



**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE**  
**YEAR ENDED DECEMBER 31, 2017**

(Expressed in Canadian Dollars)

## INDEPENDENT AUDITORS' REPORT

To the Shareholders of  
InZinc Mining Ltd.

We have audited the accompanying consolidated financial statements of InZinc Mining Ltd., which comprise the consolidated statements of financial position as at December 31, 2017 and 2016 and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of InZinc Mining Ltd. as at December 31, 2017 and 2016 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

**“DAVIDSON & COMPANY LLP”**

Vancouver, Canada

Chartered Professional Accountants

April 26, 2018



# InZinc Mining Ltd.

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (Expressed in Canadian funds)

	December 31, 2017	December 31, 2016
<b>ASSETS</b>		
Current		
Cash (Note 4)	\$ 3,483,198	\$ 482,729
Receivables (Note 5)	13,354	35,294
Prepays	15,800	13,870
Marketable securities (Note 6)	1,665	1,874
	<b>3,514,017</b>	<b>533,767</b>
Reclamation deposit (Note 7)	119,048	127,360
Exploration and evaluation assets (Note 7)	5,880,009	5,669,667
	<b>\$ 9,513,074</b>	<b>\$ 6,330,794</b>
<b>LIABILITIES</b>		
Current		
Accounts payable and accrued liabilities (Note 8)	\$ 187,078	\$ 49,427
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 9)	17,323,349	14,033,941
Reserves - share-based	622,368	374,353
Reserves - accumulated other comprehensive loss	(624)	(415)
Deficit	(8,619,097)	(8,126,512)
	<b>9,325,996</b>	<b>6,281,367</b>
	<b>\$ 9,513,074</b>	<b>\$ 6,330,794</b>

*Nature of operations and going concern (Note 1)*  
*Subsequent events (Note 16)*

Approved on behalf of the Board:

*"Wayne Hubert"*

*"John Murphy"*

Wayne Hubert, Director

John Murphy, Director

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

# InZinc Mining Ltd.

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## CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(Expressed in Canadian funds)

	For the year ended	
	December 31, 2017	December 31, 2016
<b>EXPENSES</b>		
Communication and investor relations	\$ 57,637	\$ 28,712
Filing and regulatory	24,004	17,319
Foreign exchange loss	13,625	9,911
Management fees (Note 10)	-	37,227
Office and miscellaneous (Note 10)	103,849	61,217
Professional fees (Note 10)	90,032	115,710
Property investigation costs	-	2,000
Rent (Note 10)	9,000	16,500
Share-based compensation (Notes 9 and 10)	270,774	205,520
Travel	33,086	4,941
	<b>(602,007)</b>	<b>(499,057)</b>
Interest income	1,422	3,700
<b>Loss for the year</b>	<b>(600,585)</b>	<b>(495,357)</b>
Unrealized gain (loss) on marketable securities	(209)	917
<b>Loss and comprehensive loss for the year</b>	<b>\$ (600,794)</b>	<b>\$ (494,440)</b>
<b>Basic and diluted loss per common share</b>	<b>\$ (0.01)</b>	<b>\$ (0.01)</b>
<b>Weighted average shares outstanding</b>	<b>74,844,624</b>	<b>72,362,104</b>

