



## **Condensed Interim Consolidated Financial Statements**

For the three months ended March 31, 2021 and 2020

*(Unaudited, expressed in thousands of Canadian dollars, unless otherwise stated)*

**NorZinc Ltd.**  
**Condensed Interim Consolidated Statement of Financial Position**

(Unaudited, expressed in thousands of Canadian dollars, unless otherwise stated)

	As at March 31, 2021	As at December 31, 2020
<b>ASSETS</b>		
Current		
Cash and cash equivalents (Note 3)	\$ 2,723	\$ 5,286
Short-term investments (Note 4)	23	23
Other receivables and prepaid expenses	293	289
<b>Total Current Assets</b>	<b>3,039</b>	<b>5,598</b>
Restricted cash	2,422	2,422
Property, plant and equipment	717	725
Right-of-use assets (Note 5)	32	50
Exploration and evaluation assets	1,300	1,505
<b>Total Assets</b>	<b>\$ 7,510</b>	<b>\$ 10,300</b>
<b>LIABILITIES</b>		
Current		
Accounts payable	\$ 137	\$ 796
Accrued and other liabilities	827	1,284
Other liabilities (Note 6(vi))	297	297
Current portion of lease obligation (Note 5)	32	53
<b>Total Current Liabilities</b>	<b>1,293</b>	<b>2,430</b>
Lease obligation (Note 5)	7	8
Decommissioning provision	1,844	2,107
<b>Total Liabilities</b>	<b>3,144</b>	<b>4,545</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 6)	147,515	147,210
Reserves (Note 7)	17,107	17,150
Deficit	(160,256)	(158,605)
<b>Total Shareholders' Equity</b>	<b>4,366</b>	<b>5,755</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 7,510</b>	<b>\$ 10,300</b>

Nature of Operations and Going Concern (Note 1)

Commitments and contingencies (Note 9)

Approved by the Board of Directors:

"Rohan Hazelton"

Director

"Shelley Brown"

Director

**NorZinc Ltd.****Condensed Interim Consolidated Statements of Comprehensive Loss**

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

	<b>Three months ended March 31,</b>	
	<b>2021</b>	<b>2020</b>
<b>Income</b>		
Investment income	\$ -	\$ 8
<b>Expenses</b>		
Depreciation	18	19
Exploration and evaluation (Note 8)	771	1,597
Listing and regulatory	25	36
Management and directors	256	776
Office and general	113	211
Professional	155	57
Shareholder and investor communications	26	91
Share-based compensation (Note 7)	342	203
	1,706	2,990
<b>Other income (expense)</b>		
Finance costs	(3)	(11)
Change in decommissioning provision	58	23
	55	12
<b>Net loss and comprehensive loss for the period</b>	<b>\$ (1,651)</b>	<b>\$ (2,970)</b>
<b>Net loss per share - basic and diluted</b>	<b>\$ (0.00)</b>	<b>\$ (0.01)</b>
<b>Weighted average number of shares outstanding</b>		
Basic and diluted	557,556,329	379,382,337

**NorZinc Ltd.****Condensed Interim Consolidated Statements of Cash Flows**

(Unaudited, expressed in thousands of Canadian dollars, unless otherwise stated)

	<b>Three months ended March 31,</b>	
	<b>2021</b>	<b>2020</b>
<b>Operating Activities</b>		
Net loss for the year	\$ (1,651)	\$ (2,970)
Adjustments for items not involving cash:		
Depreciation expense	26	29
Finance costs	1	11
Loss (gain) on change in decommissioning provision	(58)	(23)
Share-based compensation (Note 7)	342	203
Change in non-cash working capital items:		
Other receivables and prepaid expenses	(4)	135
Accounts payable and accrued liabilities	(1,116)	(480)
	(2,460)	(3,095)
<b>Financing Activities</b>		
Capital stock issued, net of share issue costs	-	863
Payment of lease obligations (Note 5)	(23)	(23)
Tax remittance on exercise of RSUs and DSUs (Note 7)	(80)	(132)
	(103)	708
<b>Net change in cash and cash equivalents</b>	<b>\$ (2,563)</b>	<b>\$ (2,387)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>\$ 5,286</b>	<b>\$ 2,452</b>
<b>Net change in cash and cash equivalents</b>	<b>(2,563)</b>	<b>(2,387)</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 2,723</b>	<b>\$ 65</b>

