TREVALI MINING CORPORATION

Management Discussion and Analysis

For the three and nine months period ended September 30, 2016

Dated November 10, 2016

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, 2016 has been prepared by Management, in accordance with the requirements of National Instrument 51-102 - Continuous Disclosure Obligations ("NI 51-102"), as of November 10, 2016, and compares its financial results for the three and nine months period ended September 30, 2016. 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") and in conjunction with the condensed consolidated financial statements of the Company and the notes thereto for the three and nine months ended September 30, 2016. The Company's condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" using accounting policies in accordance with IFRS. 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 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.

External Technical Reports and Experts

Estimates contained in the National Instrument 43-101 - Standards of Disclosure for Mineral Projects ("NI 43-101") technical report prepared for the Santander Mine were prepared by Golder Associates Ltd. ("Golder"). Greg Greenough, P. Geo. is the Qualified Person (QP) responsible for the preparation of the technical report. 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"). The QPs' responsible for the preparation of the Stratmat, Halfmile, Ruttan and PEA were Tim Maunula, P. Geo., Tim Maunula, P. Geo., 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.

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. The QP persons list include: Yao Hua (Benny) Zhang, P. Eng., Gilles Arseneau, P. Geo., Leonard Holland, C. Eng., Jeffery Barrett, P.Eng. 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.

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.

2016 – Highlights for the Quarter

Expressed in thousands of Canadian Dollars

The following results include the Santander Mine in all periods and the Caribou mine since commercial production was declared as of July 1, 2016:

Consolidated

2016 Consolidated Production Statistics and 2015 comparaison

	Q3-2016 Consolidated	Q3-2015 Consolidated	2016 YTD Consolidated	2015 YTD Consolidated
Tonnes Mined	397,864	175,560	750,858	549,077
Tonnes Milled	402,039	197,289	830,313	573,152
Payable Production:				
Zinc lbs (pounds)	32,384,913	14,848,026	61,205,623	41,069,796
Lead lbs (pounds)	9,718,926	7,785,192	21,730,765	23,899,613
Silver Oz	362,776	285,962	806,220	831,945
Zn Equivalent lbs Payable Produced	47,333,137	27,473,893	95,807,210	77,155,085
Cash Cost per Equivalent Payable Zinc lb Produced (USD$) [1-2]	$ 0.40	$ 0.28	$ 0.35	$ 0.33
Cash Cost per Tonne Milled (USD$) [2]	$ 46.73	$ 38.67	$ 40.46	$ 44.06

2016 Consolidated Sales Statistics and 2015 comparaison

	Q3-2016	Q3-2015	2016 YTD	2015 YTD
Zinc Concentrate (NDMT)	30,659	16,694	62,194	44,089
Lead Concentrate (NDMT)	10,439	6,828	20,714	19,686
Payable Zinc lbs	27,031,229	15,215,705	55,269,887	40,237,835
Payable Lead lbs	9,570,802	7,996,297	21,629,594	23,949,152
Payble Silver Oz	349,366	290,228	781,960	825,440
Revenues (USD$) [3]	$ 43,934	$ 20,595	$ 85,957	$ 66,296
Average Realized Metal Price (USD$)				
Zinc	$ 1.03	$ 0.78	$ 0.94	$ 0.88
Lead	$ 0.87	$ 0.73	$ 0.84	$ 0.78
Silver	$ 19.40	$ 14.80	$ 17.80	$ 15.83
Zinc Equivalent lb Sold	41,618,528	28,143,580	89,338,635	76,298,195

[1] ZnEq Payable Pounds Produced=((Zn Payable lbs Produced*Zn Price)+(Pb Payable lbs Produced*Pb Price)+(Ag ozPayable 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*AgPrice))/Zn Price.

[3] Revenues for the quarter includes the effects of settlement adjustments on sales from prior quarters.

The Company posted strong quarterly results, given that the Caribou mine continues to ramp to the designed production rate of 3,000 tonnes per day. Income from the Caribou and Santander mining operations was $3.2 and $7.4 million respectively. Total revenues were USD $44 million or $57.5 million for the quarter. The consolidated income from operations for Q3-2016 was $10.6 million; net income was $2.4 million and earnings before interest, taxes and depreciation (see non-IFRS measures at the end of the MD&A) was $14.8 million.

The Company produced a total of 36.3 and 10.7 million pounds of zinc and lead concentrate respectively. Consolidated cash cost per equivalent zinc produced was USD $0.40 (2015 – USD $0.28) and consolidated cash cost per tonne milled was USD $46.73 (2015 – USD $38.67). The reduced Santander operating costs of USD $36.33 per tonne milled (2015 - USD 38.67) is offset this quarter by higher costs at the Company's Caribou mine of $58.88 per tonne milled as the mine continues to ramp up to name plate production of 3,000 tonnes per day. (See non-IFRS measures at the end of the MD&A).

