SCOZINC MINING LTD.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

(EXPRESSED IN CANADIAN DOLLARS)

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Scozinc Mining Ltd. ("the Company") were prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the consolidated financial statements. Management acknowledges responsibility for the preparation and presentation of the annual consolidated financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Corporation's circumstances. In the opinion of management, the consolidated financial statements have been prepared within acceptable limits of materiality using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances.

Management has established processes which are in place to provide them sufficient knowledge to support management representations that they have exercised reasonable diligence that (i) the consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the consolidated financial statements and (ii) the consolidated financial statements fairly present in all material respects the financial condition, financial performance and cash flows of the Corporation, as of the date of and for the periods presented by the consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the consolidated financial statements together with other financial information of the Corporation and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the consolidated financial statements together with other financial information of the Corporation. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the consolidated financial statements together with other financial information of the Corporation for issuance to the shareholders.

Management recognizes its responsibility for conducting the Corporation's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

"Joseph Ringwald"	*"Robert D.B.Suttie"*
Chief Executive Officer	**Chief Financial Officer**

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of ScoZinc Mining Ltd.

We have audited the accompanying consolidated financial statements of ScoZinc Mining Ltd., which comprise the consolidated statements of financial position as at December 31, 2016 and December 31, 2015, the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of ScoZinc Mining Ltd. as at December 31, 2016 and December 31, 2015, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Professional Accountants

May 1, 2017
Vancouver, Canada

ScoZinc Mining Ltd.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(EXPRESSED IN CANADIAN DOLLARS)

As at December 31,		2016		2015
ASSETS				
Current				
Cash and cash equivalents (Note 3)	$	**2,046,463**	$	3,030,031
Amounts receivable and prepaid expenses (Note 6)		**132,621**		102,526
Marketable securities (Note 4)		**151,549**		101,033
		2,330,633		3,233,590
Deposit		**24,375**		24,375
Cash held for reclamation (Note 5)		**3,050,537**		3,017,334
Property, plant and equipment (Note 7)		**8,083,566**		8,253,149
Exploration and evaluation assets (Note 8)		**5,816,487**		5,733,008
		16,974,965		17,027,866
	$	**19,305,598**	$	20,261,456
LIABILITIES				
Current				
Accounts payable and accrued liabilities (Note 9)	$	**70,157**	$	87,021
Amounts payable to related parties (Note)		**61,794**		64,931
		131,951		151,952
Decommissioning liability (Note 10)		**2,600,000**		2,600,000
		2,731,951		2,751,952
EQUITY				
Share capital (Note 11)		**80,251,853**		80,251,853
Contributed surplus		**350,442**		312,681
Deficit		**(64,028,648)**		(63,055,030)
		16,573,647		17,509,504
	$	**19,305,598**	$	20,261,456

Nature and Continuance of Operations (Note 1)
Commitments (Note 15)
Contingency (Note 13)
Subsequent Events (Note 20)

Approved on Behalf of the Board:

"Victor Lazarovici"
Director

"Jeremy Link"
Director

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

ScoZinc Mining Ltd.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(EXPRESSED IN CANADIAN DOLLARS)

For the Years Ended December 31,	2016	2015
EXPENSES		
Salaries and benefits	**$ 453,720**	$ 590,778
Rent and office services	**149,022**	324,916
Legal and accounting fees	**142,309**	251,630
Investor relations	**22,222**	30,892
Amortization (Note 7)	**166,635**	166,634
Consulting	**83,084**	113,808
Share-based payments (Note 12)	**37,761**	312,681
Business development	**990**	56,775
Regulatory fees	**26,157**	32,174
Net loss before interest and other items:	**(1,081,900)**	(1,880,288)
Interest income (Note 3)	**57,766**	77,757
Fair value adjustment on marketable securities	**50,516**	(50,517)
NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD	**$ (973,618)**	$ (1,853,048)
Basic and diluted loss per share (Note 14)	**$ (0.25)**	$ (0.47)
Weighted average number of shares outstanding - basic and diluted	**3,941,045**	3,941,045

