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**SCOZINC MINING LTD.**  
**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE AND NINE MONTHS ENDED**  
**SEPTEMBER 30, 2019 AND 2018**  
**(EXPRESSED IN CANADIAN DOLLARS)**  
**(UNAUDITED)**

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**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 interim consolidated financial statements, they must be accompanied by a notice indicating that the condensed interim consolidated financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

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

# ScoZinc Mining Ltd.

## CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (EXPRESSED IN CANADIAN DOLLARS) (UNAUDITED)

As at	September 30, 2019	December 31, 2018
<b>ASSETS</b>		
Current		
Cash	\$ 1,050,755	\$ 279,305
Amounts receivable and prepaid expenses (Note 4)	241,530	149,448
	<b>1,292,285</b>	<b>428,753</b>
Cash held for reclamation (Note 3)	3,126,468	3,100,852
Property, plant and equipment (Note 5)	7,976,633	8,084,509
Exploration and evaluation assets (Note 6)	7,141,775	7,034,767
Right-of-use asset (Note 7)	88,014	-
	<b>18,332,890</b>	<b>18,220,128</b>
	<b>\$ 19,625,175</b>	<b>\$ 18,648,881</b>
<b>LIABILITIES</b>		
Current		
Accounts payable and accrued liabilities (Note 9)	\$ 169,086	\$ 449,897
Amounts payable to related parties (Note 15)	324,490	279,269
Lease obligation - current portion (Note 8)	14,545	-
	<b>508,121</b>	<b>729,166</b>
Lease obligation - long term portion (Note 8)	70,813	-
Decommissioning liability (Note 10)	2,600,000	2,600,000
	<b>3,178,934</b>	<b>3,329,166</b>
<b>EQUITY</b>		
Share capital (Note 11)	82,642,357	81,358,592
Warrants (Note 12)	1,021,145	318,006
Contributed surplus	708,385	558,065
Deficit	(67,925,646)	(66,914,948)
	<b>16,446,241</b>	<b>15,319,715</b>
	<b>\$ 19,625,175</b>	<b>\$ 18,648,881</b>

Nature of Operations and Going Concern (Note 1)

Contingencies and Commitments (Note 13)

Subsequent Events (Note 16)

Approved on Behalf of the Board:

"Victor Lazarovici"

Director

"Chris Hopkins"

Director

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

# ScoZinc Mining Ltd.

## CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS (EXPRESSED IN CANADIAN DOLLARS) (UNAUDITED)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
<b>EXPENSES</b>				
Salaries and benefits	\$ 128,321	\$ 108,525	\$ 336,572	\$ 320,452
Office and general	94,318	29,378	153,640	138,806
Legal and accounting fees	21,907	50,018	86,152	133,898
Investor relations	6,688	4,713	15,316	20,033
Amortization (Note 5)	45,148	41,659	133,695	124,976
Consulting	92,737	111,363	139,806	345,994
Share-based payments (Note 12)	146,575	12,634	150,320	59,540
Repairs and maintenance	-	-	2,791	86,369
Regulatory fees	3,234	13,266	19,389	29,320
<b>Net loss before interest and other items:</b>	<b>(538,928)</b>	<b>(371,556)</b>	<b>(1,037,681)</b>	<b>(1,259,388)</b>
Interest income	8,855	9,589	27,048	28,845
Gain (Loss) on settlement of debt	19,519	-	(65)	-
<b>NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD</b>	<b>\$ (510,554)</b>	<b>\$ (361,967)</b>	<b>\$ (1,010,698)</b>	<b>\$ (1,230,543)</b>
<b>Basic and diluted loss per share (Note 14)</b>	<b>\$ (0.07)</b>	<b>\$ (0.07)</b>	<b>\$ (0.16)</b>	<b>\$ (0.27)</b>
<b>Weighted average number of common shares outstanding - basic and diluted</b>	<b>7,599,149</b>	<b>5,171,523</b>	<b>6,380,466</b>	<b>4,510,633</b>