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

# InZinc Mining Ltd.

## CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (Expressed in Canadian funds)

	Shares Issued	Share Capital	Reserves - Share- based	Reserves - Accumulated Other Comprehensive Loss	Deficit	Total
Balance December 31, 2015	72,205,419	\$ 13,928,534	\$ 229,240	\$ (1,332)	\$ (7,631,155)	\$ 6,525,287
Options exercised	450,000	81,000	(36,000)	-	-	45,000
Share-based compensation	-	-	205,520	-	-	205,520
Allocation of expired warrants	-	24,407	(24,407)	-	-	-
Unrealized gain on marketable securities	-	-	-	917	-	917
Loss for the year	-	-	-	-	(495,357)	(495,357)
<b>Balance December 31, 2016</b>	<b>72,655,419</b>	<b>\$ 14,033,941</b>	<b>\$ 374,353</b>	<b>\$ (415)</b>	<b>\$ (8,126,512)</b>	<b>\$ 6,281,367</b>
Shares issued for cash	34,980,000	3,498,000	-	-	-	3,498,000
Share issue costs	-	(409,592)	153,241	-	-	(256,351)
Shares issued for exploration and evaluation assets	200,000	48,000	-	-	-	48,000
Options exercised	850,000	153,000	(68,000)	-	-	85,000
Share-based compensation	-	-	270,774	-	-	270,774
Allocation of expired options	-	-	(108,000)	-	108,000	-
Unrealized loss on marketable securities	-	-	-	(209)	-	(209)
Loss for the year	-	-	-	-	(600,585)	(600,585)
<b>Balance December 31, 2017</b>	<b>108,685,419</b>	<b>\$ 17,323,349</b>	<b>\$ 622,368</b>	<b>\$ (624)</b>	<b>\$ (8,619,097)</b>	<b>\$ 9,325,996</b>

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

**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Expressed in Canadian funds)

	<b>For the year ended</b>	
	<b>December 31, 2017</b>	<b>December 31, 2016</b>
<b>OPERATING ACTIVITIES</b>		
Loss for the year	\$ (600,585)	\$ (495,357)
Items not involving cash:		
Share-based compensation	270,774	205,520
Unrealized foreign exchange loss on reclamation deposit	8,312	3,918
Change in operating assets and liabilities:		
Decrease (increase) in receivables	21,940	(11,718)
Decrease (increase) in prepaids	(1,930)	274
Increase in accounts payable and accrued liabilities	36,307	4,366
<b>Cash used in operating activities</b>	<b>(265,182)</b>	<b>(292,997)</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds from share issue	3,583,000	45,000
Share issue costs	(163,445)	-
<b>Cash provided by financing activities</b>	<b>3,419,555</b>	<b>45,000</b>
<b>INVESTING ACTIVITY</b>		
Exploration and evaluation assets	(153,904)	(53,462)
<b>Cash used in investing activity</b>	<b>(153,904)</b>	<b>(53,462)</b>
<b>Change in cash during the year</b>	<b>3,000,469</b>	<b>(301,459)</b>
Cash, beginning of year	482,729	784,188
<b>Cash, end of year</b>	<b>\$ 3,483,198</b>	<b>\$ 482,729</b>

*Supplemental disclosure with respect to cash flows (Note 11)*

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

**1. NATURE OF OPERATIONS AND GOING CONCERN**

InZinc Mining Ltd. (the “Company”) was incorporated on October 24, 1997 under the laws of British Columbia and was continued under the Canada Business Corporations Act in June 2002. The Company’s head office is at 912 - 1112 West Pender Street, P.O. Box 48268, Station Bentall Centre, Vancouver, BC, V7X 1A2. The Company is listed on the TSX Venture Exchange (“TSX-V”) under the trading symbol IZN.V.

The Company’s principal business activities include the acquisition and exploration of mineral exploration and evaluation assets in the United States and Canada. The Company has not yet determined whether its exploration and evaluation assets contain ore reserves that are economically recoverable. The recoverability of the amounts shown for exploration and evaluation assets are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production. To date, the Company has not earned any revenues and is considered to be in the exploration stage.

These consolidated financial statements have been prepared assuming the Company will continue on a going-concern basis. The Company has incurred losses since its inception and the ability of the Company to continue as a going-concern depends upon its ability to raise adequate financing and to develop profitable operations. The consolidated financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

The continuance of the Company’s operations is dependent on obtaining sufficient additional financing in order to realize the recoverability of the Company’s investments in exploration and evaluation assets which is dependent upon the existence of economically recoverable reserves and market prices for the underlying minerals. Management closely monitors metal commodity prices, individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company if favourable or adverse market conditions occur. Management estimates it has sufficient funds to operate for the next year.

**2. BASIS OF PRESENTATION****Statement of compliance**

These consolidated financial statements have been prepared in accordance with International Accounting Standards (“IAS”) 1, “Presentation of Financial Statements” and utilize accounting policies consistent with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

These consolidated financial statements were authorized for issue by the Audit Committee and Board of Directors on April 26, 2018.

