



TREVALI MINING CORPORATION

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

(Expressed in Canadian Dollars)

Three Months Ended March 31, 2013 and 2012

Corporate Head Office

2300-1177 West Hastings Street
Vancouver, BC
Canada
V6E 2K3
Tel: 604-488-1661

TREVALI MINING CORPORATION
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

March 31, 2013 and 2012

<u>INDEX</u>	<u>Page</u>
Condensed Consolidated Financial Statements	
Condensed Consolidated Statements of Financial Position	1
Condensed Consolidated Statements of Operations and Comprehensive Loss	2
Condensed Consolidated Statements of Cash Flows	3
Condensed Consolidated Statements of Changes in Shareholders' Equity	4
Notes to the Condensed Consolidated Financial Statements	5-21

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

	March 31, 2013	December 31, 2012
ASSETS		
Current		
Cash and cash equivalents	\$ 5,642,493	\$ 3,326,719
Restricted cash (Note 15)	2,132,281	2,130,186
Accounts receivable (Note 4)	10,949,278	1,063,832
Prepaid and other expenses	1,745,399	1,850,453
Inventory	944,398	902,682
	<u>21,413,849</u>	<u>9,273,872</u>
Reclamation bonds	5,369,998	5,369,998
Restricted cash (Note 15)	190,132	185,913
Non-current receivable (Note 5)	2,572,287	12,201,166
Property, plant and equipment (Note 6)	<u>280,267,418</u>	<u>267,461,506</u>
	<u>\$ 309,813,684</u>	<u>\$ 294,492,455</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities (Note 7)	\$ 9,959,104	\$ 6,464,609
Loan payable (Note 8)	16,415,861	16,247,033
Flow-through share premium liability (Note 9)	2,508,299	2,573,030
Due to related parties (Note 14)	5,887,285	774,318
Current portion of long term debt (Note 11)	<u>2,905,416</u>	<u>-</u>
	37,675,965	26,058,990
Finance lease	24,717	39,547
Long-term debt (Note 11)	21,773,672	21,572,743
Provision for environmental rehabilitation (Note 10)	30,670,438	31,373,981
Deferred income tax liabilities	<u>9,721,923</u>	<u>9,397,729</u>
	<u>99,866,715</u>	<u>88,442,990</u>
Shareholders' equity		
Capital stock (Note 12)	228,452,000	224,073,364
Share-based payment reserve (Note 13)	16,075,228	16,060,315
Cumulative Translation Adjustment	779,041	-
Deficit	<u>(35,359,300)</u>	<u>(34,084,214)</u>
	<u>209,946,969</u>	<u>206,049,465</u>
	<u>\$ 309,813,684</u>	<u>\$ 294,492,455</u>

Going Concern (Note 1) Commitments (Note 15) Subsequent event (Note 20)

On behalf of the Board:

"Anton Drescher" Director
Mr Anton Drescher

"Paul Klipfel" Director
Mr Paul Klipfel

TREVALI MINING CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)
THREE MONTHS ENDED MARCH 31, 2013 and 2012

	2013	2012
EXPENSES		
Amortization	\$ 700	\$ 9,073
Consulting (Note 14)	616,022	949,503
Investor relations (Note 14)	136,162	399,773
Office and administrative	239,993	234,640
Professional fees	171,477	114,015
Regulatory	32,103	70,054
Travel	74,051	110,091
Operating Loss before other items and income taxes	(1,270,508)	(1,887,149)
OTHER ITEMS		
Foreign exchange gain	121,802	47,699
Accretion of provision for environmental rehabilitation (Note 10)	(167,586)	-
Loss on debt extinguishment	-	(1,382,484)
Other income	669	60,748
Loss before income taxes	(1,315,623)	(3,161,186)
Deferred income tax recovery	40,537	211,918
Loss and comprehensive loss for the period	\$ (1,275,086)	\$ (2,949,268)
Basic and diluted loss per share	\$ (0.01)	\$ (0.02)
Weighted average number of common shares outstanding	199,705,217	151,664,946

TREVALI MINING CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)
THREE MONTHS ENDED MARCH 31, 2013 and 2012

	2013	2012
CASH FLOWS USED IN OPERATING ACTIVITIES		
Net loss for the period	\$ (1,275,086)	\$ (2,949,268)
Items not affecting cash:		
Amortization	700	9,073
Share-based payment expense	-	962,064
Unrealized loss (gain) on foreign exchange	(397,111)	19,583
Loss on debt extinguishment	-	1,382,494
Accretion on provision for environmental rehabilitation	167,586	-
Deferred income tax (recovery) expense	(40,537)	(211,918)
Changes in non-cash working capital items:		
Accounts receivable	(27,793)	1,420,335
Prepaid and other expenses	301,351	(170,288)
Accounts payable and accrued liabilities	926,777	(311,353)
Due to related parties	24,548	(165,867)
Net cash flows used in operating activities	<u>(319,565)</u>	<u>(15,155)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Shares issued for cash, net of share issue costs (Note 12)	4,678,636	17,806,026
Loans received, net of transaction costs (Note 11)	2,259,841	-
Payment on loans (Note 8)	(483,785)	(5,122,500)
Payments on finance lease	(14,830)	(15,487)
Accrued interests on loan and financial lease	-	29,399
Net cash flows provided by financing activities	<u>6,439,862</u>	<u>12,697,438</u>
CASH FLOWS USED IN INVESTING ACTIVITIES		
Decrease (increase) in restricted cash	-	(76,799)
Investment	-	(285,000)
Increase in input tax credit (Note 4)	(86,837)	-
Advances and deposits paid	(211,943)	-
Increase in non-current receivable	(62,572)	(229,119)
Inventory	(38,548)	(2,025,373)
Purchase of property, plant and equipment	(3,454,452)	(13,324,437)
Net cash flows used in investing activities	<u>(3,854,352)</u>	<u>(15,940,728)</u>
Effect of foreign exchange on cash	<u>49,829</u>	<u>(24,441)</u>
Increase (decrease) in cash and cash equivalents for the period	2,315,774	(3,282,886)
Cash and cash equivalents, beginning of period	<u>3,326,719</u>	<u>20,752,847</u>
Cash and cash equivalents, end of period	\$ 5,642,493	\$ 17,469,961

