

# **ZincX Resources Corp.**

Condensed Consolidated Interim Financial Statements

For the Nine Months Ended March 31, 2023 and 2022

Expressed in Canadian Dollars

(Unaudited – Prepared by Management)

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# ZincX Resources Corp.

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Notice of No Auditor Review

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# ZincX Resources Corp.

## NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed consolidated interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by management and approved by the Audit Committee and Board of Directors of the Company.

The Company's independent auditors have not performed a review of these condensed consolidated interim financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditors.

May 26, 2023

## ZincX Resources Corp.

Condensed Consolidated Interim Statements of Financial Position

As at March 31, 2023 and June 30, 2022

(Expressed in Canadian Dollars- Unaudited)

	Notes	March 31, 2023 (unaudited)	June 30, 2022 (audited)
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash		\$ 423,251	\$ 804,822
Receivables	3	21,438	9,226
Prepaid expenses		32,057	61,488
		<b>476,746</b>	<b>875,536</b>
Other assets	4	332,500	332,500
Equipment	9	85,571	106,121
Exploration and evaluation assets	10	77,572,426	77,506,791
		<b>\$ 78,467,243</b>	<b>\$ 78,820,948</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trades payable and accrued liabilities	5	\$ 50,499	\$ 65,986
Due to related parties	13	1,398,686	1,398,686
		<b>1,449,185</b>	<b>1,464,672</b>
Government loan	8	37,121	38,057
Deferred income tax liability		1,779,000	1,779,000
		<b>3,265,176</b>	<b>3,281,729</b>
<b>EQUITY</b>			
Capital stock	11	103,333,303	103,333,303
Reserves	11	15,125,609	15,125,609
Deficit		(43,256,975)	(42,919,693)
		<b>75,201,937</b>	<b>75,539,219</b>
		<b>\$ 78,467,243</b>	<b>\$ 78,820,948</b>

### Nature and continuance of operations (Note 1)

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

**ZincX Resources Corp.**Condensed Consolidated Interim Statement of Changes in Equity  
(Expressed in Canadian Dollars- Unaudited)

		<b>Share Capital</b>				
	Note	Number of common shares	Common Shares Amount	Reserves (Note 13)	Deficit	Total equity
<b>Balance, June 30, 2021</b>		<b>177,876,141</b>	<b>\$ 103,329,407</b>	<b>\$ 15,127,105</b>	<b>\$ (42,075,703)</b>	<b>\$ 76,380,809</b>
Exercise of share options	11	20,000	3,896	(1,496)	-	2,400
Net loss for the period		-	-	-	(635,585)	(635,585)
<b>Balance, March 31, 2022</b>		<b>177,896,141</b>	<b>103,333,303</b>	<b>15,125,609</b>	<b>(42,711,288)</b>	<b>75,747,624</b>
Net loss for the period		-	-	-	(208,405)	(208,405)
<b>Balance, June 30, 2022</b>		<b>177,896,141</b>	<b>103,333,303</b>	<b>15,125,609</b>	<b>(42,919,693)</b>	<b>75,539,219</b>
Net loss for the period		-	-	-	(337,282)	(337,282)
<b>Balance, March 31, 2023</b>		<b>177,896,141</b>	<b>\$ 103,333,303</b>	<b>\$ 15,125,609</b>	<b>\$ (43,256,975)</b>	<b>\$ 75,201,936</b>

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

## ZincX Resources Corp.

Condensed Consolidated Interim Statements of Operations and Comprehensive Loss  
(Expressed in Canadian Dollars- Unaudited)

	Notes	Three months ended March 31,		Nine months ended March 31,	
		2023	2022	2023	2022
<b>EXPENSES</b>					
Administration	13	\$ 15,000	\$ 15,000	\$ 45,000	\$ 45,000
Consulting	13	4,200	2,470	4,700	9,528
Depreciation of office equipment	9	1,279	262	2,048	798
Depreciation of the right-of-use asset	6	-	-	-	35,545
Flow-through taxes	8	-	197	-	197
Interest Expense (recovery)	6,8	(2,877)	913	(935)	3,591
Management fees	13	-	45,000	15,000	135,000
Marketing and public relations		6,923	850	23,847	6,881
Office and miscellaneous	13	16,673	15,212	47,555	43,668
Professional fees		3,451	312	3,451	3,830
Regulatory and transfer agent fees		7,090	7,080	27,663	23,334
Rent		18,150	24,900	53,510	36,375
Travel and promotion		8,408	3,910	8,958	11,705
Wages and benefits		67,591	67,142	201,494	289,034
<b>Loss before other items</b>		<b>(145,888)</b>	<b>(183,248)</b>	<b>(432,291)</b>	<b>(644,486)</b>
<b>OTHER ITEMS</b>					
Interest income		10,535	2,458	26,079	8,901
Other income		37,500	-	68,930	-
		48,035	2,458	95,009	8,901
<b>Net and comprehensive loss for the period</b>		<b>\$ (97,853)</b>	<b>\$ (180,790)</b>	<b>\$ (337,282)</b>	<b>\$ (635,585)</b>
<b>Earnings per share</b>					
- basic and diluted		\$ (0.001)	\$ (0.001)	\$ (0.002)	\$ (0.004)
<b>Weighted average number of shares outstanding</b>					
- basic and diluted		177,896,141	177,896,141	177,896,141	177,887,893

