SCOZINC MINING LTD.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED

MARCH 31, 2019 AND 2018

(EXPRESSED IN CANADIAN DOLLARS)

(UNAUDITED)

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the condensed interim consolidated financial statements have not been reviewed by an auditor.

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

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

ScoZinc Mining Ltd.

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

As at	March 31, 2019	December 31, 2018
ASSETS		
Current		
Cash	$ 122,426	$ 279,305
Amounts receivable and prepaid expenses (Note 4)	161,688	149,448
	284,114	428,753
Cash held for reclamation (Note 3)	3,109,391	3,100,852
Property, plant and equipment (Note 5)	8,042,854	8,084,509
Exploration and evaluation assets (Note 6)	7,060,717	7,034,767
Right-of-use asset (Note 7)	93,191	-
	18,306,153	18,220,128
	$ 18,590,267	$ 18,648,881
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 9)	$ 487,971	$ 449,897
Amounts payable to related parties (Note 15)	338,233	279,269
Lease obligation - current portion (Note 8)	14,545	-
	840,749	729,166
Lease obligation - long term portion (Note 8)	77,599	-
Decommissioning liability (Note 10)	2,600,000	2,600,000
	3,518,348	3,329,166
EQUITY		
Share capital (Note 11)	81,358,592	81,358,592
Warrants (Note 12)	318,006	318,006
Contributed surplus	561,810	558,065
Deficit	(67,166,489)	(66,914,948)
	15,071,919	15,319,715
	$ 18,590,267	$ 18,648,881

Nature of Operations and Going Concern (Note 1)
Contingencies and Commitments (Note 13)
Subsequent Event (Note 16)

Approved on Behalf of the Board:

"Victor Lazarovici"
Director

"Chris Hopkins"
Director

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

ScoZinc Mining Ltd.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(EXPRESSED IN CANADIAN DOLLARS)
(UNAUDITED)

For the Three Months Ended March 31,		2019		2018
EXPENSES				
Salaries and benefits	**$**	**110,307**	$	113,392
Office and general		**37,577**		81,671
Legal and accounting fees		**29,581**		55,150
Investor relations		**4,792**		10,901
Amortization (Note 5)		**44,301**		41,659
Consulting		**24,344**		137,756
Share-based payments (Note 12)		**3,745**		26,459
Regulatory fees		**5,954**		2,963
Net loss before interest and other items:		**(260,601)**		(469,951)
Interest income		**9,060**		10,036
NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD	**$**	**(251,541)**	$	(459,915)
Basic and diluted loss per share (Note 14)	**$**	**(0.05)**	$	(0.12)
Weighted average number of common shares outstanding - basic and diluted		**5,266,044**		3,941,045

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

ScoZinc Mining Ltd.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(EXPRESSED IN CANADIAN DOLLARS, EXCEPT SHARE AMOUNTS)
(UNAUDITED)

	Number of Shares	Amount	Warrants	Contributed Surplus	Deficit	Total
Balance, December 31, 2017	3,941,045	$ 80,251,853	$ -	$ 490,270	$(65,290,664)	$ 15,451,459
Issued on private placement, net of costs	264,999	395,169	-	-	-	395,169
Stock-based compensation	-	-	-	26,459	-	26,459
Loss for the period	-	-	-	-	(459,915)	(459,915)
Balance, March 31, 2018	**4,206,044**	**80,647,022**	**-**	**516,729**	**(65,750,579)**	**15,413,172**
Balance, December 31, 2018	5,266,044	81,358,592	318,006	558,065	(66,914,948)	15,001,709
Stock-based compensation	-	-	-	3,745	-	3,745
Loss for the period	-	-	-	-	(251,541)	(251,541)
Balance, March 31, 2019	**5,266,044**	**$ 81,358,592**	**$ 318,006**	**$ 561,810**	**$(67,166,489)**	**$ 14,753,913**

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

ScoZinc Mining Ltd.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(EXPRESSED IN CANADIAN DOLLARS)
(UNAUDITED)

