# TREVALI MINING CORPORATION
# (A Development Stage Company)

## Management Discussion and Analysis

**For the three and nine months period ending September 30, 2014**

**Dated November 14, 2014**

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## INTRODUCTION

This Management Discussion & Analysis ("MD&A") for Trevali Mining Corporation (the "Company" or "Trevali") for the three and nine months period ended September 30, 2014 has been prepared by Management, in accordance with the requirements of National Instrument 51-102 ("NI 51-102"), as of November 14, 2014, and compares its financial results for the three and nine months period ended September 30, 2013. 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, 2013 and 2012, 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 potential 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 the 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 produce minerals from its properties successfully or profitably, to continue its projected growth, to raise the necessary capital or to be fully able to implement its 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. In particular, the current state of the global securities markets may cause significant fluctuations and/or reductions in the price of the Company's securities and render it difficult or impossible for the Company to raise the funds necessary to continue operations. See "Risk Factors – Insufficient Financial Resources/Share Price Volatility".

**External Technical Reports and Experts**

Estimates contained in the NI 43-101 technical report prepared for the Santander Property were prepared by Golder Associates Ltd. ("Golder"). 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 NI 43-101 technical reports prepared for each of the Stratmat Property, the Halfmile Property, the Ruttan Property and the Preliminary Economic Assessment ("PEA") encompassing the technical reports for the combined Halfmile and Stratmat Properties were prepared by Wardrop Engineering Inc., a subsidiary of Tetra Tech ("Tetra Tech Wardrop"). 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.

Estimates contained in the currently filed NI 43-101 technical report prepared for the Caribou Property and the PEA were prepared by SRK Consulting (Canada) Inc. ("SRK") in January 2013 and May 2014. 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. Please also see subsequent events.

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 are filed with respect to the Company's mineral properties.

**Internal Qualified Person and Quality Control/Quality Assurance**

EurGeol Dr. Mark D. Cruise, Trevali's President and CEO and a qualified person as defined by NI 43-101, has 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.

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 & CEO, Paul Keller, COO, Dayle Rusk, Director Geology 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 ACME's preparation facility in Val D'Or, Quebec, then forwarded to Vancouver, British Columbia for assay. SGS and ACMEs 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.

**2014 in review – Highlights for the Quarter**

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

During the quarter the Company increased its 2014 full-year Santander production guidance estimate to approximately 47-50 million (previously 42-45 million) pounds of payable zinc, 20-23 million (previously 15-17 million) pounds of payable lead and 820,000 to 850,000 (previously 700,000-720,000) ounces of payable silver. Average head grades remain unchanged and are estimated at 4.0% to 4.2% zinc, 1.5% to 1.7% lead and 1.4 oz/ton to 1.6 oz/ton silver. Please see Cautionary Note Regarding our Forward Looking Statements at the end of this document.

The Company continued to expand upon the newly discovered Fatima North and South polymetallic zones at the Magistral Central deposit of the Santander Mine. Based on the most recent drilling, the Fatima Zones trend sub-perpendicular to the main Magistral Central deposit. Fatima North is better defined and has current dimensions of 60 metres (west-east), it is approximately 6-metres thick and extends at least 150-metres down-dip. In detail widths vary from approximately 1 meter to in excess of 13 metres wide with grades ranging from 2.78 to 6.63% Zn, 0.8 to 4.07% Pb and 1.39 to 10.06 oz/ton Ag. Similar to the Rosa Zone, the Fatima Zones are thought to represent a later-stage, overprinting phase of replacement mineralization along a set of roughly east-west trending feeder structures/veins.

Both zones are located in the footwall and within / subjacent to the existing underground development and are readily accessible for incorporation into the Santander mine plan. They remain open for expansion at depth. The Company has mobilized two underground and one surface drill rigs to site and an approximate 5,000-metre drill campaign is in progress to further explore and define the newly discovered Fatima and Rosa Zones. In addition the drilling will provide deeper in-fill definition information on the Magistral deposits in order to facilitate long range mine-planning

During the 9 month period of this year, Santander produced the following production and sales results (please see non-IFRS section at the end of this MD&A):

