

# **ZincX Resources Corp.**

Consolidated Financial Statements

For the Years Ended June 30, 2021 and 2020

Expressed in Canadian Dollars

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# ZincX Resources Corp.

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## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of  
ZincX Resources Corp.

### *Opinion*

We have audited the accompanying consolidated financial statements of ZincX Resources Corp. (the "Company"), which comprise the consolidated statements of financial position as at June 30, 2021 and 2020, and the consolidated statements of changes in equity, operations and comprehensive loss, 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 June 30, 2021 and 2020, 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.

### *Material Uncertainty Related to Going Concern*

We draw attention to Note 1 of the consolidated financial statements, which indicates that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### *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.

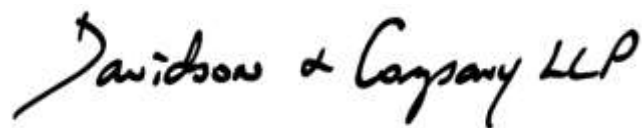
As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- 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 Grant Block.

A handwritten signature in black ink that reads "Davidson & Company LLP". The signature is written in a cursive, flowing style.

Vancouver, Canada

Chartered Professional Accountants

October 26, 2021

# ZINCX RESOURCES CORP.

Consolidated Statements of Financial Position

As at June 30, 2021 and 2020

(Expressed in Canadian Dollars)

	Notes	2021	2020
<b>Assets</b>			
Current assets			
Cash		\$ 3,066,527	\$ 208,938
Receivables	3	51,411	8,663
Prepaid expenses		35,200	35,670
Marketable securities	4	–	33,625
Investments	5	–	2,428,043
		<b>3,153,138</b>	2,714,939
Other assets			
Other assets	6	332,500	332,500
Equipment	11	137,151	167,944
Right-of-use asset	8	35,545	34,830
Exploration and evaluation assets	12	76,635,191	75,777,025
		<b>\$ 80,293,525</b>	\$ 79,027,238
<b>Liabilities</b>			
Current liabilities			
Trade payables and accrued liabilities	7	\$ 641,847	\$ 67,299
Lease liability	8	36,580	36,580
Due to related parties	16	1,400,839	1,400,686
Flow-through premium liability	9	–	29,992
		<b>2,079,266</b>	1,534,557
Government loan	10	34,450	31,184
Deferred income tax liability	14	1,799,000	1,803,000
		<b>3,912,716</b>	3,368,741
<b>Equity</b>			
Capital stock	13	103,329,407	101,870,548
Reserves	13	15,127,105	15,130,102
Deficit		(42,075,703)	(41,342,153)
		<b>76,080,809</b>	75,658,497
		<b>\$ 80,293,525</b>	\$ 79,027,238

## Nature and continuance of operations (Note 1)

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

Approved on behalf of the Board of Directors:

“Peeyush Varshney”

Director

“John Thomas”

Director

## ZINCX RESOURCES CORP.

Consolidated Statement of Changes in Equity  
(Expressed in Canadian Dollars)

	Note	Number of common shares	Common Shares Amount	Reserves (Note 13(e))	Deficit	Total equity
<b>Balance, June 30, 2019</b>		<b>169,319,375</b>	<b>\$ 101,755,665</b>	<b>\$ 14,893,488</b>	<b>\$ (40,141,611)</b>	<b>\$ 76,507,542</b>
Flow-through private placement	9,13(b)	1,016,666	152,500	-	-	152,500
Flow-through premium liability	9,13(b)	-	(29,992)	-	-	(29,992)
Share issuance costs	13(b)	-	(7,625)	-	-	(7,625)
Share-based compensation	13(c)	-	-	236,614	-	236,614
Loss for the year		-	-	-	(1,200,542)	(1,200,542)
<b>Balance, June 30, 2020</b>		<b>170,336,041</b>	<b>101,870,548</b>	<b>15,130,102</b>	<b>(41,342,153)</b>	<b>75,658,497</b>
Flow-through private placement	9,13(b)	7,500,000	1,500,000	-	-	1,500,000
Share issuance costs	13(b)	-	(48,950)	-	-	(48,950)
Exercise of share options	13(b)(c)	40,100	7,809	(2,997)	-	4,812
Loss for the year		-	-	-	(733,550)	(733,550)
<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>

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

# ZINCX RESOURCES CORP.

Consolidated Statements of Operations and Comprehensive Loss  
For the years ended June 30, 2021 and 2020  
(Expressed in Canadian Dollars)

