Annual Consolidated Financial Statements

For the years ended December 31, 2021, and 2020

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

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

	As at December 31, 2021	As at December 31, 2020
ASSETS		
Current		
Cash and cash equivalents (Note 3)	$ 3,836	$ 5,286
Short-term investments	52	23
Marketable securities (Note 5)	1,581	-
Other receivables and prepaid expenses	626	289
Total Current Assets	6,095	5,598
Restricted cash (Note 4)	2,508	2,422
Property, plant and equipment (Note 6)	767	725
Right-of-use assets (Note 7a)	47	50
Exploration and evaluation assets (Note 8)	186	1,505
Total Assets	**$ 9,603**	**$ 10,300**
LIABILITIES		
Current		
Accounts payable	$ 1,961	$ 796
Accrued and other liabilities	943	1,284
Other liabilities (Note 10b)	-	297
Current portion of lease obligation (Note 7b)	43	53
Total Current Liabilities	2,947	2,430
Lease obligation (Note 7b)	4	8
Other liabilities (Note 17c)	134	-
Decommissioning provision (Note 9)	2,112	2,107
Total Liabilities	5,197	4,545
SHAREHOLDERS' EQUITY		
Share capital (Note 10)	155,886	147,210
Reserves (Note 11)	19,847	17,150
Deficit	(171,327)	(158,605)
Total Shareholders' Equity	4,406	5,755
Total Liabilities and Shareholders' Equity	**$ 9,603**	**$ 10,300**

Nature of Operations and Going Concern (Note 1)
Commitments and contingencies (Note 17)

Approved by the Board of Directors:

"Rohan Hazelton"	*"Shelley Brown"*
Director	Director

NorZinc Ltd.
Consolidated Statements of Comprehensive Loss
(Expressed in thousands of Canadian dollars, except for share and per share information)

	Years ended December 31,	
	2021	**2020**
Income		
Investment income	$ -	$ 10
Expenses		
Depreciation	70	73
Exploration and evaluation (Note 12)	8,546	4,668
Listing and regulatory	78	137
Management and directors (Note 15)	2,111	2,076
Office and general	539	729
Professional	968	480
Shareholder and investor communications	218	222
Share-based compensation (Note 11)	876	708
	13,406	9,093
Other income (expense)		
Foreign exchange gain	3	138
(Impairment) / impairment reversal on E&E assets (Note 5)	415	(4,098)
Finance costs	(7)	(280)
Tax recovery (Note 10b)	297	-
Change in decommissioning provision (Note 9)	(24)	(34)
	684	(4,274)
Net loss and comprehensive loss for the year	**$ (12,722)**	**$ (13,357)**
Net loss per share - basic and diluted	**$ (0.02)**	**$ (0.03)**
Weighted average number of shares outstanding		
Basic and diluted	616,132,005	404,474,200

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

	Years ended December 31,	
	2021	**2020**
Operating Activities		
Net loss for the year	$ (12,722)	$ (13,357)
Adjustments for items not involving cash:		
Depreciation expense	121	112
Foreign currency translation	-	(176)
Finance costs	4	241
Loss (gain) on change in decommissioning provision (Note 9)	24	34
Share-based compensation (Note 11)	876	708
Tax recovery (10b)	(297)	
Impairment / (impairment reversal) on E&E assets (Note 5)	(415)	4,098
Change in non-cash working capital items:		
Other receivables and prepaid expenses	(337)	80
Accounts payable and accrued liabilities	1,132	87
	(11,614)	(8,173)
Financing Activities		
Loan proceeds	-	7,112
Capital stock issued, net of share issue costs (Note 10)	10,358	4,490
Payment of lease obligations	(82)	(95)
Tax remittance on exercise of RSUs and DSUs (Note 10a)	(80)	(149)
	10,196	11,358
Investing Activities		
Purchase of equipment (Note 6)	(140)	(13)
Payment of reclamation security deposits	(86)	(347)
Sale of Newfoundland assets, net of cash transaction costs	223	-
Short-term investment	(29)	9
	(32)	(351)
Net change in cash and cash equivalents	**$ (1,450)**	**$ 2,834**
Cash and cash equivalents, beginning of year	$ **5,286**	$ **2,452**
Net change in cash and cash equivalents	(1,450)	2,834
Cash and cash equivalents, end of year	**$ 3,836**	**$ 5,286**

