



Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 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 June 30, 2021	As at December 31, 2020
ASSETS		
Current		
Cash and cash equivalents (Note 3)	\$ 1,236	\$ 5,286
Short-term investments (Note 4)	23	23
Other receivables and prepaid expenses	397	289
Total Current Assets	1,656	5,598
Restricted cash	2,422	2,422
Property, plant and equipment	713	725
Right-of-use assets (Note 5)	15	50
Exploration and evaluation assets	1,300	1,505
Total Assets	\$ 6,106	\$ 10,300
LIABILITIES		
Current		
Accounts payable	\$ 465	\$ 796
Accrued and other liabilities	1,126	1,284
Other liabilities (Note 6(vi))	297	297
Current portion of lease obligation (Note 5)	11	53
Total Current Liabilities	1,899	2,430
Lease obligation (Note 5)	6	8
Other liabilities (Note 9(c))	335	-
Decommissioning provision	1,891	2,107
Total Liabilities	4,131	4,545
SHAREHOLDERS' EQUITY		
Share capital (Note 6)	148,493	147,210
Reserves (Note 7)	17,269	17,150
Deficit	(163,787)	(158,605)
Total Shareholders' Equity	1,975	5,755
Total Liabilities and Shareholders' Equity	\$ 6,106	\$ 10,300

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)

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Income				
Investment income	\$ -	\$ -	\$ -	\$ 9
Expenses				
Depreciation	19	18	37	37
Exploration and evaluation (Note 8)	1,771	540	2,542	2,137
Listing and regulatory	10	14	35	50
Management and directors (Note 9(c))	1,216	301	1,472	1,077
Office and general	109	152	222	364
Professional	191	54	346	111
Shareholder and investor communications	6	60	32	151
Share-based compensation (Note 7)	162	203	504	406
	3,484	1,342	5,190	4,333
Other income (expenses)				
Finance costs	(2)	(51)	(5)	(62)
Gain on foreign currency translation	2	68	2	68
Gain (loss) on change in decommissioning provision	(47)	(23)	11	-
	(47)	(6)	8	6
Net loss and comprehensive loss for the period	\$ (3,531)	\$ (1,348)	\$ (5,182)	\$ (4,318)
Net loss per share - basic and diluted	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)
Weighted average number of shares outstanding				
Basic and diluted	564,962,220	389,943,350	561,269,538	384,662,843

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

NorZinc Ltd.
Condensed Interim Consolidated Statements of Cash Flows
(Unaudited, expressed in thousands of Canadian dollars, unless otherwise stated)

	Six months ended June 30,	
	2021	2020
Operating Activities		
Net loss for the period	\$ (5,182)	\$ (4,318)
Adjustments for items not involving cash:		
Depreciation expense	53	57
Foreign currency translation	-	(68)
Finance costs	1	62
Loss (gain) on change in decommissioning provision	(11)	-
Share-based compensation (Note 7)	504	406
Change in non-cash working capital items:		
Other receivables and prepaid expenses	(108)	57
Accounts payable and accrued liabilities	20	(936)
	(4,723)	(4,740)
Financing Activities		
Loan proceeds	-	4,126
Loan interest	-	(30)
Capital stock issues, net of share issue costs (Note 6)	804	855
Payment of lease obligations (Note 5)	(46)	(46)
Tax remittance on exercise of RSUs and DSUs (Note 6)	(80)	(147)
	678	4,758
Investing Activities		
Additions to property, plant and equipment	(5)	(16)
Payment of reclamation security deposits	-	(141)
Short-term investments	-	(4)
	(5)	(161)
Net change in cash and cash equivalents	\$ (4,050)	\$ (143)
Cash and cash equivalents, beginning of period	\$ 5,286	\$ 2,452
Net change in cash and cash equivalents	(4,050)	(143)
Cash and cash equivalents, end of period	\$ 1,236	\$ 2,309
Supplemental cashflow information		
Accounts payables settled by private placement investor (Note 6)	174	-

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			
Balance, December 31, 2019	372,542,553	135,385	17,056	(145,248)	7,193
Issue of shares, net of share issuance cost	13,396,728	856	-	-	856
Redemption of deferred share units	869,320	145	(199)	-	(54)
Redemption of restricted share units	3,242,320	361	(456)	-	(95)
Share-based compensation	-	-	406	-	406
Net loss for the period	-	-	-	(4,318)	(4,318)
Balance, June 30, 2020	390,050,921	\$ 136,747	\$ 16,807	\$ (149,566)	\$ 3,988
Issuance of shares, net of share issuance cost	35,726,157	2,233	-	-	2,233
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	-	-	302	-	302
Net loss for the period	-	-	-	(9,039)	(9,039)
Balance, December 31, 2020	555,829,341	\$ 147,210	\$ 17,150	\$ (158,605)	\$ 5,755
Redemption of restricted share units (Note 6)	3,574,463	305	(385)	-	(80)
Share-based compensation (Note 7)	-	-	504	-	504
Issuance of shares, net of share issuance cost (Note 6)	14,713,455	978	-	-	978
Net loss for the period	-	-	-	(5,182)	(5,182)
Balance, June 30, 2021	574,117,259	\$ 148,493	\$ 17,269	\$ (163,787)	\$ 1,975

NorZinc Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2021 and 2020

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

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 1875, 701 West Georgia Street, Vancouver, British Columbia, Canada, V7Y 1C6. 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 "NZN" 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 negative working capital of \$243 as at June 30, 2021 (December 31, 2020 – positive \$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. On August 6, 2021, the Company closed a short form prospectus offering and concurrent private placement raising gross proceeds of \$7,176 (see Note 10 for details).

