



## **TREVALI MINING CORPORATION**

### **CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited – Prepared by Management)**

**(Expressed in United States Dollars)**

**Three Months Ended March 31, 2017 and 2016**

#### **Corporate Head Office**

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**TREVALI MINING CORPORATION**  
(Expressed in United States Dollars)

**March 31, 2017 and 2016**

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

	Notes	March 31, 2017	December 31, 2016	January 1, 2016
(Restated – Note 23)				
<b>ASSETS</b>				
<b>Current</b>				
Cash		\$ 21,452	\$ 11,136	\$ 4,578
Restricted cash	20	2,320	3,534	5,893
Accounts receivable	4	24,898	29,219	17,524
Investment	5	757	856	-
Prepaid expenses and other	6	5,380	2,030	2,454
Inventories	7	5,641	7,183	2,153
		60,448	53,958	32,602
<b>Reclamation bonds</b>	8	4,434	8,861	6,286
<b>Non-current receivable</b>		3,800	3,800	3,800
<b>Exploration and evaluation assets</b>	9	9,383	9,118	7,987
<b>Property, plant and equipment</b>	10	334,945	333,909	323,253
		\$ 413,010	\$ 409,646	\$ 373,928
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
<b>Current</b>				
Accounts payable and accrued liabilities	11	\$ 13,906	\$ 16,674	\$ 17,373
Flow-through share premium liability		-	-	581
Due to related parties	17	2,486	3,542	2,988
Derivative liability		-	-	1,536
Interest payable	13	1,908	472	731
Current portion of finance leases	12	13,129	10,782	17
Current portion of long-term debt	13	19,838	14,690	2,569
		51,267	46,160	25,795
<b>Finance leases</b>	12	7,028	11,393	22,734
<b>Long-term debt</b>	13	38,553	42,944	58,077
<b>Provision for environmental rehabilitation</b>	14	34,274	33,468	33,310
<b>Deferred tax liabilities</b>		20,665	18,774	13,453
		151,787	152,739	153,369
<b>Shareholders' equity</b>				
Capital stock	15	338,632	336,712	316,763
Share-based payment reserve	16	21,915	22,100	19,110
Deficit		(53,189)	(55,878)	(65,086)
Accumulated other comprehensive loss		(46,135)	(46,027)	(50,228)
		261,223	256,907	220,559
		\$ 413,010	\$ 409,646	\$ 373,928

Commitments (Note 20) Other (Note 24)

**On behalf of the Board:**

"Mr. Anton Drescher" (signed)

Mr. Anton Drescher  
Director, Chair of the Audit Committee

"Mr. David Korbin" (signed)

Mr. David Korbin  
Director

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

**TREVALI MINING CORPORATION****CONDENSED INTERIM CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME**

(Unaudited – Prepared by Management)

(Expressed in thousands of United States Dollars, except for share and per share amounts)

THREE MONTHS ENDED MARCH 31, 2017 AND 2016

	Notes	2017	2016
			(restated-Note 23)
<b>REVENUES</b>	<b>18</b>	\$ 59,491	\$ 19,639
<b>Mine operating expenses</b>			
Production costs		22,915	6,144
Smelting, refining and freight		20,622	7,095
Royalty expense		221	264
Depreciation, depletion and amortization		6,051	3,098
		49,809	16,601
<b>Gross profit</b>		9,682	3,038
<b>GENERAL AND ADMINISTRATION EXPENSES</b>			
Consulting fees	17	968	393
Investor relations	17	142	103
Office and miscellaneous	17	332	182
Professional fees		217	89
Regulatory		106	86
Travel and promotion		77	10
<b>Operating profit</b>		7,840	2,175
<b>OTHER ITEMS</b>			
Gain (loss) on foreign exchange		(80)	9
Gain on derivatives		-	498
Interest expense	19	(2,816)	(1,696)
Other income		52	78
<b>Income before taxes</b>		4,996	1,064
<b>Current tax expense</b>		(416)	-
<b>Deferred tax expense</b>		(1,891)	(461)
<b>Net income for the period</b>		\$ 2,689	\$ 603
<b>OTHER COMPREHENSIVE INCOME</b>			
<b>Items that may be reclassified subsequently to net income</b>			
Translation adjustment		-	10,274
Unrealized loss on available-for-sale investments		(108)	-
<b>Comprehensive income for the period</b>		\$ 2,581	\$ 10,877
<b>Basic and diluted income per share</b>			
Basic		\$ 0.01	\$ -
Diluted		\$ 0.01	\$ -
<b>Weighted average number of shares outstanding</b>			
Basic		402,727,611	336,838,418
Diluted		409,199,073	337,022,541

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

**TREVALI MINING CORPORATION****CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Unaudited – Prepared by Management)

(Expressed in thousands of United States Dollars)

THREE MONTHS ENDED MARCH 31, 2017 AND 2016

	Notes	2017	2016
<b>OPERATING ACTIVITIES</b>			
Net income for the period	\$	2,689	\$ 603
Items not affecting cash:			
Depreciation, depletion and amortization		6,051	3,098
Share-based payment expenses		827	265
Unrealized loss on foreign exchange		195	225
Accrued interest and accretion on finance leases	12	629	1,141
Accretion of provision for environmental rehabilitation	14	192	216
Accrued interest and accretion on long-term debt	13	1,931	261
Accrued interest on reclamation bond		-	(5)
Deferred tax expense		1,891	461
Gain on derivatives		-	(498)
Changes in non-cash working capital items:			
Accounts receivable		4,589	(4,155)
Prepaid expenses and other		(1,221)	(103)
Inventories		1,541	(1,992)
Accounts payable and accrued liabilities		(195)	975
Due to related parties		(1,243)	(848)
Net cash flows provided by (used in) operating activities		17,900	(356)
<b>FINANCING ACTIVITIES</b>			
Shares issued for cash, net of share issue costs		-	11,439
Share units settled in cash		(342)	-
Stock options and warrants exercised		487	-
Repayments of long-term debt		(1,999)	-
Interest payments		(225)	-
Payments on finance leases		(3,193)	(4)
Net cash flows provided by (used in) financing activities		(5,272)	11,435
<b>INVESTING ACTIVITIES</b>			
Decrease (increase) in restricted cash		1,137	1,524
Decrease in value added taxes receivable		(209)	807
Reclamation bonds		4,470	(143)
Purchase of plant and equipment and evaluation assets		(7,677)	(1,408)
Net cash flows provided by (used in) investing activities		(2,279)	780
Effect of foreign exchange on cash		(33)	672
Increase in cash for the period		10,316	12,531
Cash, beginning of period		11,136	4,578
Cash, end of period	\$	21,452	\$ 17,109

Supplemental Cash Flow Information (Note 2, 22)

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

**TREVALI MINING CORPORATION****CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

(Unaudited – Prepared by Management)

(Expressed in thousands of United States Dollars, except for share amounts)

**THREE MONTHS ENDED MARCH 31, 2017 AND 2016**

(Please also see Note 2)

