Trevali Releases Second Quarter 2020 Results; Reissues 2020 Guidance with Lower All-In-Sustaining-Costs for the Remainder of the Year

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VANCOUVER, Aug. 06, 2020 - Trevali Mining Corp. (“Trevali” or the “Company”) (TSX: TV, BVL: TV; OTCQX: TREVF, Frankfurt: 4TI) today released financial and operating results for the three and six months ended June 30, 2020. The Company reported quarterly production of 66 million pounds of zinc at an all-in sustaining cost[1] (“AISC”) of $1.05 per pound. Subsequent to quarter end, the company secured up to $45 million in additional liquidity consisting of $25 million being made available through the existing credit facility and a new $20 million facility from Glencore. Financial covenant relief was also provided until December 31, 2020.

FINANCIAL AND OPERATIONAL HIGHLIGHTS FOR THE SECOND QUARTER 2020

- Total Recordable Incident Frequency decreased 33% from the comparative quarter in 2019 with seven less recordable injuries reported. This is a result of improved work planning and execution where health and safety hazards are identified and controls to manage risk implemented prior to commencing work.
- COVID-19 had a negative effect on the zinc price and financial results in Q2 2020.
- Perkoa, Rosh Pinah and Santander are all currently producing at full capacity with comprehensive COVID-19 prevention measures in place.
- Accelerated T90 business improvement program targeting the overall reduction in AISC[1] to $0.90/lb by 2021, a year earlier than originally planned. Of the original target of $50 million in annualized sustainable efficiencies, the program is forecasting to deliver $43 million of recurring, annualized efficiencies in 2020, of which $30 million has been delivered at the end of Q2 2020.
- Undertook immediate one-time cost reductions to achieve an additional $37 million of savings in 2020 across sustaining and expansionary capital, exploration and operating expenditures.
- Secured up to $45 million additional liquidity under existing credit facility and a new facility from Glencore as well as covenant relief until December 31, 2020. Revolving credit facility availability increased by $10.0 million; minimum liquidity covenant of $15.0 million eliminated; new facility from Glencore of up to $20.0 million.
- Issued updated guidance for 2020 with production guidance for H2 2020 between 148 – 163 million pounds of payable zinc, C1 Cash Costs[1] of $0.80 – $0.88/lb and AISC[1] of $0.89 – $0.97/lb.
- Zinc payable production of 66 million pounds at a C1 Cash Cost[1] of $0.93/lb and AISC[1] of $1.05/lb. C1 Cash Cost[1] and AISC[1] improved from Q1 2020 despite lower production volumes as a result of cost savings implemented under the T90 business improvement program, by-product credits, and Caribou being placed on care and maintenance.
- Adjusted EBITDA[1] of ($5.7) million for Q2 2020 due to a decline in the zinc price (quarterly average of $0.89/lb) and reduced sales volumes of 72 million pounds of payable zinc due to lower production as a result of Caribou being placed on care and maintenance, COVID-19 related disruptions to production at Santander as well as lower zinc grades at Perkoa and Rosh Pinah.

[1] *See “Use of Non-IFRS Financial Performance Measures”.*

Ricus Grimbeek, President and CEO stated, “The COVID-19 pandemic continues to have a significant impact on people and the economy around the world. In the second quarter we continued to optimize the business and were able to reduce our costs despite COVID-19 related impacts at Santander and lower overall group production. Thank you to our workforce for continuing to demonstrate your commitment to health and safety and responsibly performing your roles.

We’ve removed $37 million dollars of discretionary spending for the year and the acceleration of the

T90 program is firmly in place to sustainably reduce our all-in-sustaining-cost per pound of zinc to 90 cents by the beginning of 2021. As a result of these decisive actions, we’ve reissued our 2020 guidance which highlights significantly lower costs for the second half of the year and safe stable production as we continue to progressively implement initiatives under the T90 program.”

Subsequent to quarter end we were pleased to announce that Trevali has secured additional liquidity of $45 million of which $25 million is being made available from our existing lending syndicate through our revolving credit facility and a new $20 million credit facility has been established with Glencore, our largest shareholder and partner. Access to these funds will support the needs of the business while we deliver on our T90 program and capture the value of an improved zinc price.”