**2014 Santander Production Statistics**

| | Q1-2014 | Q2-2014 | Q3-2014 | YTD |
|---|---|---|---|---|
| Tonnes Mined | 156,030 | 152,733 | 164,911 | 473,674 |
| Tonnes Milled | 173,820 | 175,384 | 174,075 | 523,279 |
| Average Head Grades % | | | | |
| Zinc | 4.76% | 4.20% | 4.40% | 4.45% |
| Lead | 1.90% | 1.42% | 2.11% | 1.81% |
| Silver - Oz (ounces)/ton | 1.97 | 1.44 | 1.61 | 1.67 |
| Average Recoveries % | | | | |
| Zinc | 87% | 88% | 88% | 88% |
| Lead | 86% | 84% | 83% | 84% |
| Silver | 74% | 70% | 74% | 73% |
| Concentrate Produced DMT (dry metric tonne): | | | | |
| Zinc | 15,640 | 13,048 | 13,466 | 42,154 |
| Lead | 4,510 | 3,680 | 5,370 | 13,560 |
| Concentrate Grades % | | | | |
| Zinc | 50% | 49% | 50% | 50% |
| Lead | 58% | 57% | 56% | 57% |
| Ag - Oz/ton | 55.28 | 48.84 | 39.0 | 47.70 |
| Payable Production: | | | | |
| Zinc lbs (pounds) | 14,597,890 | 12,044,583 | 12,589,624 | 39,232,097 |
| Lead lbs (pounds) | 5,466,351 | 4,420,428 | 6,307,263 | 16,194,042 |
| Silver Oz | 268,600 | 186,824 | 217,648 | 673,072 |
| Cash Cost per Equivalent Payable Zinc lb Produced (USD$)[1-2] | $ 0.33 | $ 0.39 | $ 0.40 | $ 0.37 |
| Cash Cost per Tonne Milled (USD$)[2] | $ 50.17 | $ 45.12 | $ 52.05 | $ 49.28 |

[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] Refer to non-IFRS measure at the end of this document.

**Santander Sales Summary in USD:**

| | Q1-2014 | Q2-2014 | Q3-2014 | YTD |
|---|---|---|---|---|
| Zinc Concentrate (DMT) | 13,790 | 13,019 | 14,834 | 41,643 |
| Lead Concentrate (DMT) | 4,330 | 3,556 | 5,414 | 13,300 |
| Payable Sold Zinc lbs | 12,696,380 | 11,760,521 | 13,593,266 | 38,050,167 |
| Payable Sold Lead lbs | 5,196,480 | 4,179,783 | 6,381,882 | 15,758,145 |
| Payable Sold Silver Oz | 249,425 | 180,795 | 228,219 | 658,439 |
| Total Concentrate Revenues | $ 21,849,500 | $ 18,242,806 | 25,091,543 | 65,183,849 |
| Average Realized Metal Price: | | | | |
| Zinc | $ 0.92 | $ 0.92 | $ 1.02 | $ 0.96 |
| Lead | $ 0.97 | $ 0.95 | $ 1.00 | $ 0.98 |
| Silver | $ 20.44 | $ 19.55 | $ 19.79 | $ 19.94 |
| Zinc Equivalent lb Sold[3] | 23,657,000 | 19,866,662 | 24,188,778 | 67,712,440 |
| Zn Equivalent lbs Payable Produced[1] | 26,244,980 | 20,528,315 | 22,898,043 | 69,671,338 |

[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.

[3] ZnEq Payable Pounds Sold=((Zn Payable lbs Sold*Zn Price)+(Pb Payable lbs Sold*Pb Price)+(Ag oz Payable Sold*Ag Price))/Zn Price.

During the quarter the Company's contract miner, Glencore subsidiary, Los Quenuales, mined 164,911 tonnes from the Magistral deposits and processed 174,075 tonnes of mineralized material through the Mill at average head grades of 4.40% zinc, 2.11% lead and 1.61 ounces per ton silver to produce 13,466 tonnes of zinc and 5,370 tonnes of lead-silver concentrate. Mill availability was 97% during the period with average Mill recoveries of 88% zinc, 83% lead and 74% silver respectively.

The Company shipped and sold 14,834 tonnes of zinc concentrates containing 13,593,266 pounds of payable zinc and 5,414 tonnes of lead-silver concentrates containing 6,381,882 pounds of payable lead and 228,219 ounces of payable silver.

The Company had gross revenues of $28 million for the quarter. Income from mining operations was $5 million and the net income for the third quarter was $1.6 million. It is anticipated that income from mining operations will continue to increase going forward as the Company commences exploiting significantly thicker zones of mineralization, including the newly discovered Rosa zone. Ongoing site optimization and strengthen commodity prices, in particular Zn also has the potential to increase revenues going forward.

All concentrates are purchased by Glencore under our offtake agreement. Provisional realized commodity prices in USD were $1.02 per pound zinc, $1.00 per pound lead and $19.79 per ounce silver.

Site cash operating costs during the third quarter was USD $0.40 per zinc equivalent pound produced.

**In New Brunswick** the Company advanced surface, underground and mill construction and refurbishment at its Caribou Project which remains on schedule and budget for start-up commissioning during the first half of 2015.