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

ScoZinc Mining Ltd.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(EXPRESSED IN CANADIAN DOLLARS, EXCEPT SHARE AMOUNTS)

	Number of Shares	Amount	Contributed Surplus	Deficit	Total
Balance, December 31, 2014	3,941,045	$ 80,251,853	$ -	$(61,201,982)	$ 19,049,871
Stock-based compensation	-	-	312,681	-	312,681
Loss for the year	-	-	-	(1,853,048)	(1,853,048)
Balance, December 31, 2015	3,941,045	80,251,853	312,681	(63,055,030)	17,509,504
Stock-based compensation	-	-	37,761	-	37,761
Loss for the year	-	-	-	(973,618)	(973,618)
Balance, December 31, 2016	**3,941,045**	**$ 80,251,853**	**$ 350,442**	**$(64,028,648)**	**$ 16,573,647**

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

ScoZinc Mining Ltd.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(EXPRESSED IN CANADIAN DOLLARS)

For the Years Ended December 31,	2016	2015
CASH (USED IN) PROVIDED BY:		
OPERATING ACTIVITIES		
Net loss for the year:	$ (973,618)	$ (1,853,048)
Amortization	166,635	166,634
Share-based payments	37,761	312,681
Fair value adjustment on marketable securities	(50,516)	50,517
Accrued interest income	(57,766)	(77,757)
	(877,504)	(1,400,973)
Net change in non-cash working capital:		
Amounts receivable and prepaid expenses	(30,095)	42,125
Accounts payable and accrued liabilities	(16,864)	(10,247)
Amounts payable to related parties	(3,137)	42,989
	(927,600)	(1,326,106)
Interest received	24,563	42,750
	(903,037)	(1,283,356)
INVESTING ACTIVITIES		
Exploration and evaluation assets	(83,479)	(341,238)
Increase in cash held for reclamation	-	2,179
Disposal of property, plant and equipment	2,948	-
	(80,531)	(339,059)
CHANGE IN CASH	(983,568)	(1,622,415)
CASH, BEGINNING OF YEAR	3,030,031	4,652,446
CASH, END OF YEAR	$ 2,046,463	$ 3,030,031

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Scozinc Mining Ltd. (the “Company” or “ScoZinc”), and its subsidiary (collectively, the “Group”) is engaged in zinc and lead mining and related activities, including the exploration and evaluation of mineral property interests that are considered to have the potential for economic mineralization. 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 1YO.

Pursuant to shareholder approval received in June 2015, the Company changed its name to ScoZinc Mining Ltd. effective October 1, 2015, at which time it began trading on the TSX Venture Exchange under the symbol SZM.

The 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 $ 973,618 for the year ended December 31, 2016 (2015 - $11,853,058), and as of that date has an accumulated deficit of $64,028,648 (2015 - $63,055,030). As at December 31, 2016, cash and cash equivalents amounted to $2,046,463 (2015 - $3,030,031) with working capital of $2,198,682 (2015 - $3,081,638), which provides sufficient resources to meet its obligations for the next twelve months, based on normal course planned business operations. This assessment is based on the Company's budget, its available cash and cash equivalents and the extent of expenditures that are discretionary in nature, and which can be deferred as required without significant impact to the Company.

In light of the current uncertain environment for metal prices and mine development financing, the Board of Directors (the “Board”) does not believe that it is in the best interest of the Company to proceed with the restart of the ScoZinc Project at this time. The Board has authorized a small work program necessary to complete work under progress and to keep the project on care and maintenance in order to preserve its value. The Board will continue to monitor market conditions for the potential restart of the ScoZinc Mine until such a time that the outlook improves.

The Board will also continue to pursue other avenues to maximize the value of the ScoZinc Project, including, but not limited to, possible sale, joint venture or other transactions with third parties. The Company cautions that there are no assurances that any strategic alternative will be undertaken or pursued.

Statement of Compliance

These consolidated financial statements of the Company, including comparatives, have been prepared in accordance with IFRS as issued by the International Accounting Standards Board.

These consolidated financial statements were authorized for issuance by the Board of Directors of the Company on May 1, 2017.