Supplemental cash flow information (Note 17)

TREVALI MINING CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)
THREE MONTHS ENDED MARCH 31, 2013 AND 2012

	Number of shares	Issued Share Capital	Share-based payment reserve	Cumulative Translation Adjustment	Deficit	Total Equity
Balance, December 31, 2011	144,221,251	162,519,430	17,292,647	-	(26,651,750)	153,160,327
Share-based payment	-	-	1,301,509	-	-	1,301,509
Private placements	12,620,282	17,920,800	-	-	-	17,920,800
Exercise of options	6,000	6,000	-	-	-	6,000
Units issued for debt settlement	4,149,521	4,356,997	760,056	-	-	5,117,053
Share issue cost	-	(120,774)	-	-	-	(120,774)
Reallocation from share-based payment reserve on exercise of options	-	8,373	(8,373)	-	-	-
Loss for the period	-	-	-	-	(2,949,268)	(2,949,268)
Balance, March 31, 2012	160,997,054	\$ 184,690,826	\$ 19,345,839	\$ -	\$ (29,601,018)	\$ 174,435,647

	Number of shares	Issued Share Capital	Share-based payment reserve	Cumulative Translation Adjustment	Deficit	Total Equity
Balance, December 31, 2012	199,535,861	224,073,364	16,060,315	-	(34,084,214)	206,049,465
Share-based payment	-	-	14,913	-	-	14,913
Private placements	5,000,000	4,700,000	-	-	-	4,700,000
Exercise of warrants	5,500	6,050	-	-	-	6,050
Share issue cost	-	(327,414)	-	-	-	(327,414)
Loss for the period	-	-	-	-	(1,275,086)	(1,275,086)
Translation Adjustment				779,041		779,041
Balance, March 31, 2013	204,541,361	\$ 228,452,000	\$ 16,075,228	\$ 779,041	\$ (35,359,300)	\$ 209,946,969

1. NATURE OF BUSINESS AND GOING CONCERN

Trevali Mining Corporation (the "Company" or "Trevali") is incorporated under the laws of British Columbia, Canada. In 2007, the Company changed its business and has since been engaged in the acquisition and exploration of mineral properties and development of two mines in Peru and New Brunswick. On November 2, 2012, the Company completed the acquisition of a mine and milling complex (Note 3). The Company is a development stage company.

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

Several adverse conditions cast significant doubt on the validity of this assumption. For the period ended March 31, 2013, the Company has incurred operating losses of \$1,275,086 (2012 - \$2,949,268), has negative working capital of \$16,262,116 (December 31, 2012 - \$16,785,118), has a cumulative deficit at March 31, 2013 of \$35,359,300 (December 31, 2012 - \$34,084,214), limited sources of operating cash flows and no assurances that sufficient funding will be available to conduct further exploration and development of its mineral property interests. Subsequent to period-end the Company closed its \$30 million debt facility (Note 20). The Company plans to use these funds to repay current debt, fund development towards stand-alone mine and mill operations in the Bathurst Camp of New Brunswick, and for general working capital purposes. Together with the \$30 million debt facility, additional financing will be required to sustain general operation in 2013.

The Company had relied principally upon the issuance of securities for financing and debt financings. The Company intends to continue relying upon the issuance of equity or debt securities to finance its future activities, but there can be no assurance that such financing will be available on a timely basis under terms acceptable to the Company. Although these consolidated financial statements do not include any adjustments that may result from the inability to secure future financing, such a situation could have a material adverse effect on the Company's recoverability of assets, classification of assets and liabilities, and results of operations should the Company be unable to continue as a going concern.

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 a limited source of revenue until the mines in Peru and Canada reach operations in a manner intended by management. The Company continues to have significant cash requirements to meet its project development costs and maintain its mineral property interests. The recoverability of amounts shown for mineral properties is dependent on several factors. These include the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development of these properties, and future profitable production or proceeds from disposition of mineral properties.

2. BASIS OF PREPARATION

Statement of compliance

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. These condensed consolidated interim financial statements do not include all the information and note disclosures required by IFRS for annual financial statements and therefore, the condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2012, which have been prepared in accordance with IFRS as issued by the IASB. The Company is following the same accounting policies and methods of computation in these condensed consolidated financial statements as it did in the audited financial statements for the year ended December 31, 2012, except as described below:

2. BASIS OF PREPARATION (cont'd...)

These consolidated financial statements have been prepared on a historical cost basis. In addition these consolidated financial statements have been prepared using the accrual basis of accounting except for share-based payments and awards, which are measured at fair value, and mineralized stockpile inventory which is measured at net realizable value.

Adoption of new and amended IFRS pronouncements

As of January 1, 2013, the Company adopted the new and amended IFRS pronouncements in accordance with the transitional provisions outlined in the respective standards as listed below.

a) Pronouncement affecting financial statement presentation or disclosures

i) IFRS 12, Disclosure of interests in other entities

The Company adopted IFRS 12 on January 1, 2013. IFRS 12 establishes disclosure requirements for interests in other entities, such as subsidiaries, joint arrangements, associates, and unconsolidated structured entities.

The requirements of IFRS 12 relate to disclosures only and are applicable for the first annual period after adoption. IFRS 12 does not require the disclosures to be included for any period that precedes the first annual period for which IFRS 12 is applied. Additional disclosures will be included in the Company's annual consolidated financial statements for the year ended December 31, 2013.

ii) IFRS 13, Fair value measurement

The Company adopted IFRS 13 with prospective application from January 1, 2013. IFRS 13 is a comprehensive standard for fair value measurement and disclosure for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date.

