



## Management’s Discussion and Analysis

### Three Months Ended – March 31, 2022

(Expressed in Canadian dollars, unless otherwise noted)

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This Management’s Discussion and Analysis (“**MD&A**”), dated May 3, 2022, relates to the results of operations and financial condition of NorZinc Ltd., and its subsidiaries (“**NorZinc**” or the “**Company**” or “**NZC**”) and is intended to be read in conjunction with the accompanying unaudited condensed consolidated financial statements and notes thereto of the Company for the interim period ended March 31, 2022 and the consolidated financial statements and notes thereto for the years ended December 31, 2021 and 2020 ( the “**Annual Financial Statements**”) and other corporate filings, including the Company’s annual information form for the year ended December 31, 2021 (the “**AIF**”) all of which are available under the Company’s profile on SEDAR at [www.sedar.com](http://www.sedar.com). Please see the section, “Cautionary Note Regarding Forward-Looking Statements” for a discussion of the risks, uncertainties and assumptions used to develop the Company’s forward-looking information. The 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. The Company reports its financial information in Canadian dollars and all monetary amounts set forth herein are expressed in Canadian dollars unless specifically stated otherwise.

## CORPORATE OVERVIEW

The Company’s activities are primarily focused on the advancement, development, and financing of the Prairie Creek high grade zinc-silver-lead project (“**Prairie Creek**”, “**Prairie Creek Project**” or “**the Project**”) located in traditional Dene territory in Canada’s Northwest Territories (“**NWT**”). The Company is currently

well advanced in updating the mining permit for the recently expanded 2,400 tonnes per day (“tpd”) mine design, up from the 1,600 tpd currently permitted for. The Company is also focused on finalizing the permit conditions required for the Water License (“WL”) and Land Use Permit (“LUP”) from the Mackenzie Valley Land & Water Board (“MVLWB”) and Parks Canada (“Parks”) for construction of an All Season Road (“ASR”) providing access to the Prairie Creek Project.

## HIGHLIGHTS – FIRST QUARTER OF FISCAL 2022

### Financial and Corporate

- Cash and short-term investments at March 31, 2022 – \$1.5M (December 31, 2021 – \$3.9M).
- Loss for quarter ended March 31, 2022 - \$1.9M (March 31, 2021 - \$1.7M).

### Prairie Creek

- The company has been focusing efforts on the completion of management plans associated with the Phase 1 All Season Road Construction and approval by Parks and the MVLWB. As at March 31, 2022 the Company received final or conditional approvals on two thirds of the MPs and is expected to complete all Phase 1 MP approvals by mid-year.

### Continued Development of the Prairie Creek Project

In September 2021, the Company announced that a Preliminary Economic Assessment (“PEA”) had been launched on a 2,400 tpd production plan, to formalize much of the internal work that had been done in the nine months prior as part of the ongoing mine enhancement initiatives to replace the previous 2017 Feasibility Study NI 43-101 Technical Report. Results of this PEA were announced on October 21, 2021 and include an after-tax NPV<sub>8%</sub> of \$299 million and an IRR of 17.7%. The PEA incorporates an updated Mineral Resource Estimate and provides an economic assessment for a 2,400 tpd mine plan with a life of mine of 20.3 years. Further details of the PEA are outlined below.

On December 20, 2021, the Company announced unexpected regulatory requirements in the All-Season Road (“ASR”) permitting process, which delayed the commencement of construction on the Pioneer Winter Road (“PWR”) by up to one year. The initial PWR constitutes Phase 1 of the ASR, providing the main point of access to the Prairie Creek Project. As a result of this permitting delay and subject to financing and Covid-19 effects, the Company plans to commence construction on the PWR in Q4 2022, followed by the main construction and development activities for the full ASR planned for 2023 and 2024, culminating in commencement of operations in Q4 2025.

Conditions of the WL and LUPs for the ASR issued by Parks and MVLWB include the submission, review and approval of management plans related to the authorized activities. NorZinc submitted these plans to the regulatory bodies in Q3 and Q4 of 2021 and these are currently under review. Due to the regulatory process and steps required, the approval of these plans was not completed by the targeted start of Phase 1 All-Season Road construction in December 2021, resulting in the Company delaying the start of the

construction. The delay to start of construction has delayed the overall project by one year. To ensure plans are completed and approved for the start of construction in 2022, NorZinc is continuing to move approvals forward with Parks and the MVLWB.

The Company continues to consider multiple development financing opportunities for the activities planned in 2022 subject to financing and permit readiness. NorZinc's primary objectives during the remainder of 2022 are as follows:

- Re-establish a baseline schedule, reflecting a 1-year delay in the Phase 1 construction of the ASR, which is targeted for Q4 2022.
- Finalize all outstanding approvals from Parks and the MVLWB, related to the Phase 1 ASR management plans.
- Re-evaluate value-added initiatives within the project engineering scope to a higher level of detail and confidence, while also exploring the opportunities identified in the PEA.
- Support a 5,000 m drill program during the summer months aimed at obtaining additional geotechnical and metallurgical information.
- Continue discussions with Acho Dene Koe First Nations for a benefits agreement with expected conclusion in Q2 2022.

## Outlook

Following the events of 2021, in the first quarter of 2022 NorZinc has been focused on working with the Government of Northwest Territories ("GNWT") and Parks to clarify and define the permitting process and required additional steps in order to finalize the WL and LUP for the construction and operation of the ASR.