	Notes	2021	2020
<b>ADMINISTRATION EXPENSES</b>			
Administration	16	\$ 60,000	\$ 60,000
Consulting	16	47,742	25,108
Depreciation of office equipment	11	2,882	2,621
Depreciation of the right-of-use asset	8	84,594	83,592
Flow-through taxes (recovery)	9	(1,074)	1,795
Interest expense		7,956	8,710
Management fees	16	180,000	296,000
Marketing and investor relations		38,990	1,995
Office and miscellaneous		53,049	73,653
Professional fees		48,150	44,510
Regulatory and transfer agent fees		21,947	19,968
Rent		7,124	7,717
Share-based compensation	13(c)	–	236,614
Travel and promotion		322	53,906
Wages and benefits		354,514	390,992
		<b>(906,196)</b>	<b>(1,307,181)</b>
Interest income		36,968	50,771
Gain on sale of marketable securities	4	56,133	–
Adjustment for change in fair value of marketable securities	4	18,420	(8,250)
Gain on sale of fixed assets	11	10,995	–
Other income		16,138	17,673
		<b>138,654</b>	<b>60,194</b>
<b>Loss before income taxes</b>		<b>(767,542)</b>	<b>(1,246,987)</b>
Deferred tax recovery	14	33,992	46,445
<b>Loss and comprehensive loss for the year</b>		<b>\$ (733,550)</b>	<b>\$ (1,200,542)</b>
<b>Loss per share</b>			
<b>– basic and diluted</b>		<b>\$ (0.01)</b>	<b>\$ (0.01)</b>
<b>Weighted average number of common shares outstanding</b>			
<b>– basic and diluted</b>		<b>172,056,375</b>	<b>169,855,486</b>

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



# ZINCX RESOURCES CORP.

Consolidated Statements of Cash Flows  
For the years ended June 30, 2021 and 2020  
(Expressed in Canadian Dollars)

	Notes	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss for the year		\$ (733,550)	\$ (1,200,542)
Items not affecting cash:			
Depreciation	11	2,882	2,621
Depreciation of the right-of-use asset	8	84,594	83,592
Interest on lease liability	8	4,691	8,159
Accrued interest on government loan	10	3,266	513
Grant income	10	–	(9,329)
Flow-through taxes accrued	9	(1,074)	–
Interest accrued on investments and loan receivable		(28,591)	(37,227)
Gain on sale of marketable securities	4	(56,133)	–
Adjustment for change in fair value of marketable securities	4	(18,420)	8,250
Gain on sale of fixed asset	11	(10,995)	–
Share-based compensation	13(c)	–	236,614
Deferred income tax recovery	14	(33,992)	(46,445)
Changes in non-cash working capital items:			
Receivables		(42,748)	24,126
Prepaid expenses		470	24,971
Trade payables and accrued liabilities		(627)	(37,049)
Due to related parties	16	153	1,400,686
Cash provided by (used in operating activities)		(830,074)	458,940
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
GIC investment, net	5	2,456,634	133,643
Proceeds from sale of marketable securities, net	4	108,178	–
Proceeds from sale of fixed asset, net	11	15,051	–
Equipment and leasehold improvements	11	(17,200)	(33,091)
Exploration and evaluation asset costs	12	(240,862)	(1,248,100)
Cash provided by (used in) investing activities		2,321,801	(1,147,548)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Issuance of capital stock, net of issuance costs	13	1,451,050	144,875
Exercise of share options and warrants		4,812	–
Lease payments	8	(90,000)	(90,000)
Government Loan	10	–	40,000
Cash provided by financing activities		1,365,862	94,875
<b>Change in cash during the year</b>		<b>2,857,589</b>	<b>(593,733)</b>
<b>Cash, beginning of year</b>		<b>208,938</b>	<b>802,671</b>
<b>Cash, end of year</b>		<b>\$ 3,066,527</b>	<b>\$ 208,938</b>

Supplemental disclosure with respect to cash flows (Note 15)

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

# ZINCX RESOURCES CORP.

Notes to Consolidated Financial Statements  
For the years ended June 30, 2021 and 2020  
(Expressed in Canadian Dollars, unless otherwise stated)

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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 has recently commenced trading its common shares 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”. The Company will continue to trade on the TSX-V under its existing symbol, and in Frankfurt under its existing 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 400, 725 Granville Street, Vancouver, BC V7Y 1G5.

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 year ended June 30, 2021, the Company incurred net loss of \$733,550 (2020 - \$1,200,542). As at June 30, 2021, the Company has accumulated deficit of \$42,075,703.

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. As at June 30, 2021, the Company has a positive working capital position of \$1,073,872 (2020 - \$1,180,382). 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 next 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 October 25, 2021 by the directors of the Company.

# ZINCX RESOURCES CORP.

Notes to Consolidated Financial Statements  
For the years ended June 30, 2021 and 2020  
(Expressed in Canadian Dollars, unless otherwise stated)

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## 2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

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

These consolidated financial statements, including comparatives, have been prepared in accordance 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”).

### ***Basis of presentation***

The consolidated 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 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 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.

### ***Significant accounting judgements, estimates and assumptions***

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and the reported amount of expenses during the reporting period.

Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

# ZINCX RESOURCES CORP.

Notes to Consolidated Financial Statements  
For the years ended June 30, 2021 and 2020  
(Expressed in Canadian Dollars, unless otherwise stated)

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## 2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)

### *Significant accounting judgements, estimates and assumptions (cont'd)*

#### *Critical judgments*

The preparation of consolidated financial statements requires management to make judgments regarding the going concern of the Company as discussed in Note 1.

