
SCOZINC MINING LTD.
(Formerly Selwyn Resources Ltd.)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED

SEPTEMBER 30, 2016 AND 2015

(EXPRESSED IN CANADIAN DOLLARS)

(UNAUDITED)

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.

(Formerly Selwyn Resources Ltd.)

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(EXPRESSED IN CANADIAN DOLLARS)

(UNAUDITED)

As at	September 30, 2016	December 31, 2015
ASSETS		
Current		
Cash and cash equivalents	\$ 2,226,861	\$ 3,030,031
Amounts receivable and prepaid expenses (Note 5)	125,162	102,526
Marketable securities (Note 3)	202,066	101,033
	2,554,089	3,233,590
Deposit		
Cash held for reclamation (Note 4)	24,375	24,375
Property, plant and equipment (Note 6)	3,042,236	3,017,334
Exploration and evaluation assets (Note 7)	8,131,786	8,253,149
	5,786,521	5,733,008
	16,984,918	17,027,866
	\$ 19,539,007	\$ 20,261,456
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 8)	\$ 21,549	\$ 87,021
Amounts payable to related parties (Note 15)	32,639	64,931
	54,188	151,952
Decommissioning liability (Note 9)	2,600,000	2,600,000
	2,654,188	2,751,952
EQUITY		
Share capital (Note 10)	80,251,853	80,251,853
Contributed surplus	344,526	312,681
Deficit	(63,711,560)	(63,055,030)
	16,884,819	17,509,504
	\$ 19,539,007	\$ 20,261,456

Nature and Continuance of Operations (Note 1)

Commitments (Note 14)

Contingency (Note 12)

Approved on Behalf of the Board:

"Victor Lazarovici"

Director

"Jeremy Link"

Director

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

ScoZinc Mining Ltd.

(Formerly Selwyn Resources 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,	
	2016	2015	2016	2015
EXPENSES				
Salaries and benefits	\$ 98,704	\$ 154,161	\$ 333,058	\$ 438,164
Rent and office services	21,895	92,433	127,596	260,245
Legal and accounting fees	39,684	177,521	98,633	236,637
Investor relations	11,116	13,335	19,122	26,921
Amortization (Note 6)	41,659	41,658	124,976	124,975
Consulting	14,762	27,353	41,199	87,745
Share-based payments (Note 11)	21,055	52,332	31,845	284,664
Business development	-	14,400	-	56,150
Regulatory fees	3,064	3,104	25,260	30,667
Net loss before interest and other items:	(251,939)	(576,297)	(801,689)	(1,546,168)
Interest income	9,178	17,988	44,126	59,201
Fair value adjustment on marketable securities	101,033	(50,517)	101,033	(50,517)
NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD	\$ (141,728)	\$ (608,826)	\$ (656,530)	\$ (1,537,484)
Basic and diluted loss per share (Note 13)	\$ (0.04)	\$ (0.15)	\$ (0.17)	\$ (0.39)
Weighted average number of shares outstanding - basic and diluted	3,941,045	3,941,045	3,941,045	3,941,045

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

ScoZinc Mining Ltd.

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

	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	-	-	284,664	-	284,664
Loss for the period	-	-	-	(1,537,484)	(1,537,484)
Balance, September 30, 2015	3,941,045	80,251,853	284,664	(62,739,466)	17,797,051
Balance, December 31, 2015	3,941,045	\$ 80,251,853	\$ 312,681	\$(63,055,030)	\$ 17,509,504
Stock-based compensation	-	-	31,845	-	31,845
Loss for the period	-	-	-	(656,530)	(656,530)
Balance, September 30, 2016	3,941,045	\$ 80,251,853	\$ 344,526	\$(63,711,560)	\$ 16,884,819

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

ScoZinc Mining Ltd.

(Formerly Selwyn Resources Ltd.)