The Prairie Creek Project is expected to bring significant social and economic benefit to local communities in the Northwest Territories. Community input and support is essential in creating a successful regulatory review and NorZinc is dedicated to ensuring that its activities fulfill local community expectations regarding reasonable benefits while protecting the environment. Overall, the economic development opportunity of the Project in terms of total expected gross revenue is over \$6.5 billion and the potential for direct federal, territorial, and local government benefits is over \$600 million. Benefits as outlined in the Socio-Economic Agreement through construction, operation, and closure employment targets of 30%, 60% and 75% respectively for northern employees, as well as business targets during construction of 30% northern business, 60% during Operations, and 70% during Closure.

Management is currently considering multiple opportunities for near-term financing activities for ongoing operations and the Feasibility Study ("FS") aimed at the commencement of the construction of the ASR. Concurrently, management is working diligently towards advancing longer-term financing initiatives for the construction of the PWR later this year and the eventual construction of the expanded mine design envisioned in the recently announced PEA.

The Company remains positive for the future economic potential of the Prairie Creek Project. The results of the PEA highlight the robust potential of the project with multiple opportunities for cost improvements and operational optimization being investigated. With zinc prices recently hitting 14-year highs, combined

with the high-grade nature of the project, management remains optimistic for the ability to execute on its near-term goals.

In 2021, zinc was deemed a critical metal by both Canada and the United States based on the key role it plays in infrastructure development, given its primary use to coat and protect steel from corrosion, as well as its fundamental role in green energy development through its numerous applications. As Prairie Creek's primary metal is zinc, this further demonstrates the Project's significance and contribution, especially within Canada.

## PRAIRIE CREEK PROJECT

### Ownership and Existing Infrastructure

Built originally as the Cadillac Silver Mine in the early 1980s, but never put into operation, Prairie Creek has extensive infrastructure in place including five kilometres of underground workings, a 1,000 ton per day mill, heavy duty and light duty surface vehicles, surface exploration diamond drill rig, camp accommodation, maintenance and water treatment facilities and a 1,000-metre gravel airstrip.

NorZinc's primary objective is to bring the Project into production at the earliest opportunity and, in pursuit of that objective, to secure the necessary financing to complete the development and construction of the mine. Prairie Creek is the flagship property of the Company, and its development is integrally linked to the financing and financial success of the Company.

The Project is subject to net smelter returns royalties totaling 2.2%.

### Preliminary Economic Assessment

On October 21, 2021, the Company announced the results of a PEA for its Prairie Creek Project including an after-tax NPV<sub>8%</sub> of \$299 million and an IRR of 17.7%. The PEA incorporates an updated Mineral Resource Estimate and provides an economic assessment for a 2,400 tpd mine plan with a life of mine of 20.3 years.

#### PEA Highlights Include:

- After-tax NPV<sub>8%</sub> of \$299 million using base case metal prices of \$1.20/lb zinc, \$1.05/lb lead and \$24/oz silver (pre-tax NPV<sub>8%</sub> of \$505 million)
- After-tax IRR of 17.7% (pre-tax IRR of 21.4%) based on initial Capex of \$368 million, including \$35 million of contingency, with significant opportunity to improve initial costs through cost optimization
- At a zinc price of \$1.50/lb, after-tax NPV<sub>8%</sub> increases to US\$479 and IRR increases to 22.8%,
- LOM C1 by-product costs of \$0.19/lb Zn and C3 by-product costs of \$0.60/lb Zn (C1 co-product costs of \$0.73/lb ZnEq<sup>1</sup> and C3 co-product costs of \$0.92/lb ZnEq), placing Prairie Creek in the lowest third of zinc mines once in operation

<sup>1</sup> ZnEq calculated as (grade of Zn in %) + [(grade of lead in % \* price of lead in \$/lb \* 22.046 \* recovery of lead in % \* payable lead in %) + (grade of silver in g/t \* (price of silver in \$/Troy oz / 31.10348) \* recovery of silver in % \* payable silver in %)] / (price of zinc in \$/lb \* 22.046 \* recovery of zinc

- Average annual payable ZnEq production of 261 Mlbs, including 2.6 Moz of average annual silver production, over a 20-year life of mine, with a payback of 4.8 years
- Total cumulative LOM EBITDA of \$2.5 billion; average annual EBITDA of \$123 million
- Updated Mineral Resource Estimate includes 9.8 M tonnes of total Measured & Indicated ("M&I") Resources at 22.7% ZnEq, a 15% increase in total M&I tonnage from the September 2015 Mineral Resource Estimate and 6.4 M tonnes of total Inferred Resources at 24.1% ZnEq
- Updated definitive Feasibility Study to commence immediately and will incorporate the investigation of numerous identified opportunities to add value by optimizing capex and opex input costs
- Project represents a majorly de-risked project with world-class potential in one of the most favourable and stable jurisdictions in the world

#### Highlighted Results from PEA Include:

|  |                |
|--|----------------|
| After-Tax Net Present Value ("NPV") (Discount Rate 8%) | \$299M         |
| After-Tax Internal Rate of Return ("IRR")              | 17.7%          |
| After-Tax Payback Period                               | 4.8 Years      |
| Pre-Production Capex                                   | \$368M         |
| Sustaining Capex and Closure Costs                     | \$332M         |
| Average Annual Payable Silver                          | 2,551 koz      |
| Average Annual Payable Zinc                            | 122 Mlbs       |
| Average Annual Payable Lead                            | 101 Mlbs       |
| Life of Mine ("LOM")                                   | 20.3 Years     |
| Total Resource Mined                                   | 17.2 Mt        |
| Average ZnEq Diluted Grade of Mineral Resources Mined  | 17.10%         |
| Gross Revenue After Royalty (LOM)                      | \$6,274M       |
| After-Tax Free Cash Flow (LOM)                         | \$1,121M       |
| Average Annual EBITDA                                  | \$123M         |
| C1 Costs over LOM (By-Product)                         | \$0.19/lb Zn   |
| C3 Costs over LOM (By-Product)                         | \$0.60/lb Zn   |
| C1 Costs over LOM (Co-Product)                         | \$0.73/lb ZnEq |
| C3 Costs over LOM (Co-Product)                         | \$0.92/lb ZnEq |
| Zinc Price - Flat (LOM)                                | \$1.20/lb      |
| Lead Price - Flat (LOM)                                | \$1.05/lb      |
| Silver Price - Flat (LOM)                              | \$24.00/oz     |
| FX Rate (CAD:USD)                                      | 1.25           |

