



**CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2019**

**(Expressed in Canadian Dollars)**

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of  
InZinc Mining Ltd.

### *Opinion*

We have audited the accompanying consolidated financial statements of InZinc Mining Ltd. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity, and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

### *Basis for Opinion*

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

### *Other Information*

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### *Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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.



In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### ***Auditor's Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Guy Thomas.

**“DAVIDSON & COMPANY LLP”**

Vancouver, Canada

Chartered Professional Accountants

April 21, 2020

# InZinc Mining Ltd.

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in Canadian Dollars)

As at

	December 31, 2019	December 31, 2018
<b>ASSETS</b>		
Current		
Cash (Note 4)	\$ 431,146	\$ 597,620
Receivables (Note 5)	2,242	40,075
Prepays	18,232	19,874
Marketable securities (Note 6)	291	770
	<b>451,911</b>	658,339
Reclamation deposits (Note 7)	163,461	169,287
Exploration and evaluation assets (Note 7)	<b>8,531,852</b>	8,307,662
	<b>\$ 9,147,224</b>	\$ 9,135,288
<b>LIABILITIES</b>		
Current		
Accounts payable and accrued liabilities (Notes 8 and 10)	\$ 30,918	\$ 86,848
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 9)	17,705,150	17,348,969
Reserves – share-based (Note 9)	722,469	782,547
Reserves – accumulated other comprehensive loss	(1,998)	(1,519)
Deficit	<b>(9,309,315)</b>	<b>(9,081,557)</b>
	<b>9,116,306</b>	9,048,440
	<b>\$ 9,147,224</b>	\$ 9,135,288

Nature of operations and going concern (Note 1)

Subsequent events (Notes 7 and 16)

Approved on behalf of the Board:

*"Wayne Hubert"*

Wayne Hubert, Director

*"John Murphy"*

John Murphy, Director

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

# InZinc Mining Ltd.

## CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(Expressed in Canadian Dollars)

For the year ended

	December 31, 2019	December 31, 2018
<b>EXPENSES</b>		
Communication and investor relations	\$ 17,898	\$ 29,872
Filing and regulatory	17,307	17,926
Foreign exchange loss	8,507	10,580
Office and miscellaneous (Note 10)	50,663	97,971
Professional fees (Note 10)	78,415	100,651
Property investigation costs	-	33,365
Share-based compensation (Notes 9 and 10)	46,428	160,179
Travel	10,697	11,916
	<b>(229,915)</b>	<b>(462,460)</b>
Interest income	2,157	-
<b>Loss for the year</b>	<b>(227,758)</b>	<b>(462,460)</b>
Unrealized loss on marketable securities	(479)	(895)
<b>Loss and comprehensive loss for the year</b>	<b>\$ (228,237)</b>	<b>\$ (463,355)</b>
<b>Basic and diluted loss per common share</b>	<b>\$ (0.00)</b>	<b>\$ (0.00)</b>
<b>Weighted average number of common shares outstanding</b>	<b>112,373,912</b>	<b>108,844,323</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 Dollars)

	Share capital		Reserves – share-based	Reserves – accumulated other comprehensive loss	Deficit	Total
	Issued	Amount				
Balance at December 31, 2017	108,685,419	\$ 17,323,349	\$ 622,368	\$ (624)	\$ (8,619,097)	\$ 9,325,996
Shares issued for exploration and evaluation assets	200,000	29,000	-	-	-	29,000
Share issue costs	-	(3,380)	-	-	-	(3,380)
Share-based compensation	-	-	160,179	-	-	160,179
Unrealized loss on marketable securities	-	-	-	(895)	-	(895)
Loss for the year	-	-	-	-	(462,460)	(462,460)
Balance at December 31, 2018	108,885,419	\$ 17,348,969	\$ 782,547	\$ (1,519)	\$ (9,081,557)	\$ 9,048,440
Shares issued for cash	5,500,000	233,750	41,250	-	-	275,000
Shares issued for exploration and evaluation assets	300,000	12,000	-	-	-	12,000
Share issue costs	-	(42,810)	5,485	-	-	(37,325)
Share-based compensation	-	-	46,428	-	-	46,428
Allocation of expired warrants	-	153,241	(153,241)	-	-	-
Unrealized loss on marketable securities	-	-	-	(479)	-	(479)
Loss for the year	-	-	-	-	(227,758)	(227,758)
<b>Balance at December 31, 2019</b>	<b>114,685,419</b>	<b>\$ 17,705,150</b>	<b>\$ 722,469</b>	<b>\$ (1,998)</b>	<b>\$ (9,309,315)</b>	<b>\$ 9,116,306</b>