This news release should be read in conjunction with Trevali’s quarterly consolidated financial statements and management’s discussion and analysis for the three months ended June 30th, 2020, which is available on Trevali’s website and on SEDAR. Certain financial information is reported herein using non-IFRS measures; see Non-IFRS Financial Performance Measures below and in Trevali’s accompanying Q2 2020 Management’s Discussion and Analysis.

		YTD Q2’20	YTD Q2’19	YoY		Q2'20	Q1'20	Q2'1
Zinc payable production	Mlbs	164.7	205.8	–20	%	65.8	99.0	105.
Lead payable production	Mlbs	15.4	22.9	–33	%	4.7	10.7	11.4
Silver payable production	Moz	0.4	0.7	–43	%	0.1	0.3	0.3
Revenue	$	94,641	207,509	–54	%	42,689	51,952	82,2
Adjusted EBITDA[1]	$	(12,355)	64,013	–119	%	(5,709)	(6,646)	17,5
Net loss	$	(194,986)	(15,447)	1162	%	(19,381)	(175,605)	(31,5
Net loss per share	$	(0.24)	(0.02)	1100	%	(0.02)	(0.22)	(0.0
C1 Cash Cost[1]	$/lb	0.95	0.90	6	%	0.93	0.96	0.86
AISC[1]	$/lb	1.08	1.04	4	%	1.05	1.10	1.00
Sustaining capital expenditure[1]	$	19,661	24,278	–19	%	7,033	12,628	13,7
Exploration expenditure	$	3,585	5,031	–29	%	421	3,164	2,54

Conversion of tonnes to pounds, 1 tonne = 2,204.62 pounds or lbs.
YTD Q2’19 and Q2’19 revenues have been restated to reflect the Company’s change in accounting policy as disclosed in the December 31, 2019 Consolidated Financial Statements.

T90 PROGRAM

In November 2019, Trevali launched the T90 business improvement program which originally targeted a reduction in AISC[1] to $0.90 per payable pound of zinc by the beginning of 2022 through achieving annual sustainable efficiencies of $50 million. In response to market conditions as a result of the COVID-19 pandemic, the scope of cost benefits under the T90 business improvement program have been accelerated and expanded.

During Q2 2020, the Company took decisive action and continued to transform the business through the implementation and acceleration of the T90 business improvement program and additional one-time cost reduction initiatives. The result is an acceleration of the T90 business improvement program to reach an AISC[1] of $0.90 per pound by the beginning of 2021, a full year earlier than originally planned. As of the date of this MD&A, the program is forecasting to deliver $43 million of recurring annualized efficiencies in 2020, of which $30 million has already been delivered.

Improvements delivered by the T90 program during Q2 2020 reduced AISC[1] by approximately $0.05 per pound and increased revenues by approximately $1.3 million.

[1] *See “Use of Non-IFRS Financial Performance Measures”.*

2020 COST REDUCTIONS

In addition to the recurring initiatives being pursued through the T90 business improvement program, Trevali has undertaken immediate one-time cost reductions in 2020 of $37 million, up from the previously estimated $41 million in Q1 2020. This reduction is in relation to the $81 million of estimated capital expenditures provided as part of the annual guidance disclosed on January 20, 2020 which was subsequently withdrawn on March 26, 2020 due to the impact of COVID-19 and the deterioration in the zinc market. Revised 2020 guidance reflects these cost reductions. See “2020 Guidance and Outlook”

FINANCIAL POSITION AND STRATEGIC REVIEW PROCESS

On August 6, 2020, the Company and syndicate of lenders amended the existing Revolving Credit Facility and in parallel entered a new agreement with Glencore Canada Corporation (“Glencore”) which in combination makes available up to an additional $45 million in liquidity to Trevali. Certain terms of the Facility were amended, including an increase of the amount available under the Facility from $125 million to $135 million, an increase in the interest rate and commitment fees payable to LIBOR plus 5.50% and 1.25% respectively, a permanent reduction in the size of the Facility to $150.0 million and the elimination of the minimum liquidity covenant of $15 million.