in % \* payable zinc in %), with average processing recovery factors of 81.5% , 84.3%, and 95.1% for zinc, lead and silver, respectively, and average payables of 85%, 95%, and 85%.

## Updated Mineral Resource Estimate

The new Mineral Resource Estimate is an update of the previous estimate which was included in the Company's Feasibility Study Technical Report dated September 20, 2017 and includes assay data from 47 samples and lithological data collected from three drillholes, PC-20-225, 226, and PC-21-227, that have been obtained since the previous estimate.

### Highlights Include:

- 9.8 M tonnes of total Measured & Indicated Resources at 22.7% ZnEq, a 15% increase in total M&I tonnage from the September 2015 Mineral Resource Estimate
- 6.4 M tonnes of total Inferred Resources at 24.1% ZnEq
- Conversion of Main Quartz Vein ("MQV") Inferred Resources into Indicated Resources with the addition of recent drill results and updated modeling and estimation parameters, resulting in an increase to MQV M&I tonnes by 11%, to 6.2 M tonnes grading 184 ppm Ag, 11.9% Pb, 10.7% Zn
- Stockwork ("STK") M&I Resources have increased by 36% to 2.9 Mt, grading 65 ppm Ag, 3.2% Pb, 7.7% Zn
- Metal content in total M&I Resources has increased by 15% for zinc, 11% by lead, and 15% for silver

A summary of the Mineral Resource Estimate is set out in the table below:

### Updated Mineral Resource Estimate for the Prairie Creek Project Effective October 15, 2021

| Domain                                 | Classification   | Tonnes           | ZnEq <sup>1</sup> % | Ag ppm     | Pb %        | Zn %        |
|--|------------------|------------------|---------------------|------------|-------------|-------------|
| Main Quartz Vein<br>(MQV)              | Measured         | 903,000          | 30.3                | 206        | 11.2        | 12.9        |
|  | Indicated        | 5,248,000        | 27.7                | 181        | 12.0        | 10.3        |
|  | <b>M &amp; I</b> | <b>6,152,000</b> | <b>28.0</b>         | <b>184</b> | <b>11.9</b> | <b>10.7</b> |
|  | Inferred         | 3,849,000        | 31.4                | 207        | 8.4         | 16.7        |
| Stockwork<br>(STK)                     | Measured         | 128,000          | 17.4                | 97         | 4.1         | 10.3        |
|  | Indicated        | 2,754,000        | 12.6                | 63         | 3.2         | 7.6         |
|  | <b>M &amp; I</b> | <b>2,883,000</b> | <b>12.8</b>         | <b>65</b>  | <b>3.2</b>  | <b>7.7</b>  |
|  | Inferred         | 2,187,000        | 12.7                | 67         | 4.0         | 6.7         |
| Stratabound Massive<br>Sulphides (SMS) | <b>Indicated</b> | <b>722,000</b>   | <b>16.4</b>         | <b>53</b>  | <b>5.1</b>  | <b>9.7</b>  |
|  | Inferred         | 367,000          | 15.4                | 47         | 4.4         | 9.6         |
| <b>TOTAL</b>                           | Measured         | 1,031,000        | 28.7                | 193        | 10.3        | 12.6        |
|  | Indicated        | 8,724,000        | 22.0                | 133        | 8.6         | 9.4         |
|  | <b>M &amp; I</b> | <b>9,755,000</b> | <b>22.7</b>         | <b>139</b> | <b>8.8</b>  | <b>9.7</b>  |
|  | Inferred         | 6,403,000        | 24.1                | 150        | 6.7         | 12.9        |

Notes to table:

1. Stated at a cut-off grade of 8% ZnEq based on prices of Zn = \$1.15 USD/lb, Pb = \$1.00 USD/lb, Ag = \$20.00 USD/troy oz.

2. Average overall processing recovery factors for the purposes of the resource estimate for Zn, Pb and Ag are 81.5%, 84.3%, and 95.1% respectively, with payables similarly as 85.0%, 94.8%, and 85.0%. Numbers may not compute exactly due to rounding.

The PEA replaces and supersedes the Company's previous 2017 Feasibility Study on the project.

The PEA was prepared in accordance with National Instrument 43-101 Standards of Disclosure for Mineral Projects (“NI 43-101”) and led by Ausenco Pty Ltd (“Ausenco”), with contributions from Global Mineral Resource Services, Mining Plus and F. Wright Consulting. The authors of the PEA meet the definition of a Qualified Person (“QP”) under National Instrument 43-101 and include:

- Kevin Murray, P.Eng, Manager, Process Engineering, Ausenco
- Greg Mosher, P.Geo, Global Mineral Resource Services
- Maurice Mostert, P.Eng, Manager - Western Canada, Mining Plus.

The Technical Report for the Preliminary Economic Assessment for the Prairie Creek Project has been filed on SEDAR ([www.sedar.com](http://www.sedar.com)).