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

# InZinc Mining Ltd.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in Canadian Dollars)

For the year ended

	December 31, 2019	December 31, 2018
<b>OPERATING ACTIVITIES</b>		
Loss for the year	\$ (227,758)	\$ (462,460)
Items not involving cash:		
Share-based compensation	46,428	160,179
Unrealized foreign exchange loss (gain) on reclamation deposit	5,826	(10,239)
Changes in non-cash working capital items:		
Receivables	37,833	(26,721)
Prepays	1,642	(4,074)
Accounts payable and accrued liabilities	(11,593)	(45,571)
Cash used in operating activities	(147,622)	(388,886)
<b>CASH FROM INVESTING ACTIVITIES</b>		
Exploration and evaluation assets	(454,437)	(2,360,406)
BC mining exploration tax credit received	197,910	-
Reclamation deposits	-	(40,000)
Cash used in investing activities	(256,527)	(2,400,406)
<b>FINANCING ACTIVITIES</b>		
Proceeds from share issue	275,000	-
Share issue costs	(37,325)	(96,286)
Cash provided by (used in) financing activities	237,675	(96,286)
<b>Change in cash during the year</b>	<b>(166,474)</b>	<b>(2,885,578)</b>
<b>Cash, beginning of year</b>	<b>597,620</b>	<b>3,483,198</b>
<b>Cash, end of year</b>	<b>\$ 431,146</b>	<b>\$ 597,620</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 registered and records office is at Suite 2300, Bentall 5, 550 Burrard Street, Box 30, Vancouver, BC, V6C 2B5. The Company’s head office is at 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.

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. These 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 upcoming twelve months.

## 2. BASIS OF PRESENTATION

### Statement of compliance

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

### Approval of the financial statements

These consolidated financial statements were authorized for issue by the Audit Committee and Board of Directors on April 21, 2020.

### 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.

### 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.



**2. BASIS OF PREPARATION (cont'd...)****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 period.

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.

**Significant judgments**

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****Financial instruments**Financial assets

On initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at: amortized cost; fair value through other comprehensive income ("FVOCI"); or fair value through profit or loss ("FVTPL"). The classification of financial assets depends on the purpose for which the financial assets were acquired and is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Financial assets are measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed. All financial assets not classified and measured at amortized cost or FVOCI are measured at FVTPL. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. The classification determines the method by which the financial assets are carried on the consolidated statement of financial position subsequent to inception and how changes in value are recorded. Financial assets are classified as current assets or non-current assets based on their maturity date.

The Company's financial assets which consist of cash, receivables, and reclamation deposits are classified as amortized cost. Marketable securities are classified as FVOCI.

Financial liabilities

Financial liabilities are designated as either: fair value through profit or loss; or amortized cost. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the consolidated statement of financial position subsequent to inception and how changes in value are recorded.

The Company's financial liabilities which consist of accounts payable and accrued liabilities are classified as amortized cost.

Impairment of financial assets

An expected credit loss ("ECL") model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. The ECL model requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period. In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. The Company's financial assets measured at amortized cost are subject to the ECL model.

**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.

**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)****Exploration and evaluation assets (cont'd...)**

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.

**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.

**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)****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.

**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.

**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)****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.

**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. 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.

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.

**New accounting policies adopted**IFRS 16, Leases

IFRS 16 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. There was no impact on the consolidated financial statements as a result of adopting this standard.

**4. CASH**

Cash is comprised as follows:

	<b>December 31, 2019</b>	December 31, 2018
Cash in Canadian financial institutions	\$ 426,196	\$ 579,932
Cash in US financial institutions	4,950	17,688
	<b>\$ 431,146</b>	<b>\$ 597,620</b>

**5. RECEIVABLES**

Receivables are comprised as follows:

	<b>December 31, 2019</b>	December 31, 2018
GST receivable	\$ 2,242	\$ 40,075
	<b>\$ 2,242</b>	<b>\$ 40,075</b>

**6. MARKETABLE SECURITIES**

As at December 31, 2019 the fair market value of the securities held was \$291 (2018 - \$770).

**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 the titles to its exploration and evaluation assets and, to the best of its knowledge, the titles are 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 ("West Desert"), 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 West Desert into production.

**PX property**

The Company holds a 100% interest in various mining claims referred to as the PX property ("PX"), located in Utah, USA.