#### *Key Sources of Estimation Uncertainty*

Significant estimates made by management affecting these consolidated financial statements include:

#### *Share-based compensation*

Share-based compensation expense is measured by reference to the fair value of the stock options at the date at which they are granted. Estimating fair value for granted stock options requires determining the most appropriate valuation model which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility, dividend yield, and rate of forfeitures and making assumption about them. The value of the share-based compensation expense for the year along with the assumptions and model used for estimating fair value for share-based compensation transactions are disclosed in Note 13.

#### *Financial instruments*

The fair values of financial instruments are estimated based upon market and third-party inputs. These estimates are subject to change with fluctuations in commodity prices, interest rates, foreign currency exchange rates and estimates of non-performance risk.

#### *Deferred tax assets and liabilities*

The measurement of deferred income tax provision is subject to uncertainty associated with the timing of future events and changes in legislation, tax rates and interpretations by tax authorities. The estimation of taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income, which in turn is dependent upon the successful operations of the Company. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets, and deferred tax provisions or recoveries could be affected.

# ZINCX RESOURCES CORP.

Notes to Consolidated Financial Statements  
For the years ended June 30, 2021 and 2020  
(Expressed in Canadian Dollars, unless otherwise stated)

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## 2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)

### *Useful life of equipment*

Each significant component of an item of equipment is depreciated over its estimated useful life. Estimated useful lives are determined based on current facts and past experience, and take into consideration the anticipated physical life of the asset, existing long-term sales agreements and contracts, current and forecasted demand, the potential for technological obsolescence, and regulations.

### *Carrying value and recoverability of exploration and evaluation assets*

The carrying amount of the Company's exploration and evaluation assets does not necessarily represent present or future values, and the Company's exploration and evaluation assets have been accounted for under the assumption that the carrying amount will be recoverable. Recoverability is dependent on various factors, including the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development and upon future profitable production or proceeds from the disposition of the mineral properties themselves. Additionally, there are numerous geological, economic, environmental and regulatory factors and uncertainties that could impact management's assessment as to the overall viability of its properties or to the ability to generate future cash flows necessary to cover or exceed the carrying value of the Company's exploration and evaluation assets.

### **Financial instruments**

#### (i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL.

For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

#### (ii) Measurement

##### Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

##### Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in profit or loss in the period in which they arise.

# ZINCX RESOURCES CORP.

Notes to Consolidated Financial Statements  
For the years ended June 30, 2021 and 2020  
(Expressed in Canadian Dollars, unless otherwise stated)

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## 2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)

### *Financial instruments (cont'd)*

#### Debt investments at FVTOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in Other Comprehensive Income (loss) ("OCI"). On de-recognition, gains and losses accumulated in OCI are reclassified to profit or loss

#### Equity investments at FVTOCI

These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

#### (iii) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the loss allowance for the financial asset is measured at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the loss allowance is measured for the financial asset at an amount equal to twelve month expected credit losses. Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized.

#### (iv) De-recognition

##### Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

##### Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expired. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on de-recognition are generally recognized in profit or loss.

The Company has made the following designations of its financial instruments:

# ZINCX RESOURCES CORP.

Notes to Consolidated Financial Statements  
For the years ended June 30, 2021 and 2020  
(Expressed in Canadian Dollars, unless otherwise stated)

## 2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)

### *Financial instruments (cont'd)*

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<b>Financial assets</b>	
Cash	FVTPL
Receivables	Amortized cost
Marketable securities	FVTPL
Investments	FVTPL
<b>Financial liabilities</b>	
Trade payables and accrued liabilities	Amortized cost
Due to related parties	Amortized cost
Government loan	Amortized cost

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### *Equipment*

Equipment is recorded at cost less accumulated depreciation and impairment charges. Such cost consists of the purchase price, any costs directly attributable to bringing the equipment to the location and condition necessary for its intended use. Depreciation of equipment is calculated over the estimated useful lives as follows:

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Camp equipment and fixtures	25%	declining balance method
Camp structures and upgrades	25%	declining balance method
Computers	55%	declining balance method
Office equipment and furniture	20%	declining balance method
License	55%	declining balance method
Vehicle	30%	declining balance method

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In the year of acquisition, only one-half of the depreciation is recorded.

The depreciation of licenses, vehicles, camp equipment and fixtures and camp upgrades are capitalized to exploration and evaluation assets.

Where an item of equipment comprises significant components with different useful lives, the components are accounted for as separate items of equipment. The cost of replacing part of an item within equipment is recognized when the cost is incurred if it is probable that the future economic benefits will flow to the group and the cost of the item can be measured reliably. The carrying amount of the part that has been replaced is expensed. All other costs are recognized as an expense as incurred.

# ZINCX RESOURCES CORP.

Notes to Consolidated Financial Statements  
For the years ended June 30, 2021 and 2020  
(Expressed in Canadian Dollars, unless otherwise stated)

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## 2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)

### ***Exploration and evaluation assets***

Exploration and evaluation expenditures are capitalized once the legal right to explore a property has been acquired. Exploration and evaluation assets are recorded at cost less accumulated impairment losses. Direct costs related to the acquisition, exploration and evaluation of exploration and evaluation assets are capitalized until the commercial viability of the asset is established, at which time the capitalized costs are reclassified to mineral properties under development. To the extent that the expenditures are spent to establish ore reserves within the rights to explore, the Company will consider those costs as intangible assets in nature. The depreciation of a capital asset in connection with exploring or evaluating a property of this nature will be included in the cost of the intangible asset.