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

## ZincX Resources Corp.

Condensed Consolidated Interim Statements of Cash Flows  
(Expressed in Canadian Dollars- Unaudited)

	Notes	Nine months ended March 31,	
		2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net and comprehensive loss for the period		\$ (337,282)	\$ (635,585)
Items not affecting cash:			
Depreciation of office equipment	9	2,048	798
Depreciation of the right-of-use asset	6	-	35,545
Interest on lease liability	6	-	920
Accrued interest on government loan	8	(936)	2,671
		(336,170)	(595,651)
Changes in non-cash working capital items:			
Receivables	3	36,820	42,976
Prepaid expenses		29,431	(2,958)
Trades payable and accrued liabilities	5	(1,351)	(39,343)
Due to related parties	13	-	(1,285)
Net cash used in operating activities		(272,270)	(596,261)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Equipment	9	(1,838)	(2,646)
Exploration and evaluation asset costs	10	(108,463)	(1,359,253)
Net cash used in investing activities		(110,301)	(1,361,899)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Shares issued on exercise of options		-	2,400
Lease payments	6	-	(37,500)
Net cash used in financing activities		-	(35,100)
Change in cash during the period		(381,571)	(1,993,260)
Cash, beginning of period		804,822	3,066,527
Cash, end of period		\$ 423,251	\$ 1,073,267
Cash paid for interest		\$ -	\$ -
Cash paid for taxes		\$ -	\$ -

Supplemental disclosure with respect to cash flows (Note 14)

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

# ZINCX RESOURCES CORP.

Notes to Condensed Consolidated Interim Financial Statements  
For the nine months ended March 31, 2023 and 2022  
(Expressed in Canadian Dollars- Unaudited)

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## 1. NATURE AND CONTINUANCE OF OPERATIONS

ZincX Resources Corp. (the "Company") is incorporated under the laws of the Province of British Columbia. The Company operates in one business segment, that being the exploration and evaluation of resource properties in Canada, and has not yet determined whether these properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for exploration and evaluation assets is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete their development, and upon future profitable production.

The Company's shares trade on the TSX Venture Exchange ("TSX-V") under the symbol ZNX. The Company's shares also trade on the OTCQB market, a U.S. trading platform that is operated by the OTC Markets Group in New York, under the ticker symbol "ZNCXF" and on the Frankfurt Exchange under the symbol "M9R".

The Company's head office and principal address is Suite 2050-1055 West Georgia Street, PO Box 11121, Royal Centre, Vancouver, BC V6E 3P3. The registered and records office is Suite 2501, 550 Burrard Street, Vancouver, BC, V6C 2B5.

These consolidated financial statements have been prepared on a going concern basis, which presumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. 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 commence profitable operations in the future. During the period ended March 31, 2023, the Company incurred net loss of \$337,282 (2022 - \$635,585). As at March 31, 2023, the Company has accumulated deficit of \$43,256,975 (June 30, 2022 - \$42,919,693).

While the Company has been successful in obtaining its required financing in the past, mainly through the issuance of equity capital, there is no assurance that such financing will be available or be available on favorable terms. An inability to raise additional financing may impact the future assessment of the Company as a going concern. 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. At March 31, 2023, the Company has a working capital deficiency of \$972,439 (June 30, 2022 – working capital deficiency of \$589,136). Management may require to seek additional sources of financing in the form of equity or debt financing in the future to maintain its operations and its exploration activities for the fiscal year. These uncertainties may cast significant doubt about the Company's ability to continue as a going concern.

In March 2020, 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, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. While the impact of COVID-19 is expected to be temporary, the current circumstances are dynamic and the impacts of COVID-19 on business operations cannot be reasonably estimated at this time. There can be no assurance that the Company will not be impacted by adverse consequences that may be brought about by the pandemic's impact on its business, results of operations, financial position and cash flows in the future.

