

SLAVE LAKE ZINC CORP.

Financial Statements

Six Months Ended March 31, 2022

(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, 2022 \$	September 30, 2021 \$
	(unaudited)	
Assets		
Current assets		
Cash	254,516	435,258
GST receivable	30,272	27,241
Prepaid expenses	40,000	–
Total assets	324,788	462,499
Non-current assets		
Exploration and evaluation assets (Note 3)	409,511	405,511
Total assets	734,299	868,010
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	22,788	49,154
Convertible debt (Note 5)	520,295	483,271
Due to related parties (Note 4)	198,771	188,771
Total liabilities	741,854	721,196
Shareholders' equity (deficit)		
Share capital (Note 6)	1,774,250	1,731,723
Share-based payment reserve (Note 6)	486,098	498,625
Equity portion of convertible debt	99,826	99,826
Deficit	(2,367,729)	(2,183,360)
Total shareholders' equity (deficit)	(7,555)	146,814
Total liabilities and shareholders' equity (deficit)	734,299	868,010

Nature of operations and continuance of business (Note 1)
Subsequent events (Note 10)

Approved and authorized for issuance by the Board of Directors on May 25, 2022:

/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, 2022 \$	Three months ended March 31, 2021 \$	Six months ended March 31, 2022 \$	Six months ended March 31, 2021 \$
Expenses				
Consulting fees	11,428	103,400	25,363	103,400
Investor relations	956	967	956	990
Management fees (Note 4)	41,000	41,000	82,000	82,000
Office and miscellaneous	3,501	1,096	5,030	2,384
Professional fees	8,983	12,188	11,120	15,393
Share-based compensation (Notes 4 and 8)	—	14,657	—	177,507
Transfer agent and filing fees	6,131	7,054	9,126	11,917
Travel	—	—	—	—
Total expenses	71,999	180,362	133,595	393,591
Loss before other expenses	(71,999)	(180,362)	(133,595)	(393,591)
Other expenses				
Accretion of discount on convertible debt (Note 5)	(18,602)	(9,418)	(37,024)	(9,418)
Interest expense	(6,875)	(493,622)	(13,750)	(493,622)
Total other expenses	(25,477)	(503,040)	(50,774)	(503,040)
Net loss and comprehensive loss	(97,476)	(683,402)	(184,369)	(896,631)
Loss per share, basic and diluted	—	(0.02)	(0.01)	(0.03)
Weighted average common shares outstanding	38,747,833	33,761,167	38,746,148	33,626,368

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

SLAVE LAKE ZINC CORP.

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

	Share capital		Share-based payment reserve \$	Equity portion of convertible debt \$	Deficit \$	Total shareholders' equity (deficit) \$
	Number of shares	Amount \$				
Balance, September 30, 2021	38,744,500	1,731,723	498,625	99,826	(2,183,360)	146,814
Shares issued pursuant to the exercise of stock options	300,000	42,527	(12,527)	–	–	30,000
Net loss for the period	–	–	–	–	(184,369)	(184,369)
Balance, March 31, 2022	39,044,500	1,774,250	486,098	99,826	(2,367,729)	(7,555)

	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

(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, 2022 \$	Six months ended March 31, 2021 \$
Operating activities:		
Net loss	(184,369)	(896,631)
Items not involving cash:		
Accretion of discount on convertible debt	37,024	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	(3,031)	(4,672)
Prepaid expenses and deposits	(40,000)	(67,407)
Accounts payable and accrued liabilities	(26,366)	(5,208)
Due to related parties	10,000	45,087
Net cash used in operating activities	(206,742)	(252,165)
Investing activities		
Exploration and evaluation asset expenditures	(4,000)	–
Net cash used in investing activities	(4,000)	–
Financing activities		
Proceeds from issuance of convertible debt	–	650,000
Debt issuance costs	–	(12,200)
Proceeds from shares issued	30,000	315,000
Net cash provided by financing activities	30,000	952,800
Change in cash	(180,742)	700,635
Cash, beginning of period	435,258	111,373
Cash, end of period	254,516	812,008
Non-cash investing and financing activities:		
Fair value of stock options transferred from share-based payment reserve to share capital	12,527	–

(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, 2022
(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 the Northwest 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. During the period ended March 31, 2022, the Company has not generated any revenues and incurred negative cash flow from operating activities. As at March 31, 2022, the Company has a working capital deficit of \$417,066 and an accumulated deficit of \$2,367,729. 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 factors may cast significant doubt about the Company's ability to continue as a going concern. 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, 2021.

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, 2021. 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
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(Expressed in Canadian dollars)
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3. Exploration and Evaluation Assets

O'Connor Lake Property

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 2/7th 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 2/5th 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.

	\$
Balance, September 30, 2021	405,511
Geological and geophysics (Note 4)	3,000
Licences	1,000
Balance, March 31, 2022	409,511

4. Related Party Transactions

- (a) As at March 31, 2022, the Company owed \$67,322 (September 30, 2021 - \$67,322) to the President of the Company which is non-interest bearing, unsecured, and due on demand. of the Company which is non-interest bearing, unsecured, and due on demand. During the six months ended March 31, 2022, the Company incurred management fees of \$36,000 (2021 - \$36,000) to the President of the Company.
- (b) As at March 31, 2022, the Company owed \$65,565 (September 30, 2021 - \$65,565) to the Chief Executive Officer of the Company which is non-interest bearing, unsecured, and due on demand. During the six months ended March 31, 2022, the Company incurred management fees of \$36,000 (2021 - \$36,000) to the Chief Executive Officer of the Company.
- (c) As at March 31, 2022, the Company owed \$38,000 (September 30, 2021 - \$32,000) to the Chief Financial Officer of the Company which is non-interest bearing, unsecured, and due on demand. During the six months ended March 31, 2022, the Company incurred management fees of \$6,000 (2021 - \$6,000) to the Chief Financial Officer of the Company.
- (d) As at March 31, 2022, the Company owed \$27,884 (September 30, 2021 - \$23,884) to directors of the Company which is non-interest bearing, unsecured, and due on demand. During the six months ended March 31, 2022, the Company incurred management fees of \$4,000 (2021 - \$4,000) to directors of the Company.

