Annual Consolidated Financial Statements

For the years ended December 31, 2020, and 2019

(Expressed in thousands of Canadian dollars, unless otherwise stated)

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of NorZinc Ltd.

Opinion

We have audited the consolidated financial statements of NorZinc Ltd. (the "Entity"), which comprise:

- the consolidated statements of financial position as at December 31, 2020 and December 31, 2019;
- the consolidated statements of comprehensive loss for the years then ended;
- the consolidated statements of shareholder's equity for the years then ended;
- the consolidated statements of cash flows for the years then ended;
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2020 and December 31, 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with international Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the **"Auditors' Responsibilities for the Audit of the Financial Statements"** section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Company has incurred recurring losses from operations, has no operating revenue and is dependent on its ability to raise adequate financing to meet its short-term working capital needs and to continue the development of the Prairie Creek Mine, all of which raise material uncertainties that may cast significant doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty and our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the ***"Material Uncertainty related to Going Concern"*** section of the auditors' report, we have determined the matters described below to be the key audit matters to be communicated in our auditors' report.

Assessment of the recoverable amount of the Newfoundland properties' exploration and evaluation assets

Description of the matter

We draw attention to Notes 2(c), 2(e) and 7 to the financial statements. The Entity assesses at each reporting date the carrying amounts of non-financial assets to determine whether there is an indication of impairment. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. The recoverable amount of an asset or cash-generating unit is the greater of fair value less costs to sell and its value in use. The Entity determined there was an indicator of impairment to the Newfoundland properties exploration and evaluation assets due to the authorization by the Entity's Board of Directors of a potential sale of the Newfoundland properties to an unrelated third party. The Entity determined the fair value by obtaining a fair value estimate from its financial advisor and used this in its determination of the recoverable amount of the Newfoundland properties exploration and evaluation assets. This determination was based on the purchase consideration offered by the third party, which included share-based consideration. The Entity recorded an impairment of $4.1 million to the Newfoundland properties' exploration and evaluation assets.

Why the matter is a Key Audit Matter

We identified the evaluation of the recoverable amount of the Newfoundland properties' exploration and evaluation assets as a key audit matter.

Significant auditor judgment was required to evaluate the results of our audit procedures. Further, specialized skills and knowledge were needed to evaluate the methodology used to determine the recoverable amount of the Newfoundland properties exploration and evaluation assets and in assessing the fair value of the share-based consideration.

How the matter was addressed in the audit

The following are the primary procedures we performed to address this key audit matter.

We involved a valuation professional with specialized skills and knowledge who assisted in:

- Evaluating the methodology used by the Entity to determine the recoverable amount
- Assessing the fair value of the share-based consideration by comparing it to a fair value estimate that was independently developed using publicly available data for comparable entities which included considering features of the specific properties.

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Yours very truly,

KPMG LLP (signed)

Chartered Professional Accountants

The engagement partner on the audit resulting in this auditors' report is D. Philippa Wilshaw, CPA CA.

Vancouver, Canada
March 30, 2021

NorZinc Ltd.
Consolidated Statements of Financial Position
(Expressed in thousands of Canadian dollars, unless otherwise stated)

	As at December 31, 2020	As at December 31, 2019
ASSETS		
Current		
Cash and cash equivalents (Note 3)	$ 5,286	$ 2,452
Short-term investments (Note 4)	23	32
Other receivables and prepaid expenses	289	369
Total Current Assets	5,598	2,853
Restricted cash (Note 5)	2,422	2,075
Property, plant and equipment (Note 6)	725	750
Right-of-use assets (Note 8)	50	109
Exploration and evaluation assets (Note 7)	1,505	5,398
Total Assets	**$ 10,300**	**$ 11,185**
LIABILITIES		
Current		
Accounts payable	$ 796	$ 916
Accrued and other liabilities	1,284	1,077
Other liabilities (Note 11b)	297	-
Current portion of lease obligation (Note 8)	53	82
Total Current Liabilities	2,430	2,075
Lease obligation (Note 8)	8	49
Decommissioning provision (Note 10)	2,107	1,868
Total Liabilities	4,545	3,992
SHAREHOLDERS' EQUITY		
Share capital (Note 11)	147,210	135,385
Reserves (Note 12)	17,150	17,056
Deficit	(158,605)	(145,248)
Total Shareholders' Equity	5,755	7,193
Total Liabilities and Shareholders' Equity	**$ 10,300**	**$ 11,185**

Nature of Operations and Going Concern (Note 1)
Commitments and contingencies (Note 19)
Subsequent events (Note 20)

Approved by the Board of Directors:

"Robert J. MacDonald"	*"Shelley Brown"*
Director	Director

(Expressed in thousands of Canadian dollars, except for share and per share information)

	Years ended December 31, 2020	2019
Income		
Investment income	$ 10	$ 95
Expenses		
Depreciation	73	81
Exploration and evaluation (Note 13)	4,668	11,300
Listing and regulatory	137	93
Management and directors	2,076	1,656
Office and general (Note 19)	729	790
Professional	480	753
Shareholder and investor communications	222	358
Share-based compensation (Note 12)	708	694
	9,093	15,725
Other income (expense)		
Gain on sale of NSR (Note 7)	-	7,744
Foreign exchange gain	138	-
Impairment on exploration and evaluation assets (Note 7)	(4,098)	-
Finance costs	(280)	(352)
Change in decommissioning provision (Note 10)	(34)	302
	(4,274)	7,694
Net loss and comprehensive loss for the year	**$ (13,357)**	**$ (7,936)**
Net loss per share - basic and diluted	**$ (0.03)**	**$ (0.02)**
Weighted average number of shares outstanding		
Basic and diluted	404,474,200	371,283,649

NorZinc Ltd.
Consolidated Statements of Cash Flows
(Expressed in thousands of Canadian dollars, unless otherwise stated)

	Years ended December 31,	
	2020	**2019**
Operating Activities		
Net loss for the year	$ (13,357)	$ (7,936)
Adjustments for items not involving cash:		
Depreciation expense	112	118
Foreign currency translation	(176)	-
Finance costs	241	53
Loss (gain) on change in decommissioning provision (Note 10)	34	(302)
Gain on sale of NSR	-	(7,744)
Share-based compensation (Note 12)	708	694
Impairment on exploration and evaluation assets (Note 7)	4,098	-
Change in non-cash working capital items:		
Other receivables and prepaid expenses	80	67
Accounts payable and accrued liabilities	87	598
	(8,173)	(14,452)
Financing Activities		
Loan proceeds (Note 9)	7,112	8,000
Loan interest	-	(83)
Loan repayment	-	(7,917)
Capital stock issued, net of share issue costs (Note 11)	4,490	-
Payment of lease obligations	(95)	(89)
Tax remittance on exercise of RSUs and DSUs (Note 11)	(149)	(84)
	11,358	(173)
Investing Activities		
Purchase of equipment (Note 6)	(13)	(176)
Payment of reclamation security deposits	(347)	
Sale of NSR (Note 7)	-	8,000
Proceeds from sale of short term investment	9	-
	(351)	7,824
Net change in cash and cash equivalents	**$ 2,834**	**$ (6,801)**
Cash and cash equivalents, beginning of year	$ **2,452**	$ 9,253
Net change in cash and cash equivalents	2,834	(6,801)
Cash and cash equivalents, end of year	**$ 5,286**	**$ 2,452**