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of the project are deemed to be impaired. As a result, those exploration and evaluation costs, in excess of estimated recoveries, are written off to profit or loss.

Management reviews the facts and circumstances suggesting if the carrying amount of the exploration and evaluation assets exceeds their recoverable amount on a regular basis.

Exploration costs renounced to shareholders due to flow-through share subscription agreements remain capitalized; however, for income tax purposes the Company has no right to claim these costs as tax deductible expenses.

### ***METC recoverable***

Mining exploration tax credits ("METC") from the Government of British Columbia for certain exploration expenditures incurred in British Columbia are treated as a reduction of the exploration costs of the respective resource property. The Company records METC recoverable when its METC applications for a refund are approved by authorities.

### ***Impairment of long lived assets***

An impairment loss is recognized when the carrying amount of an asset, or its cash generating unit ("CGU"), exceeds its recoverable amount. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses are recognized in profit and loss for the period. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to CGUs and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

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.



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## 2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)

### *Impairment of long lived assets (cont'd)*

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.

### *Flow-through shares*

Canadian tax legislation permits a company to issue securities referred to as flow-through ("FT") shares whereby the deduction for tax purposes relating to qualified resource expenditures is claimed by the investors rather than the Company. The Company accounts for FT shares whereby the premium, if any, paid for the FT share in excess of the market value of the shares without a FT feature at the time of issue is initially recorded to FT premium liability and then included in profit or loss, as a deferred income tax recovery, at the same time the qualifying expenditures are made.

### *Provisions*

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation and discount rates. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows discounted for the market discount rate.

Over time the discounted liability is increased for the changes in the present value based on the current market discount rates and liability risks. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

Changes in closure and reclamation estimates are accounted for as a change in the corresponding capitalized cost. The Company has no significant provisions for the periods presented.

### *Capital stock*

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and stock options are recognized as a deduction from equity. Common shares issued for consideration other than cash, are valued based on their market value at the date the shares are issued.

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## 2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)

### ***Capital stock (cont'd)***

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 Company considers the fair value of common shares issued in the private placements to be the more easily measurable component and the common shares are valued at their fair value, as determined by the closing market price on the announcement date. The balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded as reserves.

### ***Share-based compensation***

The Company operates an employee share option plan. The fair value of share-based compensation to employees is measured at grant date using the Black-Scholes option pricing model, and is recognized over the vesting period using the graded vesting method. The fair value of share-based compensation to non-employees is measured at the date the goods or services are received, at either the fair value of the goods or services received or the fair value of the equity instruments issued using the Black-Scholes option pricing model, if the fair value of the goods or services received cannot be readily measured.

For both employees and non-employees, the fair value is recognized as an expense with a corresponding increase in reserves. The amount recognized as expense is adjusted to reflect the number of share options expected to vest. For share options granted with vesting terms conditional upon the achievement of a performance condition, and the performance condition is not a market condition, the Company revises its estimates of the length of the vesting period, if necessary, when information arises that indicates that the length of the vesting period differs from previous estimates. When this occurs, the change in estimate is accounted for prospectively.

### ***Income taxes***

Income tax expense comprises current and deferred tax. Income tax is recognized in the statement of operations and comprehensive loss except to the extent that it relates to items recognized directly in equity. Current tax expense is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Temporary differences are not provided for relating to goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable loss, nor differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

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## 2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)

### *Income taxes (cont'd)*

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

### *Loss per share*

Loss per share is computed by dividing net loss available to common shareholders by the weighted average number of shares outstanding during the reporting period.

Diluted loss per share is computed similar to basic loss per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of share options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding share 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.

### *Comprehensive loss*

Comprehensive loss consists of net loss and other comprehensive loss and represents the change in equity which results from transactions and events from sources other than the Company's shareholders.

### *Joint arrangements*

The Company holds interest in a joint arrangement with Teck Resources Ltd. ("Teck") and its partner Korea Zinc Co., Ltd. ("Korea Zinc") (Note 12), which is to be involved in mineral exploration of the Pie, Yuen and Cirque East properties. No separate entity was created upon entering the JV agreement. All decisions regarding exploration of the property will be made by a management committee consisting of two appointees by each of the Company and Teck. Teck will be acting as an operator. The Company classifies this joint arrangement as a joint operation.

A joint operation implies that the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. In relation to its interest in a joint operation the Company recognizes its assets, including its share of any assets held jointly, its liabilities, including its share of any liabilities incurred jointly, its revenue from the sale of its share of the output arising from the joint operation, and expenses, including its share of any expenses incurred jointly.

### *Recent accounting pronouncements*

Accounting standards and amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

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### 3. RECEIVABLES

	2021	2020
Government Sales Tax credits	\$ 34,848	\$ 8,348
Accrued interest (Note 6)	132	315
Other receivables	16,431	–
	\$ 51,411	\$ 8,663

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

### 4. MARKETABLE SECURITIES

Marketable securities consist of common shares of public companies that are measured at fair value, which is determined using quoted closing prices of the shares on the exchange where they are listed, at the end of each reporting period.