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 its business at this time but has incurred scheduling delays 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 the Company's business operations cannot be reasonably estimated at this time and we anticipate this could have an adverse impact on the Company's business, results of operations, financial position and cash flows in 2021.

NorZinc Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2021 and 2020

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

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 August 11, 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 have been prepared using the significant accounting policies and methods of computation consistent with those applied in the Company's audited December 31, 2020 annual consolidated financial statements, which are available on www.sedar.com. A number of new standards, and amendments to standards and interpretations, are not yet effective for the quarter ended June 30, 2021, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on future financial statements. 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 June 30, 2021 consisted of cash of \$1,236 (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 June 30, 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 three and six months ended June 30, 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

Cost	
January 1, 2020	\$ 283
Additions during the year	15
December 31, 2020	\$ 298
Additions during the year	-
June 30, 2021	\$ 298
Accumulated Depreciation	
January 1, 2020	\$ 174
Depreciation	74
December 31, 2020	\$ 248
Depreciation	35
June 30, 2021	\$ 283
Net Book Value	
June 30, 2021	\$ 15
December 31, 2020	50

(b) Lease Obligations

Undiscounted cash flows associated with the Company's lease obligations as at June 30, 2021 are as follows:

Within one year	\$ 12
Between one and five years	6
Total undiscounted lease obligations	\$ 18

Discounted lease obligation associated with the Company's lease obligation as at June 30, 2021, are as follows:

Current	\$ 11
Long-term	6
Total discounted lease obligations	\$ 17

6. Share Capital

Issued and outstanding: 574,117,259 common shares as at June 30, 2021 (December 31, 2020 – 555,829,341).

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

(a) During the six months ended June 30, 2021

- i. During the period ended June 30, 2021, the Company issued 3,574,463 shares to senior management in exchange for 4,529,438 vested RSUs. The difference between the shares issued compared to the vested RSUs was valued at \$80 and was paid to Canada Revenue Agency ("CRA") for mandatory tax withholdings.
- ii. On May 27, 2021, the Company completed a non-brokered private placement with RCF VI CAD LLC, a wholly-owned subsidiary of Resource Capital Fund VI LP ("RCF") and issued 14,713,455 common shares at \$0.067965 per share, for gross proceeds of \$1,000. Transaction costs related to the private placement were \$22. In addition, \$174 of the Company's accounts payables were settled by RCF directly and deducted from the proceeds. This resulted in net proceeds of \$804 received by the Company.

NorZinc Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2021 and 2020

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(b) During the year ended December 31, 2020

- iii. 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.
- iv. 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.
- v. 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 RCF through the issuance of 110,302,267 common shares through the rights offering at a deemed price of \$0.065.
- vi. 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 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 the six months ended June 30, 2021, the Company issued 11,089,777 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 had a per-option fair value at the date of granting of \$0.03 to \$0.05. The fair value of the options was determined under the Black-Scholes option pricing model using a risk-free interest rate of 0.45% to 0.48%, an expected life of options of 1.0 to 3.5 years, an expected volatility of 103% to 129%, no expected dividends and a forfeiture rate of 1.0%. Subsequent to the issuance of these options, the Company has exceeded the maximum number of stock options allowable under the Stock Option Plan by 2,805,706 options. The issuance of these options is therefore subject to shareholder and regulatory approval at the Company's annual general meeting on August 18, 2021.

At June 30, 2021, there were 23,788,062 (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 three and six months ended June 30, 2021 and 2020

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	June 30, 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	(3,653,606)	0.08	(360,123)	0.09
Granted	11,089,777	0.08	5,312,014	0.08
Outstanding, end of period	23,788,062	\$ 0.13	16,501,891	\$ 0.15

For the three and six months ended June 30, 2021, the Company recorded share-based compensation expense for stock options granted to directors, officers and employees of \$77 and \$226 respectively, compared to \$62 and \$160 in the respective comparable periods in 2020.