NorZinc Ltd.
Consolidated Statements of Changes in Shareholders' Equity
(Expressed in thousands of Canadian dollars, except for share information)

	Share Capital				
	Number	Amount	Reserves	Deficit	Total
Balance, December 31, 2018	**369,663,942**	**$ 134,536**	**$ 17,295**	**$ (137,285)**	**$ 14,546**
Adjustment for recognition of leases	-	-	-	(27)	(27)
Redemption of restricted share units (Note 11a)	2,100,000	739	(810)	-	(71)
Exercise of deferred share units (Note 11a)	778,611	110	(123)	-	(13)
Share-based compensation (Notes 12 (a) and (b))	-	-	694	-	694
Net loss for the year	-	-	-	(7,936)	(7,936)
Balance, December 31, 2019	**372,542,553**	**$ 135,385**	**$ 17,056**	**$ (145,248)**	**$ 7,193**
Redemption of restricted share units (Note 11b)	3,242,320	361	(456)	-	(95)
Exercise of deferred share units (Note 11b)	869,320	145	(199)	-	(54)
Issuance of shares (Note 11b)	49,122,881	3,089	-	-	3,089
Issuance of flow through shares (Note 11b)	19,750,000	1,063	41		1,104
Issuance of shares to settle loan payable (Note 11b)	110,302,267	7,167	-	-	7,167
Share-based compensation (Notes 12 (a) and (b))	-	-	708	-	708
Net loss for the year	-	-	-	(13,357)	(13,357)
Balance, December 31, 2020	**555,829,341**	**$ 147,210**	**$ 17,150**	**$ (158,605)**	**$ 5,755**

1. Nature of Operations and Going Concern

NorZinc Ltd. (the “Company” or “NorZinc”) is incorporated under the laws of the Province of British Columbia, Canada, and its principal business activity is the exploration and development of natural resource properties. The address of the Company’s registered office is Suite 1710, 650 West Georgia Street, PO Box 11644, Vancouver, British Columbia, Canada, V6B 4N9. The Company currently exists under the *Business Corporations Act* (British Columbia) and its common shares are listed on the Toronto Stock Exchange (“TSX”) under the symbol “NZC” and on the OTCQB under the symbol “NORZF”.

The Company is primarily engaged in the exploration and development of its mineral properties. The Company is considered to be in the exploration and development stage given that its mineral properties are not yet in production and, to date, have not generated any significant revenues. The recoverability of amounts shown for exploration and evaluation assets is dependent on the existence of economically recoverable reserves, obtaining and maintaining the necessary permits to operate a mine, obtaining the financing to complete development and future profitable production.

These audited consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes that the Company will realize its assets and discharge its liabilities in the normal course of business. There are however material uncertainties that cast significant doubt upon the Company’s ability to continue as a going concern which are discussed below.

The Company has a history of losses with no operating revenue other than interest income and has positive working capital of $3,168 as at December 31, 2020 (2019 - $780). During the year ended December 31, 2020, the Company received $7,112 of loans (see Note 9) and $4,490 of equity financing (see Note 11). The ability of the Company to carry out its planned business objectives and meet its short-term working capital needs is dependent on its ability to raise adequate financing from lenders, shareholders and other investors. Additional financing will be required to continue the development of the Prairie Creek Project and to put the Prairie Creek Mine into production. There is no assurance that such financing will be available on a timely basis or on acceptable terms. If the Company is unable to obtain adequate additional financing, the Company will be required to curtail operations, exploration and development activities. The Company is currently evaluating various opportunities and seeking additional sources of financing. These conditions indicate the existence of material uncertainties which cast significant doubt about the Company’s ability to continue as a going concern. These audited consolidated financial statements do not give effect to any adjustments, which could be material, and which would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different than those reflected in the audited consolidated financial statements.

Since March 2020, several measures have been implemented in Canada and the rest of the world in response to the ongoing impact from novel coronavirus (COVID-19). The Company continues to operate our business at this time but has incurred scheduling delays with the 2020 exploration program which were significantly impacted by COVID-19. While the impact of COVID-19 is expected to be temporary, the current circumstances are dynamic and the impacts of COVID-19 on our business operations cannot be reasonably estimated at this time and we anticipate this could have an adverse impact on our business, results of operations, financial position and cash flows in 2021.

2. Significant Accounting Policies

(a) Statement of Compliance

These audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and were approved and authorized for issue by the Board of Directors on March 30, 2021.

(b) Basis of Preparation and Consolidation

These audited consolidated financial statements have been prepared on a historical cost basis except for financial instruments classified as fair value through profit or loss which are stated at their fair value. These audited consolidated financial statements are presented in Canadian dollars and have been prepared on the basis of IFRS standards that are effective on December 31, 2020. The accounting policies adopted by the Company have been applied consistently to all periods presented. These audited consolidated financial statements are presented in the Company's, and its subsidiaries, functional currency of Canadian dollars.

These audited consolidated financial statements include the accounts of NorZinc Ltd. and its wholly-owned subsidiaries Canadian Zinc Corporation, NorZinc-Newfoundland Ltd., collectively the Group. Subsidiaries are consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full upon consolidation.

(c) Significant Accounting Judgments, Estimates and Assumptions

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities at the reporting date and the reported amounts of income and expenses during the reporting year. Actual results may differ from these estimates.

i. The assessment of the Company's ability to continue as a going concern involves judgment regarding future funding available for the development of the Prairie Creek mine and exploration of the Newfoundland properties and for working capital requirements. In concluding the Company is a going concern, management considers funds on hand at year end, planned expenditures for at least 12 months from the balance sheet date and strategic objectives in its assessment. Due to the nature of its business, management increases or decreases administrative and exploration expenditures based on available working capital. Judgments must also be made with regard to events or conditions which might give rise to significant uncertainty.

ii. Valuation of exploration and evaluation assets: Significant judgment is required when determining whether facts and circumstances suggest that the carrying amount of exploration and evaluation assets may exceed its recoverable amount. Significant judgment must be exercised in determining when a project of the Company moves from the exploration and evaluation phase and into the development phase. The existence and extent of proven or probable mineral reserves; retention of regulatory permits and licenses; the availability of development financing; current and future metal prices; and market sentiment are all factors considered by the Company. Accordingly, the Company having not secured development financing has deemed all projects to be in the exploration and evaluation phase.