## Indigenous Agreements

Naha Dehé Dene Band (“**NDDB**”) of Nahanni Butte is the nearest community to the Project, located approximately 90 kilometres southeast of site. The Project site and route of the ASR are within NDDB’s Traditional Territory. Łíídljį Kúé First Nation (“**LKFN**”) of Fort Simpson is the largest community within the Dehcho Region, located about 185 kilometres east of the mine site. In addition, the transportation route from the Project also runs through the traditional territory of the LKFN and the Acho Dene Koe First Nation (“**ADK**”).

In 2011, the Company signed an Impact Benefit Agreement with the NDDB (the “**Nahanni IBA**”), and subsequently signed a similar agreement with the LKFN (the “**LKFN IBA**”) for the development of the Project. Recognizing the ASR may have additional potential impacts and effects on both groups as compared to a winter-only road, the Company signed a Traditional Land Use Agreement (“**TLUA**”) with the NDDB for the construction and operation of the ASR in 2019. In addition, in August 2021, the Company and LKFN signed a Road Benefit Agreement (“**RBA**”) and a Letter of Agreement linking the RBA with the Impact Benefit Agreement signed in 2011.

As part of the All-Season Road Environmental Assessment (“**EA**”) Report from 2017, the NDDB and LKFN are negotiating an agreement with the Company which outlines an environmental management agreement referred to as the Environmental Management Agreement/Environmental Cooperation Management Agreement (“**EMA/ECA**”). The ECA is intended to be a formal mechanism to provide for

Indigenous participation in environmental management, and to ensure that the mitigative measures and environmental protection commitments in the EA Report are appropriately implemented.

In 2019 the Company commenced more advanced discussions with Acho Dene Koe (ADK) particularly related to business opportunities related to the proposed mining operation. Those discussions continued through 2022 and are expected to result in a long-term agreement related to the Project.

Also, in 2011 the Company negotiated a Socio-Economic Agreement with the Government of the Northwest Territories (“GNWT”), covering social programs and support, commitments regarding hiring and travel, and participation on an advisory committee to ensure commitments are effective and are carried out.

### **Timing of Development**

NorZinc continues to plan, subject to permitting and financing, to construct the ASR over parts of three calendar years, initially in Phase 1 (2023) as a winter road and in Phase 2 (2024-2025) installing bridges, culverts and final grading of the road. Prior to each phase of the construction activity, the Company plans to complete further field investigations and site plans and award construction contracts. During Phase 1 the Company plans to undertake geotechnical work on the ASR route to determine final ASR design and Phase 2 bidding parameters. Subject to permitting and financing, Phase 2 construction of the ASR is planned to commence in late 2023 and continue into 2025, in parallel with continuous and ongoing site construction and project development.

The Company has applied for amendments to the current Water Licence and Land Use Permit to reflect an increased mining rate from 1,600 tpd to 2,400 tpd. Due to the requirements of the regulatory timeline, the application was filed in May 2021 and is currently in process to ensure that all permits and licences are in place in the case of an increased processing scenario with final permits expected in late Q2 2022.

### **Financing Initiatives**

The Company has engaged Auramet International, LLC (“Auramet”) as Financial Advisor in conjunction with project financing for the Prairie Creek Project. Auramet’s role will be to work with the Company to provide advice and assistance regarding the solicitation, structuring, negotiating, and closing of a comprehensive financing package.

The Company is targeting the main development project financing for mid-2023 with funding of the construction of the initial Phase 1 ASR (an early winter road) prior to the overall project financing, planned to be from non-bank sources as discussed below. As previously announced, the main development project funding is expected to be sourced largely from the debt and silver streaming markets.

Management continues to explore additional financing alternatives including flow-through financing, convertible notes, bridge loans and private placements as alternatives to a potential silver stream financing.

## SELECTED FINANCIAL INFORMATION

| In thousands '000                                   | Three months ended March 31, |                   |
|---|------------------------------|-------------------|
|   | 2022                         | 2021              |
| <b>Income</b>                                       |                              |                   |
| Investment income                                   | \$ -                         | \$ -              |
| <b>Expenses</b>                                     |                              |                   |
| Depreciation  | 16                           | 18                |
| Exploration and evaluation                          | 752                          | 771               |
| General and administration (1)                      | 819                          | 575               |
| Share-based compensation                            | 303                          | 342               |
|   | 1,890                        | 1,706             |
| <b>Other income (expenses)</b>                      |                              |                   |
| Finance costs                                       | (11)                         | (3)               |
| Change in decommissioning provision                 | 148                          | 58                |
| Other   | (131)                        | -                 |
|   | (4)                          | 55                |
| <b>Net loss and comprehensive loss for the year</b> | <b>\$ (1,894)</b>            | <b>\$ (1,651)</b> |

- (1) General and administration consists of listing and regulatory, management and directors, office and general, professional, and shareholder and investor communications expenses.

| In thousands '000                 |                |              |
|-----------------------------------|----------------|--------------|
| As at                             | March 31, 2022 | Dec 31, 2021 |
| Non-current financial liabilities | 1,823          | 2,250        |
| Total assets                      | 6,572          | 9,603        |
| Dividends declared                | -              | -            |

### Net loss

The Company incurred a net loss of \$1.9M in the period ended March 31, 2022. The net loss was higher than the comparative year of \$1.7M. The increase was mainly driven by a mark-to-market loss to marketable securities (\$136k) in the period ended March 31, 2022. Other fluctuations were driven by timing differences.