Santander Mine, Peru

Santander 2016 Production Statistics and 2015 Comparison

	Q3-2016	Q3-2015	2016 YTD	2015 YTD
Tonnes Mined	192,815	175,560	545,809	549,077
Tonnes Milled	216,551	197,289	644,825	573,152
Average Head Grades %				
Zinc	4.61%	4.45%	4.24%	4.26%
Lead	1.08%	2.11%	1.38%	2.24%
Silver - Oz (ounces)/ton	1.26	1.79	1.30	1.77
Average Recoveries %				
Zinc	89%	90%	89%	90%
Lead	84%	89%	87%	89%
Silver	67%	77%	72%	78%
Concentrate Produced DMT (dry metric tonne):				
Zinc	18,403	15,954	49,844	44,091
Lead	3,745	6,610	14,079	19,616
Concentrate Grades %				
Zinc	48%	50%	49%	50%
Lead	53%	56%	55%	58%
Ag - Oz/ton	53.08	41.76	45.21	40.76
Payable Production:				
Zinc lbs (pounds)	16,608,275	14,848,026	45,428,985	41,069,796
Lead lbs (pounds)	4,141,582	7,785,192	16,153,421	23,899,613
Silver Oz	192,431	285,962	635,876	831,945
Zn Equivalent lbs Payable Produced	23,603,577	27,473,893	72,077,650	77,155,085
Cash Cost per Equivalent Payable Zinc lb Produced (USD$) [1-2]	$ 0.33	$ 0.28	$ 0.31	$ 0.33
Cash Cost per Tonne Milled (USD$)[2]	$ 36.33	$ 38.67	$ 34.69	$ 44.06

Santander 2016 Sales Statistics and 2015 Comparison

Zinc Concentrate (NDMT)	18,133	16,694	49,668	44,089
Lead Concentrate (NDMT)	3,718	6,828	13,993	19,686
Payable Zinc lbs	15,947,830	15,215,705	44,186,488	40,237,835
Payable Lead lbs	4,119,533	7,996,297	16,178,325	23,949,152
Payble Silver Oz	188,504	290,228	621,097	825,440
Revenues (USD$)[3]	$ 24,415	$ 20,595	$ 66,438	$ 66,296
Average Realized Metal Price (USD):				
Zinc	$ 1.04	$ 0.78	$ 0.92	$ 0.88
Lead	$ 0.86	$ 0.73	$ 0.82	$ 0.78
Silver	$ 19.42	$ 14.80	$ 17.20	$ 15.83
Zinc Equivalent lb Sold	22,857,248	28,143,580	70,577,354	76,298,195

[1] ZnEq Payable Pounds Produced=((Zn Payable lbs Produced*Zn Price)+(Pb Payable lbs Produced*Pb Price)+(Ag ozPayable 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*AgPrice))/Zn Price.

[3] Revenues for the quarter includes the effects of settlement adjustments on sales from prior quarters.

Approximately 216,551 tonnes (2015 – 197,289) of mineralized material was processed through the mill in Q3-2016. Underground production was approximately 192,815 tonnes (2015 – 175,560) for the quarter. These mine production increases relate to Santander realizing operational efficiencies as compared to the same quarter last year.

Production results for the third quarter were 16.6 million payable pounds of zinc (Zn) (2015 – 14.8 million) a record amount of quarterly payable production for the business unit, 4.1 million payable pounds of lead (Pb) (2015 – 7.8 million) and 192,431 payable ounces of silver (Ag) (2015 – 285,962). Lead production was lower as mining operations focused on the zinc-rich Magistral Central and South zones during the quarter. The Santander team is currently fast-tracking development of the Magistral North ramp in order to access recently discovered higher-grade Zn-Pb and Ag mineralization in the Magistral North and Oyon Zones, both of which remain open for expansion (see July 19, 2016 news release TV-NR-16-16 for details).

Mill recoveries during Q3-2016 averaged 89% for zinc, 84% for lead and 67% for silver. Average head grades were 4.61% Zinc, 1.08% Lead, and 1.26 oz/ton Silver with production of 18,403 tonnes of zinc concentrate averaging 48% Zn and 3,745 tonnes of lead-silver concentrate averaging 53% Pb and 53.1 Oz/ton Ag.

All concentrates are purchased by Glencore International plc's Peruvian subsidiary, Empresa Minera Los Quenuales S.A. ("Glencore"), under our offtake agreement. During the quarter, the Company sold approximately 15.9 million pounds, 4.1 million pounds, and 188,504 ounces, of zinc, lead and silver respectively. Revenues for the third quarter were approximately USD $24 million, with the average realized metal prices in USD for the quarter of $1.04 per pound of zinc, $0.86 per pound of lead, and $19.42 per ounce of silver.

USD site cash operating costs during the third quarter were USD $36.33 per tonne milled (2015 - $38.67) (please see non-IFRS measures at the end of this MD&A). The quarter over quarter decrease is as a result of realized operational efficiencies. The costs are in line with cash costs guidance for 2016 at USD $ 35-38/tonne for the remainder of the year. (please see Cautionary Note on Forward Looking Statements at the end of this document).

The Company also received the additional geochemical assay results from its 2016 resource conversion and exploration program which is testing the deeper levels below and immediately adjacent to the currently defined resources of the Magistral North and Central deposits. The majority of drill holes continue to return thick intervals of multiple stacked massive sulphide replacement mineralization whose zinc, lead and silver grades are significantly higher than those currently being actively mined and processed. All zones including the newly discovered, emergent, Oyon zones, remain open for expansion and the Company believes that there is significant resource potential remaining in all three zones where limited down-dip drilling has occurred. During the fourth quarter diamond drilling will test the area between the Magistral North and Central zones. Please see the Company's news releases dated July 19th and September 21st 2016 for additional details.