    For the year ended December 31, 2020, the Company recorded an $4,098 (2019 - $nil) impairment expense on its Newfoundland Properties (Note 7). The determination of the fair value of the Newfoundland Properties involved estimates of the amount of consideration that may be received on possible disposition of the Newfoundland Properties, including an estimate of share-based consideration.

iii. Decommissioning provision: Decommissioning provisions are recognized in the period in which they arise and are stated at the best estimate of the present value of estimated future costs. These estimates require significant judgment about the nature, cost and timing of the work to be completed, and may change with future changes to costs, environmental laws, regulations and remediation practices and the expected timing of remediation work.

iv. Share-based compensation: The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value of share-based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating the fair value of share-based payment transactions are disclosed in Note 12.

(d) __Financial Instruments__

Financial assets and financial liabilities, including derivative instruments, are initially recognized at fair value on the balance sheet when the Company becomes a party to the relevant contractual provisions. Measurement in subsequent periods depends on the financial instrument's classification.

The Company classifies financial instruments at initial recognition in one of the following three categories: fair value through profit and loss ("FVTPL"), fair value through other comprehensive income ("FVTOCI") or at amortized cost.

Financial assets and liabilities classified as FVTPL are initially measured at fair value with unrealized gains and losses recognized through earnings. Transaction costs are expensed in the consolidated statement of income (loss). The Company has classified its cash and cash equivalents, short-term investments and restricted cash as FVTPL.

Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently, the investments are measured at fair value, with gains and losses arising from changes from initial recognition recognized in other comprehensive income. The Company does not have financial instruments measured at FVTOCI.

Financial assets and liabilities at amortized cost are initially recognized at fair value net of transaction costs, and subsequently carried at amortized cost adjusted by any impairment. The Company has classified other receivables, accounts payable, accrued and other liabilities and loan payable as being measured at amortized cost.

(e) __Impairment of Non-Financial Assets__

The Company assesses at each reporting date the carrying amounts of non-financial assets to determine whether there is an indication of impairment. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount of an asset or cash-generating unit is the greater of fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. For the purpose of impairment testing, assets are grouped at lowest levels that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognized immediately in the consolidated statement of comprehensive income or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment charge is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. A previously recognized impairment loss is reversed only if there has been a significant change in or reversal of the circumstances or events that gave rise to the previously recognize impairment loss.

(f) __Cash and Cash Equivalents__

Cash and cash equivalents consist of cash and liquid investments which are readily convertible into cash with maturities of three months or less from the date of purchase.

(g) Short-term Investments

Short-term investments, which consist primarily of investments in Bankers Acceptances and Guaranteed Investment Certificates, are investments with maturities of more than three months and less than one year from the date of purchase.

(h) Foreign Currency Transactions

The Company's reporting currency and the functional currency of its subsidiaries is the Canadian dollar as this is the principal currency of the economic environment in which the Company operates. Foreign currency transactions are translated using the exchange rates prevailing at the dates of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate in effect at the financial statement date. Foreign exchange gains or losses arising from translation are recognized in profit and loss for the reporting year.

(i) Property, Plant and Equipment ("PPE")

Items of PPE are carried at acquisition cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Depreciation is provided on a declining-balance basis, less the estimated residual value, at the following annual rates:

Mining equipment	30%
Office equipment	20%

Buildings and leasehold improvements are recorded at cost, net of accumulated depreciation. Depreciation on buildings and leasehold improvements are provided on a straight-line basis over the life of the asset.

Depreciation methods, material residual value estimates and estimates of useful lives are reviewed at each reporting date and updated as required. Gains or losses arising on the disposal of PPE are determined as the difference between the proceeds on disposition and the carrying value of the assets and are recognized in profit or loss at the time of the disposal. Amortization of the Prairie Creek plant and mill will be based on the unit-of-production method using estimated proven and probable reserves.

(j) Exploration and Evaluation Assets

Exploration and evaluation assets include acquired mineral use rights for mineral properties held by the Company. The amount of consideration paid (in cash or share value) for mineral use rights is capitalized. The amounts shown for exploration and evaluation assets represent costs of acquisition incurred to date, less recoveries and impairments, if any, and do not necessarily reflect present or future values. Amounts received for the sale of mineral properties and for option payments are treated as reductions of the cost of the property, with payments in excess of capitalized costs recognized in income.

The recoverability of the amounts capitalized for the undeveloped mineral properties is dependent upon the determination of economically recoverable ore reserves, confirmation of the Company's interest in the underlying mineral claims, the ability to obtain the necessary financing to complete their development, and future profitable production or proceeds from the disposition thereof. Subsequent recovery of the resulting carrying value depends on successful development or sale of the mineral property. If a mineral property does not prove viable, all unrecoverable costs associated with the project net of any impairment provisions are written off.

Once commercial production has been achieved, exploration and evaluation assets will be transferred to PPE and amortized to profit and loss. Alternatively, exploration and evaluation assets will be written off when it is abandoned or sold. Depletion of costs capitalized on projects put into commercial production will be recorded using the unit-of-production method based upon estimated proven and probable reserves.

Included in the cost of exploration and evaluation assets is the cost of the estimated decommissioning provision.

Ownership in exploration and evaluation assets involves certain inherent risks, including geological, fluctuation in metal prices, operating costs, and permitting risks. Many of these risks are outside the Company's control. The ultimate recoverability of the amounts capitalized for the exploration and evaluation assets is dependent upon the delineation of economically recoverable ore reserves, obtaining the necessary financing to complete their development, obtaining and retaining the necessary permits to operate a mine, and realizing profitable production or proceeds from the disposition thereof. Estimates of the recoverability of the Company's investment in exploration and evaluation assets have been based on current and expected conditions. However, it is possible that changes could occur which may adversely affect management's estimates and may result in future write downs of exploration and evaluation assets carrying values.

Title to mineral properties involves inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently unreliable conveyance history characteristics of many mineral properties.