Basis of Measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following material item in the statement of financial position:

- financial instruments at fair value through profit or loss are measured at fair value.
- exploration and evaluation assets and property, plant and equipment relating to the ScoZinc Project have been written down in prior years to the estimated recoverable amount.

Functional and Presentation Currency

The consolidated financial statements are presented in Canadian Dollars, which is the functional and presentation currency of the Company and its subsidiary.

1. NATURE AND CONTINUANCE OF OPERATIONS (Continued)

Use of Estimates and Judgments

The preparation of the consolidated financial statements requires management to make estimates, judgements and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and the disclosure of any contingent assets and liabilities as at the date of the financial statements, as well as the reported expenses incurred during the year. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in the following:

- going concern assessment
- impairment of exploration and evaluation assets, and property, plant and equipment

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following:

– decommissioning liabilities
– recoverability of exploration and evaluation assets, and property, plant and equipment
– recoverability of deferred tax assets

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies of the Company include the following and have been applied consistently to all periods presented.

Basis of Consolidation

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

(i) Business Combinations

A business combination is a transaction or other event in which control over one or more businesses is obtained. A business is an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefits.

Business acquisitions are accounted for using the acquisition method whereby acquired assets and liabilities are recorded at fair value as of the date of acquisition with the excess of the purchase consideration over such fair value being recorded as goodwill and allocated to cash generating units. If the fair value of the net assets acquired exceeds the purchase consideration, the difference is recognized immediately as a gain in the consolidated statement of comprehensive income (loss). Acquisition related costs are expensed during the period in which they are incurred. If the assets acquired are not a business, the transaction is accounted for as an asset acquisition.

(ii) Subsidiary

A subsidiary is an entity controlled by the Company. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of a subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign Currency Transactions

Transactions in foreign currency are translated to the respective functional currencies of Company entities at the exchange rate in effect at the transaction date. Monetary assets and liabilities denominated in other than the functional currency are translated at the exchange rate in effect at the date of the statements of financial position. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognized in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Financial Instruments

(i) Non-Derivative Financial Assets

The Company initially recognizes loans and receivables on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company has the following non-derivative financial assets: financial assets at fair value through profit or loss, and loans and receivables:

Financial Assets at Fair Value Through Profit or Loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's risk management or investment strategy. Attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss. The Company has classified its marketable securities as held for trading and as such are financial assets at fair value through profit and loss.

Loans and Receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Loans and receivables comprise of cash and cash equivalents, amounts receivable, deposits, and cash held for reclamation.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments (Continued)

(i) Non-Derivative Financial Assets (Continued)

Cash and Cash Equivalents

Cash and cash equivalents include cash held at a major financial institution and invested in accounts which are available on demand by the Company. Cash equivalents are highly liquid instruments with a maturity date of three months or less after the purchase date. Cash and cash equivalents are stated at cost, which approximates fair value.

(ii) Non-Derivative Financial Liabilities

Financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade date, which is the date the Group becomes a party to the contractual provisions of the instrument.

The Group derecognizes a financial liability when its contractual obligations are discharged, or cancelled or expire.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

Other financial liabilities comprise amounts payable to related parties and accounts payable and accrued liabilities.

(iii) Share Capital

Common Shares

Common shares are classified as equity. Common shares or securities issued for non-monetary consideration are recorded at their fair market value as determined by the Board of Directors of the Company, based on the trading price of the shares. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

Warrants

Warrants for the purchase of the Company's common shares are classified as equity. Warrant consideration issued for assets acquired or expenses incurred is measured at fair value and recorded in reserves.

Flow-Through Shares

Under the Canadian Income Tax Act, an enterprise may issue securities referred to as flow-through shares, whereby the investor may claim the tax deductions arising from qualifying expenditures that the Company made with the proceeds. The increase to share capital when flow-through shares are issued is measured based on the current market price of common shares. The incremental proceeds, or "premium," are recorded as a deferred credit. When expenditures are renounced, a deferred tax liability is recognized and the deferred credit is reversed. The net amount is recognized as a deferred income tax recovery.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Exploration and Evaluation Assets

The cost of acquiring mineral properties and related exploration and evaluation expenditures are deferred until the properties are placed into production, sold or abandoned. These deferred costs will be amortized over the estimated useful life of the properties following the commencement of production or written off if the properties are sold, allowed to lapse or abandoned. Costs incurred prior to obtaining the right to explore are expensed as incurred.