Caribou Mine, Canada

Caribou 2016 Production Statistics

	Q3-2016	YTD
Tonnes Mined	205,049	205,049
Tonnes Milled	185,488	185,488
Average Head Grades %		
Zinc	5.91%	5.91%
Lead	2.62%	2.62%
Silver - Oz (ounces)/ton	2.26	2.26
Average Recoveries %		
Zinc	78%	78%
Lead	56%	56%
Silver (in Lead)	36%	36%
Concentrate Produced DMT (dry metric tonne):		
Zinc	17,908	17,908
Lead	6,973	6,973
Concentrate Grades %		
Zinc	48%	48%
Silver - Oz (ounces)/ton	4.48	4.48
Lead	39%	39%
Silver - Oz (ounces)/ton	21.45	21.45
Payable Production:		
Zinc lbs (pounds)	15,776,638	15,776,638
Lead lbs (pounds)	5,577,344	5,577,344
Silver Oz	170,345	170,345
Zn Equivalent lbs Payable Produced	23,729,560	23,729,560
Cash Cost per Equivalent Payable Zinc lb Produced (USD$)[1-2]	$ 0.46	$ 0.46
Cash Cost per Tonne Milled (USD$)[2]	$ 58.88	$ 58.88

Caribou 2016 Sales Statistics:

Zinc Concentrate (NDMT)	12,526	12,526
Lead Concentrate (NDMT)	6,721	6,721
Payable Zinc lbs	11,083,399	11,083,399
Payable Lead lbs	5,451,269	5,451,269
Payble Silver Oz	160,862	160,862
Revenues (USD$)[3]	$ 19,519	$ 19,519
Average Realized Metal Price (USD):		
Zinc	$ 1.03	$ 1.03
Lead	$ 0.88	$ 0.88
Silver	$ 19.38	$ 19.38
Zinc Equivalent lb Sold	18,761,280	18,761,280

¹ ZnEq Payable Pounds Produced=((Zn Payable lbs Produced*Zn Price)+(Pb Payable lbs Produced*Pb Price)+(Ag ozPayable 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*AgPrice))/Zn Price.

³ Revenues for the quarter includes the effects of settlement adjustments on sales from prior quarters.

The Company continued to successfully advance Caribou commissioning activities and declared commercial production on July 1st 2016.

Production results for the third quarter were 15.8 million payable pounds of zinc, 5.6 million payable pounds of lead and 170,345 payable ounces of silver.

Mill throughput for the quarter was 185,488 tonnes, with recoveries averaging 78% for zinc, 56% for lead and 36% for silver (in lead concentrate). Average head grades were 5.91% Zn, 2.62% Pb and 2.26 oz/ton Ag with production of 17,908 tonnes of zinc concentrate averaging 48% Zn and 6,973 tonnes of lead-silver concentrate averaging 39% Pb and 21.45 oz/ton Ag. Underground production was approximately 205,049 tonnes for the quarter, averaging 2,229 tonnes-per-day (name plate of 3,000 tonnes per day).

All concentrates are purchased by Glencore International plc's Canadian subsidiary, Glencore Canada Corporation ("Glencore Canada"), under our offtake agreement. During the quarter, the Company sold approximately 11 million pounds, 5.4 million pounds and 160,862 ounces of zinc, lead and silver respectively. Revenues for the third quarter were approximately USD $19.5 million, with the average realized metal prices in USD for the quarter of $1.03 per pound of zinc, $0.88 per pound of lead, $19.38 per ounce of silver.

Site cash operating costs during the third quarter were USD $0.46 per zinc equivalent pound produced, and USD $58.88 per tonne milled (please see non-IFRS measures at the end of this MD&A).

During the third quarter, Caribou Site completed planned modifications to the SAG mill, installing new liners and lifters. These modifications resulted in (one-off) extended downtime mid-quarter but are anticipated to boost mill efficiencies from the fourth quarter onwards.

The Company, with technical support from partner Glencore, continues to implement site wide optimization plans. These technical and business initiatives, which are ongoing, are focused on the zinc and lead circuit recoveries and ongoing copper metallurgy. Underground and general site initiatives continue to focus on mine scheduling optimization, drill and blast Quality Assurance / Quality Control, haulage optimization including road quality and fleet availability/tendering.

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 three advanced stage polymetallic properties in addition to a producing mine in Canada. 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 4TI 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 which the Company returned to commercial production on January 31, 2014. For financial reporting purposes this date was January 1, 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 camp and associated support facilities, a 2,000 tonne processing per day zinc-lead-silver mine - concentrate processing plant and tailings impoundment.

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.

The Company's annual resource statement as at 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**
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**

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

Disclosure

Trevali's production plans at the Caribou Mine, the Santander Mine and at the Halfmile-Stratmat project are based only on Indicated and Inferred Mineral Resources not Mineral Reserves. 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 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 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

In Peru, the Company's Santander Mine is currently in steady state 2,000 tonne-per-day nameplate production with daily production commonly exceeding this by approximately 15 to 20%.

The Company's 2016 Santander Production Guidance remains at 57-60 million pounds of payable zinc in concentrate grading approximately 50% Zn and 800,000-1,000,000 ounces of payable silver. During the third quarter the Company lowered payable lead guidance to 20-23 million pounds of payable lead in concentrate grading approximately 52%-55%. Lead production was modestly revised downwards as mining operations focused on the zinc-rich Magistral Central and South zones during the quarter and into H1 of 2017. Cash costs remain an estimated US$35-US$38 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, the Company completed its 11,000 metres 2016 underground, diamond drill, program at the end of the third quarter. The program was designed to convert inferred tonnes to a higher confidence category and to follow-up on 2015 exploration successes which tested the deeper levels below the currently defined resources of the Magistral zones. Due to positive results the Company has increased the drill program by an additional 3,500 metres for Q4-2016. It is anticipated that the program will continue to define and potentially expand the newly discovered Rosa, Fatima and emergent Oyon lead-silver-zinc zones in addition to the Magistral zones which all remain open for expansion at depth. The Company also commenced redesign and optimization of water management during the period in order to enable more efficient planning on a go-forward basis.