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

## ScoZinc Mining Ltd.

### CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (EXPRESSED IN CANADIAN DOLLARS, EXCEPT SHARE AMOUNTS) (UNAUDITED)

	Number of Shares	Amount	Warrants	Contributed Surplus	Deficit	Total
Balance, December 31, 2017	3,941,045	\$ 80,251,853	\$ -	\$ 490,270	\$(65,290,664)	\$ 15,451,459
Issued on private placement, net of costs	1,324,999	1,424,745	-	-	-	1,424,745
Warrants issued on private placement	-	(318,006)	318,006	-	-	-
Stock-based compensation	-	-	-	59,540	-	59,540
Loss for the period	-	-	-	-	(1,230,543)	(1,230,543)
<b>Balance, September 30, 2018</b>	<b>5,266,044</b>	<b>81,358,592</b>	<b>318,006</b>	<b>549,810</b>	<b>(66,521,207)</b>	<b>15,705,201</b>
Balance, December 31, 2018	5,266,044	81,358,592	318,006	558,065	(66,914,948)	15,319,715
Issued on private placements, net of costs	4,350,000	1,776,435	-	-	-	1,776,435
Warrants issued on private placement	-	(698,455)	698,455	-	-	-
Broker warrants issued on private placement	-	(4,684)	4,684	-	-	-
Issued on settlement of debt	485,416	210,469	-	-	-	210,469
Stock-based compensation	-	-	-	150,320	-	150,320
Loss for the period	-	-	-	-	(1,010,698)	(1,010,698)
<b>Balance, September 30, 2019</b>	<b>10,101,460</b>	<b>\$ 82,642,357</b>	<b>\$ 1,021,145</b>	<b>\$ 708,385</b>	<b>\$(67,925,646)</b>	<b>\$ 16,446,241</b>

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

# ScoZinc Mining Ltd.

## CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS (EXPRESSED IN CANADIAN DOLLARS) (UNAUDITED)

For the Nine Months Ended September 30,	2019	2018
<b>CASH (USED IN) PROVIDED BY:</b>		
<b>OPERATING ACTIVITIES</b>		
Net loss for the period:	\$ (1,010,698)	\$ (1,230,543)
Amortization	133,695	124,976
Share-based payments	150,320	59,540
Loss on settlement of debt	65	-
Debt settled through issuance of shares	194,166	-
Accretion of lease liability	(10,480)	-
Accrued interest income	(18,193)	(28,845)
	<b>(561,125)</b>	<b>(1,074,872)</b>
Net change in non-cash working capital:		
Amounts receivable and prepaid expenses	(92,082)	(47,834)
Accounts payable and accrued liabilities	(273,424)	257,919
Amounts payable to related parties	45,221	164,096
	<b>(881,410)</b>	<b>(700,691)</b>
Interest received	1,433	3,943
	<b>(879,977)</b>	<b>(696,748)</b>
<b>INVESTING ACTIVITIES</b>		
Exploration and evaluation assets	(107,008)	(877,541)
Acquisition of property, plant and equipment	(18,000)	(334,211)
	<b>(125,008)</b>	<b>(1,211,752)</b>
<b>FINANCING ACTIVITIES</b>		
Shares issued for cash	1,850,000	1,457,500
Share issue costs	(73,565)	(32,755)
	<b>1,776,435</b>	<b>1,424,745</b>
<b>CHANGE IN CASH</b>	<b>771,450</b>	<b>(483,755)</b>
<b>CASH, BEGINNING OF PERIOD</b>	<b>279,305</b>	<b>1,052,743</b>
<b>CASH, END OF PERIOD</b>	<b>\$ 1,050,755</b>	<b>\$ 568,988</b>

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

# ScoZinc Mining Ltd.

## NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019 (EXPRESSED IN CANADIAN DOLLARS) (UNAUDITED)

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### 1. NATURE OF OPERATIONS AND GOING CONCERN

Scozinc Mining Ltd. (the “Company” or “ScoZinc”), and its wholly owned subsidiary Scozinc Limited (collectively, the “Group”) is engaged in base metals mining and related activities, including the exploration and evaluation of mineral property interests that are considered to have the potential for economic mineralization and development. The Company is a public company, which is listed on the TSX Venture Exchange and incorporated and domiciled in Canada. The address of its registered office is 15601 Hwy 224, Cooks Brook, Nova Scotia, B0N 2H0.

