
SCOZINC MINING LTD.
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED
MARCH 31, 2018 AND 2017
(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.

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

As at	March 31, 2018	December 31, 2017
ASSETS		
Current		
Cash	\$ 695,031	\$ 1,052,743
Amounts receivable and prepaid expenses (Note 4)	245,425	71,283
	940,456	1,124,026
Cash held for reclamation (Note 3)	3,092,041	3,083,740
Property, plant and equipment (Note 5)	7,875,273	7,916,932
Exploration and evaluation assets (Note 6)	6,430,290	6,084,995
	17,397,604	17,085,667
	\$ 18,338,060	\$ 18,209,693
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 7)	\$ 244,489	\$ 100,542
Amounts payable to related parties (Note 14)	80,399	57,692
	324,888	158,234
Decommissioning liability (Note 8)	2,600,000	2,600,000
	2,924,888	2,758,234
EQUITY		
Share capital (Note 9)	80,647,022	80,251,853
Contributed surplus	516,729	490,270
Deficit	(65,750,579)	(65,290,664)
	15,413,172	15,451,459
	\$ 18,338,060	\$ 18,209,693

Nature of Operations and Going Concern (Note 1)

Contingency (Note 11)

Commitments (Note 13)

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)

For the Three Months Ended March 31,	2018	2017
EXPENSES		
Salaries and benefits	\$ 113,392	\$ 120,234
Office and general	81,671	53,348
Legal and accounting fees	55,150	22,903
Investor relations	10,901	3,907
Amortization (Note 5)	41,659	41,659
Consulting	137,756	8,832
Share-based payments (Note 10)	26,459	2,418
Business development	-	5,394
Regulatory fees	2,963	6,554
Net loss before interest and other items:	(469,951)	(265,249)
Interest income	10,036	14,958
Fair value adjustment on Gain on sale of marketable securities	-	49,932
NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD	\$ (459,915)	\$ (200,359)
Basic and diluted loss per share (Note 12)	\$ (0.12)	\$ (0.05)
Weighted average number of shares outstanding - basic and diluted	3,941,045	3,941,045

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	Contributed Surplus	Deficit	Total
Balance, December 31, 2016	3,941,045	\$ 80,251,853	\$ 350,442	\$(64,028,648)	\$ 16,573,647
Stock-based compensation	-	-	2,418	-	2,418
Loss for the year	-	-	-	(200,359)	(200,359)
Balance, March 31, 2017	3,941,045	80,251,853	352,860	(64,229,007)	16,375,706
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	264,999	395,169	-	-	395,169
Stock-based compensation	-	-	26,459	-	26,459
Loss for the period	-	-	-	(459,915)	(459,915)
Balance, March 31, 2018	4,206,044	\$ 80,647,022	\$ 516,729	\$(65,750,579)	\$ 15,413,172

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

ScoZinc Mining Ltd.

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

For the three months ended March 31,	2018	2017
CASH (USED IN) PROVIDED BY:		
OPERATING ACTIVITIES		
Net loss for the period:	\$ (459,915)	\$ (200,359)
Amortization	41,659	41,659
Share-based payments	26,459	2,418
Accrued interest income	(10,036)	(14,958)
Gain on disposition of marketable securities	-	(49,932)
	(401,833)	(221,172)
Net change in non-cash working capital:		
Amounts receivable and prepaid expenses	(174,142)	(12,151)
Accounts payable and accrued liabilities	143,947	28,671
Amounts payable to related parties	22,707	(43,000)
	(409,321)	(247,652)
Interest received	1,735	6,751
	(407,586)	(240,901)
INVESTING ACTIVITIES		
Exploration and evaluation assets	(345,295)	(17,038)
Net proceeds on disposition of marketable securities	-	201,481
	(345,295)	184,443
FINANCING ACTIVITIES		
Shares issued for cash	397,500	-
Share issue costs	(2,331)	-
	395,169	-
CHANGE IN CASH	(357,712)	(56,458)
CASH, BEGINNING OF PERIOD	1,052,743	2,046,463
CASH, END OF PERIOD	\$ 695,031	\$ 1,990,005

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 THREE MONTHS ENDED MARCH 31, 2018

(EXPRESSED IN CANADIAN DOLLARS)

(UNAUDITED)

1. NATURE OF OPERATIONS AND GOING CONCERN

Scozinc Mining Ltd. (the “Company” or “ScoZinc”), and its wholly owned 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 1Y0.

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 \$ 459,915 for the three months ended March 31, 2018 (three months ended March 31, 2017 - \$200,359), and as of that date has an accumulated deficit of \$65,750,579 (December 31, 2017 - \$65,290,664). As at March 31, 2018, cash and cash equivalents amounted to \$ 695,031 (December 31, 2017 - \$1,052,743) and working capital was \$ 615,568 (December 31, 2017 - \$965,792). 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 2018 fiscal year. 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, 2017.

These condensed interim consolidated financial statements were authorized for issuance by the Board of Directors of the Company on May 30, 2018

ScoZinc Mining Ltd.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2018

(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

In July 2014, the IASB issued IFRS 9 to replace IAS 39. IFRS 9, which is to be applied retrospectively, will be effective for annual periods beginning on or after January 1, 2018.

IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. This standard was adopted on January 1, 2018, with no impact on the Company's condensed interim consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers – The IASB issued IFRS 15 to establish principles for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The core principle of IFRS 15 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. IFRS 15 also includes a cohesive set of disclosure requirements that would result in an entity providing comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. This standard was adopted on January 1, 2018, with no impact on the Company's condensed interim consolidated financial statements.

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.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2018

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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 December 31, 2017, a \$2,806,420 (December 31, 2017 – \$2,798,620) 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 \$185,623 (December 31, 2017 – \$185,120), 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, 2017 - \$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 expired on April 1, 2028.

4. ACCOUNTS RECEIVABLE AND PREPAID EXPENSES

	March 31, 2018	December 31, 2017
Refundable GST/HST	\$ 77,921	\$ 36,549
Prepaid expenses	167,504	34,734
	\$ 245,425	\$ 71,283

5. PROPERTY, PLANT AND EQUIPMENT

	Mine Plant, Equipment and Land	Exploration Field Equipment	Total
Cost			
Balance, December 31, 2017 and March 31, 2018	\$ 8,954,927	\$ 836,641	\$ 9,791,568
Accumulated Amortization			
Balance, December 31, 2017	1,037,995	836,641	1,874,636
Amortization	41,659	-	41,659
Balance, March 31, 2018	\$ 1,079,654	\$ 836,641	\$ 1,916,295
Net Book Value, December 31, 2017	\$ 7,916,932	\$ -	\$ 7,916,932
Net Book Value, March 31, 2018	\$ 7,875,273	\$ -	\$ 7,875,273

ScoZinc Mining Ltd.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2018

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6. 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, 2016	\$	5,816,487
Additions		268,508
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Balance, December 31, 2017		6,084,995
Additions		345,295
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Balance, March 31, 2018	\$	6,430,290

Additions for the three months ended March 31, 2018 consist of geological fieldwork, land permit and claims fees, consulting engineer fees and associated labour.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31, 2018	December 31, 2017
Trade payables	\$ 207,626	\$ 41,509
Accrued expenses	36,863	59,033
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	\$ 244,489	\$ 100,542

8. 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. 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.

ScoZinc Mining Ltd.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2018

(EXPRESSED IN CANADIAN DOLLARS)

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9. 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, 2016 and March 31, 2017	3,941,045	\$ 80,251,853
Balance, December 31, 2017	3,941,045	\$ 80,251,853
Private placement, net of costs	264,999	395,169
Balance, March 31, 2018	4,206,044	\$ 80,647,022

On February 13, 2018, the Company closed a non-brokered private placement financing for aggregate gross proceeds of \$397,500 (the "Offering"). The Offering consisted of the sale of 264,999 common shares at a price of \$1.50 per common share. The securities issued pursuant to the Offering were subject to a four month and one day statutory hold period. The Company's CEO participated in the Offering and acquired 35,000 common shares. Total cash costs of issue were \$2,331.

10. 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 three months ended March 31, 2018 and 2017 are as follows:

	Number of Stock Options Outstanding	Weighted Average Exercise Price
Balance - December 31, 2016 and March 31, 2017	198,000	\$ 1.68
Balance - December 31, 2017 and March 31, 2018	339,000	\$ 1.40

ScoZinc Mining Ltd.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2018 (EXPRESSED IN CANADIAN DOLLARS) (UNAUDITED)

10. SHARE BASED PAYMENTS (Continued)

The following table summarizes information about stock options outstanding as at March 31, 2018:

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	1.89	99,000
33,000	August 25, 2020	1.35	2.40	33,000
207,000	July 13, 2022	1.11	4.31	103,500
339,000		1.40	3.42	235,500

b) Warrants

The following table reflects the continuity of warrants for the three months ended March 31, 2018 and 2017:

	Number of Warrants Outstanding	Weighted Average Exercise Price
Balance - December 31, 2016 and March 31, 2017	205,000	\$ 17.00
Balance - December 31, 2017 and March 31, 2018	-	\$ -

11. 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 condensed interim consolidated financial statements.

12. BASIC AND DILUTED LOSS PER SHARE

Basic loss per share is computed using the weighted average number of common shares outstanding during the year. 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 for the three months ended March 31, 2018 and 2017 as they would decrease the loss per share, consequently the weighted average number of shares outstanding for basic and diluted are the same.

ScoZinc Mining Ltd.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2018

(EXPRESSED IN CANADIAN DOLLARS)

(UNAUDITED)

13. COMMITMENTS

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

14. 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

For the Three Months Ended March 31,	2018	2017
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Board of Directors, Officers, and Key Management Personnel

Remuneration	\$ 105,325	\$ 44,775
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During the three months ended March 31, 2018, the Company expensed \$25,314, (three months ended March 31, 2017 - \$26,810) 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 March 31, 2018, amounts due to related parties totaled \$80,399 (December 31, 2017 - \$57,692) 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.