NORZINC
A PREMIUM MINE DEVELOPER

Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2022 and 2021

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

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

	As at September 30, 2022	As at December 31, 2021
ASSETS		
Current		
Cash and cash equivalents	$ 557	$ 3,836
Short-term investments	52	52
Marketable securities (Note 4)	393	1,581
Other receivables and prepaid expenses	685	626
Total Current Assets	1,687	6,095
Restricted cash (Note 3)	2,408	2,508
Property, plant and equipment	867	767
Right-of-use assets (Note 5a)	350	47
Exploration and evaluation assets (Note 6)	-	186
Total Assets	**$ 5,312**	**$ 9,603**
LIABILITIES		
Current		
Accounts payable	$ 3,471	$ 1,961
Accrued and other liabilities (Note 12c)	590	943
Current portion of lease obligation (Note 5b)	55	43
Loan payable (Note 7)	8,319	-
Total Current Liabilities	12,435	2,947
Lease obligation (Note 5b)	234	4
Other liabilities (Note 12c)	-	134
Decommissioning provision (Note 8)	1,435	2,112
Total Liabilities	14,104	5,197
SHAREHOLDERS' EQUITY (DEFICIENCY)		
Share capital (Note 9)	156,178	155,886
Reserves (Note 10)	20,327	19,847
Deficit	(185,297)	(171,327)
Total Shareholders’ Equity (Deficiency)	(8,792)	4,406
Total Liabilities and Shareholders’ Equity (Deficiency)	**$ 5,312**	**$ 9,603**

Nature of Operations and Going Concern (Note 1)
Commitments and contingencies (Note 12)
Subsequent events (Note 7)

Approved by the Board of Directors:

“Rohan Hazelton”	*“Shelley Brown”*
Director	Director

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

NorZinc Ltd.

Condensed Interim Consolidated Statements of Comprehensive Loss

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

	Three months ended September 30,		Nine months ended September 30,	
	2022	**2021**	**2022**	**2021**
Expenses				
Depreciation	1	17	28	54
Exploration and evaluation (Note 11)	6,289	3,062	8,974	5,604
Listing and regulatory	16	31	56	66
Management and directors	260	218	808	1,690
Office and general	255	198	433	420
Professional	575	190	1,141	536
Shareholder and investor communications	84	68	250	100
Share-based compensation (Note 10)	243	195	812	699
	7,723	3,979	12,502	9,169
Other income (expenses)				
Finance costs	(216)	1	(276)	(4)
Gain (loss) on foreign currency translation	(481)	2	(522)	4
Unrealized gain (loss) on marketable securities (Note 4)	(245)	-	(1,188)	-
Unrealized gain (loss) on change in decommissioning provision (Note 8)	38	41	518	52
	(904)	44	(1,468)	52
Net loss and comprehensive loss for the period	**$ (8,627)**	**$ (3,935)**	**$ (13,970)**	**$ (9,117)**
Net loss per share - basic and diluted	**$ (0.01)**	**$ (0.01)**	**$ (0.02)**	**$ (0.02)**
Weighted average number of shares outstanding				
Basic and diluted	757,315,810	640,842,427	756,722,088	587,938,585

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

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

	Nine months ended September 30,	
	2022	**2021**
Operating Activities		
Net loss for the period	$ (13,970)	$ (9,117)
Adjustments for items not involving cash:		
Depreciation expense	89	87
Finance costs	276	3
Unrealized foreign exchange	522	-
Loss (gain) on change in decommissioning provision (Note 8)	(518)	(52)
Share-based compensation (Note 10)	812	699
Loss (gain) on marketable securities (Note 4)	1,188	-
Loss on asset sale	15	-
Change in non-cash working capital items:		
Other receivables and prepaid expenses	(46)	(256)
Accounts payable, accrued and other liabilities	1,023	118
	(10,609)	(8,518)
Financing Activities		
Capital stock issued, net of share issue costs	-	7,081
Loan proceeds, net of costs (Note 7)	7,551	-
Payment of lease obligations	(30)	(65)
Tax remittance on exercise of RSUs and DSUs	(40)	(80)
	7,481	6,936
Investing Activities		
Purchase of equipment	(251)	(106)
Refund of reclamation security deposits	100	-
	(151)	(106)
Net change in cash and cash equivalents	**$ (3,279)**	**$ (1,688)**
Cash and cash equivalents, beginning of period	$ **3,836**	$ 5,286
Net change in cash and cash equivalents	(3,279)	(1,688)
Cash and cash equivalents, end of period	**$ 557**	**$ 3,598**
Supplemental cashflow information		
Recognition of lease obligation	283	-
Termination of lease obligation	(14)	-