The Company entered into a second lien secured facility agreement (“Glencore Facility”) with Glencore Canada Corporation”, an affiliate of the Company’s largest shareholder, Glencore plc (“Glencore”) up to a maximum of $20.0 million. Under the terms of the agreement, Glencore will advance to the Company amounts equal to the volume of dry metric tonnes of zinc concentrate delivered to Glencore in a given month multiplied by the difference between the annual benchmark treatment charge (“TC”) and the average monthly spot TC.

Advances under the Glencore Facility will be applicable to deliveries of zinc concentrate between June 2020 and December 2020. Amounts outstanding of under the Glencore Facility will bear interest at the same rate as the Revolving Credit Facility. The Glencore Facility ranks subordinate to the Revolving Credit Facility and has a maturity date of September 18, 2022.

Advances under the Glencore Loan will be applicable to monthly deliveries of zinc concentrate between June 2020 and December 2020. Amounts outstanding under the Glencore Loan will bear interest at the same rate as the Revolving Credit Facility at LIBOR + 5.5%. The Glencore Loan ranks subordinate to the Facility and has the same maturity date as the Revolving Credit Facility

See press release “Trevali Enters into Amended and Restated Credit Agreement with Existing Lenders and Secures Facility with Glencore” issued on August 6, 2020 for further details.

The Company continues to advance the strategic review process with its financial advisors to explore financing alternatives to reduce debt and enhance shareholder value.

2019 SUSTAINABILITY REPORT

The second annual sustainability report was published on May 28, 2020. The report details Trevali’s approach and progress to integrating sustainability into all aspects of the business. The Company set its first targets in both greenhouse gas emissions and water and it is anticipated that both targets will help the Company to reduce costs and mitigate environmental risks. In addition, a target has been set for 30% of our Board and senior leadership team to be women, with the view that this increased diversity will bring fresh perspectives to solving problems and growing our business.

[1] See “Use of Non-IFRS Financial Performance Measures”.

2020 GUIDANCE & OUTLOOK

With enhanced safety measures in place at Trevali’s operations to mitigate the impacts of COVID-19, each of Perkoa, Rosh Pinah and Santander are operating at full capacity. Operations at Caribou were placed on care and maintenance on March 26, 2020.

All previously issued 2020 annual guidance was suspended on March 26, 2020 due to the uncertainty caused by COVID-19 on the demand and prices for zinc and lead, on the Company’s suppliers and employees and on global financial markets. While uncertainty still remains with the aforementioned, given the progress made on both the T90 business improvement program and the 2020 one-time cost reductions the Company is issuing updated production and cost guidance for the remainder of 2020.

H2 2020 Payable Production and Cost Guidance

	Zinc Production (Million pounds)	Lead Production (Million pounds)	Silver Production (Thousand ounces)
Perkoa	78 – 83	n/a	n/a
Rosh Pinah	41 – 46	6 – 7	164 – 174
Santander	29 – 34	2 – 3	136 – 146
H2 2020 Guidance Total	148 – 163	8 – 10	300 – 320
FY 2020 Guidance	290 – 320	17 – 21	626 – 646

The above guidance excludes Caribou’s operations which was placed on care and maintenance on March 26, 2020.

The Company expects C1 Cash Costs[1] and AISC[1] to begin H2 2020 at the higher end of the guided range and trend lower by the end of Q4 2020 as initiatives from the T90 Program continue to be implemented and their benefits are realized. Payable zinc production is expected to be moderately higher in Q4 2020 relative to Q3 2020, while payable lead and silver production is expected to be higher in Q3 2020 as compared to Q4 2020.

2020 C1 Cash Costs[1] and AISC[1] guidance reflect the annual benchmark terms of zinc concentrate treatment charges of $300 per tonne of concentrate. For every $10 per tonne change, C1 Cash Cost[1] and AISC[1] are impacted by approximately $0.01 per pound.

H2 2020 Capital Expenditure Guidance

		H2 2020 Guidance	FY 2020 Guidance
Sustaining Capital			
Perkoa	$m	6	11
Rosh Pinah	$m	5	13
Santander	$m	1	6
Total	$m	12	30
Expansionary Capital	$m	2	6
Exploration Capital	$m	1	4
Total	$m	15	40

The above guidance excludes Caribou’s operations which was placed on care and maintenance on March 26, 2020. Capital expenditures for Caribou are estimated at $4.5 million for the full year of 2020.