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

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

	Share Capital				
	Number	**Amount**	**Reserves**	**Deficit**	**Total**
Balance, December 31, 2019	**372,542,553**	**$ 135,385**	**$ 17,056**	**$ (145,248)**	**$ 7,193**
Redemption of restricted share units (Note 10b)	3,242,320	361	(456)	-	(95)
Exercise of deferred share units (Note 10b)	869,320	145	(199)	-	(54)
Issuance of shares (Note 10b)	49,122,881	3,089	-	-	3,089
Issuance of flow through shares (Note 10b)	19,750,000	1,063	41		1,104
Issuance of shares to settle loan payable (Note 10b)	110,302,267	7,167	-	-	7,167
Share-based compensation (Notes 11)	-	-	708	-	708
Net loss for the year	-	-	-	(13,357)	(13,357)
Balance, December 31, 2020	**555,829,341**	**$ 147,210**	**$ 17,150**	**$ (158,605)**	**$ 5,755**
Redemption of restricted share units (Note 10a)	3,574,463	305	(385)	-	(80)
Share-based compensation (Note 11)	-	-	876	-	876
Issuance of shares, net of cost (Note 10a)	194,489,986	8,371	2,206	-	10,577
Net loss for the period	-	-	-	(12,722)	(12,722)
Balance, December 31, 2021	**753,893,790**	**$ 155,886**	**$ 19,847**	**$ (171,327)**	**$ 4,406**

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

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 achieve future profitable production.

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

The Company has a history of losses with no operating revenue other than interest income and has working capital of $3,148 as at December 31, 2021 (December 31, 2020 – $3,168). Working capital is calculated as current assets less current liabilities. The ability of the Company to carry out its planned business objectives and meet its short-term working capital needs is dependent on its ability to raise adequate financing from lenders, shareholders and other investors.

Additional financing will be required to continue the development of the Prairie Creek Project and to put the Prairie Creek Mine into production. There is no assurance that such financing will be available on a timely basis or on acceptable terms. If the Company is unable to obtain adequate additional financing, the Company will be required to curtail operations, exploration and development activities. The Company is currently evaluating various opportunities and seeking additional sources of financing. These conditions indicate the existence of material uncertainties which cast significant doubt about the Company's ability to continue as a going concern. These audited consolidated financial statements do not give effect to any adjustments, which could be material, and which would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different than those reflected in the audited consolidated financial statements.

Since March 2020, several measures have been implemented in Canada and the rest of the world in response to the ongoing impact from novel coronavirus (COVID-19). The Company continues to operate our business at this time but has incurred scheduling delays with the 2020 and 2021 exploration programs 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 2022.

2. Significant Accounting Policies

(a) Statement of Compliance

These audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and were approved and authorized for issue by the Board of Directors on March 23, 2022.

(b) Basis of Preparation and Consolidation

These audited consolidated financial statements have been prepared on a historical cost basis except for financial instruments classified as fair value through profit or loss which are stated at their fair value. These audited consolidated financial statements are presented in Canadian dollars and have been prepared on the basis of IFRS standards that are effective on December 31, 2021. The accounting policies adopted by the Company have been applied consistently to all periods presented. These audited consolidated financial statements are presented in the Company's, and its subsidiaries', functional currency of Canadian dollars.

These audited consolidated financial statements include the accounts of NorZinc Ltd. and its wholly-owned subsidiaries Canadian Zinc Corporation 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 consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities at the reporting date and the reported amounts of income and expenses during the reporting year. Actual results may differ from these estimates.

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

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

   For the year ended December 31, 2021, the Company recorded an impairment reversal of $415 (2020 - $4,098 impairment expense) on its Newfoundland Properties (Note 5). The determination of the fair value of the Newfoundland properties involved estimates for the amount of share-based consideration that was received on disposition of the Newfoundland Properties.