In Canada, the Company declared commercial production as of July 1st 2016 at its Caribou Mine in New Brunswick. As the Company transitioned to Commercial production in the third quarter it continues to focus on ramping the operation towards nameplate design levels in addition to exploring longer-term mining opportunities including re-tendering of contractor operations to better reflect the transition from commissioning to commercial operations. It is anticipated that this will result in significant efficiencies going forward however the Company cautions that there are no guarantees that this will occur within the timeframes envisaged (please see Risk Factors at the back of the MD&A).

Caribou remains on track to produce 37-41 million pounds of payable zinc; 14-15 million pounds of payable lead; and 380,000 to 420,000 ounces of silver in H2 (July 1-December 31, 2016).. Head grades remain unchanged and are anticipated to be 5.9 - 6.2%, 2.5 - 2.7%, and 65-70 grams/tonne for zinc, lead and silver respectively. Operating cash costs will be a key focus as the site continues to ramp to full design levels. Costs are expected to modestly decrease as the Company continues to renegotiate longer-term material mining and supplies contracts now that the business unit has transitioned to commercial production status. Normal course operational optimization and efficiency gains are also anticipated to positively impact costs as the mine continues to ramp to full production.

A new independent PEA study by SRK Consulting Engineers commenced at the Company's Halfmile and Stratmat properties in New Brunswick. The study will examine the potential for a stand-alone milling solution for the deposits and is anticipated to be completed in early Q1 2017.

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.

EXPLORATION AND DEVELOPMENT

Halfmile-Stratmat Project

During the quarter the Company and SRK commenced the new PEA study which will examine the feasibility of a combined stand-alone Halfmile-Stratmat project. Work during the quarter, which is ongoing, included diamond drilling and metallurgical test work. The results will be utilized in the forthcoming PEA study which is currently anticipated in early 2017.

Ruttan Copper Project, Manitoba, Canada

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

Values of exploration and evaluation assets as at September 30, 2016:

Expressed in thousands of Canadian Dollars

	Stratmat (Canada)	Huampar (Peru)	Ruttan Bill Copper (Canada)	Other (Canada)	Exploration and evaluation assets
Net book value, September 30, 2016	$ 10,424	$ -	$ 1,239	$ 47	$ 11,710

DISCUSSION OF OPERATIONS

Three months ended September 30, 2016 compared with three months ended September 30, 2015

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

During the three months ended September 30, 2016, the Company recorded a net income of $2,393 compared to a loss of $3,420 in the same period of the prior year, or income of $0.01 per share (2015 – loss of $0.01). During the quarter, the Company produced 47.3 million pounds of zinc equivalent payable pounds and sold 41.6 million pounds of zinc equivalent payable pounds produced, compared to the same quarter last year where the Company produced and sold 27.4 million and 28.1 million pounds of payable zinc respectively. Income from mining operations was $10,642 during the third quarter (2015 - $1,456).

Revenues of $57,462 (2015 - $27,074) resulted from the sale of 30,659 (2015 – 16,694) tonnes of zinc concentrates containing 27 million (2015 – 15.2 million) pounds of payable zinc and 10,439 (2015 –

6,828) tonnes of lead-silver concentrates containing 9.6 million (2015 – 8 million) pounds of payable lead, and 349,366 (2015 – 290,228) ounces of payable silver. Provisional realized commodity prices in USD were $1.03 (2015 - $0.78) per pound per zinc, $0.87 (2015 - $0.73) per pound lead, and $19.40 (2015 - $14.80) per ounce silver at a USD to CAD foreign exchange of $1.3050 (2015 – 1.3089). The increase in revenues is due to the Caribou Mine achieving "commercial production" on July 1, 2016 and well as increasing metal prices.

Total mine operating expenses of $46,820 (2015 - $25,618) is related to the sale of concentrate for the quarter. Costs consisted of direct site production costs of $20,036 (2015 - $9,782) related to mining, milling and camp, lab and surface maintenance facilities. International benchmark smelting, refining, and freight costs were $19,032 (2015 - $10,975) and royalty expense was $1,038 (2015 - $851). The Company also recorded $6,714 (2015 - $4,010) of depreciation and amortization which included costs from the Caribou Mine this quarter.

The Company's consolidated site operating cash cost for the quarter was USD $46.73 per tonne milled as compared to $38.67 per tonne during the same period last year. The Santander mine significantly reduced their operating cash cost to $36.33 per tonne milled (2015 - $38.67) as a result of outstanding cost optimization and operational efficiencies achieved through the last year. The reduced Santander operating costs is offset by higher costs at the Company's Caribou mine of $58.88 per tonne milled. (Please see non-IFRS measures at the end of this MD&A).

General and administrative expenses of $1,463 decreased compared to the same period last year (2015 - $1,689).

A loss on derivative liability of $1,135 (2015 - $nil) was recorded in the quarter due to the revaluation at fair value and reclassification of the warrants from derivative liability to equity.