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

	Share Capital				
	Number	**Amount**	**Reserves**	**Deficit**	**Total**
Balance, December 31, 2020	**555,829,341**	**$ 147,210**	**$ 17,150**	**$ (158,605)**	**$ 5,755**
Redemption of restricted share units	3,574,463	305	(385)	-	(80)
Share-based compensation	-	-	699	-	699
Issuance of shares, net of cost	125,113,278	5,049	2,206	-	7,255
Net loss for the period	-	-	-	(9,117)	(9,117)
Balance, September 30, 2021	**684,517,082**	**$ 152,564**	**$ 19,670**	**$ (167,722)**	**$ 4,512**
Share-based compensation	-	-	177	-	177
Issuance of shares, net of cost	69,376,708	3,322	-	-	3,322
Net loss for the period	-	-	-	(3,605)	(3,605)
Balance, December 31, 2021	**753,893,790**	**$ 155,886**	**$ 19,847**	**$ (171,327)**	**$ 4,406**
Redemption of restricted share units (Note 10)	3,422,020	292	(332)	-	(40)
Share-based compensation (Note 10)	-	-	812	-	812
Net loss for the period	-	-	-	(13,970)	(13,970)
Balance, September 30, 2022	**757,315,810**	**$ 156,178**	**$ 20,327**	**$ (185,297)**	**$ (8,792)**

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".

On September 29, 2022, the Company entered into an arrangement agreement (the "Arrangement Agreement") with RCF, in respect of a transaction whereby RCF will acquire all of the issued and outstanding common shares of the Company that RCF and its affiliates do not currently own pursuant to a court-approved plan of arrangement for $0.0325 per share in cash (the "RCF Transaction"). Completion of the RCF Transaction is subject to a number of conditions customary to transactions of this nature including a majority vote in favor by the Company's minority shareholders, among others, The shareholder meeting to vote on the RCF Transaction will take place on December 5, 2022 and the RCF Transaction is expected to close shortly thereafter.

The US$11,000 portion of the amended Bridge Loan (see Note 7) shall become immediately due and payable in full, within seven business days, if the Arrangement Agreement is terminated or if the Company is in breach of any of its material obligations, covenants or conditions thereunder and such breach is not remedied within five days.

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. Continuing operations are dependent on the existence of economically recoverable reserves, obtaining and maintaining the necessary permits to operate a mine, and obtaining the financing to complete development and achieve future profitable production.

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

The Company has a history of losses with no operating revenue other than interest income and has negative working capital of $10,748 as at September 30, 2022 (December 31, 2021 – positive $3,148). 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. On October 4, 2022, the Company received an additional US$7,000 under the amended Bridge Loan, see Note 7 for details.

Additional financing will be required to continue the development of the Prairie Creek Project and to put the Prairie Creek Mine into production. In addition, further financing will be required to repay the bridge loan from RCF VI CAD LLC ("RCF"). 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 financing to repay the bridge loan, RCF may be able to seize certain assets of the Company. Furthermore, without obtaining adequate additional financing, the Company will be required to curtail operations, exploration and development activities. The Company is currently evaluating various opportunities and seeking additional sources of financing. These conditions indicate the existence of material uncertainties which cast significant doubt about the Company's ability to continue as a going concern. These condensed interim consolidated financial statements do not give effect to any adjustments, which could be material, and which would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different than those reflected in the condensed interim 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 unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and were approved and authorized for issue by the Board of Directors on November 9, 2022. These unaudited condensed interim consolidated financial statements do not include all of the information required for full annual consolidated financial statements and should be read in conjunction with the Company's audited annual consolidated financial statements for the year ended December 31, 2021 prepared in accordance with IFRS.