The condensed interim consolidated financial statements have been prepared on a going concern basis, which assumes the Group will continue in operation through the fiscal year and into the foreseeable future and will be able to realize assets and discharge its liabilities and commitments in the normal course of operations at the amounts stated in the consolidated financial statements.

The Company has not generated revenue from operations. The Company has incurred a net loss of \$1,010,698 for the nine months ended September 30, 2019 (nine months ended September 30, 2018 - \$1,024,773), and as of that date has an accumulated deficit of \$67,925,646 (December 31, 2018 - \$66,914,948). As at September 30, 2019, cash amounted to \$1,050,755 (December 31, 2018 - \$279,305) and the Company had working capital of \$784,164 (December 31, 2018 - working capital deficiency of \$300,413). The ability of the Company to carry out its planned business objectives is dependent on its ability to raise adequate financing from lenders, shareholders and other investors and/or generate operating profitability and positive cash flow. There can be no assurances that the Company will continue to obtain the additional financial resources necessary and/or achieve profitability or positive cash flows. If the Company is unable to obtain adequate financing, the Company will be required to curtail operations, and development activities and there would be significant uncertainty whether the Company would continue as a going concern and realize its assets and settle its liabilities and commitments in the normal course of business.

The Company currently does not have sufficient cash on hand to meet all exploration, development, general expenses and property payments for the next twelve months. The Company plans to raise additional capital to further develop and explore its project, however the Company may increase or decrease expenditures as necessary to adjust to a changing capital market environment.

The above factors indicate the existence of material uncertainties that may cast significant doubt on the ability of the Company to continue as a going concern.

The financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern. If management is unsuccessful in securing capital, the Company’s assets may not be realized or its liabilities discharged at their carrying amounts and these differences could be material.

### 2. ACCOUNTING POLICIES

#### Statement of Compliance

These condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by IASB and interpretations issued by IFRIC. These condensed interim consolidated financial statements should be read in conjunction with the Company’s audited consolidated financial statements for the year ended December 31, 2018.

These condensed interim consolidated financial statements were authorized for issuance by the Board of Directors of the Company on November 29, 2019

# ScoZinc Mining Ltd.

## NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019 (EXPRESSED IN CANADIAN DOLLARS) (UNAUDITED)

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### 2. ACCOUNTING POLICIES (Continued)

#### Basis of Presentation

These unaudited condensed interim consolidated financial statements have been prepared on a historical cost basis, except for financial instruments which are measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

In the preparation of these unaudited condensed interim consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the period. Actual results could differ from these estimates.

#### Basis of Consolidation

These condensed interim consolidated financial statements include the accounts of the Company, and its active subsidiary, ScoZinc. All significant intercompany transactions are eliminated on consolidation.

#### Accounting Pronouncements Adopted During the Period

##### Accounting for Leases - IFRS 16

In January 2016, the IASB issued IFRS 16 - Leases ("IFRS 16"), replacing IAS 17 - Leases. IFRS 16 provides a single lessee accounting model and requires the lessee to recognize assets and liabilities for all leases on its statement of financial position, providing the reader with greater transparency of an entity's lease obligations.

At January 1, 2019, the Company adopted the following and there was no material impact on the Company's financial statements. The Company adopted IFRS 16 using the modified retrospective approach and accordingly the information presented for 2018 has not been restated. It remains as previously reported under IAS 17 and related interpretations.

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of twelve months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by the incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- Amounts expected to be payable under any residual value guarantee;
- The exercise price of any purchase option granted if it is reasonably certain to assess that option;
- Any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- Lease payments made at or before commencement of the lease;
- Initial direct costs incurred; and
- The amount of any provision recognised where the Company is contractually required to dismantle, remove or restore the leased asset.

