



## **Condensed Interim Consolidated Financial Statements**

For the three and nine months ended September 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 September 30, 2021	As at December 31, 2020
<b>ASSETS</b>		
Current		
Cash and cash equivalents (Note 3)	\$ 3,598	\$ 5,286
Short-term investments (Note 4)	23	23
Other receivables and prepaid expenses	545	289
<b>Total Current Assets</b>	<b>4,166</b>	<b>5,598</b>
Restricted cash	2,422	2,422
Property, plant and equipment	795	725
Right-of-use assets (Note 5)	63	50
Exploration and evaluation assets	1,300	1,505
<b>Total Assets</b>	<b>\$ 8,746</b>	<b>\$ 10,300</b>
<b>LIABILITIES</b>		
Current		
Accounts payable	\$ 1,132	\$ 796
Accrued and other liabilities	658	1,284
Other liabilities (Note 6(vii))	297	297
Current portion of lease obligation (Note 5)	58	53
<b>Total Current Liabilities</b>	<b>2,145</b>	<b>2,430</b>
Lease obligation (Note 5)	5	8
Other liabilities (Note 9(c))	234	-
Decommissioning provision	1,850	2,107
<b>Total Liabilities</b>	<b>4,234</b>	<b>4,545</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 6)	152,564	147,210
Reserves (Note 7)	19,670	17,150
Deficit	(167,722)	(158,605)
<b>Total Shareholders' Equity</b>	<b>4,512</b>	<b>5,755</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 8,746</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)

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
<b>Income</b>				
Investment income	\$ -	\$ 1	\$ -	\$ 10
<b>Expenses</b>				
Depreciation	17	17	54	54
Exploration and evaluation (Note 8)	3,062	1,045	5,604	3,182
Listing and regulatory	31	10	66	60
Management and directors (Note 9(c))	218	280	1,690	1,357
Office and general	198	137	420	501
Professional	190	59	536	170
Shareholder and investor communications	68	59	100	210
Share-based compensation (Note 7)	195	178	699	584
	3,979	1,785	9,169	6,118
<b>Other income (expenses)</b>				
Impairment of exploration and evaluation assets	-	(4,097)	-	(4,097)
Finance costs	1	(102)	(4)	(164)
Gain (loss) on foreign currency translation	2	87	4	155
Gain (loss) on change in decommissioning provision	41	-	52	-
	44	(4,112)	52	(4,106)
<b>Net loss and comprehensive loss for the period</b>	<b>\$ (3,935)</b>	<b>\$ (5,896)</b>	<b>\$ (9,117)</b>	<b>\$ (10,214)</b>
<b>Net loss per share - basic and diluted</b>	<b>\$ (0.01)</b>	<b>\$ (0.02)</b>	<b>\$ (0.02)</b>	<b>\$ (0.03)</b>
<b>Weighted average number of shares outstanding</b>				
Basic and diluted	640,842,427	390,050,917	587,938,585	386,471,976

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

	<b>Nine months ended September 30,</b>	
	<b>2021</b>	<b>2020</b>
<b>Operating Activities</b>		
Net loss for the period	\$ (9,117)	\$ (10,214)
Adjustments for items not involving cash:		
Depreciation expense	87	84
Impairment of exploration and evaluation assets	-	4,097
Foreign currency translation	-	(155)
Finance costs	3	164
Loss (gain) on change in decommissioning provision	(52)	-
Share-based compensation (Note 7)	699	584
Change in non-cash working capital items:		
Other receivables and prepaid expenses	(256)	61
Accounts payable and accrued liabilities	118	(684)
	<b>(8,518)</b>	<b>(6,063)</b>
<b>Financing Activities</b>		
Loan proceeds	-	7,111
Loan interest	-	(110)
Capital stock issues, net of share issue costs (Note 6)	7,081	855
Payment of lease obligations (Note 5)	(65)	(68)
Tax remittance on exercise of RSUs and DSUs (Note 6)	(80)	(147)
Deferred share issuance cost	-	(44)
	<b>6,936</b>	<b>7,597</b>
<b>Investing Activities</b>		
Additions to property, plant and equipment	(106)	(16)
Payment of reclamation security deposits	-	(347)
Short-term investments	-	8
	<b>(106)</b>	<b>(355)</b>
<b>Net change in cash and cash equivalents</b>	<b>\$ (1,688)</b>	<b>\$ 1,179</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>\$ 5,286</b>	<b>\$ 2,452</b>
<b>Net change in cash and cash equivalents</b>	<b>(1,688)</b>	<b>1,179</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 3,598</b>	<b>\$ 3,631</b>
<b>Supplemental cashflow information</b>		
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			
<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, 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	-	-	584	-	584
Net loss for the period	-	-	-	(10,259)	(10,259)
<b>Balance, September 30, 2020</b>	<b>390,050,921</b>	<b>\$ 136,747</b>	<b>\$ 16,985</b>	<b>\$ (155,507)</b>	<b>\$ (1,775)</b>
Issuance of shares, net of share issuance cost	35,726,153	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	-	-	124	-	124
Net loss for the period	-	-	-	(3,098)	(3,098)
<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)	-	-	699	-	699
Issuance of shares, net of cost (Note 6, 7(c))	125,113,278	5,049	2,206	-	7,255
Net loss for the period	-	-	-	(9,117)	(9,117)
<b>Balance, September 30, 2021</b>	<b>684,517,082</b>	<b>\$ 152,564</b>	<b>\$ 19,670</b>	<b>\$ (167,722)</b>	<b>\$ 4,512</b>

