

# **SLAVE LAKE ZINC CORP.**

Condensed Financial Statements  
Six Months Ended March 31, 2021  
(Expressed in Canadian dollars)  
(unaudited)

**NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, "Continuous Disclosure Obligations", 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 Company's external auditors, Dale Matheson Carr-Hilton Labonte LLP, have not performed a review of these condensed financial statements.

**SLAVE LAKE ZINC CORP.**Condensed Statements of Financial Position  
(Expressed in Canadian dollars)

	March 31, 2021 \$	September 30, 2020 \$
	(unaudited)	
Assets		
Current assets		
Cash	812,008	111,373
GST receivable	9,223	4,551
Prepaid expenses and deposits	68,194	787
Total assets	889,425	116,711
Non-current assets		
Exploration and evaluation assets (Note 3)	247,574	247,574
Total assets	1,136,999	364,285
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	18,090	23,298
Due to related parties (Note 4)	178,079	132,992
Total current liabilities	196,169	156,290
Non-current liabilities		
Convertible debt (Note 5)	529,242	–
Total liabilities	725,411	156,290
Shareholders' equity		
Share capital (Note 6)	1,634,977	1,274,977
Share subscriptions receivable (Note 6)	(45,000)	–
Share-based payment reserve (Notes 5 and 8)	988,366	321,118
Equity portion of convertible debt (Note 5)	117,976	–
Deficit	(2,284,731)	(1,388,100)
Total shareholders' equity	411,588	207,995
Total liabilities and shareholders' equity	1,136,999	364,285

Nature of operations and continuance of business (Note 1)  
Subsequent events (Note 9)

Approved and authorized for issuance by the Board of Directors on May 27, 2021:

/s/ "Ritchie Wigham"

Ritchie Wigham, Director

/s/ "Jaskarn Rai"

Jaskarn Rai, Director

(The accompanying notes are an integral part of these condensed financial statements)

**SLAVE LAKE ZINC CORP.**

## Condensed Statements of Operations and Comprehensive Loss

(Expressed in Canadian dollars)

(unaudited)

	Three months ended March 31, 2021 \$	Three months ended March 31, 2020 \$	Six months ended March 31, 2021 \$	Six months ended March 31, 2020 \$
<b>Expenses</b>				
Consulting fees	103,400	–	103,400	–
Investor relations	967	902	990	7,859
Management fees (Note 4)	41,000	41,000	82,000	82,000
Office and miscellaneous	1,096	866	2,384	2,307
Professional fees	12,188	2,146	15,393	7,580
Share-based compensation (Notes 4 and 8)	14,657	–	177,507	–
Transfer agent and filing fees	7,054	6,286	11,917	9,395
Travel	–	–	–	3,766
<b>Total expenses</b>	<b>180,362</b>	<b>51,200</b>	<b>393,591</b>	<b>112,907</b>
<b>Loss before other expenses</b>	<b>(180,362)</b>	<b>(51,200)</b>	<b>(393,591)</b>	<b>(112,907)</b>
<b>Other expenses</b>				
Accretion of discount on convertible debt (Note 5)	(9,418)	–	(9,418)	–
Interest expense (Note 5)	(493,622)	–	(493,622)	–
<b>Total other expenses</b>	<b>(503,040)</b>	<b>–</b>	<b>(503,040)</b>	<b>–</b>
<b>Net loss and comprehensive loss</b>	<b>(683,402)</b>	<b>(51,200)</b>	<b>(896,631)</b>	<b>(112,907)</b>
<b>Loss per share, basic and diluted</b>	<b>(0.02)</b>	<b>–</b>	<b>(0.03)</b>	<b>–</b>
<b>Weighted average common shares outstanding</b>	<b>33,761,167</b>	<b>32,894,500</b>	<b>33,626,368</b>	<b>32,894,500</b>

(The accompanying notes are an integral part of these condensed financial statements)

**SLAVE LAKE ZINC CORP.**

Condensed Statements of Changes in Equity  
(Expressed in Canadian dollars)  
(unaudited)