	<b>Notes</b>	<b>Number of shares</b>	<b>Capital stock</b>	<b>Share- based payment reserve</b>	<b>Deficit</b>	<b>Accumulated other comprehensive loss</b>	<b>Total equity</b>
Balance, December 31, 2016		401,606,025	\$ 336,712	\$ 22,100	\$ (55,878)	\$ (46,027)	\$ 256,907
Share-based payment	<b>16</b>	-	-	868	-	-	868
Exercise of options and warrants	<b>15</b>	707,667	487	-	-	-	487
Share units issued	<b>15</b>	549,812	529	(529)	-	-	-
Share units settled in cash		-	-	(342)	-	-	(342)
Bonus shares issued	<b>15</b>	760,200	722	-	-	-	722
Reallocation of share-based payment on exercise of options and warrants		-	182	(182)	-	-	-
Unrealized loss on AFS investment		-	-	-	-	(108)	(108)
Net income for the period		-	-	-	2,689	-	2,689
Balance, March 31, 2017		403,623,704	\$ 338,632	\$ 21,915	\$ (53,189)	\$ (46,135)	\$ 261,223

	<b>Notes</b>	<b>Number of shares</b>	<b>Capital stock</b>	<b>Share- based payment reserve</b>	<b>Deficit</b>	<b>Accumulated other comprehensive loss</b>	<b>Total equity</b>
Balance, December 31, 2015		327,493,077	\$ 316,763	\$ 19,110	\$ (65,086)	\$ (50,228)	\$ 220,559
Share-based payment		-	-	409	-	-	409
Private placement		51,129,450	12,297	-	-	-	12,297
Bonus share units issued		173,743	43	(4)	-	-	39
Share issue costs		-	(858)	-	-	-	(858)
Translation adjustment		-	-	-	-	10,268	10,268
Net income for the period		-	-	-	603	-	603
Balance, March 31, 2016		378,796,270	\$ 328,245	\$ 19,515	\$ (64,483)	\$ (39,960)	\$ 243,317

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

**TREVALI MINING CORPORATION****NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited – Prepared by Management)

Three Months Ended March 31, 2017 and 2016

(Expressed in thousands of United States Dollars, except for share and per share amounts)

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**1. NATURE OF BUSINESS**

Trevali Mining Corporation (the "Company" or "Trevali") is incorporated under the laws of British Columbia, Canada. The Company is a natural resource company engaged in the acquisition, exploration, development and production from mineral properties. The Company currently holds four properties in Canada and an interest in one property in Peru. Shares of the Company are listed on the Toronto Stock Exchange and the Bolsa de Valores de Lima in Peru, both under the symbol "TV". The shares also trade on the OTCQX International Quotation System in the United States under the symbol "TREVF", and on the Frankfurt Stock Exchange under the symbol "4T1".

The Company, through its subsidiary, Trevali Peru S.A.C. operates the Santander underground mine and metallurgical plant located in Peru which produces zinc and lead-silver concentrates.

In Canada, the Company owns, through its wholly-owned subsidiaries, the Caribou mine and mill, the Halfmile mine and the Stratmat polymetallic deposit, all located in northern New Brunswick. On July 1, 2016, the Company entered the production phase at Caribou and began producing zinc and lead-silver concentrates.

**2. BASIS OF PREPARATION****Statement of compliance**

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting using the same accounting policies and methods of application as the audited annual consolidated financial statements of the Company for the year ended December 31, 2016 which were prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"), with the exception of the Company's presentation currency as discussed below (see "Change to functional currency of Canadian operations and presentation currency"). Certain information and footnote disclosure normally included in annual financial statements have been omitted or condensed.

These condensed interim consolidated financial statements should be read in conjunction with the consolidated financial statements of the Company as at and for the year ended December 31, 2016.

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

**TREVALI MINING CORPORATION****NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited – Prepared by Management)

Three Months Ended March 31, 2017 and 2016

(Expressed in thousands of United States Dollars, except for share and per share amounts)

**2. BASIS OF PREPARATION (cont'd...)****Change to functional currency of Canadian operations and presentation currency**

Prior to January 1, 2017, the functional currency of the Company's Canadian operations and corporate office, which is based in Canada, was the Canadian dollar. The functional currency of its Peruvian entities was the United States dollar. Per IAS 21, The Effects of Changes in Foreign Exchange Rates, an entity's functional currency should reflect the underlying transactions, events, and conditions relevant to the entity. Determination of functional currency involves certain judgments to determine the primary economic environment and this is re-evaluated for each new entity or if conditions change. Based on management's evaluation, taking into consideration the currency of the main sources of income from the sale of concentrate from the Caribou Mine, sources of funding, as well as the currency in which cash and cash deposits for the Caribou Mine, along with the corporate office, are maintained, management determined that the functional currency of the Canadian operations and corporate office is the United States dollar.

The change in functional currency has been accounted for prospectively, with no impact of this change on prior year comparative information.

With all of Trevali's operations having the United States dollar as its functional currency, the Company has also decided to change its presentation currency from the Canadian dollar to the United States dollar. The change in the financial statement presentation currency is considered an accounting policy change and has been accounted for retrospectively. From January 1, 2017, the USD presentation currency is consistent with the functional currency of the Company. For periods prior to January 1, 2017, the statements of financial position for each period presented have been translated from the Canadian dollar functional currency to the new US dollar presentation currency at the rate of exchange prevailing at the respective financial position date with the exception of equity items, which have been translated at accumulated historical rates from the Company's date of incorporation. The statements of income and comprehensive income were translated at the average exchange rates for the reporting period, or at the exchange rate prevailing at the date of transactions. Exchange differences arising in 2016 on translation from the Canadian dollar functional currency to the US dollar presentation currency have been recognized in other comprehensive income and accumulated as a separate component of equity.

In prior reporting periods, the translation of the Company's Peruvian entities, which, as of January 1, 2013, had a United States dollar functional currency, into the Company's presentation currency of the Canadian dollar, gave rise to a translation adjustment which was recorded as a cumulative translation adjustment ("CTA"), a separate component of shareholders' equity. With the retrospective application of the change in presentation currency from the Canadian dollar to the US dollar, the CTA that was given rise to by the Peruvian entities since January 1, 2013, was eliminated. However, with the retrospective application of the change in presentation currency to the US dollar, the Company's Canadian operations and corporate office, and the Peruvian entities prior to January 1, 2013, all of which had a Canadian dollar functional currency until January 1, 2017, resulted in a CTA balance. The CTA balance will remain the same until the entities, which gave rise to the CTA balance, are disposed of, or retired.

As a result of the change to the US dollar as the functional currency of the Company's Canadian operations and corporate office, the Company's outstanding warrants would be considered a derivative liability since the obligation to issue shares is not fixed in the Company's current functional currency. The derivative warrant liability would be measured at fair value with changes recognized in the statement of income and comprehensive income. However, because the warrants were issued and valued prior to the change to the US dollar as the functional currency, and this change is accounted for prospectively, the Company has elected to continue to recognize the warrants as part of equity. All future warrants issued in Canadian dollars will be recorded as derivative liability.



**TREVALI MINING CORPORATION****NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited – Prepared by Management)

Three Months Ended March 31, 2017 and 2016

(Expressed in thousands of United States Dollars, except for share and per share amounts)

**2. BASIS OF PREPARATION (cont'd...)****Approval of the financial statements**

The condensed interim consolidated financial statements of Trevali for the three months ended March 31, 2017 and 2016 were reviewed by the Audit Committee, and approved and authorized for issue by the Board of Directors on May 12, 2017.