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4. Related Party Transactions (continued)

- (e) During the six months ended March 31, 2022, the Company incurred geological fees of \$3,000 (2021 - \$nil) to a director of the Company.
- (f) During the six months ended March 31, 2021, the Company granted 3,900,000 stock options with a fair value of \$162,850 to officers and directors of the Company.

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 and share purchase warrants. 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 year ended September 30, 2021, \$100,000 was converted into common shares. During the period ended September 30, 2021, the Company recognized accretion expense of \$48,043, which brought the carrying value to \$483,271 as at September 30, 2021. During the six months ended March 31, 2022 the Company recognized accretion expense of \$37,024, which brings the carrying value to \$520,295 as at March 31, 2022.

	\$
Balance, September 30, 2021	483,271
Accretion	37,024
Balance, March 31, 2022	520,295

6. Share Capital

On March 30, 2022, the Company issued 300,000 common shares for proceeds of \$30,000 pursuant to the exercise of stock options. The fair value of the stock options exercised of \$12,527 was transferred from share-based payment reserve to share capital.

7. Share Purchase Warrants

The following table summarizes the continuity of share purchase warrants:

	Number of warrants	Weighted average exercise price \$
Balance, September 30, 2021 and March 31, 2022	12,125,000	0.16

SLAVE LAKE ZINC CORP.

Notes to the Condensed Financial Statements
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(Expressed in Canadian dollars)
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7. Share Purchase Warrants (continued)

As at March 31, 2022, 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>		

8. Stock Options

On June 21, 2018, the Company adopted an incentive stock option plan (the "Option Plan"). The maximum number of shares reserved for issuance upon exercise of options granted shall not exceed 15% of the issued and outstanding common shares of the Company. The option period shall not exceed ten years from the date of grant. Under the Option Plan, the subscription price in respect of any option shall be set in accordance with the applicable policies of the CSE. The number of shares which may be reserved for issuance to any one individual may not exceed 5% of the issued shares in any twelve month period or any aggregate maximum of 1% if the optionee(s) are engaged in investor relations activities or if the optionee is a consultant, no more than 2% per consultant in any twelve month period. The Option Plan contains no vesting requirements.

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

	Number of stock options	Weighted average exercise price \$
Balance, September 30, 2021	4,400,000	0.10
Exercised	(300,000)	0.10
<u>Balance, March 31, 2022</u>	<u>4,100,000</u>	<u>0.10</u>

Additional information regarding stock options outstanding as at March 31, 2022 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	4,100,000	0.6	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, 2022	Six months ended March 31, 2021
Risk-free interest rate	—	0.23%
Expected life (in years)	—	2
Expected volatility	—	135%

SLAVE LAKE ZINC CORP.

Notes to the Condensed Financial Statements
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(Expressed in Canadian dollars)
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8. Stock Options (continued)

The total fair value of the stock options granted during the six months ended March 31, 2022 was \$nil (2021 - \$177,507) 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, 2022 was \$nil (2021 - \$0.04) per option. The weighted average share price at the date of exercise during the six months ended March 31, 2022 was \$0.12.

9. Financial Instruments and Risk Management

(a) Fair Values

Fair value measurements are classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair values of financial instruments, which include accounts payable and accrued liabilities, and amounts due to related parties, approximate their carrying values due to the relatively short-term maturity of these instruments. Cash is measured at fair value based on the Level 1 hierarchy.

(b) Credit Risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash. The Company limits its exposure to credit loss by placing its cash with high credit quality financial institutions. The carrying amount of financial assets represents the maximum credit exposure.

(c) Foreign Exchange Rate Risk

The Company is not exposed to any significant foreign exchange rate risk.

(d) Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to significant interest rate risk as it does not have any liabilities with variable rates.

(e) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's objective to managing liquidity risk is to ensure that it has sufficient liquidity available to meet its liabilities when due. The Company relies on raising debt or equity financing in a timely manner.

The following amounts are the contractual maturities of financial liabilities as at March 31, 2022:

	Total \$	Within 1 year \$	Within 2-5 years \$
Accounts payable and accrued liabilities	22,778	22,778	–
Convertible debt	520,295	520,295	–
Due to related parties	198,771	198,771	–

SLAVE LAKE ZINC CORP.

Notes to the Condensed Financial Statements

Six Months Ended March 31, 2022

(Expressed in Canadian dollars)

(unaudited)

9. Financial Instruments and Risk Management (continued)

(f) Price Risk

The Company is exposed to price risk with respect to commodity prices. The Company's ability to raise capital to fund exploration and development activities is subject to risks associated with fluctuations in the market price of commodities.

10. Subsequent Events

- (a) On April 5, 2022, the Company issued 2,500,000 common shares pursuant to the conversion of \$200,000 convertible debt.
- (b) On April 26, 2022, the Company granted 2,650,000 stock options exercisable at \$0.15 per common share expiring on April 26, 2024 to officers, directors, and a consultant.
- (c) Subsequent to March 31, 2022, the Company issued 500,000 common shares for proceeds of \$50,000 pursuant to the exercise of stock options.