(k) Decommissioning, Restoration and Other Provisions

The Company recognizes provisions for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of exploration and evaluation assets and PPE, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a decommissioning provision is recognized at its present value in the period in which it is incurred, which is generally when an environmental disturbance occurs or a constructive obligation is determined. Upon initial recognition of the provision, a corresponding amount is added to the carrying amount of the related asset and the cost is amortized as an expense over the economic life of the asset using the unit-of-production method. Subsequent to initial recognition the carrying value of the provision is increased for the passage of time and adjusted for changes to the current market-based discount rate and the amount or timing of the underlying cash flows needed to settle the obligation. This accretion expense is recognized in profit or loss as finance costs. Changes to estimated future decommissioning costs are recognized in the consolidated statement of financial position by either increasing or decreasing the decommissioning provision and the related asset.

(l) Investment Income

Investment income on cash and cash equivalents and short-term investments is recognized as it is earned.

(m) Exploration and Evaluation Expenditures

Exploration and evaluation expenditures, other than those described in Note 2(j), are recognized in profit and loss. Expenditures incurred before the company has obtained legal rights to explore areas of interest are also recognized in profit and loss. Expenditures incurred by the Company in connection with the development of mineral resources after such time as mineral reserves are proven or probable; permits to operate the mineral resource property are received; financing to complete development has been obtained; and approval of the Board of Directors to commence mining development and operations has been given, are capitalized as deferred development expenditures within the exploration and evaluation asset (see Note 2(j)).

(n) Share-based Compensation

The Company follows the fair value method of accounting for the stock option awards granted to employees, directors and consultants. The fair value of stock options is determined by the Black-Scholes Option Pricing Model with assumptions for risk-free interest rates, dividend yields, volatility of the expected market price of the Company's common shares and the expected life of the options. The number of stock option awards expected to vest are estimated using a forfeiture rate based on historical experience and future expectations. The fair value of direct awards of stock is determined by the quoted market price of the Company's stock. Share-based compensation is amortized to earnings over the vesting period of the related option. The Company uses graded or accelerated amortization which specifies that each vesting tranche must be accounted for as a separate arrangement with a unique fair value measurement. Each vesting tranche is subsequently amortized separately and in parallel from the grant date.

Option-pricing models require the use of highly subjective estimates and assumptions including the expected stock price volatility. Changes in the underlying assumptions can materially affect the fair value estimates and, therefore, existing models do not necessarily provide reliable measurement of the fair value of the Company's stock options.

Share-based compensation for deferred share units granted to directors is determined based on estimated fair values of the units at the time of grant using quoted market prices and recognized immediately. Share-based compensation for restricted share units granted to employees and consultants is determined based on estimated fair values of the units at the time of grant using quoted market prices and recognized over the vesting period of the respective units.

(o) Income Taxes

The Company follows the asset and liability method of accounting for income taxes. Deferred income tax assets and liabilities are recognized in the period for temporary differences between the tax and accounting bases of assets and liabilities as well as for the potential benefit of income tax losses and other deductions carried forward to future years.

Deferred income tax assets and liabilities are measured using substantively enacted tax rates and laws expected to apply in the years in which temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred income tax assets and liabilities is recognized in the year that includes the substantive enactment date. The value of deferred income tax assets is reviewed annually and adjusted, if necessary, to reflect the amount probable of being realized.

(p) Earnings (Loss) Per Common Share

Earnings (loss) per share calculations are based on the net income (loss) attributable to common shareholders for the year divided by the weighted average number of common shares issued and outstanding during the year.

Diluted earnings per share calculations are based on the net income attributable to common shareholders for the year divided by the weighted average number of common shares outstanding during the year plus the effects of dilutive common share equivalents. This method requires that the dilutive effect of outstanding options and warrants issued be calculated using the treasury stock method. This method assumes that all common share equivalents have been exercised at the beginning of the year (or at the time of issuance, if later), and that the funds obtained thereby were used to purchase common shares of the Company at the average trading price of common shares during the year. The incremental number of common shares that would be issued is included in the calculation of diluted earnings (loss) per share.

Diluted loss per share calculations are based on the net loss attributable to common shareholders for the year divided by the weighted average number of common shares issued and outstanding during the year. Stock options and share purchase warrants are not included in the computation of loss per share as such inclusion would be anti-dilutive.

(q) Government Grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the Company has complied with all conditions necessary to receive the grants and collectability is reasonably assured. Government grants relating to costs are accrued as receivable and recognized in the consolidated statement of comprehensive income or loss as a reduction of the related expense. Government grants relating to property, plant and equipment are accrued as receivable and recognized in the consolidated statement of financial position as a reduction of the carrying value of the related asset.

(r) Leases

On January 13, 2016, the International Accounting Standards Board published a new standard, IFRS 16, *Leases*, eliminating the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Under the new standard, a lease becomes an on-balance sheet liability that attracts interest, together with a new right-of-use asset. There are optional exemptions for short-term leases and leases of low value items. In addition, lessees will recognize a front-loaded pattern of expense for most leases, even when cash rentals are constant. IFRS 16 replaces existing leases guidance including IAS 17, *Leases*, IFRIC 4, *Determining whether an Arrangement contains a Lease*, SIC-15, *Operating Leases—Incentives* and SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

IFRS 16 may be applied retrospectively to each prior period presented (full retrospective approach), or with the cumulative effect of adoption recognized at initial application (modified retrospective approach). At January 1, 2019, The Company adopted IFRS 16 and elected to apply the modified retrospective approach, measuring the right-of-use asset at its carrying amount had the standard been applied at commencement of the lease. The Company elected to use the exemption for short-term leases and leases for which the underlying asset is of low value and to use the cumulative catch-up approach upon transition.

(s) Flow through shares

Current Canadian tax legislation permits mining entities to issue flow-through shares to investors. Flow-through shares are securities issued to investors whereby the deductions for tax purposes related to exploration and evaluation expenditures may be claimed by investors instead of the entity. The issue of flow-through shares is in substance an issue of ordinary shares and the sale of tax deductions. At the time the Company issues flow-through shares, the sale of tax deductions is deferred and presented as other liabilities in the consolidated statement of financial position to recognize the obligation to incur and renounce eligible resource exploration and evaluation expenditures. The tax deduction is measured as the difference between the current market price of the Company's common shares and the issue price of the flow-through share. Upon incurring and renouncing eligible resource exploration and evaluation expenditures, the Company recognizes the sale of tax deductions as a tax deduction recovery on the consolidated statement of comprehensive income or loss and accordingly reduces the liability for flow-through shares premium

(Tabular amounts expressed in thousands of Canadian dollars, except for shares, price per share and per share amounts)

3. Cash and Cash Equivalents

The Company's cash and cash equivalents at December 31, 2020 consisted of cash of $5,286 (2019 - $626) and cash equivalents of $nil (2019 - $1,826).