Cost includes any cash consideration and advance royalties paid and the fair market value of shares issued on the acquisition of property interests. Costs also include, but are not exclusive to, acquisition of rights to explore, topographical, geological, geochemical and geophysical studies, exploratory drilling, trenching and sampling as well as depreciation related to exploration field equipment and employee compensation costs attributed to exploration activities. Properties acquired under option agreements, whereby payments are made at the sole discretion of the Company, are recorded in the accounts when the payments are made. The recorded amounts of property acquisition costs and their related deferred exploration costs represent actual expenditures incurred and are not intended to reflect present or future values.

Although the Company has taken steps to verify title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property may be subject to unregistered prior agreements or inadvertent non-compliance with regulatory requirements.

Mineral property interests are assessed for impairment when facts and circumstances suggest that the carrying amount of a mineral property interest may exceed its recoverable amount. An impairment review is undertaken when indicators of impairment arise but normally when one of the following conditions applies:

- the right to explore in the specific area has expired or will expire in the near future;
- substantive expenditure on further exploration and evaluation activities in the specific areas are neither budgeted nor planned;
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; and
- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

Loss Per Share

The Company presents basic and diluted loss per share data for its common shares. Basic loss per share is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period, adjusted for own shares held. Diluted loss per share is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for own shares held, for the effects of all dilutive potential common shares, which comprise share options granted to employees and warrants.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-Based Payments

The Company records compensation expense associated with share awards and share options granted to directors and employees at fair value and records the expense over the vesting period and is recognized when services are received. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. The fair value at the grant date of share options is calculated using the Black-Scholes valuation model.

The compensation expense is allocated to operations or capitalized to exploration and evaluation assets, depending on the nature of the services performed.

Consideration received on the exercise of share options is recorded as share capital and the reserves, recognized initially as the options vested with the recipient, are transferred to share capital, as are reserves amounts applicable to warrants that are exercised.

Income Taxes

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

(i) Recognition and Measurement

On initial recognition, property, plant and equipment are valued at cost, being the purchase price and directly attributable cost of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company, including appropriate borrowing costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within provisions.

Property, plant and equipment is subsequently measured at cost less accumulated depreciation and accumulated impairment losses, with the exception of land which is not depreciated.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gains or loss on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized net within other income in profit or loss.

(ii) Subsequent Costs

The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. Ongoing maintenance of property, plant and equipment are recognized in profit or loss as incurred.

(iii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Land typically has an unlimited useful life and is not depreciated.

For exploration field equipment and vehicles, depreciation is included as part of exploration and evaluation assets. Assets under construction are depreciated when they are capable of being put into production in their intended use.

The estimated useful lives for the current and comparative periods are as follows:

	Useful life
Computer equipment	5 years
Furniture and fixtures	10 years
Field equipment	5 years
Mining property and equipment	Life of mine

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provisions

Provisions are recognized where a legal or constructive obligation has been incurred as a result of past events, it is probable that an outflow of resources embodying economic benefit will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. If material, provisions are measured at the present value of the expenditures expected to be required to settle the obligation. The increase in any provision due to passage of time is recognized as a finance cost.

Decommissioning Liability

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development or ongoing production of mineral property interests. A liability is recognized in the period in which it is incurred and when a reliable estimate of the fair value of the liability can be made. The costs are amortized to profit or loss over the life of the related asset. The initial fair value of the liability is adjusted each period for the unwinding of the discount cost.

Transaction Costs

Transaction costs for assets and liabilities classified as held-for-trading are expensed as incurred.

Impairment

(i) Non-Financial Assets

The carrying amounts of non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

The recoverable amount of an asset or cash-generating unit is the greater of fair value less costs to sell and its 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 the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the “cash-generating unit, or CGU”).