	Share capital		Share subscriptions received \$	Share-based payment reserve \$	Equity portion of convertible debt \$	Deficit \$	Total shareholders' equity \$
	Number of shares	Amount \$					
Balance, September 30, 2020	33,494,500	1,274,977	–	321,118	–	(1,388,100)	207,995
Shares issued for cash	4,000,000	360,000	(45,000)	–	–	–	315,000
Equity portion of convertible debt	–	–	–	–	117,976	–	117,976
Fair value of share purchase warrants issued	–	–	–	489,741	–	–	489,741
Fair value of stock options granted	–	–	–	177,507	–	–	162,850
Net loss for the period	–	–	–	–	–	(896,631)	(896,361)
Balance, March 31, 2021	37,494,500	1,634,977	(45,000)	988,366	117,976	(2,284,731)	411,588
Balance, September 30, 2019	32,894,500	1,167,300	–	343,910	–	(1,112,338)	398,872
Net loss for the period	–	–	–	–	–	(112,907)	(112,907)
Balance, March 31, 2020	32,894,500	1,167,300	–	343,910	–	(1,225,245)	285,965

(The accompanying notes are an integral part of these condensed financial statements)

**SLAVE LAKE ZINC CORP.**

Condensed Statements of Cash Flows  
(Expressed in Canadian dollars)  
(unaudited)

	Six months ended March 31, 2021 \$	Six months ended March 31, 2020 \$
Operating activities:		
Net loss	(896,631)	(112,907)
Items not involving cash:		
Accretion of discount on convertible debt	9,418	—
Fair value of share purchase warrants issued	489,741	—
Share-based compensation	177,507	—
Changes in non-cash operating working capital:		
Amounts receivable	(4,672)	(1,613)
Prepaid expenses and deposits	(67,407)	(27,153)
Accounts payable and accrued liabilities	(5,208)	(3,355)
Due to related parties	45,087	20,880
Net cash used in operating activities	(252,165)	(124,148)
Investing activities		
Exploration and evaluation asset expenditures	—	(8,000)
Net cash used in investing activities	—	(8,000)
Financing activities		
Proceeds from issuance of convertible debt	650,000	—
Debt issuance costs	(12,200)	—
Proceeds from shares issued	360,000	—
Net cash provided by financing activities	997,800	—
Change in cash	700,635	(132,148)
Cash, beginning of period	111,373	209,924
Cash, end of period	812,008	77,776

(The accompanying notes are an integral part of these condensed financial statements)

# **SLAVE LAKE ZINC CORP.**

Notes to the Condensed Financial Statements  
Six Months Ended March 31, 2021  
(Expressed in Canadian dollars)  
(unaudited)

## **1. Nature of Operations and Continuance of Business**

Slave Lake Zinc Corp. (the "Company") was incorporated in the province of the British Columbia on September 14, 2016. The Company's principal business activities include the acquisition and exploration of mineral property assets located in North West Territories, Canada. The Company's head office is located at 207 St. Patrick's Avenue, North Vancouver, BC, V7L 3N3.

On November 7, 2018, the Company completed its Initial Public Offering and the Company's common shares are listed on the Canadian Securities Exchange ("CSE") under the trading symbol "SLZ".

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic. This contagious disease outbreak and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, leading to an economic downturn. The impact on the Company has not been significant, but management continues to monitor the situation.

These condensed financial statements have been prepared on the going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at March 31, 2021, the Company has no source of recurring revenue, generates negative cash flows from operating activities, and has an accumulated deficit of \$2,284,731. These factors raise significant doubt about the Company's ability to continue as a going concern. The continued operations of the Company are dependent on its ability to generate future cash flows or obtain additional financing. Management is of the opinion that sufficient working capital will be obtained from external financing to meet the Company's liabilities and commitments as they become due, although there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. These condensed financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern.

## **2. Significant Accounting Policies**

### **(a) Basis of Presentation**

These condensed financial statements have been prepared in accordance with International Financial Reporting Standards applicable to interim financial information, as outlined in International Accounting Standard ("IAS") 34, "Interim Financial Reporting" and using the accounting policies consistent with those in the audited financial statements as at and for the year ended September 30, 2020.