These financial statements were authorized for issue on May 26, 2023 by the directors of the Company.



# ZINCX RESOURCES CORP.

Notes to Condensed Consolidated Interim Financial Statements  
For the nine months ended March 31, 2023 and 2022  
(Expressed in Canadian Dollars- Unaudited)

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## 2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

### ***Statement of compliance***

These condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with International Accounts Standards (“IAS”) 34, “Interim Financial Reporting” using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and Interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”).

The consolidated financial statements of the Company have been prepared on an accrual basis except for cash flow information and are based on historical costs, modified where applicable. The consolidated financial statements are presented in Canadian dollars unless otherwise noted.

### ***Basis of preparation***

These condensed consolidated interim financial statements of the Company have been prepared on an accrual basis except for certain cash flow information, and are based on historical costs, except for certain financial instruments classified as financial instruments at fair value through profit and loss, which are stated at their fair value. The consolidated financial statements are presented in Canadian dollars, which is also the functional currency of the Company and its subsidiary unless otherwise noted.

### ***Principles of consolidation***

These condensed interim consolidated financial statements include amounts of the Company and its wholly owned subsidiary Ecstall Mining Corp. (“Ecstall”), a company incorporated under the laws of the Province of British Columbia.

Subsidiaries are corporations in which the Company is able to control the financial operating, investing and financing activities and policies, which is the authority usually connected with holding majority voting rights. The condensed interim consolidated financial statements include the accounts of the Company and its controlled entity from the date on which control was acquired. Ecstall uses the same reporting period and the same accounting policies as the Company.

All inter-entity balances and transactions, including unrealized profits and losses arising from inter-company transactions, have been eliminated in full on consolidation.

These condensed consolidated interim financial statements have been prepared using accounting policies consistent with those used in the Company’s annual financial statements for the year ended June 30, 2022. It is, therefore, recommended that these condensed interim financial statements be read in conjunction with the Company’s audited consolidated financial statements for the year ended June 30, 2022.

## ZINCX RESOURCES CORP.

Notes to Condensed Consolidated Interim Financial Statements  
For the nine months ended March 31, 2023 and 2022  
(Expressed in Canadian Dollars- Unaudited)

### 3. RECEIVABLES

	March 31, 2023	June 30, 2022
Government Sales Tax credits	\$ 5,628	\$ 8,693
Accrued interest (Note 4)	7,935	533
Trade receivables	7,875	-
	<u>\$ 21,438</u>	<u>\$ 9,226</u>

The Company anticipates full recovery of its receivables and, therefore, no impairment has been recorded against these amounts.

### 4. OTHER ASSETS

Other assets comprise of reclamation bonds totaling \$332,500 (June 30, 2022 – \$332,500) posted as security deposits with the Government of British Columbia in relation to the Akie and Kechika Regional properties. The reclamation bonds are deposited in GICs through a financial institution and earn an average annual variable interest rate of approximately prime minus 2.65% with a minimum of 0.25% and reinvested on an annual basis immediately at maturity. Interest accrued on the GICs is included in receivables (Note 3).

### 5. TRADE PAYABLES AND ACCRUED LIABILITIES

	March 31, 2023	June 30, 2022
Exploration payables	\$ 1,841	\$ 15,978
Other trade payables	48,658	10,008
Accrued liabilities	-	40,000
	<u>\$ 50,499</u>	<u>\$ 65,986</u>

### 6. RIGHT-OF-USE ASSET AND LEASE LIABILITY

On December 1, 2010, the Company entered into a sublease agreement with a company for its corporate office located in Vancouver, B.C. for a period of 10 years, expiring November 30, 2020, amended effective April 1, 2015, for a monthly rent of \$7,500 plus applicable taxes. On December 1, 2020, the Company entered into a new sublease agreement with the same company for its corporate office for a year, expiring November 30, 2021, for a monthly rent of \$7,500 plus applicable taxes. The Company continued a rental arrangement on a month to month basis subsequent to the expiration of the sublease.

Effective July 1, 2019, the Company adopted IFRS 16 and recognized a lease liability of \$118,422 and a corresponding right-of use asset in relation to its office lease. The lease liability was measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate. On December 1, 2020, \$85,309 in lease liability and right-of-use asset were recognized in relation to its new office sublease agreement.