# ScoZinc Mining Ltd.

## NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019 (EXPRESSED IN CANADIAN DOLLARS) (UNAUDITED)

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### 2. ACCOUNTING POLICIES (Continued)

#### Accounting Pronouncements Adopted During the Period (Continued)

##### Accounting for Leases - IFRS 16 (Continued)

Lease liabilities, on initial measurement, increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made.

Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if this is judged to be shorter than the lease term.

When the Company revises its estimate of the term of any lease, it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

When the Company revises its estimate of the term of any lease, it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

The Company adopted this standard and the impact on the Company's unaudited condensed interim consolidated financial statements are disclosed in notes 7 and 8.

### 3. CASH HELD FOR RECLAMATION

The Company is required to make reclamation deposits in respect of its expected rehabilitation obligations as set out below.

The Company has agreed with the Province of Nova Scotia (Department of Natural Resources) to remediate the ScoZinc mine facility to an agreed status at the end of the mining operations at the site; as a result the Company is required to make reclamation deposits in respect of this obligation. As at September 30, 2019, a \$2,837,885 (December 31, 2018 – \$2,813,826) cash bond, including accrued interest, is posted with the Province of Nova Scotia.

In addition, the Company has a reclamation bond with the Nova Scotia Department of Environment for \$188,583 (December 31, 2018 – \$187,026), including accrued interest, which is required to address the potential replacement of domestic water supplies that could potentially be downgraded by mining operations.

Nova Scotia Business Inc. holds a reclamation bond in the amount of \$100,000 (December 31, 2018 - \$100,000) in relation to the land, which the Company leases from the organization in Sheet Harbour. The bond will be held until the current lease agreement expires on April 1, 2028.

# ScoZinc Mining Ltd.

## NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019 (EXPRESSED IN CANADIAN DOLLARS) (UNAUDITED)

### 4. ACCOUNTS RECEIVABLE AND PREPAID EXPENSES

	September 30, 2019	December 31, 2018
Refundable GST/HST	\$ 188,503	\$ 128,959
Prepaid expenses	53,027	20,489
	<b>\$ 241,530</b>	<b>\$ 149,448</b>

### 5. PROPERTY, PLANT AND EQUIPMENT

	Mine Plant, Equipment and Land	Exploration Field Equipment	Total
<b>Cost</b>			
Balance, December 31, 2018	\$ 9,289,141	\$ 836,641	\$10,125,782
Additions	18,000	-	18,000
<b>Balance, September 30, 2019</b>	<b>\$ 9,307,141</b>	<b>\$ 836,641</b>	<b>\$10,143,782</b>
<b>Accumulated Amortization</b>			
Balance, December 31, 2018	1,204,632	836,641	2,041,270
Amortization	125,876	-	125,876
<b>Balance, September 30, 2019</b>	<b>\$ 1,330,508</b>	<b>\$ 836,641</b>	<b>\$ 2,167,146</b>
Net Book Value, December 31, 2018	\$ 8,102,509	\$ -	\$ 8,102,512
<b>Net Book Value, September 30, 2019</b>	<b>\$ 7,976,633</b>	<b>\$ -</b>	<b>\$ 7,976,636</b>

### 6. EXPLORATION AND EVALUATION ASSETS

#### Scozinc Projects, Nova Scotia

As part of the business combination with ScoZinc Limited on May 31, 2011, the Company acquired 100% of the Scotia Mine and several other mineral resource prospects in Halifax, Nova Scotia. The properties are comprised of exploration licences and a mineral property lease that provides for zinc and lead exploration and development.

The following is a continuity of the Company's Projects:

Balance, December 31, 2017	\$ 6,084,995
Additions	949,772
Balance, December 31, 2018	7,034,767
Additions	107,008
<b>Balance, September 30, 2019</b>	<b>\$ 7,141,775</b>

# ScoZinc Mining Ltd.

## NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019 (EXPRESSED IN CANADIAN DOLLARS) (UNAUDITED)

### 7. RIGHT-OF-USE ASSETS

IFRS 16 - right-of-use asset recognition	\$	95,780
<b>Right-of-use assets at January 1, 2019</b>		<b>95,780</b>
Depreciation		(7,766)
<b>Balance, September 30, 2019</b>	<b>\$</b>	<b>88,014</b>

Right-of-use assets consist of the operating lease for the Company's Sheet Harbour Port facilities and are amortized over a period of 111 months.