**7. EXPLORATION AND EVALUATION ASSETS (cont'd...)**

**Indy property**

On October 17, 2016, subsequently amended April 2, 2020, the Company entered into an option agreement with Pac Shield Resources Inc. ("PSR"), a private British Columbia company, to acquire a 100% interest in and to certain mineral claims located in the central British Columbia referred to as the Indy Property ("Indy"). The amendment is subject to TSX-V approval.

To acquire Indy, the Company must make cash payments totaling \$315,000, issue a total of 2,400,000 common shares, and complete work commitments of \$2,600,000, as follows:

	<b>Acquisition in cash</b>	<b>Acquisition in shares</b>	<b>Work commitments</b>
January 31, 2017 (completed)	\$ 30,000	200,000	\$ -
January 31, 2018 (completed)	25,000	200,000	75,000
January 31, 2019 (completed)	25,000	300,000	200,000
January 31, 2020 (Note 16)	25,000	400,000	325,000
January 31, 2021	35,000	400,000	350,000
January 31, 2022	50,000	400,000	400,000
January 31, 2023	125,000	500,000	1,250,000
	<b>\$ 315,000</b>	<b>2,400,000</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, non-executive 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.

7. EXPLORATION AND EVALUATION ASSETS (cont'd...)

The following table represents expenditures incurred on the exploration and evaluation assets during the year ended December 31, 2019:

	West Desert	PX	Indy	Total
<b>Acquisition costs</b>				
Balance, December 31, 2018	\$ 394,127	\$ 35,066	\$ 148,763	\$ 577,956
Additions during the year:				
Cash payments	-	-	25,000	25,000
Shares issued	-	-	12,000	12,000
	-	-	37,000	37,000
Balance, December 31, 2019	394,127	35,066	185,763	614,956
<b>Deferred exploration costs</b>				
Balance, December 31, 2018	6,943,949	72,846	735,716	7,752,511
Additions during the year:				
Air support	-	-	35,416	35,416
Analytical	-	-	18,447	18,447
Claims maintenance	48,265	11,843	-	60,108
Communication	1,433	-	1,843	3,276
Drilling	-	-	75,230	75,230
Engineering	-	-	14,035	14,035
Equipment and supplies	5,709	-	17,516	23,225
Geochemistry	-	-	3,400	3,400
Personnel	2,88	-	117,389	119,777
Room and board	1,258	-	28,156	29,414
Travel	-	-	2,772	2,772
	59,053	11,843	314,204	385,100
Balance, December 31, 2019	7,003,002	84,689	1,049,920	8,137,611
<b>BC mineral exploration tax credit</b>				
Balance, December 31, 2018	-	-	(22,805)	(22,805)
Additions during the year:				
Cash received	-	-	(197,910)	(197,910)
Balance, December 31, 2019	-	-	(220,715)	(220,715)
<b>Total, December 31, 2019</b>	<b>\$ 7,397,129</b>	<b>\$ 119,755</b>	<b>\$ 1,014,968</b>	<b>\$ 8,531,852</b>



7. EXPLORATION AND EVALUATION ASSETS (cont'd...)

The following table represents expenditures incurred on the exploration and evaluation assets during the year ended December 31, 2018:

	West Desert	PX	Indy	Total
<b>Acquisition costs</b>				
Balance, December 31, 2017	\$ 394,127	\$ -	\$ 79,280	\$ 473,407
Additions during the year:				
Cash payments	-	-	25,000	25,000
Shares issued	-	-	29,000	29,000
Staking	-	35,066	15,483	50,549
	-	35,066	69,483	104,549
Balance, December 31, 2018	394,127	35,066	148,763	577,956
<b>Deferred exploration costs</b>				
Balance, December 31, 2017	5,330,585	-	76,017	5,406,602
Additions during the year:				
Air support	-	-	11,165	11,165
Analytical	48,775	343	16,555	65,673
Claims maintenance	52,235	25,331	-	77,566
Communication	1,565	-	2,580	4,145
Community engagement	-	-	750	750
Drilling	1,059,237	-	336,041	1,395,278
Engineering	613	-	-	613
Environmental	-	-	596	596
Equipment and supplies	92,730	-	100,758	193,488
Geophysics	51,527	27,759	-	79,286
Permitting	290	-	3,319	3,609
Personnel	237,627	16,621	153,455	407,703
Room and board	57,811	-	27,189	85,000
Travel	10,954	2,792	7,291	21,037
	1,613,364	72,846	659,699	2,345,909
Balance, December 31, 2018	6,943,949	72,846	735,716	7,752,511
<b>BC mineral exploration tax credit</b>				
Balance, December 31, 2017	-	-	-	-
Additions during the year:				
Cash received	-	-	(22,805)	(22,805)
Balance, December 31, 2018	-	-	(22,805)	(22,805)
<b>Total, December 31, 2018</b>	<b>\$ 7,338,076</b>	<b>\$ 107,912</b>	<b>\$ 861,674</b>	<b>\$ 8,307,662</b>

