations; risks related to joint venture operations; actual results of current exploration activities; actual results of current reclamation activities; conclusions of economic evaluations; changes in project parameters as plans continue to be refined; future prices of metals; possible variations in ore reserves, grade or recovery rates; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the mining industry; delays in obtaining governmental approvals or financing or in the completion of development or construction activities, as well as those factors discussed in the sections entitled "Risk Factors" in this document. Although the Company has attempted to identify important factors that could affect the Company and may cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The forward-looking statements in this MD&A speak only as of the date hereof.

Forward-looking statements and other information contained herein concerning the mining industry and general expectations concerning the mining industry are based on estimates prepared by the Company using data from publicly available industry sources as well as from market research and industry analysis and on assumptions based on data and knowledge of this industry which the Company believes to be reasonable. However, this data is inherently imprecise, although generally indicative of relative market positions, market shares and performance characteristics. While the Company is not aware of any misstatements regarding any industry data presented herein, the industries involve risks and uncertainties and are subject to change based on various factors.

Various factors or assumptions are typically applied by the Company in drawing conclusions or making the forecasts, projections, predictions or estimations set out in forward-looking statements based on information currently available to the Company. These factors and assumptions include, but are not limited to:

- the success of the Company's operations;
- prevailing commodity prices and exchange rates;
- the availability of capital to fund future capital requirements relating to the Company's existing assets and projects, including but not limited to future capital expenditures relating to expansion, upgrades and maintenance shutdowns;
- future operating costs of the Company's assets; and
- prevailing regulatory, tax and environmental laws and regulations.

Mineral resources are not mineral reserves and do not have demonstrated economic viability. Inferred mineral resources are estimated on limited information not sufficient to verify geological and grade continuity or to allow technical and economic parameters to be applied. Inferred mineral resources are too speculative geologically to have economic considerations applied to them to enable them to be categorized as mineral reserves. There is no certainty that mineral resources can be upgraded to mineral reserves through continued exploration.

NON-IFRS MEASURES

This MD&A refers to site cash operating costs per pounds of payable zinc produced and total cash operating costs, which are not recognized measures under IFRS. Such Non-IFRS financial measures do not have any standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. Management uses these measures internally. The use of these measures enables management to better assess performance trends. Management understands that a number of investors, and others who follow the Company's performance, also assess performance in this way. Management believes that these measures reflect the Company's performance and are better indications of its expected performance in future periods. This data is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

The Company uses those measures internally to evaluate the underlying operating performance of the Company for the reporting periods presented. The Company believes that providing site cash operating and total cash cost per zinc equivalent pounds of payable produced allows the ability to better evaluate the results of the underlying business of the Company.

The following tables reconcile these non-IFRS measures to the most directly comparable IFRS measures:

<u>Site cash operating cost per ZnEq Payable Pounds Produced</u>

Site cash operating cost per zinc equivalent pounds of payable produced include mine site operating costs such as mining, processing, administration, and indirect charges as surface maintenance and camp expenses, but are exclusive of royalties, smelting, refining and freight costs, depreciation, amortization, reclamation, and capital and exploration costs.

	Three months ended December 31		Twelve months ended December 31	
	2015	2014	2015	2014
Expressed in thousands of dollars except pounds and per pounds amounts				
Production Costs	$ 11,790	$ 8,852	$ 43,305	$ 37,070
Inventory Sales Adjustment	(1,173)	-	(872)	-
Cash production costs	$ 10,617	$ 8,852	$ 42,433	$ 37,070
Divided by pounds of payable zinc equivalent produced	24,497,894	21,803,313	101,648,053	91,474,651
Site cash operating cost per pounds of payable zinc equivalent produced (CAD$)	$ 0.43	$ 0.41	$ 0.42	$ 0.41
Average exchange rate (CAD$1 – US$)	0.75	0.91	0.78	0.91
Site cash operating cost per pounds of payable zinc equivalent produced (US$)	$ 0.32	$ 0.37	$ 0.33	$ 0.37

Total cash costs per ZnEq Payable Pounds Produced:

Total cash costs per zinc equivalent pounds of payable produced include mine site operating costs as calculated above, royalties, smelting, refining and freight costs, but are exclusive of depreciation, amortization, reclamation, and exploration costs.

	Three months ended December 31		Twelve months ended December 31	
	2015	2014	2015	2014
Expressed in thousands of dollars except pounds and per pounds amounts				
Production Costs	$ 11,790	$ 8,852	$ 43,305	$ 37,070
Smelting, refining and freight	9,388	7,534	39,071	30,998
Royalty expenses	(112)	496	1,726	2,407
Capital sustaining costs	3,479	2,428	13,891	12,236
Inventory Sales Adjustment	(1,173)	-	(872)	-
Total site cash operation cost	$ 23,372	$ 19,310	$ 97,121	$ 82,711
Divided by pounds of payable zinc equivalent produced	24,497,894	21,801,313	101,648,053	91,474,651
Total cash cost per pounds of payable zinc equivalent produced (CAD$)	$0.95	$ 0.89	$0.96	$ 0.90
Average exchange rate (CAD$1 – US$)	0.75	0.91	0.78	0.91
Total cash cost per pounds of payable zinc equivalent produced (US$)	$ 0.72	$ 0.80	$ 0.75	$ 0.82

Site cash operating cost per tonne milled:

Site cash operating cost per tonne milled include mine site operating costs such as mining, processing, administration, and indirect charges as surface maintenance and camp expenses, but are exclusive of royalties, smelting, refining and freight costs, depreciation, amortization, reclamation, and capital and exploration costs.

	Three months ended December 31		Twelve months ended December 31	
	2015	2014	2015	2014
Expressed in thousands of dollars except tonnes and per tonnes amounts				
Production Costs	$ 11,790	$ 8,852	$ 43,305	$ 37,070
Inventory Sales Adjustment	(1,173)	-	(872)	-
Cash production costs	$ 10,617	$ 8,852	$ 42,433	$ 37,070
Divided by tonnes milled	204,999	185,862	778,151	709,140
Site cash operating cost per tonnes milled (CAD$)	$ 51.60	$ 50.85	$ 54.53	$ 52.27

Average exchange rate (CAD$1 – US$)	0.75	0.91	0.78	0.91
Site cash operating cost per tonnes milled (US$)	$ 38.70	$ 43.12	$ 42.65	$ 47.33