#### Maturity Analysis - Contractual Undiscounted Cash Flows

As at September 30, 2019		
Less than one year	\$	16,000
Greater than one year		120,000
<b>Total undiscounted lease obligation</b>	<b>\$</b>	<b>136,000</b>

### 8. LEASE LIABILITIES

At the commencement date of the leases, the lease liability was measured at the present value of the lease payments that were not paid at that date. The lease payments are discounted using an interest rate of 10%, which is the Company's incremental borrowing rate. The continuity of the lease liabilities are presented in the table below:

Balance, December 31, 2018	\$	-
Additions		95,780
Interest expense		1,576
Lease payments		(11,997)
<b>Balance, September 30, 2019</b>	<b>\$</b>	<b>85,359</b>

As at September 30, 2019		
Less than one year	\$	14,545
Greater than one year		70,814
<b>Total lease obligation</b>	<b>\$</b>	<b>85,359</b>

### 9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	September 30, 2019	December 31, 2018
Trade payables	\$ 151,136	\$ 410,897
Accrued expenses	17,950	39,000
	<b>\$ 169,086</b>	<b>\$ 449,897</b>

### 10. DECOMMISSIONING LIABILITY

As part of the acquisition of ScoZinc in 2011, the Company assumed an environmental provision of \$2,600,000. The Company has agreed with the Province of Nova Scotia (Department of Natural Resources) to remediate the Scotia Mine facility to an agreed status at the completion of the mining operations at the site. The Company believes that the reclamation of the mine site will cost \$2,600,000. As the Scotia Mine facility is currently not in production and under care and maintenance, the Company has accrued the full amount potentially due.

# ScoZinc Mining Ltd.

## NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019 (EXPRESSED IN CANADIAN DOLLARS) (UNAUDITED)

### 11. SHARE CAPITAL

(a) AUTHORIZED

Unlimited number of common shares without par value  
Unlimited number of Class A preferred shares with no par value  
Unlimited number of Class B preferred shares with a par value of \$10 per share

(b) ISSUED - COMMON SHARES

	Shares	Amount
Balance, December 31, 2017	3,941,045	\$ 80,251,853
Private placements, net of costs	1,324,999	1,424,745
Issuance of warrants on private placement	-	(318,006)
<b>Balance, September 30, 2018</b>	<b>5,266,044</b>	<b>\$ 81,358,592</b>
<b>Balance, December 31, 2018</b>	<b>5,266,044</b>	<b>\$ 81,358,592</b>
Private placement, net of costs	4,350,000	1,776,435
Issuance of warrants on private placement	-	(698,455)
Issuance of broker warrants on private placement	-	(4,684)
Issued on settlement of debt	485,416	210,469
<b>Balance, September 30, 2019</b>	<b>10,101,460</b>	<b>\$ 82,642,357</b>

On April 10, 2019, the Company closed a non-brokered private placement financing for aggregate gross proceeds of \$550,000. The offering consisted of the sale of 1,100,000 Units at a price of \$0.50 per Unit where a Unit consists of one common share and one half warrant exercisable for two years at a price of \$0.75 per common share. Additionally, 37,000 broker warrants were issued under the same terms. Total cash costs of issue were \$35,000.

The fair value of the 550,000 warrants issued in conjunction with this private placement is \$69,630, as calculated using the Black-Scholes option pricing model with the following assumptions: a 24 months expected life; share price of \$0.45; 77.30% expected volatility; risk free interest rate of 1.58%; and an expected dividend yield of 0%. Volatility is calculated based on the changes in historical stock prices over the expected life of the warrants.