**3. FINANCIAL INSTRUMENTS****Fair value of financial instruments**

Fair value represents the price at which a financial instrument could be exchanged in an active market, in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act. The following provides a comparison of carrying and fair values of each classification of financial instrument as at March 31, 2017 and December 31, 2016.

	<b>March 31, 2017</b>		<b>December 31, 2016</b>	
	Carrying value	Fair value	Carrying value	Fair value
<b>Financial assets</b>				
Loans and receivables				
Cash (a)	\$ 21,452	\$ 21,452	\$ 11,136	\$ 11,136
Restricted cash (a)	\$ 2,320	\$ 2,320	\$ 3,534	\$ 3,534
Accounts receivable (a)	\$ 19,166	\$ 19,166	\$ 24,042	\$ 24,042
Fair value through profit or loss				
Investments (c)	\$ 757	\$ 757	\$ 856	\$ 856
<b>Financial liabilities</b>				
Other financial liabilities				
Accounts payable and accrued liabilities (a)	\$ 13,906	\$ 13,906	\$ 16,674	\$ 16,674
Due to related parties (a)	\$ 2,486	\$ 2,486	\$ 3,542	\$ 3,542
Finance leases (b)	\$ 20,157	\$ 20,157	\$ 22,175	\$ 22,175
Santander's creditors obligation	\$ 134	\$ 134	\$ 264	\$ 264
Working capital facility	\$ 13,035	n/a	\$ 14,802	n/a
Senior Secured Notes	\$ 45,171	n/a	\$ 43,041	n/a
Promissory note (d)	\$ 1,959	\$ 1,959	\$ -	\$ -

- (a) The fair values for short-term financial assets and liabilities, which include cash, restricted cash, accounts receivable, accounts payable and accrued liabilities, and due to related parties, approximate carrying values due to the immediate or short-term maturities of these financial instruments.
- (b) The carrying value of the finance leases approximates its fair value as it is calculated based on the present value of the future principal cash flows, discounted at the market rate of interest at the reporting dates. For the finance leases, the market rate of interest is determined by reference to similar lease agreements. The payments were estimated based on future cash flows from production (Note 12).
- (c) The carrying value of investments are their fair value as they are measured using quoted prices in active markets.
- (d) The carrying value of the promissory note approximates its carrying value despite the fixed interest rate due to the short-term nature of the instrument (maturity August 1, 2018).

**TREVALI MINING CORPORATION****NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited – Prepared by Management)

Three Months Ended March 31, 2017 and 2016

(Expressed in thousands of United States Dollars, except for share and per share amounts)

**4. ACCOUNTS RECEIVABLE**

	<b>March 31, 2017</b>		<b>December 31, 2016</b>	
Trade receivables <sup>1</sup>	\$	19,158	\$	22,552
IGV tax credits		5,311		4,978
GST/HST tax credits		421		199
Other		4		1,490
	\$	24,898	\$	29,219

<sup>1</sup> Trade receivables are from sales to Glencore (Note 18).

Included in IGV tax credits are amounts incurred by Trevali Peru in Peru and are recoverable from taxes collected from mine production revenues.

**5. INVESTMENT**

	<b>Number of shares</b>		<b>Value</b>	
Balance, December 31, 2016	5,750,000	\$		856
Fair value adjustment	-			(108)
Foreign exchange	-			9
Balance, March 31, 2017	5,750,000	\$		757

**6. PREPAID EXPENSES AND OTHER**

	<b>March 31, 2017</b>		<b>December 31, 2016</b>	
Peruvian prepaid taxes	\$	1,623	\$	1,695
Deposit <sup>1</sup>		2,071		-
Other		1,686		335
	\$	5,380	\$	2,030

<sup>1</sup> Deposits as at March 31, 2017, include a down payment on the Caribou Mine mining fleet equipment scheduled to be delivered in the second quarter of 2017 (Note 13).**7. INVENTORIES**

	<b>March 31, 2017</b>		<b>December 31, 2016</b>	
Mineralized stockpiles	\$	1,109	\$	2,010
Concentrates		2,084		3,186
Materials and supplies		2,448		1,987
	\$	5,641	\$	7,183

**TREVALI MINING CORPORATION****NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited – Prepared by Management)

Three Months Ended March 31, 2017 and 2016

(Expressed in thousands of United States Dollars, except for share and per share amounts)

**8. RECLAMATION BONDS**

As of March 31, 2017, the Company had cash on deposit with the Province of New Brunswick as security for reclamation and environmental obligations associated with its Halfmile project for \$482 (December 31, 2016 - \$477) and its Caribou Mine for \$3,866 (December 31, 2016 - \$3,828). The Company had \$86 (2016 - \$4,556) cash on deposit with the Government of Peru as security for reclamation and environmental obligations associated with its Santander Mine. During the three months ended March 31, 2017, the deposit in Peru was released in exchange for a performance guarantee in the amount of \$4,471 that was provided to the Peruvian Ministry of Energy and Mines. The performance guarantee was provided in the form of an insurance surety bond and is renewed on an annual basis.

**9. EXPLORATION AND EVALUATION ASSETS**

	<b>Stratmat (Canada)</b>	<b>Other (Canada)</b>	<b>Exploration and evaluation assets</b>
Net book value, December 31, 2016	\$ 9,083	\$ 35	\$ 9,118
Additions	259	6	265
Net book value, March 31, 2017	\$ 9,342	\$ 41	\$ 9,383

	<b>Stratmat (Canada)</b>	<b>Huampar (Peru)</b>	<b>Ruttan Bill Copper (Canada)</b>	<b>Other (Canada)</b>	<b>Exploration and evaluation assets</b>
Net book value, December 31, 2015	\$ 6,900	\$ 361	\$ 894	\$ 32	\$ 7,987
Additions	2,206	-	2	2	2,210
Impairment	-	-	(936)	-	(936)
Disposal	-	(361)	-	-	(361)
Translation adjustment	177	-	40	1	218
Net book value, December 31, 2016	\$ 9,083	\$ -	\$ -	\$ 35	\$ 9,118

**TREVALI MINING CORPORATION**  
**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
(Unaudited – Prepared by Management)  
Three Months Ended March 31, 2017 and 2016  
(Expressed in thousands of United States Dollars, except for share and per share amounts)

**10. PROPERTY, PLANT AND EQUIPMENT**

	Mine development	Construction in progress	Buildings and infrastructure	Equipment and other	Assets under finance lease	Total
Cost as at December 31, 2016	\$ 284,139	\$ 109	\$ 42,739	\$ 25,525	\$ 25,574	\$ 378,086
Additions	5,541	-	184	582	-	6,307
Reclassification	-	2,051	(90)	(1,961)	-	-
Disposals	(51)	-	-	(5)	-	(56)
Change in estimate on assets under finance lease	-	-	-	-	546	546
Change in provision for environmental rehabilitation (Note 14)	392	-	-	-	-	392
As at March 31, 2017	290,021	2,160	42,833	24,141	26,120	385,275
Accumulated amortization as at December 31, 2016	(23,401)	-	(9,448)	(4,015)	(7,313)	(44,177)
Charge for the period	(3,518)	-	(1,118)	(929)	(593)	(6,158)
Disposals	-	-	-	5	-	5
As at March 31, 2017	(26,919)	-	(10,566)	(4,939)	(7,906)	(50,330)
Net book value, March 31, 2017	\$ 263,102	\$ 2,160	\$ 32,267	\$ 19,202	\$ 18,214	\$ 334,945