A gain on disposal of mineral interests of $619 (2015 - $nil) was recorded in the quarter following the sale of Huampar project interests.

Interest expense increased to $3,923 (2015 - $1,678) due to inclusion of senior secured notes interests of $2,274 (December 31, 2015 - $nil) that were capitalized before Caribou Mine achieved "commercial production".

Nine months ended September 30, 2016 compared with nine months ended September 30, 2015

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

During the nine months ended September 30, 2016, the Company recorded an income of $2,887 compared to a loss of $6,019 in the same period of prior year, or an income of $0.01 per share (2015 – a loss of $0.02). The increase in income is a result of the following combining factors.

Revenues of $113,360 (2015 - $83,535) due to the sale of 62,194 (2015 – 44,089) tonnes of zinc concentrates containing 55.3 million (2015 – 40.2 million) pounds of payable zinc and 20,714 (2015 – 19,686) tonnes of lead-silver concentrates containing 21.6 million (2015 – 23.9 million) pounds of payable lead, and 781,960 (2015 – 825,440) ounces of payable silver Provisional realized commodity prices in USD were $0.94 (2015 - $0.88) per pound zinc, $0.84 (2015 - $0.78) per pound lead, and $17.80 (2015 - $15.83) per ounce silver at a US to CAD foreign exchange of 1.3228 (2015 - 1.2600). Additionally, the Caribou Mine achieved "commercial production" on July 1, 2016 and their revenues are included this quarter.

Total mine operating expenses of $93,319 (2015 - $74,484) related to the sale of concentrate to Glencore. While the Santander mine had a decrease in total mining costs, cash cost per equivalent payable zinc pounds produced and cash cost per tonne milled as a result of continued cost optimization and mine activities, the inclusion of the Caribou Mine operating expenses increased the total mine operating costs for the period. Costs consisted of direct site production costs of $38,844 (2015 - $31,515) related to mining, milling and camp, lab and surface maintenance facilities. Smelting, refining and freight costs were $37,397 (2015 - $29,682) and royalty expense were $1,945 (2015 - $1,838). The Company also recorded $15,133 (2015 - $11,449) of depreciation and amortization.

The Company's site operating cash cost for the nine month period was USD $40.46 per tonne milled as compared to USD $44.06 per tonne during the same period last year. The reduced cash cost is a continued function of outstanding cost optimization and operational efficiencies achieved through the last few quarters at the Company's Santander mining operation of USD $34.69 per tonne milled, offset by a higher costs at the Company's Caribou mining operation of $58.88 per tonne milled. In addition, there was a significant decrease in international zinc smelting and refining charges which is reflected in Q3-2016 for the entire 2016 year to date.

General and administrative expenses of $4,042 decreased over the comparative period last year (2015 - $4,794).

Interest expense increased to $8,367 (2015 - $4,613) due to inclusion of senior secured notes interests of $2,274 (2015 - $nil) that were capitalized before the Caribou Mine achieved "commercial production".

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 September 30, 2016	Three Months Ended June 30, 2016	Three Months Ended March 31, 2016	Three Months Ending December 31, 2015
Total assets	$ 539,138	$ 530,444	$ 533,553	$ 517,513
Total revenue	57,462	28,946	26,953	22,816
Working capital	4,609	18,339	20,735	9,423
Net income (loss) for the period	2,393	(335)	827	(8,279)
Basic and diluted earnings (loss) per share	0.01	(0.00)	0.00	(0.03)

	Three Months Ended September 30, 2015	Three Months Ended June 30, 2015	Three Months Ended March 31, 2015	Three Months Ended December 31, 2014
Total assets	$ 508,496	$ 489,291	$ 461,440	$ 437,276
Total revenue	27,074	30,547	25,914	22,249
Working capital	4,729	35,579	23,198	32,471
Net income (loss) for the period	(3,420)	207	(2,808)	(4,703)
Basic and diluted earnings (loss) per share	(0.01)	0.00	(0.01)	(0.02)

Continued investment in the Company's mining projects, specifically the Caribou project in 2016, accounts for the quarter to quarter increases in total assets. In 2015 and first half of 2016, the increase relates to the capitalization of underground development in both the Caribou and Santander mines. The Company raised approximately $16,449 during Q1-2016 in equity financing accounting for the continued increase in assets. In Q3-2016, the Company's spent over $8 million in underground development of its mines.

Revenues commenced in 2014 at the Santander Mine and in Q2-2016 at the Caribou Mine. Revenues continued to fluctuate from quarter to quarter due to metal price volatility throughout 2015 and into 2016. In Q2-2016, revenues increased due to arise of metal prices realized and higher zinc metal unit output from the Company's Santander Mine, in Peru. In Q3-2016, revenues increased due to higher metal prices and the addition of the Company's Caribou mine declaring commercial production on July 1, 2016.

Working capital continued to increase through to 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 Q3-2015 as a result of the senior secured notes $7.5M repayment that was due in Q3-2016 (amended on December 31, 2015, please see Note 13 of the Company's accompanying Q3-2016 financial statements), as well as continued capital expenditures at the Company's Caribou mine to achieve commercial production ultimately in Q3-2016. The Company's working capital decreased during Q2-2016 as a result of the Senior Secured notes interest payment of $3,763 and continued to decrease in Q3-2016 as a result of the Senior Secured notes first amortization payment of $15M due in August 2017.