Ongoing resource expansion and definition drilling at the Companies advanced Stratmat deposit continued to return favorable results with the discovery of a potentially significant new zone of mineralization strategically located between the currently defined Main and S1 Zones. To date seven drill holes have tested the new zone and have intersected semi-massive to massive sulphide intervals with core length intercepts ranging from sub-meter to 79.2 metres within which approximately 52 metres returned 1.05% Cu and 0.27 g/t Au. The new zone remains open for expansion.

**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 and an interest in one producing property in Peru with an option on a second Peruvian property. The Company's common shares trade on the TSX under the symbols TV and are also listed for trading on the Lima Exchange under the symbol TV, on the Frankfurt Exchange under the 4T1 symbol and on the OTCQX under the TREVF trading symbol.

The Company acquired the Santander zinc-lead-silver mine in Peru, through a 50-year assignment agreement dated December 11, 2007 with Compania Minerales Santander S.A.C. ("Santander"). The Santander mine was formerly a producing mine and the Company put the mine back into commercial production on January 31, 2014. The Property is accessible by road from Lima via the town of Canta to Santander, a distance of approximately 215 kilometres. The current infrastructure is comprised of a modern camp and associated support facilities, a 2,000 tonne per day zinc-lead-silver mine and tailings impoundment, and an associated concentrate processing plant.

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 include 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"), a private company located in New Brunswick, Canada by way of a three cornered amalgamation. This acquisition provided Trevali with a 3,000 tonne-per-day processing plant including a metallurgical and geochemical laboratory, a permitted tailings treatment facility and the former Caribou base metal mine.

The following table discloses the Company's NI 43-101 compliant resource estimate.

**Table 1: 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** |
| **Total Indicated** | **19,756,000** | | | | | | **2,737** | **1,004** | **109** | **34.5** |
| | | | | | | | | | | |
| **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 | 5,524,000 | 6.11 | 2.59 | 0.40 | 54 | 0.6 | **744** | **315** | **49** | **9.6** |
| 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** | | | | | | **4,250** | **908** | **638** | **32.2** |

Please refer to Disclosures for important items relating to the resource estimates.

## Disclosure

Trevali's production plans at Caribou, Halfmile-Stratmat and Santander are based only on Indicated and Inferred Mineral Resources 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-Stratmat PEA 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 May 2014. 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.

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

At Santander the Company will continue to optimize underground operations during the forthcoming quarters in order to maximize operational efficiencies. An approximate 5,000 meter, predominantly underground, drill program is in progress in order to convert inferred tonnes to a higher confidence category for addition into the Santander mine plan and to continue to define and potentially expand the newly discovered Magistral Norte-Rosa and Magistral Central-Fatima lead-silver-zinc zones to depth.

In Canada, both surface and underground rehabilitation and construction at the Caribou Mine and Mill complex will continue to advance the project towards anticipated production during the first half of 2015. At the Stratmat project it is expected that the Company will complete its ~30,000 metre resource conversion and expansion program by end-of-year, following which it is anticipated that an updated resource estimate will be completed upon receipt of final assays and required data.

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 property, plant and equipment accordingly. As well, the Company also continues to review opportunities and submissions where there is potential for either an opportunity to realize a significant increase in value for shareholders.

**OPERATIONS**

**PERU**

**Santander Mine**

The Santander operations team has finalized and implemented modifications to the Magistral mine plan to encompass significantly thicker zones of mineralization in Magistral Norte-Rosa and Central zones at lower planned mining levels currently being extracted.

During the year average exploited mineral widths have increased from approximately 8 meters wide to in excess of 15 to +25 meters wide as production accesses thicker zones of mineralization at Magistral North, Central and the newly discovered Rosa Zone. Production during the final quarter will be predominantly comprised of Magistral North/Rosa and Magistral South mineralization and is anticipated to result in the delivery of higher Pb and Ag grades to the Mill in line with the recently updated full year guidance ranges. Approximately 3,500 metres of the planned 5000 metre resource definition has been completed to date.

**CANADA**

**New Brunswick**

**Caribou Mill and Mine**

Detailed engineering and associated work programs at the Caribou Mine and Mill continue to advance and the Company is extremely pleased with progress to date.

Dewatering of the underground workings is ongoing and additional pumps have been installed to increase capacity to the maximum 600 gallon-per-minute level. Underground rehabilitation is currently significantly ahead of schedule due to better than anticipated ground conditions. There are currently 4 levels fully refurbished and available for production in 2015 and the Company has mobilized additional mining crews in order to provide operational flexibility and maximize areas available for mining operations. Rehabilitation of the mine service accesses, raises, portal and ramp has been completed to the current dewatered level. Main dewatering and electrical supply to the underground has been restored.