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

iv. Share-based compensation: The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value of share-based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating the fair value of share-based payment transactions are disclosed in Note 11.

(d) Financial Instruments

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

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

Financial assets and liabilities classified as FVTPL are initially measured at fair value with unrealized gains and losses recognized through earnings. Transaction costs are expensed in the consolidated statement of income (loss). The Company has classified marketable securities as being measured at FVTPL.

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

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

(e) Impairment of Non-Financial Assets

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

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

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

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

(f) Cash and Cash Equivalents

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

(g) Short-term Investments

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

(h) Marketable Securities

Marketable securities are recorded at their fair market value on the date of acquisition and are classified as FVTPL. The carrying value of the securities is adjusted at each subsequent reporting period to the then fair value with the resulting unrealized gains or losses recognized through earnings. Transaction costs are expensed in the consolidated statement of income (loss).

(i) Foreign Currency Transactions

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

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

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

Mining equipment	30%
Office equipment	20%

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

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

(k) Exploration and Evaluation Assets

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

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

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

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

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

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

(l) Decommissioning, Restoration and Other Provisions

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

(m) Investment Income

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

(n) Exploration and Evaluation Expenditures

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

(o) Share-based Compensation

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

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

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

(p) Income Taxes

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

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

(q) Earnings (Loss) Per Common Share

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

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

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

(r) ***Government Grants***

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

(s) ***Leases***

At the inception of a contract, the Company assesses whether the contract conveys the right for the Company to control the use of an identified asset for a period of time in exchange for consideration. If it does, the Company recognizes a right-of-use asset and a lease liability at the commencement date of the lease. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use assets are adjusted for impairment losses, if any. The estimated useful lives and recoverable amounts of right-of-use assets are determined on the same basis as those of property, plant, and equipment. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The lease liability is subsequently measured at amortized cost using the effective interest method.

The Company has elected not to recognize right-of-use assets and lease liabilities for lease terms of 12 months or less and leases for which the underlying asset is of low value. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(t) ***Flow Through Shares***

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

(u) ***New Standards and Interpretations Not Yet Adopted***

Several new standards, and amendments to standards and interpretations, are not yet effective for the year ended December 31, 2021, and have not been applied in preparing these consolidated financial statements. None are currently considered by the Company to be significant or likely to have a material impact on future financial statements.

3. Cash and Cash Equivalents

The Company’s cash and cash equivalents at December 31, 2021 consisted of cash of $3,836 (December 31, 2020 – $5,286) and cash equivalents of $nil (December 31, 2020 – $nil).

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

4. Restricted Cash

As at December 31, 2021, restricted cash comprised of reclamation security deposits totaling $2,508 (December 31, 2020 – $2,422) held by government agencies as financial assurance in respect of certain reclamation obligations at the Prairie Creek Property.

5. Marketable Securities and Impairment

On November 15, 2021, the Company completed the sale of its Newfoundland mineral properties to Canterra Minerals Corporation ("Canterra"), 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 asset purchase agreement, NorZinc sold 100% of the Assets to Canterra in exchange for $250 in cash and 6,625,000 common shares of Canterra (the "Canterra Shares"). The Canterra Shares have been recorded as marketable securities (current assets) and are subject to certain contractual lock-up requirements. 3,000,000 Canterra Shares may not be transferred until May 15, 2022 and the remaining 3,625,000 Canterra Shares may not be transferred until November 15, 2022.

During the year ended December 31, 2021, the Company recognized a $415 reversal of previous impairment to the Newfoundland Properties. The completion of the sale of the Newfoundland Properties with an unrelated third-party resulted in a sales price that was higher than the Newfoundland Properties' carrying value. The Company determined there was an indicator of reversal of a previous impairment loss against the Newfoundland properties' exploration and evaluation assets due to their fair value less costs to sell of the Newfoundland properties being greater than the Newfoundland properties' carrying value. The Company estimated the fair value of the share-based consideration based on Canterra's trading price on the TSX Venture Exchange less an estimated discount for the contractual lock-up until May and November 2022 noted above. The fair value less cost to sell was used to determine the impairment reversal of $415.