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 Action, which resulted in a net loss during the first quarter of 2015. Net income during Q2-2015 is mainly due to an increase in income from mining operations due to increased revenues from higher production from the Company's Santander mining operation. This was offset by an increase in deferred income tax expense. Net loss in Q3-2015 and Q4-2015 is primarily due to a continued decline in metal prices. The net loss in Q2-2016 is mainly due to the increase in deferred income tax expense as a result of an increase in New-Brunswick tax rate and changes in carrying value of assets and liabilities. The net income in Q3-2016 is mainly due to the increase in income from mining operation from both the Company's operating mine, and in particular the addition of its Caribou Mine commencing commercial production. The increase was offset by $1M of loss on derivatives from the reallocation of the derivative liability to equity; $2.2M of interest expenses that were capitalized before the Caribou Mine entered the production phase; and $1.7M in deferred income tax expense for the quarter related to the increase in revenues at the Santander Mine in Peru.

LIQUIDITY AND CAPITAL RESOURCES

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

As at September 30, 2016, the Company had working capital of $4,609 (December 31, 2015 - $9,423) and a cumulative deficit of $67,973 (December 31, 2015 - $70,860).

During the period ended September 30, 2016, the Company:

(a) On January 15, 2016, settled $56 in debt outstanding by issuing 156,600 common shares at a price of $0.36.

(b) On February 29, 2016, closed a flow-through private placement financing, issuing 4,410,700 common shares on a "flow-through" basis under the Income Tax Act (Canada) ("Flow-through Shares") at a price of $0.34 per Flow-through Share for aggregate gross proceeds of $1,500.

(c) On March 16, 2016, closed a "best efforts" marketed offering of 46,718,750 common shares of the Company at a price of $0.32 per share for aggregate gross proceeds of $14,950 and incurred share issue costs of $1,043.

(d) On April 7, 2016, settled $1,400 in debt outstanding by issuing 4,117,647 common shares at a price of $0.34 per share.

(e) On April 26, 2016, closed a flow-through private placement financing. It issued 8,220,000 common shares on a "flow-through" basis under the Income Tax Act (Canada) at a price of $0.365 per Flow-through Share for aggregate gross proceeds of $3,000.

(f) On June 6, 2016, issued 4,237,288 common shares at a price of $0.59 per share in consideration for services in the amount of $2,500.

(g) On June 10, 2016, settled $675 in debt outstanding by issuing 1,313,228 common shares at a price of $0.514 per share.

(h) During the period, the Company issued 283,801 shares from stock option exercised for aggregate gross proceed of $176.

As at September 30, 2016, the Company had an unrestricted cash balance of approximately $12,924 and working capital of $4,609. Based on an anticipated positive cash flow from the Company's Santander Mine; declaration of commercial production of its Caribou Mine on July 1, 2016 and anticipated positive cash flow; and the equity financings completed in 2016 to date, the Company is expected to have sufficient resources to meet its committed expenditures for the next twelve months.

The Company has relied, to date, principally upon the issuance of securities and debt financings, as well as cash flow from its Santander mining operations to fund its operations and projects. The Company intends to continue relying upon the issuance of equity or debt securities to finance its future activities and positive cash flow from production at both its Santander Mine and Caribou Mine, 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 current exploration programs or development plans will result in profitable mining operations. The Company has positive cash flows generated in Peru to support its operation and expects to generate sufficient positive cash from its Caribou mine for the remainder of 2016 to support its Canadian operations. The Company continues to have cash requirements to meet its project development costs and maintain its mineral property interests. The recoverability of amounts shown for mineral properties is dependent on several factors. These include the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development of these properties, and future profitable production or proceeds from disposition of mineral properties.

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 11 and 12 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.

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, 2016, 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, VP of Human Resources and Corporate Secretary. The compensation paid or payable to key management for as salaries and directors' fees is shown below:

	September 30, 2016	September 30, 2015
Salaries and wages	$ 728	$ 946
Share based compensation	1,752	1,986
Total compensation	$ 2,480	$ 2,932

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

	September 30, 2016	September 30, 2015
Cruise Geoservices Ltd	$ 172	$ 172
Ladd Mining Incorporated	172	172
Keller Consulting	95	95
Daniel Marinov Ltd.	90	90
Concept 2 Creation	-	245
Marval Office Management Ltd.	37	38
Total compensation	$ 566	$ 812

Other transactions

The Company also incurred the following transactions during the period ended September 30, 2016 and 2015 with Glencore:

(a) Paid $4,634 (2015 - $4,072) in principal on the Concentrate Plant finance lease (Note 12 of the Financial Statements).

(b) Paid $3,874 (2015 - $2,256) in principal and interest on the working capital facility (Note 13 of the Financial Statements).

(c) Earned revenue of $113,360 (2015 - $83,535) on concentrate sales (Note 18 of the Financial Statement).

(d) Paid or accrued production expenses of $20,462 (2015 - $24,294) and mine development expenses of $8,005 (2015 - $10,654) capitalized to property, plant and equipment.

Amounts due to related parties is comprised of $19 (December 31, 2015 - $85) due to directors and officers and $71 (December 31, 2015 - $64) due to companies related to officers for consulting fees, and $3,002 (December 31, 2015 - $3,987).

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

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 Control over Financial Reporting (ICFR)

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, 2016.