The adoption of IFRS 13 did not have an effect on the Company's condensed interim consolidated financial statements for the current period.

b) Pronouncements affecting accounting policies only

i) IFRS 10, Consolidated financial statements

The Company adopted IFRS 10 on January 1, 2013 with retrospective application. IFRS 10 requires an entity to consolidate an investee when it has power over the investee, is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 supersedes IAS 27, Consolidated and Separate Financial Statements and SIC 12, Consolidation — Special Purpose Entities.

The Company has concluded that IFRS 10 did not have an effect on the consolidated financial statements for the current period or prior periods presented as the adoption did not result in changes of the consolidation status of any of the subsidiaries.

ii) IFRS 11, Joint arrangements

The Company adopted IFRS 11 on January 1, 2013 with retrospective application. IFRS 11 requires a venturer to classify its interest in a joint agreement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation.

The Company has concluded that IFRS 11 did not have an effect on the consolidated financial statements for the current period or prior periods presented as the Company current method of accounting agrees with IFRS 11 for joint operation.

2. BASIS OF PREPARATON (cont'd...)

Approval of the financial statements

The consolidated financial statements of Trevali for the three months period ended March 31, 2013 and 2012 were reviewed by the Audit Committee, approved and authorized for issue by the Board of Directors on May 14, 2013.

Functional and presentation currency

The functional currency of each of the Company's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Canadian dollar ("CAD") and the functional currency of the Company is the Canadian dollar except for Peruvian entities, for which the functional currency is the United States dollar ("USD").

The Company's Peruvian entities changed their functional currency from the Canadian dollar to the United States dollar as of January 1, 2013. 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. Based on management's evaluation taking into consideration the currency of the main sources of income, intercompany charges, significant capital projects, source of funding of expenditures, mainly the USD loan in Q4-2012 (Note 11) as well as the currency in which cash and cash deposits are maintained, management determined the functional currency of the corporate entity to be the United States dollar. The change in functional currency has been accounted for prospectively.

Use of judgments and estimates

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

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

TREVALI MINING CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited – Prepared by Management)
Three month period ended March 31, 2013 and 2012
(Expressed in Canadian Dollars)

3. ACQUISITION TRANSACTIONS

a) Acquisition of Maple Minerals Corporation (“Maple”)

On November 2, 2012 the Company completed its acquisition of Maple (the “Acquisition”). Pursuant to the terms of a combination agreement dated May 14, 2012, a wholly-owned subsidiary of Trevali, Trevali Mining (New Brunswick) Ltd., and Maple amalgamated in a three cornered amalgamation with Trevali, and Trevali has issued to the former shareholders of Maple 20,000,010 common shares of Trevali and 3,999,986 common share purchase warrants with each warrant exercisable at \$2.00 per share for one year following the closing date (“Closing”) of the transaction. The amalgamated company operates under the name of Trevali Mining (New Brunswick) Ltd. The Company accounted for the Acquisition as an acquisition of assets and liabilities.

Allocation of the assets acquired and liabilities assumed

Carrying amount of the net assets recognized on acquisition	\$
Cash and cash equivalents	711
Amounts receivable	557,771
Deposits	738,252
Reclamation bond	4,737,372
Property, Plant and Equipment	58,959,904
Accounts payable and accrued liabilities	(2,388,795)
Short term liability	(6,747,801)
Provision for environmental rehabilitation	(28,700,649)
	<u>27,156,765</u>

Purchase consideration

The purchase price below was allocated to the assets acquired as of the acquisition date.

	\$
Issuance of Trevali shares (20,000,010 common shares)	22,000,011
Fair value of 3,999,986 warrants	229,767
Cash advances up to November 2, 2012	3,943,848
Transaction costs	368,139
Finder’s fees	615,000
	<u>27,156,765</u>

The Company has allocated the purchase price consideration to the asset acquired and liabilities assumed, including an amount of \$15,760,813 allocated to Property, Plant and Equipment under mine development for the Caribou mine and mill. As of March 31, 2013, the allocation of this amount between mine development and building and infrastructure based on their relative fair values has not yet been completed.

The fair value of the common shares of the Company issued in connection with the Acquisition was \$1.10 per share which was the share price on acquisition date. The fair value of the Company’s common share purchase warrants issued was calculated using the Black-Scholes pricing model. The assumptions used in the calculation were as follows:

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(Unaudited – Prepared by Management)
Three month period ended March 31, 2013 and 2012
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3. ACQUISITION TRANSACTIONS (cont`d...)

	Warrants
Risk-free interest rate	1.06%
Expected life of warrants (years)	1.00
Annualized volatility	54.86%
Dividend rate	0.00%

Prior to the closing of the transaction, Trevali provided Maple with equity advances in the amount of approximately \$3,943,800 to the end of October, 2012 to enable Maple to meet its financial obligations for the Caribou Mine as such obligations fell due prior to Closing. On Closing of the Transaction, the Company also paid a \$615,000 finder’s fee, partially paid in common shares.

On Closing, Trevali has also assumed a legal claim (the “Claim”) commenced in New Brunswick in May 2012 by two plaintiffs against Maple and certain of its principals.

In the Claim, the plaintiffs claim, among other things, a 24.5% interest in Maple and/or its underlying assets. Trevali and Maple, including Maple’s former principals who are named defendants, believe that the Claim is without merit and plan to defend the matter vigorously.