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(EXPRESSED IN CANADIAN DOLLARS)

(UNAUDITED)

For the Nine Months Ended September 30,	2016	2015
CASH (USED IN) PROVIDED BY:		
OPERATING ACTIVITIES		
Net loss for the period:	\$ (656,530)	\$ (1,537,484)
Amortization	124,976	124,975
Share-based payments	31,845	284,664
Fair value adjustment on marketable securities	(101,033)	50,517
Accrued interest income	(44,128)	(59,201)
	(644,870)	(1,136,529)
Net change in non-cash working capital:		
Amounts receivable and prepaid expenses	(22,636)	83,378
Accounts payable and accrued liabilities	(65,472)	151,293
Amounts payable to related parties	(32,292)	(9,368)
	(765,270)	(911,226)
Interest received	19,226	34,579
	(746,044)	(876,647)
INVESTING ACTIVITIES		
Exploration and evaluation assets	(53,513)	(293,806)
Acquisition of property, plant and equipment	(3,613)	-
	(57,126)	(293,806)
CHANGE IN CASH	(803,170)	(1,170,453)
CASH, BEGINNING OF PERIOD	3,030,031	4,652,446
CASH, END OF PERIOD	\$ 2,226,861	\$ 3,481,993

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ScoZinc Mining Ltd.

(Formerly Selwyn Resources Ltd.)

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016

(EXPRESSED IN CANADIAN DOLLARS)

(UNAUDITED)

1. NATURE AND CONTINUANCE OF OPERATIONS

Scozinc Mining Ltd. (the “Company” or “ScoZinc”), its subsidiary and its former joint operation (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 1Y0.

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 \$ 656,530 for the nine months ended September 30, 2016 (nine months ended September 30, 2015 - \$1,537,484), and as of that date has an accumulated deficit of \$63,711,560 (December 31, 2015 - \$63,055,030). As at September 30, 2016, cash and cash equivalents amounted to \$2,226,861 (December 31, 2015 - \$3,030,031) with working capital of \$2,499,901 (December 31, 2015 - \$3,081,638), which provides sufficient resources to meet its obligations for the next twelve months, based on normal course planned business operations.

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.

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, 2015.

These condensed interim consolidated financial statements were authorized for issuance by the Board of Directors of the Company on November 21, 2016

ScoZinc Mining Ltd.

(Formerly Selwyn Resources Ltd.)

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016

(EXPRESSED IN CANADIAN DOLLARS)

(UNAUDITED)

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.

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"). This standard is effective for annual periods beginning on or after January 1, 2019, and permits early adoption provided that IFRS 15 is also adopted. The objective of IFRS 16 is to bring all leases on-balance sheet for lessees. IFRS 16 requires lessees to recognize a "right of use" asset and liability calculated using a prescribed methodology.
- (iii) Leases 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.

ScoZinc Mining Ltd.

(Formerly Selwyn Resources Ltd.)

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016 (EXPRESSED IN CANADIAN DOLLARS) (UNAUDITED)

3. 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 three and nine months ended September 30, 2016, the fair value of the investment increased by \$101,033 (three and nine months ended, a decline of \$50,517), and the change was recorded in the consolidated statement of comprehensive loss.

4. 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 September 30, 2016, a \$2,759,631 (December 31, 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 \$182,607 (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 (December 31, 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.

5. ACCOUNTS RECEIVABLE AND PREPAID EXPENSES

	September 30, 2016	December 31, 2015
GST/HST receivable	\$ 90,893	\$ 55,459
Prepaid expenses	34,269	47,067
	\$ 125,162	\$ 102,526

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FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016

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(UNAUDITED)

6. PROPERTY, PLANT AND EQUIPMENT

	Mine Plant, Equipment and Land	Exploration Field Equipment	Total
Cost			
Balance, December 31, 2015	\$ 8,957,875	\$ 836,641	\$ 9,794,516
Additions	3,613	-	3,613
Balance, September 30, 2016	\$ 8,961,488	\$ 836,641	\$ 9,798,129
Accumulated Amortization			
Balance, December 31, 2015	\$ 704,726	\$ 836,641	\$ 1,541,367
Amortization	124,976	-	124,976
Balance, September 30, 2016	\$ 829,702	\$ 836,641	\$ 1,666,343
Net Book Value	\$ 8,131,786	\$ -	\$ 8,131,786