(b) Basis of Preparation and Consolidation

These unaudited condensed interim consolidated financial statements have been prepared on a historical cost basis except for financial instruments classified as fair value through profit or loss which are stated at their fair value. These unaudited condensed interim consolidated financial statements have been prepared using the significant accounting policies and methods of computation consistent with those applied in the Company's audited December 31, 2021 annual consolidated financial statements, which are available on www.sedar.com. A number of new standards, and amendments to standards and interpretations, are not yet effective for the quarter ended September 30, 2022, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on future financial statements.

Amendments to IAS 16 – Property, Plant and Equipment: Proceeds before Intended Use

In May 2020, the IASB issued amendments to IAS 16, Property, Plant and Equipment (IAS 16). The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related costs in profit (loss). An entity is required to apply these amendments for annual reporting periods beginning on or after January 1, 2022. The amendments are applied retrospectively only to items of property, plant and equipment that are available for use after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.

The Company has determined that this amendment does not have an effect on our financial statements at the date of adoption or for the three and nine months ended September 30, 2022.

These unaudited condensed interim consolidated financial statements are presented in the Company's, and its subsidiaries, functional currency of Canadian dollars.

These unaudited condensed interim consolidated financial statements include the accounts of NorZinc Ltd. and its wholly-owned subsidiaries Canadian Zinc Corporation and NorZinc-Newfoundland Ltd., collectively the Company. Subsidiaries are consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full upon consolidation.

(c) Significant Accounting Judgments, Estimates and Assumptions

The preparation of condensed interim consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities at the reporting date and the reported amounts of income and expenses during the reporting period. The significant judgements, estimates and assumptions made by management in applying the Company's accounting policies are the same as those applied in the Company's audited December 31, 2021 annual consolidated financial statements. Actual results may differ from these estimates.

3. Restricted Cash

As at September 30, 2022, restricted cash is comprised of reclamation security deposits totaling $2,408 (December 31, 2021 – $2,508) held by government agencies as financial assurance in respect of certain reclamation obligations at the Prairie Creek Property.

4. Marketable Securities

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

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 were released from lock-up and became freely tradable on May 15, 2022. The remaining 3,625,000 Canterra Shares may not be transferred until November 15, 2022.

During the three and nine months ended September 30, 2022, the Company recognized an unrealized loss on marketable securities related to the Canterra Shares of $245 and $1,188, respectively. As at September 30, 2022, the fair value of the Canterra Shares is $393 (December 31, 2021 – $1,581).

5. Leases

(a) Right-of-Use Assets

Cost	
January 1, 2021	$ 298
Additions during the period	65
Disposals during the period	(270)
December 31, 2021	$ 93
Additions during the period	345
Disposals during the period	(65)
September 30, 2022	$ 373
Accumulated Depreciation	
January 1, 2021	$ 248
Depreciation during the period	68
Disposals during the period	(270)
December 31, 2021	$ 46
Depreciation during the period	28
Disposals during the period	(51)
September 30, 2022	$ 23
Net Book Value	
December 31, 2021	$ 47
September 30, 2022	$ 350

During period ended September 30, 2022, the Company leased an excavator to help with the pioneer winter road construction at Prairie Creek.

(b) Lease Obligations

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

	September 30, 2022	December 31, 2021
Within one year	$ 69	$ 46
Between one and five years	260	4
Total undiscounted lease obligations	$ 329	$ 50

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

	September 30, 2022	December 31, 2021
Current	$ 55	$ 43
Long-term	234	4

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

Total discounted lease obligations	$ 289	$ 47

6. 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, 2020	**$ 1,300**	**$ 205**	**$ 1,505**
Change in Estimate for Decommissioning Provision	-	(19)	(19)
Sale of Newfoundland Properties	(1,300)	-	(1,300)
Total Exploration and evaluation assets, December 31, 2021	**$ -**	**$ 186**	**$ 186**
Change in Estimate for Decommissioning Provision	-	(186)	(186)
Total Exploration and evaluation assets, September 30, 2022	**$ -**	**$ -**	**$ -**

7. Loan Payable

On May 19, 2022, the Company signed an agreement under which Resource Capital Fund VI CAD LLC ("RCF"), the Company's largest shareholder, provided a US$6,000 secured bridge loan (the "Bridge Loan"), carrying an interest rate of 8% per annum. The Bridge Loan is secured by the Company's present and future personal property, ranking in priority to all subsequent secured and unsecured creditors, excluding any mineral leases in relation to the Prairie Creek project. The Bridge Loan was originally repayable on November 18, 2023, being 18 months after the closing date of the Bridge Loan.