## NorZinc Ltd.

### Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 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, PO Box 10166, 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 "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 working capital of \$2,021 as at September 30, 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 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.

#### 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 November 10, 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](http://www.sedar.com). A number of new standards, and amendments to standards and interpretations, are not yet effective for the quarter ended September 30, 2021, and

## NorZinc Ltd.

### Notes to the Condensed Interim Consolidated Financial Statements

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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 September 30, 2021 consisted of cash of \$3,598 (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 September 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 nine months ended September 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**

<b>Cost</b>	
January 1, 2020	\$ 283
Additions during the year	15
December 31, 2020	\$ 298
Additions during the year	64
Disposals during the year	(269)
September 30, 2021	\$ 93
<b>Accumulated Depreciation</b>	
January 1, 2020	\$ 174
Depreciation	74
December 31, 2020	\$ 248
Depreciation	51
Disposals during the year	(269)
September 30, 2021	\$ 30
<b>Net Book Value</b>	
September 30, 2021	\$ 63
December 31, 2020	50

**(b) Lease Obligations**

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

Within one year	\$ 62
Between one and five years	6
Total undiscounted lease obligations	\$ 68

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

Current	\$ 58
Long-term	5
Total discounted lease obligations	\$ 63

**6. Share Capital**

Issued and outstanding: 684,517,082 common shares as at September 30, 2021 (December 31, 2020 – 555,829,341).

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

**(a) During the nine months ended September 30, 2021**

- i. During the period ended September 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 nine months ended September 30, 2021 and 2020

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

- iii. 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").

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. Transaction costs related to the Offering were \$899, resulting in net proceeds of \$6,277 received by the Company.

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

- iv. 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.
- v. 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.
- vi. 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.
- vii. 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**

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 nine months ended September 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%.

At September 30, 2021, there were 21,038,062 (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 nine months ended September 30, 2021 and 2020

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

	September 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	(2,900,000)	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	21,038,062	\$ 0.10	16,501,891	\$ 0.15

For the three and nine months ended September 30, 2021, the Company recorded share-based compensation expense for stock options granted to directors, officers and employees of \$66 and \$292 respectively, compared to \$43 and \$202 in the respective comparable periods in 2020.

As at September 30, 2021, the Company had outstanding and exercisable stock options, with a weighted average remaining contractual life of 2.48 years, to purchase an aggregate 21,038,062 common shares as follows:

Expiry Date	Options Outstanding		Options Exercisable	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
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	750,000	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	2,367,543	0.08
January 25, 2026	3,364,962	0.075	1,261,861	0.075
February 22, 2026	685,383	0.082	257,019	0.082
	21,038,062	\$ 0.10	15,918,377	\$ 0.11

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

## NorZinc Ltd.

### Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2021 and 2020

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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 nine months ended September 30, 2021, the Company issued 2,090,991 DSUs (September 30, 2020 – 2,291,786) to directors and redeemed nil DSUs (September 30, 2020 – 1,532,483).

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

At September 30, 2021, there were 7,298,262 DSUs and 4,432,956 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	2,090,991	0.07	4,500,956	0.08
Cancelled	-	-	(68,000)	0.08
Redeemed	-	-	(4,529,438)	0.08
Outstanding, September 30, 2021	7,298,262	\$ 0.08	4,432,956	\$ 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 nine months ended September 30, 2021, the Company recognized share-based compensation expense for DSUs granted of \$47 and \$140 respectively, compared to \$47 and \$140 in the respective comparable periods in 2020.