The SAG mill replacement has commenced and is on track for completion in early 2015.

**Halfmile Mine**

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

**Stratmat Exploration Project**

During the quarter, 8,229 meters in 23 holes of diamond drilling was completed on the Stratmat Property. Assay results are pending.

The Stratmat drilling and ongoing technical programs form a portion of the study and review process into potential long term Bathurst Mining Camp strategy, including the possibility for a second stand-alone milling facility to support development of the Company's fully-permitted Halfmile Mine and the Stratmat Deposit.

## EXPLORATION

### Ruttan Copper Project, Manitoba, Canada

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

### Huampar Project, Peru

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

Values of exploration properties as at September 30, 2014:

| | Stratmat (Canada) | Huampar (Peru) | Brooks (Canada) | Ruttan Bill Copper (Canada) | Other (Canada) | Exploration and evaluation assets |
|---|---|---|---|---|---|---|
| Net book value, September 30, 2014 | $ 6,605 | $ 1,870 | $ 287 | $ 1,227 | $ 15 | $ 10,004 |

## SELECTED ANNUAL INFORMATION

See annual management discussion and analysis for the fiscal year ended December 31, 2013 dated March 28, 2014 and available at www.sedar.com.

## DISCUSSION OF OPERATIONS

Three months ended September 30, 2014 compared with three months ended September 30, 2013
Expressed in thousands of Canadian Dollars, except for share and per share amounts

During the three months ended September 30, 2014, the Company recorded net income of $1,589 compared to a loss of $1,874 in the same period of the prior year, or a basic income of $0.01 per share (2013 - loss of $0.01). The increase in operating income is due to the Company's Santander mine commencing the production phase at January 1, 2014. During the third quarter, the Company produced 22,897,955 pounds of Zinc equivalent payable pounds and sold 24,188,778 pounds of zinc equivalent payable pounds produced in Q3-2014 plus inventory held from Q2-2014. Income from mining operations was $4,971 during the third quarter (2013 - $Nil).

Revenues of $27,959 (2013 - $Nil) are from the sale of 14,834 tonnes of zinc concentrates containing 13.6 million pounds of payable zinc and 5,414 tonnes of lead-silver concentrates containing 6.4 million pounds of payable lead and 228,219 ounces of payable silver. Provisional realized commodity prices in USD were $1.02 per pound zinc, $1.00 per pound lead and $19.79 per ounce silver at a US to CAD foreign exchange of 1.0942.

Total mine operating expenses of $22,988 (2013 - $Nil) related to the sale of concentrate to Glencore at market prices. Costs consisted of direct site production costs of $9,914 related to mining, milling and camp, lab and surface maintenance facilities. Smelting, refining and freight costs were $9,553 and royalty expense were $790. The Company also charged $2,731 of depreciation and amortization. There were no such operating costs in the prior comparable period as the mine was not yet in the production phase. The Company's site operating cash cost was USD $0.40 per Zinc equivalent payable pound produced. Unit costs per tonne milled were higher than in prior quarters as a result of lower throughput as the Company continued to modify its Mine Plan to encompass thicker zones of mineralization in addition to carrying out preventive maintenance of one of the Mills during the month of September which resulted in temporarily lower Mill throughputs. Maintenance is now complete and the Plant is operating at full capacity.

General and administrative expenses were $1,410 (2013 - $1,119). The majority of the increase relates to higher office expenses of $286 (2013 - $181) related to the settlement payment of a former employee and improvement of the accounting system at the Peruvian subsidiary. Consulting fees of $642 (2013 - $524) increase due to the vesting of 2013 and 2014 options and RSUs during the quarter.

Other items include a loss on foreign exchange of $43 (2013 - $657) which was the result of the change in the value of Peruvian Nuevo Sol and Canadian dollar relative to the United States dollar. Interest expense of $1,696 (2013 - $174) also increased due to interest accretion on the financial lease on the Santander Plant as discussed in Notes 7 and 9 of the Company's Q3-2014 condensed consolidated financial statements. In addition, interest expense on the Company's loans related to Santander which was previously capitalized in Q3-2013 during the pre-production phase is now being expensed.

Deferred income tax expense of $344 (2013 – recovery of $161) is the result of the reduction in tax value of tax pools and deferred income tax on flow-through spending which were less in Q3-2014 versus a gain on expiry of warrants recorded in Q3-2013.