4. ACCOUNTS RECEIVABLE

	March 31, 2013	December 31, 2012
Trades receivable	\$ -	\$ 179,296
Input tax credits and IGV	10,805,652	767,120
Others	143,626	117,416
	<u>\$ 10,949,278</u>	<u>\$ 1,063,832</u>

Included in input tax credits and Impuesto General a las Ventas – General Sales Tax (“IGV”) is IGV incurred by Trevali Peru in Peru and which may only be recoverable from taxes collected from mine production revenues. IGV in Trevali Peru was previously recorded as a component of mine development until the probability of taxable revenues from production was probable which occurred with the expected commissioning of the Santander mine in late May 2013. For the period ended March 31, 2013 the amount has been reclassified from non-current receivable to current receivable (Note 5).

5. NON-CURRENT RECEIVABLE

	March 31, 2013	December 31, 2012
Tingo	\$ 2,572,287	\$ 2,509,714
Trevali Peru	-	9,691,452
	<u>\$ 2,572,287</u>	<u>\$ 12,201,166</u>

The long-term receivable is IGV incurred by Tingo and Trevali Peru in Peru and which may only be recoverable from taxes collected from the sale of hydroelectric power and mine production revenues in the future. IGV in Trevali Peru was previously recorded as a component of mine development until the probability of taxable revenues from production was probable which occurred with the expected commissioning of the Santander mine in late May 2013. For the period ended March 31, 2013 the amount has been reclassified from non-current receivable to current receivable (Note 4).

TREVALI MINING CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited – Prepared by Management)
Three month period ended March 31, 2013 and 2012
(Expressed in Canadian Dollars)

6. PROPERTY, PLANT AND EQUIPMENT

	Exploration and evaluation	Mine development	Construction in progress	Buildings and infrastructure	Equipment and other	Total
Cost						
As at December 31, 2012	\$ 14,500,721	\$ 222,975,319	\$ 13,353,700	\$ 13,234,151	\$ 4,505,812	\$ 268,569,703
Additions	219,362	7,373,493	944,503	903,568	494,136	9,935,062
Capitalized borrowing costs	-	960,806	-	-	-	960,806
Pre-production costs of sales, net of revenues	-	1,609,148	45,656	-	-	1,654,804
Change in provision for environmental rehabilitation	-	(919,938)	-	-	-	(919,938)
CTA	-	1,219,291	124,340	210,427	28,238	1,582,296
As at March 31, 2013	14,720,083	233,218,119	14,468,199	14,348,146	5,028,186	281,782,733
Accumulated amortization						
As at December 31, 2012	-	-	-	(572,961)	(535,236)	(1,108,197)
Charge for the period	-	-	-	(183,184)	(223,934)	(407,118)
As at March 31, 2013	-	-	-	(756,145)	(759,170)	(1,515,315)
Net book value,						
March 31, 2013	\$ 14,720,083	\$ 233,218,119	\$ 14,468,199	\$ 13,592,001	\$ 4,269,016	\$ 280,267,418
	Exploration and evaluation	Mine development	Construction in progress	Buildings and infrastructure	Equipment and other	Total
Cost						
As at December 31, 2011	\$ 12,518,426	\$ 118,317,843	\$ 8,363,217	\$ 14,234,720	\$ 848,541	\$ 154,282,747
Acquired in asset acquisition	-	58,959,904	-	-	-	58,959,904
Additions	1,982,295	27,966,136	4,954,160	(1,000,569)	3,657,271	37,559,293
Capitalized borrowing costs	-	1,290,507	-	-	-	1,290,507
Pre-production costs of sales, net of revenues	-	16,440,929	36,323	-	-	16,477,252
As at December 31, 2012	14,500,721	222,975,319	13,353,700	13,234,151	4,505,812	268,569,703
Accumulated amortization						
As at December 31, 2011	-	-	-	(134,936)	(158,147)	(293,083)
Charge for the period	-	-	-	(438,025)	(377,089)	(815,114)
As at December 31, 2012	-	-	-	(572,961)	(535,236)	(1,108,197)
Net book value,						
December 31, 2012	\$ 14,500,721	\$ 222,975,319	\$ 13,353,700	\$ 12,661,190	\$ 3,970,576	\$ 267,461,506

6. PROPERTY, PLANT AND EQUIPMENT (cont`d...)

Property Acquisition

Santander Project

Agreements with Glencore International AG's Peruvian subsidiary, Empresa Minera Los Quenuales S.A. ("Glencore")

During the year ended December 31, 2010, the Company entered into agreements with Glencore to jointly develop, construct and operate a mine at the Santander Project. Glencore is considered a related party of the Company given the significant transactions with the Company and a director of the Company who is also a member of key management at Glencore. The agreements are summarized as such:

Glencore will:

- (i) construct a mill and a flotation plant (together, the "Plant").
- (ii) operate the Plant and the mine for the Company on a contract basis.
- (iii) buy 100% of the Santander mine production at benchmark terms for the life of the mine.
- (iv) have the right of first refusal over the Santander Project's assets in the event that the Company intends to sell them, and an option to purchase 51% of the ownership of all Santander's assets, at fair market value, in the event that a change of control is to take place. This agreement shall terminate on the later of (1) the fourth anniversary of the commencement of commercial production and (2) repayment of all obligations of the Company under the Concentration Plant Sale Agreement (described in the Company's obligations below) and the convertible debenture agreement (Note 17(a)).

The Company will:

- (i) retain 100% ownership of the Santander Project.
- (ii) have the facilities and capacity needed to provide electrical power and water resources for the Santander Project.
- (iii) provide a mining camp for Glencore staff.
- (iv) acquire the Plant and the associated infrastructure from Glencore, through the Concentration Plant Sale Agreement. Under the terms, the Company will pay for the Plant, over a period of four years following the completion of the commissioning of the Plant and related handover of the Plant to the Company, subsequent to the Plant meeting certain tests, specification tests as outlined in the Plant Sales agreement. Following the acquisition of the plant, the total purchase price of the Plant estimated as of December 31, 2012 to be approximately US\$32,000,000) will be paid in installments each year based upon the amount of concentrate treated by the Plant, notwithstanding that the total price shall be paid by the end of the fourth year. The Company has the right to prepay the entire outstanding balance subject to a 10% prepayment penalty.