### Depreciation expense

Depreciation expense in the current period ended was consistent with the comparative period in 2021 as there were no material purchases of capital assets.

***Exploration and evaluation expense***

Exploration and evaluation expense was consistent with the comparative period in 2021 due to similar activity level in all areas (site activities, mine planning, permitting, etc.) related to the Prairie Creek Mine.

***General and administration expenses***

General and administration expense was higher in the current period due to an increase in corporate activities and general initiatives.

Share-based compensation varies period to period dependent on the vesting period of RSUs, DSUs and stock options.

***Other expenses***

Finance cost was nominal as the Company settled all long-term debt in 2020.

Loss in change in decommissioning provision (non-cash) varies period to period and it is dependent on the discount rate used for the specific period end.

***Non-current financial liabilities and assets***

Non-current financial liabilities were lower when compared to December 31, 2021 due to the change in estimate in the decommission provision.

Total assets decreased when compared to December 31, 2021 primarily due to the decrease in cash and exploration and evaluation assets.

**Consolidated quarterly loss – 8 quarters historic trend**

| <i>(tabled amounts are expressed in thousands of CAD dollars)</i> | Q1 2022         | Q4 2021         | Q3 2021         | Q2 2021         | Q1 2021         | Q4 2020          | Q3 2020         | Q2 2020          |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|------------------|-----------------|------------------|
| <i>Investment income</i>  | \$ -            | \$ -            | \$ -            | \$ -            | \$ -            | \$ 1             | \$ 1            | \$ -             |
| <i>Depreciation</i>   | (16)            | (16)            | (17)            | (19)            | (18)            | (19)             | (17)            | (18)             |
| <i>Exploration and evaluation</i>                                 | (752)           | (2,942)         | (3,062)         | (1,771)         | (771)           | (1,486)          | (1,045)         | (540)            |
| <i>General and administration <sup>(1)</sup></i>                  | (819)           | (1,102)         | (705)           | (1,532)         | (575)           | (1,347)          | (545)           | (581)            |
| <i>Share-based compensation</i>                                   | (303)           | (177)           | (195)           | (162)           | (342)           | (124)            | (178)           | (203)            |
| <i>Other (expense) income</i>                                     | (136)           | -               | -               | -               | -               | -                | -               | -                |
| <i>(Impairment) / impairment reversal on E&amp;E assets</i>       | -               | 415             | -               | -               | -               | -                | (4,098)         | -                |
| <i>Tax recovery</i>   | -               | 297             | -               | -               | -               | -                | -               | -                |
| <i>Finance costs</i>  | (11)            | (3)             | 1               | (2)             | (3)             | (116)            | (102)           | (51)             |
| <i>Gain on foreign currency translation</i>                       | (5)             | (1)             | 2               | 2               | -               | (17)             | 87              | 68               |
| <i>Gain / (loss) on change in decommissioning provision</i>       | 148             | (76)            | 41              | (47)            | 58              | (34)             | -               | (23)             |
| <i>Net (loss) income</i>  | (1,894)         | (3,605)         | (3,935)         | (3,531)         | (1,651)         | (3,143)          | (5,896)         | (1,348)          |
| <i>(Loss) earnings per share</i>                                  | (0.00)          | (0.01)          | (0.01)          | (0.01)          | (0.00)          | (0.01)           | (0.02)          | (0.01)           |
| <i>Total liabilities</i>  | 3,797           | 5,197           | 4,234           | 4,131           | 3,144           | 4,545            | 10,363          | 7,222            |
| <b><i>Total assets</i></b>  | <b>\$ 6,572</b> | <b>\$ 9,603</b> | <b>\$ 8,746</b> | <b>\$ 6,106</b> | <b>\$ 7,510</b> | <b>\$ 10,300</b> | <b>\$ 8,633</b> | <b>\$ 11,210</b> |

(1) General and administration consists of listing and regulatory, management and directors, office and general, professional, and shareholder and investor communications expenses.

**Three months ended March 31, 2022 vs all historic quarters in 2021 and 2020**

The net loss for the quarter was \$1.9M which was lower than the majority of the historic quarters in 2021 and 2020 due seasonality at Prairie Creek resulting in a ramp up of exploration activity in Q2 and Q3. Q1 2022 had a larger net loss than Q1 2021 and Q2 2020 primarily due to a higher G&A expense and a revaluation loss on marketable securities in the current quarter.

Depreciation was consistent with all historic quarters as there were no material capital asset purchases.

General and administration varies quarter over quarter primarily due to the timing difference of expenses. Share-based compensation varies year to year dependent on the vesting period of RSUs, DSUs and stock options. Finance costs are significantly lower in the current quarter as the Company repaid its long-term debt in 2020.

Loss in change in decommissioning provision (non-cash) varies year to year and it is dependent on the discount rate used for the specific period end.

### **Change in total liabilities and assets**

Total liabilities have increased and decreased throughout 2020 to 2021 dependent on the timing of loan payable withdrawal and settlement. In Q3 2020, the liabilities balance was at its highest due to a quarter end loan payable balance of \$7.0M. This was settled through a rights offering in Q4 2020, resulting in a lower total liabilities balance in subsequent periods. In Q2 2021, the increase in total liabilities was due to the termination and severance payable to a former senior executive of the Company. In Q3 2021, total liabilities remained consistent with Q2 2021. In Q4 2021, total liabilities increased due to the timing of payments for accounts payable and accrued liabilities. In Q1 2022, total liabilities decreased due to the timing of settlement of liabilities.

