

ZINCO MINING CORPORATION

Consolidated Financial Statements

For the Three Months Ended December 31, 2016 and 2015

(Expressed in Canadian Dollars)

ZINCO MINING CORPORATION
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NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

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 interim 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 financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor

ZINCO MINING CORPORATION

Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

As At

	December 31, 2016	September 30, 2016
ASSETS		
Current assets		
Cash	\$ 28,586	\$ 2,516
Receivables (Note 4)	3,415	1,306
	<u>32,001</u>	<u>3,822</u>
Non-current assets		
Equipment (Note 5)	3,271	3,284
Exploration and evaluation assets (Note 6)	1	1
	<u>1</u>	<u>1</u>
Total assets	<u>\$ 35,273</u>	<u>\$ 7,107</u>
LIABILITIES AND SHAREHOLDER'S DEFICIENCY		
Current Liabilities		
Accounts payable and accrued liabilities (Note 7)	\$ 898,776	\$ 890,785
Due to related parties (Note 10)	145,567	149,494
	<u>1,044,343</u>	<u>1,040,279</u>
Shareholders' deficiency		
Share capital (Note 8)	10,115,344	10,115,344
Subscriptions received in advance (Note 8)	217,064	177,064
Share-based compensation reserve (Note 8)	1,537,177	1,537,177
Deficit	(12,878,655)	(12,862,757)
Total shareholders' deficiency	<u>(1,009,070)</u>	<u>(1,033,172)</u>
Total liabilities and shareholders' deficiency	<u>\$ 35,273</u>	<u>\$ 7,107</u>

Nature of operations and going concern (Note 1)

These consolidated financial statements are authorized for issue by the Board of Directors on October 31, 2017.
On behalf of the Board:

"Michelle Robinson"
Michelle Robinson, President,
CEO and Director

"Peter G. Rook-Green"
Peter Rook Green, Director

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

ZINCO MINING CORPORATION

Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian Dollars)

For the Three Month Periods Ended December 31, 2016 and 2015

	2016	2015
EXPENSES		
Depreciation (Note 5)	\$ 13	\$ —
Bank charges	183	1,326
Consulting fees	—	9,000
Foreign exchange loss (gain)	(24,540)	6,880
Office and sundry	—	263
Professional fees, net of recoveries	12,668	1,426
Rent	—	750
Transfer agent and filing fees	7,041	1,336
Travel and promotion	180	180
Total expenses (recovery)	(4,455)	21,161
Mining taxes on mineral property costs written off (Note 6)	20,353	—
Loss and comprehensive loss for the period	15,898	21,161
Basic and diluted loss per share	\$ 0.000	\$ 0.001
Weighted average number of shares outstanding,-basic and diluted	41,128,736	41,128,736

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

ZINCO MINING CORPORATION

Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)

For the Three Month Periods Ended December 31, 2016 and 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Loss for the period	\$ (15,898)	\$ (21,161)
Items not involving cash:		
Depreciation	13	—
Write-down of exploration and evaluation assets	20,353	—
Changes in non-cash working capital items:		
Receivables	(2,109)	(286)
Accounts payable and accrued liabilities	(12,362)	21,283
Due to related parties	(3,927)	(2,085)
Net cash used in operating activities	(13,930)	(2,249)
CASH FLOWS FROM FINANCING ACTIVITIES		
Subscriptions received in advance	40,000	—
Net cash provided by financing activities	40,000	—
Net change in cash during the period	26,070	(2,249)
Cash, beginning of the period	2,516	2,595
Cash, end of the period	\$ 28,586	\$ 346

Supplemental disclosure with respect to cash flows (Note 13)

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

ZINCO MINING CORPORATION

Consolidated Statement of Changes in Shareholders' Equity (Deficiency)

(Expressed in Canadian Dollars)

For the Three Month Periods Ended December 31, 2016 and 2015

	Share Capital		Share-based Compensation Reserve	Subscriptions received in advance	Deficit	Total
	Number of Shares	Amount				
Balance September 30, 2015	41,128,736	\$10,115,344	\$1,537,177	\$151,314	\$(12,632,221)	\$(828,386)
Subscriptions received in advance (Loss) for the period	—	—	—	—	(21,161)	(21,161)
Balance, December 31, 2015	41,128,736	\$10,115,344	\$1,537,177	151,314	(12,653,382)	(849,547)
Balance September 30, 2016	41,128,736	\$10,115,344	\$1,537,177	\$177,064	\$(12,862,757)	\$(1,033,172)
Subscriptions received in advance (Loss) for the period	—	—	—	40,000	(15,898)	40,000 (15,898)
Balance, December 31, 2016	41,128,736	\$10,115,344	\$1,537,177	\$217,064	\$(12,878,655)	\$(1,009,070)

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

Zinco Mining Corporation
Notes to the Consolidated Financial Statements
(Expressed in Canadian Dollars)

December 30, 2016 and 2015

1. NATURE OF OPERATIONS AND GOING CONCERN

Zinco Mining Corporation (the “Company”), an exploration stage company, was incorporated under the laws of British Columbia, Canada on March 14, 1983. The Company received approval to change its name to Zinco Mining Corporation on January 26, 2007. The head office is located at #825-102-15910 Fraser Highway, Surrey, BC V4N 0X9.