**Basis of presentation**

These consolidated financial statements have been prepared on a historical cost basis except for certain non-current assets and financial instruments, which are measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

## 2. BASIS OF PRESENTATION (continued)

### Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, unless otherwise noted, which is the functional currency of the parent and of its subsidiary.

### Basis of consolidation

These consolidated financial statements of the Company include the accounts of the Company and its wholly-owned subsidiary, N.P.R. (US) Inc., a Nevada corporation, the principal activity of which is exploration in the United States. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. All inter-company transactions and balances have been eliminated upon consolidation.

### Significant estimates

The preparation of these consolidated financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported expenses during the year.

Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

Estimates are made when applying accounting policies. The critical estimates that have the most significant effects on the amounts recognized in the consolidated financial statements are as follows:

#### Economic recoverability and probability of future economic benefits of exploration and evaluation assets

Management has determined that exploration, evaluation, and related costs incurred which were capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including, geologic and other technical information, a history of conversion of mineral deposits with similar characteristics to its own properties to proven and probable mineral reserves, the quality and capacity of existing infrastructure facilities, evaluation of permitting and environmental issues and local support for the project.

#### Valuation of share-based compensation

The Company uses the Black-Scholes Option Pricing Model for valuation of share-based compensation. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate, and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity reserves.

#### Income taxes

In assessing the probability of realizing deferred tax assets, management makes estimates related to expectation of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

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## 2. BASIS OF PRESENTATION (continued)

### Significant judgement

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in these consolidated financial statements are, but are not limited to, as follows:

#### Determination of functional currency

The Company determines the functional currency through an analysis of several indicators such as expenses and cash flow, financing activities, retention of operating cash flows, and frequency of transactions with the reporting entity.

## 3. SIGNIFICANT ACCOUNTING POLICIES

### Exploration and evaluation assets

Pre-exploration costs are expensed as incurred.

Costs directly related to the exploration and evaluation of mineral properties are capitalized once the legal rights to explore the mineral properties are acquired or obtained. When the technical and commercial viability of a mineral resource have been demonstrated and a development decision has been made, the capitalized costs are first tested for impairment and the capitalized costs of the related property are transferred to mining assets and upon commencement of commercial operations are amortized over the estimated useful life of the property following.

If it is determined that capitalized acquisition, exploration and evaluation costs are not recoverable, or the property is abandoned or management has determined an impairment in value, the property is written down to its recoverable amount. Exploration and evaluation assets are reviewed for impairment when facts and circumstances suggest that the carrying amount may exceed its recoverable amount.

Capitalized amounts include the cash or other consideration and the assigned value of shares issued, if any, on the acquisition of exploration and evaluation assets. Costs related to properties acquired under option agreements or joint ventures, whereby payments are made at the sole discretion of the Company, are recorded in the accounts at such time as the payments are made. The Company does not accrue estimated future costs of maintaining its exploration and evaluation assets in good standing.

Capitalized costs as reported on the statements of financial position represent costs incurred to date and may not reflect actual, present, or future values. Recovery of carrying value is dependent upon future commercial success or proceeds from disposition of the exploration and evaluation property interests.

Management evaluates each mineral interest on a reporting period basis or as events and circumstances warrant, and makes a determination based on exploration activity and results, estimated future cash flows and availability of funding as to which costs are capitalized or charged as impairment charges. Write downs due to impairment in value are charged to profit or loss.

Exploration and evaluation assets, where future cash flows are not reasonably determinable, are evaluated for impairment based on results of exploration work, management's intentions and determination of the extent to which future exploration programs are warranted and likely to be funded.

General exploration costs not related to specific properties and general administrative expenses are charged to profit or loss in the year in which they are incurred.

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Restoration and environmental obligations

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of long-term assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future restoration cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to exploration and evaluation assets along with a corresponding increase in the restoration provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The restoration asset will be depreciated on the same basis as other mining assets.

The Company's estimates of restoration costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related asset with a corresponding entry to the restoration provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in amount and timing of the Company's estimates of reclamation costs, are charged to profit or loss.