Total assets have increased and decreased throughout 2020 to 2021 dependent on the timing of financings and the use of cash for exploration and general corporate expenditure. The assets significantly decreased in Q3 2020 due to an impairment charge on exploration and evaluation assets of \$4.1M. Total assets subsequently increased in Q4 2020 due to the receipt of cash upon closing of a rights offering in November 2020 (net \$2.2M) and a flow-through share financing in December 2020 (\$1.6M). Total assets increased in Q3 2021 due to the receipt of cash upon closing of a prospectus offering and concurrent private placement in August 2021 (net \$6.3M). Total assets further increased in Q4 2021 due to the \$3.3M private placement with RCF and the sale of the Newfoundland assets resulting in an impairment reversal of \$0.4M. Total assets decreased in Q1 2022 due to decrease in cash related to amounts spent on exploration and evaluation and general and administrative costs.

## **LIQUIDITY AND CAPITAL RESOURCES**

|   | <b>For period ended March 31,</b> |             |
|---|-----------------------------------|-------------|
|   | <b>2022</b>                       | <b>2021</b> |
| (tabled amounts are expressed in thousands of CAD dollars)          |                                   |             |
| <i>Cash outflows from operating activities</i>                      | \$ (2,399)                        | \$ (2,460)  |
| <i>Cash outflow from financing activities</i>                       | (57)                              | (103)       |
| <i>Cashflow from investing activities</i>                           | 76                                | -           |
| <i>Net cash flows</i>   | (2,380)                           | (2,563)     |
| <i>Cash and cash equivalents balance – beginning of the period.</i> | \$ 3,836                          | \$ 5,286    |
| <i>Cash and cash equivalents balance – ending of the period.</i>    | \$ 1,456                          | \$ 2,723    |

As at March 31, 2022, the Company had a working capital balance of \$1.4M (December 31, 2021 – \$3.1M), which included cash and cash equivalents of \$1.5M (2021 - \$3.9M). The working capital balance has

decreased from 2021 to 2022 due to exploration and corporate expenditures in the period with no new financing.

For period ended March 31, 2022, the cash outflow from operating was \$2.4M, compared to \$2.5M in 2021. Business activities were consistent with the same period in the prior year.

For period ended March 31, 2022, the cash outflow from financing activities was \$0.1M, compared to outflow of \$0.1M in 2021. Unlike the same period in the prior year, the Company had a lower tax remittances amount on exercising of RSUs and DSUs.

For period ended March 31, 2022, the cash flow from investing activities was \$0.1M, compared to \$nil in 2021. The cashflow was resulted from a refund of reclamation deposits.

The Company has a history of losses with no operating revenue other than interest income and has working capital of \$1.4M as at March 31, 2022 (December 31, 2021 – \$3.1M). 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 Project 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. The associated 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 condensed interim consolidated financial statements.

The following table reflects the Company's aggregate contractual commitments as of March 31, 2022:

| <i>(thousands of Canadian dollars)</i>           | <i>Payment due by period</i> |                         |                  |                  |                          |
|--|------------------------------|-------------------------|------------------|------------------|--------------------------|
| <b>Contractual Obligations</b>                   | <b>Total</b>                 | <b>Less than 1 year</b> | <b>1-3 years</b> | <b>3-5 years</b> | <b>More than 5 years</b> |
| <i>Operating lease obligation</i> <sup>(1)</sup> | \$ 63                        | \$ 54                   | \$ 9             | \$ -             | \$ -                     |
| <i>Decommissioning provision</i> <sup>(2)</sup>  | 3,241                        | -                       | -                | -                | 3,241                    |
| <i>Annual fees and taxes</i> <sup>(3)</sup>      | 750                          | 75                      | 150              | 225              | 300                      |
| <b>Total Contractual Obligations</b>             | <b>\$ 4,054</b>              | <b>\$ 129</b>           | <b>\$ 159</b>    | <b>\$ 225</b>    | <b>\$ 3,541</b>          |

(1) Represents obligations under operating leases for office space.

(2) The decommissioning liability obligation represents undiscounted costs which are anticipated to be predominantly incurred at the end of the life of the Prairie Creek Mine, which is estimated to be 2037. The liability is supported by a letter of credit deposited with the Government of the Northwest Territories secured by a pledge of restricted cash.

(3) Includes the annual fees related to the Company's mining leases, surface leases and mineral claims which total approximately \$45,000 per annum and property taxes of approximately \$30,000 per annum.

## Shareholders' Equity

| Date                 | Common Shares | Options    | RSU        | DSU       | Share purchase warrants |
|----------------------|---------------|------------|------------|-----------|-------------------------|
| As at March 31, 2022 | 757,315,810   | 33,366,082 | 13,304,325 | 9,390,761 | 62,410,022              |
| As at date of report | 757,315,810   | 33,366,082 | 13,304,325 | 9,390,761 | 62,410,022              |

The following table discloses the number of options and vested options outstanding as at date of the report:

| Number of options | Exercise price \$ | Vested            | Expiry Date       |
|-------------------|-------------------|-------------------|-------------------|
| 2,500,000         | 0.20              | 2,500,000         | May 3, 2023       |
| 2,000,000         | 0.10              | 2,000,000         | May 3, 2023       |
| 1,872,096         | 0.08              | 1,872,096         | May 3, 2023       |
| 1,009,858         | 0.075             | 1,009,858         | May 3, 2023       |
| 3,000,000         | 0.076             | 1,500,000         | May 14, 2023      |
| 1,500,000         | 0.10              | 1,500,000         | December 5, 2023  |
| 1,900,000         | 0.10              | 1,900,000         | January 31, 2024  |
| 500,000           | 0.10              | 500,000           | April 5, 2024     |
| 2,705,763         | 0.08              | 2,705,763         | February 14, 2025 |
| 3,364,962         | 0.075             | 2,103,101         | January 25, 2026  |
| 685,383           | 0.082             | 428,364           | February 22, 2026 |
| 12,328,020        | 0.04              | 1,541,003         | February 3, 2027  |
| <b>33,366,082</b> | <b>\$ 0.08</b>    | <b>19,560,185</b> |                   |

## REGULATORY DISCLOSURES

### *Off-Balance Sheet Arrangements*

As at the date of this report, the Company did not have any off-balance sheet arrangements.