4. Short-term Investments

Short-term investments, which consist primarily of investments in Banker's Acceptances and Guaranteed Investment Certificates, are investments with maturities of more than three months and less than one year from the date of purchase. At December 31, 2020, short-term investments had a carrying value of $23, earning income at a rate of 1.25% (December 31, 2019 - $32, earning income at a rate of 1.25%). The carrying values of short-term investments approximate their fair values due to the relatively short period to maturity.

5. Restricted Cash

As at December 31, 2020, restricted cash comprised reclamation security deposits totaling $2,422 (December 31, 2019 - $2,075) held by government agencies as financial assurance in respect of certain reclamation obligations at the Prairie Creek Property.

6. Property, Plant and Equipment

	Prairie Creek Plant & Mill	Mining Equipment	Office Equipment	Buildings and Leasehold Improvements	Total
Cost					
December 31, 2018	$ 500	$ 1,742	$ 187	$ 120	$ 2,549
Additions during the year	136	41	-	-	177
December 31, 2019	636	1,783	187	120	2,726
Additions during the year	-	13	-	-	13
December 31, 2020	$ 636	$ 1,796	$ 187	$ 120	$ 2,739
Accumulated Depreciation					
December 31, 2018	$ -	$ 1,678	$ 180	$ 71	$ 1,929
Depreciation for the year	8	30	7	2	47
December 31, 2019	8	1,708	187	73	1,976
Depreciation for the year	12	24	-	2	38
December 31, 2020	$ 20	$ 1,732	$ 187	$ 75	$ 2,014
Net Book Value					
December 31, 2019	$ 628	$ 75	$ 0	$ 47	$ 750
December 31, 2020	$ 616	$ 64	$ 0	$ 45	$ 725

(Tabular amounts expressed in thousands of Canadian dollars, except for shares, price per share and per share amounts)

7. Exploration and Evaluation Assets

The Company holds a 100% interest in the Prairie Creek Mine property located in the Northwest Territories, Canada. The Prairie Creek Property is subject to a 2.2% net smelter return royalty. It also holds, through the Company's wholly-owned subsidiaries NorZinc-Newfloundland Ltd, a 100% interest in the South Tally Pond, Tulks South and Long Lake properties, subject to various royalties, in Newfoundland and Labrador.

In December 2019, the Company sold a 1% net smelter returns royalty ("NSR") on the Prairie Creek Mine for net proceeds of $8,000 to RCF VI CAD LLC ("RCF"). The Company's policy is to recognize, in income, costs recovered on exploration and evaluation assets when amounts received or receivable are in excess of the carrying amount of the corresponding exploration and evaluation asset. Accordingly, the Company reduced the carrying value of the Prairie Creek Mine exploration and evaluation asset to $nil during the fourth quarter of 2019 and recognized a gain of $7,744 on the consolidated statement of income or loss. The proceeds were used to repay the outstanding project loan with RCF. The Company drew down the loan in September, November and October.

During the year ended December 31, 2020, the Company was authorized by the Board to formalize a potential sale for the Newfoundland Properties with an unrelated third party and through this process the Company determined that the potential sales price was lower than the Newfoundland Properties' carrying value and represented an impairment trigger. The Company obtained a fair value estimate of this property from its financial advisor and used this in its determination of the impairment loss of $4.1 million recorded against the carrying value of its mineral properties during the year ended December 31, 2020, based on its best estimate of the Newfoundland Properties' fair value less cost to sell. Negotiations for the potential sale are ongoing and have not yet reached any formal agreements at this time.

Newfoundland Properties, December 31, 2019	$	5,398
Impairment		(4,098)
Newfoundland Properties, December 31, 2020	$	1,300
Prairie Creek Mine – change in estimates for Decommissioning Provision		205
Total Exploration and evaluation assets, December 31, 2020	$	1,505

The Company has incurred historical exploration and evaluation costs of $105,710 on the Prairie Creek Mine asset and $7,549 on exploration properties in central Newfoundland (see Note 13) and has expensed these costs pursuant to its accounting policy.

(Tabular amounts expressed in thousands of Canadian dollars, except for shares, price per share and per share amounts)

8. Leases

(a) Right-of-Use Assets

Cost		
January 1, 2019	$	283
Additions during the year		-
December 31, 2019	$	283
Additions during the year		15
December 31, 2020	$	298
Accumulated Depreciation		
January 1, 2019	$	103
Depreciation		71
December 31, 2019	$	174
Depreciation		74
December 31, 2020	$	248
Net Book Value		
December 31, 2020	$	50
December 31, 2019		109

(b) Lease Obligations

Undiscounted cash flows associated with the Company's lease obligations as at December 31, 2020 are as follows:

Within one year	$	54
Between one and five years		9
Total undiscounted lease obligations	$	63

Discounted lease obligation associated with the Company's lease obligation as at December 31, 2020, are as follows:

Current	$	53
Long-term		8
Total discounted lease obligations	$	61

9. Loan Payable

On April 21, 2020, the Company signed an agreement under which RCF provided a $4,200 (US$3,000) unsecured bridge loan (the "Bridge Loan"), carrying an interest rate of 8% per annum. The loan was payable upon the earlier of:

(i) October 24, 2020, the date that was six months from the closing date of the Bridge Loan; or
(ii) Upon the completion of a rights offering ("RO"). RCF agreed to purchase at least sufficient value of RO shares to cover the Bridge Loan principal and interest, at the RO price per share.

On April 24, 2020, the Company received the first US$1,500 tranche of the US$3.0 million unsecured loan. On June 30, 2020, the Company received the second US$1,500 tranche of the unsecured loan.

On September 28, 2020, the parties entered into an amendment to the agreement to:

(1) increase the amount of the Bridge Loan by $3,000 (US$2.25M) (the "Increased Amount") to bring the aggregate total Bridge Loan to $7,161 (US$5,250);

(Tabular amounts expressed in thousands of Canadian dollars, except for shares, price per share and per share amounts)

(2) extend the maturity date of the Bridge Loan to the earlier of:
(i) December 15, 2020 or
(ii) the date on which the Company completes the RO;

(3) set the target size of the RO at $10,000; and
(4) set the backstop amount at $7,158.

As at December 31, 2020, the Company has settled the loan payable in full through a rights offering (Note 11).

Balance as at December 31, 2019	$ -
Principal withdrawal – US$5,250	7,161
Transaction cost	(49)
Net proceeds	7,112
Interest accrued – US$140	182
Accretion	49
Foreign exchange impact	(176)
Repayment of loan payable – settlement through issuance of shares (Note 11b)	(7,167)
Balance as at December 31, 2020	$ -

10. Decommissioning Provision

Reclamation and closure costs for the Prairie Creek Property have been estimated based on an Abandonment and Restoration Plan agreed to by the Mackenzie Valley Land and Water Board and the Company based upon current obligations under existing surface leases, land use permits and a class “B” Water Licence for reclamation and closure of the Prairie Creek Mine site as it now exists with the current infrastructure and assuming a mine life of 15 years. These reclamation and closure costs have been measured based on the net present value of the best estimate of future cash expenditures. These reclamation and closure costs and any subsequent changes in estimates are capitalized into exploration and evaluation assets and amortized over the life of the related asset (see Note 7). The accretion expense is included in finance costs in the consolidated statement of comprehensive income or loss.