Nine months ended September 30, 2014 compared with nine months ended September 30, 2013
Expressed in thousands of Canadian Dollars, except for share and per share amounts

During the nine months ended September 30, 2014, the Company recorded a loss of $2,301 compared to a loss of $5,249 in the same period of prior year, or a loss of $0.01 per share (2013 – loss of $0.03).

The decrease the loss is a result of the following factors:

Revenues of $71,932 (2013 - $Nil) due to the sale of 41,643 tonnes of zinc concentrates containing 38 million pounds of payable zinc and 13,300 tonnes of lead-silver concentrates containing 15.8 million pounds of payable lead and 658,439 ounces of payable silver. Realized commodity prices in USD were $0.96 per pound zinc, $0.98 per pound lead and $19.94 per ounce silver at a US to CAD foreign exchange of 1.0942. There were no revenues in the prior period.

Total mine operating expenses of $61,233 (2013 - $Nil) related to the sale of concentrate to Glencore. Costs consisted of direct site production costs of $28,218 related to mining, milling and camp, lab and surface maintenance facilities. Smelting, refining and freight costs were $23,464 and royalty expense were $1,911. The Company also charged $7,640 of depreciation and amortization. There were no such operating costs in the prior comparable period as the mine was not yet in production. The Company's site operating cash cost was USD $0.37 per zinc equivalent payable produced for the nine month period ended September 30, 2014. Please refer to non-IFRS measure section of this MD&A.

Other items include a loss on foreign exchange of $681 (2013 - $158) as a result of the change in the value of Peruvian Nuevo Sol and Canadian dollar relative to the United States dollar. The sale of the Company hydroelectric asset through its wholly owned subsidiary, during the current period which created a loss of $3,219 (2013 - $Nil) from the Company's decision to focus on the mining projects. And interest expense of $4,505 (2013 - $512) increased due to interest accretion on the financial lease on the Santander Plant as discussed in Notes 7 and 9 of the Company's Q3-2014 condensed consolidated financial statements and due to prior period interest expenses being capitalized before Santander declared commercial production.

Deferred income tax expense of $1,021 (2013 –$560) is the result of the reduction in tax value of tax pools and deferred income tax on flow-through spending that was offset by a gain on expiry of warrants in the same period in 2013.

## QUARTERLY FINANCIAL INFORMATION (Unaudited)

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 September 30, 2014 | Three Months Ended June 30, 2014 | Three Months Ended March 31, 2014 | Three Months Ended December 31, 2013 |
|---|---|---|---|---|
| Total assets | $ 429,025 | $ 423,762 | $ 419,635 | $ 390,035 |
| Working capital (deficiency) | 45,254 | 54,607 | (4,297) | (4,971) |
| Net income (loss) for the period | 1,589 | (4,138) | 611 | (10,222) |
| Basic and diluted gain (loss) per share | 0.01 | (0.01) | (0.01) | (0.04) |

| | Three Months Ended September 30, 2013 | Three Months Ended June 30, 2013 | Three Months Ended March 31, 2013 | Three Months Ended December 31, 2012 |
|---|---|---|---|---|
| Total assets | $ 343,371 | $ 329,526 | $ 309,814 | $ 294,493 |
| Working capital | (36,374) | (20,880) | (16,262) | (16,785) |
| Net income (loss) for the period | (1,874) | (762) | (1,275) | (1,594) |
| Basic and diluted gain (loss) per share | $ (0.01) | $ (0.01) | $ (0.01) | $ (0.008) |

Continued investment in the Company's mining projects accounts for quarter to quarter increase in total assets. In 2012, significant capital expenditures related to the Santander and Halfmile projects increased the assets. In Q4-2012, the asset increase relates primarily to the acquisition of Maple. In 2013, the asset increase mainly relates to the completion and commissioning of the mine development at Santander. The increase in 2014 relates to the recognition of the plant at Santander and capitalization of underground development.

For 2012, the Company also carried a working capital deficiency as a result of the loan with Sprott Resource Lending Partnership and Glencore working capital facility as discussed in Notes 15 and 17 of the audited financial statements for the year ended December 31, 2012. The Sprott Loan was fully repaid in Q2-2013.

Also during Q4-2013, the Company closed a $46 million public offering of its shares that significantly decreased the working capital deficiency at December 31, 2013.

Up to Q1-2014, the Company carried a working capital deficiency as a result of the RMB mezzanine bridge facility and the current portion of the Glencore working capital facility and the current portion of the finance lease related to the plant recognition as discussed in Notes 8, 9 and 10 of the condensed consolidated financial statements. As of September 30, 2014 the Company as a positive working capital following the closing of the long term senior secured notes during in Q2-2014 which allowed repayment of the current loans with RMB and the convertible debenture with Glencore.

