Kootenay Zinc Corp. (formerly Oceanside Capital Corp.)

CONDENSED INTERIM FINANCIAL STATEMENTS

For the periods ended August 31, 2016 and 2015

Unaudited – Prepared by Management

Expressed in Canadian Dollars

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

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

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

Kootenay Zinc Corp. (formerly Oceanside Capital Corp.)

Condensed Interim Statements of Financial Position
As at
(Unaudited) (Expressed in Canadian dollars)

	Notes		August 31, 2016		February 29, 2016
Assets					
Current Assets					
Cash		$	137,840	$	273,921
GST receivable			8,483		3,298
Prepaid expenses	5		1,780		2,935
Deposit			25,000		-
Total Assets		**$**	**173,103**	**$**	**280,154**
Liabilities					
Current Liabilities					
Accounts payable		$	45,129	$	52,410
Total Liabilities			**45,129**		**52,410**
Shareholder's Equity					
Share capital	6		300,000		300,000
Deficit			(172,026)		(72,256)
Total Shareholder's Equity			**127,974**		**227,744**
Total Liabilities and Shareholder's Equity		**$**	**173,103**	**$**	**280,154**

Nature and Going Concern (Note 1)
Subsequent Events (Note 12)

Approved and authorized by the Board on October 31, 2016

(signed) "*David Schmidt*"
David Schmidt
President, Chief Executive Officer and Director

(signed) "*Anthony Jackson*"
Anthony Jackson
Chief Financial Officer and Director

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

Kootenay Zinc Corp. (formerly Oceanside Capital Corp.)
Condensed Interim Statements of Comprehensive Loss
For the periods ended August 31, 2016 and 2015
(Unaudited) (Expressed in Canadian dollars)

	Three months ended August 31, 2016	Three months ended August 31, 2015	Six months ended August 31, 2016	March 23, 2015 (date of incorporation) to August 31, 2015
Expenses				
Bank charges	$ 381	$ 28	$ 656	$ 34
Transfer agent fees	2,033	3,663	4,332	5,215
Meals and entertainment	412	-	603	-
Insurance expense (recovery)	-	-	(393)	-
Office expense	361	-	361	-
Rent	3,560	-	3,560	-
Professional fees	90,651	-	90,651	-
Net loss and comprehensive loss for the period	**(97,398)**	**(3,691)**	**(99,770)**	**(5,249)**
Loss per share – basic and diluted	**$ (0.02)**	**$ (0.00)**	**$ (0.02)**	**$ (0.00)**
Weighted average number of common shares outstanding	**4,029,500**	**4,029,500**	**4,029,500**	**4,029,500**

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

Kootenay Zinc Corp. (formerly Oceanside Capital Corp.)

Condensed Interim Statements of Changes in Shareholder's Equity
For the periods ended August 31, 2016 and 2015
(Unaudited) (Expressed in Canadian dollars)

	Capital Stock						
	Number of shares		Amount		Deficit		**Total**
Balance at March 23, 2015 (date of incorporation)	**-**	$	-	$	-	$	-
Share issuance per plan of arrangement (Note 1)	**4,029,500**		1		-		1
Transfer from Eyecarrot Innovations Corp.	**-**		300,000		-		300,000
Net loss and comprehensive loss for the period	**-**		-		(5,249)		(5,249)
Balance at August 31, 2015	**4,029,500**	**$**	**300,001**	**$**	**(5,249)**	**$**	**294,752**
Balance at February 29, 2016	**4,029,500**	**$**	**300,000**	**$**	**(72,256)**	**$**	**227,744**
Net loss and comprehensive loss for the period	**-**		**-**		**(99,770)**		**(99,770)**
Balance at August 31, 2016	**4,029,500**	**$**	**300,000**	**$**	**(172,026)**	**$**	**127,974**

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

Kootenay Zinc Corp. (formerly Oceanside Capital Corp.)