The fair value of the 37,000 broker warrants issued in conjunction with this private placement is \$4,684, as calculated using the Black-Scholes option pricing model with the following assumptions: a 24 months expected life; share price of \$0.45; 77.30% expected volatility; risk free interest rate of 1.58%; and an expected dividend yield of 0%. Volatility is calculated based on the changes in historical stock prices over the expected life of the warrants.

On June 25, 2019, the Company issued an aggregate of 391,666 common shares at a deemed price of \$0.40 per common share, in consideration for the settlement of a total of \$156,666 in accrued liabilities as follows: \$40,000 owing to the Company's CEO, and \$33,000 owing to each of two directors (Mr. Hopkins and Mr. Montpellier). As a result of the excess of the fair value of the shares issued over the debt settled, the Company recognized a \$19,584 loss on settlement of debt on the Company's condensed interim consolidated interim statements of loss and comprehensive loss.

On August 2, 2019, the Company issued 93,750 common shares at a deemed price of \$0.40 per common share, in consideration for the settlement of \$37,500 in accrued directors fees owing to Mr. Victor Lazarovici. As a result of the deficiency of the fair value of the shares issued over the debt settled, the Company recognized a \$3,281 gain on settlement of debt on the Company's condensed interim consolidated interim statements of loss and comprehensive loss.

# ScoZinc Mining Ltd.

## NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019 (EXPRESSED IN CANADIAN DOLLARS) (UNAUDITED)

### 11. SHARE CAPITAL (Continued)

On August 20, 2019, the Company closed the first tranche of a non-brokered private placement financing for aggregate gross proceeds of \$500,000. The offering consisted of the sale of 1,250,000 Units at a price of \$0.40 per Unit where a Unit consists of one common share and one warrant exercisable for two years at a price of \$0.55 per common share. Total cash costs of issue were \$16,939.

The fair value of the 1,250,000 warrants issued in conjunction with this private placement is \$181,625, as calculated using the Black-Scholes option pricing model with the following assumptions: a 24 months expected life; share price of \$0.395; 84.62% expected volatility; risk free interest rate of 1.34%; and an expected dividend yield of 0%. Volatility is calculated based on the changes in historical stock prices over the expected life of the warrants.

On September 20, 2019, the Company closed the second tranche of a non-brokered private placement financing for aggregate gross proceeds of \$800,000. The offering consisted of the sale of 2,000,000 Units at a price of \$0.40 per Unit where a Unit consists of one common share and one warrant exercisable for two years at a price of \$0.55 per common share. Total cash costs of issue were \$21,625.

The fair value of the 2,000,000 warrants issued in conjunction with this private placement is \$447,200, as calculated using the Black-Scholes option pricing model with the following assumptions: a 24 months expected life; share price of \$0.51; 85.54% expected volatility; risk free interest rate of 1.57%; and an expected dividend yield of 0%. Volatility is calculated based on the changes in historical stock prices over the expected life of the warrants.

### 12. SHARE BASED PAYMENTS

#### a) Stock Option Plan

A stock option plan ("Plan") was established to provide incentive to qualified parties to increase their proprietary interest in the Company and thereby encourage their continuing association with the Company. Each year, shareholders of the Company approve the Plan at the Annual General Meeting. The Plan provides that the Board of Directors of the Company may from time to time, in its discretion, grant to directors, officers, employees and consultants of the Company, or any subsidiary of the Company, the option to purchase common shares. The Plan provides for a floating maximum limit of 10% of the outstanding common shares of the common shares as permitted by the policies of the TSX-V. Options under the Plan have five-year terms with vesting as determined by the Board.

Share option activity for the nine months ended September 30, 2019 and 2018 are as follows:

	Number of Stock Options Outstanding	Weighted Average Exercise Price (\$)
Balance - December 31, 2017 and June 2018	339,000	1.40
Balance - December 31, 2018	339,000	1.40
Granted	405,000	0.51
<b>Balance - September 30, 2019</b>	<b>744,000</b>	<b>2.79</b>

On July 3, 2019, the Company granted 280,000 options to purchase common shares of the Company to officers, directors, employees and consultants. Each option is exercisable at a price of \$0.45 for a five-year term. 225,000 of the options were granted to directors and officers of the Company. A fair value of \$106,960 was assigned to these options, estimated using the Black-Scholes valuation model with the following weighted average assumptions: dividend yield 0%, share price of \$0.45 expected volatility 126.63% a risk-free rate of return 1.41% and expected life of 5 years. All options vested upon grant.