The Company’s undiscounted decommissioning provision for the Prairie Creek site, as it currently exists, is $2,564 (December 31, 2019 - $2,557), being the estimated future net cash outflows of the reclamation and closure costs, including a 25% contingency and inflation rate of 0.28% per annum, required to satisfy the obligations, settlement of which will occur subsequent to closure of the mine assumed to be in 2038. The decommissioning provision is discounted using a risk free rate of 1.10% (December 31, 2019 – 1.76%).

Reclamation and closure costs are capitalized into exploration and evaluation assets and amortized over the life of the Prairie Creek Mine asset. Changes in the reclamation and closure costs resulting from changes in the timing, estimated cost or discount rate requires an offsetting change in the carrying value of the corresponding exploration and evaluation asset. Decreases in the decommissioning provision result in a corresponding decrease to the asset until the corresponding asset is reduced to nil, after which a decrease in the decommissioning provision is recognized as a gain in the consolidated statement of comprehensive loss.

	December 31, 2020	December 31, 2019
Balance – beginning of year	$ 1,868	$ 1,904
Accretion expense	34	40
Change in estimates	205	(76)
Balance – end of year	$ 2,107	$ 1,868

11. Share Capital

Issued and outstanding: 555,829,341 common shares as at December 31, 2020 (2019 – 372,542,553).

Authorized: Unlimited common shares with no par value (2019 – unlimited).

(a) During the year ended December 31, 2019

i. During the year ended December 31, 2019, the Company issued 2,100,000 shares to senior management in exchange for 2,900,000 vested RSUs and 778,611 common shares were issued upon the conversion of 914,686 Deferred Share Units following the retirement of directors. The $84 difference in value between the shares issued when compared to the vested RSUs and DSUs were paid to Canada Revenue Agency ("CRA") for mandatory tax withholdings.

(b) During the year ended December 31, 2020

i. During the year ended December 31, 2020, the Company issued 3,242,320 shares to senior management in exchange for 4,489,000 vested RSUs and 869,320 common shares were issued upon the conversion of 1,532,483 Deferred Share Units following the retirement of directors. The $149 difference in value between the shares issued when compared to the vested RSUs and DSUs was paid to Canada Revenue Agency ("CRA") for mandatory tax withholdings.

ii. On March 9, 2020, the Company completed a non-brokered private placement of 8,000,000 common shares at $0.065 per share, for gross proceeds of $520. In addition, RCF exercised their pro-rata right to purchase up to 5,396,728 additional shares pursuant to Investor Agreement, for gross proceeds of $350. The total gross proceeds were $871. Transaction cost related to the private placement was $15.

iii. On November 19, 2020, the Company completed a rights offering issuing 35,726,157 common shares at $0.065 per share. Total gross proceeds were $2,322. Transaction cost related to the rights offering was $89.

iv. On November 19, 2020, the Company settled a loan payable of $7,167 (Note 9) with RFC through the issuance of 110,302,267 common shares through a rights offering at a deemed price of $0.065.

v. On December 23, 2020, the Company completed a flow through private placement issuing 19,750,000 common shares at $0.08 per share. Total gross proceeds were $1,580. The fair value per share at the time of issuance was $0.065. The difference between the issue price and fair value price ($297) was recorded as other liabilities. Cash related transaction cost related to the rights offering was $179. Non-cash transaction cost of $41 was resulted from issuance of 1,125,000 of broker warrants (see Note 12c).

12. Reserves

(a) Stock Options

At the Annual General and Special Meeting held on June 27, 2018, shareholders approved the amendment of the Company's Stock Option Plan to increase the number of Common Shares reserved for issuance under the Stock Option Plan by 10,800,000 common shares to 18,300,000 common shares. The Stock Option Plan is a fixed share stock option plan pursuant to which options on common shares may be issued to directors, officers, employees and service providers of the Company. Each option granted shall be for a term not exceeding five years from the date of grant and the vesting period is determined at the discretion of the Board. The option exercise price is set at the date of grant and cannot be less than the closing market price of the Company's common shares on the TSX on the day of grant.

In 2019, the Company issued 5,650,000 incentive stock options to senior management, employees and consultants. The incentive stock options vest in equal eighths over a two year period, carry an exercise price of $0.10 per common share and have a per-option fair value at the date of granting of $0.04. The fair value of the options was determined under the Black-Scholes option pricing model using a risk-free interest rate of 1.43% to 1.77%, an expected life of options of 2.6 to 3.5 years, an expected volatility of 68% to 86%, no expected dividends and a forfeiture rate of zero to 1%.

In 2020, the Company issued 5,312,014 incentive stock options to senior management, employees and consultants. The incentive stock options vest in equal eighths over a two year period, carry an exercise price of $0.08 per common share and have a per-option fair value at the date of granting of $0.04. The fair value of the options was determined under the Black-Scholes option pricing model using a risk-free interest rate of 1.77%, an expected life of options of 2.6 to 3.5 years, an expected volatility of 73%, no expected dividends and a forfeiture rate of 0.7%.

At December 31, 2020, there were 16,601,891 (2019 – 12,800,000) incentive stock options issued and outstanding. Each stock option is exercisable for one ordinary share of the Company. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

(Tabular amounts expressed in thousands of Canadian dollars, except for shares, price per share and per share amounts)

	December 31, 2020		December 31, 2019	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of period	12,800,000	$ 0.20	9,460,000	$ 0.26
Expired	(1,250,000)	0.30	-	-
Forfeited	(360,123)	0.09	(2,310,000)	0.23
Granted	5,312,014	0.08	5,650,000	0.10
Outstanding, end of period	16,501,891	$ 0.15	12,800,000	$ 0.20

For the year ended December 31, 2020, the Company recorded share-based compensation expense for stock options granted to directors, officers and employees of $201 (2019 - $291).