  

	Mine development	Construction in progress	Buildings and infrastructure	Equipment and other	Assets under finance lease	Total
Cost as at December 31, 2015	\$ 256,712	\$ 5,058	\$ 42,039	\$ 20,589	\$ 22,808	\$ 347,206
Additions	32,964	175	9,973	381	65	43,558
Reclassification	-	(5,351)	(243)	5,351	113	(130)
Impairment	-	-	-	(1,308)	-	(1,308)
Change in estimate on assets under finance lease	-	-	-	-	2,500	2,500
Capitalized borrowing costs	3,422	-	-	-	-	3,422
Pre-production costs, net of revenues	(12,830)	-	(9,922)	-	-	(22,752)
Change in provision for environmental rehabilitation	(1,266)	-	-	-	-	(1,266)
Translation adjustment	5,138	226	892	513	86	6,855
As at December 31, 2016	284,140	108	42,739	25,526	25,572	378,085
Accumulated amortization as at December 31, 2015	(11,572)	-	(5,886)	(2,335)	(4,154)	(23,947)
Charge for the period	(11,631)	-	(3,427)	(1,630)	(3,073)	(19,761)
Translation adjustment	(198)	-	(134)	(50)	(86)	(468)
As at December 31, 2016	(23,401)	-	(9,447)	(4,015)	(7,313)	(44,176)
Net book value, December 31, 2016	\$ 260,739	\$ 108	\$ 33,292	\$ 21,511	\$ 18,259	\$ 333,909

**TREVALI MINING CORPORATION****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

Three Months Ended March 31, 2017 and 2016

(Unaudited – Prepared by Management)

(Expressed in thousands of United States dollars, except for share and per share amounts)

**11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	<b>March 31, 2017</b>		<b>December 31, 2016</b>	
Trade payables	\$	10,314	\$	10,907
Accrued payroll and other		3,022		5,274
HST payable		570		493
	\$	13,906	\$	16,674

**12. FINANCE LEASES**

	<b>Concentration Plant (a)</b>		<b>Equipment Leases</b>		<b>Total</b>
Balance at December 31, 2016	\$	22,104	\$	71	\$ 22,175
Interest accretion during the period		629		-	629
Change in estimate		546		-	546
Lease payments during the period		(3,187)		(6)	(3,193)
	\$	20,092	\$	65	\$ 20,157
Less: current portion		(13,104)		(25)	(13,129)
Balance at March 31, 2017	\$	6,988	\$	40	\$ 7,028

	<b>Concentration Plant (a)</b>		<b>Equipment Leases</b>		<b>Total</b>
Balance at December 31, 2015	\$	22,689	\$	63	\$ 22,752
Inception of lease		-		27	27
Change in estimate		2,847		-	2,847
Interest accretion during the year		2,500		-	2,500
Lease payments during the year		(5,933)		(21)	(5,954)
Translation adjustment		-		2	2
	\$	22,104	\$	71	\$ 22,175
Less: current portion		(10,764)		(18)	(10,782)
Balance at December 31, 2016	\$	11,340	\$	53	\$ 11,393

- (a) Carrying value, which is estimated for disclosure purposes, is calculated based on the present value of future principal cash flows, discounted at the market rate of interest at the balance sheet date. For the finance lease, the market rate of interest is determined by reference to similar lease agreements. The payments were estimated based on future cash flows from production using an annual effective interest rate of 11.28%.

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

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**13. LONG-TERM DEBT**

	<b>Santander creditors obligation</b>	<b>Working capital facility (a)</b>	<b>Senior Secured Notes (b)</b>	<b>Promissory Note (c)</b>	<b>Total</b>
Balance at December 31, 2016	\$ 263	\$ 14,802	\$ 43,041	\$ -	\$ 58,106
Amount advanced, net of transaction costs	-	-	-	2,064	2,064
Accretion and accrual of interest and transaction costs	-	218	1,712	-	1,930
Loss on foreign exchange translation	-	-	418	5	423
Loan and interest payments	(129)	(1,985)	-	(110)	(2,224)
	134	13,035	45,171	1,959	60,299
Less: interest payable	-	-	(1,908)	-	(1,908)
Less: current portion	(134)	(7,056)	(11,279)	(1,369)	(19,838)
Balance at March 31, 2017	\$ -	\$ 5,979	\$ 31,984	\$ 590	\$ 38,553

	<b>Santander creditors obligation</b>	<b>Working capital facility (b)</b>	<b>Senior Secured Notes (c)</b>	<b>Total</b>
Balance at December 31, 2015	\$ 2,160	\$ 18,183	\$ 40,761	\$ 61,104
Accretion and accrual of interest and transaction costs	-	1,021	6,788	7,809
Loss on foreign exchange translation	(23)	-	1,240	1,217
Loan and interest payments	(1,874)	(4,402)	(5,748)	(12,024)
	263	14,802	43,041	58,106
Less: interest payable	-	-	(472)	(472)
Less: current portion	(263)	(3,255)	(11,172)	(14,690)
Balance at December 31, 2016	\$ -	\$ 11,547	\$ 31,397	\$ 42,944

**13. LONG-TERM DEBT (cont'd...)**

(a) Working capital facility

On November 6, 2012, the Company closed a \$20,000 working capital facility from development partner, Glencore. The secured working capital facility bears interest at LIBOR plus five percent. The loan is repayable on a monthly basis over a five-year repayment term based on a formula, which allocates the repayments between the \$20,000 working capital facility and the finance lease (Note 12). The formula is based upon a sliding scale, which takes into account the price of zinc and the number of tonnes treated at the Santander mine. Any unpaid balance at the end of the five-year repayment term will be due immediately. It may be pre-paid at any stage without penalty.

The Company has provided Glencore with security on the working capital facility in the form of a charge covering substantially all of the Company's Peruvian assets.

(b) Senior Secured Notes

On May 30, 2014, the Company closed its offering of 52,500 units ("Unit") consisting of 12.5% Senior Secured Notes due May 30, 2019 and Common Share purchase warrants were issued at a 2% discount to their C\$1 per Unit face value, for aggregate gross proceeds of C\$51,450. Each Unit consists of the C\$1 principal amount of the notes and 123.2 warrants. Each whole warrant entitled the holder, subject to certain conditions, to purchase one common share at an exercise price of C\$1.26. The warrants expire on May 30, 2019.

On December 31, 2015, the Company announced that it had amended, by way of entering into a supplemental indenture, its original note indenture with its senior secured holders of its C\$52,500 12.5% Senior Secured Notes to extend and expand the debt facility. Under the amended agreement, the Company issued an additional C\$8,400 in new notes and received a waiver for the C\$7,500 payment scheduled to be made on August 30, 2016, which was deferred until August 30, 2017. In relation to these amendments and issuance of the new notes, the 6,468,000 five-year warrants issued in connection with the original Senior Secured Notes offering were repriced downward from C\$1.26 to C\$0.475 and the term of the warrants was extended to a new five-year term. In addition, in connection with the new notes issued, an additional 1,034,880 five-year warrants were issued having an exercise price of C\$0.475. The December 31, 2015 agreement was accounted for as a modification.