The Company's marketable securities transactions are as follows:

	2021	2020
<i>Common shares of public companies:</i>		
Fair value, beginning of period	\$ 33,625	\$ 41,875
Proceeds from sales	(108,178)	–
Realized gain on sales	56,133	–
Unrealized gain	18,420	(8,250)
Fair value, end of period	\$ –	\$ 33,625

### 5. INVESTMENTS

Investments consist of highly liquid Canadian dollar denominated redeemable guaranteed investment certificates ("GIC") yielding an average fixed interest rates of 1.7% to 2.38% per annum with maturity dates within one year. The investments are classified as FVTPL financial assets. The counter-party is a financial institution.

At June 30, 2021, all of the Company's GIC investments matured and no reinvestment had been made compared to holding \$2,412,000 and accrued interest of \$16,043 at June 30, 2020.

During the year ended June 30, 2021, the Company redeemed \$2,412,000 (2020 - \$91,767) of its GIC investments and received an aggregate interest of \$44,634 (2020 - \$41,876) from the redemption or maturity of the GIC investments.

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## 6. OTHER ASSETS

Other assets comprise of reclamation bonds totalling \$332,500 (2020 – \$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 prime minus 2.2% 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).

## 7. TRADE PAYABLES AND ACCRUED LIABILITIES

	2021	2020
Exploration payables	\$ 577,142	\$ 893
Other trade payables	24,388	25,007
Accrued liabilities	44,717	41,399
	\$ 641,847	\$ 67,299

## 8. 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.

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.

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

Right-of-use asset, July 1, 2019	\$ 118,422
Depreciation	(83,592)
Right-of-use asset, June 30, 2020	34,830
Addition	85,309
Depreciation	(84,594)
Right-of-use asset, June 30, 2021	\$ 35,545

During the year ended June 30, 2021, the Company also recognized interest expense of \$4,691 (2020 - \$8,158) on lease liability according to IFRS 16 requirements. Cash payments related to the office lease were \$90,000 (2019 - \$90,000).

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

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

Lease commitments, June 30, 2019	\$	127,500
Effect of discounting (10% rate) on adoption of IFRS 16		(9,078)
Lease liability, July 1, 2019		118,422
Interest expense		8,158
Lease payments		(90,000)
Lease liability, June 30, 2020		36,580
Additions		85,309
Interest expense		4,691
Lease payments		(90,000)
<b>Lease liability, June 30, 2021</b>	<b>\$</b>	<b>36,580</b>

Costs related to the short-term offsite storage leases of \$7,124 (2020 - \$7,717) were expensed.

### 9. FLOW-THROUGH PREMIUM LIABILITY

	2021	2020
Balance, beginning of year	\$ 29,992	\$ 241,445
Recorded	–	29,992
Amortized	(29,992)	(241,445)
Balance, end of year	\$ –	\$ 29,992

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 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 (Note 13(b)) 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.

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## 9. FLOW-THROUGH PREMIUM LIABILITY (cont'd)

As at June 30, 2020, the Company has not incurred qualifying exploration expenditures with respect to its 2019 flow-through commitments. The Company has fully renounced exploration of expenditures of \$152,500 to the flow-through subscribers for calendar 2019 using the “look back” rule for income tax purposes and is required to incur the qualified exploration expenditures by December 31, 2020. In response to difficulties to accessing the field due to Covid19, the government released a drafted legislation to extend the timelines for spending the qualified exploration expenditure by 12 months, and Part XII.6 tax adjusted accordingly. Although the drafted legislation has not yet been passed into law, the drafted legislation is expected to be passed as proposed, and Canada Revenue Agency recommends filing tax returns based on the draft legislation.

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 (Note 13(b)). The Company recorded amortization of \$29,992 (2020 - \$Nil) after incurring \$152,500 (2020 - \$Nil) 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.

As at June 30, 2021, the Company incurred the qualifying exploration expenditures of \$726,452 with respect to its 2021 flow-through commitments, and has a remaining obligation to spend \$773,548 in qualifying expenditures from its April 2021 financing.

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 year ended June 30, 2021 and 2020 are as follows:

	2021		2020	
Balance, beginning of year	\$	1,271	\$	10,451
Accrued (Recovery)		(1,074)		1,795
FT Tax paid		–		(10,975)
Balance, end of year	\$	197	\$	1,271

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## 10. 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, 2022 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. The Company has 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 will be 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.