## ZINCX RESOURCES CORP.

Notes to Condensed Consolidated Interim Financial Statements  
For the nine months ended March 31, 2023 and 2022  
(Expressed in Canadian Dollars- Unaudited)

### 6. RIGHT-OF-USE ASSET AND LEASE LIABILITY (cont'd)

The following table presents the right-of-use asset for the Company:

Right-of-use asset, June 30, 2021	\$	35,545
Depreciation		(35,545)
Right-of-use asset, March 31, 2022, June 30, 2022 and March 31, 2023	\$	-

Depreciation is recognized on a straight line basis over the remaining lease term.

During the period ended March 31, 2023, the Company also recognized interest expense of \$nil (2022 - \$920) on lease liability according to IFRS 16 requirements. Cash payments related to the office lease were \$nil (2022 - \$37,500).

The reconciliation of lease liability is presented in the table below:

Lease liability, June 30, 2021	\$	36,580
Interest expense		920
Lease payments		(37,500)
Lease liability, March 31, 2022, June 30, 2022 and March 31, 2023	\$	-

During the nine months ended March 31, 2023, the costs related to the short-term offsite storage leases of \$6,010 (2022 - \$6,375) and office rent of \$47,500 (2022 - \$Nil) were expensed.

# ZINCX RESOURCES CORP.

Notes to Condensed Consolidated Interim Financial Statements  
For the nine months ended March 31, 2023 and 2022  
(Expressed in Canadian Dollars- Unaudited)

## 7. FLOW-THROUGH PREMIUM LIABILITY

In April 2021, the Company completed a flow-through private placements issuing an aggregate of 7,500,000 flow-through units (Note 13(b)) at a price of \$0.20 per FT unit for gross proceeds of \$1,500,000. Each FT unit consists of one flow-through common share and one half of one common share purchase warrant. Each full warrant (Note 13(d)) entitles the warrant holder to purchase one additional common share at a price of \$0.40 per warrant for a period of 24 months expiring April 9, 2023. The residual value of the unit offering after deducting the fair value of the common shares was \$Nil, and \$Nil was allocated to the corresponding warrants and flow-through liability.

In December 2019, the Company completed a flow-through private placements issuing an aggregate of 1,016,666 flow-through shares at a price of \$0.15 per share for gross proceeds of \$152,500. The Company recorded a flow-through liability of \$29,992 in connection with the flow-through private placements, which was calculated based on an estimated premium of approximately \$0.029 per flow-through share issued.

The flow-through premium liability does not represent a cash liability to the Company, and is to be fully amortized to the statement of operations and comprehensive loss pro-rata with the amount of qualifying flow-through expenditures incurred. The flow-through agreements require the Company to renounce certain deductions for Canadian exploration expenditures incurred on the Company's resource properties.

As at June 30, 2022, the Company incurred the qualifying exploration expenditures of \$1,500,000 with respect to its 2021 flow-through commitments.

During the year ended June 30, 2021, the Company amortized the balance of the flow-through premium liability recorded in the prior year in connection with the December 2019 flow-through private placement. The Company recorded amortization of \$29,992 after incurring \$152,500 of qualifying exploration expenditures. The Company has fully renounced exploration expenditures of \$152,500 to the flow-through subscribers for calendar 2019 using the "look-back" rule and incurred the qualified exploration expenditures during its 2021 exploration programs.

When the Company uses the "look-back" rule to renounce exploration expenditures to investors before the Company actually incurs them, the Company is liable for the flow-through Part XII.6 tax ("FT Tax"). The FT Tax related to the 2019 flow-through renunciations is payable on or before February 28, 2022 as provided by the Minister of Finance's draft legislation proposed in July 2020 to support and protect the mining sector during the COVID-19 pandemic. The reconciliations of the accrued and recovered 2019 FT Tax for the periods ended March 31, 2023 and June 30, 2022 are as follows:

	March 31, 2023	June 30, 2022
Balance, beginning of period	\$ -	\$ 197
FT Tax paid	-	(197)
Balance, end of period	\$ -	\$ -

# ZINCX RESOURCES CORP.

Notes to Condensed Consolidated Interim Financial Statements  
For the nine months ended March 31, 2023 and 2022  
(Expressed in Canadian Dollars- Unaudited)

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## 8. CEBA LOAN

On April 30, 2020, the Company received the Canada Emergency Business Account (“CEBA”) loan which is an interest-free loan to cover operating costs. The CEBA loan was launched by the government of Canada to support businesses by providing financing for their expenses that cannot be avoided or deferred, and assisting businesses for successful relaunch when the economy recovers from COVID-19. Repaying the balance of the loan on or before December 31, 2023, as extended from December 31, 2022 by the Government of Canada, will result in a loan forgiveness of \$10,000.