Condensed Interim Statements of Cash Flow
For the periods ended August 31, 2016 and 2015
(Unaudited) (Expressed in Canadian dollars)

	Three months ended August 31, 2016	Three months ended August 31, 2015	Six months ended August 31, 2016	March 23, 2015 (date of incorporation) to August 31, 2015
Operating activities				
Net loss	$ (97,398)	$ (3,691)	$ (99,770)	$ (5,249)
Changes in non-cash working capital items:				
GST receivable	(4,936)	(37)	(5,185)	(115)
Prepaid expenses	(1,780)	-	1,155	-
Deposit	-	-	(25,000)	-
Accounts payable	(5,618)	1,200	(7,281)	2,829
Due to related party	-	-	-	300,000
Net cash flows from (used in) operating activities	(109,732)	(2,528)	(136,081)	297,465
Financing activities				
Proceeds from share issuance	-	-	-	1
Net cash flows from financing activities	-	-	-	1
Change in cash for the period	(109,732)	(2,528)	(136,081)	297,466
Cash, beginning of period	247,572	299,994	273,921	-
Cash, end of period	**$ 137,840**	**$ 297,466**	**$ 137,840**	**$ 297,466**

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

1. NATURE AND GOING CONCERN

Kootenay Zinc Corp. (formerly Oceanside Capital Corp.) (the "Company" or "Kootenay") was incorporated on March 23, 2015 pursuant to the Business Corporations Act (British Columbia). The shares of the Company are traded on the Canadian Securities Exchange ("CSE") under the symbol "ZNK". The address of its head office is located at Suite 800 - 1199 West Hastings Street, Vancouver, British Columbia, V6E 3T5 and its registered office is at Suite 2080 - 777 Hornby Street, Vancouver, British Columbia, V6Z 1S4.

The Company is engaged in the business of mineral exploration and development in British Columbia and specifically in the exploration and advancement of the Sully Property (the "Property"). The Company is required to facilitate separate fundraising, exploration and development strategies to achieve its business objectives and it expects to commence these strategies as soon as practicable.

The Company is an exploration stage company with no producing properties, and consequently has no current operating cash flow or revenues. There is no assurance that a commercially viable mineral deposit exists on any of its properties. The Property is currently in the exploration stage.

These condensed interim financial statements have been prepared on a going concern basis in accordance with International Financial Reporting Standards ("IFRS") with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business.

The Company's continuing operations, as intended, are dependent upon its ability to complete the exploration of its mineral properties, including obtaining the necessary financing. There can be no assurance that the Company will be able to complete such activities or obtain financing to continue; therefore, a material uncertainty exists that casts significant doubt over the Company's ability to continue as a going concern.

2. BASIS OF PRESENTATION

(a) Statement of compliance

These condensed interim financial statements are prepared in accordance with IFRS, as issued by the International Accounting Standards Board ("IASB"). Therefore, these financial statements comply with International Accounting Standard ("IAS") 34 "Interim Financial Reporting".

These condensed interim financial statements are presented in Canadian dollars, which is also the Company's functional currency unless otherwise indicated.

(b) Approval of the financial statements

The financial statements of the Company were approved by the directors and authorized for issue on October 31, 2016.

(c) Significant accounting judgments, estimates and assumptions

Critical accounting estimates and assumptions

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the statement of financial position, and the reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates.

2. BASIS OF PRESENTATION (CONTINUED)

(c) Significant accounting judgments, estimates and assumptions (Continued)

Critical accounting estimates and assumptions (Continued)

These financial statements include estimates, which, by their nature, are uncertain. The impacts of such estimates appear throughout the financial statements and may require adjustments based on future occurrences.

Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions, and other relevant factors that are believed to be reasonable under the circumstances.

There were no significant assumptions about the future and other sources of estimation uncertainty that management has made at the statement of financial position reporting date, which could result in a material adjustment to the carrying amounts of assets and liabilities.

Critical accounting judgment

Critical judgment exercised in applying accounting policies that has the most significant effect on the amounts recognized in the financial statements is as follows:

Going concern

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay its ongoing operating expenditures and meet its liabilities for the ensuing year involves significant judgment based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Financial instruments

(i) Financial assets

The Company classifies its financial assets as fair value through profit or loss ("FVTPL"). The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at recognition.

Fair value through profit or loss

Financial assets are classified as FVTPL when the financial asset is held-for-trading or it is designated as FVTPL. A financial asset is classified as FVTPL when it has been acquired principally for the purpose of selling in the near future; it is a part of an identified portfolio of financial instruments that the Company manages and has an actual pattern of short-term profit- taking or if it is a derivative that is not designated and effective as a hedging instrument. Upon initial recognition, attributable transaction costs are recognized in profit or loss when incurred. Financial instruments at FVTPL are measured at fair value, and changes therein are recognized in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Financial instruments (Continued)

(i) Financial assets (Continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets or non-current assets based on their maturity date. Loans and receivables are carried at amortized cost, less any impairment.