As at June 30, 2021, the Company had outstanding and exercisable stock options, with a weighted average remaining contractual life of 2.43 years, to purchase an aggregate 23,788,062 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 3, 2023	2,500,000	0.20	2,500,000	0.20
May 3, 2023	2,000,000	0.10	2,000,000	0.10
May 3, 2023	1,872,096	0.08	1,872,096	0.08
May 3, 2023	1,009,858	0.075	1,009,858	0.075
May 14, 2023	3,000,000	0.076	375,000	0.076
December 5, 2023	1,500,000	0.10	1,500,000	0.10
January 31, 2024	1,900,000	0.10	1,900,000	0.10
April 5, 2024	500,000	0.10	500,000	0.10
February 14, 2025	2,705,763	0.08	2,029,322	0.08
January 25, 2026	3,364,962	0.075	841,241	0.075
February 22, 2026	685,383	0.082	171,346	0.082
	23,788,062	\$ 0.13	17,448,863	\$ 0.15

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

For the three and six months ended June 30, 2021 and 2020

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

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
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

(b) Deferred Share Units (“DSUs”) and Restricted Share Units (“RSUs”)

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 six months ended June 30, 2021, the Company issued 1,245,536 DSUs (June 30, 2020 – 1,826,786) to directors and redeemed nil DSUs (June 30, 2020 – 1,532,483).

During the six months ended June 30, 2021, the Company issued 4,500,956 (June 30, 2020 – 4,650,516) RSUs to senior management and redeemed 4,529,438 vested RSUs (June 30, 2020 – 4,489,000).

At June 30, 2021, there were 6,452,807 DSUs and 4,500,956 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	1,245,536	0.07	4,500,956	0.08
Redeemed	-	-	(4,529,438)	0.08
Outstanding, June 30, 2021	6,452,807	\$ 0.08	4,500,956	\$ 0.08

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.

The RSUs are subject to a twelve month vesting period. All the RSUs granted have a pay-out date of twelve months and are assigned a fair value based on the share price at time of issuance.

For the three and six months ended June 30, 2021, the Company recognized share-based compensation expense for DSUs granted of \$47 and \$93 respectively, compared to \$47 and \$93 in the respective comparable periods in 2020.

For the three and six months ended June 30, 2021, the Company recognized share-based compensation expense for RSUs granted of \$38 and \$185 respectively, compared to \$94 and \$153 in the respective comparable periods in 2020.

NorZinc Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2021 and 2020

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For the three and six months ended June 30, 2021, employee wages and benefits of \$548 and \$806 were included in exploration and evaluation expenditures respectively, compared to \$186 and \$460 in the respective comparable periods in 2020.

9. Commitments and Contingencies

- (a) 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 financially support certain ongoing negotiations. During the six months ended June 30, 2021, the company paid or incurred \$176 (June 30, 2020 – \$726) 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.
- (b) 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% of the \$4,005 expenditures renounced.

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 June 30, 2021 the Company accrued \$130 (December 31, 2020 - \$130) out of the \$700.

In February 2021, the CRA Appeals Division confirmed the position of the CRA auditor. The Company strongly disagrees with the CRA’s determination and has filed a Notice of Appeal which has been served to the Department of Justice and the Company is awaiting a response. 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 the remaining indemnity claim.

- (c) On May 3, 2021, the Company terminated its employment agreement with a member of the senior management team. This resulted in a severance payable of \$862 to be paid on a monthly basis over 24 months. As at June 30, 2021, the remaining severance payable was \$721, of which \$335 was classified as non-current.

10. Subsequent events

- a) On August 6, 2021, the Company closed its short form prospectus offering (the “Offering”) and Concurrent Private Placement (as hereinafter defined), raising gross proceeds of \$7,176 through the issuance of 110,399,823 units of the Company (“Units”) at a price of \$0.065 per Unit. 95,015,208 Units were issued pursuant to the Offering and 15,384,615 Units were issued to RCF pursuant to a private placement (the “Concurrent Private Placement”). The Offering and Concurrent Private Placement are subject to final approval by the Toronto Stock Exchange (the “TSX”).

Each Unit consists of one common share (a “Common Share”) and one half of one common share purchase warrant (each whole warrant, a “Warrant”). Each Warrant is exercisable for a period of three years following the closing date at a price of \$0.09 per Common Share. The Company issued 47,507,604 Warrants pursuant to the Offering and 7,692,307 Warrants to RCF pursuant to the Concurrent Private Placement. In addition, the Company issued 6,085,111 broker warrants to a syndicate of agents co-led by Paradigm Capital Inc. and Scotia Capital Inc. Each broker warrant is exercisable for a period of two years following the closing date at a price of \$0.065 per Common Share.

- b) On August 11, 2021 the Company signed an Impact Benefit Agreement with Łídlíj Kúé First Nation (“LKFN”). In addition, Company signed a Road Benefit Agreement (“RBA”) and a Letter of Agreement linking the RBA with the Impact Benefit Agreement signed in 2011 with the LKFN of Fort Simpson, NWT. Fort Simpson is the largest community within the Dehcho Region, located about 185 kilometres east of the Prairie Creek mine site. These two agreements are related to the construction and operation of the road to connect the Company’s high grade zinc-lead-silver Prairie Creek Mine to the Liard Highway in the Northwest Territories of Canada.