The Company is in the process of exploring its exploration and evaluation assets and has not yet determined whether these properties contain mineral reserves that are economically recoverable. The continued operations of the Company are primarily dependent upon its ability to raise exploration financing from equity markets. Recovery of the capitalized carrying costs shown for exploration and evaluation assets will require establishment of economically recoverable reserves, the securing of development financing, and profitable production

These consolidated financial statements have been prepared with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The Company’s continuing operations are dependent upon its ability to either secure additional equity capital or generate cash flow from operations in the future, which is not assured. These financial statements do not include any adjustments relating to the recoverability and classification of recorded assets and liabilities that might be necessary, should the Company be unable to secure additional equity capital or generate cash from operations in the future.

The Company was required to make exploration investments in 2014 including mining taxes, and minimum work requirements, or relinquish underdeveloped concessions back to the Mexican government. The Company did not raise sufficient funds to do any significant exploration work, and has written off all non-core property so it can focus its remaining resources on the El Maple Group (Cuale VMS Project). While the mining concessions that comprise the Cuale VMS Project are in good standing under Mexican Law, the Company has not significantly advanced the project due to difficult market conditions for junior exploration companies and has written the value of the property down to \$1 (Note 6).

The Company has a history of operating losses and as at December 31, 2016 had a deficit of \$12,878,655 and a working capital deficiency of \$1,012,342 This raises significant doubt as to the Company’s ability to continue as a going concern. To continue exploration and development work on its exploration and evaluation assets the Company will be required to complete additional equity financings and will seek alternative forms of financing as necessary.

2. BASIS OF PRESENTATION

These consolidated financial statements, including comparatives, have been prepared in accordance with International Accounting Standard 34 as issued by the IASB. These condensed interim financial statements do not include all of the information required for full annual financial statements. The condensed interim financial statements should be read in conjunction with the Company’s annual audited financial statements for the period ended September 30, 2016.

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss, which are stated at their fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

Zinco Mining Corporation
Notes to the Consolidated Financial Statements
(Expressed in Canadian Dollars)

For the Three Months Ended December 31, 2016 and 2015

2. BASIS OF PRESENTATION, continued

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported expenses during the period. Actual results could differ from these estimates.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- i) The carrying value and the recoverability of exploration and evaluation assets, which are included in the statements of financial position. The cost model is utilized and the value of the exploration and evaluation assets is based on the expenditures incurred. At every reporting period, management assesses the potential impairment which involves assessing whether or not facts or circumstances exist that suggests the carrying amount exceeds the recoverable amount.
- ii) The inputs used in calculating the fair value for share-based compensation expense included in profit or loss and share-based share issuance costs included in shareholders' equity. The share-based compensation expense is estimated using the Black-Scholes options-pricing model as measured on the grant date to estimate the fair value of stock options. This model involves the input of highly subjective assumptions, including the expected price volatility of the Company's common shares, the expected life of the options, and the estimated forfeiture rate.
- iii) The recognition of deferred tax assets. The Company considers whether the realization of deferred tax assets is probable in determining whether or not to recognize these deferred tax assets.

Critical Judgement:

The preparation of these consolidated financial statements requires management to make judgments regarding the going concern and functional currency of the Company which assumes the Company will continue operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due. As at December 31, 2016 the Company had a working capital deficiency of \$1,012,342. Additional financing will be required for the Company to continue as a going concern.