		November 15, 2021
Consideration:		
Canterra Shares – Fair Value Estimate	$	1,581
Cash Proceeds		250
Transaction Costs (Note 10a)		(72)
Net Consideration	**$**	**1,759**
Newfoundland Book Value:		
Property, Plant and Equipment – Net Book Value (Note 6)		44
Exploration & Evaluation Assets (Note 8)		1,300
Impairment Reversal	**$**	**415**

As at December 31, 2021, the fair value of the Canterra Shares is $1,581.

During the year ended December 31, 2020, the Company recognized an impairment loss of $4,098 on its Newfoundland Properties. As at December 31, 2020, the Newfoundland Properties had a carrying value of $1,300 (Note 8).

6. Property, Plant and Equipment

	Prairie Creek Plant & Mill	Mining Equipment	Office Equipment	Buildings and Leasehold Improvements	Total
Cost					
December 31, 2019	$ 636	$ 1,783	$ 187	$ 120	$ 2,726
Additions during the year	-	13	-	-	13

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

December 31, 2020	636	1,796	187	120	2,739
Additions during the year	-	140	-	-	140
Disposals during the year	-	-	(5)	(60)	(65)
December 31, 2021	$ 636	$ 1,936	$ 182	$ 60	$ 2,814
Accumulated Depreciation					
December 31, 2019	$ 8	$ 1,708	$ 187	$ 73	$ 1,976
Depreciation for the year	12	24	-	2	38
December 31, 2020	20	1,732	187	75	2,014
Depreciation for the year	12	41	-	1	54
Disposals during the year	-	-	(5)	(16)	(21)
December 31, 2021	$ 32	$ 1,773	$ 182	$ 60	$ 2,047
Net Book Value					
December 31, 2020	$ 616	$ 64	$ -	$ 45	$ 725
December 31, 2021	$ 604	$ 163	$ -	$ -	$ 767

7. Leases

(a) Right-of-Use Assets

Cost	
January 1, 2020	$ 283
Additions during the year	15
December 31, 2020	$ 298
Additions during the year	65
Disposals during the year	(270)
December 31, 2021	$ 93
Accumulated Depreciation	
January 1, 2020	$ 174
Depreciation	74
December 31, 2020	$ 248
Depreciation	68
Disposals during the year	(270)
December 31, 2021	$ 46
Net Book Value	
December 31, 2020	$ 50
December 31, 2021	$ 47

(b) Lease Obligations

Undiscounted cash flows associated with the Company's lease obligations are as follows:

	December 31, 2021	December 31, 2020
Within one year	$ 46	$ 54
Between one and five years	4	9

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

Total undiscounted lease obligations	$ 50	$ 63

Discounted lease obligation associated with the Company's lease obligation are as follows:

	December 31, 2021	**December 31, 2020**
Current	$ 43	$ 53
Long-term	4	8
Total discounted lease obligations	$ 47	$ 61

8. Exploration and Evaluation Assets

The Company holds a 100% interest in the Prairie Creek Mine property located in the Northwest Territories, Canada. The Prairie Creek Property is subject to a 2.2% net smelter return royalty.

	Newfoundland Properties	Prairie Creek Mine Decommissioning Provision	Total
Total Exploration and evaluation assets, December 31, 2019	$ 5,398	$ -	$ 5,398
Impairment of Newfoundland Properties	(4,098)	-	(4,098)
Change in Estimate for Decommissioning Provision	-	205	205
Total Exploration and evaluation assets, December 31, 2020	**$ 1,300**	**$ 205**	**$ 1,505**
Change in Estimate for Decommissioning Provision	-	(19)	(19)
Sale of Newfoundland Properties (Note 5)	(1,300)	-	(1,300)
Total Exploration and evaluation assets, December 31, 2021	**$ -**	**$ 186**	**$ 186**