The Company also agreed to adjust the exercise price of the warrants if and whenever, at any time on or after December 30, 2015 and on or prior to June 30, 2016, the Company issued common shares, or securities convertible into or exchangeable for common shares, at a price lower than C\$0.413. The effect of this adjustment mechanism being that the warrants will be repriced to a 115% or, in some cases, a 110% premium to any subsequent equity issuance during this period.

On March 16, 2016, the Company closed an offering, pursuant to a short-form prospectus, of 46,718,750 common shares at a price of C\$0.32 per share for aggregate gross proceeds of C\$14,950. As a result of this offering, the exercise price of the 7,502,880 warrants previously issued with the May 31, 2014 offering and the December 31, 2015 supplemental indenture were repriced from an exercise price of C\$0.475 to C\$0.352 per share. The impact of the March 16, 2016 offering on the Senior Secured Notes has been accounted for as a modification.

The option expired on June 30, 2016 and the warrants were reclassified from liability to equity on July 1, 2016 at a fair value of \$1,919 (C\$2,577) using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	0.57%
Expected life of warrants	4.42 years
Annualized volatility	65.17%
Dividend rate	0.00%

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**13. LONG-TERM DEBT (cont'd...)**

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 \$509 in fair value of the liability was recorded as a gain on derivative liability in the statement of operations and comprehensive income. On July 1, 2016, the liability was revalued at fair value and reclassified as equity and resulted in a loss on derivative liability of \$845 the total loss on the derivative liability was \$336 for the year ended December 31, 2016.

The Company has provided security on the loan facility in the form of a charge over substantially all the Company's Canadian assets and received a waiver for the C\$7,500 amortization payment scheduled to be made on August 30, 2016, which will now be deferred until August 30, 2017. The Senior Secured Notes bear annual compounded interest at a rate of 12.5% and must now be repaid in installments between the third and fourth anniversaries of the closing date. For the three months ended March 31, 2017, interests and transaction fees on the loan facility of \$1,712 have been expensed. For the three months ended March 31, 2016, interest and transaction fees of \$1,747 were capitalized to mine development as capitalized borrowing costs under the Caribou project.

<b>Payment Schedule</b>		
<b>Year</b>	<b>Interest payments</b>	<b>Principal payments</b>
2017	\$6,675	\$15,000
2018	5,269	7,500
2019	2,400	38,400
<b>Total</b>	<b>\$14,344</b>	<b>\$60,900</b>

**(c) Promissory note**

In March 2017, the Company signed a promissory note with Sandvik Customer Finance Canada (Sandvik) to finance the Caribou Mine fleet deposits. The promissory note totals C\$2,755 payable in 18 installments until August 1, 2018 at a 5.4% annual interest rate. The deposits are non-refundable and the fleet is scheduled to be delivered in the second quarter of 2017. Sandvik has committed to a total of C\$20,000 to finance the Caribou Mine fleet.

**14. PROVISION FOR ENVIRONMENTAL REHABILITATION**

The Company's provision for environmental rehabilitation consists of costs accrued based on the best estimate of mine closure and reclamation activities that will be required at the three mine sites upon completion of mining activity. These activities include costs for earthworks, including land re-contouring and re-vegetation, water treatment and demolition. The Company's provision for future site closure and reclamation costs is based on the level of known disturbance at the balance sheet date, known legal requirements and estimates prepared by internal and third-party specialists.

The assumptions used in the estimation of the provision are as follows:

	<b>Undiscounted liability for closure</b>	<b>Life of mine</b>	<b>Reclamation period (years)</b>	<b>Pre-tax discount rate</b>	<b>Inflation factor</b>	<b>PV of cash flow required on closure</b>
Santander	\$ 10,694	15	6	2.58%	2.00%	\$ 10,617
Halfmile <sup>1</sup>	\$ 470	20	1	2.28%	2.00%	\$ 498
Caribou <sup>2</sup>	\$ 23,503	10	50	1.59-2.28%	2.00%	\$ 23,158

<sup>1</sup>Halfmile liability will be settled in Canadian dollars. The C\$ equivalent of the undiscounted obligation is C\$625.

<sup>2</sup>Caribou liability will be settled in Canadian dollars. The C\$ equivalent of the undiscounted obligation is C\$31,256.



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**14. PROVISION FOR ENVIRONMENTAL REHABILITATION (cont'd...)**

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

Balance at December 31, 2016	\$	33,468
Accretion		192
Change in discount rate		392
Change in foreign exchange rate		221
Balance at March 31, 2017	\$	34,274
<hr/>		
Balance at December 31, 2015	\$	33,310
Accretion		726
Change in discount rate		(874)
Change in estimate		(405)
Change in foreign exchange rate		771
Balance at December 31, 2016	\$	33,468

**15. CAPITAL STOCK**

Authorized: Unlimited number of common shares without par value.

During the three-month period ended March 31, 2017, the Company:

- (a) Issued 760,200 common shares under its short-term incentive plan as bonus shares and 549,812 common shares resulting from the vesting of outstanding RSU's.
- (b) Issued 707,667 shares from the exercise of stock options and warrants for aggregate gross proceeds of \$487.
- (c) During the three-month period ended March 31, 2017, the Company granted 1,479,900 stock options at an exercise price of C\$1.21 per share exercisable for a period of five years with a vesting schedule of three years.
- (d) During the three-month period ended March 31, 2017, the Company granted 672,800 bonus shares, 672,800 RSUs and 310,000 DSUs.

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**16. SHARE-BASED PAYMENT RESERVE****Stock options**

The Company has a stock option plan in place under which it is authorized to grant options to executive officers, directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common shares of the Company. Under the plan, the exercise price of each option equals the approximate market price of the Company's stock on the date of grant. The options can be granted for a maximum term of ten years and vesting periods are determined by the Board of Directors.

As at March 31, 2017 and December 31, 2016, the Company had outstanding stock options enabling the holders to acquire common shares as follows:

<b>March 31, 2017</b>				<b>December 31, 2016</b>		
Expiry date	Exercise price (C\$)	Number of options	Exercisable	Exercise price (C\$)	Number of options	Exercisable
May 1, 2018	\$0.77	830,000	830,000	\$0.77	855,000	855,000
May 31, 2018	\$0.62	555,001	555,001	\$0.62	553,351	553,351
August 30, 2018	\$0.72	30,000	30,000	\$0.72	66,650	66,650
June 24, 2019	\$1.01	1,173,366	782,244	\$1.01	1,187,700	791,800
August 15, 2019	\$1.29	248,500	165,667	\$1.29	248,500	165,667
January 30, 2020	\$1.03	2,858,127	952,709	\$1.03	2,891,460	963,820
June 1, 2021	\$0.45	3,759,000	-	\$0.45	3,759,000	-
January 20, 2022	\$1.21	1,479,900	-	-	-	-
	\$0.82	10,933,894	3,315,621	\$0.76	9,561,661	3,396,288

At March 31, 2017, the weighted average remaining contractual life of the stock options was 3.27 years (December 31, 2016 – 3.26 years).