Zinco Mining Corporation
Notes to the Consolidated Financial Statements
(Expressed in Canadian Dollars)

For the Three Months Ended December 31, 2016 and 2015

3. SIGNIFICANT ACCOUNTING POLICIES

a) *Basis of consolidation*

These consolidated financial statements include the financial statements of the Company and the entities controlled by the Company:

<i>Entity</i>	<i>Country of Incorporation</i>	<i>Principal Business and ownership</i>
Minera Croesus S.A. de C.V. (“Minera Croesus”)	Mexico	Exploration. Wholly owned subsidiary
Minera Asteria SA de C.V.,	Mexico	Exploration. Wholly owned subsidiary

Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All intercompany transactions and balances have been eliminated.

b) *Cash*

Cash consists of cash on hand and on deposit with financial institutions.

c) *Exploration and evaluation assets*

The Company expenses pre-exploration costs as incurred. Exploration and evaluation assets consist of exploration and mining concessions, options and contracts. Acquisition and exploration costs are capitalized and deferred until such time as the property is put into production, or the property is disposed of either through sale or abandonment. If it is put into production, the costs of acquisition and exploration will be written off over the life of the property based on estimated economic reserves. Proceeds received from the sale of any interest in a property will be credited against the carrying value of the property, with any excess included in operations for the period. If a property is abandoned, the acquisition and deferred exploration costs will be written-off to profit and loss.

Although the Company has taken steps to verify title to exploration and evaluation assets in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company’s title. A property may be subject to unregistered prior agreements or inadvertent non-compliance with regulatory requirements.

Management reviews capitalized costs on its exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount may exceed its recoverable amount. Management will recognize impairment in value based upon current exploration results and upon management’s assessment of the future probability of profitable revenues from the property or sale of the property.

Recorded costs of exploration and evaluation assets costs are not intended to reflect present or future values of resource properties. The recovery of recorded costs is subject to measurement uncertainty and it is reasonably possible that changes in future conditions in the near term could require a material change in the recorded amount.

3. SIGNIFICANT ACCOUNTING POLICIES, continued

d) *Provision for environmental rehabilitation*

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of exploration and evaluation assets and property and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future rehabilitation cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to exploration and evaluation assets, or property and equipment, along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The rehabilitation asset is depreciated on the same basis as the related assets. The increase in the provision due to the passage of time is recognized as interest expense.

d) *Provision for environmental rehabilitation, continued*

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related assets with a corresponding entry to the rehabilitation provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

The Company did not have any provisions for environmental rehabilitation for the periods presented.

e) *Equipment*

Equipment is recorded at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. Depreciation is provided at rates calculated to write off the cost of equipment, less its estimated residual value, using the declining balance method at the following rates per annum:

Exploration equipment 20% per annum, declining-balance basis

f) *Share-based compensation*

The Company grants stock options to buy common shares of the Company to directors, officers, employees and service providers. The Company recognizes share-based compensation expense based on the estimated fair value of the options. A fair value measurement is made for each vesting installment within each option grant and is determined using the Black-Scholes option-pricing model. The fair value of the options is recognized over the vesting period of the options granted as both share-based compensation expense and reserves. This includes a forfeiture estimate, which is revised for actual forfeitures in subsequent periods.

The share-based compensation reserve account is subsequently reduced if the options are exercised and the amount initially recorded is then credited to share capital.

3. SIGNIFICANT ACCOUNTING POLICIES, continued

g) *Income taxes*

Income tax expense comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity. Current tax expense is the expected tax payable on taxable income for the period, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous periods.

Deferred tax is recorded using the liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable loss; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the date of the statement of financial position.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

h) *Share issue costs*

Share issue costs incurred on the issue of the Company's shares are charged directly to share capital.

i) *Loss per share*

The calculation of basic loss per share is based on net loss divided by the weighted-average number of common shares outstanding during the period. Diluted earnings (loss) per share reflect the assumed conversion of all dilutive securities using the treasury stock method. For the periods presented, the calculation of loss per share on a diluted basis excluded all potential common shares because the effect was anti-dilutive.

3. SIGNIFICANT ACCOUNTING POLICIES, continued

j) *Translation of foreign currencies*

The functional currency is the currency of the primary economic environment in which the entity operates and has been determined for each entity within the Company. The functional currency of the Company and its wholly owned subsidiary, Minera Croesus S.A. de C.V., is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, The Effects of Changes in Foreign Exchange Rates.

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the period end exchange rate while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in comprehensive income (loss).

k) *Financial instruments*

Financial assets

The Company classifies its financial assets into one of the following categories as follows:

Fair value through profit or loss - This category comprises derivatives and financial assets acquired principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss.

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost using the effective interest method less any provision for impairment.

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method less any provision for impairment.

Available-for-sale - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized in other comprehensive income (loss). Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from accumulated other comprehensive income (loss) and recognized through profit or loss.

All financial assets except those measured at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is objective evidence of impairment as a result of one or more events that have occurred after initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

3. SIGNIFICANT ACCOUNTING POLICIES, continued

Financial liabilities

The Company classifies its financial liabilities into one of two categories as follows:

Fair value through profit or loss - This category comprises derivatives and financial liabilities incurred principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss.