# ScoZinc Mining Ltd.

## NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019 (EXPRESSED IN CANADIAN DOLLARS) (UNAUDITED)

### 12. SHARE BASED PAYMENTS (Continued)

#### a) Stock Option Plan (Continued)

On August 20, 2019, the Company granted 50,000 options to purchase common shares of the Company to the Company's new CEO. Each option is exercisable at a price of \$0.75 for a five year term. A fair value of \$15,495 was assigned to these options, estimated using the Black-Scholes valuation model with the following weighted average assumptions: dividend yield 0%, share price of \$0.395 expected volatility 124.64% a risk-free rate of return 1.19% and expected life of 5 years. All options vested upon grant.

On August 20, 2019, the Company granted 50,000 options to purchase common shares of the Company to the Company's new CEO. Each option is exercisable at a price of \$0.60 for a five year term. A fair value of \$15,915 was assigned to these options, estimated using the Black-Scholes valuation model with the following weighted average assumptions: dividend yield 0%, share price of \$0.395 expected volatility 124.64% a risk-free rate of return 1.19% and expected life of 5 years. All options vested upon grant.

On August 20, 2019, the Company granted 14,000 and 11,000 options to purchase common shares of the Company to the Company's new CEO and a new director, respectively. Each option is exercisable at a price of \$0.45 for a five year term. A fair value of \$8,205 was assigned to these options, estimated using the Black-Scholes valuation model with the following weighted average assumptions: dividend yield 0%, share price of \$0.395 expected volatility 124.64% a risk-free rate of return 1.19% and expected life of 5 years. All options vested upon grant.

The following table summarizes information about stock options outstanding as at September 30, 2019:

Number of Options Outstanding	Expiry Date	Exercise Price (\$)	Weighted Average Remaining Contractual Life (years)	Number of Options Vested (Exercisable)
99,000	February 19, 2020	2.01	0.39	99,000
33,000	August 25, 2020	1.35	0.90	33,000
207,000	July 13, 2022	1.11	2.79	207,000
50,000	August 20, 2024	0.75	4.89	50,000
50,000	August 20, 2024	0.60	4.89	50,000
25,000	August 20, 2024	0.45	4.89	25,000
280,000	July 3, 2024	0.45	4.76	280,000
744,000		2.79	3.48	744,000

# ScoZinc Mining Ltd.

## NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019 (EXPRESSED IN CANADIAN DOLLARS) (UNAUDITED)

### 12. SHARE BASED PAYMENTS (Continued)

#### b) Warrants

The following table reflects the continuity of warrants for the nine months ended September 30, 2019 and 2018:

	Number of Warrants Outstanding	Weighted Average Exercise Price
Balance - December 31, 2017 and September 30, 2018	-	\$ -
Balance - December 31, 2018	1,060,000	\$ 1.50
Warrants issued on private placement	3,800,000	\$ 0.58
Broker warrants issued on private placement	37,000	\$ 0.75
<b>Balance - September 30, 2019</b>	<b>4,897,000</b>	<b>\$ 0.78</b>

The following table summarizes information about warrants outstanding as at September 30, 2019:

Number of Warrants Outstanding	Expiry Date	Exercise Price (\$)	Weighted Average Remaining Contractual Life (years)	Number of Warrants (Exercisable)
560,000	June 18, 2020	1.50	0.72	560,000
500,000	July 18, 2020	1.50	0.80	500,000
550,000	April 10, 2021	0.75	1.53	550,000
37,000	April 10, 2021	0.75	1.53	37,000
1,250,000	August 20, 2021	0.55	1.89	1,250,000
2,000,000	Sept. 20, 2021	0.55	1.98	2,000,000
4,897,000		0.78	1.64	4,897,000

### 13. COMMITMENTS AND CONTINGENCIES

The Company is committed under the terms of an operating lease for its Sheet Harbour Port facilities at a rate of \$16,000 per annum until April 1, 2028.