	2021		2020	
Balance, beginning of year	\$	31,184	\$	–
Loan received		–		40,000
Interest free benefit		–		(9,329)
Finance expense		3,266		513
Balance, end of year	\$	34,450	\$	31,184



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## 11. EQUIPMENT

	Computers	Office equipment and furniture	License <sup>(1)</sup>	Vehicle <sup>(1)</sup>	Camp equipment and fixtures <sup>(1)</sup>	Camp structures and upgrades <sup>(1)</sup>	Total
<b>Cost:</b>							
At June 30, 2019	\$ 12,820	\$ 22,065	\$ 37,835	\$ 37,026	\$ 375,254	\$ 654,554	\$ 1,139,554
Acquisition	–	1,157	1,091	5,626	25,216	–	33,090
Disposal	–	(1,474)	–	–	–	–	(1,474)
At June 30, 2020	12,820	21,748	38,926	42,652	400,470	654,554	1,171,170
Acquisition	2,205	–	1,091	–	13,904	–	17,200
Disposal	–	–	–	(42,652)	–	–	(42,652)
At June 30, 2021	\$ 15,025	\$ 21,748	\$ 40,017	\$ –	\$ 414,374	\$ 654,554	\$ 1,145,718
<b>Accumulated depreciation:</b>							
At June 30, 2019	\$ 12,592	\$ 15,515	\$ 34,842	\$ 35,340	\$ 289,422	\$ 554,500	\$ 942,211
Depreciation	228	2,393	1,771	2,820	30,195	25,082	62,489
Disposal	–	(1,474)	–	–	–	–	(1,474)
At June 30, 2020	12,820	16,434	36,613	38,160	319,617	579,582	1,003,226
Depreciation	1,819	1,063	1,572	436	20,304	18,743	43,937
Disposal	–	–	–	(38,596)	–	–	(38,596)
At June 30, 2021	\$ 14,639	\$ 17,497	\$ 38,185	\$ –	\$ 339,921	\$ 598,325	\$ 1,008,567
<b>Net book value:</b>							
At June 30, 2020	\$ –	\$ 5,314	\$ 2,313	\$ 4,492	\$ 80,853	\$ 74,972	\$ 167,944
At June 30, 2021	\$ 386	\$ 4,251	\$ 1,832	\$ –	\$ 74,453	\$ 56,229	\$ 137,151

<sup>(1)</sup> License, vehicles, camp equipment and fixtures and camp upgrades are used for exploration and evaluation activities. Depreciation for these items of \$41,055 for the year ended June 30, 2021 (2020 - \$59,868) has been capitalized to exploration and evaluation assets (Note 12). Depreciation of the remaining items of \$2,882 (2020 - \$2,621) has been expensed. During the year ended June 30, 2021, the Company sold a vehicle for net proceeds of \$15,051 (2020 - \$Nil), which had a carrying value of \$4,056, resulting in a gain of \$10,995.

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## 12. 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.

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## 12. 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, 2020 and 2021</b>	\$ 24,165,241	\$ 192,768	<b>\$ 24,358,009</b>
<b>Deferred exploration costs:</b>			
<b>Balance, June 30, 2019</b>	\$ 46,122,514	\$ 4,368,025	<b>\$ 50,490,539</b>
Camp equipment, depreciation	59,868	—	59,868
Drilling	761,950	—	761,950
Geology	108,948	—	108,948
Community consultants	151,848	—	151,848
Environmental studies and permit compliance	43,723	—	43,723
METC recoverable	(197,861)	—	(197,861)
<b>Balance, June 30, 2020</b>	47,050,990	4,368,025	<b>51,419,015</b>
Camp equipment, depreciation	41,055	—	41,055
Drilling	660,220	—	660,220
Geology	109,748	—	109,748
Community consultants	75,235	—	75,235
Road repairs	2,862	—	2,862
Environmental studies and permit compliance	34,449	—	34,449
METC recoverable	(65,402)	—	(65,402)
<b>Balance, June 30, 2021</b>	<b>\$ 47,909,157</b>	<b>\$ 4,368,025</b>	<b>\$ 52,277,182</b>
<b>Total, June 30, 2020</b>	<b>\$ 71,216,231</b>	<b>\$ 4,560,793</b>	<b>\$ 75,777,024</b>
<b>Total, June 30, 2021</b>	<b>\$ 72,074,398</b>	<b>\$ 4,560,793</b>	<b>\$ 76,635,191</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 year ended June 30, 2021, the Company received BC METC of \$65,402 (2020 - \$197,861) and \$185 (2020 - \$3,569) in accumulated interest for its fiscal 2020 exploration expenditures above the amounts renounced under its flow-through commitments.

## 13. CAPITAL STOCK AND RESERVES

### (a) Authorized

Unlimited common shares without par value.

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

### (b) Issued and outstanding

During the year ended June 30, 2021, 40,100 common shares were issued pursuant to the exercise of 40,100 (Note 13 (c)) stock options at an average price of \$0.12 per share for total proceeds of \$4,812. In addition, a reallocation of \$2,997 (Note 13(e)) from reserves to capital stock was recorded on the exercise of these options. This amount constitutes the fair value of options recorded at the grant or re-priced date.

In addition, the Company completed a flow-through private placement of 7,500,000 flow-through units 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 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 Company paid cash finder's fee of \$40,000 and incurred regulatory filing fees of \$8,950 in connection with the private placements. 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.

During the year ended June 30, 2020, the Company completed a flow-through private placement of 1,016,666 flow-through shares at a price of \$0.15 per share for gross proceeds of \$152,500. The Company paid cash finder's fee of \$7,625 in connection with the private placement. A flow-through premium liability of \$29,992 was recorded in connection with this private placement, which was calculated based on an estimated premium of approximately \$0.029 per flow-through share issued (Note 9);

### (c) Share options

Previously, the Company adopted a 20% fixed share option plan whereby the Company had reserved 20,557,283 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. At its Annual General and Special Meeting held on January 17, 2019, the shareholders of the Company approved the Amended and Restated Stock Option Plan, under which the maximum number of common shares of the Company reserved for issuance under the plan was increased to 33,774,275 or 20% of the issued and outstanding common shares as at December 13, 2018.