For the three months ended March 31,	2019	2018
CASH (USED IN) PROVIDED BY:		
OPERATING ACTIVITIES		
Net loss for the period:	**$ (251,541)**	$ (459,915)
Amortization	**44,301**	41,659
Share-based payments	**3,745**	26,459
Accrued interest income	**(9,064)**	(10,036)
	(212,559)	(401,833)
Net change in non-cash working capital:		
Amounts receivable and prepaid expenses	**(12,240)**	(174,142)
Accounts payable and accrued liabilities	**34,384**	143,947
Amounts payable to related parties	**58,964**	22,707
	(131,451)	(409,321)
Interest received	**522**	1,735
	(130,929)	(407,586)
INVESTING ACTIVITIES		
Exploration and evaluation assets	**(25,950)**	(345,295)
	(25,950)	(345,295)
FINANCING ACTIVITIES		
Shares issued for cash	**-**	397,500
Share issue costs	**-**	(2,331)
	-	395,169
CHANGE IN CASH	**(156,879)**	(357,712)
CASH, BEGINNING OF PERIOD	**279,305**	1,052,743
CASH, END OF PERIOD	**$ 122,426**	$ 695,031

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Scozinc Mining Ltd. (the "Company" or "ScoZinc"), and its wholly owned subsidiary (collectively, the "Group") is engaged in zinc and lead mining and related activities, including the exploration and evaluation of mineral property interests that are considered to have the potential for economic mineralization. The Company is a public company, which is listed on the TSX Venture Exchange and incorporated and domiciled in Canada. The address of its registered office is 15601 Hwy 224, Cooks Brook, Nova Scotia, B0N 1Y0.

The condensed interim consolidated financial statements have been prepared on a going concern basis, which assumes the Group will continue in operation through the fiscal year and into the foreseeable future and will be able to realize assets and discharge its liabilities and commitments in the normal course of operations at the amounts stated in the consolidated financial statements.

The Company has not generated revenue from operations. The Company has incurred a net loss of $ 251,541 for the three months ended March 31, 2019 (three months ended March 31, 2018 - $459,915), and as of that date has an accumulated deficit of $67,166,489 (December 31, 2018 - $66,914,948). As at March 31, 2019, cash amounted to $122,426 (December 31, 2018 - $279,305) and the Company had a working capital deficiency of $556,635 (December 31, 2018 - working capital deficiency of $300,413). The ability of the Company to carry out its planned business objectives is dependent on its ability to raise adequate financing from lenders, shareholders and other investors and/or generate operating profitability and positive cash flow. There can be no assurances that the Company will continue to obtain the additional financial resources necessary and/or achieve profitability or positive cash flows. If the Company is unable to obtain adequate financing, the Company will be required to curtail operations, and development activities and there would be significant uncertainty whether the Company would continue as a going concern and realize its assets and settle its liabilities and commitments in the normal course of business.

The Company currently does not have sufficient cash on hand to meet all exploration, development, general expenses and property payments for the 2019 fiscal year. The Company plans to raise additional capital to further develop and explore its project, however the Company may increase or decrease expenditures as necessary to adjust to a changing capital market environment.

The above factors indicate the existence of material uncertainties that may cast significant doubt on the ability of the Company to continue as a going concern.

The financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern. If management is unsuccessful in securing capital, the Company's assets may not be realized or its liabilities discharged at their carrying amounts and these differences could be material.

2. ACCOUNTING POLICIES

Statement of Compliance

These condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by IASB and interpretations issued by IFRIC. These condensed interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2018.

These condensed interim consolidated financial statements were authorized for issuance by the Board of Directors of the Company on May 29, 2019

2. ACCOUNTING POLICIES (Continued)

Basis of Presentation

These unaudited condensed interim consolidated financial statements have been prepared on a historical cost basis, except for financial instruments which are measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

In the preparation of these unaudited condensed interim consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the period. Actual results could differ from these estimates.

Basis of Consolidation

These condensed interim consolidated financial statements include the accounts of the Company, and its active subsidiary, ScoZinc. All significant intercompany transactions are eliminated on consolidation.

Accounting Pronouncements Adopted During the Period

Accounting for Leases - IFRS 16

In January 2016, the IASB issued IFRS 16 - Leases ("IFRS 16"), replacing IAS 17 - Leases. IFRS 16 provides a single lessee accounting model and requires the lessee to recognize assets and liabilities for all leases on its statement of financial position, providing the reader with greater transparency of an entity's lease obligations.

At January 1, 2019, the Company adopted the following and there was no material impact on the Company's financial statements. The Company adopted IFRS 16 using the modified retrospective approach and accordingly the information presented for 2018 has not been restated. It remains as previously reported under IAS 17 and related interpretations.