7. EXPLORATION AND EVALUATION ASSETS

ScoZinc Project, Nova Scotia

As part of the business combination with ScoZinc Limited ("ScoZinc") 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	258,346
Balance, September 30, 2015	\$ 5,650,116
December 31, 2015	\$ 5,733,008
Additions	53,513
Balance, September 30, 2016	\$ 5,786,521

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NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016

(EXPRESSED IN CANADIAN DOLLARS)

(UNAUDITED)

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	September 30, 2016	December 31, 2015
Trade payables	\$ 549	\$ 28,995
Accrued expenses	21,000	58,026
	\$ 21,549	\$ 87,021

9. 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.

10. 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, September 30, 2015		
December 31, 2015 and September 2016	3,941,045	\$ 80,251,853

ScoZinc Mining Ltd.

(Formerly Selwyn Resources Ltd.)

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016

(EXPRESSED IN CANADIAN DOLLARS)

(UNAUDITED)

11. 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 one third vesting on the grant date, one third on the first anniversary date and the balance on the second anniversary date from the options grant date. With the approval of the Board of Directors, the vesting period may be reduced.

Share option activity for the nine months ended September 30, 2016 and 2015 are as follows:

	Number of Stock Options Outstanding	Weighted Average Exercise Price
Balance - December 31, 2015	165,000	\$ 1.88
Granted	33,000	0.70
Balance - September 30, 2016	198,000	1.68
Balance - December 31, 2014	-	-
Granted	231,000	1.91
Balance - September 30, 2015	198,000	1.91

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 126.95% and an expected dividend yield of 0%. The options vest in accordance with the Company's vesting policies.

The following table summarizes information about stock options outstanding as at September 30, 2016:

Number of Options Outstanding	Exercise Price (\$)	Weighted Average Remaining Contractual Life (years)	Number of Options Vested (Exercisable)
132,000	2.01	3.46	132,000
33,000	1.35	3.90	16,500
33,000	0.70	4.74	8,250
198,000	1.68	3.74	156,750

ScoZinc Mining Ltd.

(Formerly Selwyn Resources Ltd.)

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016 (EXPRESSED IN CANADIAN DOLLARS) (UNAUDITED)

11. SHARE BASED PAYMENTS (Continued)

b) Warrants and Broker Compensation Options

The following table reflects the continuity of warrants for the nine months ended September 30, 2016 and 2015:

	Number of Warrants Outstanding	Weighted Average Exercise Price
Balance - December 31, 2014, September 30, 2015, December 30, 2015 and September 30, 2016	205,000	\$ 17.00

As at September 30, 2016, the following warrants were issued and outstanding::

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

12. 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.

13. 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 three and nine months ended September 30, 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.

14. COMMITMENTS

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

	2016	2017	2018
Harbour lease	\$ 1,500	\$ 6,000	\$ 1,500
	\$ 1,500	\$ 6,000	\$ 1,500

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NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016 (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,	
	2016	2015	2016	2015
<u>Board of Directors, Officers, and Key Management Personnel</u>				
Remuneration	\$ 46,492	\$ 97,417	\$ 135,786	\$ 181,392
Stock-based compensation	-	-	19,553	303,178
	\$ 46,492	\$ 97,417	\$ 155,339	\$ 484,570

As at September 30, 2016, amounts due to related parties totaled \$32,639 (December 31, 2015 - \$43,197) pertaining to amounts payable for key management remuneration, directors fees and reimbursement of expenses paid on behalf of the Company.

During the three and nine months ended September 30, 2016, the Company expensed \$32,461 and \$82,713, respectively (three and nine months ended September 30, 2015 - \$21,683 and \$70,401) 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 of September 30, 2016, the Marrelli Group was owed \$3,681 (December 31, 2015 - \$18,034). These amounts are included in amounts due from related parties.

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.