9. Decommissioning Provision

Reclamation and closure costs for the Prairie Creek Property have been estimated based on an Abandonment and Restoration Plan agreed to by the Mackenzie Valley Land and Water Board and the Company based upon current obligations under existing surface leases, land use permits and a class "B" Water Licence for reclamation and closure of the Prairie Creek Mine site as it now exists with the current infrastructure and assuming a mine life of 20 years. These reclamation and closure costs have been measured based on the net present value of the best estimate of future cash expenditures. These reclamation and closure costs and any subsequent changes in estimates are capitalized into exploration and evaluation assets and amortized over the life of the related asset (see Note 8). Changes in the reclamation and closure costs resulting from changes in the timing, estimated cost or discount rate requires an offsetting change in the carrying value of the corresponding exploration and evaluation asset. Decreases in the decommissioning provision result in a corresponding decrease to the asset until the corresponding asset is reduced to nil, after which a decrease in the decommissioning provision is recognized as a gain in the consolidated statement of comprehensive loss. The accretion expense is included in finance costs in the consolidated statement of comprehensive income or loss.

The Company's undiscounted decommissioning provision for the Prairie Creek site, as it currently exists, is $3,186 (December 31, 2020 – $2,564), being the estimated future net cash outflows of the reclamation and closure costs, including an inflation rate of 1.8% per annum, required to satisfy the obligations, settlement of which will occur subsequent to closure of the mine assumed to be in 2046. The decommissioning provision is discounted using a risk free rate of 1.66% (December 31, 2020 – 1.10%).

	December 31, 2021	December 31, 2020
Balance – beginning of year	$ 2,107	$ 1,868
Accretion expense	24	34
Change in estimates	(19)	205

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

Balance – end of year	$ 2,112	$ 2,107

10. Share Capital

Issued and outstanding: 753,893,790 common shares as at December 31, 2021 (December 31, 2020 – 555,829,341).

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

(a) During the year ended December 31, 2021

i. On February 16, 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.

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 $901, resulting in net proceeds of $6,275 received by the Company.

iv. On December 13, 2021, the Company closed a non-brokered private placement with RCF and issued 68,451,708 common shares at a price of $0.048363 per share, for gross proceeds of approximately $3,311. Transaction costs related to the private placement were $32 resulting in net proceeds of $3,279 received by the Company.

v. On December 31, 2021, the Company issued 925,000 to Paradigm Capital for the settlement of fees. The shares were issued at a deemed price of $0.048363 per share for total value of $45.

(b) During the year ended December 31, 2020

vi. 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.

vii. 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.

viii. 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.

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

ix. 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. On October 31, 2021, the flow through expenditures were renounced and a tax recovery of $297 was recorded.

11. Reserves

(a) Stock Options

For the year ended December 31, 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 December 31, 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.

	December 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	(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 year ended December 31, 2021, the Company recorded share-based compensation expense for stock options granted to directors, officers and employees of $340 (December 31, 2020 – $201).

As at December 31, 2021, the Company had outstanding and exercisable stock options, with a weighted average remaining contractual life of 2.23 years, to purchase an aggregate 21,038,062 common shares as follows:

	Options Outstanding		Options Exercisable	
Expiry Date	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	1,125,000	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

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

February 14, 2025	2,705,763	0.08	2,705,763	0.08
January 25, 2026	3,364,962	0.075	1,682,481	0.075
February 22, 2026	685,383	0.082	342,692	0.082
	21,038,062	$ 0.10	17,137,890	$ 0.10

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%.

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

	Options Outstanding		Options Exercisable	
Expiry Date			Number of Options	Weighted Average Exercise Price
August 10, 2021	2,900,000	$ 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) <u>Deferred Share Units ("DSUs") and Restricted Share Units ("RSUs")</u>

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

During the year ended December 31, 2021, the Company issued 3,020,990 DSUs (December 31, 2020 – 2,956,071) to directors.

During the year ended December 31, 2021, the Company issued 4,500,956 RSUs (December 31, 2020 – 4,650,516) to senior management.

At December 31, 2021, there were 8,228,261 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	3,020,990	0.06	4,500,956	0.08
Cancelled	-	-	(68,000)	0.08

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

Redeemed	-	-	(4,529,438)	0.08
Outstanding, December 31, 2021	8,228,261	$ 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 year ended December 31, 2021, the Company recognized share-based compensation expense for DSUs granted of $186 (December 31, 2020 – $186) and RSUs granted of $350 (December 31, 2020 – $321).