Sustaining capital expenditures for H2 2020 reflect the planned expansion of the tailings storage facility at Perkoa and underground capital development at Perkoa and Rosh Pinah. At Santander there is limited sustaining capital planned for the remainder of 2020.

Exploration capital expenditures will be focused on the recommencement of drilling on the T3 deposit at Perkoa.

Trevali expects to publish the Rosh Pinah 2.0 Expansion Project prefeasibility study in Q3 2020 and optimization work will continue for the remainder of the year with this work being classified under expansionary capital. The investment decision initially planned for 2020 has been deferred and will be evaluated in the future.

[1] *See “Use of Non-IFRS Financial Performance Measures”.*

Market Outlook

The short-term outlook for the zinc market has changed significantly during the first half of 2020. At the start of the year and prior to COVID-19 being declared a pandemic, it was expected that the concentrate market would be in surplus over the coming years with demand for refined metal growing slightly in 2020 and refined stocks remaining below historic levels, lending support to zinc prices.

The rapid rise of the COVID-19 pandemic in Asia resulted in extended shutdowns of smelters and Chinese mine production. As Q1 2020 progressed, Chinese smelting production and economic activity increased from lows reached in February, while mine production curtailments resulting from measures to combat the spread of COVID-19 in Europe and the Americas accelerated and reached an estimate peak in April of 25% of global mine production.

While global smelting production was materially impacted in the first quarter of 2020, production capacity largely recovered to pre-COVID-19 levels early in the second quarter while mining operations were slower to restart. It was not until the end of June that the majority of mining operations that were suspended to control the spread of COVID-19 had restarted or were in the process of restarting. The risk of flare ups of COVID-19 and the re-imposition of controls and government restrictions on mining operations remain. As a result, the concentrate market surplus that was forecast at the beginning of 2020 for the full year is now forecast to be a deficit. This has led to reduced spot zinc concentrate treatment charges relative to the annual benchmark reported in March at $300 per tonne. Trevali’s concentrate off-take agreements reference the annual benchmark treatment charges. In July, the average imported zinc spot treatment charge for the month was reported to fall predominantly between $180 and $190 per tonne.

During Q2 2020, the London Metals Exchange (“LME”) zinc price recovered from its four year low of $0.82 per pound reached in March and averaged $0.89 per pound for the quarter. Subsequent to June 30, 2020, the spot LME zinc price increased and averaged $0.98 per pound for the month of July, reflecting a 20% increase from the year to date low as warehouse inventories remained close to historic lows. The significant curtailment of global mine production in H1 2020, should continue to provide fundamental support for zinc prices over the course of 2020 as management believes demand will outweigh supply as global economic activity accelerates.

At the end of Q2 2020, total global exchange inventories reduced by 14,000 tonnes to 220,000 tonnes or an estimated 6 days of global consumption, compared to Q1 2020. This inventory level is well below historical averages of 18 days of global consumption and is also supportive of higher zinc prices.

Q2 2020 Financial and Operational Results Conference Call and Webcast Details

The Company will host a conference call and presentation webcast at 1:00PM Eastern Time on Friday, August 7, 2020 to review the operating and financial results and Company’s outlook. A presentation will be made available on the Company’s website prior to the conference call.

Conference call dial-in details:
Date: Friday, August 7, 2020 at 1:00PM Eastern Time
Toll-free (North America): 1 (877) 291-4570
International: +1 (647) 788-4919
Webcast: http://www.gowebcasting.com/10776

[1] *See “Use of Non-IFRS Financial Performance Measures”.*

ABOUT TREVALI

Trevali is a global base-metals mining company, headquartered in Vancouver, Canada. The bulk of

Trevali’s revenue is generated from base-metals mining at its three operational assets: the 90%-owned Perkoa Mine in Burkina Faso, the 90%-owned Rosh Pinah Mine in Namibia, and the wholly-owned Santander Mine in Peru. In addition, Trevali owns the Caribou Mine, Halfmile and Stratmat Properties and the Restigouche Deposit in New Brunswick, Canada, and the past-producing Ruttan Mine in northern Manitoba, Canada. Trevali also owns an effective 44%-interest in the Gergarub Project in Namibia, as well as an option to acquire a 100% interest in the Heath Steele deposit located in New Brunswick, Canada.