As at December 31, 2020, the Company had outstanding and exercisable stock options, with a weighted average remaining contractual life of 2.9 years, to purchase an aggregate 16,501,891 common shares as follows:

	Options Outstanding		Options Exercisable	
Expiry Date			Number of Options	Weighted Average Exercise Price
August 10, 2021	2,800,000	$ 0.35	2,800,000	$ 0.35
May 16, 2023	2,500,000	0.20	2,500,000	0.20
December 5, 2023	1,500,000	0.10	1,312,500	0.10
January 31, 2024	4,000,000	0.10	3,500,000	0.10
April 5, 2024	500,000	0.10	375,000	0.10
February 14, 2025	5,201,891	0.08	1,950,709	0.08
	16,501,891	$ 0.15	12,438,209	$ 0.17

As at December 31, 2019, the Company had outstanding and exercisable stock options, with a weighted average remaining contractual life of 3.0 years, to purchase an aggregate 12,800,000 common shares as follows:

	Options Outstanding		Options Exercisable	
Expiry Date	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
January 31, 2020	1,000,000	$ 0.35	1,000,000	$ 0.35
January 31, 2020	250,000	0.10	250,000	0.10
August 10, 2021	2,900,000	0.35	2,900,000	0.35
May 16, 2023	2,500,000	0.20	1,875,000	0.20
December 5, 2023	1,500,000	0.10	562,500	0.10
January 31, 2024	4,150,000	0.10	1,556,250	0.10
April 5, 2024	500,000	0.10	62,500	0.10
	12,800,000	$ 0.20	8,206,250	$ 0.24

(Tabular amounts expressed in thousands of Canadian dollars, except for shares, price per share and per share amounts)

(b) Restricted Share Units ("RSUs") and Deferred Share Units ("DSUs")

The Deferred Share Unit Plan and the Restricted Share Unit Plan provide for the issuance of shares to eligible employees, directors and consultants, subject to certain vesting and deferral provisions, to a maximum number, equal to 2% and 3% respectively, of the issued and outstanding common shares of the Company.

During the year ended December 31, 2020, the Company issued 2,956,071 DSUs (2019 – 1,661,722) to directors and 4,650,516 (2019 – 3,189,000) RSUs to senior management.

At December 31, 2020, there were 5,207,271 DSUs and 4,529,438 RSUs outstanding (December 31, 2019 – 3,783,683 DSUs and 4,489,000 RSUs).

	Number of DSUs	Weighted average grant date fair value	Number of RSUs	Weighted average grant date fair value
Outstanding, December 31, 2018	3,036,647	$ 0.13	4,200,000	$ 0.23
Granted	1,661,722	0.10	3,189,000	0.08
Redeemed	(914,686)	0.12	(2,900,000)	0.27
Outstanding, December 31, 2019	3,783,683	$ 0.11	4,489,000	$ 0.35
Granted	2,956,071	0.06	4,650,516	0.08
Cancelled	-	-	(121,078)	0.08
Redeemed	(1,532,483)	0.13	(4,489,000)	0.28
Outstanding, December 31, 2020	5,207,271	$ 0.08	4,529,438	$ 0.08

Of the RSUs granted for year ended December 31, 2020, nil (2019 - 2,689,000) were fully vested upon issuance. All the other RSUs were subject to a ten to twelve month vesting period. All the RSUs granted have a pay-out date of 1 to 2.5 years; an expiry date of 5 years; and are assigned a fair value based on the share price at time of issuance.

Upon issuance, the DSUs are fully vested and are assigned a fair value based on the share price at time of issuance. Subject to the terms and conditions of the DSU Plan, DSUs are settled upon retirement.

For the year ended December 31, 2020, the Company recognized share-based compensation expense for DSUs granted of $186 (2019 - $153) and RSUs granted of $321 (2019 - $250).

(c) Share Purchase Warrants

	December 31, 2020	
	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of year	-	$ -
Issued	1,125,000	0.08
Outstanding, end of year	1,125,000	0.08

On December 23, 2020, 1,125,000 of broker warrants were issued related to a rights offering (see note 11b). The fair value of $41 of the warrants issued during 2020 was determined under the Black-Scholes option pricing model using a risk-free interest rate of 0.23%, an expected life of 2 years, an expected volatility of 118%, no expected dividends and a forfeiture rate of 0%.

As at December 31, 2019, the Company did not have any outstanding exercisable warrants.

(Tabular amounts expressed in thousands of Canadian dollars, except for shares, price per share and per share amounts)

13. Exploration and Evaluation Expenditures

	Years ended December 31,	
Prairie Creek Mine	**2020**	**2019**
Camp operation and project development	$ 1,306	$ 3,479
Mine planning	1,286	2,326
Permitting and environmental	2,048	5,305
	4,640	11,110
Depreciation – mining plant and equipment	38	37
Total exploration and evaluation expenditures	$ 4,678	$ 11,147
Exploration and evaluation expenditures (inception to date), beginning of year	$ 101,032	$ 89,885
Total exploration and evaluation expenditures	4,678	11,147
Exploration and evaluation expenditures (inception to date), end of year	$ 105,710	$ 101,032

	Years ended December 31,	
Newfoundland Properties	**2020**	**2019**
Geology	$ 12	$ 158
Diamond drilling (1)	(22)	(5)
Total exploration and evaluation expenditures	$ (10)	$ 153
Exploration and evaluation expenditures (inception to date), beginning of year	$ 7,559	$ 7,406
Total exploration and evaluation expenditures	(10)	153
Exploration and evaluation expenditures (inception to date), end of year	$ 7,549	$ 7,559

(1) The Company received additional government grants relating to drill programs (Note 14).

For the year ended December 31, 2020, employee wages and benefits of $1,310 were included in exploration and evaluation expenditures (2019 - $1,755).

14. Government Grants

During the year ended December 31, 2020, the Company received government grants in the amount of $22,000 (2019 – $9,000).

(Tabular amounts expressed in thousands of Canadian dollars, except for shares, price per share and per share amounts)

15. Income Taxes

The Company did not record current or deferred income tax expense for the years ended December 31, 2020, and 2019. A reconciliation of the statutory tax rate to the effective rate for the Company is as follows:

	2020	2019
Statutory tax rate	27.00%	27.00%
Income taxes/(recovery) computed at statutory rates	$ (3,606)	$ (2,140)
Income tax rate changes	-	10
Other	(86)	10
Permanent differences	420	190
Tax benefits not yet recognized	3,272	1,930
	-	-

The approximate tax effect of each type of temporary difference that gives rise to the Company's deferred income tax assets and liabilities are as follows:

	2020	2019
Non-capital loss carry forwards	$ 18,872	$ 16,640
Capital losses	1	-
Investment tax credits	1,205	1,205
Plant and equipment	472	509
Resource interests	12,027	10,999
Other	653	586
Net unrecognized deferred income tax asset	$ 33,230	$ 29,939

(Tabular amounts expressed in thousands of Canadian dollars, except for shares, price per share and per share amounts)

At December 31, 2020, the Company has approximately $69,868 (2019 - $61,628) of non-capital losses for tax purposes available to be carried forward to various dates until 2040 and applied against future income for tax purposes and approximately $45,552 (2019 - $45,162) of unused cumulative Canadian exploration and development expenses for tax purposes available to be carried forward indefinitely and applied against future income for tax purposes. The non-capital losses expire as follows:

Year	Total
2026	$ 1,116
2027	3,128
2028	5,028
2029	3,900
2030	3,644
2031	3,824
2032	6,511
2033	3,051
2034	6,554
2035	3,634
2036	2,682
2037	2,340
2038	6,163
2039	9,955
2040	8,298
	$ 69,828

The non-refundable investment tax credits of $1,651 expire between 2025 and 2032.