Held-to-maturity investments

Held-to-maturity investments are recognized on a trade-date basis and are initially measured at fair value, including transaction costs.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for- sale or not classified in any of the other financial asset categories. Changes in the fair value of available-for-sale financial assets are recognized as other comprehensive income (loss) and classified as a component of equity.

Management assesses the carrying value of available-for-sale financial assets at least annually and any impairment charges are also recognized in profit or loss. When financial assets classified as available-for-sale are sold, the accumulated fair value adjustments recognized in other comprehensive income are included in profit and loss.

(ii) Financial liabilities

The Company classifies its financial liabilities as other financial liabilities.

Other financial liabilities

Other financial liabilities are non-derivatives and are recognized initially at fair value, net of transaction costs incurred, and are subsequently stated at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in the statement of comprehensive loss over the period to maturity using the effective interest method. Other financial liabilities are classified as current or non-current based on their maturity date.

(iii) Fair value hierarchy

Fair value measurements of financial instruments are required to be classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The levels of the fair value hierarchy are defined as follows:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3 - Inputs for assets or liabilities that are not based on observable market data.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Capital stock

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares are classified as equity instruments.

(c) Income tax

(i) Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income (loss) or equity is recognized in other comprehensive income (loss) or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(ii) Deferred income tax

Deferred income tax is provided using the statement of financial position method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

(d) Exploration and evaluation expenditures

Exploration and evaluation expenditures include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenditures are capitalized. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

Government tax credits received are recorded as a reduction to the cumulative costs incurred and capitalized on the related property.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Exploration and evaluation expenditures (Continued)

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, or (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

(e) Loss per share

Basic loss per share is computed by dividing the net loss available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted loss per share is computed using the treasury stock method, under which the weighted average number of shares outstanding is increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants are exercised.

Shares held in escrow, other than where their release is subject to the passage of time, are not included in the calculation of the weighted average number of common shares outstanding. The Company does not have shares held in escrow as at the end of the reporting period.

(f) New accounting pronouncement

The following new standard has been issued by the IASB, but is not yet effective:

IFRS 9 *Financial Instruments*

IFRS 9 is part of the IASB's wider project to replace IAS 39 *Financial Instruments: Recognition and Measurement.* IFRS 9 retains, but simplifies, the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The adoption date of this standard is January 1, 2018. The Company is in the process of evaluating the impact of the new standard.

4. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The Company classifies its financial instrument as follows:

- Cash is classified as a financial asset at FVTPL
- Accounts payable, as other financial liabilities

(Unaudited) (Expressed in Canadian dollars)

4. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

The Company's risk exposure and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's cash.

The Company limits exposure to credit risk through maintaining its cash with high-credit quality Canadian financial institutions. The Company is not exposed to significant credit risk on receivables, as these amounts are due from government agencies. The carrying amount of financial assets represents the maximum credit exposure.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements. The Company is not exposed to significant liquidity risk. All of the Company's financial liabilities have contractual maturities of less than 90 days.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will significantly fluctuate due to changes in market prices. The value of financial instruments can be affected by changes in interest rates, foreign currency rates and other price risk. The Company is not exposed to significant market risk.

5. PREPAID EXPENSES

		August 31, 2016		**February 29, 2016**
Insurance	$	-	$	2,935
Rent		1,780		-
Total	**$**	**1,780**	**$**	**2,935**

6. CAPITAL STOCK

(a) Authorized

Unlimited number of common shares without par value

(b) Issued and outstanding

On March 23, 2015, the date of incorporation, the Company issued one common share at a price of $1, which was subsequently redeemed. Pursuant to the plan of arrangement, effective May 1, 2015, the Company issued 24,178,800 common shares (Note 6).

On September 9, 2015, the Company consolidated the issued and outstanding common shares on the basis of a one (1) post-consolidated common share for each three (3) pre-consolidation common shares (the "Consolidation").

6. CAPITAL STOCK (CONTINUED)

(b) Issued and outstanding (continued)

Subsequent to period ended August 31, 2016, the Company consolidated the issued and outstanding common shares on the basis of a one post-consolidated common share for each two pre-consolidation common shares (the "Consolidation"). Post-consolidation, the Company has 4,029,500 common shares issued and outstanding.

(c) Stock options

There are no outstanding options as at August 31, 2016.