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of twelve months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by the incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- Amounts expected to be payable under any residual value guarantee;
- The exercise price of any purchase option granted if it is reasonable certain to assess that option;
- Any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- Lease payments made at or before commencement of the lease;
- Initial direct costs incurred; and
- The amount of any provision recognised where the Company is contractually required to dismantle, remove or restore the leased asset.

2. ACCOUNTING POLICIES (Continued)

Accounting Pronouncements Adopted During the Period (Continued)

Accounting for Leases - IFRS 16 (Continued)

Lease liabilities, on initial measurement, increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made.

Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if this is judged to be shorter than the lease term.

When the Company revises its estimate of the term of any lease, it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

When the Company revises its estimate of the term of any lease, it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

The Company adopted this standard and the impact on the Company's unaudited condensed interim consolidated financial statements are disclosed in notes 7 and 8.

3. CASH HELD FOR RECLAMATION

The Company is required to make reclamation deposits in respect of its expected rehabilitation obligations as set out below.

The Company has agreed with the Province of Nova Scotia (Department of Natural Resources) to remediate the ScoZinc mine facility to an agreed status at the end of the mining operations at the site; as a result the Company is required to make reclamation deposits in respect of this obligation. As at March 31, 2019, a $2,821,846 (December 31, 2018 – $2,813,826) cash bond, including accrued interest, is posted with the Province of Nova Scotia.

In addition, the Company has a reclamation bond with the Nova Scotia Department of Environment for $187,545 (December 31, 2018 – $187,026), including accrued interest, which is required to address the potential replacement of domestic water supplies that could potentially be downgraded by mining operations.

Nova Scotia Business Inc. holds a reclamation bond in the amount of $100,000 (December 31, 2018 - $100,000) in relation to the land, which the Company leases from the organization in Sheet Harbour. The bond will be held until the current lease agreement expires on April 1, 2028.

(EXPRESSED IN CANADIAN DOLLARS)

4. ACCOUNTS RECEIVABLE AND PREPAID EXPENSES

		March 31, 2019		December 31, 2018
Refundable GST/HST	**$**	**141,199**	$	128,959
Prepaid expenses		**20,489**		20,489
	$	**161,688**	$	149,448

5. PROPERTY, PLANT AND EQUIPMENT

	Mine Plant, Equipment and Land	Exploration Field Equipment	Total
Cost			
Balance, December 31, 2018 and March 31, 2019	**$ 9,289,141**	**$ 836,641**	**$10,125,782**
Accumulated Amortization			
Balance, December 31, 2018	1,204,629	836,641	2,041,270
Amortization	41,658	-	41,658
Balance, March 31, 2019	**$ 1,246,287**	**$ 836,641**	**$ 2,082,928**
Net Book Value, December 31, 2018	$ 8,084,512	$ -	$ 8,084,512
Net Book Value, March 31, 2019	**$ 8,042,854**	**$ -**	**$ 8,042,854**

6. EXPLORATION AND EVALUATION ASSETS

ScoZinc Project, Nova Scotia

As part of the business combination with ScoZinc Limited on May 31, 2011, the Company acquired 100% of the Gays River and Getty Deposit located approximately 60 kilometres northeast of Halifax, Nova Scotia. The properties are comprised of exploration licences and a mineral property lease that provides for zinc and lead exploration.

The following is a continuity of the Company's ScoZinc project:

Balance, December 31, 2017	$	6,084,995
Additions		949,772
Balance, December 31, 2018		7,034,767
Additions		25,950
Balance, March 31, 2019	**$**	**7,060,717**

(EXPRESSED IN CANADIAN DOLLARS)

7. RIGHT-OF-USE ASSETS

IFRS 16 - right-of-use asset recognition	$	95,780
Right-of-use assets at January 1, 2019		**95,780**
Depreciation		(2,589)
Balance, March 31, 2019	**$**	**93,191**

Right-of-use assets consist of the operating lease for the Company's Sheet Harbour facilities and are amortized over a period of 111 months.