Pursuant to IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*, the benefit of a government loan at below-market rate is treated as a government grant and measured in accordance with IFRS 9 *Financial Instruments*: the benefit of below-market rate shall be measured as the difference between initial carrying value of the loan (being the present value of a similar loan at market rates) and the proceeds received. In fiscal 2020, the Company estimated the initial carrying value of the CEBA Loan at \$30,671, using a discount rate of 10%, which was the estimated rate for a similar loan without interest-free component. The difference of \$9,329 was accredited to the loan liability over the term of the CEBA Loan and offset to other income on the statement of loss and comprehensive loss. On December 31, 2022, the terms of the loan was extended for repayment on or before December 31, 2023. The Company revalued the initial carrying value of the CEBA loan at \$27,764, using a discount rate of 10%, which was the estimated rate for a similar loan without interest-free component. As a result, the loan ending balance as at June 30, 2022 was changed to \$34,450 and an adjustment of \$3,607 was made accordingly.

	March 31, 2023		June 30, 2022	
Balance, beginning of period	\$	38,057	\$	34,450
Adjustments		(3,607)		-
Finance expense		2,671		3,607
Balance, end of period	\$	37,121	\$	38,057

## ZINCX RESOURCES CORP.

Notes to Condensed Consolidated Interim Financial Statements

For the nine months ended March 31, 2023 and 2022

(Expressed in Canadian Dollars- Unaudited)

### 9. EQUIPMENT

	Computers	Office equipment and furniture	License <sup>(1)</sup>	Camp equipment and fixtures <sup>(1)</sup>	Camp structures and upgrades <sup>(1)</sup>	Total
<b>Cost:</b>						
At June 30, 2021	\$ 15,025	\$ 21,748	\$ 40,017	\$ 414,374	\$ 654,554	\$ 1,145,718
Acquisition	1,881	–	1,123	2,646	–	5,650
At June 30, 2022	16,906	21,748	41,140	417,020	654,554	1,151,368
Acquisition	–	–	–	1,838	–	1,838
At March 31, 2023	\$ 16,906	\$ 21,748	\$ 41,140	\$ 418,858	\$ 654,554	\$ 1,153,206
<b>Accumulated depreciation:</b>						
At June 30, 2021	\$ 14,639	\$ 17,497	\$ 38,185	\$ 339,921	\$ 598,325	\$ 1,008,567
Depreciation	730	850	1,317	19,726	14,057	36,680
At June 30, 2022	15,369	18,347	39,502	359,647	612,382	1,045,247
Depreciation	1,537	512	1,638	10,787	7,914	22,388
At March 31, 2023	\$ 16,906	\$ 18,859	\$ 41,140	\$ 370,434	\$ 620,296	\$ 1,067,635
<b>Net book value:</b>						
At June 30, 2022	\$ 1,537	\$ 3,401	\$ 1,638	\$ 57,373	\$ 42,172	\$ 106,121
At March 31, 2023	\$ –	\$ 2,889	\$ –	\$ 48,424	\$ 34,258	\$ 85,571

- <sup>(1)</sup> License, camp equipment and fixtures and camp upgrades are used for exploration and evaluation activities. Depreciation for these items of \$20,340 for the nine months ended March 31, 2023 (2022 - \$26,144) has been capitalized to exploration and evaluation assets (Note 10). Depreciation of the remaining items of \$2,048 (2022 - \$797) has been expensed.

# ZINCX RESOURCES CORP.

Notes to Condensed Consolidated Interim Financial Statements  
For the nine months ended March 31, 2023 and 2022  
(Expressed in Canadian Dollars- Unaudited)

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## 10. EXPLORATION AND EVALUATION ASSETS

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

### **Akie Property, British Columbia**

The Akie property is the Company's flagship exploration project and is host to the Cardiac Creek SEDEX Zn-Pb-Ag deposit. The Company owns a 100% interest in the Akie property, which resulted from Company expenditures and the acquisition of Ecstall Mining Corporation.

### **Kechika Regional project, British Columbia**

The Kechika Regional project, represented by a series of contiguous property blocks including Pie and Mt. Alcock, extends northwest from the Akie property. The Company owns a 100% interest in these properties, which were acquired during fiscal 2007 and 2008, including the acquisition of Ecstall. The interest in the Mt. Alcock property is subject to a 1.0 % net smelter royalty.

In September 2013, the Company entered into an option agreement (the "Agreement") with Teck Resources Limited ("Teck") pursuant to which Teck could acquire up to a 70% interest in the Company's Pie, Cirque East and Yuen properties (the "Property"), three of the 10 regional properties that make up the Kechika Regional Project, on or before September 30, 2019.