The Company’s corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss is reversed when there is an indication that the impairment loss may no longer exist. The maximum amount of the reversal is the lower of the amount necessary to bring the carrying amount of the asset to its recoverable amount; and the amount necessary to restore the assets of the cash generating unit to their carrying amount prior to impairment.

For the years ended December 31, 2016 and 2015, no impairment charges , or reversals were recorded.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment (Continued)

(ii) Financial Assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of the asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost, this reversal is recognized in profit and loss.

Finance Income and Finance Costs

Finance income comprises interest on funds invested. Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, and impairment losses recognized on financial assets. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

Future Accounting Pronouncements

The following standards have not yet been adopted and are being evaluated to determine their impact on the Company.

(i) In July 2014, the IASB issued the final version of IFRS 9, Financial Instruments (“IFRS 9”) which will replace IAS 39, Financial Instruments (“IAS 39”). This standard is effective for annual periods beginning on or after January 1, 2018, and permits early adoption. IFRS 9 provides a revised model for recognition and measurement of financial instruments with two classification categories: amortized cost and fair value. As well, under the new standard a single impairment method is required, replacing the multiple impairment methods in IAS 39. IFRS 9 also includes a substantially reformed approach to hedge accounting that aligns accounting more closely with risk management.

(ii) In January 2016, the IASB issued IFRS 16, Leases (IFRS 16). IFRS 16 is effective for periods beginning on or after January 1, 2019, with early adoption permitted. IFRS 16 eliminates the current dual model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. The extent of the impact of adoption of IFRS 16 has not yet been determined.

There are no other relevant IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

(EXPRESSED IN CANADIAN DOLLARS)

3. CASH AND CASH EQUIVALENTS

Cash at banks earns interest at floating tiered rates based on minimum and average monthly bank balances.

4. MARKETABLE SECURITIES

Marketable securities are classified as fair value through profit and loss and consist of 10,103,334 common shares of Savant Explorations Ltd. ("Savant"). The fair value of this investment is adjusted at each reporting period, which is determined directly by reference to published price quotations in an active market. For the year ended December 31, 2016, the fair value of the investment increased by $50,516 (2015 a decline of $50,517), and the change was recorded in the consolidated statements of loss and comprehensive loss.

5. CASH HELD FOR RECLAMATION

The Group 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 Group is required to make reclamation deposits in respect of this obligation. As at December 31, 2016, a $2,767,427 (2015 – $2,736,236) 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 $183,110 (December 31, 2015 – $181,100), 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 (2015 - $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, 2018.

6. ACCOUNTS RECEIVABLE AND PREPAID EXPENSES

		2016		2015
GST/HST receivable	**$**	**101,531**	$	55,459
Prepaid expenses		**31,090**		47,067
	$	**132,621**	$	102,526

(EXPRESSED IN CANADIAN DOLLARS)

7. PROPERTY, PLANT AND EQUIPMENT

	Mine Plant, Equipment and Land	Exploration Field Equipment	Total
Cost			
Balance, December 31, 2014	$ 8,957,875	$ 836,641	$ 9,794,516
Additions	-	-	-
Balance, December 31, 2015	8,957,875	836,641	9,794,516
Disposals	(2,948)	-	(2,948)
Balance, December 31, 2016	**$ 8,954,927**	**$ 836,641**	**$ 9,791,568**
Accumulated Amortization			
Balance, December 31, 2014	$ 538,092	$ 836,641	$ 1,374,733
Amortization	166,634	-	166,634
Balance, December 31, 2015	704,726	836,641	1,541,367
Amortization	166,635	-	166,635
Balance, December 31, 2016	**$ 871,361**	**$ 836,641**	**$ 1,708,002**
Net Book Value, December 31, 2015	$ 8,253,149	$ -	$ 8,253,149
Net Book Value, December 31, 2016	**$ 8,083,566**	**$ -**	**$ 8,083,566**

8. EXPLORATION AND EVALUATION ASSETS

ScoZinc Project, Nova Scotia

As part of the business combination with ScoZinc Limited on May 31, 2011, the Company acquired 100% of the Gays River and Getty Deposit located approximately 60 kilometres northeast of Halifax, Nova Scotia. The properties are comprised of exploration licences and a mineral property lease that provides for zinc and lead exploration.