The Company anticipates commissioning to commence in late May 2013 with subsequent ramp-up to commercial production around the third quarter. Following the handover by Glencore of the Plant, the Company will begin to use the asset, and will recognize the Plant and related liability.

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Three month period ended March 31, 2013 and 2012
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6. PROPERTY, PLANT AND EQUIPMENT (cont'd...)

Stratmat Properties, New Brunswick

The Company previously entered a 2.5% Net Smelter Return (NSR) agreement with Cominco Limited, now Teck Resources, in regards of its Stratmat property in New Brunswick.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31, 2013	December 31, 2012
Trade payables	\$ 8,663,478	\$ 5,751,057
Accrued payroll and other	1,236,305	654,231
Current portion of finance leases	59,321	59,321
	<u>\$ 9,959,104</u>	<u>\$ 6,464,609</u>

8. LOAN FACILITIES

	Bridge Loan with Sprott (a)	Short term loans (b)	Total
Balance at December 31, 2012	\$ 15,520,784	\$ 726,249	\$ 16,247,033
Interests accrued	615,515	21,228	636,743
Loan and interests payment	(440,000)	(43,785)	(483,785)
Loss (gain) on foreign exchange translation at period-end	-	15,870	15,870
Balance at March 31, 2013	<u>\$ 15,696,299</u>	<u>\$ 719,562</u>	<u>\$ 16,415,861</u>

(a) Bridge-loan credit facility with Sprott

On August 16, 2012, the Company entered into a \$10-million bridge-loan credit facility agreement with Sprott Resource Lending Partnership ("Sprott"). The facility is for a principal amount of \$10 million at an interest rate of 11% per annum, compounded and payable monthly, and due and payable in full on or before August 31, 2013. The effective interest rate is 1.285%. In consideration for entering into the facility, Trevali has made a share bonus payment to Sprott of \$250,069, being 2.5 % of the principal amount of the facility, payable in 329,472 common shares of the Company based on the quoted closing market price on the day the shares were issued. A structuring fee in the amount of \$150,000 has also been paid to Sprott.

On November 2, 2012, Trevali and Sprott Resource Lending Partnership ("Sprott") amended the \$10-million bridge-loan credit facility agreement, increasing it to \$16-million under the same terms. The additional proceeds were used to redeem Maples' \$6 million debenture issued in 2012 to Breakwater Resources Ltd. (Nyrstar). In connection with Sprott's advance of an additional \$6 million to Trevali, Sprott received a \$60,000 structuring fee and 158,127 common shares (bonus shares) fair valued at \$173,940.

The loan was secured with substantially all of the Company's Canadian assets and was repaid subsequent to period-end with the closing of the \$30 million debt facility (Note 20).

TREVALI MINING CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited – Prepared by Management)
Three month period ended March 31, 2013 and 2012
(Expressed in Canadian Dollars)

8. LOAN FACILITIES (cont'd...)

(b) Short term loan payable

Through the acquisition of Maple, the Company became responsible for two unsecured non-interest bearing debt balances with a total principal amount of US\$729,972. Those loans were payable upon the earlier of (a) following the completion of the corporate debt financing of Trevali Mining Corporation by RMB Resources (Note 20) and (b) January 16, 2013, or (c) on such alternative date as the agreed between both parties (Note 20). During the period ended March 31, 2013, US\$42,644 was repaid and subsequent to March 31, 2013, US\$710,490 including US\$23,162 of interests has been repaid.

9. FLOW-THROUGH SHARE PREMIUM LIABILITY

Flow-through share liability includes the liability portion (the premium) of the flow-through shares issued for the amount of the premium on flow-through funds that at March 31, 2013 has not been used to incur qualifying exploration expenditures. The following is a continuity schedule of the liability portion of the flow-through share issuances.

	Issued on July 25, 2012	Issued on March 31, 2013	Total
Balance at December 31, 2012	\$ 2,573,030	\$ -	\$ 2,573,030
Premium liability incurred on flow-through shares issued (Note 12)	-	300,000	300,000
Reduction of flow-through share liability on incurring qualifying expenditures	(364,731)	-	(364,731)
Balance at March 31, 2013	\$ 2,208,299	\$ 300,000	\$ 2,508,299

10. PROVISION FOR ENVIRONMENTAL REHABILITATION

The Company's provision for environmental rehabilitation consists of costs accrued based on the current best estimate of mine closure and reclamation activities that will be required at the three mine site upon completion of mining activity. These activities include costs for earthworks, including land re-contouring and re-vegetation, water treatment and demolition. The Company's provision for future site closure and reclamation costs is based on the level of known disturbance at the reporting date, known legal requirements and estimates prepared by a third party specialist. It is not currently possible to estimate the impact on operating results, if any, of future legislative or regulatory developments.

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

	Undiscounted liability for closure	Life of mine	Reclamation period (years)	Pre-tax discount rate	Inflation factor	PV of Cash flow required on closure
Santander*	1,804,532	7	5	1.76%	2%	1,953,695
Halfmile	729,454	10	Nil	1.76%	2%	784,122
Caribou	28,308,510	10	50	1.76 %-2.49%	2%	27,932,621

*Santander liability will be settled in US dollars.

TREVALI MINING CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited – Prepared by Management)
Three month period ended March 31, 2013 and 2012
(Expressed in Canadian Dollars)

10. PROVISION FOR ENVIRONMENTAL REHABILITATION (cont'd...)

The following is a continuity schedule of the Company's estimated portion of these provisions.