In December 2017, Teck and Korea Zinc completed the requirements of the First Option to earn a 51% interest in the Property

In January 2018, Teck and Korea Zinc informed the Company that they would not be proceeding with the Second Option to earn an additional 19% interest in the Property. According to the terms of the Agreement, the parties will continue exploration of the Property under a Joint Venture arrangement on the 49%-51% basis, with Teck acting as the operator.

# ZINCX RESOURCES CORP.

Notes to Condensed Consolidated Interim Financial Statements  
For the nine months ended March 31, 2023 and 2022  
(Expressed in Canadian Dollars- Unaudited)

## 10. EXPLORATION AND EVALUATION ASSETS (cont'd)

Summary of exploration expenditures incurred on various properties:

	Akie Property	Kechika Regional	Total
<b>Acquisition Costs:</b>			
<b>Balance, June 30, 2022 and March 31, 2023</b>	\$ 24,165,241	\$ 192,768	\$ <b>24,358,009</b>
<b>Deferred exploration costs:</b>			
<b>Balance, June 30, 2021</b>	\$ 47,909,157	\$ 4,368,025	\$ <b>52,277,182</b>
Camp equipment, depreciation (Note 9)	35,100	–	35,100
Drilling	497,127	–	497,127
Geology	133,037	–	133,037
Geophysics	103,461	63,345	166,806
Community consultations	235	–	235
Assessment reporting	1,500	–	1,500
Metallurgy	11,193	–	11,193
Environmental studies and permit compliance	26,602	–	26,602
<b>Balance, June 30, 2022</b>	48,717,412	4,431,370	<b>53,148,782</b>
Camp equipment, depreciation (Note 9)	20,340	–	20,340
Drilling	9,351	–	9,351
Geology	73,160	–	73,160
Environmental studies and permit compliance	11,816	–	11,816
METC recoverable	(49,032)	-	(49,032)
<b>Balance, March 31, 2023</b>	\$ <b>48,783,047</b>	\$ <b>4,431,370</b>	\$ <b>53,214,417</b>
<b>Total, June 30, 2022</b>	\$ <b>72,882,653</b>	\$ <b>4,624,138</b>	\$ <b>77,506,791</b>
<b>Total, March 31, 2023</b>	\$ <b>72,948,288</b>	\$ <b>4,624,138</b>	\$ <b>77,572,426</b>

The Company applies for the 20% British Columbia METC and the enhanced tax credit of an additional 10% for Mountain Pine Beetle affected areas, on qualified mining exploration costs incurred. During the period ended March 31, 2023, the Company claimed and received BC METC of \$49,032 (June 30, 2022- \$nil) and \$437 in accumulated interest for its fiscal 2021 exploration expenditures above renounced under its flow-through commitments.



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## 11. CAPITAL STOCK AND RESERVES

### (a) Authorized

Unlimited common shares without par value

### (b) Issued and outstanding

There were no transactions affecting share capital during the nine months ended March 31, 2023.

During the year ended June 30, 2022, 20,000 common shares were issued pursuant to the exercise of 20,000 (Note 11(c)) stock options at a price of \$0.12 per share for total proceeds of \$2,400. In addition, a reallocation of \$1,496 (Note 11(e)) from reserves to capital stock was recorded on the exercise of these options.

### (c) Share options

The Company adopted a 20% fixed share option plan whereby the Company had reserved 33,774,275 common shares under the plan. The term of any options granted under the plan is fixed by the Board of Directors and may not exceed ten years from date of grant.

The number of options granted to a consultant in a 12 month period must not exceed 2% of the issued shares of the Issuer from the date of grant. Options issued to consultants performing investor relations activities must vest in stages over 12 months with no more than 1/4 of the options vesting in any 3 months period. Share options granted to directors, officers and employees of the Company vest immediately.

There were no stock options granted nor share-based compensation recorded during the period ended March 31, 2023 and June 30, 2022.