The shares of Trevali are listed on the TSX (symbol TV), the OTCQX (symbol TREVF), the Lima Stock Exchange (symbol TV), and the Frankfurt Exchange (symbol 4TI). For further details on Trevali, readers are referred to the Company’s website (www.trevali.com) and to Canadian regulatory filings on SEDAR at www.sedar.com.

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Cautionary Note Regarding Forward–Looking Information and Statements

This news release contains “forward–looking information” within the meaning of Canadian securities legislation and “forward–looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995 (collectively, “forward–looking statements”). Forward–looking statements are based on the beliefs, expectations and opinions of management of the Company as of the date the statements are published, and the Company assumes no obligation to update any forward–looking statement, except as required by law.

Forward–looking statements relate to future events or future performance and reflect management’s expectations or beliefs regarding future events including the impacts of the ongoing and evolving COVID–19 pandemic, including but not limited to the effects of COVID–19 on the Company’s liquidity position, ability to continue as a going concern as described herein, financial condition, and results of operations. Forward-looking statement also include statements with respect to the intended use of proceeds from the Revolving Credit Facility and the Glencore Facility, financial guidance for the fiscal year 2020, expectations and timing regarding the T90 business improvement program, the Company’s growth strategies, expected annual savings from capital projects, anticipated effects of commodity prices on revenues, estimation of mineral reserves and mineral resources, the realization of mineral reserve estimates, the timing and amount of estimated future production, costs of production and capital expenditures, success of mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims, future anticipated property acquisitions, the content, cost, timing and results of future exploration programs and life of mine expectancies. The potential effects of COVID–19 on the Company’s business are unknown at this time, including the Company’s ability to manage restrictions and other challenges in the jurisdictions in which it operates and continue to safely operate and, in due course, return to normal operating status. The impact of COVID–19 is dependent on many factors outside the Company’s control, including measures taken by public health and government authorities, global economic uncertainties and outlook due to the pandemic, and evolving restrictions relating to mining activities and to travel and transport of goods in certain jurisdictions where the Company operates. In certain cases, forward–looking statements can be identified by the use of words such as “plans”, “expects”, “outlook”, “guidance”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates” or “believes”, or variations of such words and phrases or statements that certain actions, events or results “may”, “could”, “would”, “might”, “will be taken”, “occur” or “be achieved” or the negative of these terms or comparable terminology. By their very nature, forward–looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward–looking statements. Such factors include, among others, risks related to actual results of current exploration activities; changes in project parameters as plans continue to be refined; future prices of zinc, lead, silver and other minerals and the anticipated sensitivity of our financial performance to such prices; possible variations in ore reserves, grade or recoveries; dependence on key personnel; potential conflicts of interest involving our directors and officers; labour pool constraints; labour disputes; availability of infrastructure required for the development of mining projects; delays or inability to obtain governmental and regulatory approvals for mining operations or financing or in the completion of development or construction activities; counterparty risks; increased operating and capital costs; foreign currency exchange rate fluctuations; operating in foreign jurisdictions with risk of changes to governmental regulation; compliance with governmental regulations; compliance with environmental laws and regulations; land reclamation and mine closure obligations; challenges to title or ownership interest of our mineral properties; maintaining ongoing social license to operate; impact of climatic conditions on the Company’s mining operations; risks relating to epidemics or pandemics such as COVID–19 including the impact of COVID–19 on our business, financial condition and results of operations; corruption and bribery; limitations inherent in our insurance coverage; compliance with financial covenants; our ability to raise capital; competition in the mining industry; our ability to integrate new acquisitions into our operations; cybersecurity threats; litigation; and other risks of the mining industry including, without limitation, other risks and uncertainties that are more fully described in the “Risks and Uncertainties” section of the corresponding Q2 2020 MD&A and the “Risk Factors” section of our most recently filed Annual Information Form. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward–looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. Trevali provides no assurance that forward–looking statements will prove to be accurate, as actual results and future events may differ from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward–looking statements.

Non-IFRS Financial Performance Measures

The items marked with a “1” are non-IFRS measures and readers should refer to “Use of Non-IFRS Financial Performance Measures” in the Company’s Management’s Discussion and Analysis for the three and six months ended June 30, 2020.

Source: Trevali Mining Corp.