Balance at December 31, 2012	\$ 31,373,981
Accretion	167,586
Change in estimate	(300,000)
Change in discount rate	(610,665)
Change in foreign exchange rate	39,535
Balance at March 31, 2013	\$ 30,670,438

As of March 31, 2013, the Company has collateral on deposit with the Province of New Brunswick as security for reclamation and environmental obligations associated with its Halfmile and Caribou mines (\$5,369,998).

11. LONG-TERM DEBT

	Convertible debt	Santander's creditors obligation	Working capital facility	Total
Balance at December 31, 2012	\$ 2,143,266	\$ 1,683,204	\$ 17,746,273	\$ 21,572,743
Amount withdrawn	-	-	2,259,841	2,259,841
Accretion interest	15,323	59,672	252,756	327,751
Loss (gain) on foreign exchange translation	45,486	51,530	421,737	518,753
Current portion	-	-	(2,905,416)	(2,905,416)
Balance at March 31, 2013	\$ 2,204,075	\$ 1,794,406	\$ 17,775,191	\$ 21,773,672

(a) Convertible debt

On September 3, 2010, the Company closed a US\$2,000,000 convertible debenture between the Company and Glencore. The debenture is repayable in equal instalments over three years commencing the later of six months from the date of first commercial production (anticipated Q3 2013), from the Santander Project, or 20 months from the date of the advance, and will bear interest at LIBOR (three-month) plus 2.5%, payable quarterly on arrears. LIBOR (three-month) rate on March 31, 2013 was 0.30600% (December 31, 2012 – 0.35850%). Glencore has the option to convert the debenture loan, made up of principal and accrued interest payable, to the Company's common shares any time after the second anniversary of draw down based on trailing 30-day volume weighted average price at conversion date, subject to a minimum floor conversion price of \$0.64 per share, with security for the financing being the Santander Project tailing resource. Upon a change in control, all indebtedness and all accrued and unpaid interest, premiums and fees shall become immediately due and payable.

At September 3, 2010, US\$2,000,000 was allocated to the liability portion of this compound financial instrument. The equity portion thereof was determined to be \$Nil at that date as the value of the conversion feature of the debt is insignificant due to the conversion price approximating the market price.

One director of the Company is part of Glencore senior management and therefore considered a related party.

11. LONG-TERM DEBT (cont'd...)

(b) Third party Santander creditor obligation

On September 29, 2009, Santander became a special purpose entity of the Company by virtue of Santander's Creditors Committee approval of the mineral concession purchase option granted to the Company, and 75% voting right held on the Company's creditor's claims, together with other Company obligations relating thereto. The Company has recorded the present value of the obligation to those third party creditors of US\$2,160,000, due on or before September 30, 2014 (being the estimated date of repayment by Trevali), at a discount rate of 15%.

(c) Working capital facility

On November 6, 2012, the Company closed a US\$20-million working capital facility from development partner Glencore. The secured working capital facility is payable over a maximum 4-year period beginning after the earlier of (i) commercial production of the Plant or 181 days after the handover of the Plant, and bears an interest rate of LIBOR +5%. It may be pre-paid at any stage without penalty. As of March 31, 2013, the working capital facility balance including interest was US\$20,354,929. Interests of US\$354,929 were capitalized to borrowing costs under mine development. The loans with Glencore are secured with substantially all of the Company's Peruvian's assets.

12. CAPITAL STOCK

Authorized:

Unlimited number of common shares without par value.

During the period ended March 31, 2013, the Company:

- (a) On March 28, 2013, the Company closed a flow-through private placement financing, issuing 5,000,000 common shares on a "flow-through" basis under the Income Tax Act (Canada) ("Flow-through Shares") at a price of Cdn\$1.00 per Flow-through Share for aggregate gross proceeds of Cdn\$5,000,000, of which \$4,700,000 was recorded in capital stock and the remaining \$300,000 was recorded as flow through shares premium liability. In connection with the Offering, the Underwriters received a cash commission of Cdn\$225,000 and \$45,000 for expense reimbursement. All securities issued are subject to a four month and one day hold period.

The Company received a waiver from Sprott in regards to prepayment on the bridge loan from proceeds raised.

- (b) On February 15, 2013, 5,500 warrants were exercised at an exercise price of \$1.10 for gross proceeds of \$6,050 (Note 13).

13. 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.

TREVALI MINING CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited – Prepared by Management)
Three month period ended March 31, 2013 and 2012
(Expressed in Canadian Dollars)

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

As at March 31, 2013 and December 31, 2012, the Company had outstanding stock options enabling the holders to acquire common shares as follows:

Expiry Date	March 31, 2013			December 31, 2012		
	Exercise Price	Number of Options	Exercisable	Exercise Price	Number of Options	Exercisable
January 9, 2013	-	-	-	\$5.00	15,000	15,000
January 15, 2013	-	-	-	\$5.00	20,000	20,000
May 26, 2013	\$5.00	80,000	80,000	\$5.00	80,000	80,000
May 31, 2013	\$1.60	1,945,000	1,945,000	\$1.60	1,995,000	1,995,000
February 1, 2014	\$1.19	2,445,000	2,360,625	\$1.19	2,482,500	2,370,000
February 14, 2014	\$1.40	200,000	200,000	\$1.40	200,000	200,000
March 2, 2014	\$1.60	220,000	220,000	\$1.60	220,000	220,000
September 19, 2014	\$1.12	540,000	540,000	\$1.12	540,000	540,000
October 1, 2014	\$1.23	200,000	200,000	\$1.23	200,000	200,000
October 16, 2014	\$1.19	575,000	575,000	\$1.19	575,000	575,000
November 13, 2014	\$1.19	125,000	68,750	\$1.19	125,000	50,000
December 21, 2014	\$1.20	379,500	379,500	\$1.20	379,500	379,500
September 16, 2015	\$0.98	40,000	40,000	\$0.98	40,000	40,000
January 17, 2016	\$1.95	10,000	10,000	\$1.95	10,000	10,000
February 16, 2016	\$2.00	60,000	60,000	\$2.00	60,000	60,000
March 4, 2018	\$0.98	200,000	-	-	-	-
		7,019,500	6,678,875		6,942,000	6,754,500

At March 31, 2013, the weighted average remaining contractual life of the stock options was 0.98 (December 31, 2012 – 1.10) years.