Share option transactions are summarized as follows:

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	Options Outstanding	Weighted Average Exercise Price
Outstanding, June 30, 2021	8,419,900	\$ 0.18
Exercised (Note 11(b))	(20,000)	0.12
Expired	(55,000)	0.40
Outstanding, June 30, 2022 and March 31, 2023	8,344,900	\$ 0.18

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## 11. CAPITAL STOCK AND RESERVES (cont'd)

### (c) Share options (cont'd)

Share options outstanding and exercisable at March 31, 2023 are summarized as follows:

Number of Options	Exercise Price	Expiry Date	Remaining Life of Options (Years)	Number of Options Exercisable
40,000	\$ 0.39	December 27, 2023	0.74	40,000
104,900	\$ 0.12	December 27, 2023	0.74	104,900
3,680,000	\$ 0.23	April 10, 2025	2.03	3,680,000
60,000	\$ 0.33	July 3, 2026	3.26	60,000
700,000	\$ 0.12	July 3, 2026	3.26	700,000
110,000	\$ 0.40	September 13, 2026	3.46	110,000
395,000	\$ 0.12	September 13, 2026	3.46	395,000
80,000	\$ 0.30	February 9, 2028	4.87	80,000
650,000	\$ 0.12	February 9, 2028	4.87	650,000
2,525,000	\$ 0.12	February 6, 2030	6.86	2,545,000
8,344,900	\$ 0.18		3.92	8,344,900

### (d) Warrants

Share purchase warrants transactions are summarized as follows:

	Warrants Outstanding	Weighted Average Exercise Price	Expiry Date	Remaining Life of Warrants (Years)
Balance, June 30, 2020	–	\$ –	–	–
Issued	*3,750,000	0.40	April 9, 2023	0.02
Balance, June 30, 2021 and 2022 and March 31, 2023	3,750,000	\$ 0.40	April 9, 2023	0.02

\*Subsequent to period ended March 31, 2023, 3,750,000 warrants expired unexercised.

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## 11. CAPITAL STOCK AND RESERVES (cont'd)

### (e) Reserves

	Options and agent warrants	Finance warrants	Treasury shares	Total
Balance, June 30, 2021	\$ 10,665,949	\$ 2,204,276	\$ 2,256,880	\$ 15,127,105
Exercise of options (Note 11(b))	(1,496)	–	–	(1,496)
Balance, June 30, 2022 and March 31, 2023	\$ 10,664,453	\$ 2,204,276	\$ 2,256,880	\$ 15,125,609

## 12. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Significant non-cash transactions for the period ended March 31, 2023 included:

- exploration and evaluation assets of \$1,841 (June 30, 2022 - \$15,978) in trade payables and accrued liabilities (Note 5);
- depreciation of camp equipment and upgrades of \$20,340 (June 30, 2022 - \$35,100) included in exploration and evaluation assets (Note 10); and
- an allocation of \$nil (June 30, 2022 - \$1,496) from reserves to capital stock upon the exercise of stock options (Note 11(b));

Significant non-cash transactions for the nine months ended March 31, 2022 included:

- exploration and evaluation assets of \$9,257 (June 30, 2021 - \$577,142) in trade payables and accrued liabilities (Note 6);
- depreciation of camp equipment and upgrades of \$26,144 (June 30, 2021 - \$41,055) included in exploration and evaluation assets (Note 10); and
- an allocation of \$1,496 (June 30, 2021 - \$2,997) from reserves to capital stock upon the exercise of stock options (Note 11(b)).

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## 13. RELATED PARTY TRANSACTIONS

Key management personnel includes persons having the authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. Key management personnel comprise of the directors of the Company, executive and non-executive, and Vice President of Exploration.

The remuneration of the key management personnel during the periods ended March 31, 2023 and 2022 were as follows:

March 31,	2023	2022
Consulting fees (ii)	\$ -	\$ 6,000
Exploration and evaluation expenditures (geological consulting) (iii)	74,860	92,736
Management fees (i)	15,000	135,000
Administrative fees (i)	45,000	45,000
Other employment benefits (iv)	19,312	21,062
Total	\$ 154,172	\$ 254,798

Transactions with key management and other related party transactions:

- (i) Pursuant to a management and administrative services agreement amended effective July 1, 2011 and May 1, 2014 with Varshney Capital Corp. ("VCC"), a company with two common directors, the Company agreed to pay monthly management and administrative fees of \$29,500 and \$5,000, respectively. Effective March 1, 2020, the management fees were reduced to \$15,000 per month. Effective August 1, 2022, VCC provided a six-month relief on management fees of \$15,000 per month expiring January 31, 2023. During the period ended March 31, 2023, VCC agreed to extend the relief on management fees of \$15,000 per month on a month to month basis.