Stock option transactions are as follows:

<b>March 31, 2017</b>			<b>December 31, 2016</b>	
	Number of options	Weighted average exercise price (C\$)	Number of options	Weighted average exercise price (C\$)
Balance, beginning of the period	9,561,661	0.76	6,350,876	\$0.95
Granted	1,479,900	1.21	3,857,800	\$0.45
Exercised	(107,667)	0.83	(373,785)	\$0.63
Forfeited	-	-	(172,088)	\$1.21
Expired	-	-	(101,142)	\$1.75
Balance, end of the period	10,933,894	0.82	9,561,661	\$0.76

The weighted average market price on the exercise of options for the three-month period ended March 31, 2017 was C\$1.42 (December 31, 2016 – C\$1.11).

During the three-month period ended March 31, 2017, the Company granted 1,479,900 stock options at an exercise price of C\$1.21 per share exercisable for a period of five years with a vesting schedule of three years. The Company recorded \$235 (2016 - \$149) in total share-based payment expense related to its stock option plan, of which \$nil (2016 - \$143) was capitalized to property, plant and equipment and \$13 (2016 - \$nil) to exploration and evaluation assets.

Option pricing models require the input of subjective assumptions including the expected volatility. The expected volatility is based on the historical volatility of the Company's common shares.

Changes in the subjective input assumptions can materially affect the fair value estimate.

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**16. SHARE-BASED PAYMENT RESERVE (cont'd...)**

The fair value of stock options granted was estimated using the Black-Scholes option pricing model with the following weighted average calculations for the period ended March 31, 2017 and December 31, 2016:

	<b>March 31, 2017</b>	<b>December 31, 2016</b>
Risk-free interest rate	1.03%	0.72%
Expected life of options	5 years	5 years
Annualized volatility	64.05%	64.90%
Dividend rate	0.00%	0.00%
Forfeiture rate	5.60%	2.97%

**Warrants**

Warrants transactions are summarized as follows:

	<b>March 31, 2017</b>		<b>December 31, 2016</b>	
	Number of warrants	Weighted average exercise price (C\$)	Number of warrants	Weighted average exercise price (C\$)
Balance, beginning of the period	7,902,880	\$0.40	8,002,880	\$0.51
Exercised	(600,000)	\$0.93	(100,000)	\$0.35
Balance, end of the period	7,302,880	\$0.35	7,902,880	\$0.40

The weighted average market price on the exercise of warrants for the period ended March 31, 2017 was C\$1.35 (December 31, 2016 - C\$1.35).

At March 31, 2017 and December 31, 2016, warrants outstanding were as follows:

	<b>March 31, 2017</b>		<b>December 31, 2016</b>	
Expiry date	Exercise price (C\$)	Number of warrants	Exercise price (C\$)	Number of warrants
April 9, 2017	-	-	\$1.04	500,000
December 31, 2020	\$0.35	6,268,000	\$0.35	6,368,000
December 31, 2020	\$0.35	1,034,880	\$0.37	1,034,880
	\$0.35	7,302,880	\$0.40	7,902,880

**Bonus Shares, RSUs and DSUs**

The Company has a long-term incentive plan which provides for the grant of bonus shares, RSUs and DSUs in such amounts as approved by the Corporation's Board of Directors. Bonus shares are granted to directors, executives and key employees; RSUs are granted to executives and key employees; and, DSUs are granted to directors.

The incentive plan for the grant of bonus shares is considered an equity-settled share-based payment arrangement. Each unit entitles the participant to receive one common share of the Company, subject to vesting criteria. Bonus share grants vest one third per year over a three-year period.

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**16. SHARE-BASED PAYMENT RESERVE (cont'd...)**

RSUs and DSUs can be settled in either cash or equity at the option of the Company. RSU grants vest 100% on the third anniversary of the date of grant and DSU grants vest 100% on the first anniversary of the date of the grant. Bonus shares, RSUs and DSUs expected to be settled in common shares are measured at fair value based on the Company's share price on the date of grant.

During the three-month period ended March 31, 2017, the Company granted 672,800 bonus shares, 672,800 RSUs and 310,000 DSUs. The Company recorded \$631 (2016 - \$259) in share-based payment expense related to the incentive plan for the grant of bonus shares, RSUs and DSUs, of which \$nil (2016 - \$90) was capitalized to property, plant and equipment and \$26 (2016 - \$nil) to exploration and evaluation assets.

At March, 31 2017 and December 31, 2016, share units outstanding were as follows:

**Bonus Shares:**

	<b>March 31, 2017</b>		<b>December 31, 2016</b>	
	Number of units	Weighted average fair value (C\$)	Number of units	Weighted average fair value (C\$)
Balance, beginning of the period	2,112,000	\$0.72	1,117,577	\$0.92
Issued	672,800	\$1.23	1,550,300	\$0.48
Forfeited	(9,300)	\$1.26	(13,160)	\$0.68
Redeemed	(199,811)	\$1.26	(542,717)	\$0.45
Balance, end of the period	2,575,689	\$0.81	2,112,000	\$0.72

**RSUs:**

	<b>March 31, 2017</b>		<b>December 31, 2016</b>	
	Number of units	Weighted average fair value (C\$)	Number of units	Weighted average fair value (C\$)
Balance, beginning of the period	3,731,670	\$0.86	2,871,000	\$0.98
Issued	672,800	\$0.48	1,328,900	\$0.48
Forfeited	-	-	(24,730)	\$0.90
Redeemed	(700,000)	\$1.26	(443,500)	\$0.49
Balance, end of the period	3,704,470	\$0.72	3,731,670	\$0.86

**DSUs:**

	<b>March 31, 2017</b>		<b>December 31, 2016</b>	
	Number of units	Weighted average fair value (C\$)	Number of units	Weighted average fair value (C\$)
Balance, beginning of the period	996,453	\$1.38	697,060	\$0.98
Issued	310,000	\$1.23	746,824	\$0.48
Redeemed	-	-	(447,431)	\$0.75
Balance, end of the period	1,306,453	\$1.35	996,453	\$0.71

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**17. RELATED PARTY TRANSACTIONS AND BALANCES**

During the three-month period ended March 31, 2017, the Company entered into the following transactions with related parties:

**Management compensation**

- (a) Paid or accrued consulting fees of \$175 (2016 - \$138) to companies related to officers of which \$nil (2016 - \$36) was capitalized to property, plant and equipment, \$46 (2016 - \$nil) to exploration and evaluation assets and \$24 (2016 - \$101) in production costs.
- (b) Paid or accrued consulting and directors' fees of \$231 (2016 - \$260) to directors and officers. The Company recorded share-based payment expense related to the vesting of issued stock options and share units of \$479 (2016 - \$66) included in consulting fees, \$nil (2016 - \$29) capitalized to property, plant and equipment, \$39 (2016 - \$nil) capitalized to exploration and evaluation assets, \$62 (2016 - \$7) included in investor relations and \$158 (2016 - \$nil) in production costs.

**Other transactions**

The Company also entered into the following transactions during the three-month period ended March 31, 2017 and 2016 with Glencore:

- (a) Paid \$3,187 (2016 - \$nil) in principal on the finance lease (Note 12).
- (b) Paid \$1,985 (2016 - \$nil) in principal and interest on the working capital facility (Note 13).
- (c) Earned revenue of \$59,491 (2016 - \$19,639) on concentrate sales (Note 18).
- (d) Paid or accrued production expenses of \$4,722 (2016 - \$4,677) and mine development expenses of \$2,699 (2016 - \$1,920) capitalized to property, plant and equipment.