Stock option transactions are as follows:

	March 31, 2013		December 31, 2012	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Balance, beginning of the period/year	6,942,000	\$1.37	6,820,000	\$1.34
Granted	200,000	\$0.98	4,555,000	\$1.21
Exercised	-	-	(2,660,000)	\$1.01
Forfeited	-	-	(212,500)	\$1.19
Expired	(122,500)	\$2.45	(1,560,500)	\$1.31
Balance, end of the period/year	7,019,500	\$1.36	6,942,000	\$1.37

No options were exercised in the quarter ended March 31, 2013.

Share-based compensation

During the three month period ended March 31, 2013, the Company granted 200,000 vesting stock options and recorded \$14,913 in total share-based compensation expense for options vested during the period. All expense was capitalized to property, plant and equipment.

TREVALI MINING CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited – Prepared by Management)
Three month period ended March 31, 2013 and 2012
(Expressed in Canadian Dollars)

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

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 and similar mineral exploration companies.

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

The fair value of stock options was estimated using the Black-Scholes option pricing model with the following weighted average calculations for the period ended March 31, 2013 and the year ended December 31:

	2013	2012
Risk-free interest rate	1.25%	1.03%
Expected life of options	5 years	1.3 years
Annualized volatility	81.65%	64.10%
Dividend rate	0.00%	0.00%
Forfeiture rate	0.00%	0.00%
Grant date fair value	\$0.62	\$0.44

Warrants

Warrants transactions are summarized as follows:

	March 31, 2013		December 31, 2012	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Balance, beginning of the period/year	21,201,552	\$1.29	20,885,337	\$1.17
Issued	-	-	6,074,746	\$1.69
Exercised	(5,500)	(\$1.10)	(109,659)	(\$1.05)
Expired	(500,000)	(\$1.80)	(5,648,872)	(\$1.28)
Balance, end of the period/year	20,696,052	\$1.28	21,201,552	\$1.29

The weighted average market price on exercise of warrants for the period ended March 31, 2013 was \$1.01 (December 31, 2012 - \$1.13).

The warrants expired unexercised during the period created a \$Nil (December 31, 2012 - \$483,046) deferred income tax gain which was recorded in share based payment reserve.

TREVALI MINING CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited – Prepared by Management)
Three month period ended March 31, 2013 and 2012
(Expressed in Canadian Dollars)

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

At March 31, 2013 and December 31, 2012, warrants were outstanding as follows:

Expiry Date	March 31, 2013		December 31, 2012	
	Exercise Price	Number of Warrants	Exercise Price	Number of Warrants
January 11, 2013	-	-	\$1.80	500,000
April 6, 2013	\$2.34	194,210	\$2.34	194,210
August 17, 2013	\$1.00	1,041,666	\$1.00	1,041,666
November 2, 2013	\$2.00	3,999,986	\$2.00	3,999,986
November 10, 2013	\$1.10	11,150,000	\$1.10	11,150,000
November 14, 2013	\$1.10	1,235,430	\$1.10	1,240,930
January 16, 2014	\$1.10	2,074,760	\$1.10	2,074,760
July 29, 2014	\$1.00	1,000,000	\$1.00	1,000,000
		20,696,052		21,201,552

The fair value of warrants was estimated using the Black-Scholes option pricing model with the following weighted average calculations for the three month period ended March 31, 2013 and the year ended December 31, 2012:

	2013	2012
Risk-free interest rate	-	1.03%
Expected life of options/warrants	-	1.3 years
Annualized volatility	-	58.56%
Dividend rate	-	0.00%
Grant date fair value	-	\$0.16

14. RELATED PARTY TRANSACTIONS AND BALANCES

Management compensation

- (a) Paid or accrued consulting fees of \$518,749 (2012 - \$195,294) to companies related to officers of which \$112,375 (2012 - \$156,417) was capitalized to property, plant and equipment. Those companies were granted stock options fair valued at \$Nil (2012 - \$44,402) included in consulting fees and \$Nil (2012 - \$44,042) capitalized to property, plant and equipment.
- (b) Paid or accrued consulting and directors' fees of \$124,005 (2012 - \$46,950) to directors and officers. Directors and officers were granted stock options fair valued at \$Nil (2012 - \$637,263) included in consulting fees and \$Nil (2012 - \$44,042) capitalized to property, plant and equipment.

Amounts due to related parties is comprised of \$64,011 (December 31, 2012 - \$22,233) due to directors and \$128,151 (December 31, 2012 - \$Nil) due to companies related to officers for consulting fees, and \$5,695,123 (December 31, 2012 - \$752,085) due to Glencore for mine development expenses.

The amount due to directors is unsecured, bears no interest and is due on demand. Please also see Notes 6 and 11.

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

(Unaudited – Prepared by Management)

Three month period ended March 31, 2013 and 2012

(Expressed in Canadian Dollars)

15. COMMITMENTS AND RESTRICTED CASH

The Company posted letters of guarantee related to the grant of a transmission line at its Santander project and its hydroelectric facility in Peru, by local government agencies; \$92,281 (2012 - \$90,186) due to be released in fiscal 2013 and \$103,520 due to be released in 2014. Non-current restricted cash also includes \$86,612 (2012 - \$84,676) posted as a letters of guarantee related to the mine closure plan for the Company's Santander project.