(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
Issued	6,085,111	0.065
Issued	55,199,911	0.09
Outstanding, December 31, 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 was 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%.

12. Exploration and Evaluation Expenditures

	Years ended December 31,	
Prairie Creek Mine	**2021**	**2020**
Camp operation and project development	$ 2,773	$ 1,306
Mine planning	2,544	1,286
Permitting and environmental	3,068	2,048
	8,385	4,640
Depreciation – mining plant and equipment	52	38

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

Total exploration and evaluation expenditures	$ 8,437	$ 4,678
Exploration and evaluation expenditures (inception to date), beginning of year	$ 105,710	$ 101,032
Total exploration and evaluation expenditures	8,437	4,678
Exploration and evaluation expenditures (inception to date), end of year	$ 114,148	$ 105,710

	Years ended December 31,	
Newfoundland Properties	**2021**	**2020**
Geology	$ 109	$ 12
Diamond drilling	-	(22)
Total exploration and evaluation expenditures	$ 109	$ (10)
Exploration and evaluation expenditures (inception to date), beginning of year	$ 7,549	$ 7,559
Total exploration and evaluation expenditures	109	(10)
Exploration and evaluation expenditures (inception to date), end of year	$ 7,658	$ 7,549

For the year ended December 31, 2021, employee wages and benefits of $2,410 were included in exploration and evaluation expenditures (December 31, 2020 – $1,310).

13. Income Taxes

The Company did not record current or deferred income tax expense for the years ended December 31, 2021, and 2020. A reconciliation of the statutory tax rate to the effective rate for the Company is as follows:

	2021	2020
Statutory tax rate	27.00%	27.00%
Income taxes/(recovery) computed at statutory rates	$ (3,435)	$ (3,606)
Income tax rate changes	42	-
Other	500	(86)
Permanent differences	220	420
Tax benefits not yet recognized	2,673	3,272
	-	-

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

	2021	2020
Non-capital loss carry forwards	$ 19,744	$ 18,872
Capital losses	1	1
Investment tax credits	1,214	1,205
Plant and equipment	472	472
Resource interests	13,554	12,027

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

Other	918	653
Net unrecognized deferred income tax asset	$ 35,903	$ 33,230

At December 31, 2021, the Company has approximately $74,065 (December 31, 2020 – $69,868) of non-capital losses for tax purposes available to be carried forward to various dates until 2041 and applied against future income for tax purposes and approximately $50,818 (December 31, 2020 – $45,552) of unused cumulative Canadian exploration and development expenses for tax purposes available to be carried forward indefinitely and applied against future income for tax purposes. The non-capital losses expire as follows:

Year	Total
2024	$ 112
2025	374
2026	2,287
2027	4,200
2028	4,759
2029	3,307
2030	3,416
2031	3,848
2032	5,991
2033	1,913
2034	6,554
2035	3,634
2036	2,681
2037	2,339
2038	6,163
2039	9,955
2040	8,344
2041	4,188
	$ 74,065

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

14. Capital Management

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

15. Related Party Transactions

During the year ended December 31, 2021, the Company incurred professional fees of $197 (December 31, 2020 – $241) with RCF. The Company also incurred interest costs of $nil (December 31, 2020 – $182) from loan payable with RCF which was settled in 2020.

During the year ended December 31, 2021, the Company incurred engineering and exploration costs of $678 (December 31, 2020 – $206) with Ausenco Engineering Canada ("Ausenco"). RCF is the controlling shareholder of Ausenco.

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

During the year ended December 31, 2021, the Company incurred short-term employee remuneration and benefits to officers and directors in the amount of $2,325 (December 31, 2020 – $1,421) and recognized share-based compensation for officers and directors in the amount of $735 (December 31, 2020 – $648).

At December 31, 2021, $406 (December 31, 2020 – $184) was owed to RCF and Ausenco and included in accounts payable and accrued and other liabilities.