At March 31, 2017, amounts due to related parties was comprised of \$35 (2016 - \$60) due to directors and officers and \$71 (2016 - \$660) due to companies related to officers for consulting fees, and \$2,380 (2016 - \$2,822), bearing approximately 8% interest, due to Glencore for mine development and operation expenses.

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

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**18. REVENUES**

	Zinc		Lead		Total
<b>Three months ended March 31, 2017</b>					
Revenues before settlement adjustments	\$	42,908	\$	15,836	\$ 58,744
Settlement adjustments:					
Commodities		663		84	747
Revenues	\$	43,571	\$	15,920	\$ 59,491
	Zinc		Lead		Total
<b>Three months ended March 31, 2016</b>					
Revenues before settlement adjustments	\$	9,971	\$	8,413	\$ 18,384
Settlement adjustments:					
Commodities		1,235		20	1,255
Revenues	\$	11,206	\$	8,433	\$ 19,639

During the three-month period ended March 31, 2017, the Company delivered all of its concentrate to one customer, Glencore, under the terms of various off-take agreements for \$59,491 (2016 - \$19,639). Glencore is a related party of the Company.

**19. INTEREST EXPENSE**

	<b>Note</b>	<b>March 31, 2017</b>	<b>March 31, 2016</b>
Accretion on finance lease	<b>12</b>	\$ 629	\$ 716
Interest and accretion on provision for environmental rehabilitation	<b>14</b>	192	216
Interest expense on long-term debt	<b>13</b>	1,930	686
Interest expense on trade payables		65	78
		\$ 2,816	\$ 1,696

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

**20. COMMITMENTS AND RESTRICTED CASH**

The Company receives IGV from the sales of its concentrate. 10% (2016-10%) of the amount received is deposited directly by the vendor in a restricted account. The Company applies every quarter to the Peruvian tax authority to release the IGV from the restricted account. As of March 31, 2017, the balance held in the IGV restricted account was \$2,289 (December 31, 2016 - \$3,504).

Restricted cash in Canada includes miscellaneous deposits of \$31 (December 31, 2016 - \$30).

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**21. SEGMENTED INFORMATION**

The Company's executive management team manages its business, including the allocation of resources, on a project by project basis, except where the Company's projects are substantially connected and share resources and administrative functions. The Company's two operating segments are its Caribou Mine in Canada and its operating Santander Mine in Peru. Corporate and other includes the Company's executive head office, general corporate administration and activity, and the Halfmile/Stratmat project in Canada.

For the three-month periods ended March 31, 2017 and 2016, segmented information is as follows:

	<b>Three months ended March 31, 2017</b>			
	<b>Caribou Mine</b>	<b>Santander Mine</b>	<b>Corporate and other</b>	<b>Total</b>
Revenues	\$ 40,318	\$ 19,173	\$ -	\$ 59,491
Mining operation expenses	(33,582)	(16,227)	-	(49,809)
Gross profit	6,736	2,946	-	9,682
General and administration	(17)	(119)	(1,706)	(1,842)
Other items				
Gain (loss) on foreign exchange	(1,034)	575	379	(80)
Interest expense	(1,854)	(959)	(3)	(2,816)
Other income	1	51	-	52
Income (loss) before income tax	\$ 3,832	\$ 2,494	\$ (1,330)	\$ 4,996

	<b>Three months ended March 31, 2016</b>			
	<b>Caribou Mine</b>	<b>Santander Mine</b>	<b>Corporate and other</b>	<b>Total</b>
Revenues	\$ -	\$ 19,639	\$ -	\$ 19,639
Mining operation expenses	-	(16,601)	-	(16,601)
Gross profit	-	3,038	-	3,038
General and administration	(3)	(95)	(765)	(863)
Other items				
Gain (loss) on foreign exchange	(216)	163	62	9
Gain on derivatives	-	-	498	498
Interest expense	(153)	(1,543)	-	(1,696)
Other income	5	71	2	78
Income (loss) before income tax	\$ (367)	\$ 1,634	\$ (203)	\$ 1,064

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**21. SEGMENTED INFORMATION (cont'd...)**

	<b>March 31, 2017</b>			
	Caribou Mine	Santander Mine	Corporate and other	Total
Cash	\$ 9,773	\$ 9,646	\$ 2,033	\$ 21,452
Restricted cash	-	2,290	30	2,320
Accounts receivable	13,660	10,816	422	24,898
Investment	-	-	757	757
Inventory	4,324	1,263	54	5,641
Reclamation bonds	3,866	85	483	4,434
Non-current receivable	-	-	3,800	3,800
Exploration and evaluation assets	-	-	9,383	9,383
Property, plant and equipment	116,258	128,379	90,308	334,945
Other assets	3,069	1,840	471	5,380
<b>Total assets</b>	<b>\$ 150,950</b>	<b>\$ 154,319</b>	<b>\$ 107,741</b>	<b>\$ 413,010</b>

	<b>December 31, 2016</b>			
	Caribou Mine	Santander Mine	Corporate and other	Total
Cash	\$ 6,752	\$ 2,534	\$ 1,850	\$ 11,136
Restricted cash	-	3,505	29	3,534
Accounts receivable	12,599	16,421	199	29,219
Investment	-	-	856	856
Inventory	5,787	1,341	55	7,183
Reclamation bonds	3,828	4,556	477	8,861
Non-current receivable	-	-	3,800	3,800
Exploration and evaluation assets	-	-	9,118	9,118
Property, plant and equipment	116,504	127,167	90,238	333,909
Other assets	165	1,485	380	2,030
<b>Total assets</b>	<b>\$ 145,635</b>	<b>\$ 157,009</b>	<b>\$ 107,002</b>	<b>\$ 409,646</b>

**22. SUPPLEMENTAL CASH FLOWS INFORMATION**

Non-cash investing and financing transactions for the three-month periods ended March 31, 2017 and 2016 consist of the following:

	<b>2017</b>	<b>2016</b>
Due to related parties included in property, plant and equipment	\$ 1,178	\$ 726
Accounts payable and accrued liabilities included in property, plant and equipment	\$ 1,189	\$ 2,808
Promissory note provided as deposit on Caribou Mine fleet	\$ 1,919	\$ -
Share-based payment included in property, plant and equipment and exploration and evaluation	\$ 40	\$ 144
Fair value of bonus shares, RSUs and DSUs issued	\$ 529	\$ 4



**TREVALI MINING CORPORATION****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

Three Months Ended March 31, 2017 and 2016

(Unaudited – Prepared by Management)

(Expressed in thousands of United States dollars, except for share and per share amounts)

**23. ADJUSTMENT TO PREVIOUSLY REPORTED FINANCIAL INFORMATION DUE TO CHANGE IN PRESENTATION CURRENCY**

For comparative purposes, the consolidated statements of financial position as at December 31, 2016 and January 1, 2016 includes adjustments to reflect the change in accounting policy resulting from the change in the presentation currency to the US dollar. The amount previously reported in Canadian dollars as shown below have been translated into US dollars at the December 31, 2016 and January 1, 2016 exchange rate of 1.3427 US\$:C\$ and 1.3840 US\$:C\$, respectively.