These condensed financial statements do not include all disclosures normally provided in annual financial statements and should be read in conjunction with the annual financial statements as at and for the year ended September 30, 2020. Interim results are not necessarily indicative of the results expected for the fiscal year.

### **(b) Accounting Standards Issued But Not Yet Effective**

Accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

## SLAVE LAKE ZINC CORP.

Notes to the Condensed Financial Statements  
Six Months Ended March 31, 2021  
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### 3. Exploration and Evaluation Assets

The Company acquired the Property, a mineral claim ("MWK"), tag # F97540 in the South Slave region of the Northwest Territories, NTS Map 75E05, pursuant to a mineral property acquisition agreement (the "Acquisition Agreement") dated for reference February 7, 2017 among the Company as purchaser, Jaskarn Singh Rai, Ritchie John Wigham, Glen Colin Macdonald and Max Braden as vendors (the "Vendors") and 1089621 B.C. Ltd. as royalty holder (the "Royalty Holder"). Each of the Vendors is a founder and director of the Company and was a director of the Company at the time of entering into the Acquisition Agreement. Pursuant to the Acquisition, the Company acquired a 100% right, title, and interest in and to the Property, subject to a 3.5% net smelter returns royalty, by making a cash payment of \$1 to each of the Vendors. The acquisition of the Property by the Company was formalized by the Acquisition Agreement. The Property is subject to a 3.5% net smelter returns royalty (the "Royalty") to the Royalty Holder. The Company has the right to purchase 2/7<sup>th</sup> of the Royalty from the Royalty Holder at any time for \$1,000,000 after which the Royalty will be reduced to 2.5% of net smelter returns. After payment of \$1,000,000 the Company has the right to purchase 2/5<sup>th</sup> of the remaining Royalty for \$2,000,000 at any time after which the Royalty rate will be reduced to 1.5% of net smelter returns. The Property has a 10 kilometer area of interest, and any mineral claims or properties interest within this area that any of the Vendors and/or associated parties acquires, through staking or otherwise, will become part of the Acquisition Agreement and be subject to the Royalty.

On June 28, 2018, the Company entered into a 21-year lease commencing on August 30, 2016 with the Minister of Department of Indian Affairs and Northern Development. The claim is 188.12 hectares and has an annual rental fee of \$470 payable to the Minister of Department of Indian Affairs and Northern Development and there is no other capital commitment required to maintain the lease.

### 4. Related Party Transactions

- (a) As at March 31, 2021, the Company owed \$66,630 (September 30, 2020 - \$44,043) to the President of the Company which is non-interest bearing, unsecured, and due on demand.
- (b) As at March 31, 2021, the Company owed \$65,565 (September 30, 2020 - \$45,565) to the Chief Executive Officer of the Company which is non-interest bearing, unsecured, and due on demand.
- (c) As at March 31, 2021, the Company owed \$26,000 (September 30, 2020 - \$20,000) to the Chief Financial Officer of the Company which is non-interest bearing, unsecured, and due on demand.
- (d) As at December 31, 2020, the Company owed \$19,884 (September 30, 2020 - \$23,384) to directors of the Company which is non-interest bearing, unsecured, and due on demand.
- (e) During the six months ended March 31, 2021, the Company incurred management fees of \$36,000 (2020 - \$36,000) to the President of the Company.
- (f) During the six months ended March 31, 2021, the Company incurred management fees of \$36,000 (2020 - \$36,000) to the Chief Executive Officer of the Company.
- (g) During the six months ended March 31, 2021, the Company incurred management fees of \$6,000 (2020 - \$6,000) to the Chief Financial Officer of the Company.
- (h) During the six months ended March 31, 2021, the Company incurred management fees of \$4,000 (2020 - \$4,000) to directors of the Company.
- (i) During the six months ended March 31, 2021, the Company incurred geological fees of \$nil (2020 - \$8,000) to a director of the Company.
- (j) During the six months ended March 31, 2021, the Company granted 3,900,000 stock options with a fair value of \$162,850 (2020 - \$nil) to officers and directors of the Company.