16. Financial Instruments

(a) Categories of financial instruments

		December 31, 2021	December 31, 2020
Cash and cash equivalents	Amortized cost	$ 3,836	$ 5,286
Short-term investments	Amortized cost	52	23
Marketable securities	FVTPL	1,581	-
Other receivables	Amortized cost	624	289
Restricted cash	Amortized cost	2,508	2,422
Accounts payable	Amortized cost	(1,910)	(796)
Accrued and other liabilities	Amortized cost	(943)	(1,284)

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

(b) Interest rate risk

In respect of financial assets, the Company's policy is to invest cash at floating rates of interest and cash reserves are to be maintained in cash equivalents in order to maintain liquidity. Fluctuations in interest rates impact the value of cash equivalents. Included in net loss for the year ended December 31, 2021, is investment income on the Company's cash and cash equivalents and short-term investments. As at December 31, 2021, with other variables unchanged, a 1% increase or decrease in the Prime rate would have resulted in a decrease or increase, respectively, to net loss of approximately $nil. The Company does not have any debt obligations which expose it to interest rate risk.

(c) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company does not currently generate any revenues from sales to customers nor does it hold derivative type instruments that would require a counterparty to fulfil a contractual obligation resulting in credit risk. The Company seeks to hold its cash and cash equivalents, short-term investments and restricted cash with reputable financial institutions. The Company considers the following financial assets to be exposed to credit risk: cash and cash equivalents, short-term investments, and restricted cash. The carrying value of these financial assets at December 31, 2021 is $6,396 (December 31, 2020 – $7,731). At December 31, 2021, the Company's cash and cash equivalents, short-term investments and restricted cash were held by two Canadian financial institutions.

(d) Liquidity risk

Liquidity risk encompasses the risk that the Company cannot meet its financial obligations as they fall due. The Company seeks to ensure that there is sufficient capital in order to meet short-term business requirements. The Company's policy is to invest cash at floating rates of interest, while cash reserves are maintained in cash equivalents in order to maintain liquidity after taking into account the Company's holdings of cash equivalents, money market investments, and receivables. As at December 31, 2021, the Company had working capital of $3,148 (December 31, 2020 – $3,168).

17. 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 year ended December 31, 2021, the company incurred expenses of $430 (December 31, 2020 – $1,203) 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 estimated cost of the indemnity, Part XII.6 tax and interest resulting from the reassessments is approximately $840. As at December 31, 2021, the Company accrued $130 (December 31, 2020 – $130) of the $840.

On May 3, 2021, the Company filed in the Tax Court of Canada a Notice of Appeal of the reassessments disallowing $1,000 of flow-through exploration expenditures and the related Part XII.6 reassessments. Consequently, the Company has not recognized a liability for the remaining $710 potential indemnity claim, Part XII.6 tax and interest as it does not consider it probable that there will be an amount payable for it.

(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 December 31, 2021, the remaining severance payable was $536 (December 31, 2020 – $nil), of which $134 was classified as non-current.

18. Government Grants

During the year ended December 31, 2021, the Company received government grants in the amount of $82 (December 31, 2020 - $22).

19. Subsequent Events

i) On February 3, 2022, the Company granted 13,304,325 RSUs to certain employees and consultants of the Company. The RSU will fully vest one year from the date of grant.

ii) On February 3, 2022, the Company granted 12,328,020 stock options to certain employees and consultants of the Company. The stock options have an exercise price of $0.04 and expire five years from the date of grant. 1/8th of the stock options will be vested at grant and 1/8th every 3 months thereafter.

iii) On February 16, 2022, the Company issued 3,213,484 shares to certain employees and consultants in exchange for 4,071,040 vested RSUs. The difference between the shares issued compared to the vested RSUs was valued at $34 and was paid to Canada Revenue Agency for mandatory tax withholdings.

iv) On February 22, 2022, the Company issued 208,536 shares to an employees in exchange for 361,916 vested RSUs. The difference between the shares issued compared to the vested RSUs was valued at $5 and was paid to Canada Revenue Agency for mandatory tax withholdings.