The following is a continuity of the Company's ScoZinc project:

Balance, December 31, 2014	$ 5,391,770
Additions	341,238
Balance, December 31, 2015	5,733,008
Additions	83,479
Balance, December 31, 2016	**$ 5,816,487**

(EXPRESSED IN CANADIAN DOLLARS)

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		2016		2015
Trade payables	$	**24,544**	$	28,995
Accrued expenses		**45,613**		58,026
	$	**70,157**	$	87,021

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 ScoZinc mine facility to an agreed status at the completion of the mining operations at the site. In concert with the Department of Natural Resources, the Company believes that the reclamation of the mine site will cost $2,600,000. As the ScoZinc mine facility is currently not in production and under care and maintenance, the Company has accrued the full amount potentially due.

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, 2014, 2015 and 2016	**3,941,045**	**$ 80,251,853**

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 current Plan was dated April 25, 2011 and approved on May 11, 2012. These options have five year terms with vesting as determined by the Board. Share option activity for the years ended December 31, 2016 and 2015 are as follows:

(EXPRESSED IN CANADIAN DOLLARS)

12. SHARE BASED PAYMENTS (Continued)

a) Stock Option Plan (Continued)

	Number of Stock Options Outstanding	Weighted Average Exercise Price
Balance - December 31, 2014	-	-
Granted	231,000	1.91
Expired	(66,000)	2.01
Balance - December 31, 2015	**165,000**	**$ 1.88**
Granted	33,000	0.70
Balance - December 31, 2016	**198,000**	**1.68**

On June 28, 2016, the Company granted an aggregate of 33,000 stock options to a director, exercisable at a price of $0.70 for a period of five years. The stock options were valued at the grant date at $19,553, using the Black-Scholes option pricing model, based on a risk-free rate of 0.56%, an expected life of 5 years, an expected volatility of 127% and an expected dividend yield of 0%. The options vest at a rate of 25% on the date of grant, and 25% every six months thereafter.

On February 19, 2015, the Company granted an aggregate of 198,000 stock options to directors and senior officers with an expiry date of February 19, 2020 and an exercise price of $2.01. The stock options were valued at the grant date at $303,178, using the Black-Scholes option pricing model, based on a risk-free rate of 0.75%, an expected life of 5 years, an expected volatility of 104% and an expected dividend yield of 0%. The options vest at a rate of 50% on the date of grant and 25% every six months thereafter.

On August 25, 2015, the Company granted an aggregate of 33,000 stock options to a director, exercisable at a price of $1.35 for a period of five years. The stock options were valued at the grant date at $33,908, using the Black-Scholes option pricing model, based on a risk-free rate of 0.64%, an expected life of 5 years, an expected volatility of 104% and an expected dividend yield of 0%. The options vest at a rate of 25% on the date of grant, and 25% every six months thereafter.

The fair value of options vesting during the year ended December 31, 2016, in the amount of $37,761 (2015 - $312,681) has been recorded in the consolidated statements of loss and comprehensive loss.

On November 25, 2015, 66,000 incentive stock options with an exercise price of $2.01 expired, pursuant to the resignations of two directors of the Company.

The following table summarizes information about stock options outstanding as at December 31, 2016:

Number of Options Outstanding	Expiry Date	Exercise Price ($)	Weighted Average Remaining Contractual Life (years)	Number of Options Vested (Exercisable)
132,000	February 19, 2020	2.01	3.21	132,000
33,000	August 25, 2020	1.35	3.65	24,750
33,000	June 28, 2021	0.70	4.49	16,500
198,000		1.68	3.49	173,250

(EXPRESSED IN CANADIAN DOLLARS)

12. SHARE BASED PAYMENTS (Continued)

b) Warrants

The following table reflects the continuity of warrants for the year ended December 31, 2016 and 2015:

	Number of Warrants Outstanding	Weighted Average Exercise Price
Balance - December 31, 2014, 2015, and 2016	**205,000**	**$ 17.00**

As at December 31, 2016, the following warrants were issued and outstanding:

Expiry Date	Exercise Price	Number of Warrants
April 11, 2017	$ 17.00	205,000

13. CONTINGENCY

On August 18, 2011, the Company engaged First Securities AS ("First") of Oslo, Norway to act as its agent to arrange a minimum of US$30 million of debt financing for the ScoZinc mine project. First terminated the engagement and claims that it is due its costs and a fee of US$1,050,000 because of the termination. Scozinc has paid First costs under the engagement and has informed First that it disputes the claim and that it is not entitled to any fees under the engagement. As of the date of filing these consolidated financial statements, the dispute is a claim and may be settled by arbitration. Management has determined that an outflow of resources is not probable, accordingly, a provision has not been recognized in these consolidated financial statements.

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 year ended. The effect of potential issuances of shares under options and warrants would be anti-dilutive in the years ended December 31, 2016 and 2015 as they would decrease the loss per share, consequently the weighted average number of shares outstanding for basic and diluted are the same.

15. COMMITMENTS

The Company is committed under the terms of various operating leases as follows:

	2017	2018
Harbour lease	$ 6,000	$ 1,500

(EXPRESSED IN CANADIAN DOLLARS)

16. INCOME TAXES

The effective income tax rates differ from Canadian statutory rates for the following reasons:

	2016	2015
Loss before income taxes	**$ 973,618**	$ 1,853,048
Combined federal and provincial rates at expected rates	**31.00%**	30.00%
Expected income tax expense (recovery)	**$ (301,822)**	$ (555,914)
Permanent differences	**11,328**	94,506
Change in unrecognized temporary differences	**408,552**	502,290
Change in expected tax rate	**(113,146)**	-
Other	**(4,912)**	(40,882)
Deferred income tax expense (recovery)	**$ -**	$ -

Deferred tax assets and liabilities are attributable as follows:

	2016	2015
Non-capital loss carryforwards	**$ 1,078,754**	$ 549,918
Property, plant and equipment	**(1,078,754)**	(549,918)
Net deferred tax asset (liability)	**$ -**	$ -

Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	2016	2015
Non-capital losses	**$ 46,209,603**	$ 45,332,590
Mineral properties	**6,125,832**	6,125,832
Other deductible temporary differences	**2,505,368**	2,818,974
	$ 54,840,803	$ 54,277,396

At December 31, 2016, the Group has accumulated non-capital losses of approximately $50 million. The non-capital losses can be carried forward to reduce taxable income derived in future years. These tax losses will expire as follows:

Year of Expiry	Amount
2027	$ 4,127,400
2028	6,613,300
2029	3,122,200
2030	744,714
2031	15,210,973
2032	11,233,033
2033	4,159,612
2034	1,917,673
2035	1,727,721
2036	832,828
	$ 49,689,454

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company has exposure to the following risks from its use of financial instruments:

- Market risk
- Credit risk
- Liquidity risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

Risk Management Framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework and while retaining ultimate responsibility for them, it has delegated the authority for designing policies and systems that ensure the effective execution of the objectives and policies to the Company's finance function.

(a) **Market Risk**

Market risk is the risk that changes in market prices will affect the fair value of future cash flows of a financial instrument. Market prices are comprised of four types of risk: currency risk, interest rate risk, commodity price risk and equity price risk.

Currency Risk

Currency risk is the risk that fluctuation in exchange rates between the Canadian dollar or other foreign currencies will affect the Company's financial results. The Company's operations and financing activities are conducted primarily in Canadian dollars and as a result, it is not exposed to significant foreign currency risk.

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 exposed to interest risk arising primarily from its cash held mainly in short term interest bearing accounts with Canadian chartered banks. The impact of a change in interest rates is not significant.

Commodity Price Risk

The value of the Company's mineral resource properties is related to the price of zinc and the outlook for zinc, however the Company does not currently have an operating mine and does not have any derivative commodity contracts or other commodity based risks in respect of operations.

Equity Price Risk

The Company is exposed to equity price risk due to the investment in Savant common shares (financial assets at fair value through profit and loss) accounted for at fair value.