On September 29, 2022, the Company and RCF amended the Bridge Loan with the following key changes:

- Increased the commitment by US$11,000 to a total of US$17,000
- Changed the maturity date from November 18, 2023 to March 31, 2023
- All management plans and permits for the development of the pioneer winter road to be completed by October 31, 2022
- The Company has agreed to complete a rights offering in an amount of at least US$17,000, within 75 days of a request from RCF
- The US$11,000 portion of the amended Bridge Loan shall become immediately due and payable in full, within seven business days, if the Arrangement Agreement is terminated or if the Company is in breach of any of its material obligations, covenants or conditions thereunder and such breach is not remedied within five days

On May 26, 2022, the Company received the first US$3,000 tranche and on July 14, 2022, the second US$3,000 tranche was received. On October 4, 2022, the Company received an additional US$7,000 under the amended Bridge Loan, bringing the total drawn amount to US$13,000 with a remaining US$4,000 undrawn.

Balance as at December 31, 2021	$ -
Principal withdrawal – US$6,000	7,768
Transaction costs	(217)
Net proceeds	7,551
Interest accrued	164
Accretion	82
Foreign exchange impact	522
Balance as at September 30, 2022	$ 8,319

The Bridge Loan was initially recorded at fair value net of transaction costs and is subsequently measured at amortized cost. The carrying amount of the Bridge Loan approximates its fair value.

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

8. 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. 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 $3,109 (December 31, 2021 – $3,186), being the estimated future net cash outflows of the reclamation and closure costs, including an inflation rate of 1.70% per annum (December 31, 2021 – 1.80%), 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 3.14% (December 31, 2021 – 1.66%).

	September 30, 2022	December 31, 2021
Balance – beginning of period	$ 2,112	$ 2,107
Accretion expense	27	24
Change in estimates	(704)	(19)
Balance – end of period	$ 1,435	$ 2,112

9. Share Capital

Issued and outstanding: 757,315,810 common shares as at September 30, 2022 (December 31, 2021 – 753,893,790).

Authorized: Unlimited common shares with no par value (December 31, 2021 – unlimited).

During the nine months ended September 30, 2022

i. 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 $35 and was paid to Canada Revenue Agency for mandatory tax withholdings.

ii. On February 22, 2022, the Company issued 208,536 shares to an employee 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.

10. Reserves

(a) Stock Options

For the nine months ended September 30, 2022, the Company issued 12,328,020 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 $0.04 per common share and had a per-option fair value at the date of granting of $0.028. The fair value of the options was determined under the Black-Scholes option pricing model using a risk-free interest rate of 1.39%, an expected life of options of 3.0 years, an expected volatility of 119% and no expected dividends.

At September 30, 2022, there were 32,797,116 (December 31, 2021 – 21,038,062) 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.

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

	September 30, 2022		December 31, 2021	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of period	21,038,062	$ 0.10	16,501,891	$ 0.15
Expired	-	-	(2,900,000)	0.35
Forfeited	(568,966)	0.06	(3,653,606)	0.08
Granted	12,328,020	0.04	11,089,777	0.08
Outstanding, end of period	32,797,116	$ 0.08	21,038,062	$ 0.10

For the three and nine months ended September 30, 2022, the Company recorded share-based compensation expense for stock options granted to directors, officers and employees of $65 and $308, respectively, compared to $66 and $292 in the respective comparable periods in 2021.

As at September 30, 2022, the Company had outstanding stock options, with a weighted average remaining contractual life of 2.52 years, to purchase an aggregate 32,797,116 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	1,500,000	0.076
December 5, 2023	1,500,000	0.10	1,875,000	0.10
January 31, 2024	1,900,000	0.10	1,900,000	0.10
April 5, 2024	500,000	0.10	500,000	0.10
February 14, 2025	2,705,763	0.08	2,705,763	0.08
January 25, 2026	3,064,962	0.075	2,681,842	0.075
February 22, 2026	685,383	0.082	599,710	0.082
February 3, 2027	12,059,054	0.04	4,522,145	0.04
	32,797,116	$ 0.08	24,041,414	$ 0.09

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%.