Maturity Analysis - Contractual Undiscounted Cash Flows		
As at March 31, 2019		
Less than one year	$	16,000
Greater than one year		128,000
Total undiscounted lease obligation	$	144,000

8. LEASE LIABILITIES

At the commencement date of the leases, the lease liability was measured at the present value of the lease payments that were not paid at that date. The lease payments are discounted using an interest rate of 10%, which is the Company's incremental borrowing rate.. The continuity of the lease liabilities are presented in the table below:

Balance, December 31, 2018	$	-
Additions		95,780
Interest expense		364
Lease payments		(4,000)
Balance, March 31, 2019	$	92,144

As at March 31, 2019		
Less than one year	$	14,545
Greater than one year		77,599
Total lease obligation	$	92,144

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		March 31, 2019		December 31, 2018
Trade payables	**$**	**448,971**	$	410,897
Accrued expenses		**39,000**		39,000
	$	**487,971**	$	449,897

10. DECOMMISSIONING LIABILITY

As part of the acquisition of ScoZinc in 2011, the Company assumed an environmental provision of $2,600,000. The Company has agreed with the Province of Nova Scotia (Department of Natural Resources) to remediate the ScoZinc mine facility to an agreed status at the completion of the mining operations at the site. The Company believes that the reclamation of the mine site will cost $2,600,000. As the ScoZinc mine facility is currently not in production and under care and maintenance, the Company has accrued the full amount potentially due.

(EXPRESSED IN CANADIAN DOLLARS)

11. SHARE CAPITAL

(a) AUTHORIZED

Unlimited number of common shares without par value
Unlimited number of Class A preferred shares with no par value
Unlimited number of Class B preferred shares with a par value of $10 per share

(b) ISSUED - COMMON SHARES

	Shares		Amount
Balance, December 31, 2017	3,941,045	$	80,251,853
Private placements, net of costs	264,999		395,169
Balance, March 31, 2018	**4,206,044**	**$**	**80,647,022**
Balance, December 31, 2018 and March 31, 2019	**5,266,044**	**$**	**81,358,592**

12. SHARE BASED PAYMENTS

a) **Stock Option Plan**

A stock option plan ("Plan") was established to provide incentive to qualified parties to increase their proprietary interest in the Company and thereby encourage their continuing association with the Company. Each year, shareholders of the Company approve the Plan at the Annual General Meeting. The Plan provides that the Board of Directors of the Company may from time to time, in its discretion, grant to directors, officers, employees and consultants of the Company, or any subsidiary of the Company, the option to purchase common shares. The Plan provides for a floating maximum limit of 10% of the outstanding common shares of the common shares as permitted by the policies of the TSX-V. Options under the Plan have five year terms with vesting as determined by the Board.

Share option activity for the three months ended March 31, 2019 and 2018 are as follows:

	Number of Stock Options Outstanding	Weighted Average Exercise Price
Balance - December 31, 2017 and 2018, and March 31, 2018 and 2019	339,000	1.40

The following table summarizes information about stock options outstanding as at March 31, 2019:

Number of Options Outstanding	Expiry Date	Exercise Price ($)	Weighted Average Remaining Contractual Life (years)	Number of Options Vested (Exercisable)
99,000	February 19, 2020	2.01	0.89	99,000
33,000	August 25, 2020	1.35	1.40	33,000
207,000	July 13, 2022	1.11	3.31	155,250
339,000		1.40	2.42	287,250

(EXPRESSED IN CANADIAN DOLLARS)

12. SHARE BASED PAYMENTS (Continued)

b) Warrants

The following table reflects the continuity of warrants for the three months ended March 31, 2019 and 2018:

	Number of Warrants Outstanding	Weighted Average Exercise Price
Balance - December 31, 2017 and March 31, 2018	-	$ -
Balance - December 31, 2018 and March 31, 2019	**1,060,000**	**$ 1.50**

The following table summarizes information about warrants outstanding as at March 31, 2019:

Number of Warrants Outstanding	Expiry Date	Exercise Price ($)	Weighted Average Remaining Contractual Life (years)	Number of Warrants (Exercisable)
560,000	June 18, 2020	1.50	1.30	560,000
500,000	July 18, 2020	1.50	1.22	500,000
1,060,000		1.50	1.27	1,060,000

13. COMMITMENTS AND CONTINGENCIES

On August 18, 2011, the Company engaged First Securities AS (“First”) of Oslo, Norway to act as its agent to arrange a minimum of US$30 million of debt financing for the ScoZinc mine project. First terminated the engagement and claims that it is due its costs and a fee of US$1,050,000 because of the termination. ScoZinc has paid First costs under the engagement and has informed First that it disputes the claim and that it is not entitled to any fees under the engagement. As of the date of filing these consolidated financial statements, the dispute is a claim and may be settled by arbitration. Management has determined that an outflow of resources is not probable, accordingly, a provision has not been recognized in these consolidated financial statements.