### *Proposed Transactions*

The Company does not have any proposed transactions as at March 31, 2022 other than as disclosed elsewhere in this Management Discussion and Analysis.

**Financial Instruments****(a) Categories of financial instruments**

|                               |                | <b>March 31, 2022</b> | <b>December 31, 2021</b> |
|-------------------------------|----------------|-----------------------|--------------------------|
| Cash and cash equivalents     | Amortized cost | \$ 1,456              | \$ 3,836                 |
| Short-term investments        | Amortized cost | 52                    | 52                       |
| Marketable securities         | FVTPL          | 1,445                 | 1,581                    |
| Other receivables             | Amortized cost | 404                   | 624                      |
| Restricted cash               | Amortized cost | 2,408                 | 2,508                    |
| Accounts payable              | Amortized cost | (1,273)               | (1,911)                  |
| Accrued and other liabilities | Amortized cost | (673)                 | (943)                    |

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

**(b) Interest rate risk**

In respect of financial assets, the Company's policy is to invest cash at floating rates of interest and cash reserves are to be maintained in cash equivalents in order to maintain liquidity. Fluctuations in interest rates impact the value of cash equivalents. Included in net loss for the three-months period ended March 31, 2022, is investment income earned on the Company's cash and cash equivalents and short-term investments. As at March 31, 2022, 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 \$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 March 31, 2022 is \$3.9M (December 31, 2021 - \$6.4M). At March 31, 2022, the Company's cash and cash equivalents, short-term investments and restricted cash were invested with two Canadian financial institutions.

***(d) Liquidity risk***

Liquidity risk encompasses the risk that the Company cannot meet its financial obligations as they fall due. The Company ensures 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 March 31, 2022, the Company had positive working capital of \$1.4M (December 31, 2021 - \$3.1M).

***Significant Accounting Policies***

Please refer to the unaudited condensed interim consolidated financial statements for the period ended March 31, 2022 and audited financial statements for the year ended December 31, 2021 which were filed on SEDAR.

***IFRS Standards Issued But Not Yet Effective***

There are a number of new standards, amendments to standards and interpretations, which are not yet effective for the period ended March 31, 2022 and have not been applied in preparing the Company's consolidated financial statements. The Company does not expect that the adoption of these new standards will have a material impact on the consolidated results, financial position or accounting policies of the Company.

***Critical Accounting Estimates and Judgments***

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, income and expenses. Management uses its best estimates for these purposes, based on assumptions that it believes reflect the most probable set of economic conditions and planned courses of action. Actual results may differ from these estimates. Please refer to the period ended March 31, 2022 financial statements and audited annual financial statements for the year ended December 31, 2021 which was filed on SEDAR.

## Internal Controls and Procedures

### *Disclosure Controls and Procedures*

The Company's disclosure controls and procedures are designed to provide reasonable assurance that material items requiring disclosure by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislations are recorded, processed, summarized and reported within the time periods specified in the securities legislation and include controls and procedures designed to ensure that information required to be disclosed by the Company in its annual filing, interim filings or other reports filed or submitted under securities legislation is accumulated and communicated to the Company's management, including its Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), as appropriate to allow timely decisions regarding required disclosure.

As required under National Instrument 52-109, management advises that there have been no changes in the Company's disclosure controls and procedures that occurred during the period ended March 31, 2022, that have materially affected, or are reasonably likely to materially affect, the Company's disclosure controls and procedures.

It should be noted that, while the Company's CEO and CFO believe that the Company's disclosure controls and procedures provide a reasonable level of assurance and that they are effective, they do not expect that the disclosure controls and procedures can prevent all errors or mistakes. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

### *Internal Control over Financial Reporting*

Management is responsible for designing, establishing and maintaining a system of internal controls over financial reporting to provide reasonable assurance that the financial information prepared by the Company for external purposes is reliable and has been recorded, processed and reported in an accurate and timely manner in accordance with IFRS.

There have been no significant changes in our internal controls during the quarter ended March 31, 2022 that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

### *Risk and uncertainties*

This MD&A contains forward-looking statements. Readers are cautioned as to the risks and uncertainties related to the forward-looking statements and are directed to those risks and uncertainties discussed in the Annual Information Form ("AIF") dated March 23, 2022, of which was filed on SEDAR. Also, please refer to the "Cautionary Statement on Forward-Looking Information" at the end of the MD&A.

### ***Other technical information***

All scientific and technical information in this MD&A has been reviewed and approved by Kerry Cupit, P.Geo., a qualified person for the purposes of National Instrument 43-101 *Standards of Disclosure for Mineral Projects*. For additional information regarding the Company's Prairie Creek Project, please refer to the news release of the Company dated October 21, 2021, detailing results of the PEA prepared for the Prairie Creek Project. A Technical Report for the PEA dated effective October 15, 2021, by Ausenco with contributions from Global Mineral Resource Services, Mining Plus and F. Wright Consulting, is available on the Company's profile at [www.sedar.com](http://www.sedar.com). Mineral resources that are not mineral reserves do not have demonstrated economic viability. Inferred mineral resources are considered too speculative geologically to have economic considerations applied to them that would enable them to be categorized as mineral reserves and there is no certainty that all or any part of an inferred mineral resource will ever be upgraded to a measured or indicated mineral resource or to a mineral reserve.