SUBSEQUENT EVENTS

Subsequent to the quarter’s end, the Company closed a flow-through private placement financing. It issued 2,000,000 common shares on a "flow-through" basis under the Income Tax Act (Canada) at a price of $1.00 per Flow-through Share for aggregate gross proceeds of $2,000.

DISCLOSURE OF OUTSTANDING SHARE DATA (as at November 10, 2016)

The Company’s authorized capital consists of an unlimited number of common shares without par value, of which 401,416,041 are issued and outstanding as of the date of this MD&A. On a diluted basis the Company has 419,187,566 common shares outstanding, assuming the exercise of 8,002,880 outstanding warrants, and 9,768,645 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 Mine: In connection with the acquisition and development of the Santander Mine, 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 Mine 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.

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 was suspended starting 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 continued to accrue without interest; provided however, compensatory interest accrued on the full amount owing at a rate equivalent to LIBOR (one month) plus five percent (5%) during the grace period. During the month of June 2016, the zinc price reached US$1,990 per tonne on 10 consecutive days ending the grace period, payments has recommenced in July 2016. At September 30, 2016 the company has repaid the full amount of accrued interest of $2,894 (December 31, 2015 –$377).

Indebtedness Owing Under Senior Secured Notes: 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. On December 31, 2015, the Company announced it had amended the indenture governing the 2014 Note Offering 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, 46,718,750 of Common Shares at a subscription price of $0.32 per Common Share we issued to raise gross proceeds of $14,950,000. On March 16, 2016, the exercise price of the Noteholder Warrants was reduced to $0.368. Up to June 30, 2016, the warrants were classified as a derivative liability based on the evaluation of the warrants' being carried at fair value and changes of $684 in fair value of the liability was recorded as gain on derivative liability in net income (loss). On July 1st, the liability was revalued to be reclassified at fair value as equity and resulted in a loss on derivative liability of $1,149. At September 30, 2016, carrying value of the original 6,468,000 warrants and additional 1,034,880 warrants, which represent transaction costs related to the offering, were estimated at $2,577.

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 13 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. 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. On April 7, 2016, the Company settled $1,400 in debt outstanding by issuing 4,117,647 common shares at a price of $0.34 per share. On April 26, 2016, the Company closed a flow-through private placement financing. It issued 8,220,000 common shares on a "flow-through" basis under the Income Tax Act (Canada) at a price of $0.365 per Flow-through Share for aggregate gross proceeds of $3,000. On June 10, 2016, the Company settled $675 in debt outstanding by issuing 1,313,228 common shares at a price of $0.514 per share.

There are a number of risks which may have a direct impact on the Company's revenue stream, including: (i) risks related to the inherent uncertainty of production and cost estimates, and the potential for unexpected costs and expenses; (ii) 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 the Caribou Mine operations, and advance the Halfmile/Stratmat Property to a production decision going forward.

Operating Cash Flow: The Santander Mine has achieved "commercial production" for over two years and Caribou Mine has achieved "commercial production" as at July 1, 2016. Accordingly, the sale of concentrates from Santander and Caribou mines has, and continues, to contribute operating cash flow. With the rising metal prices, the Company expects to have sufficient funds to meet its ongoing operating and capital expenditures at its current operations both in Canada and Peru.

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 positive cash flow 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 ongoing 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 has started commercial production of its Caribou property in New Brunswick as of July 1, 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 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.

Global Financial Conditions: 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 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.

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 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 are 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 had 2 property interests in Peru: Santander Mine and the Huampar project. The Company finalized its sale of Huampar on July 26, 2016. 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 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.

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 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: Due to the nature of its business there can be no assurance that the Company can sustain any 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 mines in Peru and Canada; 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.

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.

Please also refer to the Company’s 2015 Annual Information Form filed on SEDAR.

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 Santander production and financial 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, 2016			Nine months ended September 30, 2016		
	Santander	**Caribou**	**Total**	**Santander**	**Caribou**	**Total**
Expressed in thousands of dollars except pounds and per pounds amounts						
Production Costs	$ 9,799	$ 10,236	**$ 20,036**	$ 28,608	$ 10,236	**$ 38,844**
Inventory Sales Adjustment	468	4,018	**4,486**	981	4,018	**5,000**
Cash production costs	$ 10,267	$ 14,255	**$ 24,522**	$ 29,589	$ 14,255	**$ 43,844**
Divided by pounds of payable zinc equivalent produced	23,603,577	23,729,560	**47,333,137**	72,077,650	23,729,560	**95,807,210**
Site cash operating cost per pounds of payable zinc equivalent produced (CAD$)	$ 0.43	$ 0.60	**$ 0.52**	$ 0.41	$ 0.60	**$ 0.46**
Average exchange rate (CAD$1 – US$)	0.77	0.77	**0.77**	0.76	0.77	**0.77**
Site cash operating cost per pounds of payable zinc equivalent produced (US$)	$ 0.33	$ 0.46	**$ 0.40**	$ 0.31	$ 0.46	**$ 0.35**