A significant loss occurred in Q4-2013 as a result of a write-down of the Ruttan and Bill-Copper exploration properties from the Company's focus on the mining projects. During Q1-2014 the Company declared commercial production at its Santander mine and has shown net income for both for Q1-2014 and Q3-2014. The Company recognized a loss from the sale of its interests in Tingo in Q2-2014, which resulted in a net loss for the in Q2-2014.

## LIQUIDITY AND CAPITAL RESOURCES

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

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

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

During the nine months period ended September 30, 2014, 1,000,000 warrants were exercised at an exercise price of $1.00 for gross proceeds of $1,000. Additionally, 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 ("Unit") consisting of 12.5% Senior Secured 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 consists of $1 principal amount of Notes and 123.2 warrants. Each whole warrant shall entitle the holder thereof, subject to certain conditions, to purchase one Common Share at an exercise price of $1.26. The warrants expire on May 30, 2019. The Company has provided security on the loan facility in the form of a charge over substantially all of the Company's Canadian assets. The Secured Notes bear annual compounded interest at a rate of 12.5% and must be repaid in installments between the second and fourth anniversaries of the closing date. With the proceeds from the offering the Company repaid the RMB Resources Limited Bridge Facility of $30 million and the US$2 million convertible notes. The balance will be to fund Trevali's asset build-out of the Caribou Mine and Mill in New Brunswick; and for general corporate purposes.

Based on the refinancing of the debt facility (note 10) and positive cash flows from its Santander operation, the Company is expected to have sufficient resources to meet its committed expenditures for the next twelve months.

*During 2013, the Company raised approximately $62 million in new equity as follows:*

On February 15, 2013, 5,500 warrants were exercised at an exercise price of $1.10 for gross proceeds of $6.

On March 28, 2013, the Company closed a flow-through private placement financing, issuing 5,000,000 common shares on a "flow-through" basis under the *Income Tax Act* (Canada) ("Flow-through Shares") at a price of Cdn$1.00 per Flow-through Share for aggregate gross proceeds of Cdn$5,000. The offering was led by Raymond James Ltd. and included Fraser Mackenzie Limited. In connection with the offering, the underwriters received a cash commission of Cdn$225 and $45 of expenses reimbursement. All securities issued were subject to a four month and one day hold period. Additionally, the Company incurred share issuance costs of $57.

On June 12, 2013, the Company closed a private placement financing, issuing 18,171,700 common shares at a price of Cdn$0.60 per common share for aggregate gross proceeds of Cdn$10,903 all of which was recorded in capital stock. In connection with the offering, the underwriters received a cash commission of Cdn$545. The Company also incurred $160 in legal fees. All securities issued were subject to a four month and one day hold period.

On November 28, 2013, the Company closed a public offering of common shares, issuing 55,430,000 common shares at a price of $0.83 per share for aggregate gross proceeds of $46,007. In connection with the offering, the underwriters received a cash commission of $2,289 and $10 for expense reimbursement. The Company also incurred share issuance costs of $391.

The Company indicated in its short form prospectus (the "Prospectus") dated November 26, 2013 that the Company intended to use the net proceeds from the offering to pay expenses relating to the restart of the Caribou Property. To date the Company has spent $2,066 to the Caribou project, $1,539 to Halfmile property, and $8,850 remains in working capital. During the second quarter, the Company completed a PEA on its Caribou Property, adjusted its use of proceeds accordingly, to coincide with capital expenditures in this study.

*Other financing activities in 2013 included:*

On April 30, 2013, the Company closed a $30,000,000 mezzanine debt facility with RMB (the "RMB Bridge Facility") which was associated with the Company's previously contemplated and announced $60,000,000 RMB senior debt and precious metals facility. The Company repaid this loan on May 30, 2014 from the proceeds of its Senior Secured Notes offering.

On July 26, 2013, the Company settled $750 in debt outstanding by issuing 1,190,477 common shares at a price of $0.63 per share.

The Company relied, to date, principally upon the issuance of securities and debt financings to fund its operations. 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 Santander Mine in Peru, but there can be no assurance that such funding will be available on a timely basis under terms acceptable to the Company.

The business of mining and exploration involves a high degree of risk and there can be no assurance that current exploration programs or development plans will result in profitable mining operations. The Company has revenues generated from its Santander Property in Peru to support its operation, but not enough at this stage to finance its Canadian operations. The Company continues to have significant cash requirements in order to meet its project development costs and maintain its mineral property interests. 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 is currently examining all its sources and uses of its funds.

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 9 and 10 in the Company's condensed financial statements for the three and nine month period ended September 30, 2014.