Other financial liabilities: This category consists of liabilities carried at amortized cost using the effective interest method.

The Company has classified its cash as fair value through profit and loss. The Company's receivables are classified as loans and receivables. The Company's accounts payable, and accrued liabilities, and due to related parties are classified as other financial liabilities.

1) *Impairment*

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior periods. A reversal of an impairment loss is recognized immediately in profit or loss.

Zinco Mining Corporation
Notes to the Consolidated Financial Statements
(Expressed in Canadian Dollars)

For the Three Months Ended December 31, 2016 and 2015

3. SIGNIFICANT ACCOUNTING POLICIES, continued

New standards and interpretations not yet adopted

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for accounting periods beginning on or after January 1, 2017. Updates which are not applicable or are not consequential to the Company have been excluded thereof. The following have not yet been adopted by the Company and are being evaluated to determine their impact:

- IFRS 9 – New standard that replaced IAS 39 for classification and measurement, effective for annual periods beginning on or after January 1, 2018.
- IFRS 15 - New standard to establish principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity’s contracts with customers, effective for annual periods beginning on or after January 1, 2017.
- IFRS 16 – Leases: New standard to establish principles for recognition, measurement, presentation and disclosure of leases with an impact on lessee accounting, effective for annual periods beginning on or after January 1, 2019.

4. RECEIVABLES

The Company’s receivables arise from the Goods and Services Tax (“GST”) receivable by the parent company.

	December 31, 2016	September 30, 2016
GST receivable	\$ 3,415	\$ 1,306
Total	\$ 3,415	\$ 1,306

Zinco Mining Corporation
Notes to the Consolidated Financial Statements
(Expressed in Canadian Dollars)

For the Three Months Ended December 31, 2016 and 2015

5. EQUIPMENT

Exploration Equipment	
Balance, September 30, 2015	\$ 14,128
Additions/Disposals	—
Balance, September 30, 2016	14,128
Additions/Disposals	—
Balance, December 31, 2016	14,128
Accumulated depreciation:	
Balance, September 30, 2015	10,556
Depreciation	288
Balance, September 30, 2016	10,844
Depreciation	13
Balance, December 31, 2016	10,857
Carrying amounts	
As at September 30, 2016	\$ 3,284
As at December 31, 2016	\$ 3,271

6. EXPLORATION AND EVALUATION ASSETS

The Company continues to hold the El Maple group of properties, All other claim groups previously held by the Company including Almatea, Cabrel, Desmoronado, and El Volantin were abandoned during the year ended September 30, 2015 The El Maple group is being carried at nominal value of \$1 due to uncertainty regarding future exploration and evaluation activities.

During the three months ended December 31, 2016 the Company wrote-off deferred exploration costs of \$20,353 (2015 \$Nil) to profit and loss due to uncertainty regarding future exploration and evaluation activities. The entire amount of deferred exploration costs written-off relate to mining duties and interest accrued. There have been no other additions in the current and comparative periods.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities for the Company are broken down as follows:

	December 31, 2016	September 30, 2016
Trade payables	\$ 892,293	\$ 890,785
Accrued liabilities	6,483	—
Total	\$ 898,776	\$ 890,785

The General Bureau of Mining Regulations in Mexico has initiated legal procedures against the Company to collect outstanding mining duties, plus overcharges and penalties. As at December 31, 2016 these amounts total \$424,450 which are included in trade payables.

Zinco Mining Corporation
Notes to the Consolidated Financial Statements
(Expressed in Canadian Dollars)

For the Three Months Ended December 31, 2016 and 2015

8. SHARE CAPITAL AND SHARE-BASED COMPENSATION RESERVE

The following is a description of the authorized and issued share capital:

- a) Authorized: Unlimited common shares without par value

During the three months ended December 31, 2016, the Company received \$40,000 (December 31, 2015 - \$Nil) for a future private placement.

- b) Stock options

The Company has established a stock option plan, the purpose of which is to attract, retain and motivate directors, officers, employees and persons engaged to provide ongoing management and consulting services (“service providers”) by providing them with the opportunity, through share options, to acquire a proprietary interest in the Company and benefit from its growth. The maximum number of shares which may be issued under the plan is fixed at 6,978,947. This number is subject to adjustment resulting from changes in the share capital of the Company. Such adjustments are subject to approval by the TSX Venture Exchange and by the shareholders of the Company. The number of shares reserved for issuance to any one person may not exceed 20% of the issued and outstanding shares at the date of such grant. The maximum term of stock options is five periods from the grant. All options granted under the Plan will become vested in full upon grant, except options granted to consultants performing investor relations activities, which options are subject to vesting restrictions such that one-quarter of the options shall vest every three months subsequent to the date of the grant of the options.