**NorZinc Ltd.****Condensed Interim Consolidated Statements of Changes in Shareholders' Equity**

(Unaudited, expressed in thousands of Canadian dollars, except for share information)

	Share Capital		Reserves	Deficit	Total
	Number	Amount			
<b>Balance, December 31, 2019</b>	<b>372,542,553</b>	<b>135,385</b>	<b>17,056</b>	<b>(145,248)</b>	<b>7,193</b>
Issue of shares	13,396,728	871	-	-	871
Share issuance costs	-	(7)	-	-	(7)
Redemption of deferred share units	869,320	145	(199)	-	(54)
Redemption of restricted share units	2,991,320	321	(401)	-	(80)
Share-based compensation	-	-	203	-	203
Net loss for the period	-	-	-	(2,970)	(2,970)
<b>Balance, March 31, 2020</b>	<b>389,799,921</b>	<b>\$ 136,715</b>	<b>\$ 16,659</b>	<b>\$ (148,218)</b>	<b>\$ 5,156</b>
Redemption of restricted share units	251,000	40	(55)	-	(15)
Issuance of shares, net of share issuance cost	35,726,157	2,225	-	-	2,225
Issuance of flow through shares, net of share issuance cost	19,750,000	1,063	41	-	1,104
Issuance of shares to settle loan payable	110,302,267	7,167	-	-	7,167
Share-based compensation	-	-	505	-	505
Net loss for the period	-	-	-	(10,387)	(10,387)
<b>Balance, December 31, 2020</b>	<b>555,829,341</b>	<b>\$ 147,210</b>	<b>\$ 17,150</b>	<b>\$ (158,605)</b>	<b>\$ 5,755</b>
Redemption of restricted share units (Note 6)	3,574,463	305	(385)	-	(80)
Share-based compensation (Note 7)	-	-	342	-	342
Net loss for the period	-	-	-	(1,651)	(1,651)
<b>Balance, March 31, 2021</b>	<b>559,403,804</b>	<b>\$ 147,515</b>	<b>\$ 17,107</b>	<b>\$ (160,256)</b>	<b>\$ 4,366</b>

## NorZinc Ltd.

### Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2021 and 2020

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

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#### 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 condensed interim 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 \$1,746 as at March 31, 2021 (December 31, 2020 - \$3,168). 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 condensed interim 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 interim unaudited 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.

## NorZinc Ltd.

### Notes to the Condensed Interim Consolidated Financial Statements

For the years ended March 31, 2021 and 2020

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

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#### 2. Significant Accounting Policies

##### **(a) Statement of Compliance**

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting using accounting policies consistent 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 May 12, 2021. These unaudited condensed interim consolidated financial statements do not include all of the information required for full annual consolidated financial statements and should be read in conjunction with the Company's audited annual consolidated financial statements for the year ended December 31, 2020 prepared in accordance with IFRS.

##### **(b) Basis of Preparation and Consolidation**

These unaudited condensed interim 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 unaudited condensed interim consolidated financial statements are presented in Canadian dollars and have been prepared on the basis of IFRS standards that are effective on March 31, 2021. The accounting policies adopted by the Company have been applied consistently to all periods presented. These unaudited condensed interim consolidated financial statements are presented in the Company's, and its subsidiaries, functional currency of Canadian dollars.

These unaudited condensed interim consolidated financial statements include the accounts of NorZinc Ltd. and its wholly-owned subsidiaries Canadian Zinc Corporation and 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 condensed interim 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.

#### 3. Cash and Cash Equivalents

The Company's cash and cash equivalents at March 31, 2021 consisted of cash of \$2,723 (December 31, 2020 - \$5,286) and cash equivalents of \$nil (December 31, 2020 - \$nil).

#### 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 March 31, 2021, short-term investments had a carrying value of \$23, earning income at a rate of 1.25% (December 31, 2020 - \$23, 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.