7. ARRANGEMENT AGREEMENT

On March 24, 2015, the Company entered into an arrangement agreement with Eyecarrot, whereby the Company and Eyecarrot completed a reorganization pursuant to a plan of arrangement (the "Arrangement"). The Arrangement was approved by the shareholders of Eyecarrot and the TSX Venture Exchange effective May 1, 2015, and following the Arrangement, the Company became a reporting issuer in the provinces of British Columbia and Alberta.

Pursuant to the Plan of Arrangement, the following share reorganization was completed:

(a) each shareholder of Eyecarrot exchanged each of its common shares for one new common share and one reorganization share of Eyecarrot;

(b) all reorganization shares of Eyecarrot were transferred by shareholders of the Company in exchange for common shares of the Company on a one-for-one basis; and

(c) Eyecarrot redeemed all of the reorganization shares and satisfied the redemption amount by the transfer to the Company of its interest in the Murray Ridge Property, of which had $nil value at the date of transaction, subject to its obligations under royalty terms, and $300,000 in cash.

8. EXPLORATION AND EVALUATION ASSETS

The Company has a 100% interest in the Property in the Omineca Mining Division in central British Columbia.

Upon commencement of any commercial production on the Property, 0860208 B.C. Ltd., the original owner of the Property, will have a 1% net smelter royalty on the Property.

9. CAPITAL MANAGEMENT

The Company's primary source of funds comes from the issuance of capital stock. The Company does not use other sources of financing that require fixed payments of interest and principal due to lack of cash flow from current operations, and is not subject to any externally imposed capital requirements.

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern.

(Unaudited) (Expressed in Canadian dollars)

9. CAPITAL MANAGEMENT (CONTINUED)

The Company defines its capital as shareholders' equity. Capital requirements are driven by the Company's general operations. To effectively manage the Company's capital requirements, the Company monitors expenses and overhead to ensure costs and commitments are being paid.

10. SEGMENTED REPORTING

The Company has one operating segment, the exploration and development of mineral properties, with all assets located in Canada.

11. COMMITMENT

The Company entered into a lease agreement for its premise for a term of three years from September 2016 to August 2019 for a monthly lease payment of $1,800. The total lease commitment as at August 31, 2016 is as follows:

	$
0-1 years	21,600
2-3 years	43,200
	64,800

12. SUBSEQUENT EVENT

On September 30, 2016, the Company has entered into an option agreement with Gravitas Metals Corp. and the shareholders of Gravitas, pursuant to which the Company has the option to acquire all of the issued and outstanding shares of Gravitas, a private corporation, incorporated under the laws of British Columbia, which, pursuant to an option agreement between Gravitas and the holders of the Sully property dated Oct. 21, 2011, as amended, holds an exclusive option and right to acquire an 80-per-cent interest in mining claims located in the Fort Steele mining division in the southeast portion of the province of British Columbia.

Highlights of the proposed acquisition

Pursuant to the terms of the agreement, the option is exercisable by the Company by (a) issuing to the Gravitas vendors, on a pro rata basis, such number of common shares of the Company equal to 35 per cent (post-issuance) of the issued and outstanding common shares of the Company, and (b) satisfying all of the outstanding obligations of Gravitas under the underlying Sully property agreement as follows:

- Incurring expenditures on or in respect of the Sully property, including:
  - $1.5-million on or before Oct. 21, 2017 (approximately $1.34-million completed as of the date of the agreement);
  - An additional $1.5-million on or before Oct. 21, 2018;
- Making payments in the form of cash, common shares of the company, certified cheque or wire transfer to the Sully vendors, including:
  - $200,000 on or before Oct. 21, 2017;
  - $400,000 on or before Oct. 21, 2018;
  - $800,000 on or before Oct. 21, 2019.

12. SUBSEQUENT EVENT (CONTINUED)

Further to the Company's news releases dated September 7, 2016, and September 9, 2016, in connection with the execution of the option agreement, the Company intends to complete a post-consolidation non-brokered private placement of up to 15 million common shares of the company at a price of five cents per placement share to raise gross proceeds of up to $750,000. The Company has increased the intended gross proceeds raised under the proposed private placement from a previously announced sum of $500,000 (news release dated September 9, 2016) to $750,000.

On October 4, 2016, the Company has changed its name to Kootenay Zinc Corp. and completed a share consolidation of its issued and outstanding common shares on a two (2) old to one (1) new basis. No fractional common shares will be issued pursuant to the Consolidation. As a result of the consolidation, the outstanding common shares of the company were reduced to approximately 4,029,500.

Shares began trading on a consolidated basis under the new name and symbol on October 5, 2016.