**Reclamation deposits**

As at December 31, 2019, the Company has reclamation deposits of \$123,461 (2018 - \$129,287) to cover potential disturbances on West Desert and has reclamation deposits of \$40,000 (2018 - \$40,000) to cover potential disturbances on Indy.

**8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

Accounts payable and accrued liabilities are comprised of the following:

	<b>December 31, 2019</b>	December 31, 2018
Trade payables	\$ 9,771	\$ 58,221
Accrued liabilities	<b>20,000</b>	26,000
Due to related parties	<b>1,147</b>	2,627
	<b>\$ 30,918</b>	<b>\$ 86,848</b>

**9. SHARE CAPITAL AND RESERVES**

**Authorized share capital**

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

**Issued share capital**

During the year ended December 31, 2019, the Company issued:

- i. 5,500,000 units at a price of \$0.05 per unit by way of a private placement for total proceeds of \$275,000. Each unit was comprised of one common share and one-half of one share purchase warrant, which entitles the holder of each whole warrant to acquire an additional common share of the Company at a price of \$0.10 per common share, for a period of 24 months from the date of issue. The 2,750,000 warrants were valued at \$41,250. The Company paid a total of \$37,325 in cash for finder and legal fees and issued 330,000 warrants, valued at \$5,485. The agent's warrants entitle the holder of each whole warrant to acquire an additional common share of the Company at a price of \$0.05 per common share, for a period of 24 months from the date of issue; and
- ii. 300,000 common shares, valued at \$12,000, pursuant to the Indy option agreement (Note 7).

During the year ended December 31, 2018, the Company issued:

- i. 200,000 common shares, valued at \$29,000, pursuant to the Indy option agreement (Note 7).

**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, 2019, the Company granted 2,350,000 (2018 - 200,000) incentive stock options to directors, officers, and consultants, with various vesting provisions. During the year ended December 31, 2019, the Company expensed \$46,428 (2018 - \$160,179), which was recorded in share-based compensation.

**9. SHARE CAPITAL AND RESERVES (cont'd...)**

**Stock options (cont'd...)**

The weighted average fair value of stock options granted during the year ended December 31, 2019 was \$0.024 (2018 - \$0.153) per option.

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

	<b>For the year ended December 31, 2019</b>	For the year ended December 31, 2018
Risk-free interest rate	1.49%	1.96%
Expected option life (years)	3.0	3.0
Expected stock price volatility	105%	117%
Expected forfeiture rate	-	-

Option transactions are summarized as follows:

	<b>Number of options</b>		<b>Weighted average exercise price</b>
Balance - December 31, 2017	6,930,000	\$	0.11
Granted	200,000		0.22
Balance - December 31, 2018	7,130,000		0.12
Granted	2,350,000		0.05
Balance - December 31, 2019	9,480,000	\$	0.10
Exercisable - December 31, 2019	8,305,000	\$	0.11

Options outstanding as at December 31, 2019 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	0.42
1,300,000	0.13	December 20, 2020	0.97
200,000	0.22	January 30, 2021	1.08
2,650,000	0.09	May 31, 2021	1.42
500,000	0.11	June 21, 2021	1.47
2,350,000	0.05	May 30, 2022	2.41
980,000	0.12	October 11, 2022	2.78
<b>9,480,000</b>			<b>1.58<sup>(1)</sup></b>

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

**9. SHARE CAPITAL AND RESERVES (cont'd...)**

**Warrants**

Warrant transactions are summarized as follows:

	Number of warrants		Weighted average exercise price
Balance - December 31, 2017 and 2018	19,315,600	\$	0.15
Granted	3,080,000		0.09
Expired	(19,315,600)		0.15
Balance - December 31, 2019	3,080,000	\$	0.09

Warrants outstanding as at December 31, 2019 are as follows:

Number of warrants	Exercise price	Expiry date	Contractual life remaining (years)
2,750,000	\$ 0.10	May 29, 2021	1.41
330,000	0.05	May 29, 2021	1.41
3,080,000			1.41 <sup>(1)</sup>

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

**10. RELATED PARTY TRANSACTIONS**

The Company defines key management personnel as its directors and officers. The Company entered into the following transactions with key management personnel:

	For the year ended December 31, 2019	For the year ended December 31, 2018
Office and miscellaneous	\$ -	\$ 18,000
Professional fees	19,500	30,000
Share-based compensation	28,841	61,520
	\$ 48,341	\$ 109,520

As at December 31, 2019, included in rent is \$Nil (2018 - \$1,694) paid or accrued to a company formerly related by the chief financial officer.

As at December 31, 2019, included in accounts payable and accrued liabilities are amounts owing to related parties of \$1,147 (2018 - \$2,627).

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

During the year ended December 31, 2019, the Company's significant non-cash transactions consisted of:

- i. shares issued for acquisition of exploration and evaluation assets of \$12,000;
- ii. fair value of warrants issued as finders' fee of \$5,485;
- iii. change in fair market value of marketable securities of \$479;
- iv. exploration and evaluation assets recorded in accounts payable and accrued liabilities of \$2,348;
- v. allocation of expired warrants from reserves to share capital of \$153,241; and
- vi. allocation of fair value of warrants issued in private placement from share capital to reserves of \$41,250.

During the year ended December 31, 2018, the Company's significant non-cash transactions consisted of:

- i. shares issued for acquisition of exploration and evaluation assets of \$29,000;
- ii. change in fair market value of marketable securities of \$895; and
- iii. exploration and evaluation assets recorded in accounts payable and accrued liabilities of \$46,685.

**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:

<b>December 31, 2019</b>	<b>United States</b>	<b>Canada</b>	<b>Total</b>
Exploration and evaluation assets	\$ 7,516,884	\$ 1,014,968	<b>\$ 8,531,852</b>

  

<b>December 31, 2018</b>	<b>United States</b>	<b>Canada</b>	<b>Total</b>
Exploration and evaluation assets	\$ 7,445,988	\$ 861,674	<b>\$ 8,307,662</b>

**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 deposits, and accounts payable and accrued liabilities approximates their carrying values.

**Financial risk factors**

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

**13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd...)****Financial risk factors (cont'd...)**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, 2019.

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. A 10% change in foreign exchange rates would result in a nominal difference for the year ended December 31, 2019.

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.

**14. CAPITAL MANAGEMENT (cont'd...)**

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.

There has been no significant change in the Company's objectives, policies, and processes for managing its capital during the year ended December 31, 2019.

**15. INCOME TAXES**

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

	<b>For the year ended December 31, 2019</b>	For the year ended December 31, 2018
Loss for the year before income tax	\$ (227,758)	\$ (462,460)
Expected income tax recovery	(61,000)	(125,000)
Change in statutory and foreign taxes, foreign exchange rates, and other	211,000	(309,000)
Permanent differences	15,000	46,000
Share issue cost	(10,000)	(1,000)
Impact of BCMETC	(53,000)	-
Adjustment to prior year provision vs tax authority assessment	74,000	(23,000)
Change in unrecognized deductible temporary differences	(176,000)	412,000
<b>Total income tax (recovery)</b>	<b>\$ -</b>	<b>\$ -</b>

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:

	<b>2019</b>	2018
Deferred tax assets:		
Exploration and evaluation assets	\$ 1,539,000	\$ 1,764,000
Property and equipment	30,000	30,000
Share issue costs	36,000	42,000
Non-capital losses available for future period	1,334,000	1,279,000
	<b>2,939,000</b>	<b>3,115,000</b>
Unrecognized deferred tax assets	(2,939,000)	(3,115,000)
	<b>\$ -</b>	<b>\$ -</b>

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

**15. INCOME TAXES (cont'd...)**

The Company has non-capital losses of approximately \$4,950,000 available to offset against taxable income in future years, which if unutilized will expire through 2039 and share issue costs of approximately \$134,000 available to offset against taxable income in future years, which if unutilized will expire through 2023. Subject to certain restrictions, the Company also has resource exploration expenditures of approximately \$6,054,000 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.

**16. SUBSEQUENT EVENTS**

Subsequent to December 31, 2019,:

- the Company issued 400,000 common shares and paid \$25,000 pursuant to the Indy option agreement (Note 7); and
- the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments have adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or results of operations at this time.