**NorZinc Ltd.****Notes to the Condensed Interim Consolidated Financial Statements**

For the years ended March 31, 2021 and 2020

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

**5. Leases****(a) Right-of-Use Assets**

<b>Cost</b>	
January 1, 2020	\$ 283
Additions during the year	15
December 31, 2020	\$ 298
Additions during the year	-
March 31, 2021	\$ 298
<b>Accumulated Depreciation</b>	
January 1, 2020	\$ 174
Depreciation	74
December 31, 2020	\$ 248
Depreciation	18
March 31, 2021	\$ 266
<b>Net Book Value</b>	
March 31, 2021	\$ 32
December 31, 2020	50

**(b) Lease Obligations**

Undiscounted cash flows associated with the Company's lease obligations as at March 31, 2021 are as follows:

Within one year	\$ 33
Between one and five years	8
Total undiscounted lease obligations	\$ 41

Discounted lease obligation associated with the Company's lease obligation as at March 31, 2021, are as follows:

Current	\$ 32
Long-term	7
Total discounted lease obligations	\$ 39

**6. Share Capital**

Issued and outstanding: 559,403,804 common shares as at March 31, 2021 (December 31, 2020 – 555,829,341).

Authorized: Unlimited common shares with no par value (December 31, 2020 – unlimited).

**(a) During the three months ended March 31, 2021**

- i. During the period ended March 31, 2021, the Company issued 3,574,463 shares to senior management in exchange for 4,529,438 vested RSUs. The \$80 difference in value between the shares issued when compared to the vested RSUs was paid to Canada Revenue Agency ("CRA") for mandatory tax withholdings.

**(b) During the year ended December 31, 2020**

- ii. 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.



## NorZinc Ltd.

### Notes to the Condensed Interim Consolidated Financial Statements

For the years ended March 31, 2021 and 2020

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- iii. 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 5,396,728 additional shares pursuant to its investor agreement, for gross proceeds of \$350. The total gross proceeds were \$871. Transaction cost related to the private placement was \$15.
- iv. 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. Also the Company settled a loan payable of \$7,167 with RFC through the issuance of 110,302,267 common shares through the 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 broker warrants.

## 7. 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.

For year ended December 31, 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%.

For three months ended March 31, 2021, the Company issued 8,089,777 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 \$0.075 to \$0.082 per common share and have a per-option fair value at the date of granting of \$0.05. The fair value of the options was determined under the Black-Scholes option pricing model using a risk-free interest rate of 0.48%, an expected life of options of 2.5 to 3.5 years, an expected volatility of 103% to 115%, no expected dividends and a forfeiture rate of 1.0%. Of the 8,089,777, 2,805,706 have crossed the maximum allowable stock option grant under the Stock Option Plan. The overage would be subjected to shareholder and regulatory approval on the Company's annual general meeting on June 2, 2021.

At March 31, 2021, there were 24,541,668 (December 31, 2020 – 16,501,891) 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.

## NorZinc Ltd.

### Notes to the Condensed Interim Consolidated Financial Statements

For the years ended March 31, 2021 and 2020

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

	March 31, 2021		December 31, 2020	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of period	16,501,891	\$ 0.15	12,800,000	\$ 0.20
Expired	(150,000)	0.35	(1,250,000)	0.30
Forfeited	-	-	(360,123)	0.09
Granted	8,089,777	0.08	5,312,014	0.08
Outstanding, end of period	24,441,668	\$ 0.12	16,501,891	\$ 0.15

For the three months ended March 31, 2021, the Company recorded share-based compensation expense for stock options granted to directors, officers and employees of \$149 (2020 - \$97).

As at March 31, 2021, the Company had outstanding and exercisable stock options, with a weighted average remaining contractual life of 3.4 years, to purchase an aggregate 24,541,668 common shares as follows:

Expiry Date	Options Outstanding		Options Exercisable	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
August 10, 2021	2,750,000	\$ 0.35	2,750,000	\$ 0.35
May 16, 2023	2,500,000	0.20	2,500,000	0.20
December 5, 2023	1,500,000	0.10	1,500,000	0.10
January 31, 2024	3,900,000	0.10	3,900,000	0.10
April 5, 2024	500,000	0.10	500,000	0.10
February 14, 2025	5,201,891	0.08	2,600,946	0.08
January 25, 2026	7,404,394	0.075	925,549	0.075
February 22, 2026	685,383	0.082	85,673	0.082
	24,441,668	\$ 0.13	14,762,168	\$ 0.16