	Three months ended September 30, 2015			Nine months ended September 30, 2015		
	Santander	**Caribou**	**Total**	**Santander**	**Caribou**	**Total**
Expressed in thousands of dollars except pounds and per pounds amounts						
Production Costs	$ 9,782	-	**$ 9,782**	$ 31,515	-	**$ 31,515**
Inventory Sales Adjustment	263	-	**263**	302	-	**302**
Cash production costs	$ 10,045	-	**$ 10,045**	$ 31,817	-	**$ 31,817**
Divided by pounds of payable zinc equivalent produced	27,473,893	-	**27,473,893**	77,155,085	-	**77,155,085**
Site cash operating cost per pounds of payable zinc equivalent produced (CAD$)	$ 0.36	-	**$ 0.36**	$ 0.41	-	**$ 0.41**
Average exchange rate (CAD$1 – US$)	0.79	-	**0.79**	0.79	-	**0.79**
Site cash operating cost per pounds of payable zinc equivalent produced (US$)	$ 0.28	-	**$ 0.28**	$ 0.33	-	**$ 0.33**

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, 2016			Nine months ended September 30, 2016		
	Santander	**Caribou**	**Total**	**Santander**	**Caribou**	**Total**
Expressed in thousands of dollars except pounds and per pounds amounts						
Production Costs	$ 9,799	$ 10,236	**$ 20,036**	$ 28,608	$ 10,236	**$ 38,844**
Smelting, refining and freight	9,684	9,348	**19,032**	28,049	9,348	**37,397**
Royalty expenses	783	255	**1,038**	1,690	255	**1,945**
Capital sustaining costs	3,270	4,447	**7,717**	8,629	4,447	**13,076**
Inventory Sales Adjustment	468	4,018	**4,486**	981	4,018	**5,000**
Total site cash operation cost	$ 24,004	$ 28,305	**$ 52,309**	$ 67,958	$ 28,305	**$ 96,262**
Divided by pounds of payable zinc equivalent produced	23,603,577	23,729,560	**47,333,137**	72,077,650	23,729,560	**95,807,210**
Total cash cost per pounds of payable zinc equivalent produced (CAD$)	$ 1.02	$ 1.19	**$ 1.11**	$ 0.94	$ 1.19	**$ 1.00**
Average exchange rate (CAD$1 – US$)	0.77	0.77	**0.77**	0.76	0.77	**0.77**
Total cash cost per pounds of payable zinc equivalent produced (US$)	$ 0.78	$ 0.91	**$ 0.85**	$ 0.71	$ 0.91	**$ 0.77**

	Three months ended September 30, 2015			Nine months ended September 30, 2015		
	Santander	**Caribou**	**Total**	**Santander**	**Caribou**	**Total**
Expressed in thousands of dollars except pounds and per pounds amounts						
Production Costs	$ 9,782	-	**$ 9,782**	$ 31,515	-	**$ 31,515**
Smelting, refining and freight	10,975	-	**10,975**	29,682	-	**29,682**
Royalty expenses	851	-	**851**	1,838	-	**1,838**
Capital sustaining costs	3,948	-	**3,948**	10,412	-	**10,412**
Inventory Sales Adjustment	263	-	**263**	302	-	**302**
Total site cash operation cost	$ 21,871	-	**$ 25,819**	$ 73,749	-	**$ 73,749**
Divided by pounds of payable zinc equivalent produced	24,473,893	-	**24,473,893**	75,155,085	-	**75,155,085**
Total cash cost per pounds of payable zinc equivalent produced (CAD$)	$ 0.80	-	**$ 1.05**	$ 0.96	-	**$ 0.96**
Average exchange rate (CAD$1 – US$)	0.79	-	**0.79**	0.79	-	**0.79**
Total cash cost per pounds of payable zinc equivalent produced (US$)	$ 0.63	-	**$ 0.63**	$ 0.76	-	**$ 0.76**

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, 2016			Nine months ended September 30, 2016		
	Santander	Caribou	Total	Santander	Caribou	Total
Expressed in thousands of dollars except tonnes and per tonnes amounts						
Production Costs	$ 9,799	$ 10,236	**$ 20,036**	$ 28,608	$ 10,236	**$ 38,844**
Inventory Sales Adjustment	468	4,018	**4,486**	981	4,018	**5,000**
Cash production costs	$ 10,267	$ 14,255	**$ 24,522**	$ 29,589	$ 14,255	**$ 43,844**
Divided by tonnes milled	216,552	185,488	**402,040**	644,826	185,488	**830,314**
Site cash operating cost per tonnes milled (CAD$)	$ 47.41	$ 76.85	**$ 60.99**	$ 45.89	$ 76.85	**$ 52.80**
Average exchange rate (CAD$1 – US$)	0.77	0.77	**0.77**	0.76	0.77	**0.77**
Site cash operating cost per tonnes milled (US$)	$ 36.33	$ 58.88	**$ 46.73**	$ 34.69	$ 58.88	**$ 40.46**

	Three months ended September 30, 2015			Nine months ended September 30, 2015		
	Santander	Caribou	Total	Santander	Caribou	Total
Expressed in thousands of dollars except tonnes and per tonnes amounts						
Production Costs	$ 9,782	-	**$ 9,782**	$ 31,515	-	**$ 31,515**
Inventory Sales Adjustment	263	-	**263**	302	-	**302**
Cash production costs	$ 10,045	-	**$ 10,045**	$ 31,817	-	**$ 31,817**
Divided by tonnes milled	197,289	-	**197,289**	573,152	-	**573,152**
Site cash operating cost per tonnes milled (CAD$)	$ 50.92	-	**$ 50.92**	$ 55.51	-	**$ 55.51**
Average exchange rate (CAD$1 – US$)	0.79	-	**0.79**	0.79	-	**0.79**
Site cash operating cost per tonnes milled (US$)	$ 38.67	-	**$ 38.67**	$ 44.06	-	**$ 44.06**