For the three and nine months ended September 30, 2021, the Company recognized share-based compensation expense for RSUs granted of \$82 and \$267 respectively, compared to \$89 and \$242 in the respective comparable periods in 2020.

#### (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	1,125,000	0.08

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For the three and nine months ended September 30, 2021 and 2020

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

Issued	6,085,111	0.065
Issued	55,199,911	0.09
Outstanding, September 30, 2021	62,410,022	0.09

On August 6, 2021, 55,199,911 warrants were issued related to the Offering and Concurrent Private Placement. Each warrant entitles the holder to purchase one common share at a price of \$0.09 for a period of three years from the date of issuance. The fair value of the warrants were determined to be \$1,987 under the Black-Scholes option pricing model using a risk-free interest rate of 0.58%, an expected life of three years, an expected volatility of 112%, no expected dividends and a forfeiture rate of 0%.

In connection with the Offering, the Company also issued 6,085,111 broker warrants which entitles the holder to purchase one common share at a price of \$0.065 for a period of two years from the date of issuance. The fair value of the warrants was determined to be \$219 under the Black-Scholes option pricing model using a risk-free interest rate of 0.48%, an expected life of two years, an expected volatility of 122%, no expected dividends and a forfeiture rate of 0%.

On December 23, 2020, 1,125,000 of broker warrants were issued related to a flow through offering. Recorded in equity reserves, 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 two years, an expected volatility of 118%, no expected dividends and a forfeiture rate of 0%.

**8. Exploration and Evaluation Expenditures**

<b>Prairie Creek Mine</b>	<b>Three months ended September 30,</b>		<b>Nine months ended September 30,</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Camp operation and project development	\$ 1,306	\$ 403	\$ 2,143	\$ 576
Mine planning	783	225	1,577	1,003
Permitting and environmental	954	407	1,837	1,583
	3,043	1,035	5,557	3,162
Depreciation – mining plant and equipment	19	10	35	30
Total exploration and evaluation expenditures	\$ 3,062	\$ 1,045	\$ 5,592	\$ 3,192
Exploration and evaluation expenditures (inception to date), beginning of period	\$ 108,240	\$ 103,179	\$ 105,710	\$ 101,032
Total exploration and evaluation expenditures	3,062	1,045	5,592	3,192
Exploration and evaluation expenditures (inception to date), end of period	\$ 111,302	\$ 104,224	\$ 111,302	\$ 104,224

<b>Newfoundland Properties</b>	<b>Three months ended September 30,</b>		<b>Nine months ended September 30,</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Geology and other	\$ -	\$ -	\$ 12	\$ 12
Diamond Drilling	-	-	-	\$ (22)
Total exploration and evaluation expenditures	\$ -	\$ -	\$ 12	\$ (10)
Exploration and evaluation expenditures (inception to date), beginning of period	\$ 7,561	\$ 7,550	\$ 7,549	\$ 7,560
Total exploration and evaluation expenditures	-	\$ -	12	\$ (10)

## NorZinc Ltd.

### Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 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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Exploration and evaluation expenditures (inception to date), end of period	\$ 7,561	\$ 7,550	\$ 7,561	\$ 7,550
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For the three and nine months ended September 30, 2021, employee wages and benefits of \$997 and \$1,803 were included in exploration and evaluation expenditures respectively, compared to \$354 and \$814 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 nine months ended September 30, 2021, the company paid or incurred \$319 (September 30, 2020 – \$817) 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 September 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 September 30, 2021, the remaining severance payable was \$636, of which \$234 was classified as non-current.

#### 10. Subsequent events

- a) On October 4, 2021, the Company announced that it has entered into an asset purchase agreement with Canterra Minerals Corporation (“Canterra”), whereby Canterra will acquire 100% of NorZinc’s Newfoundland mineral properties (the “Transaction”), being the South Tally Pond / Lemarchant Project, the Tulks South Project, the Long Lake Project and the Victoria Mine (collectively, the “Assets”). In accordance with the terms of the Agreement, NorZinc will sell the Assets to Canterra in exchange for \$250 in cash, and 6,625,000 common shares of Canterra payable upon closing of the Transaction. The Transaction is subject to certain closing conditions.