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:

Expiry Date	Options Outstanding		Options Exercisable	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
August 10, 2021	2,900,000	\$ 0.35	2,900,000	\$ 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	3,900,000	0.10	3,412,500	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	12,450,709	\$ 0.17

**NorZinc Ltd.****Notes to the Condensed Interim Consolidated Financial Statements**

For the years ended March 31, 2021 and 2020

(Unaudited, 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 three months ended March 31, 2021, the Company issued 664,286 DSUs (2020 – 1,162,500) to directors and 4,818,856 (2020 – 4,650,516) RSUs to senior management.

At March 31, 2021, there were 5,871,557 DSUs and 4,818,856 RSUs outstanding (December 31, 2020 – 5,207,271 DSUs and 4,529,438 RSUs).

	Number of DSUs	Weighted average grant date fair value	Number of RSUs	Weighted average grant date fair value
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
Granted	664,286	0.07	4,818,856	0.08
Redeemed	-	-	(4,529,438)	0.08
Outstanding, March 31, 2021	5,871,557	\$ 0.08	4,818,856	\$ 0.08

The RSUs are subject to a twelve month vesting period. All the RSUs granted have a pay-out date of twelve month; 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 three months ended March 31, 2021, the Company recognized share-based compensation expense for DSUs granted of \$46 (2020 - \$46) and RSUs granted of \$105 (2020 - \$59).

**(c) Share Purchase Warrants**

	Number of Warrants	Weighted Average Exercise Price
Outstanding, December 31, 2019	-	\$ -
Issued	1,125,000	0.08
Outstanding, December 31, 2020, March 31, 2021	1,125,000	0.08

On December 23, 2020, 1,125,000 of broker warrants were issued related to a rights offering. 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%.

**NorZinc Ltd.****Notes to the Condensed Interim Consolidated Financial Statements**

For the years ended March 31, 2021 and 2020

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

**8. Exploration and Evaluation Expenditures**

<b>Prairie Creek Mine</b>	<b>Three months ended March 31,</b>	
	<b>2021</b>	<b>2020</b>
Camp operation and project development	\$ 76	\$ 93
Mine planning	279	473
Permitting and environmental	408	1,009
	763	1,575
Depreciation – mining plant and equipment	8	10
<b>Total exploration and evaluation expenditures</b>	<b>\$ 771</b>	<b>\$ 1,585</b>
Exploration and evaluation expenditures (inception to date), beginning of year	\$ 105,710	\$ 101,032
<b>Total exploration and evaluation expenditures</b>	<b>771</b>	<b>1,585</b>
Exploration and evaluation expenditures (inception to date), end of year	\$ 106,481	\$ 102,617

<b>Newfoundland Properties</b>	<b>Three months ended March 31,</b>	
	<b>2021</b>	<b>2020</b>
Geology	\$ -	\$ 12
<b>Total exploration and evaluation expenditures</b>	<b>\$ -</b>	<b>\$ 12</b>
Exploration and evaluation expenditures (inception to date), beginning of year	\$ 7,549	\$ 7,560
<b>Total exploration and evaluation expenditures</b>	<b>-</b>	<b>12</b>
Exploration and evaluation expenditures (inception to date), end of year	\$ 7,549	\$ 7,572

For the three months ended March 31, 2021, employee wages and benefits of \$258 were included in exploration and evaluation expenditures (2020 - \$274).

## **NorZinc Ltd.**

### **Notes to the Condensed Interim Consolidated Financial Statements**

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#### **9. 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 the three months ended March 31, 2021 the company paid or incurred \$80 (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 March 31, 2021 the Company accrued \$130 (2020 - \$130) 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. The Company has filed a Notice of Appeal which will be served to the Department of Justice after which there will be an approximate 60 day waiting period to hear a response.

#### **10. Subsequent events**

On May 3, 2021, the Company announced that it has entered into an equity financing agreement with RCF, subject to shareholder and regulatory approvals, for which RCF will purchase \$1,000 worth of the Company’s common shares on a non-brokered private placement basis. The price per common share will be priced at a 10% discount to the five consecutive trading days beginning on May 5, 2021.