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, of necessity, been required to accept lower rates of interest which has also lowered its potential interest income. Please also refer to Note 1 of the Company's 2014 September 30, 2014 condensed consolidated financial statements.

## 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 period ended September 30, 2014, 2014, the Company entered into the following transactions with related parties:

**Management compensation**

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

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

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

The amounts due to directors are unsecured, bear no interest and are due on demand. Please also refer to the Company's Management Information Circular filed on May 22, 2014 on SEDAR.

## CRITICAL ACCOUNTING ESTIMATES

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

## INTERNAL CONTROLS OVER FINANCIAL REPORTING ("IFRC")

Management is responsible for establishing and maintaining adequate ICFR. Any system of ICFR, no matter how well designed, has inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. There were no material changes in the Company's ICFR during the quarter ended September 30, 2014.

## DISCLOSURE OF OUTSTANDING SHARE DATA (as at November 14, 2014)

The Company's authorized capital consists of an unlimited number of common shares without par value, of which 281,448,855 are issued and outstanding as of the date of this MD&A. On a diluted basis the Company has 295,210,156 common shares outstanding, assuming the exercise of 9,468,000 outstanding warrants, and 4,293,301 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, will apply:

***Substantial Sums Owing to Glencore in relation to Santander Operations:*** In connection with the acquisition and development of the Santander Property, the Company has substantial indebtedness owing to Glencore and/or its subsidiary Los Quenuales. Such indebtedness is described in the Third Addendum. The Third Addendum confirms, among other things, 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.

***Operating Cash Flow:*** The Company announced on February 20, 2014 that its Santander Property had achieved "commercial production" and accordingly, the sale of concentrates from Santander will contribute positive operating cash flow. Going forward, it is anticipated short-to-medium term that, in aggregate, the Company will be cash flow negative as construction, development and commissioning of the Caribou mine and mill during 2014 and into 2015 proceeds

***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, 2013, the Company raised $61,909,920 in gross proceeds from the issuance of common shares. In addition, the Company completed $52.5 million in Senior Secured Notes in May 2014.

There are a number of risks which may have a direct impact on the Company's potential 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 price, 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 commence and continue operations to generate revenues or to obtain financing through joint ventures, debt financing, equity financing, 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, restart the Caribou Property, and advance the Stratmat Property to a production decision going forward. In addition, should the Company incur significant losses in future periods, it may be unable to continue as a going concern, and realization of assets and settlement of liabilities in other than the normal course of business may be at amounts significantly different from those reflected in its current financial statements.

***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 movement 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.

***Insufficient Financial Resources/Share Price Volatility:*** The Company's ability to continue its exploration, assessment, and development activities depends in 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 financing, equity financing, 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 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 operate in a profitable manner its Peruvian zinc / silver property and complete construction and commissioning of its Caribou property in New Brunswick.

***Global Financial Conditions:*** Recent market events and conditions, including disruptions in the Canadian, United States and international credit markets and other financial systems and the deterioration 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 unprecedented disruptions in the current credit and financial markets have had a significant 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.

Currently, 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 Intensely 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 individuals 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 will 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 will be 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 or 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 the 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. 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.

Any limitation on the transfer of cash or other assets between the parent corporation and such entities, or among such entities, could restrict the Company's ability to fund its operations efficiently. Any such limitations, or the perception that such limitations may exist now or in the future, could have an adverse impact on the Company's valuation and stock price.

***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 such countries, 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 its control and may materially adversely 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.

***Acquisition of Mineral Concessions under Agreements:*** The Company currently has one agreement related to the Huampar property in which it must issue 1.0 million shares by 2015. Failure by the Company to make ongoing monthly payments, issue such shares or make such expenditures in a timely fashion may result in the Company losing its interest in such properties. There can be no assurance that the Company will have, or be able to obtain, the necessary financial resources to be able to maintain all of its property agreements in good standing, or to be able to comply with all of its obligations thereunder, with the result that the Company could forfeit its interest in one or more of its mineral properties.

***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*****:** 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 no history of continuous earnings and, due to the nature of its business there can be no assurance that the Company can sustain profits. 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, but there can be no assurance that such financing 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.

***The Company may be a "passive foreign investment company" under the U.S. Internal Revenue Code, which may result in material adverse U.S. federal income tax consequences to investors in the Company's common shares that are U.S. taxpayers*****:** Investors in the Company's common shares that are U.S. taxpayers should be aware that the Company believes that it has been in prior years, but as at September 30, 2014 it is no longer a PFIC under Section 1297(a) of the U.S. Internal Revenue Code (a "PFIC"). If the Company is or becomes a PFIC, generally any gain recognized on the sale of the Common Shares and any "excess distributions" (as specifically defined) paid on the Common Shares must be ratably allocated to each day in a U.S. taxpayer's holding period for the Common Shares. The amount of any such gain or excess distribution allocated to prior years of such U.S. taxpayer's holding period for the Common Shares generally will be subject to U.S. federal income tax at the highest tax applicable to ordinary income in each such prior year, and the U.S. taxpayer will be required to pay interest on the resulting tax liability for each such prior year, calculated as if such tax liability had been due in each such prior year.