The exercise price of the shares which are the subject of any option shall in no circumstances be less than the market price of the shares at the date of the grant of the option.

A summary of the status of the Company’s stock option plan as of December 31, 2016 and June 30, 2014 and changes during the periods is presented below:

	December 31, 2016		December 31, 2015	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Outstanding at beginning of period	900,000	\$0.19	2,250,000	\$0.08
Expired	(400,000)	\$0.19	—	--
Outstanding at end of period	500,000	\$0.18	2,250,000	\$0.08
Exercisable at end of period	500,000	\$0.18	2,250,000	\$0.08

Zinco Mining Corporation
Notes to the Consolidated Financial Statements
(Expressed in Canadian Dollars)

For the Three Months Ended December 31, 2016 and 2015

8. SHARE CAPITAL AND SHARE-BASED COMPENSATION RESERVE, continued

At December 31, 2016, the Company had stock options outstanding to purchase 500,000 shares as follows:

Number	Exercise Price	Expiry Date	Weighted Average Remaining Life (Periods)
500,000	\$0.15	June 12, 2017	0.45

⁽¹⁾ Expired unexercised subsequent to the period end.

During the period ended December 31, 2016, the Company did not grant any incentive stock options..

c) Share Purchase Warrants

The Company presently has no share purchase warrants outstanding.

9. FINANCIAL INSTRUMENTS, CAPITAL AND RISK MANAGEMENT

Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development and exploration of its exploration and evaluation assets and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Company depends on external financing to fund its activities. The capital structure of the Company currently consists of common shares and stock options. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, acquire or dispose of assets or adjust the amount of cash.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets, which are approved by the Board of Directors and updated as necessary depending on various factors, including capital deployment and general industry conditions.

The Company anticipates continuing to access equity markets to fund continued exploration of its exploration and evaluation assets and the future growth of the business.

There were no changes in the Company's approach to capital management during the period ended December 31, 2016. The Company is not subject to externally imposed capital requirements, except for property taxes and work commitments in Mexico.

9. FINANCIAL INSTRUMENTS, CAPITAL AND RISK MANAGEMENT, continued

Financial Instruments

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

The fair value of the Company's accounts and advances receivable, accounts payable and accrued liabilities, and due to related parties approximates their carrying values. The Company's other financial instrument, being cash is measured at fair value using Level 1 inputs.

The Company is exposed to varying degrees to a variety of financial instrument related risks:

Credit risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company believes it has no significant credit risk as the Company's accounts and advances receivable are primarily due from the Government of Canada.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2016, the Company had a cash balance of \$28,586 to settle current liabilities of \$1,044,343. The Company currently does not have sufficient funds to sustain operations. The Company intends to raise additional capital through equity financings or alternative forms of financing.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not subject to interest rate risk.

b) Foreign currency risk

As at December 31, 2016, the Company's expenditures are in Canadian dollars as well as Mexican Pesos and any future equity raised is expected to be predominantly in Canadian dollars. The Company's expenditures in Mexico are predominantly in Mexican Pesos

Zinco Mining Corporation
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9. FINANCIAL INSTRUMENTS, CAPITAL AND RISK MANAGEMENT, continued

Market risk, continued

c) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

10. RELATED PARTY TRANSACTIONS

Related parties and related party transactions impacting the consolidated financial statements are summarized below and include transactions with the following individuals or entities:

Key management personnel:

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers.

- a) Remuneration attributed to key management personnel for the three months ended December 31 is summarized as follows:

	2016	2015
Professional fees	\$2,940	\$19,448
Geological fees	—	7,777
	\$2,940	\$27,225

- b) As at December 31, 2016 \$145,567 (September 30, 2016 - \$144,494) was due to directors and/or officers of the Company.

11. SEGMENTED INFORMATION

The Company operates in one industry, being the acquisition, exploration and development of mineral interests

The Company's mineral interests and equipment are owned through the Mexican subsidiary and held in Mexico.

12. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Significant non-cash transactions for the period ended December 31, 2016 included incurring exploration and evaluation asset expenditures of \$20,353 (December 31, 2015 \$Nil) through accounts payable.

Zinco Mining Corporation
Notes to the Consolidated Financial Statements
(Expressed in Canadian Dollars)

For the Three Months Ended December 31, 2016 and 2015

13. SUBSEQUENT EVENT

Subsequent to December 31, 2016, the Company received an additional \$35,027 from a shareholder which is being used to pay fees and costs necessary to bring the Company's filings up to date.