The net present value of restoration costs arising from subsequent site damage that is incurred on an ongoing basis during production are charged to profit or loss in the period incurred.

The Company has no restoration and environmental obligations for the years presented.

#### Impairment of assets

The carrying amount of the Company's assets (which includes exploration and evaluation assets) is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in profit or loss.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Share capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, share purchase warrants and stock options are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or options are recognized as a deduction from equity, net of tax.

#### Valuation of equity units issued in private placements:

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component.

The fair value of the common shares issued in private placements was determined to be the more easily measurable component and were valued at their fair value, as determined by the closing price on the issuance date, the balance, if any, was allocated to the attached warrants. Any fair value attributed to the warrants is recorded to reserves. If the warrants expire unexercised, the value attributed to the warrants is transferred to share capital.

#### Share-based compensation:

The Company uses the fair value based method of accounting for stock options granted to employees and directors and for compensatory warrants. Under this method, the fair value of the stock options and compensatory warrants are determined using the Black-Scholes option pricing model. The fair value of stock options is recognized to expense over the vesting period, and the fair value of compensatory warrants is recognized as share issuance costs, with the offsetting credit to reserves. If the stock options or warrants are exercised, the proceeds are credited to share capital and the fair value of the options or warrants exercised are reclassified from reserves to share capital. If stock options expire unexercised, the value attributed to the options is transferred to deficit.

#### Basic and diluted loss per share

Basic earnings (loss) per share is computed by dividing net earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods. Options and warrants were excluded from diluted loss per share as they proved to be anti-dilutive.

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Financial instruments

##### Financial assets:

The Company classifies its financial assets into one of the following categories as follows:

*Fair value through profit or loss* - This category comprises derivatives and financial assets acquired principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss. The Company classifies cash as fair value through profit or loss.

*Loans and receivables* - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost using the effective interest method less any provision for impairment. The Company classifies receivables and reclamation deposit as loans and receivables.

*Held-to-maturity investments* - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method less any provision for impairment.

*Available-for-sale* - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized in other comprehensive income (loss). Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from accumulated other comprehensive income (loss) and recognized profit or loss. The Company classifies marketable securities as available-for-sale.

All financial assets except those measured at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is objective evidence of impairment as a result of one or more events that have occurred after initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

##### Financial liabilities:

The Company classifies its financial liabilities into one of two categories as follows:

*Fair value through profit or loss* - This category comprises derivatives and financial liabilities incurred principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss.

*Other financial liabilities:* This category consists of liabilities carried at amortized cost using the effective interest method, and includes accounts payable and accrued liabilities.

For the years presented, the Company did not have any derivative financial assets and liabilities.

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Income taxes

##### *Current income tax:*

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the country where the Company operates and generates taxable income.

##### *Deferred tax:*

Deferred taxes are recognized in respect of temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. The Company has not recognized any deferred tax assets for the years presented.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

#### New and amended IFRS pronouncements

A number of new standards, amendments to standards and interpretations applicable to the Company are not yet effective and have not been applied in preparing these consolidated financial statements.

- a. IFRS 9, "Financial Instruments", replaces the guidance in IAS 39, "Financial Instruments: Recognition and Measurement", and includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting. The standard is effective for annual periods beginning on or after January 1, 2018, with earlier application permitted.
- b. IFRS 15, "Revenue from Contracts with Customers", establishes principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The standard is effective for annual periods beginning on or after January 1, 2018, with earlier application permitted.
- c. IFRS 16, "Leases" replaces IAS 17, "Leases". The new standard requires lessees to recognize a lease liability reflecting future lease payments and a "right-of-use asset" for virtually all lease contracts, and to record it on the statement of financial position, except with respect to lease contracts that meet limited exception criteria. The standard is effective for annual periods beginning on or after January 1, 2019, with earlier application permitted. The Company does not intend to early adopt IFRS 16.

The expected impact of the new standards is increased financial statement note disclosure.