16. Capital Management

The Company manages its cash and cash equivalents, short-term investments, common shares, stock options and share purchase warrants as capital. As the Company is in the exploration and evaluation stage, its principal source of funds for its operations is from the issuance of common shares. The issuance of common shares requires approval of the Board of Directors. It is the Company's objective to safeguard its ability to continue as a going concern, so that it can continue to explore its Canadian properties and develop the Prairie Creek project for the benefit of its shareholders.

17. Related Party Transactions

During the year ended December 31, 2020, the Company incurred professional fees of $241 (2019 - $107) with RCF . The Company also incurred interest costs of $182 (2019 - $83) from loan payable with RCF.

During the year ended December 31, 2020, the Company incurred short-term employee remuneration and benefits to officers and directors in the amount of $1,421 (2019 - $1,656) and recognized share-based compensation for officers and directors in the amount of $648 (2019 - $239).

At December 31, 2020, $158 (2019 - $101) was owed to RCF and included in accounts payable and accrued and other liabilities. There was no amount owing at the end of the previous year.

(Tabular amounts expressed in thousands of Canadian dollars, except for shares, price per share and per share amounts)

18. Financial Instruments

(a) Categories of financial instruments

		December 31, 2020	December 31, 2019
Cash and cash equivalents	Amortized cost	$ 5,286	$ 2,452
Short-term investments	Amortized cost	23	31
Other receivables	Amortized cost	289	271
Restricted cash	Amortized cost	2,422	2,075
Accounts payable	Amortized cost	(796)	(916)
Accrued and other liabilities	Amortized cost	(1,284)	(1,077)

All financial instruments classified as amortized cost are classified under the Level 1 fair value hierarchy. The carrying value of the Company's financial assets and liabilities reasonably approximate their fair values.

(b) Interest rate risk

In respect of financial assets, the Company's policy is to invest cash at floating rates of interest and cash reserves are to be maintained in cash equivalents in order to maintain liquidity. Fluctuations in interest rates impact the value of cash equivalents. Included in net loss for the year ended December 31, 2020, is investment income on the Company's cash and cash equivalents and short-term investments. As at December 31, 2020, with other variables unchanged, a 1% increase or decrease in the Prime rate would have resulted in a decrease or increase, respectively, to net loss of approximately $nil. The Company does not have any debt obligations which expose it to interest rate risk.

(c) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company does not currently generate any revenues from sales to customers nor does it hold derivative type instruments that would require a counterparty to fulfil a contractual obligation resulting in credit risk. The Company seeks to hold its cash and cash equivalents, short-term investments and restricted cash with reputable financial institutions. The Company considers the following financial assets to be exposed to credit risk: cash and cash equivalents, short-term investments, and restricted cash. The carrying value of these financial assets at December 31, 2020 is $7,781 (December 31, 2019 - $4,558). At December 31, 2020, the Company's cash and cash equivalents, short-term investments and restricted cash were invested with two Canadian financial institutions.

(d) Liquidity risk

Liquidity risk encompasses the risk that the Company cannot meet its financial obligations as they fall due. The Company seeks to ensure that there is sufficient capital in order to meet short-term business requirements. The Company's policy is to invest cash at floating rates of interest, while cash reserves are maintained in cash equivalents in order to maintain liquidity after taking into account the Company's holdings of cash equivalents, money market investments, and receivables. As at December 31, 2020, the Company had positive working capital of $3,168 (2019 - $778).

19. Commitments and Contingencies

The Company has several existing agreements with local Indigenous Government Organizations and the Government of the Northwest Territories that entail commitments related to employment, business opportunities and staged and profit based payments. The Company is also committed to support financially certain ongoing negotiations. During year ended December 31, 2020, the company paid or incurred $1,203 (2019 – $1,334) related to those agreements and negotiations. The Company is also committed to certain payments upon achieving certain milestones. Since those milestones are not assured to be passed those payments are only recorded as the milestones are achieved.

During 2017, Canada Revenue Agency ("CRA") performed an audit of the tax filings of the Company for fiscal years, including 2013, 2014 and 2015. In Flow-Through Share Subscription Agreements dated August 20, 2013 (the "Subscription Agreements"), the Company agreed to incur and to renounce to each subscriber qualifying exploration expenditures in an aggregate amount of $4,005. Following the audit, CRA denied certain expenditures which the CRA determined did not qualify for flow-through treatment and issued reassessments to the Company disallowing $1,138 of flow-through exploration expenditures, representing approximately 28% percent of the $4,005 expenditures renounced.

In February, the CRA Appeals Division confirmed the position of the auditor, and so management will soon be appealing assessments resulting from the audit to the Tax Court of Canada. The Company strongly disagrees with the CRA's determination and assessments.

In the Subscription Agreements, the Company agreed with each subscriber that in the event CRA reduces the amount renounced to the subscriber pursuant to s. 66(12.73) of the Income Tax Act (Canada), the Company will indemnify and hold harmless the subscriber, and each of the partners thereof if the subscriber is a partnership, and pay the amount of any tax payable by the subscriber under the Income Tax Act (Canada) as a consequence of such reduction. The full amount of the potential indemnity is estimated at approximately $700. As at December 31, 2020, the Company accrued $130 (2019 - $nil) out of the $700. The Company has not recognized the remaining $570 potential indemnity claim as a liability as it does not consider it probable that there will be an amount payable relating to this matter.

20. Subsequent events

i) Subsequent to December 31, 2020, 4,529,438 RSUs were vested. The Company issued 3,574,463 common shares related to the vested RSUs. The difference in amount between the RSUs vested and common shares issued was used to remit tax withholdings for the RSU holders.

ii) Subsequent to December 31, 2020, the Company granted 4,818,856 RSUs to employees and officers of the Company. The RSU will fully vest in a year from the date of grant.

iii) Subsequent to December 31, 2020, the Company granted 8,089,777 stock options to employees and officers of the Company. The stock option has an exercise price of $0.075 and expire five years from the date of grant. 1/8th of the stock options will be vested at grant and 1/8th every 3 months thereafter.