In addition, the Company posted \$2,000,000 (2012 - \$2,000,000) as letter of guarantee related to its Halfmile mining operation. The funds are restricted for use and held as security for the Company's fulfillment of its obligations under its agreement with Xstrata, which includes removal of waste rock at the site (Note 10). The funds will be released subsequent to the Company's fulfillment of these obligations, which is expected to be completed in 2013. Also included as current restricted cash are miscellaneous deposits of \$40,000 (2012 - \$40,000).

16. SEGMENTED INFORMATION

The Company 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 Halfmile and Caribou mining development in Canada, and its development of its Santander mine in Peru. The corporate Canada segment includes the Company's executive head office and general corporate administration and activity. For the period ended March 31, 2013 and December 31, 2012, segmented information is as follows:

	March 31, 2013			
	Projects in Canada	Projects in Peru	Corporate Canada	Total
Cash	\$ 5,113,914	\$ 450,013	\$ 78,566	\$ 5,642,493
Restricted cash	2,020,000	282,413	20,000	2,322,413
Inventory	278,089	666,309	-	944,398
Reclamation bond	5,369,998	-	-	5,369,998
Non-current receivable	-	2,572,287	-	2,572,287
Property, plant and equipment	180,384,545	99,874,245	8,628	280,267,418
Other assets	1,786,403	10,680,878	227,396	12,694,677
Total assets	\$ 194,952,949	\$ 114,526,145	\$ 334,590	\$ 309,813,684

	December 31, 2012			
	Projects in Canada	Projects in Peru	Corporate Canada	Total
Cash	\$ 825,406	\$ 837,607	\$ 1,663,706	\$ 3,326,719
Restricted cash	2,020,000	276,099	20,000	2,316,099
Inventory	286,827	615,855	-	902,682
Reclamation bond	5,369,998	-	-	5,369,998
Property, plant and equipment	179,297,949	88,154,230	9,327	267,461,506
Other assets	1,750,341	13,050,841	314,269	15,115,451
Total assets	\$ 189,550,521	\$ 102,934,632	\$ 2,007,302	\$294,492,455

Net income or loss, as disclosed in the condensed consolidated statements of comprehensive income, relates primarily to the corporate Canada segment.

TREVALI MINING CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited – Prepared by Management)
Three month period ended March 31, 2013 and 2012
(Expressed in Canadian Dollars)

17. SUPPLEMENTAL CASH FLOWS INFORMATION

Non-cash transactions for the period ended March 31, 2013 consist of the following:

	2013	2012
Due to related parties included in property, plant and equipment	\$ 5,741,775	\$ 752,085
Accounts payable and accrued liabilities included in property, plant and equipment	\$ 8,670,254	\$ 6,138,126
Accounts receivable included in property, plant and equipment	\$ -	\$ 179,296
Shares and warrants issued in debt settlement	\$ -	\$ 4,690,297
Share-based payment included in property, plant and equipment	\$ 14,913	\$ 485,362
Share issued in acquisition transactions	\$ -	\$ 22,000,011
Fair value of warrants from acquisition transaction	\$ -	\$ 229,767
Fair value of bonus shares issued	\$ -	\$ 424,009

18. CAPITAL MANAGEMENT

The Company manages its capital structure, being its shareholders' equity, and makes adjustments to it based on the funds available to the Company in order to support future business opportunities. The Board of Directors does not establish quantitative returns on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company currently has no source of revenues and is dependent upon external financings to fund activities. In order to carry future projects and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the three month ended March 31, 2013. The Company is subject to externally imposed capital requirements in regards of the bridge loan with Sprott (Note 8(a)) where the Company is required to prepay any amounts exceeding \$1,000,000 of the fair value of any asset sold and if the Company receives financing having a value exceeding \$1,000,000. The Company received a waiver from Sprott in regards to prepayment on the bridge loan from proceeds raised during the quarter (Note 12). The bridge loan was repaid concurrent to the closing of RMB financing (Note 20).

19. SUBSIDIARIES

Significant subsidiaries of Trevali, the parent company, are as follows:

	Country of Incorporation	Principal Activity	Trevali's effective interest for 2013 and 2012
Kria Resources Ltd.	Canada	Holding Company	100%
Kria Resources Inc.	Canada	Mining Company	100%
Trevali Mining (New Brunswick) Ltd.	Canada	Mining Company	100%
Trevali Peru S.A.C.	Peru	Mining Company	100%
Trevali Renewable Energy Inc.	Peru	Holding Company	100%
Compania Hidroelectrica Tingo S.A.C.	Peru	Hydro Electric	99.7%

Compania Minerales Santander S.A.C. and Santander Concesiones S.A.C. are considered special purpose entities and are also consolidated.

20. SUBSEQUENT EVENTS

- (a) On April 30, 2013, the Company finalized all the legal documentation and has closed the \$30-million of funding associated with its previously announced \$60-million senior debt and prepaid precious metals facility (“Facility”) with RMB Resources (“RMB”), the resource financing division of the FirstRand Group of South Africa. The debt facility will be used to repay current debt, fund development towards stand-alone mine and mill operations in the Bathurst Camp of New Brunswick, and for general corporate working capital purposes.

This mezzanine-tranche of the facility is repayable on the earlier of June 30, 2014, or closing of the final \$60-million senior debt facility. The facility bears interest of LIBOR + 8.5% per annum and has an arrangement fee of 5% and 3,000,000 warrants to purchase Trevali common shares on the TSX exercisable at any time through June 30, 2015 at an exercise price of \$1.05 per share, subject to TSX approval.

- (b) 194,210 warrants expired on April 6, 2013.
- (c) On May 1, 2013, the Company granted 1,082,000 stock options to be vested over 3 years.
- (d) On May 1, 2013, the Company granted 112,000 deferred share units to be vested over 1 year.
- (e) On May 1, 2013, the Company granted 493,700 restricted share units to be vested over 3 years.
- (f) On May 1, 2013, the Company granted 605,700 bonus shares to be vested over 3 years.