**4. CASH**

Cash is comprised of cash in Canadian and US financial institutions:

	<b>December 31, 2017</b>	<b>December 31, 2016</b>
Cash in US financial institutions	\$ 400	\$ 461
Cash in Canadian financial institutions	3,482,798	482,268
<b>Total cash</b>	<b>\$ 3,483,198</b>	<b>\$ 482,729</b>

**5. RECEIVABLES**

Trade and other receivables were comprised of the following:

	<b>December 31, 2017</b>	<b>December 31, 2016</b>
GST receivable	\$ 8,023	\$ 35,294
Other receivables	5,331	-
	<b>\$ 13,354</b>	<b>\$ 35,294</b>

**6. MARKETABLE SECURITIES**

Marketable securities are classified as available for sale financial instruments, which are adjusted to market value. As at December 31, 2017 the fair market value of the securities held was \$1,665 (2016 - \$1,874).

**7. EXPLORATION AND EVALUATION ASSETS**

Title to exploration and evaluation assets involves inherent risks due to difficulties of determining the validity of certain mineral claims and leases as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many exploration and evaluation assets. The Company has investigated title to its exploration and evaluation asset and, to the best of its knowledge, title is in good standing.

**West Desert Property**

The Company holds a 100% interest in various mining claims and a mineral lease referred to as the West Desert property, located in Utah, USA. The Property is subject to a 1.5% net smelter returns royalty ("NSR") and a future cash payment of \$1,000,000, upon the completion of a financing necessary to bring the Property into production.

**Indy Property**

On October 18, 2016, the Company entered into an option agreement with Pac Shield Resources Inc. ("PSR"), a private British Columbia company, to acquire a one hundred percent (100%) interest in and to certain mineral claims located in the central British Columbia referred to as the Indy Property ("Indy").

**7. EXPLORATION AND EVALUATION ASSETS (continued)****Indy Property (continued)**

To acquire Indy, the Company must make cash payments totaling \$305,000, issue a total of 2,100,000 common shares, and complete work commitments of \$2,600,000, as follows:

	Acquisition in cash	Acquisition in shares	Work commitments
March 24, 2017 (completed)	\$ -	200,000	\$ -
April 4, 2017 (completed)	30,000	-	-
January 29, 2018 (Note 16)	25,000	200,000	75,000
January 29, 2019	25,000	300,000	200,000
January 29, 2020	25,000	400,000	325,000
January 29, 2021	75,000	500,000	750,000
January 29, 2022	125,000	500,000	1,250,000
	<b>\$ 305,000</b>	<b>2,100,000</b>	<b>\$ 2,600,000</b>

In addition, a \$500,000 cash payment and the issuance of 500,000 shares of the Company will be made to PSR if the Company files a technical report establishing a 500,000,000 pound zinc resource on the property. A further \$500,000 cash payment will be made to PSR should the Company file a technical report establishing a 750,000,000 pound zinc resource on the property.

The property is subject to a 1.0% NSR held by PSR (the "PSR NSR") and a 1.5% NSR held by Kerry Curtis, Chairman of the Board and a director of the Company, and a director and the controlling shareholder of PSR. On exercise of the option and prior to completion of a feasibility study on the property, the Company has the right to purchase the PSR NSR for \$1,500,000.

The following table represents expenditures incurred on the exploration and evaluation assets during the year ended December 31, 2017:

	West Desert	Indy	Total
<b>Acquisition costs</b>			
Balance, December 31, 2016	\$ 394,127	\$ -	\$ 394,127
Additions during the year:			
Cash payments	-	30,000	30,000
Shares issued	-	48,000	48,000
Staking	-	1,280	1,280
	-	79,280	79,280
Balance, December 31, 2017	394,127	79,280	473,407
<b>Deferred exploration costs</b>			
Balance, December 31, 2016	5,275,540	-	5,275,540
Additions during the year:			
Field costs	4,315	46,604	50,919
Geological, geochemical, geophysical	1,694	26,333	28,027
Property holding costs, taxes and fees	49,036	3,080	52,116
	55,045	76,017	131,062
Balance, December 31, 2017	5,330,585	76,017	5,406,602
<b>Total, December 31, 2017</b>	<b>\$ 5,724,712</b>	<b>\$ 155,297</b>	<b>\$ 5,880,009</b>