	As previously reported in C\$		As restated in US\$	
As at January 1, 2016				
Current assets	\$	45,119	\$	32,602
Non-current assets		472,394		341,326
Total assets	\$	517,513	\$	373,928
Current liabilities	\$	35,696	\$	25,795
Non-current liabilities		176,563		127,574
Total liabilities	\$	212,259	\$	153,369
	As previously reported in C\$		As restated in US\$	
As at December 31, 2016				
Current assets	\$	72,449	\$	53,958
Non-current assets		477,581		355,688
Total assets	\$	550,030	\$	409,646
Current liabilities	\$	61,976	\$	46,160
Non-current liabilities		143,104		106,579
Total liabilities	\$	205,080	\$	152,739

**TREVALI MINING CORPORATION****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

Three Months Ended March 31, 2017 and 2016

(Unaudited – Prepared by Management)

(Expressed in thousands of United States dollars, except for share and per share amounts)

**23. ADJUSTMENT TO PREVIOUSLY REPORTED FINANCIAL INFORMATION DUE TO CHANGE IN PRESENTATION CURRENCY (cont'd...)**

For comparative purposes, the consolidated statement of operations and comprehensive loss for the three months ended March 31, 2016 includes adjustments to reflect the change in accounting policy resulting from the change in the presentation currency to the US dollar. The amount previously reported in Canadian dollars as shown below have been translated into US dollars at the average exchange rate of 1.3724 US\$:C\$. The effect of the translation is as follows:

<b>Three months ended March 31, 2016</b>	<b>As previously reported in C\$</b>	<b>As restated in US\$</b>
<b>REVENUES</b>	\$ 26,953	\$ 19,639
<b>Mine operating expenses</b>		
Production costs	8,432	6,144
Smelting, refining and freight	9,738	7,095
Royalty expense	362	264
Depreciation, depletion and amortization	4,252	3,098
	22,784	16,601
<b>Gross profit</b>	4,169	3,038
Consulting fees	540	393
Investor relations	141	103
Office and miscellaneous	250	182
Professional fees	123	89
Regulatory	119	86
Travel and promotion	13	10
<b>Operating profit</b>	2,983	2,175
<b>OTHER ITEMS</b>		
Gain on foreign exchange	12	9
Gain on derivatives	684	498
Interest expense	(2,328)	(1,696)
Other income	107	78
<b>Income before taxes</b>	1,458	1,064
<b>Deferred tax expense</b>	(631)	(461)
<b>Net income for the period</b>	\$ 827	\$ 603
<b>OTHER COMPREHENSIVE INCOME</b>		
<b>Items that may be reclassified subsequently to net income (loss)</b>		
Translation adjustment	(6,384)	10,274
<b>Comprehensive income (loss) for the period</b>	\$ (5,557)	\$ 10,877

## TREVALI MINING CORPORATION

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Three Months Ended March 31, 2017 and 2016

(Unaudited – Prepared by Management)

(Expressed in thousands of United States dollars, except for share and per share amounts)

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## 24. OTHER

### Agreement to Purchase Glencore's Rosh Pinah and Perkoa Zinc Mines ("African Assets")

On March 13, 2017, the Company announced that it had entered into definitive agreements with Glencore plc ("Glencore") and certain of its subsidiaries whereby Trevali would acquire a portfolio of zinc assets from Glencore (the "Transaction"), including an 80% interest in the Rosh Pinah mine in Namibia ("Rosh Pinah"), a 90% interest in the Perkoa mine in Burkina Faso ("Perkoa"), an effective 39% interest in the Gergarub project in Namibia, an option to acquire a 100% interest in the Heath Steele property in Canada and certain related exploration properties and assets (together, the "Assets") for an aggregate purchase price of approximately \$400 million (the "Consideration").

The Company expects that, upon completion of the Transaction, the Assets will deliver high-quality zinc production to the Company's existing portfolio, and improving asset and geographic diversification.

The purchase consideration is expected to consist of \$227.4 million in cash (which will be raised through both debt and equity) and the issuance of 193,432,310 Trevali common shares to Glencore. Based on the Company's transaction financing plan, Glencore is expected to become an approximate 25% shareholder of the Company at the completion of the agreement to purchase the African Assets.

#### \$190 Million Facility

Trevali expects to fund a portion of the cash consideration through a \$190 million five-year senior secured credit amortizing non-revolving credit facility (the "Facility"). The Company expects proceeds from the Facility will be used as follows:

- (i) \$105 million will be used to fund a portion of the cash purchase price for the Acquisition, and fees and expenses incurred in connection with the Agreement to purchase the African Assets;
- (ii) \$40 million will be used to refinance currently outstanding debt obligations owing to Glencore and its affiliates;
- (iii) approximately \$45 million will be used to redeem Trevali's 12.5% senior secured notes due May 30, 2019, of which C\$60.9 million principal amount (plus accrued and unpaid interest and early repayment fee) is outstanding as at March 31, 2017 with a portion of the proceeds from the expected financing being used to satisfy the balance of the redemption amount for the senior secured notes); and
- (iv) fees and expenses incurred in connection with the foregoing.

#### Equity Financing

On March 29, 2017, in connection with the Agreement to purchase the African Assets, the Company announced the closing, in escrow, of its previously announced bought deal private placement of subscription receipts (the "Subscription Receipts") at a price of C\$1.20 per Subscription Receipt (the "Offering") for gross proceeds of C\$264,546 (\$198,922). A total of 220,455,000 Subscription Receipts were sold pursuant to the Offering, including 28,755,000 Subscription Receipts as a result of the full exercise of an underwriters' option. The net proceeds of the Offering, when available to the Company, will be used to fund a portion of the cash consideration payable to Glencore and for general working capital purposes.

The gross proceeds of the Offering, less 50% of the commission payable to the underwriters and the underwriters' expenses incurred to date, has been deposited into escrow and shall only be released to the Company's benefit immediately prior to the completion of the Transaction upon the satisfaction of certain conditions, including shareholder and regulatory approval of the Transaction, and will be used to partially fund the Consideration. Each Subscription Receipt entitles the holder thereof to receive one underlying common share of the Company for no additional consideration or further action on the part of the holder.

The TSX has conditionally approved the listing of the Common Shares underlying the Subscription Receipts subject to certain conditions, including receipt of approval of shareholders.

**TREVALI MINING CORPORATION**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

Three Months Ended March 31, 2017 and 2016

(Unaudited – Prepared by Management)

(Expressed in thousands of United States dollars, except for share and per share amounts)

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**24. OTHER (cont'd...)**

The effective date of the Transaction is April 1, 2017 and the closing of the Transaction is expected to occur on or before July 31, 2017. The Transaction is subject to obtaining requisite regulatory approvals (including in respect of antitrust matters), Trevali shareholder approval and other customary closing conditions.

The special meeting of Trevali shareholders with respect to the proposed Agreement to purchase the African Assets is scheduled for May 17, 2017. The reader is referred to the Company's news release dated March 29, 2017 and the Management Information Circular filed April 18, 2017 on SEDAR under the Company's profile for detailed information.