### 14. BASIC AND DILUTED LOSS PER SHARE

Basic loss per share is computed using the weighted average number of common shares outstanding during the period. Diluted loss per share, which reflects the maximum possible dilution from the potential exercise of warrants and stock options, is the same as basic loss per share for the period ended. The effect of potential issuances of shares under options and warrants would be anti-dilutive for the nine months ended September 30, 2019 and 2018 as they would decrease the loss per share, consequently the weighted average number of common shares outstanding for basic and diluted are the same.

# ScoZinc Mining Ltd.

## NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019 (EXPRESSED IN CANADIAN DOLLARS) (UNAUDITED)

### 15. RELATED PARTY TRANSACTIONS

All transactions with related parties have occurred in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Except as noted, amounts with related parties are non-interest bearing, unsecured, payable on demand and have arisen from the provision of services and expense reimbursements described.

#### Key Management Personnel Compensation

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
<u>Board of Directors, Officers, and Key Management Personnel</u>				
Remuneration	\$ 64,273	\$ 81,411	\$ 180,348	\$ 254,412
Share-based compensation <sup>1</sup>	125,565	-	125,565	-
	<b>\$ 189,838</b>	<b>\$ 81,411</b>	<b>\$ 305,913</b>	<b>\$ 254,412</b>

<sup>1</sup>Share-based compensation is disclosed in this table based on the fair value of the stock option grant at the date of grant.

During the three and nine months ended September 30, 2019, the Company expensed \$33,495 and \$80,639, respectively (three and nine months ended September 30, 2018 - \$24,176 and \$70,194, respectively) to Marrelli Support Services Inc. ("Marrelli Support") and DSA Corporate Services Inc. (the "DSA"), together known as the "Marrelli Group" for:

- (i) Robert D.B. Suttie, President of Marrelli Support, to act as Chief Financial Officer ("CFO") of the Company;
- (ii) Bookkeeping and office support services;
- (iii) Regulatory filing services; and
- (iv) Corporate secretarial services.

The Marrelli Group is also reimbursed for out of pocket expenses.

As at September 30, 2019, amounts due to related parties totaled \$324,490 (December 31, 2018 - \$279,269) pertaining to amounts payable for key management remuneration, director's fees, support services from the Marrelli Group, and reimbursement of expenses paid on behalf of the Company.

The Company's Chief Executive Officer participated in the February 13, 2018 non-brokered private placement, acquiring 35,000 common shares for \$52,500.

See also note 11(b)

The above noted transactions are in the normal course of business and are measured at the exchange amount, as agreed to by the parties, and approved by the Board of Directors in strict adherence to conflict of interest laws and regulations.

# **ScoZinc Mining Ltd.**

## **NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019**

**(EXPRESSED IN CANADIAN DOLLARS)**

**(UNAUDITED)**

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### **16. SUBSEQUENT EVENTS**

On October 7, 2019, the Company announced it had appointed Mr. Jason Baker as its new Mine Manager and also appointed Mr. Candrea as its new Vice-President of Investor Relations. Pursuant to the Company's Stock Option Plan, the Board of Directors has granted Mr. Baker 20,000 Stock Options in the Company at an exercise price of \$0.60 each. All Mr. Baker's Options have a 5-year expiry term and vest in equal installments each year over a 3-year period. Additionally, the Board of Directors granted Mr. Candrea 25,000 Stock Options in the Company as follows: 9,000 Options at an exercise price of \$0.45 each; 9,000 Options at an exercise price of \$0.60 each; and 7,000 Options at an exercise price of \$0.75 each. All of Mr. Candrea's Options have a 5-year expiry term, with 25% of each grant vesting immediately, and the remainder vesting in 25% increments every six months thereafter.