Alternatively, a U.S. taxpayer that makes a "qualified electing fund" (a "QEF") election with respect to the Company generally will be subject to U.S. federal income tax on such U.S. taxpayer's pro rata share of the Company's "net capital gain" and "ordinary earnings" (as specifically defined and calculated under U.S. federal income tax rules), regardless of whether such amounts are actually distributed by the Company. U.S. taxpayers should be aware, however, that there can be no assurance that the Company will satisfy record keeping requirements under the QEF rules or that the Company will supply U.S. taxpayers with required information under the QEF rules, in event that the Company is a PFIC and a U.S. taxpayer wishes to make a QEF election. As a second alternative, a U.S. taxpayer may make a "mark-to-market election" if the Company is a PFIC and the Common Shares are "marketable stock" (as specifically defined). A U.S. taxpayer that makes a mark-to-market election generally will include in gross income, for each taxable year in which the Company is a PFIC, an amount equal to the excess, if any, of (a) the fair market value of the Common Shares as of the close of such taxable year over (b) such U.S. taxpayer's adjusted tax basis in the Common Shares.

Due to the extreme complexity of the PFIC rules and the potentially materially adverse consequence to a shareholder that is a U.S. taxpayer of the Company being a PFIC, it is critical that each shareholder that is a U.S. taxpayer consult with that shareholder's U.S. tax adviser before undertaking any transactions in the Company's shares.

***Cautionary Note Regarding on Forward Looking Statements***

Statements contained in this document 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 document 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.

Please also refer to the Company's 2013 Annual Information Form filed on SEDAR on March 31, 2014.

**NON-IFRS MEASURES**

This MD&A refers to site cash operating per pounds of payable 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:

Site cash operating cost per ZnEq Payable Pounds Produced

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 September 30 | | Nine months ended September 30 | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| Expressed in thousands of dollars except pounds and per pounds amounts | | | | |
| Production Costs | $ 9,914 | $ - | $ 28,218 | $ - |
| Divided by pounds of payable zinc equivalent produced | 22,897,955 | - | 69,671,250 | - |
| Site cash operating cost per pounds of payable zinc equivalent produced (CAD$) | $ 0.43 | $ - | $ 0.41 | $ - |
| Average exchange rate (CAD$1 - US$) | 0.9139 | | 0.9139 | |
| Site cash operating cost per pounds of payable zinc equivalent produced (US$) | $ 0.40 | $ - | $ 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 September 30 | | Nine months ended September 30 | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| Expressed in thousands of dollars except pounds and per pounds amounts | | | | |
| Production Costs | $ 9,914 | $ - | $ 28,218 | $ - |
| Smelting, refining and freight | 8,620 | - | 22,498 | - |
| Royalty expenses | 793 | - | 1,911 | - |
| Capital sustaining costs | 3,287 | - | 9,808 | - |
| Total site cash operation cost | 22,614 | - | 62,435 | - |
| Divided by pounds of payable zinc equivalent produced | 22,897,955 | | 69,671,250 | |
| Total cash cost per pounds of payable zinc equivalent produced (CAD$) | $ 0.99 | $ - | $ 0.90 | $ - |
| Average exchange rate (CAD$1 - US$) | 0.9139 | | 0.9139 | |
| Total cash cost per pounds of payable zinc equivalent produced (US$) | $ 0.90 | $ - | $ 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 September 30 | | | | Nine months ended September 30 | | | |
|---|---|---|---|---|---|---|---|---|
| | | 2014 | | 2013 | | 2014 | | 2013 |
| Expressed in thousands of dollars except tonnes and per tonnes amounts | | | | | | | | |
| Production Costs | $ | 9,914 | $ | - | $ | 28,218 | $ | - |
| Divided by tonnes milled | | 174,075 | | - | | 523,279 | | - |
| Site cash operating cost per tonnes milled (CAD$) | $ | 56.95 | $ | - | $ | 53.93 | $ | - |
| Average exchange rate (CAD$1 - US$) | | 0.9139 | | | | 0.9139 | | |
| Site cash operating cost per tonnes milled (US$) | $ | 52.05 | $ | - | $ | 49.28 | $ | - |