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

14. BASIC AND DILUTED LOSS PER SHARE

Basic loss per share is computed using the weighted average number of common shares outstanding during the period. Diluted loss per share, which reflects the maximum possible dilution from the potential exercise of warrants and stock options, is the same as basic loss per share for the period ended. The effect of potential issuances of shares under options and warrants would be anti-dilutive for the three months ended March 31, 2019 and 2018 as they would decrease the loss per share, consequently the weighted average number of common shares outstanding for basic and diluted are the same.

(EXPRESSED IN CANADIAN DOLLARS)

15. RELATED PARTY TRANSACTIONS

All transactions with related parties have occurred in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Except as noted, amounts with related parties are non-interest bearing, unsecured, payable on demand and have arisen from the provision of services and expense reimbursements described.

Key Management Personnel Compensation

		2018		2017
Board of Directors, Officers, and Key Management Personnel				
Remuneration	**$**	**42,813**	$	105,325
Share-based compensation[1]		**-**		-

[1]Share-based compensation is disclosed in this table based on the fair value of the stock option grant at the date of grant.

During the three months ended March 31, 2019, the Company expensed $24,743 (three months ended March 31, 2018 - $25,314) to Marrelli Support Services Inc. (“Marrelli Support”) and DSA Corporate Services Inc. (the “DSA”), together known as the “Marrelli Group” for:

(i) Robert D.B. Suttie, Vice President of Marrelli Support, to act as Chief Financial Officer (“CFO”) of the Company;
(ii) Bookkeeping and office support services;
(iii) Regulatory filing services; and
(iv) Corporate secretarial services.

The Marrelli Group is also reimbursed for out of pocket expenses.

As at March 31, 2019, amounts due to related parties totaled $338,233 (December 31, 2018 - $279,269) pertaining to amounts payable for key management remuneration, directors fees, support services from the Marrelli Group, and reimbursement of expenses paid on behalf of the Company.

The Company's Chief Executive Officer participated in the February 13, 2018 non-brokered private placement, acquiring 35,000 common shares for $52,500.

The above noted transactions are in the normal course of business and are measured at the exchange amount, as agreed to by the parties, and approved by the Board of Directors in strict adherence to conflict of interest laws and regulations.

16. SUBSEQUENT EVENTS

On April 10, 2019, the Company completed a non-brokered private placement financing for aggregate gross proceeds of $550,000. The offering consisted of the sale of 1,100,000 units at a price of $0.50 per unit where a unit consists of one common share and one half of a common share purchase warrant, with each full warrant exercisable at a price of $0.75 per common share for 24 months following the closing of the offering.

The securities issued pursuant to the offering are subject to a four-month and one-day statutory hold period.

In connection with the offering the Company compensated eligible institutional finders for their assistance with the offering by paying an aggregate cash fee of $18,500 and issuing to the finders 37,000 compensation warrants in the aggregate, with each finders' compensation warrant exercisable into a common share at the price of $0.75 per common share for 24 months following closing.

On May 3, 2019, the Company announced a shares for debt settlement, pursuant thereto will, subject to receipt of approval of the TSX Venture Exchange, issue an aggregate of 391,666 common shares in the capital of the Company, at a deemed price of $0.40 per common share, in consideration for the settlement of a total of $156,666 in accrued liabilities owing to the Creditors (the "Debt Settlement"). The Company expects that the proposed Debt Settlement will assist the Company in preserving its cash for working capital.

Three of the Creditors are insiders of the Company ("Insiders"), and accordingly, the issuance of common shares to Insiders in connection with the Debt Settlement is considered a "related party transaction" within the meaning of Multilateral Instrument 61-101 – Protection of Minority Security Holders in Special Transaction ("MI 61-101"). The Company is relying on the exemption from the requirement for valuation under MI 61-101 on the basis of the exemption contained in section 5.5(b) of MI 61-101 as the Company's shares are not listed on a specified market, and on the exemption from the requirement for minority shareholder approval under MI 61-101 on the basis of the exemption contained in section 5.7(a) of MI 61-101 as that the fair market value of the consideration of the shares to be issued to the Insiders in connecting with the Debt Settlement does not exceed 25% of the Company's market capitalization.

All securities to be issued pursuant to the Debt Settlement will be subject to a four month and one day statutory hold period from the closing date. The Debt Settlement is subject to all necessary regulatory approvals including from the TSX Venture Exchange.