**7. EXPLORATION AND EVALUATION ASSETS (continued)**

The following table represents expenditures incurred on the exploration and evaluation assets during the year ended December 31, 2016:

	<b>West Desert</b>
<b>Acquisition costs</b>	
Balance, December 31, 2016 and 2015	\$ 394,127
<b>Deferred exploration costs</b>	
Balance, December 31, 2015	5,222,078
Additions during the year:	
Field costs	3,548
Property holding costs, taxes and fees	49,914
	53,462
Balance, December 31, 2016	5,275,540
<b>Total, December 31, 2016</b>	<b>\$ 5,669,667</b>

**Reclamation deposit**

The Company has reclamation bonds of \$119,048 (2016 - \$127,360) to cover potential disturbances on the West Desert property.

**8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

Accounts payable and accrued liabilities were comprised of the following:

	<b>December 31, 2017</b>	<b>December 31, 2016</b>
Trade payables	\$ 131,762	\$ 43,055
Accrued liabilities	20,000	-
Due to related parties	35,316	6,372
<b>Total</b>	<b>\$ 187,078</b>	<b>\$ 49,427</b>

**9. SHARE CAPITAL AND RESERVES****Common shares**

The Company has authorized share capital of unlimited common shares without par value.

During the year ended December 31, 2017, the Company issued:

- i. 34,980,000 units at a price of \$0.10 per unit by way of a private placement for total proceeds of \$3,498,000. Each unit was comprised of one common share and one-half of one share purchase warrant, which will entitle the holder of each whole warrant to acquire an additional common share of the Company at a price of \$0.15 per common share, for a period of 24 months from the date of issue. The Company paid a total of \$256,351 in cash for finders' and legal fees and issued 1,825,600 warrants, valued at \$153,241. The agents' warrants have the same terms as the warrants issued in the private placement;
- ii. 200,000 common shares, valued at \$48,000, pursuant to the Indy option agreement (Note 7); and
- iii. 850,000 common shares, for proceeds of \$85,000, pursuant to the exercise of stock options.

**9. SHARE CAPITAL AND RESERVES (continued)****Stock options**

The Company grants stock options to employees and consultants as compensation for services, pursuant to its incentive Share Option Plan (the "Plan"). Options issued must have an exercise price greater than or equal to the "Discounted Market Price" of the Company's stock on the grant date. Options have a maximum expiry period of up to five years from the grant date and vest at such time as may be determined by the Board of Directors at the date of the grant. Options granted to consultants performing investor relations activities shall vest in stages over a 12-month period with a maximum of one-quarter of the options vesting in any three-month period. The number of options that may be issued under the Plan is limited to no more than 10% of the Company's issued and outstanding shares on the grant date.

During the year ended December 31, 2017, the Company granted 3,780,000 incentive stock options to directors, officers, and consultants, with various vesting provisions. During the year ended December 31, 2017, the Company expensed \$270,774 (2016 - \$205,520), which was recorded in share-based compensation.

The weighted average fair value of stock options granted during the year ended December 31, 2017 was \$0.097 (2016 - \$0.077) per option.

The fair value of stock options granted was estimated using the Black-Scholes option pricing model with weighted average assumptions as follows:

	Year ended 2017	Year ended 2016
Risk free interest rate	1.33%	0.72%
Expected life (years)	3.5	5
Expected volatility	124%	120%
Dividend yield	-	-

Option transactions are summarized as follows:

	Number of Options	Exercise Price (\$)
Balance - December 31, 2015	2,650,000	0.100 <sup>(1)</sup>
Granted during the year	3,150,000	0.093 <sup>(1)</sup>
Exercised during the year	(450,000)	0.100
Balance - December 31, 2016	5,350,000	0.096 <sup>(1)</sup>
Granted during the year	3,780,000	0.129 <sup>(1)</sup>
Exercised during the year	(850,000)	0.100
Expired during the year	(1,350,000)	0.100
Balance – December 31, 2017	6,930,000	0.113 <sup>(1)</sup>
Exercisable	5,390,000	0.109 <sup>(1)</sup>

<sup>(1)</sup> weighted average

**9. SHARE CAPITAL AND RESERVES (continued)****Stock options (continued)**

Options outstanding as at December 31, 2017 are as follows:

<b>Number of Options</b>	<b>Exercise Price (\$)</b>	<b>Expiry Date</b>	<b>Contractual life remaining (years)</b>
1,500,000	0.135	May 31, 2020	2.42
1,300,000	0.13	December 20, 2020	2.97
2,650,000	0.09	May 31, 2021	3.42
500,000	0.11	June 21, 2021	3.47
980,000	0.12	October 11, 2022	4.78
6,930,000			3.31 <sup>(1)</sup>

<sup>(1)</sup> weighted average**Warrants**

The fair value of finders' warrants issued was estimated using the Black-Scholes option pricing model with weighted average assumptions as follows:

	<b>Year ended 2017</b>	<b>Year ended 2016</b>
Risk free interest rate	1.58%	-
Expected life (years)	2	-
Expected volatility	118%	-
Dividend yield	-	-

Warrant transactions are summarized as follows:

	<b>Number of Warrants</b>	<b>Exercise Price (\$)</b>
Balance - December 31, 2015	4,866,819	0.30 <sup>(1)</sup>
Expired during the year	(353,119)	0.30 <sup>(1)</sup>
Balance - December 31, 2016	4,513,700	0.30 <sup>(1)</sup>
Issued during the year	19,315,600	0.15
Expired during the year	(4,513,700)	0.30 <sup>(1)</sup>
Balance – December 31, 2017	19,315,600	0.15

<sup>(1)</sup> weighted average

Warrants outstanding as at December 31, 2017 are as follows:

<b>Number of Warrants</b>	<b>Exercise Price (\$)</b>	<b>Expiry Date</b>	<b>Contractual life remaining (years)</b>
17,177,100	0.15	December 14, 2019	1.95
2,138,500	0.15	December 20, 2019	1.97
19,315,600			1.96 <sup>(1)</sup>

<sup>(1)</sup> weighted average

**10. RELATED PARTY TRANSACTIONS**

The Company entered into the following transactions with related parties during the year ended December 31, 2017:

**Summary of key management personnel compensation**

The Company defines key management personnel as its directors and officers.

	<b>For the year ended December 31,</b>	
	<b>2017</b>	<b>2016</b>
Short-term benefits paid or accrued:		
Management fees	\$ -	\$ 37,227
Office and miscellaneous	36,000	21,000
Professional fees	32,000	24,813
Share-based compensation	232,900	184,964
	<b>\$ 300,900</b>	<b>\$ 268,004</b>

Included in rent is \$9,000 (2016 - \$4,500) paid or accrued to a company related by the CFO and \$Nil (2016 - \$12,000) paid or accrued at cost to a company related by a common ex-director.

Included in accounts payable and accrued liabilities are amounts owing to related parties of \$35,316 (2016 - \$6,372).

**11. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS**

For the year ended December 31, 2017, the Company's significant non-cash transactions consisted of:

- i. shares issued for acquisition of exploration and evaluation assets of \$48,000;
- ii. change in fair market value of marketable securities of \$209;
- iii. allocation of reserves on exercise of options of \$68,000;
- iv. allocation of expired options from reserves to deficit of \$108,000;
- v. fair value of warrants issued as finders' fee of \$153,241;
- vi. exploration and evaluation assets recorded in accounts payable and accrued liabilities of \$8,438; and
- vii. share issue costs recorded in accounts payable and accrued liabilities of \$92,906.

For the year ended December 31, 2016, the Company's significant non-cash transactions consisted of:

- i. change in fair market value of marketable securities of \$917;
- ii. allocation of reserves on exercise of options of \$36,000 and
- iii. allocation of expired warrants from reserves to share capital of \$24,407.

**12. SEGMENTED INFORMATION**

The Company operates in one industry segment being the acquisition and exploration of mineral exploration and evaluation assets. The total assets attributable to the geographical locations relate primarily to exploration and evaluation assets and are all located as follows:

	United States	Canada	Total
<b>December 31, 2016</b>			
Exploration and evaluation assets	\$ 5,669,667	\$ -	\$ 5,669,667
<b>December 31, 2017</b>			
Exploration and evaluation assets	\$ 5,724,712	\$ 155,297	\$ 5,880,009

**13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

Cash and marketable securities are measured at fair value using level 1 inputs. The value of receivables, reclamation deposit, and accounts payable and accrued liabilities approximates their carrying values.