As at December 31, 2021, the Company had outstanding 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
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

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

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

During the nine months ended September 30, 2022, the Company issued 4,041,067 DSUs (September 30, 2021 – 2,090,991) to directors.

During the nine months ended September 30, 2022, the Company issued 13,304,325 RSUs (September 30, 2021 – 4,500,956) to senior management.

At September 30, 2022, there were 12,269,328 DSUs and 13,031,325 RSUs outstanding (December 31, 2021 – 8,228,261 DSUs and 4,432,956 RSUs).

	Number of DSUs	Weighted average grant date fair value	Number of RSUs	Weighted average grant date fair value
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
Redeemed	-	-	(4,529,438)	0.08
Outstanding, December 31, 2021	8,228,261	$ 0.08	4,432,956	$ 0.08
Granted	4,041,067	0.03	13,304,325	0.04
Cancelled	-	-	(273,000)	0.04
Redeemed	-	-	(4,432,956)	0.08
Outstanding, September 30, 2022	12,269,328	$ 0.06	13,031,325	$ 0.04

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.

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

For the three and nine months ended September 30, 2022, the Company recognized share-based compensation expense for DSUs granted of $47 and $140 respectively, compared to $47 and $140 in the respective comparable periods in 2021.

For the three and nine months ended September 30, 2022, the Company recognized share-based compensation expense for RSUs granted of $131 and $364 respectively, compared to $82 and $267 in the respective comparable periods in 2021.

(c) Share Purchase Warrants

	Number of Warrants	Weighted Average Exercise Price
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 and September 30, 2022	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%.

11. Exploration and Evaluation Expenditures

	Three months ended September 30,		Nine months ended September 30,	
Prairie Creek Mine	**2022**	**2021**	**2022**	**2021**
Camp operation and project development	$ 4,589	$ 1,306	$ 5,629	$ 2,143
Mine planning	443	783	1,115	1,577
Permitting and environmental	1,232	954	2,169	1,837
	6,264	3,043	8,913	5,557
Depreciation – mining plant and equipment	25	19	61	35
Total exploration and evaluation expenditures	$ 6,289	$ 3,062	$ 8,974	$ 5,592
Exploration and evaluation expenditures (inception to date), beginning of period	$ 116,832	$ 108,240	$ 114,147	$ 105,710
Total exploration and evaluation expenditures	6,289	3,062	8,974	5,592
Exploration and evaluation expenditures (inception to date), end of period	$ 123,121	$ 111,302	$ 123,121	$ 111,302

For the three and nine months ended September 30, 2022, employee wages and benefits of $779 and $1,406 were included in exploration and evaluation expenditures, respectively, compared to $997 and $1,803 in the respective periods in 2021.

12. Commitments and Contingencies

(a) The Company has several existing agreements with local Indigenous Government Organizations and the Government of the Northwest Territories that entail commitments related to employment, business opportunities and staged and profit-based payments. The Company is also committed to financially support certain ongoing negotiations. During the nine months ended September 30, 2022, the Company incurred expenses of $588 (September 30, 2021 – $319) 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, the 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 $880. As at September 30, 2022, the Company has accrued $130 (December 31, 2021 – $130) of the $880.

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 $750 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 cost recorded in management and directors expense of $862 to be paid on a monthly basis over 24 months. As at September 30, 2022, the remaining severance payable was $234 which is presented as current liabilities (December 31, 2021 – $536 of which $402 was presented as current liabilities).

13. Subsequent Events

On October 4, 2022, the Company received an additional US$7,000 under the amended Bridge Loan, bringing the total drawn amount to US$13,000 with a remaining US$4,000 undrawn. The US$11,000 portion of the amended Bridge Loan shall become immediately due and payable in full, within seven business days, if the Arrangement Agreement is terminated or if the Company is in breach of any of its material obligations, covenants or conditions thereunder and such breach is not remedied within five days