During the period ended March 31, 2023, the Company paid \$15,000 (2022 – \$135,000) for management fees and \$45,000 (2022 – \$45,000) for administrative fees to VCC;

- (ii) the Company paid \$nil (2022 - \$6,000) for consulting fees to Sircon AG, a company controlled by a director and as at March 31, 2023, the Company owed \$nil (June 30, 2022 - \$2,000) to Sircon AG;
- (iii) the Company paid or accrued exploration and evaluation costs of \$74,860 (2022 - \$92,736) for geological consulting fees to a company owned by VP of Exploration of the Company, of which \$70,160 (2022 - \$89,208) was capitalized as exploration and evaluation costs and \$4,700 (2022 - \$3,528) was expensed as consulting fees;
- (iv) other employment benefits included life insurance and health benefits for the CEO and health benefits for the CFO of the Company;
- (v) the Company owed \$nil (June 30, 2022- \$490) in office expense reimbursement to VCC;
- (vi) the Company owed \$nil (June 30, 2022 - \$1,497) to the CEO of the Company for exploration and office expenses paid on behalf of the Company. This amount was included in trade payables and accrued liabilities;

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## 13. RELATED PARTY TRANSACTIONS (cont'd)

- (vii) the Company received an advance of \$1,398,686 in fiscal year 2020 from a significant shareholder, Tongling Non-Ferrous Metals (“Tongling”), to fund a drill program on the Akie Property. The advance will be repaid in common shares of the Company to Tongling valued at a minimum of \$0.30 per share, subject to TSX-V approval.

## 14. CAPITAL MANAGEMENT

The Company’s objectives of capital management are intended to safeguard the entity’s ability to support the Company’s normal operating requirement on an ongoing basis, continue the development and exploration of its mineral properties, and support any expansionary plans. 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 considers its capital to be equity.

The Company’s operations are currently not generating positive cash flow; as such, the Company is dependent on external financing to fund its activities. In order to carry out potential expansion and to continue operations, and pay for administrative costs, the Company will spend its existing working capital, and raise additional amounts as needed. Companies in this stage typically rely upon equity and debt financing or joint venture partnerships to fund their operations.

The current financial markets are very difficult and there is no certainty with respect to the Company’s ability to raise capital. Management may require to seek additional sources of financing in the form of equity or debt financing in the future. These uncertainties may cast significant doubt about the Company’s ability to continue as a going concern.

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’s overall strategy with respect to capital risk management remained unchanged during the nine months ended March 31, 2023. The Company is not subject to any externally imposed capital requirements.

## 15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company’s financial instruments as at March 31, 2023 were as follows:

	<i>Fair Value through</i>	
	<i>Profit or Loss</i>	<i>Amortized Cost</i>
<b>Financial assets</b>		
Cash	\$ 423,251	\$ –
Receivables	–	21,438
<b>Financial liabilities</b>		
Trade payables and accrued liabilities	–	50,499
Due to related parties	–	1,398,686
Government Loan	–	37,121
	<b>\$ 423,251</b>	<b>\$ 1,507,744</b>

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## 15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd)

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

### Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of the financial instruments by valuation technique:

- i) Level 1 – Applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.
- ii) Level 2 – Applies to assets or liabilities for which there are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly such as quoted prices for similar assets or liabilities in active markets or indirectly such as quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions.
- iii) Level 3 – Applies to assets or liabilities for which there are unobservable market data.

Cash, are carried at fair value using a level 1 fair value measurement. The carrying value of receivables, trade payables and accrued liabilities, and due to related parties approximate their fair value because of the short-term nature of these instruments.

### *Credit Risk*

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its bank deposits of \$423,251 (June 30, 2022 - \$804,822). This risk is managed by using major Canadian banks that are high credit quality financial institutions as determined by rating agencies.

The Company's secondary exposure to credit risk is on its receivables. This risk is minimal as receivables consist primarily of refundable government sales taxes and interest accrued on GIC investments.

### *Liquidity Risk*

Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time. The Company achieves this by maintaining sufficient cash and cash equivalents. As at March 31, 2023, the Company was holding cash of \$423,251 (June 30, 2022 - \$804,822) to settle its current liabilities of \$1,449,185 (June 30, 2022 - \$1,464,672). Management may require to seek additional sources of financing in the form of equity or debt financing in the future. These uncertainties may cast significant doubt about the Company's ability to continue as a going concern.

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## 15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd)

### *Market risk*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. These fluctuations may be significant and the Company, has exposure to these risks.

#### *a. 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 the market interest rates. The Company is not exposed to significant interest rate risk.

#### *b. Currency Risk*

The Company operates in Canada and is therefore not exposed to significant foreign exchange risk arising from transactions denominated in a foreign currency.

#### *c. Price risk*

The Company is exposed 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. The Company closely monitors certain commodity prices, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

## 16. SEGMENTED INFORMATION

The Company has one reportable operating segment, being the acquisition and exploration of resource properties in Canada. All of the Company's assets are located in Canada.