## **ADDITIONAL INFORMATION AND CAUTIONARY STATEMENTS**

Additional information relating to the Company is contained in the Company's AIF in respect of the financial year ended December 31, 2021, available under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Company's website at [www.norzinc.com](http://www.norzinc.com).

## **CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This MD&A contains "forward-looking information" within the meaning of applicable Canadian securities legislation and "forward-looking statements" with the meaning of the United States Private Securities Litigation Reform Act of 1995 (collectively, "forward-looking statements"), such as estimates and statements that describe the Company's future plans, objectives or goals, including words to the effect that the Company or management expects a stated condition or result to occur. Forward-looking statements in this MD&A include, but are not limited to, statements with respect to the Company's planned or proposed Prairie Creek Project operations including; future mine grades and recoveries; the estimation of mineral reserves and mineral resources; the realization of mineral reserve and mineral resource estimates; cost estimates for further construction and development of the Prairie Creek Project capital and operating cost estimates and long-term environmental reclamation obligations; exploration plans at the Prairie Creek Project and other exploration properties and the expected results thereof; the timing and process for obtaining operating permits; projected earnings before interest, taxes, depreciation and amortization on the Prairie Creek Project; the timing of and amount of potential revenue; requirements for additional capital; and the outlook for future prices of zinc, lead and silver; the impact to the Company of future accounting standards; and the risks and uncertainties around the Company's business.

Forward-looking statements by their very nature, involve inherent risks and uncertainties which could cause actual results or events to differ materially from those reflected in the forward-looking statements, including risks relating to, among other things: mineral reserves, mineral resources (including with respect to the size, grade and recoverability of mineral resources), results of exploration, reclamation and other post-closure costs, capital and construction costs, mine production costs, the timing of exploration, development and mining activities, and the Company's financial condition and prospects not being consistent with the Company's expectations, changes in general economic conditions and conditions in the financial markets; changes in demand and prices for the minerals the Company is exploring for or expects to produce; inability to obtain and/or maintain permits or approvals; litigation; legislative, environmental and other judicial, regulatory, political and competitive developments in areas in which the Company operates; technological and operational difficulties (including failure of plant, equipment or processes to operate in accordance with specifications or expectations) encountered in connection with the Company's activities; unavailability of materials and equipment, and the sources of such items; labour relations matters, industrial disturbances or other job action; inherent uncertainty of production and cost estimates and the potential for unexpected costs and expenses; changing interest and foreign exchange rates; unanticipated events related to health, safety and environmental matters, political risk, social unrest, and changes in general economic conditions or conditions in the financial markets.

These forward-looking statements are also based on certain assumptions which the Company believes are reasonable, including that market fundamentals will result in sustained zinc, lead, silver and other commodity demand and prices, and such prices will be materially consistent with those anticipated; the proposed development of the Company's mineral projects will be viable operationally and economically and proceed as planned; the actual nature, size and grade of the Company's mineral resources and reserves are materially consistent with such estimates; any additional financing required by the Company will be available on reasonable terms and when required; that general business and economic conditions will not change in a materially adverse manner; that all necessary governmental approvals for the planned exploration on the Prairie Creek Mine will be obtained on acceptable terms and in a timely fashion; and the Company will not experience any material accident, labour dispute or failure of plant or equipment.

The material assumptions used to develop EBITDA projections for the Prairie Creek Project are contained in the Prairie Creek Technical Report.

The above list is not exhaustive of the factors that may affect any of the Company's forward-looking statements. These and other factors should be considered carefully, and readers should not place undue reliance on the Company's forward-looking statements. Further information regarding these and other factors which may cause results to differ materially from those projected in forward-looking statements are included in the filings by the Company with securities regulatory authorities, including under "Risk Factors" in the Company's AIF and in this MD&A under "Liquidity, Financial Condition and Capital

Resources" and "Review of Financial Results". The Company does not undertake to update any forward-looking statements that may be made from time to time by the Company or on its behalf, except in accordance with applicable securities laws. Readers should be aware that historical results are not necessarily indicative of future performance; actual results will vary from estimates and variances may be significant. For the reasons set forth above, the reader should not place undue reliance on forward-looking statements.

## **CAUTIONARY NOTE REGARDING NON-GAAP FINANCIAL MEASURES**

The EBITDA projections for the Prairie Creek Property summarized herein and contained in the Prairie Creek Technical Report (the "Company's Non-IFRS Financial Measures") are not measures recognized under International Financial Reporting Standards ("IFRS") and do not have any standardized meanings prescribed by IFRS. The Company's Non-IFRS Financial Measures are presented herein because management of the Company believes that such measures represent a reasonable approximation of projected operating income and are relevant for evaluating projected returns on the Prairie Creek Property. The Company's Non-IFRS Financial Measures may differ from similar computations as reported by other similar organizations and, accordingly, may not be comparable to similar Non-IFRS Financial Measures as reported by such organizations. There is no measure contained in the Company's financial statements that provides a direct comparison to the Company's Non-IFRS Financial Measures, as cash flows from operating activities would be the most directly comparable measure, but the Company does not currently have any operations and does not present operating income in its financial statements. The Company's Non-IFRS Financial Measures should not be construed as alternatives to net income, cash flows related to operating activities, or other financial measures determined in accordance with IFRS, as an indicator of the Company's projected performance.