The Company is exposed to a variety of financial risks by virtue of its activities including currency, credit, interest rate, liquidity and price risk.

*Credit risk*

The Company is exposed to industry credit risks arising from its cash holdings and receivables. The Company manages credit risk by placing cash with major Canadian financial institutions. The Company's receivables are due from the Federal Government of Canada. Management believes that credit risk related to these amounts is nominal.

*Liquidity risk*

Liquidity risk is the risk that the Company will not have sufficient funds to meet its financial obligations when they are due. To manage liquidity risk, the Company reviews additional sources of capital and financing to continue its operations and discharge its commitments as they become due.

*Interest rate risk*

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to interest rate risk as it does not have any significant financial instruments with interest rates, with the exception of cash. Interest earned on cash is based on prevailing bank account interest rates, which may fluctuate. A 1% change in interest rates would result in a nominal difference for the year ended December 31, 2017.

**13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)***Foreign currency risk*

The Company is exposed to foreign currency risk on fluctuations related to cash and accounts payables and accrued liabilities that are denominated in United States Dollars. However, management believes the risk is not currently significant.

*Price risk*

The Company has limited exposure to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities.

**14. CAPITAL MANAGEMENT**

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition and exploration of exploration and evaluation assets. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital that it manages as share capital, options and warrants.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company has historically relied on the equity markets to fund its activities.

The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company is not subject to externally imposed capital restrictions.

**15. INCOME TAXES**

A reconciliation of income taxes at statutory rates is as follows:

For the year ended December 31,	2017	2016
Loss for the year before income tax	\$ (600,585)	\$ (495,357)
Expected income tax recovery	(156,000)	(129,000)
Change in statutory and foreign taxes, foreign exchange rates, and other	798,000	107,000
Permanent differences	73,000	73,000
Share issue cost	(67,000)	-
Adjustment to prior year provision vs tax authority assessment	-	1,000
Change in unrecognized deductible temporary differences	(648,000)	(52,000)
<b>Total income tax (recovery)</b>	<b>\$</b>	<b>\$ -</b>

In September 2017, the British Columbia Government proposed changes to the general corporate income tax rate to increase the rate from 11% to 12% effective January 1, 2018 and onwards. This change in tax rate was substantively enacted on October 26, 2017. The relevant deferred tax balances have been remeasured to reflect the increase in the Company's combined Federal and Provincial general corporate income tax rate from 26% to 27%.

The significant components of the Company's deferred tax assets that have not been included on the consolidated statement of financial position are as follows:

	2017	2016
Deferred tax assets:		
Exploration and evaluation assets	\$ 1,438,000	\$ 2,274,000
Property and equipment	30,000	29,000
Share issue costs	61,000	11,000
Non-capital losses available for future period	1,174,000	1,037,000
	2,703,000	3,351,000
Unrecognized deferred tax assets	(2,703,000)	(3,351,000)
	<b>\$ -</b>	<b>\$ -</b>

Tax attributes are subject to review and potential adjustment by tax authorities.

The Company has non-capital losses of approximately \$4,352,000 available to offset against taxable income in future years, which if unutilized will expire through 2037 and share issue costs of approximately \$225,000 available to offset against taxable income in future years, which if unutilized will expire through 2021. Subject to certain restrictions, the Company also has resource exploration expenditures of approximately \$5,638,000 available to offset taxable income in future years. Deferred tax benefits that may arise as a result of these losses, resource deductions and other tax assets have not been recognized in these financial statements due to a lack of probability of their realization.

**15. SUBSEQUENT EVENTS**

Subsequent to December 31, 2017, the Company:

- i. issued 200,000 common shares and paid \$25,000 pursuant to the Indy option agreement; and
- ii. granted 200,000 stock options at a price of \$0.22 per common share, vesting over the next 12 months, for a period of three years, expiring on January 30, 2021.