Savant common shares are listed on the Toronto Venture Exchange. A 10% increase or decrease in the fair value of the investment in Savant common shares, would have increased or decreased the investment and profit or loss by $15,155 (2015 – $10,103).

(EXPRESSED IN CANADIAN DOLLARS)

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

(b) Credit Risk

Credit risk is the risk of an unexpected loss if a third party to a financial instrument fails to meet its contractual obligations. To minimize credit risk, cash is deposited in a Canadian chartered bank and may be redeemed on demand and cash held for reclamation is held by government authorities where credit risk is minimal. Amounts receivable primarily consists of GST/HST refunds amounting to $101,531 (2015 - $55,459) from the Canadian government. The Company monitors the collectability of its amounts receivable and has not had difficulty collecting amounts receivable. Consequently, management considers credit risk to be minimal.

(c) Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses. The Company reviews its expenditure budgets against actual expenditures weekly to ensure there is sufficient working capital to discharge all financial obligations.

The following are the remaining contractual maturities (representing undiscounted contractual cashflows) of financial liabilities, including interest payments:

December 31, 2016	Up to 3 Months	Between 3 and 12 Months	Between 1 and 2 Years	Total
Accounts payables	$ 131,951	$ -	$ -	$ 131,951

December 31, 2015	Up to 3 Months	Between 3 and 12 Months	Between 1 and 2 Years	Total
Accounts payables	$ 151,952	$ -	$ -	$ 151,952

Fair Value of Financial Instruments

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

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are inputs other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly, such as prices, or indirectly (derived from prices).

Level 3 inputs are unobservable and supported by little to no market data.

Marketable securities are classified as held for trading and are carried at their fair values and classified within Level 1 inputs. The fair value of amounts receivable, accounts payable and accrued liabilities, and amounts due to related parties approximate their carrying values due to the short-term nature of these instruments.

When applicable, further information about the assumptions made in determining fair value is disclosed in the notes specific to that asset or liability.

There have been no transfers between fair value levels during the reporting period.

(EXPRESSED IN CANADIAN DOLLARS)

18. CAPITAL MANAGEMENT

The Company manages its capital with the following objectives:

- to ensure sufficient financial flexibility to achieve the ongoing business objectives including funding of future growth opportunities, and pursuit of accretive acquisitions; and
- to maximize shareholder return through enhancing the share value.

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The Company may manage its capital structure by issuing new shares, repurchasing outstanding shares, adjusting capital spending, or disposing of assets. The capital structure is reviewed by management and the Board of Directors on an ongoing basis.

The Company considers its capital to be equity, comprising share capital, contributed surplus and deficit, which at December 31, 2016 totaled $16,573,647 (2015 - $17,509,504). The Company manages capital through its financial and operational forecasting processes. The Company reviews its working capital and forecasts its future cash flows based on operating expenditures, and other investing and financing activities. The forecast is updated based on activities related to its mineral properties. Information is provided to the Board of Directors of the Company. The Company's capital management objectives, policies and processes have remained unchanged during the year ended December 31, 2016. The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than Policy 2.5 of the TSXV Venture Exchange (“TSXV”) which requires adequate working capital or financial resources of the greater of (i) $50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months. As of December 31, 2016, the Company is compliant with Policy 2.5.

19. 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

		2016		2015
Board of Directors, Officers, and Key Management Personnel				
Remuneration	**$**	**189,327**	$	321,017
Share-based compensation		**37,761**		337,086
	$	**227,088**	$	658,103

19. RELATED PARTY TRANSACTIONS (Continued)

During the year ended December 31, 2016, the Company expensed $94,961, (2015 - $91,948) 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, Vice 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 December 31, 2016, amounts due to related parties totaled $61,794 (2015 - $64,931) pertaining to amounts payable for key management remuneration, directors fees, support services from the Marrelli Group, and reimbursement of expenses paid on behalf of the Company.

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.

20. SUBSEQUENT EVENTS

a) On February 22, 2017, the Company sold its investment in Savant Explorations Limited. A total of 10,103,334 common shares were sold for gross proceeds of $202,067.

b) On April 11, 2017, 205,000 warrants with an exercise price of $17.00 expired without exercise.