## SLAVE LAKE ZINC CORP.

Notes to the Condensed Financial Statements  
Six Months Ended March 31, 2021  
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### 5. Convertible Debt

On February 18, 2021, the Company issued a convertible note for proceeds of \$650,000. The note bears interest at 5% per annum and is due on August 18, 2022. The note is convertible into common shares of the Company at \$0.08 per share. If the closing stock price of the Company's common shares is above \$0.20 for 20 consecutive trading days (provided it has traded on at least 13 of those days), the Company may on written notice require such amount of the principal amount to be converted to common shares of the Company. In connection with the convertible note, the Company issued 8,125,000 share purchase warrants exercisable at \$0.15 per common share expiring on February 18, 2025. The Company also incurred debt issuance costs of \$12,200 which was recorded as a reduction of the carrying value of the convertible note.

The convertible note was recorded using the residual method, where the convertible note was bifurcated into a debt component and equity component which is comprised of the embedded conversion feature. The fair value of the liability component at the time of issuance was determined to be \$532,024 using a net present value calculation assuming a discount rate of 20% per annum. As a result, the value of the equity component of \$117,976 was recorded in equity component of convertible debt and an equivalent discount on the convertible note which will be accreted to the face value of \$650,000 over the term of the note. During the period ended March 31, 2021, the Company recognized accretion expense of \$9,418, which brings the carrying value to \$529,242 as at March 31, 2021.

The fair value of the share purchase warrants was calculated using the Black-Scholes option pricing model assuming no expected dividends or forfeitures and the following assumptions: volatility of 143%, expected life of 4 years, and a risk-free rate of 0.49%. The fair value of \$489,741 was recorded as share-based payment reserve and interest expense.

### 6. Share Capital

On March 25, 2021, the Company issued 4,000,000 units at \$0.09 per unit for proceeds of \$360,000, of which \$45,000 was receivable as at March 31, 2021. Each unit consisted of one common share and one share purchase warrant exercisable at \$0.15 per common share expiring on March 25, 2023.

### 7. Share Purchase Warrants

The following table summarizes the continuity of share purchase warrants:

	Number of warrants	Weighted average exercise price \$
Balance, September 30, 2020	3,097,250	–
Issued	12,125,000	0.16
Expired	(3,097,250)	0.30
Balance, March 31, 2021	12,125,000	0.16

As at March 31, 2021, the following share purchase warrants were outstanding:

Number of warrants outstanding	Exercise price \$	Expiry date
4,000,000	0.18	March 25, 2023
8,125,000	0.15	February 18, 2025
<u>12,125,000</u>		

## SLAVE LAKE ZINC CORP.

Notes to the Condensed Financial Statements  
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### 8. Stock Options

The following table summarizes the continuity of the Company's stock options:

	Number of options	Weighted average exercise price \$
Balance, September 30, 2020	3,900,000	0.10
Granted	4,100,000	0.10
Expired	(3,600,000)	0.10
Balance, March 31, 2021	4,400,000	0.10

Additional information regarding stock options outstanding as at March 31, 2021 is as follows:

Range of exercise prices \$	Outstanding and exercisable		
	Number of options	Weighted average remaining contractual life (years)	Weighted average exercise price \$
0.10	4,400,000	1.6	0.10

The fair values for stock options granted have been estimated using the Black-Scholes option pricing model assuming no expected dividends or forfeitures and the following weighted average assumptions:

	Six months ended March 31, 2021	Six months ended March 31, 2020
Risk-free interest rate	0.23%	—
Expected life (in years)	2	—
Expected volatility	135%	—

The total fair value of the stock options granted during the six months ended March 31, 2021 was \$162,850 (2020 - \$nil) which was recorded as share-based payment reserve and charged to operations. The weighted average grant date fair value of stock options granted during the six months ended March 31, 2021 was \$0.04 (2020 - \$nil) per option.

### 9. Subsequent Event

Subsequent to March 31, 2021, the Company received proceeds of \$45,000 for the share subscriptions receivable as at March 31, 2021.