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 three month 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 year ended June 30, 2021.

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

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

During the year ended June 30, 2020, the Company:

- (i) granted an aggregate of 2,585,000 share options to certain employees and consultants of the Company and recorded share-based compensation expense of \$193,344 for the share options granted.
- (ii) repriced previously granted share options to a number of employees and consultants to acquire 1,850,000 common shares at a price between \$0.30 per share and \$0.40 per share, expiring between December 27, 2023 and February 9, 2028, to \$0.12 per share. An additional share-based compensation expense of \$43,270 was recorded in connection with the re-pricing.

	Options Outstanding	Weighted Average Exercise Price
Outstanding, June 30, 2019	10,170,000	\$ 0.32
Granted	2,585,000	0.12
Cancelled/ Forfeited	(3,145,000)	0.38
Outstanding, June 30, 2020	9,610,000	0.21
Exercised (Note 13(b))	(40,100)	0.12
Cancelled/ Forfeited	(1,150,000)	0.44
Outstanding, June 30, 2021	8,419,900	\$ 0.18

The Company uses the Black-Scholes option pricing model to calculate the fair value of stock options granted. The model requires management to make estimates, which are subjective and may not be representative of actual results. Changes in assumptions can materially affect estimates of fair values.

At the end of each reporting period, the Company recalculates the fair value of non-vested options granted to non-employees and record a corresponding adjustment to share-based compensation expense.

The following weighted average assumptions were used to estimate the grant date fair values:

	June 30, 2021	June 30, 2020
Number of options granted	–	2,585,000
Risk free interest rate	–	1.38%
Expected dividend yield	–	0%
Stock price volatility	–	61.83%
Expected life of options	–	10 years
Weighted average fair value of options	–	\$ 0.07
Forfeiture	–	0%

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

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

The following weighted average assumptions were used to estimate the fair value of options repriced during the year ended June 30, 2020:

	June 30, 2021	June 30, 2020
Number of options repriced	–	1,850,000
Risk free interest rate	–	1.38%
Expected dividend yield	–	0%
Stock price volatility	–	64.57%
Expected life of options (years)	–	6.87
Weighted average fair value of options	–	\$0.07
Forfeiture	–	0%

Share options outstanding and exercisable at June 30, 2021 are summarized as follows:

Number of Options	Exercise Price	Expiry Date	Remaining Life of Options (Years)	Number of Options Exercisable
55,000	\$ 0.40	November 2, 2021	0.34	55,000
40,000	\$ 0.39	December 27, 2023	2.49	40,000
104,900	\$ 0.12	December 27, 2023	2.49	104,900
3,680,000	\$ 0.23	April 10, 2025	3.78	3,680,000
60,000	\$ 0.33	July 3, 2026	5.01	60,000
700,000	\$ 0.12	July 3, 2026	5.01	700,000
110,000	\$ 0.40	September 13, 2026	5.21	110,000
395,000	\$ 0.12	September 13, 2026	5.21	395,000
80,000	\$ 0.30	February 9, 2028	6.62	80,000
650,000	\$ 0.12	February 9, 2028	6.62	650,000
2,545,000	\$ 0.12	February 6, 2030	8.61	2,545,000
8,419,900	\$ 0.18		5.64	8,419,900

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

### (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 and 2019	–	\$ –	–	–
Issued (Note 13 (b))	3,750,000	0.40	April 9, 2023	1.78
Balance, June 30, 2021	3,750,000	\$ 0.40		

### (e) Reserves

	Options and agent warrants	Finance warrants	Treasury shares	Total
Balance, June 30, 2019	\$ 10,432,332	\$ 2,204,276	\$ 2,256,880	\$ 14,893,488
Share-based compensation (Note 13(c))	236,614	–	–	236,614
Balance, June 30 2020	10,668,946	2,204,276	2,256,880	15,130,102
Exercise of options (Note 13(b))	(2,997)	–	–	(2,997)
Balance, June 30, 2021	\$ 10,665,949	\$ 2,204,276	\$ 2,256,880	\$ 15,127,105

## 14. INCOME TAXES

A reconciliation of current income taxes at statutory rates with the reported taxes is as follows:

	2021	2020
Net loss before income taxes	\$ (767,542)	\$ (1,246,987)
Expected income tax recovery at statutory tax rates	\$ (207,000)	\$ (337,000)
Non-deductible expenditures	(10,000)	68,000
Change in statutory rates and other	(16,000)	(54,000)
Impact of flow through shares	237,000	251,000
Share issue costs	(13,000)	(2,000)
Change in unrecognized deductible temporary differences	(10,000)	245,000
Adjustment to prior years provision versus statutory returns	15,000	24,000
Total deferred tax expense (recovery)	\$ (4,000)	\$ 195,000

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## 14. INCOME TAXES (cont'd)

Deferred tax expense (recovery) comprises the following:

	2021	2020
Deferred tax expense (recovery)	\$ (4,000)	\$ 195,000
Deferred tax recovery on amortization of flow-through premium liability	(29,992)	(241,445)
Total deferred tax recovery	\$ (33,992)	\$ (46,445)

The significant components of the Company's deferred tax assets and liabilities are as follows:

Deferred tax assets (liabilities)	2021	2020
Exploration and evaluation assets	\$ (9,210,000)	\$ (8,980,000)
Share issue costs	25,000	45,000
Non-capital losses	6,572,000	6,327,000
Property and equipment	297,000	288,000
Investment tax credits	517,000	517,000
Total deferred income tax liability	\$ (1,799,000)	\$ (1,803,000)

Significant components of deductible temporary differences, unused tax losses and unused tax credits that have not been included on the statement of financial position are as follows:

	2021	Expiry dates	2020	Expiry dates
Non-capital loss carry forward	\$ 2,232,000	2026 to 2041	\$ 2,232,000	2026 to 2040
Allowable capital losses	872,000	No expiry	894,000	No expiry

During the year ended June 30, 2021, the Company issued a total of 7,500,000 (2020 - 1,016,666) flow-through common shares for gross proceeds of \$1,500,000 (2020 - \$152,500). The flow-through agreements require the Company to renounce certain deductions for Canadian exploration expenditures incurred on the Company's resource properties. As of June 30, 2021, the Company has a remaining obligation to spend \$773,548 in qualifying expenditures from its 2021 financing. The Company renounced 100% of the December 2019 subscriptions of \$152,500 to the flow-through shareholders under the "look-back rule" for the 2019 calendar year, and, as of June 30, 2021, spent \$152,500 on the eligible exploration expenditures with respect to this flow-through commitments.



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## 15. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	2021	2020
Cash paid during the year for interest	\$ 4,691	\$ 8,158
Cash paid during the year for income tax	–	–

Significant non-cash transactions for the years ended June 30, 2021 and 2020 included:

- exploration and evaluation assets of \$577,142 (2020 - \$893) in accounts payable and accrued liabilities;
- depreciation of camp equipment and upgrades of \$41,055 (2020 - \$59,868) included in exploration and evaluation assets (Note 12);
- an allocation of \$nil (2020 - \$29,992) from capital stock to flow-through premium liability on the issuance of the flow-through shares (Note 9 & 13(b));
- a recognition of \$85,309 (2020 - \$118,422) on right-of use asset and lease liability; and
- an allocation of \$2,997 (2020 - \$Nil) from reserves to capital stock upon the exercise of stock options (Note 13(b)).

## 16. RELATED PARTY TRANSACTIONS

Key management personnel include 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 years ended June 30, 2021 and 2020 were as follows:

	2021	2020
Consulting fees (ii)	\$ 8,000	\$ 11,500
Exploration and evaluation expenditures (geological consulting) (iii)	117,734	151,200
Management fees (i)	180,000	296,000
Share-based compensation	–	150,711
Other employment benefits (iv)	27,333	26,314
Total	\$ 333,067	\$ 635,725

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.

During the year ended June 30, 2021, the Company paid \$180,000 (2020 – \$296,000) for management fees and \$60,000 (2020 – \$60,000) for administrative fees to VCC;

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

- (ii) the Company paid \$8,000 (2020 - \$11,500) for consulting fees to a company controlled by a director;
- (iii) the Company paid or accrued exploration and evaluation costs of \$117,734 (2020 - \$151,200) for geological consulting fees to a company owned by the VP of Exploration of the Company, of which \$98,959 (2020 - \$137,256) was capitalized as exploration and evaluation costs and \$18,775 (2020 - \$13,944) 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 \$2,000 (2020 - \$2,000) in consulting fees to Sircon AG, a company controlled by a director of the Company;
- (vi) the Company owed \$153 (2020 - \$Nil) in office expense reimbursement to VCC;
- (vii) the Company owed \$53,059 (2020 - \$Nil) 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; and
- (viii) 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.

## 17. 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 is not subject to any externally imposed capital requirements.

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## 18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial instruments as at June 30, 2021 were as follows:

	<i>Fair Value through Profit or Loss</i>		<i>Amortized Cost</i>	
<b>Financial assets</b>				
Cash	\$	3,066,527	\$	–
Receivables		–		16,563
<b>Financial liabilities</b>				
Trade payables and accrued liabilities		–		641,847
Due to related parties		–		1,400,839
Government loan		–		34,450
	\$	3,066,527	\$	2,093,699

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 is 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 \$3,066,527 (2020 - \$208,938) and short-term investments in GICs of \$Nil (2020 - \$2,428,043). This risk is managed by using major Canadian banks that are high credit quality financial institutions as determined by rating agencies.

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

### *Credit Risk (cont'd)*

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. Recoverable explorations costs recorded as other receivables were collected to year ended June 30, 2021.

### *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 June 30, 2021, the Company was holding combined cash and GIC deposits of \$3,066,527 (2020 – \$2,636,981) to settle its current liabilities of \$2,079,266 (2020 - \$1,534,557). 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.

### *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.

## 19. 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.